



Social Mobility &
Child Poverty
Commission

**State of the Nation
2013:
social mobility and
child poverty in Great
Britain**

Presented to Parliament
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October 2013

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, currently a Non Executive Director at the Centre for Social Justice and formerly Managing Director of the Intermediate Capital Group.
- Anne Marie Carrie, Chief Executive of Kensington and Chelsea Education Ltd.
- Paul Cleal, Government & Public Sector Leader at Price Waterhouse 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 first 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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Foreword

This is the Commission's first annual State of the Nation report. 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 governments in the UK and other parts of society are doing, what progress is being made, and what is likely to happen in future. We make a number of recommendations for action.

It is part of Britain's DNA that everyone should have a fair chance in life. Yet too often demography is destiny in our country. Being born poor often leads to a lifetime of poverty. Poor schools ease people into poor jobs. Disadvantage and advantage cascade down the generations. Over decades we have become a wealthier society but we have struggled to become a fairer one. Compared with many other developed nations we have high levels of child poverty and low levels of social mobility. When one in six children – 2.3 million – is officially classified as poor, it exacts a high social price. There is an economic price too in wasted potential and lower growth. One study found that Western countries with high social mobility have enjoyed a much higher economic growth rate over the past century than low-mobility economies.

The global financial crisis has brought these concerns to the fore. In its wake a new public consensus has begun to emerge that unearned wealth for a few at the top, growing insecurity for many in the middle, and stalled life chances for those at the bottom is not a viable social proposition for Britain. As birth not worth has become more a determinant of life chances, higher social mobility – reducing the extent to which a person's class or income is dependent on the class or income of their parents – has become the new holy grail of public policy. These are welcome developments. They are the genesis of the Commission and this report.

How we have made our assessment

Our report is intended – as ministers sought – to be one that holds the Government's feet to the fire. Much of our assessment focuses on what the UK Government and, to a lesser extent, those in Scotland and Wales, are doing to tackle poverty and improve mobility. We also look at what schools and universities are doing and the role that employers and professions, and councils and communities are playing. They are all players on the pitch when it comes to improving life chances. In future years our reports will subject each of them to greater scrutiny.

Reducing poverty and increasing mobility is no easy task. It is a long-term one too. Entrenched inequality and flatlining mobility have been decades in the making. Breaking the transmission of disadvantage from one generation to the next is a painfully slow process. It is often difficult to judge whether things are inching forwards or backwards. Where we have robust data we have been able to make definitive assessments about what is happening in the present.

For our judgements about what could happen in the future we have devised a process of prospective accountability, drawing on evidence from this country and abroad about what makes for more mobility and less poverty as the yardsticks against which to assess prospects for progress.

This evidence has led the Commission to identify what we believe are the keys that can unlock social progress:

- Adults being supported to be warm authoritative parents actively engaged in their children's education, particularly in the early years;
- High-quality, affordable and universal childcare that enables more parents to work and helps improve children's early development;
- High-quality schools and teachers relentlessly focused on raising standards, building social skills and closing attainment gaps;
- Clear accessible routes into work for those pursuing both vocational and academic education and training;
- Plenty of high-quality jobs throughout the country with good progression opportunities and fair recruitment processes;
- Family incomes that are supported by decent levels of pay and the right incentives to find employment and work enough hours;
- Society becoming less unequal over time and individuals with little wealth being supported to build assets.

What our assessment shows

These are challenging times in which to make progress. The improvements in reducing child poverty that took place in the recent past were made in far sunnier times. Today we are facing into strong headwinds: a squeeze on family incomes and on public spending. In these circumstances it would have been easy for the Government to abolish the targets to end child poverty by 2020 or to avoid the long hard haul of making progress on social mobility. We believe the UK Government deserves credit for sticking to these commitments and making new ones. The test we apply in this report, however, is not about good intentions. We take those as read. It is about whether the right actions are being taken.

On child poverty we find that the UK has gone from having one of the highest levels in Europe to a rate near the average over the last 15 years. Numbers of children in relative poverty have fallen recently but those in absolute poverty increased by more than 275,000 in 2011/12. Since 2010 there has been a dramatic 15 per cent decline in the number of children in workless households but a big rise in the proportion of poor children who are in families where someone is in work. Two-thirds of poor children are now in working households.

On employment we find that the labour market has been more resilient than expected, with more people in work than ever before. Older workers have benefited most, younger workers least. Numbers of young people unemployed for two years or more are at a 20-year high and the UK Government has been too slow to act. Real wages were stagnating before the

recession and have fallen further since, putting a squeeze on living standards for many more families.

On public spending we welcome the fact that some services, such as schools, have been relatively protected from cuts. Overall, however, fiscal consolidation has been regressive with the bottom 20 per cent in society making a bigger contribution than all but the top 20 per cent. It has also been intergenerationally unfair: pensioners have been protected but families with children (32 per cent of working-age families) bear half the cost of tax and benefit changes and almost two-thirds of spending cuts.

On childcare we welcome the extension of free services to 2-year-olds but take-up and quality are too variable. Both are lowest in the poorest areas. Flexibility and affordability are big issues for working parents. Britain has among the highest proportion of women in the OECD who switch to working part-time after having children, partly because of caring responsibilities and high childcare costs. And the biggest taboo for public policy – parenting – has been left largely untouched, even though what parents do is the biggest factor in determining a child's life chances.

On schools we welcome the Government's energetic focus on school reform to drive social mobility. We find that the gap between the poorest and wealthiest children has narrowed at primary school and GCSE-level but widened at A-level. The most deprived areas still have 30 per cent fewer good schools and get fewer good teachers than the least deprived. Schools in London are improving most but other places are falling behind for disadvantaged students, including parts of Middle England. And pupils who are at risk of low attainment – not just those who are low income – receive too little attention.

On making the transition to work we welcome the big expansion in apprenticeships but not the decision to abolish the Educational Maintenance Allowance. For decades, public policy has been obsessed with higher education to the detriment of 'the other 50 per cent' more likely to go into vocational education. They experience lower funding, greater complexity and more variability in quality than university students. Despite new effort, Britain is a long way from having a clear road-map for these youngsters, too many of whom end up not in employment, education or training (NEET) each year.

On welfare reform we find that Universal Credit could be transformative in encouraging more people into paid employment but its impact is weakened by high childcare costs and the impact of benefits outside of its scope such as council tax and, potentially, free school meals. The incentives being put in place for people to get into employment are mainly welcome but we are sceptical that economic, welfare and childcare reforms will be enough, on their own, to allow the Government to hit its child poverty target by 2020.

On universities we welcome the progress that has taken place over the last 20 years to attract more low-income students. We find, however, that top

institutions have not progressed as far as universities as a whole and that there are 3,700 'missing' state school students each year who have achieved the grades to get into the Russell Group of universities but still don't. The worst fears about the negative impact of tuition fees have not been realised so far but the big falls in applications from mature and part-time students are causes for concern.

On the professions we welcome employers' efforts to open their doors to a wider pool of talent. New research for this report, however, finds that class is a bigger barrier than gender to getting a top job. Senior professionals are still more likely to be privately schooled and privileged men. At the bottom of the career ladder work experience is a lottery: just one in five firms in the East Midlands provide it, compared with one in three in London. Graduates who have completed internships are three times more likely to get a job offer than those with no work experience, but 90 per cent of placements are unpaid in professions such as journalism.

What we conclude

There is much to welcome in what the Government, employers, schools and universities are doing. The issues of social mobility and, to a lesser extent, child poverty are on all their agendas. The question is whether the scale and depth of activity are enough to combat the headwinds – economic and fiscal especially – that Britain faces if it is to move forward to become a low-poverty, high-mobility society. The pessimistic conclusion we reach is that currently it is not.

We conclude that the UK is not on track to meet the statutory goal of ending child poverty by 2020. The best projections we have suggest that the target will be missed by a considerable margin, perhaps by as many as 2 million children in relative poverty. Although we know it is probable that any government would be finding it hard to remain on course in the teeth of the economic issues and the fiscal challenges that Britain faces, we are deeply concerned that a decade or more of reductions in child poverty could be coming to an end. We challenge all political parties to say how they would make progress.

Britain remains a deeply divided country. Disadvantage still strongly shapes life chances. A balanced economic recovery, between different parts of Britain, is not currently within reach. If, as seems likely, the recovery sees the trend of the last decade continuing, where the top part of society prospers and the bottom part stagnates, inequalities will grow and the rungs of the social ladder will grow further apart. Despite often considerable effort, social elites have not been opened up, whether at top universities or in the top professions. Incremental improvements and promising reforms in schools and welfare do not counterbalance a series of present-day problems – most notably high youth unemployment and falling living standards – that are storing up trouble for the future. We see a danger that social mobility – having

risen in the middle of the last century then flatlined towards the end – could go into reverse in the first part of this century.

None of this is to suggest that the Government and others are not trying to make headway. We see considerable effort and a raft of initiatives under way. It is possible that in time they will make a difference. But we fear that the approaches currently being taken – which find an echo across the political spectrum – are simply not enough to move the dial. We say that because they do not take into account three profound changes that we believe have been under-estimated by policy-makers, lobby groups and employers.

The first fundamental change is growing insecurity among average-income families, not just lower-income ones. Material disadvantage is, of course, more pronounced at the bottom of society but it is far more widespread than people imagine. Poverty is dynamic, with almost half of Britain's citizens finding themselves poor at some point over a nine-year period and one-third over four years. Recent falls in family incomes and living standards have put the squeeze on many low- and middle-income families. When combined with rises in house prices, university fees and youth unemployment, these factors have induced a sense of fear among many average-income parents that their children will be worse off than they were.

These Middle Britain concerns find an echo in data in this report. In schools, for example, the areas where policy-makers have long focused their attention – poor performance in the inner cities, especially London – are no longer the sole target. Over the past decade both standards and gaps in attainment have dramatically improved there. London state schools today are the best performers in the country and children on free school meals in London do 50 per cent better at GCSEs than their peers elsewhere. The worst region for attainment by the poorest pupils is South East England, and the worst schools for them are in Middle England areas such as West Berkshire and Herefordshire, and towns such as Peterborough and Swindon. New research in this report finds that nearly two-thirds of low-attaining children at GCSE, many of them from average-income homes, are currently ineligible for the Pupil Premium.

This presents policy-makers with sharp dilemmas about where best to focus their efforts. But it also presents an opportunity – to make the pursuit of a society with less poverty and more mobility something that is relevant to the many and not just the few in Britain. Previous efforts to reduce poverty foundered, in part, because they were perceived to be exclusively favouring one small section of society, neglecting many more who were struggling with falling living standards. The lesson from the recent past is that a wider cohort needs to benefit from public policy and a greater public consensus has to be built if progress is to be made.

The second fundamental change is in the nature of poverty. For decades, policy-makers have worked on the assumption that a job was the best way to get someone out of poverty. Work does remain the best safeguard against

being poor, but it is not a cure for poverty. Today child poverty is overwhelmingly a problem facing working families, not just the workless. Two-thirds of Britain's poor children – compared to less than half in 1997 – are now in families where an adult works. The available data suggest that in three-quarters of those, someone already works full-time. The principal problem is that those working parents simply do not earn enough to escape poverty. The UK has one of the highest rates of low pay in the developed world. The National Minimum Wage is now worth £1,000 less in real terms than it was in 2008. Today, 4.8 million workers, often women, earn less than the Living Wage. Too often, the working poor are the forgotten people of Britain.

Over decades the labour market has polarised between high skills, high-wage work for those with the right qualifications and connections, and low skills, low-pay work and little prospect of social advance for those without. Public policy has not yet come to terms with that profound change. Traditionally the prime focus of policy-makers' attention has been on getting people off benefits and into work. With 2.5 million people still unemployed that attention must not diminish but there needs to be an additional focus – on securing for the working poor higher pay, lower insecurity and better opportunities for career progression. A comprehensive approach to tackling in-work poverty is the missing piece of the Government's policy jigsaw.

The third fundamental change is the new constraint on public spending. As the Office for Budget Responsibility has been at pains to point out, even if the UK's structural deficit is eliminated in the short term, an ageing population will confront any future government with a major fiscal challenge in the medium term. Fewer workers and more retirees mean that we risk spending more as a country than we are earning. Austerity is likely to be with us beyond the short term. Something will have to give. In future, governments will have to accept that hard choices will need to be made about where they place their bets.

An age of austerity demands that policy-makers who are serious about making social progress get the maximum mobility-improving, poverty-reducing bang for the buck. The problem is that working age and children's spending are going to be in competition with the rising costs of an ageing society. In recent years, ministers have chosen to favour the latter over the former, for perhaps obvious political reasons. Figures in this report suggest that state pension costs are going up by 17.5 per cent during the course of this Parliament, £13 billion in 2013/14 prices, a sum equivalent to more than half of the savings from welfare reform made to 2014/15. We do not believe that favouring pensioners over their children and grandchildren will be a sustainable position over the long-term if a meaningful dent is to be made in the UK's high levels of child poverty and low levels of social mobility.

Similarly, public spending was the main engine that drove reductions in child poverty during the late 1990s and early 2000s. Higher tax credits subsidised stagnating earnings and propped up living standards. During that period, they were the only substantial source of growth in real incomes for those in the bottom half. Austerity removes that prop. The taxpayer alone can no longer

afford to shoulder the burden of bridging the gap between earnings and prices. The Government will need to devise new ways of sharing that burden with employers, without damaging employment.

We conclude that these three changes, when put together, call for a renewed drive behind new approaches to beating poverty and enhancing mobility. In our view, making headway requires a fresh settlement between the state, the market and the citizen. The State will need more actively to focus resources and efforts on improving life chances for children and more actively engage in the labour market both to increase jobs and improve earnings for adults, the young especially. The market will need more actively to step up to the plate through employers offering a fairer deal at work based on better earnings and opportunities to progress. And every citizen with children should be expected actively to parent and work their way out of poverty by seeking jobs, working enough hours and seizing the opportunities made available to them. Our recommendations have been shaped with this new settlement in mind.

What we recommend

In this report, we make many recommendations. Here we focus on ten of our principal proposals.

First, we urge the Government to aim for a balanced recovery to ensure that all parts of the country benefit, with action to reduce living costs and improve earnings.

Second, we urge the Government to set a challenging aim of eliminating long-term (12 month+) youth unemployment and reducing NEETHood below the European average by increasing learning and earning opportunities for young people who should be expected to take up those opportunities or face tougher benefit conditionality.

Third, we urge business leaders and the Government to come together to ensure that half of all firms offer apprenticeships and work experience as part of a new effort to make it easier for 'the other 50 per cent' to pursue high-quality vocational training.

Fourth, we urge the Government to focus on reducing in-work poverty by looking again at the remit of the Low Pay Commission to enable raising of the minimum wage, paying job agencies for the earnings people receive rather than the number of jobs, and by reallocating Budget 2013 funding for childcare from higher-rate taxpayers to help those on Universal Credit meet more of their childcare costs.

Fifth, we urge employers to accept that the taxpayer alone can no longer bridge the gap between earnings and prices and that they will need to step up to the plate by providing higher minimum levels of pay and better career prospects, enabled by better skills.

Sixth, we urge the Government to ensure a fairer intergenerational share of the fiscal consolidation pain and, over time, reallocate public resources from the old to the young.

Seventh, we urge the Government to create a long-term plan with clear milestones to make early years' provision universal, affordable and of a sufficiently high quality, and to rebalance a long-held exclusive focus on institutional forms of childcare by doing far more to help parents to parent.

Eighth, we urge schools to adopt a dual-mandate of raising the bar on standards and closing the gap on attainment with more help for low attainers from average income families as well as low-income children to succeed in making it to the top, not just getting off the bottom.

Ninth, we urge the Government to better resource careers advice and provide extra incentives for teachers to teach in the worst schools, with colleges in the future being paid by the results they achieve for their students in the labour market and not the numbers they recruit.

Tenth, we urge the professions to open their doors to a wider pool of talent by ending unpaid internships and recruiting more widely. We urge top universities to do the same by using contextual data and foundation degrees.

What we hope will happen

We recognise that these proposals, alongside the others we make in this report, are very challenging recommendations. We do not under-estimate how difficult they are to achieve. They are a challenge to national and local government, employers and professions, councils and communities, and schools and universities alike. There is no single lever that on its own can bring about less poverty and more mobility in our country. No single organisation can do it either. The Prime Minister is right to say that we are all in this together. A far bigger national effort will be needed if progress is to be made.

That effort will require leadership at every level. The Government cannot do it alone. But it does have a special role to play in setting the framework for policy and mobilising the country to action. To play that role effectively we believe that the Government will need to do more to embed social mobility considerations in its own processes. In Scotland and Wales, for example, we note that social mobility currently has a low profile as an issue. We would like to see that change. In England, we see good intentions being thwarted by a complex array of strategies, initiatives, indicators and accountabilities. Government can take credit for making this effort and for making some progress but its own case is undermined by insufficient clarity about what it is seeking to do. We advocate more clearly defined goals, sharper milestones and better criteria for success. We also suggest appointing a single senior Cabinet Minister for Social Mobility who would be responsible to a full Cabinet committee, and charging the Office of Budget Responsibility to produce

independent analyses of decisions to assess their impact on poverty and mobility.

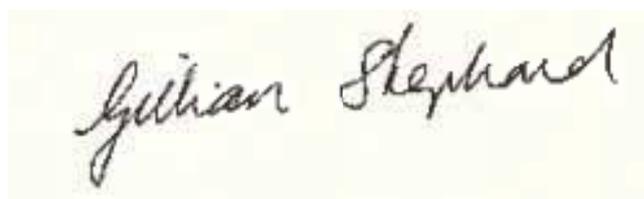
We look for early evidence that the drive against poverty and for social mobility is becoming more of a golden thread that runs through all aspects of what the Government does. Just as the UK Government has focused on reducing the country's financial deficit, it needs to redouble its efforts to reduce our country's fairness deficit.

Between now and next year's State of the Nation report we will be looking for evidence that the concerns we have highlighted in this year's report are being addressed and that the proposals we have made are being taken on board. Despite the tough climate for doing so we believe that progress can – and must – be made. We know from the evidence we have seen, both from other countries and our own, that demography need not be linked to destiny. The progress made in London schools is one such point of proof. Fewer children living in poverty is another.

The international evidence suggests that we can make more progress still. Our rate of child poverty is twice that of the best-performing countries in the world. If Britain is to avoid being a country where all too often birth determines fate, we have to do far more to create a more level playing field of opportunity. That objective has to become the core business for our nation. We look to the Government and others to make that happen.

A handwritten signature in black ink, reading "Alan Milburn". The signature is written in a cursive, flowing style.

The Rt Hon. Alan Milburn
Chair

A handwritten signature in black ink, reading "Gillian Shephard". The signature is written in a cursive, flowing style.

The Rt Hon. Baroness Gillian Shephard
Deputy Chair

Executive summary

Chapter 1: what makes for less child poverty and more social mobility

Over decades British society has become wealthier but it has struggled to become fairer. Despite the figure falling significantly in recent years, 2.3 million children in the UK – one in six – live in relative income poverty, a higher rate than that of countries such as Denmark, Sweden and Germany.

Poorer children fall behind in development before the age of 3, and never catch up again. Educational attainment gaps result in low social mobility. Only one in eight children from low-income homes goes on to achieve a high income as an adult. The association between incomes of fathers and sons, a key measure of social mobility, is twice as strong in the UK as in Finland, Australia and Canada.

Social division takes many forms in our country. The UK is divided spatially, there are big divides in earnings and education by ethnicity and there is an enduring, if narrowing, gender divide, with over 60 per cent of low paid workers being female. Material disadvantage is pronounced at the bottom of society but it is experienced far more widely than people imagine. Poverty is dynamic: almost half of individuals in Britain find themselves poor at some point over a nine year period. More broadly, many children – including those from families with above average incomes - now face the prospect of having lower living standards when they become adults than their parents. These are issues that touch the whole of British society, not just some of its parts. Tackling child poverty and low social mobility is a national imperative.

Economically, Britain cannot afford to waste talent and potential that could make a major contribution to growing a sustainable economy. The cost of child poverty is estimated at £29 billion a year: the equivalent of £1,000 per taxpayer per year. Improving social mobility by raising all children to current average levels of educational attainment could contribute £56 billion a year by 2050, the equivalent of 4 per cent of UK GDP.

Helping to address this situation is the ultimate purpose of the Social Mobility and Child Poverty Commission. We are a statutory body which brings together ten experts from across politics, business, the voluntary sector and academia, and from England, Scotland and Wales. Our task is to hold the UK Government and others to account for the decisions they make that affect child poverty and social mobility.

The UK Government has committed to meet the legally binding targets to end child poverty by 2020, and has pledged to make social mobility the principal goal of its social policy. In this report, we assess progress using the indicators in the UK child poverty strategy and social mobility strategy and the Welsh and Scottish child poverty strategies. We also look at wider data and international evidence, making a judgement about overall coherence, fairness and whether or not every part of society is playing its role.

High child poverty and low social mobility are problems with deep roots – they are likely to need long-term solutions that go well beyond any one electoral cycle. We have used international evidence to delineate the features associated with societies that have lower child poverty - including universal affordable childcare, work incentives that encourage employment, high-quality jobs with progression opportunities, active labour market programmes and stable families. We have taken the same approach to identify the features associated with societies that have higher social mobility – including high-quality childcare, schools and teachers, and fair access to higher education, vocational training and professional careers. Tackling income inequality, encouraging good parenting and developing character skills are all also important. The Commission has decided to ground our analysis of developments in the UK on our reading of this evidence.

Delivering less poverty and more mobility is not in the gift of any one part of society, so our assessment has to range widely. It is government, however, that has the key role to play in providing national leadership, designing the policies and creating the incentives that influence other players. By definition much of this report focuses on what government is doing and the likely impact of its approach.

The Commission believes that government, political parties and civil society should recognise ending child poverty and improving social mobility as the twin objectives of social policy so providing a road map to guide future public policy and organisational activity. The more children there are in poverty, the lower the level of social mobility that Britain is likely to achieve.

Chapter 2: the challenging context

These are tough times for making progress on improving social mobility and reducing child poverty. It is very welcome that, despite this challenging context, the UK Government has committed to making progress on reducing child poverty and improving prospects for social mobility. The Commission believes that it deserves credit for doing so. The test we apply in this report is not, however, about good intentions – we take those as read. It is about whether the right actions are being taken.

Improvements over the last 15 years in living standards and life chances took place when the economy was growing, unemployment was low and spending was high. Future progress is threatened by four interlocking challenges.

The economic challenge is that the recession was deep and the recovery slow. There have been more than eight years of lost growth: GDP per capita was the same in 2013 as it was in 2005. The size of the economy is not expected to reach pre-recession levels until 2018, a decade after the recession began, and more than twice as long as the period after the Great Depression of the 1930s. And long-standing regional imbalances persist, with London forging ahead, while other regions struggle. The good news is that we are seeing early signs of recovery, but more needs to happen to ensure

balanced growth and economic development that reduces poverty across the UK. Tackling poverty and improving social mobility relies on the UK being able to rebalance the economy and close the gaps between the nations and regions. We are a long way from this and, on some measures, the gap is becoming wider not narrower.

The fiscal challenge is that there is less money to support the incomes of low-wage families and fund services that level the playing field on life chances. All the main parties are committed to fiscal consolidation (the debate has been about timing and structure), so this is about how, and not whether, difficult choices are made. Austerity is not ending any time soon, regardless of the result of the next Election. The Commission is primarily interested in the distributional impact of fiscal consolidation and therefore we believe it is essential that each of the main political parties spells out in clear and detailed terms how it intends to go about it.

Crucially this is not just a short-term constraint. An ageing society means we face a long-term dilemma of funding working-age social objectives when there are fewer workers per retiree. State pension costs will rise by 17.5 per cent in real terms in this Parliament – a sum equivalent to more than half of the savings from welfare reform made to 2014-15. In the consolidation to date, much more of the burden of fiscal adjustment has been borne by people of working-age than pensioners.

The UK Government set itself a test to achieve “fair deficit reduction”. We find that the highest earning fifth of households is making the greatest contribution to fiscal consolidation. But, once the highest earners are excluded, we find fiscal consolidation to be regressive, with the lowest-earning fifth of households making a larger contribution than any other group except those in the top 20 per cent, both as a proportion of their incomes and in absolute terms. Low-income families - especially lone parents - lose out by more than their peers as a proportion of their net incomes.

Overall, the Commission concludes that the process by which fiscal consolidation has been implemented is placing an unfair burden on the poorest households – including those in low paid work – at least in the short-term. It remains to be seen whether there will be sufficient medium-term improvements in living standards and life chances through other government policies aimed at increasing labour market participation and delivering better education outcomes to counter-balance the short-term impact of fiscal consolidation on low-income households.

The earnings challenge is that employment and earnings are the key drivers of child poverty, while social mobility is affected by youth unemployment levels and the quality and quantity of jobs. The good news is that the labour market has performed well overall, with total employment at the highest level recorded, and 700,000 fewer people unemployed at the peak of the recession than if it had followed the pattern of the 1990s. But it has performed very differently for older and younger workers. For the over-50s employment rates

are higher than before the recession; those for 18-24-year-olds are still 8 percentage points below, at 56.7 per cent. A fifth of 18-24-year-olds are not in full-time education or employment and working-age unemployment remains at nearly 2.5 million. At the same time, there has been a shift to part-time work and more insecure forms of employment.

There has been significant downward pressure on average real wages. They did not keep pace with economic growth before the recession and there have been significant cuts in real wages since. All this means that real median weekly earnings have fallen by 10.2 per cent since 2009 and are now lower than in 1997, putting a tight squeeze on standards of living.

The cost of living challenge is that high inflation has seen costs outstrip wages, adding to the pressures being experienced by low-income families. Between 2007 and 2012, food became 30 per cent more expensive and gas 57 per cent. These costs weigh more heavily on low-income families, who pay a 'poverty premium' linked to lack of affordable credit, use of pre-payment meters and lack of internet access. Housing costs, water, electricity and gas take up nearly 60 per cent of total income for the poorest tenth compared with less than 30 per cent of that of the richest 10 per cent. Taking action to tackle the "poverty premium" and reduce the costs that low-income families face for necessities has not been a major part of public debate in recent years. Such a debate and action is long overdue. It is time to take action to address these issues.

Without more concerted action to address imbalances in the labour market, high levels of youth unemployment and falling earnings, it will be almost impossible to make progress towards the goal of a highly socially mobile, low poverty society. We recommend that the Government:

- Continues to focus on returning the economy to growth and that the accent now needs to be on securing a balanced recovery between different parts of the UK.
- Prioritises child poverty and social mobility in future fiscal consolidation and secures a fairer balance of consolidation between the generations and between better-off and worse-off families.
- Actively engages employers in improving earnings 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.
- Gives further consideration to how it could help to reduce the cost of living faced by low-income families – improving living standards and helping to reduce pressure on the public finances.

Chapter 3: Poverty today

We applaud the UK Government's decision to maintain the goal of ending child poverty by 2020 despite the challenging economic and fiscal environment. We also agree that poverty is about more than income, and that

broad improvements to living standards and opportunity are needed. We have suggested to Government additional ways of measuring poverty. The Commission is clear that the most effective way of tackling child poverty is through getting more parents into work, supporting them to stay in work, and helping them progress into jobs that pay enough for them to escape poverty under their own steam. Getting these levers to work in sync must be the key priority for public policy. Doing so means addressing the range of factors influencing worklessness and low earnings. Given the challenging context, this is likely to mean looking beyond some of the tools used in the past.

Over the last 15 years or so the UK has gone from having one of the highest rates of child poverty in the developed world to the EU average. Relative poverty fell significantly in the UK at a time when it was rising in many other countries. In Scotland it fell particularly fast; in Wales it has also gone down but remains higher than other parts of the UK. The international evidence suggests we can go even lower: for example, the UK's rate of child poverty is still almost twice as high as in the best performing countries of Scandinavia.

The main story of child poverty in recent years appears to be that, after reductions in poverty in the UK following the recession, progress has begun to stall. In 2011/12, 2.3 million children were in relative income poverty before housing costs, and 2.6 million in absolute income poverty. The numbers of children in absolute poverty increased by more than 275,000 in 2011-12. While progress on relative poverty is welcome, we are extremely concerned about this rise in absolute child poverty, particularly as these numbers only reflect fiscal consolidation measures implemented by April 2011. If poverty rises continue, the 2020 child poverty targets will be missed. Urgent action is required to get back on track.

The limited progress made on living standards may be more acceptable over the short-term if there is more success in addressing longer-term drivers of poverty. Here the good news is that numbers of children in workless households in the UK have fallen by more than 15 per cent (300,000) since 2010 to reach 1.6 million, the lowest level since comparable records began in 1996, although improvement is not evenly spread across the country. Around three-quarters of the reduction (72 per cent) has taken place in London.

The bad news is that limited progress has been made in reducing relative poverty risks among children in working families, with two-thirds of children (66 per cent) in poverty in working households in 2011/12, up from 43 per cent in 1996/97.

One reason often cited as to why many families are in working poverty is the number of hours that parents are working, and this is part of the picture. But new analysis by the Commission finds that, according to official data, three-quarters of children in working poor households live with a parent in full-time work. The Institute for Fiscal Studies (IFS) has concluded that low pay is now a stronger predictor of poverty than low hours. We agree. The UK remains at

the wrong end of international league tables on wages with more than one in five full-time workers classified as low paid. Those most at risk of low pay are young, female, low skilled workers in temporary or part-time work, often in the hospitality, retail and care sectors.

The working poor have to be the focus of future efforts to eradicate child poverty. There have been significant changes in the characteristics of families in poverty in the UK over the past 15 years. Traditionally, the focus has been on getting people off welfare and into work. With 2.5 million people unemployed – with continuing low employment rates in areas of the UK like Wales and the North East - that focus must of course continue. But when two in three children in relative poverty live in a working household and three quarters of them have at least one parent in full-time work, there is an urgent need to focus on how work can be made to pay enough to lift families more reliably out of poverty, including higher wage levels, better security, and opportunities for career progression.

The UK Government's current child poverty strategy has sensible aims, but it has too little activity focused on in-work poverty. In the Commission's view, it will be extremely challenging to reduce child poverty unless employers play a far bigger part in creating a labour market where parents in work are able to escape poverty. In the past, tax credits and in-work benefits have effectively subsidised low wages. They were the bridge between low earnings and high living costs. Fiscal constraints have weakened that bridge. It alone cannot carry the weight of tackling in-work poverty. In future, more action will be needed to lift earnings from employment. The challenge of course is to reduce the extent of low pay in a way that does not damage employment, but the case for a higher National Minimum Wage is increasingly strong given that its real value has fallen in recent years. The Commission also recommends more transparency on low pay, and a clearer focus on career progression.

Where does this leave prospects for child poverty in the future? The Commission believes that the UK is not on track to meet its goal of ending child poverty by 2020. Projections by the IFS suggest that relative poverty will rise to 2.8 million (20.9 per cent) by 2014/15 and absolute poverty to 3.2 million (23.8 per cent). Its estimates suggest that by 2021, on current policy, there will be 2 million more children in relative poverty and 3 million more children in absolute poverty than required to meet the targets.¹

These projections are subject to significant uncertainties. The Commission acknowledges that Universal Credit and other reforms will have dynamic behavioural effects that are not factored into the IFS figures that will help to reduce child poverty. The Commission believes that Universal Credit has the potential to be a transformative reform that can be expected to encourage many people to enter employment and to increase their hours of work. Much of its impact will be through smoothing transitions between work and

¹ Note the absolute poverty figure here is highly sensitive to the inflation measure used to update the fixed line.

worklessness rather than stronger financial incentives. Marginal effective tax rates, though improved in some cases, remain high compared with other countries and second earners are in some cases penalised. While Universal Credit represents a significant improvement on the current system, there is still further to go to ensure that work always pays for all parents after taking account of high childcare costs and elements outside Universal Credit such as local council tax support.

Overall, the Commission considers it unlikely that the dynamic impacts of welfare reform on employment and hours of work will be sufficient on their own to meet the 2020 targets. There will need to be more progress in enabling full-time employment that pays well, which depends in turn on childcare.

Overall on child poverty, the Commission is deeply concerned that a decade or more of progress could be coming to an end and that the targets look set to be missed by a considerable distance. It is probable that any government would be finding it hard to remain on course, and the previous strategy of relying heavily on income transfers was running out of road even before the recession. But stagnation is not inevitable. Future progress will depend on a renewed collective effort from parents, employers and government. Parents will need to accept responsibility to work themselves out of poverty, including improving skills. Employers will need to create better-paying, higher-quality jobs, with real opportunities for staff to progress. The Government will need to do its bit to make sure work pays and to protect those who cannot work.

All this amounts to a new settlement on child poverty based on: higher employment in every region; a new focus on action to raise wages; action to tackle living costs - especially on essentials like energy, food and housing; and personal responsibility with parents supported and challenged to find work, work enough and improve skills.

The Commission recommends that the UK Government should:

- Use the next child poverty strategy, to produce a detailed step-by-step plan for how it will meet the 2020 targets.
- Continue its efforts to get more people into work but should give new priority to ensuring that work pays and that parents who “do the right thing” are able to escape poverty. In the short-term, it should consider changing the remit of the Low Pay Commission with a view to delivering a higher minimum wage. For the medium-term, it should produce a clear and costed plan to ensure that, over time, there is sufficient in-work support in place to provide a new guarantee that every family meeting the UK Government’s expectations about their hours of work will be able to live free of poverty.
- Adapt its Universal Credit plans and examine its welfare reform programme more generally to ensure that they are capable of delivering a bigger impact on in-work poverty. Of the new funding allocated for the Budget 2013 childcare proposals, 80 per cent will go to households in the

top half of the income distribution, which the Commission believes could be spent more effectively within Universal Credit to further incentivise parental employment.

- Work with employers and their representative bodies to determine what action – statutory and non-statutory- will be required to lift earnings without damaging employment.

Chapter 4: life chances and social mobility

Improving social mobility has become a central concern of public policy in recent years – ensuring that poor children don't become poor adults, and that access to good jobs depends on merit, not unfair advantage. But the UK is a low-mobility society compared to similar nations.

The evidence has long been clear that, too often in our country, the circumstances a child is born into shapes their destiny. Being born poor too often leads to a lifetime of poverty. In recent years a new concern has risen to the fore: the middle being left behind by the top, as competition to access the best opportunities intensifies. This comes against a backdrop of uncertainty about the prospects of improved living standards for the next generation.

The Commission strongly welcomes the UK Government's commitment to improving life chances, as set out in its social mobility and child poverty strategies - and supports its ambitions. We particularly welcome the fact that key services have been relatively protected in areas that could help narrow gaps between disadvantaged children and others including childcare, more health visitors and the expansion of Family Nurse Partnerships. But other services which contribute to the goal of improving life chances are under severe pressure, including children's centres, wider local authority funding and asset-based welfare (now largely cut). The UK Government's existing strategies do not tell us much about what success looks like and at present accountability is spread across too many Ministers and too many committees to ensure a truly coherent approach.

Nonetheless, there have been improvements in development and attainment of children eligible for free school meals (FSM) at 5, at 11 and at 16. Other life chances factors such as the teenage conception rate, and young people receiving their first reprimand, warning or conviction have continued long-term falls. But there has been less success at A-Level, where the social gap widened between 2010 and 2012,² or in enabling access to the most selective universities that would open up elites. Youth reoffending rates have also worsened. And while it is welcome that government is focusing hard on

² FSM attainment of two or more A-Levels at 19 rose from 14.7 per cent in 2009/10 to 15.6 per cent in 2011/12, an increase of 0.9 per cent. But non-FSM attainment rose by 2 points to 37.5 per cent, so the gap widened by 1.1 per cent, to 21.9 per cent. On a less rigorous measure – any Level 3 qualification - absolute attainment rose by more than 4 percentage points for both FSM and non-FSM students, but the gap was unchanged.

raising the attainment of poor children we believe it does not go far enough: the ambition should not just be to get children off the bottom but to get more of them to the top.

Looking ahead, the Commission identifies serious risks to progress on social mobility including rising child poverty levels and high youth unemployment. Both of these make efforts to close attainment gaps and ‘break the cycle’ of disadvantage more challenging. Failure to open up opportunities and tackle income and wealth inequalities are risks to getting children from low- and middle-income backgrounds ‘into the top’. The Commission is concerned that life chances ambitions should not be limited to those who are eligible for free school meals but should focus as well on those whose low attainment is likely to lead to poor adult outcomes. We find that nearly two-thirds of low attaining children at GCSE are ineligible for the Pupil Premium.

Overall, the Commission’s assessment is that we remain a divided country, with disadvantage still strongly shaping life chances. We judge that, despite good intentions, the scale and intensity of the Government’s efforts do not yet match its ambitions. Despite incremental improvements and promising reforms in areas like schools we see a series of present-day problems – most notably high youth unemployment and falling living standards - that are storing up trouble for the future. Given the difficult context in which the Government finds itself we think much more will need to be done to mitigate the risks.

We recommend that the UK Government:

- Commits to ending child poverty and improving social mobility as its shared overarching mission, not just setting them as two goals among others. To that end, the Government should more actively seek to mobilise parents, schools, employers, the professions, local government and charities behind these ambitions.
- Brings greater clarity to its social mobility agenda by identifying defined goals, supported by a definition of success, and a timeline for reaching milestones with greater coherence by appointing a single senior Cabinet Minister responsible to a full Cabinet Committee (along the lines of the Social Justice Committee which has given focus to efforts to tackle entrenched disadvantaged). The Office of Budget Responsibility should be charged with producing independent analyses of tax and spending decisions for their distributional and opportunity impacts.
- Broadens the focus of its social mobility agenda to open up further opportunities for average-income families as well as low-income ones, to support children at risk of low attainment as well as those at risk from low-incomes and to do even more for those with the potential to get to the top as well as those who are currently struggling at the bottom.

Chapter 5: the early years

Developmental gaps between better-off and worse-off children that shape their whole lives open by the age of 3 - driven in large part by home circumstances and parenting. Research suggests that schools only account

for 20 per cent of the variation in children's results. Two in five of children from the poorest homes are read to every day compared to nearly four in five of those from the richest families; the poorest children are just over half as likely to be breast-fed; and disadvantaged mothers are three times more likely to suffer from post-natal depression.

High-quality childcare can make a difference, both directly by improving child development, and indirectly by enabling maternal employment. Expansion of early years services over the past 15 years has improved some outcomes, but hasn't yet closed gaps significantly.

Since 2010 in England, the proportion of children eligible for free school meals who are assessed as achieving a 'good level of development' at age 5 has risen to nearly half (48 per cent) compared with two-thirds (67 per cent) of other children. The gap, 19 percentage points, is unchanged. If the percentage of children achieving a good level of development in the Early Years Foundation Phase increases at the average year on year increase seen since 2009/10, the gap would only narrow another 1.4 percentage points by 2015/16. That progress is too slow.

Against this backdrop, the Commission welcomes the UK Government's expansion of early education for disadvantaged 2-year-olds, but identifies risks to overall progress including:

- Variation in quality and take-up. In the least deprived areas, four in five early years providers are good or outstanding compared to just two in three in deprived areas. Three quarters of providers are good or outstanding in the South West compared to under two thirds of providers in the East Midlands. And lower-income parents are much less likely to use formal childcare, and more likely to prioritise cost relative to quality when they do.
- Lack of focus on parenting which – despite being the single biggest influence on children's futures - remains the Cinderella of early years services. The Government has implemented intensive approaches like Family Nurse Partnerships and the Troubled Families Programme, and very broad universal information services. These are welcome but we are concerned that not enough is being done to help parents to parent. More use could be made of the antenatal period, when parents are keen to learn, to give them simple messages on child development.
- Uncertainty over the overall vision. The key childcare challenge is to deliver quality (to improve child development) and volume (to enable employment), affordably. At the moment England struggles with all three, and the overall destination of UK government reforms is not as clear as it is for example in Scotland, which has set out an aspiration to be the 'best place in the world for children to grow up', backed by ambitious goals for 85 per cent of two-year-old children to reach all developmental milestones by 2016.
- Service cuts after early intervention funding to local authorities was de-ringfenced and the overall pot reduced by £0.9 billion. The evidence suggests that children's centre numbers have been resilient at a headline

level, with some efficiencies achieved, but at the price of hollowing out, with shorter hours and fewer services available.

These are gaps that need to be filled. The Commission believes that the policy ideal is a better balance between quality and volume: which means heading towards the type of universal, affordable and high-quality childcare that parents in Nordic countries benefit from.

The Commission recommends that the UK Government should:

- Increase its focus on the role of parents in improving children's early outcomes. It should urgently review how best to communicate with low-income parents and improve their take up of information services. To that end it should bring together organisations from across the third and private sectors to develop an innovative parenting campaign with clear strategies to target those at the lower end of the income spectrum.
- Set out a long-term plan for narrowing gaps in children's development in the early years, including how it will prioritise the quality of early education and the role of parenting. If the ambition is to move towards a Nordic-style system of universal, high-quality, affordable childcare, Government should identify clear milestones and timescales for delivering it.
- Act quickly with local authorities to ensure high take up of the free early education offer by low-income parents.
- Consider 'stretching' the Pupil Premium funding into early years education, to incentivise the use of high-quality provision and the narrowing of development gaps earlier in a child's life. It should also develop new local accountability mechanisms, including on local delivery of children's centres and the availability and quality of free early learning places for 2-, 3- and 4-year-olds.

Chapter 6: schools

The UK has a stronger link between family background and performance in school than many other OECD countries. For decades the assumption that deprivation was destiny - that wealthier children would naturally excel while poorer children would lag behind - seemed to underpin public attitudes and the public policy approach taken to education. But those attitudes have changed as countries as diverse as Singapore, Poland and Canada have all made impressive achievements in raising attainment. In recent years new evidence has been gathered from England – London especially – that good schools can transform education prospects for less well-off children.

School standards and examination results have both risen over recent decades across England, but there remains a worryingly 'long tail' of underachievement. In England the most recent data show improvements in attainment for the poorest students, as defined by those eligible for free school meals at 11, 16 and 19 between 2009/10 and 2011/12. But at GCSE, under two fifths of children eligible for FSM get grades A*-C in English and maths compared with nearly two thirds of ineligible children. Only a third of

students eligible for FSM get any Level 3 qualifications by age 19 compared with three in five ineligible children.

There are stark regional differences which need to be addressed. Since the late 1990s there has been a major shift in the geography of educational inequality in England. London state schools now perform best but the South East of England is the worst region for children eligible for free school meals, with under three in ten getting five A*-C grades at GCSE compared with two in three ineligible and nearly half of children eligible for FSM in London. Two thirds of schools in the most deprived areas are good or outstanding compared to nine in ten in the least deprived areas – a more than 20 percentage point gap - but many of the weakest schools for poor children are in Middle England – places like Peterborough, West Berkshire and Herefordshire. The worst performing major ethnic group among children eligible for free school meals is White British pupils, with other ethnic groups having improved more quickly in recent years.

We applaud the dynamism with which ministers are approaching the task of school improvement and their determinism to align means – through their reform programme – with ends – a more mobile society. We have, however, identified some areas of risk which, if not addressed, could jeopardise progress in closing the education attainment gap, including:

- Variation in teacher quality – Many of England's half a million teachers do an excellent job but disadvantaged students are not getting their fair share of the best teachers. In the North East, less than a third of schools in the most deprived areas had teaching rated as good or outstanding compared with 85 per cent in the least deprived, and 77 per cent in the most deprived areas of London. There is also a 'within school' problem of deployment. The Commission notes evidence that schools aren't targeting their resources according to need. Unlike the best-performing countries on equity which use their best teachers with their low attainers, in England, schools are too often targeting their teaching resources indiscriminately, with some schools using poorly trained teaching assistants with their low attainers. 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.
- Failing schools and poor standards – The Government is seeking to raise standards through a more rigorous curriculum and qualifications. But regional gaps widen further at higher attainment levels. For example, looking at the proportion of students attaining eight A*-B grades at GCSE, excluding equivalent qualifications, no region other than London has more than ten per cent of its poorest students that meet it. The Commission believes local authorities in England need to do more to embrace reforms, such as academies, that help to raise standards. We call for more area-based approaches like the London Challenge to support schools and enable collaboration, alongside a clearer failure regime when schools don't do well.

- School choice – research suggests that school choice matters most for disadvantaged students. Whereas students who did well at the age of 11 were likely to do well at GCSE wherever they went, the results of students who did badly at 11 varied between eight Es and eight Cs depending on which school they went to. The Commission is concerned to ensure that greater school autonomy doesn't lead to poorer students being shut out. While free schools have the potential to address education inequalities, we note that in the first tranche, only two of 24 had a proportion of students eligible for FSM the same or higher than their local authority rate. The Commission believes free schools should have an explicit objective of narrowing education attainment gaps.
- Low attainers – the Commission is concerned that there is a missing piece in the Government's approach to life chances: the fortunes of children who are low attainers, but neither well off enough to be insulated from its effects by their parents' resources, nor badly-off enough to qualify for additional support on grounds of poverty. Our new analysis suggests that nearly two-thirds (63 per cent) of students not getting English and maths GCSE at grades A*-C are ineligible for the Pupil Premium. The biggest concentrations are low-to-middle-income children who live in the 30-50 per cent most deprived areas. Schools currently get a 'catch-up premium' for Year 7 students who didn't meet age 11 benchmarks but at £500 it is outgunned by the Pupil Premium, worth £14,300 across a student's schooling. Schools should have some flexibility to use the Pupil Premium for disadvantaged students, and for low attainers.
- Preparing pupils for work – the Commission is very concerned that, following the devolution of responsibility for careers advice to schools, three-quarters are failing to provide an adequate service. Government has devolved the responsibilities without devolving the resources to enable schools to provide good careers advice to pupils. Whereas better-off families tend to have the connections and networks to make informed decisions, poorer families don't always share the same advantages. Schools need to do more to prepare students broadly for work including assisting with work experience and promoting 'character' skills. Schools need to focus on developing those skills alongside improving their pupils' academic attainment. It is not a question of either/or. Schools need to be doing both.
- Closing the gap – the Commission believes it is imperative that schools give equal priority to raising the bar and closing the gap. The former has taken priority in the past, driven in part by accountability measures that have focused them on the C/D threshold. The Government's accountability reforms could help here. It is welcome that from January 2014, school performance tables will include new 'closing the gap' measures. But they could be strengthened further by comparing the attainment and progress of children eligible for free school meals across similar sets of schools. And teachers need to be supported and rewarded for helping disadvantaged and low attaining students to catch up, and excel.

There is much to welcome in the Government's approach to schools. We do not suggest a major reshaping of its policy agenda. Instead we recommend that:

- The UK Government should ensure that raising standards and closing attainment gaps are the twin objectives for all teachers and all schools in England – free schools included - through the standards it sets, the inspection regimes it sanctions, the league tables it publishes and the reward mechanisms it deploys.
- Local authorities, schools and the UK Government should focus harder on eliminating the geographical lottery in school performance in England by introducing new area-based approaches like London Challenge, adopting reforms like academies, strengthening incentives for the best teachers to teach disadvantaged students in poorly performing areas and broadening the school failure regime.
- 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 low and middle income children who aren't necessarily 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 advice, schools should build long-term relationships with businesses and improve work experience opportunities and Ofsted should assess and report on their performance.

Chapter 7: Moving from school to work

Transition from school to work is a key period in young people's life chances. But in the UK nearly a million 16-24-year-olds are unemployed, one half of whom have been out of work for 6 months or longer, there are high numbers not in employment, education or training, and significant underemployment persists. All this is likely to damage life chances, with problems particularly severe in regions such as the North East, Midlands and Yorkshire and the Humber. Meanwhile, at the other end of the labour market, there are long-standing challenges of widening access to the most elite universities.

The UK's youth unemployment problem partly predates this government and the recession, and reflects a long-term decline in the youth labour market. Public policy has for decades focused on university education, not the 'other 50 per cent' who go on to take vocational education or work, and who face lower funding and greater complexity in their choices. The UK has long-standing problems in building a vocational route that is high volume, and commands parity of esteem with academic pathways. Whereas countries like Germany and Australia accord high status to vocational education and apprenticeships as a route into employment, the UK has placed its bets on higher- rather than vocational routes.

The UK Government has been very active in addressing some of the structural challenges, proceeding with raising the participation age, expanding

apprenticeships, implementing the Wolf and Richards Reviews and introducing traineeships. These have the potential to make a big difference.

However, the overall record to date is mixed and there are substantial gaps and risks which must be addressed with greater urgency if progress on life chances is not to be threatened. The Commission is concerned that little progress has been made on long-term youth unemployment. Our judgement is that here the UK Government was too late to the party and what it is doing is so far having too limited an impact. Recent data (May-July 2013) highlight that one third of unemployed 18-24-year-olds (250,000 young people) had been out of work for more than 12 months. Some 15 per cent (115,000) were unemployed for over 24 months, the highest level since 1994. Despite some positive elements, the flagship policy here - the £1 billion Youth Contract - has not worked effectively enough and has failed so far to make a meaningful enough dent in the figures.

On higher education, it is clear that the worst fears about the potential impact of tuition fees have not been realised. Applications from 18- and 19-year-olds have held up. More disadvantaged students were accepted into higher education but the Commission is very concerned by large falls in mature and part-time students, both of which are key social mobility pathways. Among the over-25s there has been a 15.4 per cent fall in applications in England. We are also concerned at the limited progress in opening up access at the most selective universities where, as the Commission reported earlier this year, there are an estimated 3,700 'missing' state educated students who have the grades to get into the Russell Group universities but do not attend.

Looking forward, key risks on the transition of young people from school to work include:

- Very complex local pathways for 'the other 50 per cent' with limited advice and no equivalent of UCAS available to guide people through getting to college or applying for an apprenticeship. One study has found that at least eight national organisations, funding 33 different funds and schemes, spanning 13 different age groups to aid transition to different destinations.
- Weaknesses in further education provision which leaves 1.5 million learners in the post-16 learning and skills sector in provision rated less than good. Further education is less generously funded than higher education and has been subject to large cuts. The Commission shares concerns that the sector has historically had weak incentives to ensure that students find work.
- Limited number and quality of apprenticeships – just 15 per cent of employers in the UK have or offer apprenticeships. Although the Government has increased numbers of apprenticeship starts to half a million, three-quarters have gone to over-25s and too many have been at a Level 2, GCSE-equivalent. Three in ten were paid less than the relevant National Minimum Wage in 2012, up from two in ten in 2011.
- Low levels of work experience – just over a quarter of businesses in England offer work experience (27 per cent).

- Fragmented financial support – the Commission believes the decision to abolish the Education Maintenance Allowance was misguided given its positive evaluation. It is too early to give a definitive view on its successor, the Bursary Fund. Post-18, those who do not continue in education find themselves in a welfare and benefits system designed for those who have lost their jobs, not those starting out in their career.
- Weaknesses in fair access to university – despite progress, university outreach activity remains uncoordinated, and too dominated by spending on fee waivers and bursaries. Contextual data for admissions is still not routinely used everywhere. There has been limited progress on introducing foundation year courses.

The Commission believes that there is much to welcome in the Government's agenda for helping young people to make the transition from school to work. But it is not making enough impact to address the immediate problem of long-term youth unemployment or the medium-term challenges of making vocational education a higher priority and making higher education more socially diverse. Government needs to up its game and set clearer and more ambitious objectives. We recommend that:

- The Government sets a challenging aim of eliminating long-term (12 months+) youth unemployment and reducing NEETHood to below the European average.
- As a first step the Government and business leaders should come together to set a strategic goal for half of firms to offer apprenticeships and work experience.³ Central and local government can help to lead this process by offering more apprenticeships to fill high skill roles and using procurement to drive greater private sector provision.
- For the cohort of young people entering the labour market without prior work experience, it is reasonable to expect them to be 'earning or learning' provided opportunities are made available to match obligations. So the Government should consider introducing a youth credit (or participation payment), conditional on young people taking part in high-quality work-related support and educational programmes, perhaps along the lines of current traineeships.
- For young people with prior work experience, generally 18-24-year-olds, the government should cap the amount of time they can spend jobless on benefits by putting in place a job guarantee, perhaps built into the Work Programme.
- Local partnership organisations should be created to identify, track and reengage NEETs as a possible step towards an integrated youth work and education system along the lines of those in the Netherlands and Denmark, which have among the lowest youth unemployment in Europe.⁴

³<http://www.ukces.org.uk/assets/ukces/docs/publications/the-youth-employment-challenge.pdf>

⁴ A work guarantee could be integrated into the Work programme but would need contracts to be rewritten.

- A UCAS-style system for the ‘other 50 per cent’ should be introduced to make access to vocational education simpler, alongside a payment-by-results approach in further education, based on students’ labour market outcomes with Government setting a long-term aim of narrowing the gap in funding between academic and vocational education.
- Russell Group universities should agree five-year ambitions to narrow the fair access gap, all universities should adopt contextual admissions processes and evidence-based outreach programmes, and government should focus attention on increasing university applications from mature and part time students.

Chapter 8: professions

The more professional jobs there are, the better the prospects for social mobility. But, they remain dominated by narrow social groups. Nearly a quarter of university vice-chancellors, one-third of MPs, more than half of senior medical consultants, FTSE chief executives and top journalists, and 70 per cent of High Court judges went to independent schools, though only seven per cent of the total population do so. Previous reports have highlighted how practices such as limited engagement with schools, offering work experience by word of mouth, unpaid internships, recruiting from a narrow range of universities, limiting entry and progression to graduates and failing to monitor social profiles have inadvertently excluded talented young people from humble backgrounds, and damaged business by cutting off talent.

Our assessment is that – since 2012 when the professions were last examined - there has been considerable activity to remedy the situation. In the legal profession, the PRIME work experience programme remains a benchmark access programme. Medicine - a previous laggard in its social mobility efforts – has taken steps forward including publishing data on its profile (this reveals the scale of the challenge: two-fifths of doctors went to non-selective state schools and one-third were privately educated). Parts of the financial services industry are taking a lead including the sponsorship of academies. Despite bright spots, including apprenticeships on offer from the BBC and ITV, the media industry maintains a skewed social intake. Recent data show 65 per cent of journalists are from professional family backgrounds compared to 17 per cent of the public; and three per cent have parents in the lowest unskilled occupations compared to 17 per cent of the public. Across the professions, there has, however, been progress on non-graduate entry routes: half of the top graduate employers now offer them.

But overall there remains limited progress – with problems still deep, initiatives still small scale, and firms much more comfortable with school outreach work than in systemic reform of recruitment practices.

New research shows that there is a problem at the bottom end of the professional career ladder. Take two students with the same prior attainment, subjects and university: three years after graduation, the one from an advantaged background has a higher chance of being in a top job than the

one from a disadvantaged background. The class effect is bigger than the gender effect. The top professional jobs are still more likely to go to men from a private school and privileged background. The hope that the phenomenon of a social elite dominating the top jobs would fade over time seems misplaced. The professions need to redouble their efforts to make access open to a far wider pool of talent.

On key practices, our judgement is that:

- Lots of school engagement is happening but much of it is *ad hoc* with too little outside London and the South East.
- Practice lags behind good intentions on paying internships with the Low Pay Commission warning it continues ‘to receive evidence of widespread non-payment’.
- There has been limited visible progress on improving selection practices such as the range of universities from which the leading graduate employers recruit. More than 40 per cent of Times Top 100 Graduate employers still require UCAS points, which risks shutting out those not doing well the first time around but who then succeed at university.
- Social mobility as a business concern appears to be low profile in Scotland and Wales.

Across the sectors and practices outlined above, the Commission commends firms and professions that have recognised social mobility as a strategic priority, and begun to implement change. But much more is needed. We recommend that:

- Business relationships with schools become more long-term and strategic. The Commission encourages schools to appoint a business engagement advocate within the senior leadership team and encourages businesses to develop local relationships that are more evenly spread throughout the country.
- There is an end to informal unpaid internships. The Commission believes that firms should openly advertise and pay internships a wage – not just as a matter of legal compliance but because it will enhance their ability to identify and develop talent from a wider range of backgrounds.
- More employers change their recruitment and selection practices to remove inadvertent barriers to fairness. The Commission would like to see graduate employers in particular widen the net of universities from which they recruit and use school and university blind application processes.
- Non-graduate routes should become the norm across the professions.
- The Government should toughen both the expectations of signatories to the Social Mobility Business Compact and encourage the relevant Departments and agencies to ensure its enforcement of National Minimum Wage guidelines. Both central and local government should also consider introducing social mobility requirements into the tendering practices of the Government Procurement Service so that its role as a purchaser of goods and services becomes a lever to make access fairer in those employers with which it spends public money.

Chapter 1: What makes for less child poverty and more social mobility?

- **This report makes judgements on current progress and prospects for the future**
 - **It analyses data, government policy and global evidence**
 - **Over decades British society has become wealthier but not fairer**
 - **Child poverty is high and social mobility is low**
 - **Over the course of a decade, half of the population experiences at least some time in poverty**
 - **Today's young people could end up having lower living standards than their parents**
 - **We identify what is likely to reduce poverty and improve social mobility**
 - **A national effort is needed, which the UK Government must lead**
1. A society where all children can flourish and where success in life reflects talent and effort rather than the circumstances of birth is an ideal which is widely shared across society. The United Kingdom is a long way from achieving this ambition. Over decades British society has become wealthier but it has not become fairer. Our country has seen average household income double over the last 50 years: the average household income today is £27,600 compared to £12,400 in real terms in 1961.⁵ The majority of families in Britain today own material goods like computers, mobile phones and cars as well as their own homes. Our economy is the seventh largest in the world,⁶ with national income per head above the OECD average.⁷ But for too many children unfair disadvantage shapes their daily experiences, opportunities and life chances. For example:
- 2.3 million children in the United Kingdom – one child in six – are in relative income poverty.⁸
 - High-performing 15-year-olds from poor backgrounds are, on average, more than 2 years behind those from more advantaged families in reading skills, a gap double that of some other developed countries.⁹
 - Young people living in the 20 per cent most advantaged areas are almost seven times as likely to attend leading universities as those living in the 40 per cent most disadvantaged areas.¹⁰

⁵ Data refers to mean equivalised household income at 2011/12 prices for Great Britain and is derived from Institute for Fiscal Studies analysis of the Family Resources Survey.

<http://www.ifs.org.uk/fiscalFacts/povertyStats>

⁶ International Monetary Fund, *World Economic Outlook Database*

⁷ Based on estimates of GDP per capita at Purchasing Power Parity for 2011 in Organisation for Economic Cooperation and Development, *OECD. Stat*, 2013

⁸ Department for Work and Pensions, *Households Below Average Income*, 2013

⁹ Jerrim, J., *The Socio-Economic Gradient in Teenagers' Reading Skills: How Does England Compare with Other Countries* in *Fiscal Studies*, 33(2), pp. 159–184, 2012

¹⁰ Office for Fair Access, *What More Can Be Done to Widen Access to Highly Selective Universities*, 2010

Chapter 1: What makes for less child poverty and more social mobility?

- Only one in eight (13 per cent) of children from low-income backgrounds go on to achieve high incomes as adults, compared to nearly half (45 per cent) of those from high-income families.¹¹
2. The evidence suggests that the United Kingdom is a less fair country than many of its peers internationally. The association between the incomes of fathers and sons in the United Kingdom is among the highest in the OECD and over twice as big as in Norway, Denmark, Finland, Australia or Canada.¹² When it comes to child poverty, the United Kingdom is mid-ranking – 22nd out of 35 OECD countries – but with rates that are higher than Germany, and almost double those in Denmark.¹³
 3. Social division takes many forms in our country. The United Kingdom is divided spatially, with high concentrations of disadvantage in London boroughs, western Scotland, the industrial cities of the North East and North West, former mining areas in Wales, the North and the Midlands, and – though often hidden from view – in many rural areas. There are big racial divides, with children from ethnic minorities – and especially those of Bangladeshi and Pakistani origin – at significantly higher risk of poverty.¹⁴ Those from Pakistani and Black Caribbean backgrounds have lower attainment than average and children from disadvantaged White British backgrounds do worse than other children from disadvantaged backgrounds.¹⁵ Finally, there is an enduring, if narrowing, gender divide, with women earning less on average than men and over 60 per cent of low-paid workers being female.¹⁶
 4. Material disadvantage is pronounced at the bottom of society but it is experienced far more widely than people imagine. Poverty is dynamic. It is not something that is only faced by a highly disadvantaged group permanently in income poverty: for example, almost half of individuals in Britain find themselves poor at some point over a nine year period and over a third over a four year period.¹⁷ Analysis of the so-called ‘squeezed middle’ has found 60 per cent struggling to keep up with bills, let alone saving.¹⁸ One-quarter of those with mortgages pay more than 25 per cent of their income in mortgage repayments, even at a time when interest

¹¹ Blanden, J., and Machin, S., Sutton Trust *Recent Changes in Intergenerational Mobility in Britain*, 2007

¹² Organisation for Economic Cooperation and Development, *Going for Growth – A Family Affair – Intergenerational Social Mobility Across OECD Countries*, 2010

¹³ United Nations Children’s Fund (UNICEF), *Report Card 10, Measuring Child Poverty: New League Tables of Child Poverty in the World’s Richest Countries*, 2012. This is measured against a threshold of 50 per cent of equivalised median income (rather than the 60 per cent threshold used in the Child Poverty Act 2010 in the United Kingdom)

¹⁴ Department for Work and Pensions, *Households Below Average Income*, 2013

¹⁵ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics*, 2013

¹⁶ Resolution Foundation, *Low Pay Britain 2013*, 2013

¹⁷ Jenkins, S., *Changing Fortunes: Income Mobility and Poverty Dynamics in Britain*, 2011

¹⁸ Resolution Foundation, *Squeezed Britain 2013*, 2013

rates are at historically low levels, leaving them highly vulnerable to future rises in interest rates.¹⁹

5. More broadly, many children – including those from families with above-average incomes – now face the prospect of having lower living standards than their parents when they become adults. Many of today's young people face a future where they graduate with debt (e.g. some students could graduate with a total debt of over £50,000²⁰), fail to get on the housing ladder (e.g. the proportion of 25–34-year-olds who own their own home has decreased from 58 per cent to 40 per cent over the last decade²¹), and struggle to get or keep a secure job (e.g. almost one in three 16–24-year-olds who are not in full-time education are not in work).²² For the first time in over a century there is a real risk that the next generation of adults ends up with lower living standards than today's generation.²³ There is also a danger that relative social mobility – having risen in the middle of the last century then flatlined towards the end – could go into reverse in the first part of this century.
6. These are issues that touch the whole of British society, not just some parts of it. That is why tackling child poverty and low social mobility is such a national imperative. Morally, it is unjust that who a child's parents are or the local area where they grow up should go on to affect the opportunities available to them for the rest of their life. Socially, the notion that the vulnerable are protected, opportunities are equal and hard work is rewarded is part of Britain's DNA. Economically, Britain cannot afford to waste talent and potential that could make a major contribution to growing a sustainable modern economy.
7. Helping to address this situation is the ultimate purpose of the Social Mobility and Child Poverty Commission. We are a statutory body, established with cross-party support under the Child Poverty Act 2010 (as amended by the Welfare Reform Act 2012), bringing together ten experts from politics, business, the voluntary sector and academia, and from England, Scotland and Wales, in a shared endeavour. Our task is to hold government and others in society to account for the decisions that they make that affect child poverty and social mobility.

¹⁹ Resolution Foundation, *Squeezed Britain 2013*, 2013

²⁰ Students facing the maximum tuition fee of £9,000 per year and taking out the maximum possible living cost loan of £7,675 per year with no fee waivers on a three-year course would accrue debt at this level

²¹ Data compares home ownership rates in 2011 to home ownership rates in 2001. Office for National Statistics, *Home Ownership and Renting in England and Wales*, 2013

²² Data refers to the proportion of 16–24-year-olds not in full-time education or training who are either inactive or unemployed. Office for National Statistics, *Labour Market Statistics*, 2013

²³ See for example Giles, C., Bernard, S., and Stabe, M., *The Jinxed Generation*, Financial Times, 17 March 2012 <http://www.ft.com/cms/s/0/826aeefe-6f6e-11e1-b368-00144feab49a.html#axzz2f3VhkqsG>

8. We discharge this responsibility by providing published advice to ministers on matters relating to social mobility and child poverty, and by undertaking social mobility advocacy to encourage employers, universities, schools, the third sector and others to play their part. But our other main activity is making an annual independent state-of-the-nation assessment of where Britain has got to and where it is heading on child poverty and social mobility. It is state of the nation because it seeks to examine how society as a whole, including government, employers, councils, schools, parents and universities, is tackling these issues. This is our first such assessment.
9. The Commission's formal Terms of Reference require us to give our view on the progress being made in improving social mobility and reducing child poverty, including commenting on the implementation of the UK Government's child poverty strategy, assessing progress against the poverty reduction targets in the Child Poverty Act 2010 and also describing the measures being taken by the Scottish and Welsh governments. We draw upon a wide range of evidence and policy documents in forming our views, including the UK social mobility strategy, the UK social justice strategy and the Scottish and Welsh child poverty strategies among others.
10. The various strategies of the UK, Welsh and Scottish governments include a range of indicators which are a useful starting point for any analysis. The problem is that the data on which they depend is lagging and, where government is in the process of implementing policy change, will not give a reliable indication of trajectory since it will not reflect the impact of current reforms for some time. As a result, the Commission has interpreted our job as one of *prospective accountability*: using data, international evidence and policy analysis to examine the coherence and clarity of overall goals, whether the right activities are being undertaken and policies implemented to deliver those goals, and in doing so seeking to reach a judgement on what the impact of those activities and policies is likely to be in future. Of course we look where we can at what the situation is today but much of our analysis takes us into making judgements about what is likely to happen in the future. By definition this approach is not foolproof, but we believe it is necessary in order to discharge our monitoring remit.
11. Given the uncertainties, we have consciously limited our recommendations to those policies and practices which we believe are most off track in making progress towards lower child poverty and higher mobility and where we think a change in direction could have the biggest impact.

Defining social mobility and child poverty

12. The Commission's view is that child poverty describes the situation of children in households that lack the resources needed to fully take part in society. Child poverty matters both because of how it impacts today –

having a poor diet, lacking a warm coat in winter, not being able to afford to have friends round, the conflict and stress experienced by many families struggling to make ends meet – and how it impacts on children's future life chances. Prolonged or repeated spells of low income are associated with poorer health, worse education outcomes and limited opportunities, which put children from disadvantaged backgrounds at increased risk of bad outcomes – most notably becoming poor adults and the next generation of parents of poor children.

13. The Commission believes that child poverty is a relative concept. An individual can clearly be poor even if they have considerably more than the biological minimum needed to survive. David Cameron put the case clearly in 2006, arguing that *'We exist as part of a community, as members of society. Even if we are not destitute, we still experience poverty if we cannot afford things that society regards as essential... Fifty years from today, people will be considered poor if they don't have something which hasn't even been invented yet. So poverty is relative – and those who pretend otherwise are wrong'*.²⁴
14. Social mobility is a measure of the distribution of opportunities in society. The extent to which people's success in life is influenced by who their parents are – intergenerational social mobility – and the extent to which people are able to progress during their working lives – intragenerational social mobility – are both important aspects of this. Opportunities to move between different social classes or to a higher income group – absolute social mobility – matters as an indicator of society's capacity to enable people to get on in life. The comparative chances of people with different family backgrounds ending up in a particular social or income group – relative social mobility – matters as an indicator of fairness: whether, for a given level of talent and effort, opportunities for people to succeed are equal. The UK Government has set out its intention to make progress against all of these measures, with a particular emphasis on improving relative intergenerational social mobility – in other words, ensuring that the chances of children from poor backgrounds of doing well as adults are improved relative to children from better-off backgrounds.
15. In the Commission's view, tackling child poverty and improving social mobility depends upon:
 - Addressing low living standards today: this is primarily about preventing and mitigating children's experiences of poverty in the here and now but it will also help avoid the negative impacts on life chances that poverty can have in the future. Key factors here include getting more parents into work, ensuring that work lifts families out of poverty, and ensuring that children with parents who cannot work due to, for example, disability or caring responsibilities, are protected from poverty.

²⁴ Cameron, D., *Tackling Poverty is a Social Responsibility*, Scarman Lecture, 24 November 2006

- Stopping poor children becoming poor adults: this is primarily about addressing the factors that put children from disadvantaged backgrounds at higher risk of poor adult outcomes. Action to improve the educational and labour market outcomes that children and young people from disadvantaged backgrounds are able to achieve will enhance their chances of avoiding poverty in their adult life. Key factors here include narrowing gaps in child development, educational attainment and progression to further and higher education, and economic growth to tackle youth unemployment and create more high-quality jobs.
 - Helping everyone realise their potential: this is primarily about addressing the barriers to success that children of all backgrounds – not just the most disadvantaged – face. The more opportunities across society are opened up so that all children are able to access them to realise their potential, the greater the likelihood of higher levels of social mobility. Key factors here include ensuring fair access to professional jobs including through eradicating practices such as unpaid internships.
16. The Commission's view is that improving social mobility and tackling child poverty are two sides of the same coin. The more children there are in poverty, the lower the level of social mobility that Britain is likely to achieve. The Commission believes that government, political parties and civil society should recognise ending child poverty and improving social mobility as the twin objectives of social policy so providing a road map to guide future public policy and organisational activity. Box 1.1 sets out the case for concerted action to tackle child poverty and to improve social mobility.

Historical trends and global practice

17. High child poverty and low social mobility are problems with deep roots – they are likely to need long-term solutions that go well beyond any one electoral cycle. Compared to other advanced nations, Britain has average levels of child poverty (though still a lot higher than many other OECD countries) and relatively low social mobility. That has not always been the case. Relative child poverty in Britain was low and broadly stable in the post-war period, before rising dramatically from the late 1970s to peak at 29 per cent in 1992.²⁵ This was one of the highest rates of child poverty in the developed world.²⁶ More recently there has been progress in reducing it. Poverty fell significantly from the mid-1990s to the mid-2000s as the UK Government increased spending on tax credits and employment rose, especially for lone parents. Levels stagnated after 2004/05 before falling further following the recession, with relative child poverty reaching 17 per cent in 2011/12, the lowest level since 1984. There is cross-party agreement on the objective of ending child poverty by 2020, an aim which is enshrined in law in the Child Poverty Act 2010.

²⁵ Data from the Institute for Fiscal Studies <http://www.ifs.org.uk/fiscalFacts/povertyStats>

²⁶ Eurostat, *Number of Under 18s Living in Households With Less Than 60 Per Cent of Median Equivalised Income After Social Transfers*, Eurostat, 2013

18. Trends in social mobility are less easy to track because the main ways of measuring them – changes in children’s incomes or occupations relative to their parents’ – lag by a generation, and there is a 30-year gap after 1970 in the key research resource, the UK’s cohort studies. Nonetheless, we know that the link between parental and child income seems to have strengthened between the generations born in 1958 and 1970, suggesting a decline in mobility.²⁷ International evidence also suggests that social mobility in the United Kingdom appears to be lower than in most other developed countries.²⁸
19. After the Second World War, the shift from a manufacturing to a services economy drove demand for new skills and opened up new jobs in professional and white-collar occupations. The upsurge in professional employment in the middle of the last century created a wave of social mobility in Britain. More room at the top created unprecedented opportunities for millions of women and men to move up and get on. However, social mobility seems to have stagnated for those entering the labour market since the 1970s because of further profound shifts in the labour market, driven by technological change and globalisation. Over recent decades people with higher skills have seen large increases in productivity and pay while those with low skills have experienced reduced demand for their labour and lower average earnings.
20. To assess recent changes in social mobility we must look at proxy measures that are likely to be associated with future rates of social mobility, such as gaps in the educational attainment of children and young people from different social backgrounds. Here there seems to have been some improvement over the last 15 years following a sustained focus by government on raising educational attainment levels with some progress on closing the academic performance gaps between poorer and better-off children in school. However, inequalities remain stark. For example, those children eligible for free school meals are only 60 per cent as likely to achieve good GCSEs in English and maths as their peers, with almost two-thirds of poor children missing this benchmark.²⁹ There are also uncertainties about the extent to which improved educational performance will automatically translate into better outcomes in future years, not least because of the rise in new barriers to children realising their potential – for example, increasing demands from employers for postgraduate qualifications rather than first degrees, and the increasing importance of doing internships, often unpaid and acquired through parental social networks rather than being open to all, to gain access to many careers.

²⁷ Blanden, J. and Machin, S., *Recent Changes in Intergenerational Mobility in Britain: Report for Sutton Trust*, 2007

²⁸ OECD, *A Family Affair: Intergenerational Social Mobility across OECD Countries*, in Organisation for Economic Cooperation and Development, *Economic Policy Reforms: Going for Growth*, 2010

²⁹ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics in England: 2011 to 2012*, 2013

21. There is a growing body of international evidence on the policy choices of countries that have low child poverty and high social mobility. The Commission has decided to ground our analysis of developments in the United Kingdom in our reading of this evidence.
22. The best performers on child poverty are Nordic countries, where one of the key factors appears to be the availability of universal, high-quality and affordable childcare.³⁰ Having all parents in a household in employment significantly reduces the chances of a family being in poverty. Widely available and affordable childcare is therefore a crucial resource as it allows more parents to re-enter the labour market after having children. Other key factors include:
- The interaction of the childcare system with work incentives. OECD analysis has highlighted that the cost of entering work for second earners is much higher in the United Kingdom than the OECD average after childcare costs are taken into account.³¹
 - A good supply of high-quality jobs that pay well and offer progression opportunities. The United Kingdom currently has one of the highest rates of low pay in the developed world, increasing the risks of in-work poverty: over 20 per cent of full-time employees is paid less than two-thirds of the median full-time wage compared to 16 per cent in the OECD as a whole.³²
 - Active labour market programmes with tailored support to remove barriers to work. Despite past improvement, the United Kingdom has the third lowest rate of lone-parent employment in the developed world and relatively few of the lone parents who do work are in full-time employment.³³
 - Family structure. East Asian countries seem to have achieved low child poverty through a different household composition, with low levels of divorce and lone parenthood – though clearly the wider culture is very different from the United Kingdom.³⁴
23. Factors that seem to make the biggest difference to enhancing social mobility include:
- Ensuring childcare and teaching is of high quality and targeted on the disadvantaged to close education gaps. Countries as different as Canada, Poland and Singapore have demonstrated a great track

³⁰ Organisation for Economic Cooperation and Development, *Growing Unequal? Income Distribution and Poverty in OECD countries*, 2008

³¹ Organisation for Economic Cooperation and Development, *Doing Better for Families*, 2011

³² Organisation for Economic Cooperation and Development, *Online OECD Employment Database*, 2013. Data is unavailable for France, the Netherlands, Norway and Sweden

³³ Organisation for Economic Cooperation and Development, OECD Family Database, <http://www.oecd.org/social/family/database>

³⁴ Tsui-O Tai, University of California, Irving, *Decomposing the Effects of Household Characteristics on Child Poverty in 10 Countries*, 2011

record in raising attainment levels.³⁵ London schools have also transformed educational attainment for disadvantaged students.

- Providing fair access to higher education and vocational training. In the most mobile societies – such as Sweden and Germany – students are helped to make the transition to employment, via higher education for the most academically able and via vocational education for those wanting to develop their technical skills.
- Opening up fair access to a career in the professions. We know from history that the chances of social mobility are greater if there is more ‘room at the top’, with increasing numbers of jobs available in managerial and professional occupations.

24. These factors seem to be instrumental in enhancing social mobility. There is less certainty about the impact of public spending levels on social mobility. In the United Kingdom, child poverty fell proportionally more than in any other country in the OECD between 1995 and 2005 at a time when average incomes were growing. But this was associated with high levels of public expenditure in the United Kingdom: £138,000 per child from birth to 18 versus an OECD average of £95,000, with expenditure weighted more towards income transfers through the tax credit and benefit system than in many other countries. The OECD notes that countries that do well on child poverty and social mobility – for example, Norway and Sweden – tend to have a more even split in their public expenditure between income transfers and the provision of services than the United Kingdom does.³⁶ This may suggest room for rebalancing the composition of spending in the UK and the Government has been moving in this direction. On the other hand, the United Kingdom is starting from a different position - with higher levels of earnings inequalities than the Nordic countries, so higher spending on income transfers may reflect the greater need to redistribute income in a system with higher ‘market’ income inequality.

25. There is also uncertainty about the precise relationship between life chances and income inequality. Its consideration has been given fresh impetus since 2012 by debates in the USA about the so-called ‘Great Gatsby’ curve, which shows a clear cross-country correlation between high income inequality and low social mobility.³⁷ It is clearly possible for a country to be unequal and socially mobile: both Australia and Canada have high inequality and high social mobility. But, overall, the Commission’s reading of the evidence is that there is a causal relationship between the two. It appears to be harder to climb the ladder when the

³⁵ McKinsey, *How The World’s Most Improved School Systems Keep Getting Better*, 2010

³⁶ Organisation for Economic Cooperation and Development, *Doing Better for Families*, 2011

³⁷ See for example the White House blog at

<http://www.whitehouse.gov/blog/2013/05/28/great-gatsby-curve>, and Corak, M., *How to Slide Down the Great Gatsby Curve: Inequality, Life Chances and Public Policy in the United States*, December 2012. The United Kingdom has had its own earlier version of the debate prompted by books including R. Wilkinson and K. Pickett, *The Spirit Level: Why Equality is Better for Everyone*, 2009

rungs are further apart. Economic theory suggests that this link is largely through the impact of income inequality in driving differential parental investment in the human capital of their children.³⁸

26. It is worth noting that income inequalities in the United Kingdom – though large in comparison with many other developed nations – are dwarfed by wealth inequalities. The top 10 per cent of households in the United Kingdom have incomes around five times the size of the bottom 10 per cent.³⁹ But the equivalent ratio for wealth and assets is 77 to 1.⁴⁰ This is likely to diminish social movement across the life cycle because it opens up opportunities for some that are unavailable to others – for example being able to buy a home in the catchment area of a high-performing school.⁴¹
27. There are also other factors that are clearly important to children's experience and life chances, including:
 - Parenting and parental involvement in education – developmental gaps start before birth and parents are on average a far bigger influence on attainment than schools.
 - Soft skills – there is some evidence that 'character' traits like resilience and 'grit' affect children and young people's ability to learn and to do well at work.
28. Having studied international evidence carefully to understand which factors and policies seem to have the greatest bearing on lowering child poverty and increasing social mobility, the Commission has concluded that progress on child poverty and social mobility can be unlocked by:
 - High-quality, affordable and universal early education provision that enables more parents to enter employment and more families to maintain high living standards, and that helps mitigate the impact of disadvantage on children's life chances.
 - Adults being supported to provide warm, authoritative parenting, and to engage in their children's education, particularly when their children are in the early years of life and in their teens.
 - Schools that relentlessly focus on raising standards, building social skills and closing attainment gaps between pupils from different backgrounds.

³⁸ See for example Solon, G., *A Model of Intergenerational Mobility Variation over Time and Place* in Corak, M., *Generational Income Mobility in North America and Europe*, 2004

³⁹ Office for National Statistics, *The Effects of Taxes and Benefits on Household Income (Table 14)*, 2013

⁴⁰ Hills, J., Bastagli, F., Cowell, F., Glennerster, H., Karagiannaki, E., and McKnight, A., *Wealth in the UK: Distribution, Accumulation and Policy*, Oxford University Press, May 2013. In cash terms, in 2008–10, the bottom 10 per cent of households had wealth of less than £12,600 but the top 10 per cent had more than £967,000

⁴¹ Gibbons, S., Machin, S., and Silva, O., *Valuing School Quality Using Boundary Discontinuities*. CEE discussion papers, CEE DP 132. Centre for the Economics of Education, 2012

Chapter 1: What makes for less child poverty and more social mobility?

- Clear pathways to employment for those pursuing both vocational and academic education and training with second chances for those who do not succeed first time round.
 - High levels of good quality employment with real progression opportunities and fair and transparent recruitment processes that do not inadvertently exclude candidates from less advantaged backgrounds.
 - Family incomes that are supported by decent levels of pay and the right incentives to find employment and work enough hours.
 - Society becoming less unequal over time with individuals who have little wealth being supported to build assets.
29. These objectives provide the yardsticks against which the Commission will judge the United Kingdom's progress towards the twin goals of abolishing child poverty and enhancing social mobility. Delivering these objectives is not in the gift of any one part of society, so our assessment is wide ranging. Our focus is not merely what government does, important though that is. We need to be able to judge whether individual citizens are fulfilling their responsibilities to seek work and parent well; whether teachers and schools are meeting their obligations to raise aspirations and help all their students to succeed; whether charities and local authorities are mobilising lasting change; whether employers are providing earnings and career opportunities in high-quality employment; and whether universities and professions are genuinely opening their doors to the widest possible pool of talent. Delivering progress requires leadership from each.
30. It is the UK Government, however, that has the key role to play in providing national leadership, designing the policies and creating the incentives that influence other players. By definition much of this report focuses on what the UK Government is doing and the likely impact of its approach.
31. We assess the progress of the UK, Scottish and Welsh governments in part through the lens of their strategies, their objectives and their indicators, as well as reaching judgements on the coherence and fairness of their approach. In particular, we believe that it is vital that social mobility and child poverty are not just two priorities among many. Instead we examine to what extent they are guiding principles threaded throughout fiscal, labour market and public services policies. The UK Government has said that the burden of the fiscal adjustment it is undertaking should be shared and that those with the broadest shoulders should bear the most weight. The Commission agrees with that sentiment and this report assesses the UK Government's record in that regard.
32. The UK's objectives on child poverty and social mobility are set out in different places. They include legislation through the Child Poverty Act 2010, which includes UK-wide targets to end child poverty by 2020 (defined as getting it below 10 per cent) and the Children and Families

(Wales) Measure, which further develops requirements for Wales (e.g. extending statutory duties to a wider range of bodies than in England) as well as a wealth of different strategies and policies.

33. The UK Government's goals on child poverty and social mobility are ambitious, and the Commission strongly welcomes the commitment to these goals. They include:
- Ending child poverty by 'addressing the root causes... and not just the symptoms'. Rather than 'a fixation on moving families above an arbitrary line [which] risks distorting public spending' it is focused on 'life-transforming support' including tackling worklessness, debt, strengthening families, addressing educational failure and poor health. The aim is transformational change, not marginal improvement.⁴²
 - Making social mobility 'the principal goal of the Government's social policy'.⁴³ It is primarily concerned with intergenerational social mobility – breaking the transmission of disadvantage from one generation to the next so that children are 'free to succeed whatever the circumstances they are born into'. Its focus is relative social mobility such that 'for any given level of skill and ambition, regardless of an individual's background, everyone should have an equal chance of getting the job they want or reaching a higher income level'.⁴⁴

Outline of this report

34. The Commission has organised this report to test progress against these ambitions. The first half of the report examines progress in tackling current experience of low income, and other factors about the experience of poverty now. It then focuses in particular on progress in tackling worklessness and low earnings as the most important drivers of current low incomes. The second half of the report looks at progress in improving life chances: both stopping poor children becoming poor adults (getting 'off the bottom'), and helping children succeed (including getting 'into the top').
- **Chapter 2** sets out the four key challenges shaping attempts to tackle child poverty and to improve social mobility, including the key fiscal decisions that have been taken.
 - **Chapter 3** considers current living standards, including progress on poverty, and its drivers, especially employment. A critical part of this is analysis of the UK child poverty strategy, and the Scottish and Welsh child poverty strategies.
 - **Chapter 4** considers aims and objectives on life chances. A key part of this is analysis of the UK Government's social mobility strategy.

⁴² HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*, April 2011

⁴³ HM Government, *Opening Doors, Breaking Barriers: A Strategy for Social Mobility*, April 2011

⁴⁴ HM Government, *Opening Doors, Breaking Barriers: A Strategy for Social Mobility*, April 2011

Chapter 1: What makes for less child poverty and more social mobility?

- **Chapter 5** considers the early years of life, from birth to age 5.
- **Chapter 6** considers schools.
- **Chapter 7** considers transitions from school to further and higher education and work.
- **Chapter 8** considers access to the professions.

The Annex (a separate document) sets out the latest data against indicators in (or related to) the UK, Scottish and Welsh governments' strategies.

35. We have structured each chapter to, in turn, look at past trends and what lessons can be learned from previous approaches, the current approach being taken by government and others, what impact it is having so far and the Commission's best assessment of what impact it is likely to have in the future. We conclude each chapter by making a limited number of recommendations.

Scotland and Wales

36. The Commission comments here on the child poverty strategies of the United Kingdom as a whole and describes those of Scotland and Wales in detail. But this report is necessarily selective in its coverage of the different nations in its in-depth analysis, particularly in relation to devolved areas of policy on life chances where contexts, data and history vary widely. The Commission plans to do further comparative work in future reports, so we see this report as laying a foundation. Where not otherwise made clear, references to Government are to the UK Government.

Methodology

37. In order to make an assessment of progress, the Commission took evidence from a wide range of sources. The process included:

Desk work

The Commission reviewed research and statistics, think tank publications and academic journals in order to construct an informed picture of the current situation.

Call for Evidence

The Commission issued a national Call for Evidence in June 2013, building on a previous Call for Evidence issued by the Independent Reviewer for Social Mobility and Child Poverty that informed his preliminary work on social mobility and child poverty in August and September 2011. Across both, more than 120 responses were received.

Roundtables

The Commission held roundtable sessions with a range of experts including, for example, education academics, council leaders and teachers.

Bilateral evidence

The Commission and individual Commissioners have had individual meetings with a wide range of key stakeholders in the worlds of both social mobility and child poverty.

38. A large number of individuals and organisations provided valuable input to the work of the Commission and previous work on social mobility and child poverty for the Independent Reviewer on Social Mobility and Child Poverty. We are grateful for contributions in response to both Calls for Evidence, participation in roundtable discussions and individual meetings, and comments through the drafting stages of the report.

Box 1.1 – The case for tackling child poverty and improving social mobility

The Commission believes there are five main reasons for making child poverty and social mobility national priorities for action.

The **fairness case** is that both child poverty and lack of social mobility cause suffering to those affected – cold, hunger and stigma in the present, unfulfilled potential in the future. This is both wrong and unfair. Children cannot choose the environment they are born into and have little power to adapt or leave the place in which they find themselves. This is one reason that Article 28 of the Convention on the Rights of the Child affords children the right to ‘a standard of living adequate for the child’s physical, mental, spiritual, moral and social development’, and places an obligation on the United Kingdom to ‘take appropriate measures to assist parents and others responsible for the child to implement this right and shall in case of need provide material assistance and support programmes, particularly with regard to nutrition, clothing and housing’.⁴⁵ Through the Convention, the United Kingdom has made an international pledge to protect the rights of its children.

The **efficiency case** is that it is more cost effective to intervene early to prevent problems or stop them escalating rather than to wait to take remedial action once they have emerged. Research has shown that poor educational attainment and health and wellbeing early on in life are strong predictors of poor outcomes later on.⁴⁶ Conversely, if resilience is built up in childhood, individuals are more likely to be able to cope with setbacks in adulthood. It therefore makes sense to focus on levels of childhood material deprivation and outcome gaps, as this is a key intervention point for ensuring positive lives.

⁴⁵ United Nations, *Convention on the Rights of the Child*, 1989

⁴⁶ Field, F., *The Foundation Years: Preventing Poor Children Becoming Poor Adults*, *Independent Review on Poverty and Life Chances*, 2010

Investments in children have a double advantage: first that interventions aimed at children tend to work better than those with adults; second in that there is longer for investments to generate a return.

The **economic case** is that child poverty and lack of social mobility are expensive. Not only do prolonged or repeated spells of child poverty have long-term consequences through their damaging impact on children's parenting, education, health, social lives and relationships, and access to opportunities, but long-term or recurrent child poverty can create intergenerational cycles of disadvantage as poor children are left at higher risk of becoming poor adults. This outcome has intrinsic costs – for example, worse physical and mental health.⁴⁷ But they also increase demand for public services to address the consequences of social failure. And, where poverty or thwarted opportunity results in people ending up with low skills and in a low-wage job, they also increase demands on the social security budget. For example, in 2011/12 spending in Great Britain on child and working-age benefits and tax credits reached £96 billion.⁴⁸ It has recently been estimated that child poverty costs the country at least £29 billion a year, including £15 billion in services to deal with the consequences of child poverty, £3.5 billion in lost tax receipts and £2.4 billion on out-of-work benefits.⁴⁹

The **growth case** is that tackling child poverty and social mobility offers good returns. The gains to the economy of achievable improvements in realising the potential of those otherwise gaining low skills, or facing barriers to deploying them, are significant. It has been estimated that weakening the link between social background and achievement in the United Kingdom and bringing all children up to the average level of educational attainment would contribute between £56 billion and £140 billion to the value of the economy each year by 2050 – an additional 4 per cent of Gross Domestic Product (GDP) over and above any other growth, with cumulative gains of up to £1.3 trillion in GDP over the next 40 years.⁵⁰ Another study finds that Western countries with high social mobility have enjoyed an economic growth rate over the past century of 2.4 per cent a year versus 1.8 per cent for low-mobility economies.⁵¹

The **business case** is that individual firms miss out or face increased costs directly as a result of low social mobility and high child poverty.

⁴⁷ Marmot, M., *Fair Society, Healthy Lives: Strategic Review of Health Inequalities Post-2010*, 2010

⁴⁸ Department for Work and Pensions, *Benefit Expenditure and Caseload Tables*, 2013

⁴⁹ Hirsch, D., *Estimating the Costs of Child Poverty*, Joseph Rowntree Foundation, 2008, and *An Estimate of the Cost of Child Poverty in 2013*, Child Poverty Action Group, 2013

⁵⁰ The Sutton Trust, *The Mobility Manifesto*, March 2010

⁵¹ Hassler, J., and Vicente Roriguez-Mora, J., *IQ, Social Mobility and Growth*, CEPR Discussion Paper Series no. 1827, March 1998

One key social mobility impact is through missing talent. Many of the best and brightest people in the United Kingdom who did not go to a good school or a highly selective university do not have the right contacts or cannot afford to gain experience by working unpaid. They are, as a result, too often excluded from employers' recruitment strategies. For example, around half (47 per cent) of students with ABB at A-Level (or equivalent qualifications) in England went to universities other than the Russell Group in 2011.⁵² But the United Kingdom's leading graduate employers tend to actively market their vacancies at only 20 universities, largely those in the Russell Group. For non-graduate employment, low wages, inadequate and unstable hours of work and lack of earnings progression are key drivers of in-work poverty and can lead to high staff turnover, low productivity and absenteeism.

⁵² 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

Chapter 2: The Challenging Context

- **Government commitments to reducing child poverty and improving social mobility are welcome but there are big risks**
 - **The economic challenge of achieving balanced recovery is at risk from a widening social and regional gap**
 - **The fiscal challenge of reducing the deficit fairly is at risk from the young and the less well-off shouldering more pain than the older and the better off**
 - **The earnings challenge of growing employment and incomes is at risk from the rises in youth unemployment and falls in real wages**
 - **The challenge of improving living standards is at risk from steep price rises which impact heavily on low-income families**
 - **We recommend that the UK, Scottish and Welsh governments do more to address each of these risks**
1. These are tough times for making progress on improving social mobility and reducing child poverty. The improvements made on both fronts during the last 15 years took place in a far more favourable climate. Between 1997 and 2007 the British economy grew by 37 per cent.⁵³ The unemployment rate fell by almost a quarter and the employment rate increased by 1.7 percentage points.⁵⁴ Public spending rose by 47 per cent in real terms during the same period.⁵⁵
 2. Today progress is threatened by four interlocking challenges:
 - The *economic challenge*: the recession was deep, the recovery has been slow and there has been a large permanent decrease in national income.
 - The *fiscal challenge*: the recession led to a large increase in public sector borrowing, adding to long-term challenges associated with an ageing population, constraining the scope for government intervention.
 - The *earnings challenge*: while employment has held up better than expected, the recession and the subsequent slow recovery mean that unemployment, under-employment and job insecurity have increased while earnings have fallen.
 - The *cost of living challenge*: there have been significant increases in the costs of the basics over the past few years, with inflation being more keenly felt by those on low incomes.

⁵³ Office for National Statistics, *Gross Domestic Product: Chained Volume Measures (Series ABMI)*, 2013

⁵⁴ Office for National Statistics, *Labour Market Statistics*, 2013

⁵⁵ Office for Budget Responsibility, *Public Finances Databank*, 2013. The data looks at the change in real Total Managed Expenditure between 1996/97 and 2007/08.

3. It is very welcome that, despite this challenging context, the UK Government has committed to making progress on reducing child poverty and improving prospects for social mobility. The Commission believes that the UK Government deserves credit for doing so. The test we apply in this report is not, however, about good intentions – we take those as read. It is about whether the right actions are being taken.
4. If the UK Government and others are to be successful in achieving the shared goals of eradicating child poverty by 2020 and breaking the link between income and opportunity it will be important that action focuses on:
 - Returning the economy to growth, and tackling regional imbalances.
 - Reducing the deficit without an unfair impact on the most disadvantaged families.
 - Reducing unemployment and underemployment.
 - Increasing real wages.
 - Driving down the cost of living.
5. We now assess recent progress on the four challenges listed above.

The economic challenge

6. The starting point for any assessment of the prospects for child poverty and social mobility is, of course, the difficult but improving economic context.
7. The recession was deep and the recovery has been slow. National income fell by 7.2 per cent between the first quarter of 2008 and the third quarter of 2009. In the second quarter of 2013, almost four years on from the end of the recession, GDP was still 3.3 per cent below its peak (see Figure 2.1).⁵⁶
8. Taking into account the estimated 2.4 million (4.0 per cent) increase in the population since the recession began,⁵⁷ estimated GDP per capita in the second quarter of 2013 was 7.1 per cent less than it was at its peak in the third quarter of 2007 and is only 1.2 per cent higher than the recession low in the third quarter of 2009.⁵⁸ GDP per capita is, in the second quarter of 2013, at the same level as it was in the first quarter of 2005. This equates to over eight years of lost growth.
9. GDP is not forecast to reach pre-recession levels until 2015, seven years after the beginning of the recession, and GDP per capita is not expected to reach pre-recession levels until 2018, a decade after the start of the

⁵⁶ Office for National Statistics, *Quarterly National Accounts, Q2 2013 (series ABMI)*, 2013

⁵⁷ Based on Office for National Statistics *National Population Projections: 2010-based projections*, 2011, and Office for National Statistics *Population Estimates for UK, England and Wales, Scotland and Northern Ireland*, 2011

⁵⁸ Commission estimates based on the GDP and population data cited above

recession (see Figure 2.2).⁵⁹ In contrast, even in the Great Depression of the 1930s, GDP had recovered to pre-recession levels within four years.⁶⁰

10. This all means that the capacity of the UK economy is significantly lower than was expected before the recession: the sustainable long-run rate of growth was over-estimated in the years before the downturn and the recession has inflicted long-term damage to the economy. The Office for Budget Responsibility estimates that potential output in the second quarter of 2013 is only 1.7 per cent above the level of GDP five years earlier and has forecast that the annual growth rate of potential output of the economy will be 2.1 per cent between now and 2018⁶¹ – significantly slower than previously anticipated.⁶²
11. This is the key external challenge impacting upon the UK Government's social mobility and child poverty objectives and is the most important driver of the other three challenges identified here. The UK economy has been through a major shock, which has reduced living standards and deepened many social problems while weakening government's capacity to address them. We are simply not as well off as we once believed.
12. Underlying the economic challenge are long-standing historical imbalances in the UK economy with marked regional differences in growth rates, low savings rates, high trade deficits and unsustainably high house prices in some parts of the country.⁶³ For example, before accounting for inflation London saw economic growth of 12.4 per cent between 2007 and 2011, which is far higher than any other area of the country and almost twice the UK average.⁶⁴
13. An improvement in the economic situation will make it less difficult for the UK Government and the Scottish and Welsh governments to achieve their child poverty and social mobility goals. The good news is that we are seeing early signs of recovery. It is welcome and the priority must be to maintain and extend recovery. Lower child poverty and higher social mobility are not just the products of growth but vital parts of delivering and sustaining it in the long term. The Government should set out its assessment of the contribution that both can make to sustained economic growth.

⁵⁹ Commission analysis using forecast GDP from Table 1.1 of the Economy Supplementary Tables in Office for Budget Responsibility, *Economic and Fiscal Outlook*, 2013, updated with the latest GDP data from Office for National Statistics and using ONS population data to estimate per capita figures.

⁶⁰ National Institute for Social and Economic Research, *Recessions and Recoveries: A Historical Perspective*, 2012

⁶¹ Chart 3.8 of Office for Budget Responsibility, *Economic and Fiscal Forecast*, 2013

⁶² For example, HM Treasury, *Budget 2010*, 2010, forecast trend growth of 2.75 per cent

⁶³ See for example National Institute of Economic and Social Research, *Prospects for the UK Economy*, 2013

⁶⁴ Office for National Statistics, *Regional Economic Indicators* (2013). The ONS cautions that it is not possible to report real economic growth by region so this data does not take into account the impact of inflation. This data uses Gross Value Added, rather than Gross Domestic Product as used elsewhere in the chapter.

14. But growth alone will not address underlying structural challenges. The UK Government could manage these risks by, for example, devolving more responsibility and funding to enable local areas to take the necessary actions to boost economic growth in their areas.⁶⁵ The Heseltine Review has mapped out a direction of travel. More needs to happen to address imbalances and ensure poverty-reducing economic development across all parts of the United Kingdom.

Figure 2.1 – Gross Domestic Product, 1998–2013⁶⁶

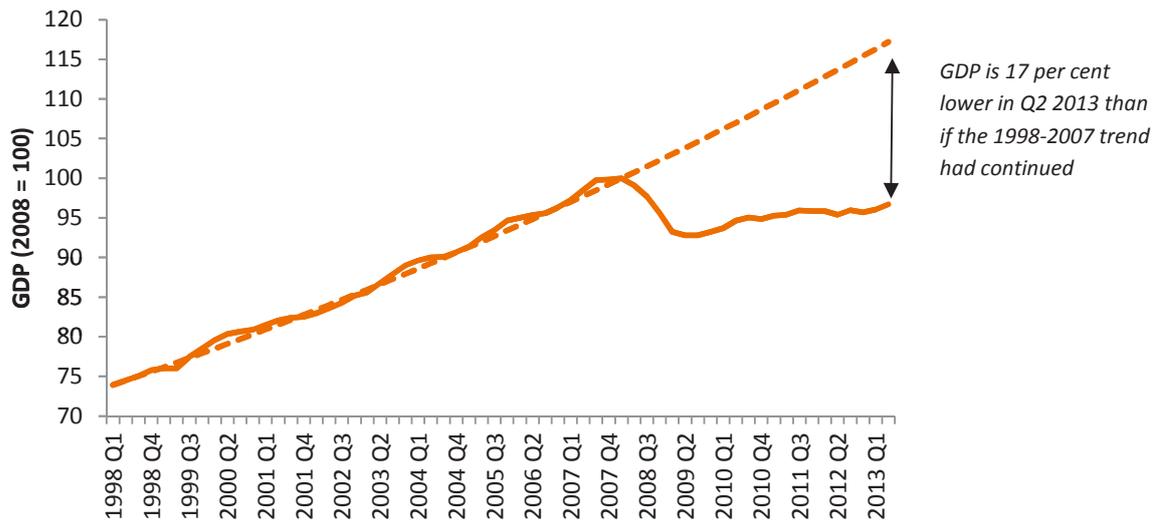
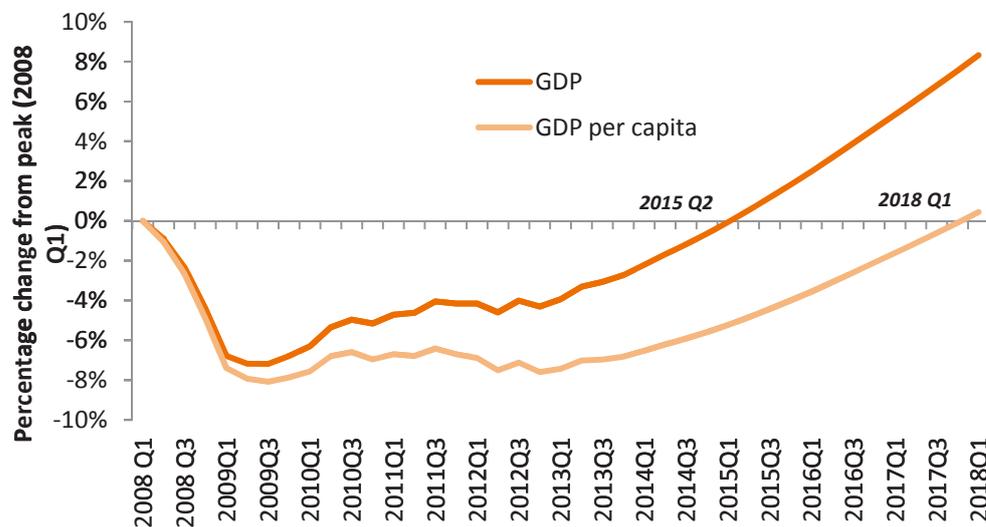


Figure 2.2 – Forecast recovery from the 2008 recession⁶⁷



⁶⁵ See for example the recommendations in Department for Business, Innovation and Skills, *No Stone Unturned in Pursuit of Growth* (the Heseltine Review), 2012

⁶⁶ Office for National Statistics, *Quarterly National Accounts Q2 2013* (series ABMI), 2013

⁶⁷ Commission analysis using forecast GDP from Table 1.1 of the Economy Supplementary Tables in Office for Budget Responsibility, *Economic and Fiscal Outlook*, 2013, updated with the latest GDP data from Office for National Statistics and using ONS population data to estimate per capita figures

The fiscal challenge

15. A key reason why the economic challenge matters to poverty and social mobility is because of its fiscal effects: the increase in public sector borrowing is a major constraint on the ability of government to use tax and spending measures to increase the incomes of workless and low-earning families or provide high-quality public services aimed at supporting their future life chances.
16. Between 2007/08 and 2009/10, significant decreases in tax revenue and increases in public expenditure led to public sector net borrowing increasing by £127 billion in real terms to reach 11.0 per cent of GDP.⁶⁸ Public sector net debt is forecast to rise from 2007/08 rates of 36.8 per cent of GDP to 85.6 per cent of GDP in 2016/17, reaching £1.4 trillion, equivalent to around £53,000⁶⁹ for every UK household (see Figure 2.3).
17. The Commission is clear that continued public sector borrowing on this scale is not sustainable. Any government would be taking action to reduce the deficit. The political debate has been around the speed and structuring of fiscal consolidation rather than around the medium-term tax and spending envelope, with no mainstream UK-wide political party currently arguing for significant increases in the tax to GDP ratio or for running a long-term budget deficit. The Commission is primarily interested in the distributional impact of fiscal consolidation and therefore we believe it is essential that each of the main political parties spell out in clear and detailed terms how they intend to go about it.
18. The UK Government initially aimed to bring the cyclically adjusted current budget into balance over a five year rolling time horizon and ensure that public sector net debt was falling as a proportion of GDP by 2015/16,⁷⁰ involving discretionary fiscal consolidation of £128 billion per year: a £99 billion reduction in public expenditure and a £29 billion increase in taxation. As a result of lower than expected economic growth, the UK Government needs to implement a further £26 billion of discretionary fiscal consolidation measures between 2015/16 and 2017/18.⁷¹ All of this means that austerity is not ending any time soon, regardless of the result of the next General Election.
19. Crucially, however, this is not just a short-term challenge. The fiscal problems caused by the recession have arguably brought forward a long-term dilemma that would have had to have been faced anyway: how to tackle child poverty and social mobility in the context of an ageing society

⁶⁸ Office for Budget Responsibility, *Public Finances Databank*, 2013. All data is at 2011/12 prices

⁶⁹ Based on a forecast of 27.4 million households in the UK in 2017 (using ONS 2010-based population projections and Census 2011, assuming a constant population: household ratio)

⁷⁰ HM Treasury, *Budget 2010*, 2010

⁷¹ Resolution Foundation, *Narrowed Horizons: the Fiscal Choices in 2013 and Beyond*, 2013

as baby boomers reach retirement with relatively fewer people of working age to support them. The old-age 'dependency ratio' is projected to increase by over 75 per cent between 2010 and 2060 (see Figure 2.4),⁷² putting upward pressure on age-related spending, with expenditure on health, long-term care and pensioner benefits expected to increase from 15.1 per cent of GDP in 2017/18 to 20.7 per cent of GDP in 2062/63.⁷³

20. These pressures are already with us, and are affecting the short-term outlook for policy. The number of over-65s is expected to increase by 13.1 per cent between 2010 and 2015.⁷⁴ As a consequence, expenditure on state pensions is expected to increase by 17.5 per cent in real terms – almost £13 billion (2013/14 prices) – during this Parliament alone, a sum equivalent to more than half of the discretionary cuts to benefits and tax credits that will have been made by 2014/15.⁷⁵ In the consolidation to date, much more of the burden of fiscal adjustment has been borne by people of working age than by pensioners – reflected, for example, in decisions to uprate most working-age benefits by less than inflation at a time when there is a 'triple lock' to protect pensions. Other pensioner benefits are also protected and pensioners are exempt from many of the changes to all-age benefits such as cuts to council tax support. This is a policy decision that exerts a double pressure: costs increasing because of more pensioners and because pensioner entitlements are becoming more generous.
21. This matters because, even within a very tight fiscal environment, there are still real choices about how to achieve fiscal consolidation. These include the balance between tax rises and spending constraints, which areas to protect from cuts, welfare versus services and the distributional impact by age and by income. The key question for the Commission is whether the choices that are being made are consistent with the objectives of eradicating child poverty by 2020 and improving social mobility. These are choices for both the UK Government and other 'spending' actors including the Scottish and Welsh governments and local authorities.

⁷² The dependency ratio has been defined as (number of over-65s)/(number of 16–64s). Data taken from Office for National Statistics, *Population Estimates for UK, England and Wales, Scotland and Northern Ireland, 2011*, and Office for National Statistics, *National Population Projections: 2010-Based Projections, 2011*

⁷³ Office for Budget Responsibility, *Fiscal Sustainability Report, 2013*

⁷⁴ Office for National Statistics, *National Population Projections – 2010-Based Projections, 2011*

⁷⁵ Department for Work and Pensions, *Medium Term Benefit Forecast, 2013*, and Commission analysis of Budget, Autumn Statement and Spending Review documents published by HM Treasury since 2010

Figure 2.3 – Public sector net debt as a proportion of national income⁷⁶

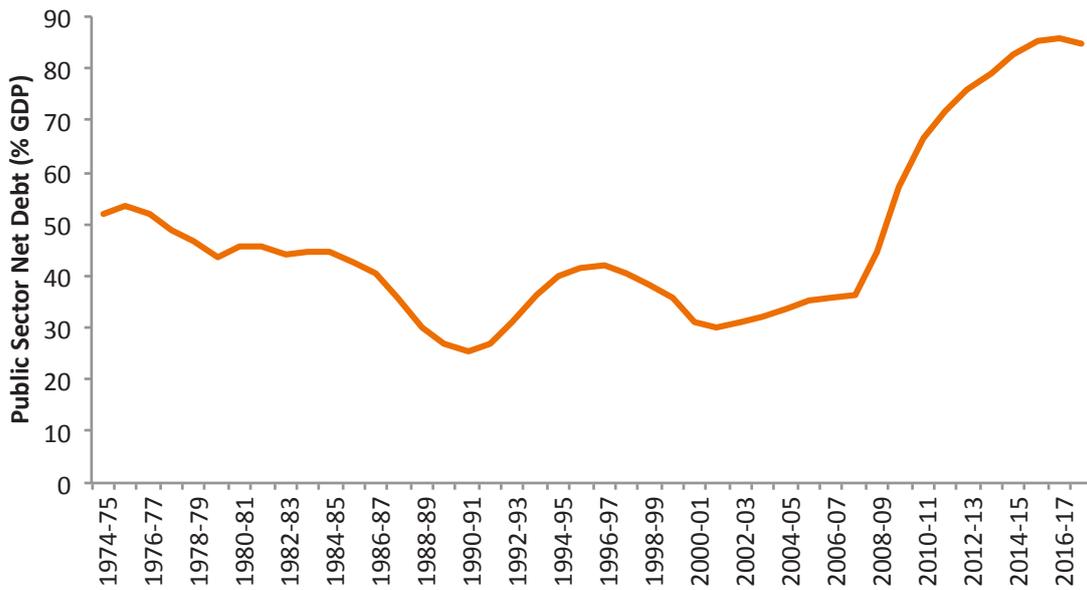
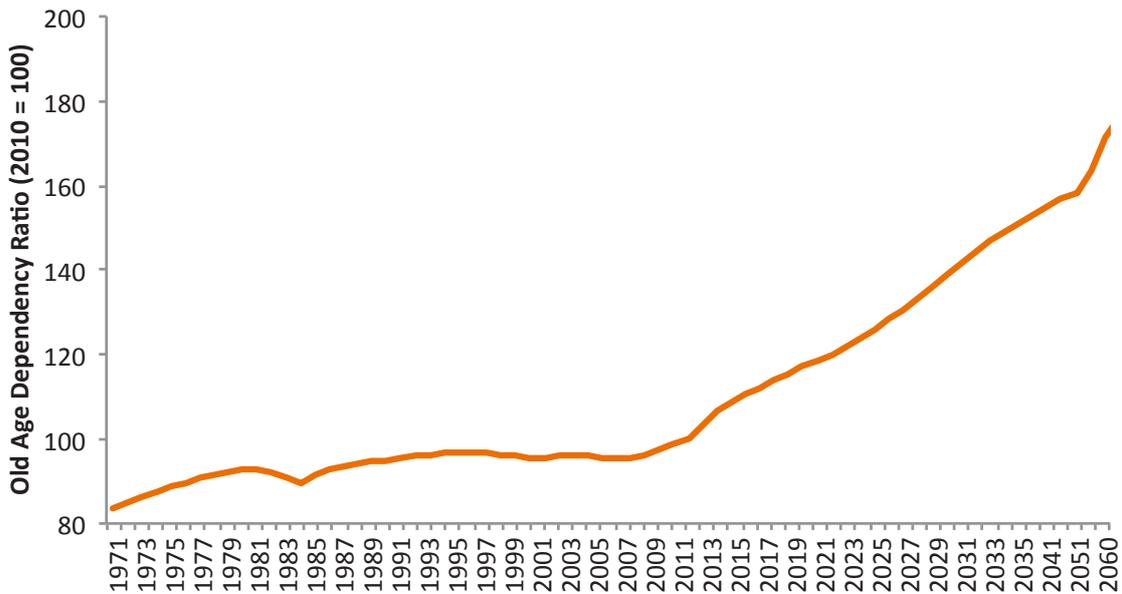


Figure 2.4 – Old-age dependency ratio (2010 = 100)⁷⁷



22. The UK Government's choices (more detail is available in the Appendix to this chapter) have included:

- Accelerating the speed of fiscal consolidation relative to the plans of the previous administration, based on its judgement that this was essential to secure market confidence and avoid fiscal crisis.
- Shifting the balance of fiscal consolidation away from tax rises and towards spending cuts, in line with its assessment of the international evidence.

⁷⁶ Office for Budget Responsibility, *Public Finances Databank*, 2013. All data is in 2011/12 prices

⁷⁷ Office for National Statistics, *National Population Projections – 2010-Based Projections*, 2011

- Making significant discretionary cuts to social security expenditure to reduce the pressure on public services, focusing on reducing benefit and tax credit entitlements for children and working-age adults while increasing the generosity of the state pension and protecting most other benefits for pensioners.
- Shifting the pattern of taxation, for example by increasing the income tax personal allowance by one-third in real terms and raising the rate of VAT from 17.5 per cent to 20 per cent.
- Protecting health expenditure in real terms and increasing expenditure on international aid, raising the required consolidation from most other departments and local government.

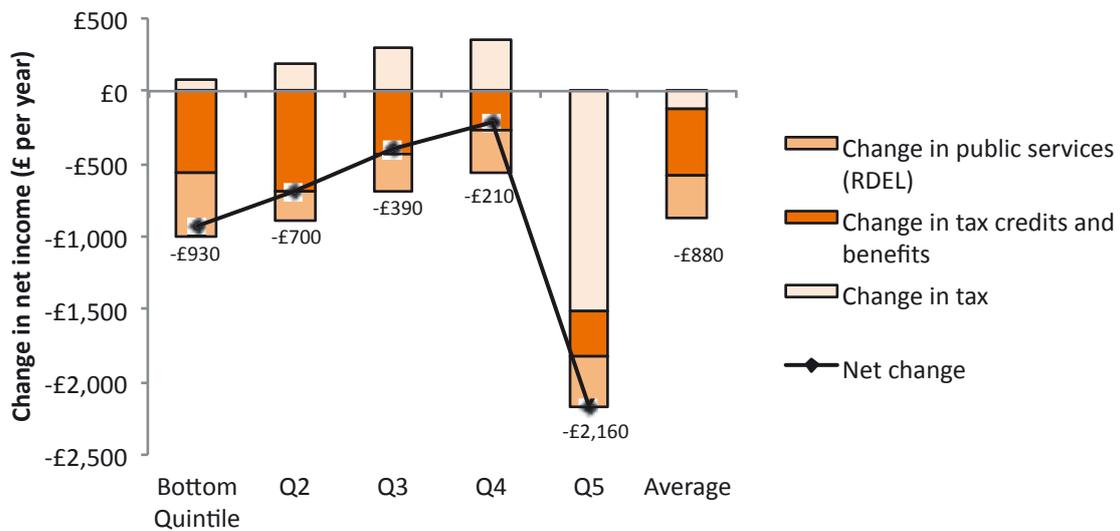
23. It is difficult to comment on the impact of these decisions, not least because it is hard to distinguish between their short-term and long-term effects. For example, while cuts in social security may have adverse consequences for affected families during an adjustment period, it is also possible that social security and public service reforms setting out to increase labour market participation and improve life chances for children from less advantaged backgrounds will outweigh these negative effects in the medium to long term. The impacts of reductions in funding for public services could also be mitigated by public service reform, public sector pay restraint, efficiency savings and attempts to focus cuts on less effective areas of spending and to protect 'frontline' services. It is also impossible to judge what the impact of the counter-factual is for low-income households: for example, the impact of increases in interest rates had markets lost confidence in the UK Government's willingness and ability to control the deficit.

24. The Commission limits its comments in this chapter to the short-term impact of fiscal consolidation, assessing whether the UK Government has met the test it set itself to achieve 'fair deficit reduction'. Here, our review of the evidence, based on the Government's own analysis (see Figure 2.5 and Figure 2.6), suggests that fiscal consolidation:

- Will see the highest earning 20 per cent of households making the greatest contribution to reducing the deficit, both in absolute terms and also as a proportion of their incomes.
- Will be regressive once the highest earners are excluded, with those at the bottom making a larger contribution than any other group except those in the top 20 per cent, both as a proportion of their incomes and in absolute terms.

- Will affect the young more than the old, and those with children more than those without. One recent analysis finds that families with children – 32 per cent of working-age families – will bear 51 per cent of the net cost of tax and benefit measures and 63 per cent of the cost of spending cuts between 2010 and 2015.⁷⁸ Low-income families – especially lone parents – lose out by more than their peers as a proportion of their net incomes.

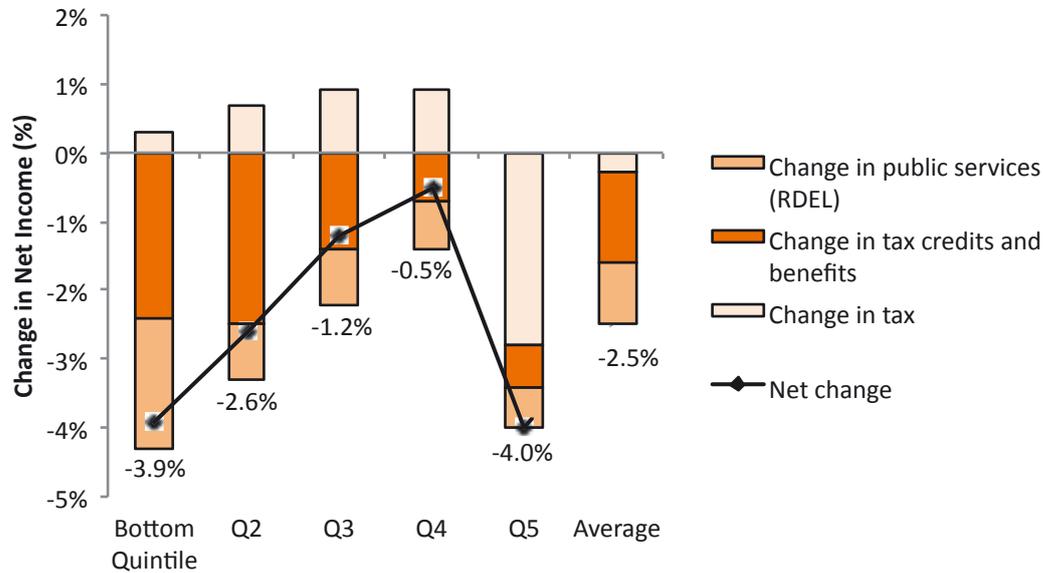
Figure 2.5 – Overall impact of public service spending, tax, tax credit and benefit changes on households in 2015/16 (£ per year) in 2010/11 prices⁷⁹



⁷⁸ See Office of the Children’s Commissioner, *A Child Rights Impact Assessment of Budget Decisions: including the 2013 Budget, and the cumulative impact of tax-benefit reforms and reductions in spending on public services 2010–2015*, 2013. Working age family here means: a single person without children, couples without children, lone parents (i.e. single person with children) and couples with children

⁷⁹ HM Treasury, *Spending Round 2013: Impact on Households*, 2013

Figure 2.6 – Overall impact of public service spending, tax, tax credit and benefit changes on households in 2015/16 (percentage of 2010/11 net income)⁸⁰



25. In addition, the Commission notes that fiscal consolidation will have a large impact on the incomes of many families who are affected by multiple changes to their tax credits and benefits. For example, one analysis estimated that 300,000 households will be hit by both the reforms to council tax benefit and the removal of the Spare Room Subsidy.⁸¹ Research by Demos looking at the overlaps between 15 different changes to benefits estimated there were at least 3,000 disabled people who were facing an average loss of income of over £23,000 by 2018 as a result of six separate cuts.⁸² The Commission is concerned that the UK Government has little information about the scale of this issue and that – though there are genuine analytical challenges in doing so – it has not made a meaningful attempt to carry out a cumulative impact assessment to develop a better understanding of the problem in order to allow it to be effectively mitigated.

26. Overall, the Commission concludes that the process by which fiscal consolidation has been implemented is placing an unfair burden on the poorest households – including those in low-paid work – at least in the short term. It remains to be seen whether there will be sufficient medium-term improvements in living standards and life chances through other

⁸⁰ Ibid

⁸¹ New Policy Institute, Aldridge and Tinson, *How Many Families Are Affected by More Than One Benefit Cut This April?* 2013

⁸² Demos, C. Wood, *Destination Unknown: April 2013*

<http://www.demos.co.uk/blog/destinationunknownapril2013>

government policies aimed at increasing labour market participation and delivering better education outcomes to counterbalance the short-term impact of fiscal consolidation on low-income households.

27. Looking to the longer term, the Commission does not believe that some of the choices made so far will be sustainable for the future:

- The UK Government needs to achieve an additional £26 billion of fiscal consolidation after the next election to achieve its fiscal targets.⁸³ If this was to be done through spending cuts alone while maintaining real-terms protection for health and other areas, it would imply large further cuts to expenditure of unprotected departments and local government, which look highly challenging in the context of the big spending reductions that there have been in many areas since 2010. Ultimately, this would be likely to have a severe impact on social mobility if, for example, spending on early years and young people saw cuts on this scale.
- The burden of adjustment of social security expenditure cannot continue indefinitely to be borne disproportionately by those of working age. There needs to be a fairer intergenerational sharing of the pain. There is a strong case in particular for protecting early years and school-age spending. In the longer term, if child poverty is to be ended and children's life chances enhanced, there will need to be some rebalancing in public resources from the old to the young over time.
- To ensure that the impact of fiscal policy on social mobility and child poverty are at the heart of decision-making processes, the Commission believes that the Office for Budget Responsibility should be given a new role in independently reporting on the social mobility and child poverty impact of future Budgets, including about distributional effects on different household types.

The earnings challenge

28. Employment and earnings trends are key drivers of child poverty. Children with parents who are in employment (particularly full-time work) are far less likely to be in poverty than those whose parents are not in work. The labour market also matters enormously to social mobility – youth unemployment in particular can have scarring effects for a lifetime (explored further in Chapter 7) – while both the quantity and quality of jobs influences opportunities for progression.

29. The good news is that, while the recession and subsequent slow recovery have had a significant impact, the situation is much better than was predicted. Total employment has recovered from the recession and is now the highest ever recorded. While unemployment increased by over 1 million to peak at over 2.6 million in late 2011 (8.5 per cent), this was significantly lower than expected. By way of contrast, following the early

⁸³ Resolution Foundation, *Narrowed Horizons: the Fiscal Choices in 2013 and Beyond*, 2013

1990s recession, unemployment hit 10.7 per cent at its peak, which would have been equivalent to 3.3 million in late 2011.⁸⁴

30. These headline figures are positive. The labour market has been much more resilient than in previous recessions. However, there are a number of developments that pose serious challenges for attempts to reduce child poverty and improve social mobility.
31. In particular, though employment outcomes for working-age adults have recovered to some extent, they are still yet to reach pre-recession levels (see Figure 2.7). Working-age unemployment remains at almost 2.5 million, an unemployment rate of 8.0 per cent – far higher than the pre-recession unemployment rate of 5.3 per cent. Unemployment has only decreased by 142,000 from its peak, and although working-age employment is 739,000 higher than its early 2010 low it is still 76,000 lower (0.3 per cent) than its pre-recession level.
32. Significantly, the labour market has performed very differently for the under-50s and over-50s. Employment has held up for the latter and is now significantly above pre-recession levels. But for younger adults – and especially the under-25s – the impact of the recession on employment was bigger and the recovery slower. The employment rate of those aged 50 to 64 fell by only 1.1 percentage points during the recession, from 65.7 per cent to 64.6 per cent, and has since recovered to 67.3 per cent: significantly higher than before the recession. There has also been a significant increase in employment of over-65s, up by 48 per cent since the first quarter of 2008, with almost one in ten people of state pension age now in work (up from 1 in 14 before the recession). By contrast, the employment rate of those aged 18 to 24 fell by over 8 percentage points from 64.7 per cent to 56.5 per cent and has only recovered slightly to 56.7 per cent: a fifth of 18–24-year-olds are not in full-time education or employment and 19.2 per cent of young adults who are looking for work cannot find it.
33. There has also been a shift from full-time to part-time work since the recession, combined with a large rise in reported under-employment. The number of people aged 16 and over (including over-65s) in full-time employment is still 321,000 lower than before the recession. The number of people working part-time who say they want to work full-time but cannot find a full-time job has more than doubled since the start of the recession. There are now over 1.4 million people working part-time – and almost one in five of all people who work part-time (including one in three men who work part-time) – say they want to work full-time but cannot find a full-time job: an increase of 750,000 since 2008.

⁸⁴ All data in this section is taken from Office for National Statistics, *Labour Market Statistics*, 2013, unless stated otherwise

34. There has also been a widely noted shift away from employment to self-employment and towards forms of employment which give more flexibility to employers. The number of employees is 161,000 lower than before the recession (423,000 fewer full-time and 262,000 more part-time), but self-employment is 347,000 higher (84,000 more full-time and 263,000 more part-time). A total of 596,000 people with temporary employment contracts say they cannot find a permanent job, up 73 per cent since the start of the recession. The estimated number of people with zero-hour contracts has increased by 75 per cent since 2008 to reach 250,000 in 2012,⁸⁵ and this is likely to be a significant under-estimate⁸⁶ (with estimates suggesting that as many as 3–4 per cent of the UK workforce – 1 million employees – could be on these types of contracts).⁸⁷
35. Labour market outcomes vary widely across the United Kingdom and there remains substantial economic polarisation in the country. London, parts of the South East and parts of Scotland are doing well, while the historical industrial belt continues to suffer (see Figure 2.8). The employment rate varies from 67.2 per cent in the North East to 76.0 per cent in the South East. The unemployment rate varies from 10.4 per cent in the North East to 5.8 per cent in the South East. Working-age employment is still 3.8 per cent below its pre-recession peak in the West Midlands while it is 3.1 per cent above its peak in London. These regional and national variations are worrying. Tackling poverty and improving social mobility relies on the United Kingdom being able to rebalance the economy and close the gaps between the nations and regions. We are a long way from this and, on some measures, the gap is becoming wider not narrower.
36. Even more worryingly, there has been significant downward pressure on average real wages. They did not keep pace with economic growth before the recession and there have been significant cuts in real wages since (see Figure 2.9). This means that real median weekly earnings have fallen by 10.2 per cent since 2009 and are now lower in real terms than in 1997. Median weekly earnings would be 9 per cent higher (£37 per week) and mean earnings 7 per cent higher (£32 per week) if they had kept pace with changes in GDP per worker since 2000.⁸⁸
37. Overall, the labour market picture is mixed. While employment has proved more resilient than expected and has recovered to pre-recession levels, the recovery has not kept pace with increases in the working-age

⁸⁵ Office for National Statistics, *Ad Hoc Analysis: Zero Hour Contracts Levels and Percent*, 31 July 2013

⁸⁶ See for example Pyper and Harari, *Zero Hours Contracts*, House of Commons Library Standard Note SN/BT/6553

⁸⁷ Stevens, M., People Management, *One Million Workers On Zero Hours Contracts Finds CIPD Study*, 2013

⁸⁸ Commission analysis using Office for National Statistics, *Annual Survey of Hours and Earnings*, 2012, Office for National Statistics, *National Accounts 2013 Q2 (series YBHA)*, 2013, and Office for National Statistics, *Labour Market Statistics*, 2013. The Retail Prices Index has been used to deflate nominal earnings and GDP per worker figures

population, unemployment remains stubbornly high and there are signs that younger adults risk being left behind in the recovery. Real wages were stagnating before the recession and have reduced significantly since, putting a tight squeeze on standards of living.

38. All this matters to social mobility and child poverty because of its effects on income and opportunity. Without more concerted action to address imbalances in the labour market, high levels of youth unemployment and falling earnings, it will be almost impossible to make progress towards the goal of a highly socially mobile, low-poverty society.

Figure 2.7 – Employment rate of adults aged 16–64^{89a}

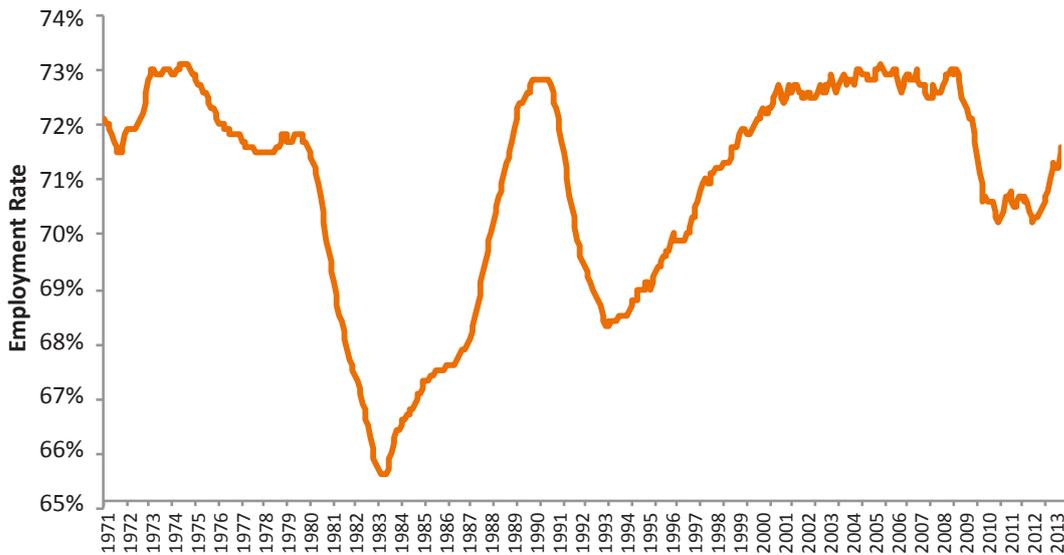
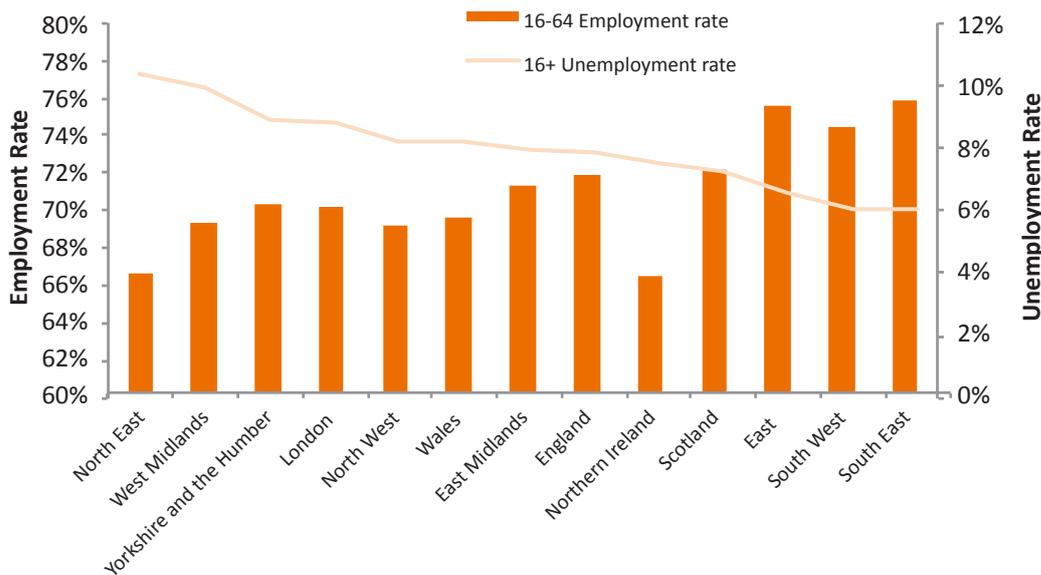


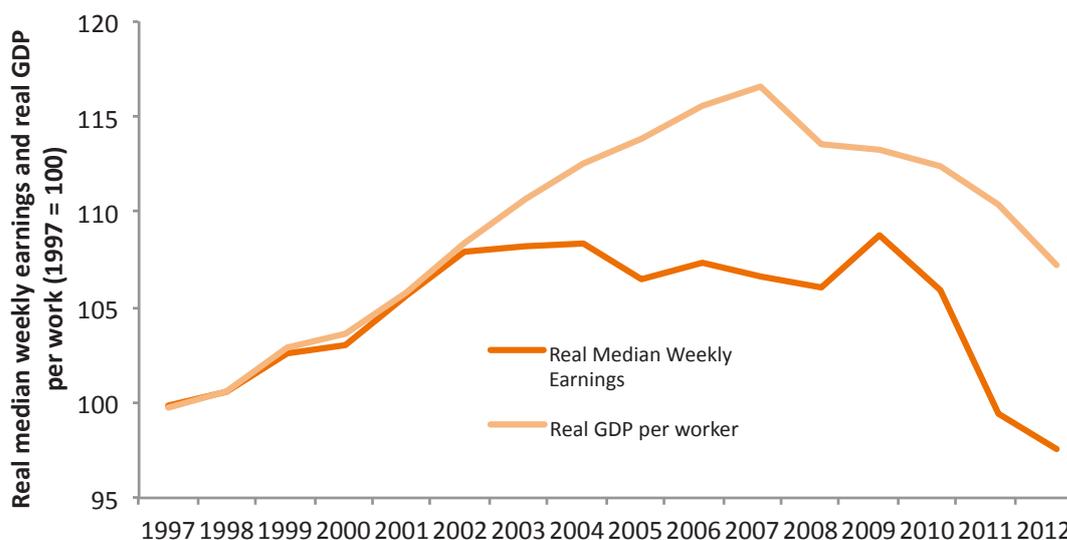
Figure 2.8 – Employment and unemployment rates by region^{89b}



^{89a} Office for National Statistics, Labour Market Statistics, 2013

^{89b} Office for National Statistics, *Regional Labour Market Statistics*, 2013

Figure 2.9 – Real median weekly earnings and GDP per worker (1997 = 100)⁹⁰



The cost of living challenge

39. The final challenge shaping efforts to tackle child poverty and improve social mobility is the cost of living, particularly for basic goods and services, which has increased significantly over the past few years, adding to the pressures being experienced by lower income families in particular.
40. The stark fact is that the average household would need to have seen a 22.5 per cent increase in their income to have maintained the same standard of living in 2012 as in 2006.⁹¹ Equivalised median household incomes actually increased by around 17 per cent in cash terms over the same period, meaning real incomes fell by 4.2 per cent as increases in the cost of living outstripped increases in income.⁹²
41. These broad trends hide wide changes in the cost of living for different types of household. Spending patterns vary widely with, for example, spending on food, housing costs (gross of housing benefit), water, electricity and gas representing 58.7 per cent of income for the poorest 10 per cent compared to 28.6 per cent of income for the richest 10 per cent⁹³ (see Figure 2.10). The costs of these basic goods – and increases in them – therefore have a significantly bigger impact on those with low incomes.

⁹⁰ Commission analysis using Office for National Statistics, *Annual Survey of Hours and Earnings*, 2012, Office for National Statistics, *National Accounts 2013 Q2 (series YBHA)*, 2013, and Office for National Statistics, *Labour Market Statistics*, 2013. The Retail Prices Index has been used to deflate nominal earnings and GDP per worker figures

⁹¹ Office for National Statistics, 2013: Retail Price Index inflation between 2006 and 2012 was 22.5 per cent

⁹² Department for Work and Pensions, *Households Below Average Income*, 2013

⁹³ Commission calculations based on Office for National Statistics, *Table A6, Detailed Housing Expenditure by Gross Income Decile, Family Spending*, 2012, using gross housing costs including council tax payments.

42. There has also been a large degree of variation in price increases of different goods, with many items which make up a bigger proportion of poor families' budgets (e.g. food) seeing particularly fast price rises (see Figure 2.11). For example, between 2007 and 2012, food became 30 per cent more expensive and gas 57 per cent more expensive.⁹⁴
43. The net effect is that those on lower incomes have experienced much higher inflation over time than other families. Research by the Institute for Fiscal Studies⁹⁵ found that, between 2000 and 2010, the cost of living for low-income families⁹⁶ increased 7 per cent faster than for the top 10 per cent (a 46 per cent increase in prices versus 37 per cent). Research by the Joseph Rowntree Foundation⁹⁷ found that, between 2008 and 2013, the Minimum Income Standard⁹⁸ for a couple with two children rose by 25 per cent (the Consumer Price Index rose by 17 per cent over the same time period).
44. A key factor adding to pressures on those with lower incomes is that they tend to pay significantly more for identical goods and services than better-off families. This 'poverty premium' arises for several reasons, including:⁹⁹
- Lack of affordable credit or savings to buy expensive goods upfront.
 - Higher energy prices due to reliance on prepayment meters rather than cheaper Direct Debit payment plans.
 - Higher telecommunications prices due to reliance on pay-as-you-go pricing plans rather than pay monthly, with higher call charges more than offsetting lack of monthly fee.
 - Higher costs of home contents and car insurance (due to living in a more deprived area with higher actuarial risk).
 - Lack of internet access restricting ability to make informed choices. This includes less information to compare prices and restricted ability to access the cheapest deals.
 - Lack of access to cheaper deals in large hypermarkets. This arises due to transport difficulties and less ability to buy in bulk.

⁹⁴ Office for National Statistics, 2013

⁹⁵ Levell and Oldfield, Institute for Fiscal Studies, *The Spending Patterns and Inflation Experience of Low-Income Households Over the Past Decade*, IFS Commentary C119, 2011

⁹⁶ The Institute for Fiscal Studies focuses on those in the second poorest decile due to many in the bottom income decile experiencing higher standards of living than their incomes alone suggest

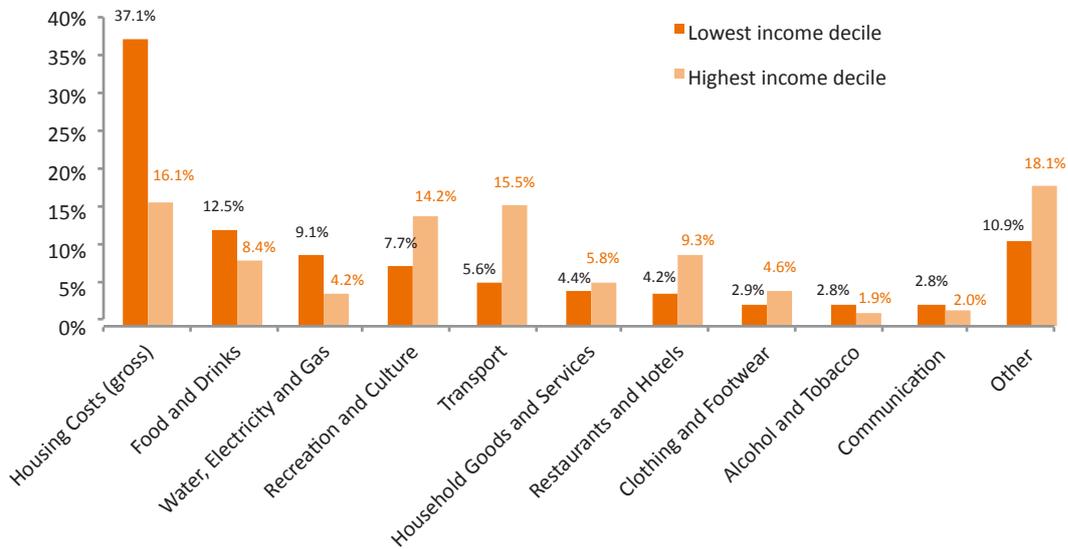
⁹⁷ Hirsch, Joseph Rowntree Foundation, *A Minimum Income Standard for the UK in 2013*, 2013

⁹⁸ The estimated minimum income necessary to buy a basket of goods necessary to enjoy a minimum standard of living – defined as 'having what you need in order to have the opportunities and choices necessary to participate in society' – headline figures are presented excluding housing and childcare costs

⁹⁹ See for example Save the Children and The Family Welfare Association, *The Poverty Premium: How Poor Households Pay More for Essential Goods and Services*, 2007, Save the Children, *The UK Poverty Rip-Off. The Poverty Premium 2010*, 2010

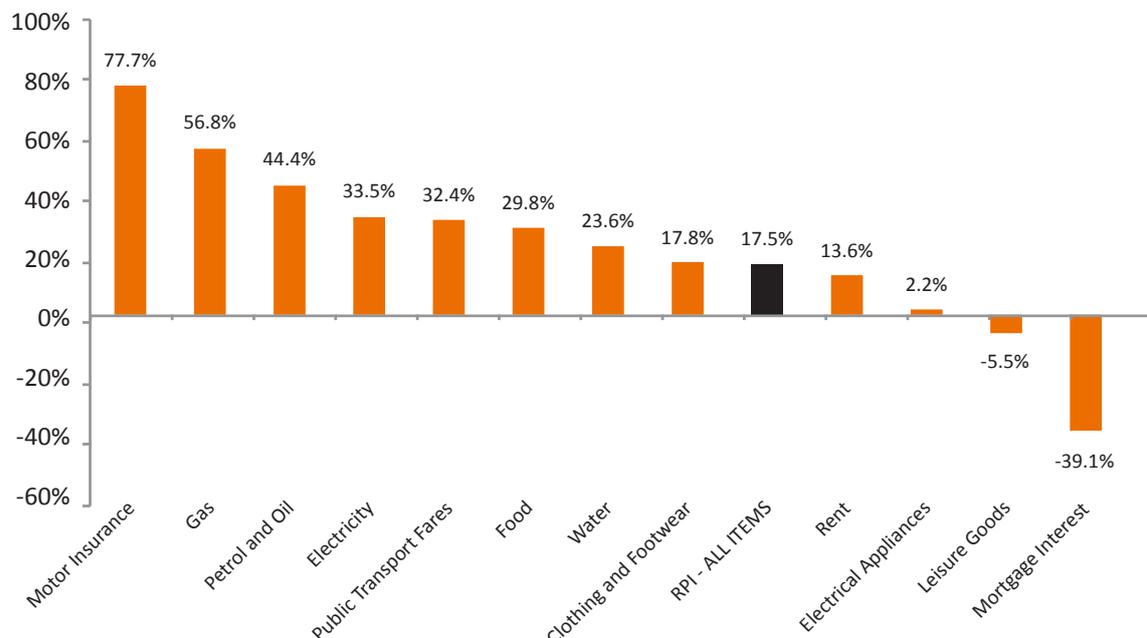
45. Taking action to tackle the ‘poverty premium’ and restrict the costs that low-income families face for necessities has not been a major part of public debate in recent years – though there have been wider concerns about the cost of living. Such a debate and action is long overdue. It is time to take action to address these issues.

Figure 2.10 – Spending patterns by household income decile



Commission calculations based on Office for National Statistics, Table A6, Detailed Housing Expenditure by Gross Income Decile, Family Spending, 2012, using gross housing costs including council tax payments.

Figure 2.11 – Increases in prices of various goods and services 2007–2012



Office of National Statistics, *Family Spending*, 2013.

Recommendations

46. The Commission recognises that these are challenging times for making progress on reducing child poverty and improving social mobility. The headwinds are powerful and to combat them will require renewed vigour. To that end, the Commission believes that there are some broad

approaches which the UK, Scottish and Welsh governments and local government should adopt.

47. We recommend that local and national governments:

- Continue to focus on returning the economy to growth with the accent now on securing a balanced recovery between different parts of the United Kingdom.
- Prioritise child poverty and social mobility in future fiscal consolidation and secure a fairer balance of consolidation between the generations and between better-off and worse-off families.
- Actively engage employers in improving earnings 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. This is discussed further in the next chapter.
- Give further consideration to how to help reduce the costs of living faced by low-income families – improving living standards and helping to reduce pressure on the public finances.

Appendix to Chapter 2

Key decisions on taxation and public spending

The UK Government has introduced a number of tax cuts which will help support the incomes of poorer families, especially if they are in employment. These include:

- A significant increase in the income tax personal allowance from £6,475 in 2010/11 to £10,000 in 2014/15, at a cost of £10.7 billion per year by 2014/15 (e.g. worth around £2,500 over the course of the Parliament for couples with both adults in full-time employment at the minimum wage).
- Replacing the 'fuel duty escalator' with the 'fair fuel stabiliser', reducing taxation on fuel compared to previous plans (e.g. a typical motorist will, as a result, pay £10 less each time they fill their car up in 2014/15).¹⁰⁰
- Freezes in council tax (e.g. a family in a band D property not in receipt of council tax benefit in 2010/11 would be an estimated £212 per year better off by 2014/15).¹⁰¹

These changes are welcome and will make a difference to family incomes, especially for those with lower incomes. There are, however, other tax measures which have had a negative impact on the incomes of poorer families, notably the increase in the headline rate of VAT from 17.5 per cent to 20.0 per cent from January 2011, which is expected to raise £13.5 billion per year by 2014/15 (e.g. the average household would pay around £2,000 more in VAT over the course of the Parliament¹⁰²).

The net impact of these changes in the taxation system on low-income households will depend on the earnings of each adult in the household. Many couple households where each working adult earns more than £10,000 (but does not pay income tax at the higher rate) should benefit overall over the course of the Parliament, but many households where this is not the case will lose more from the VAT increase than they gain from the increase in the income tax personal allowance. For example, around a third of part-time workers earn less than the £6,475 and so have not gained at all from increases in the income tax personal allowance.¹⁰³

There have also been a number of other changes in taxation policy which will have an indirect impact on child poverty through their potential positive impacts on economic growth and increasing employment. These include a reduction in the rate of Corporation Tax from 28 per cent in 2010/11 to 20 per cent by 2015/16 (estimated cost of £7.0 billion per year by 2015/16) and a

¹⁰⁰ HM Treasury, *Budget 2013*, 2013

¹⁰¹ Assuming a counter-factual of council tax continuing to increase at 3.5 per cent per year, the average increase between 2005/06 to 2010/11, based on Department for Communities and Local Government statistics on average band D council tax rates over time

¹⁰² Based on HM Treasury, *Budget 2010*, 2010 estimates of the increased revenue from higher VAT in each financial year divided by the estimated number of households for that year

¹⁰³ Office for National Statistics, *Annual Survey of Hours and Earnings*, 2012

reduction in employer National Insurance Contributions (estimated cost of £3.7 billion per year in 2014/15).

Social security

Real-terms expenditure on benefits, including child benefit, and tax credits is currently forecast to fall from £204.9 billion in 2010/11 to £204.3 billion in 2014/15 at 2013/14 prices.¹⁰⁴ While this sounds like a modest saving compared with some of the real-terms cuts made to departmental spending, it needs to be made in the context of major pressures. These include:

- Increasing pressures on the welfare budget due to the ageing society: there is an expected 13.1 per cent increase in the number of over-65s anticipated between 2010 and 2015¹⁰⁵ and this is a key driver of the forecast £13 billion (17.5 per cent) real-terms increase in expenditure on the state pension (2013/14 prices) over the course of this Parliament.¹⁰⁶
- Decisions to provide more generous benefits to the (larger) number of pensioners: notably the 'triple lock' guarantee to increase state pensions by the higher of earnings, prices or 2.5 per cent.
- Decisions to protect several pensioner benefits from cuts and to protect pensioners from some cuts to all-age benefits: including the Winter Fuel Payment, free eye tests and prescriptions, free TV licences for the over-75s, free bus travel and Cold Weather Payments as well as protection from cuts to council tax support and the decision to retain the spare room subsidy for pensioners on housing benefit in social housing. Decisions to protect pensioner benefits from cuts in the social security budget also effectively ringfence more than 40 per cent of 2010/11 benefit and tax credit expenditure.¹⁰⁷

In order to achieve its ambition to reduce social security expenditure in real terms, the UK Government is implementing reforms which are anticipated to save around £22 billion per year, a reduction in expenditure of 20 per cent on social security, child benefit and tax credit spend excluding the exemptions detailed above by 2014/15.¹⁰⁸

Key decisions with an impact on low-income families (with the saving per year to Government by 2014/15 in brackets) followed an initial period of continued spending – for example, benefits increased in line with Consumer Price Inflation of 5.2% in April 2012, significantly higher than average earnings,

¹⁰⁴ Department for Work and Pensions, *Medium Term Benefit Forecast*, 2013. Note that the real-terms fall in benefits relies on the transfer of responsibility for Council Tax Benefit (£5.2 billion expenditure in 2010/11 at 2013/14 prices) to local authorities from 2013/14

¹⁰⁵ Office for National Statistics, *National Population Projections: 2010 Based Statistical Bulletin*, 2011

¹⁰⁶ Department for Work and Pensions, *Medium Term Benefit Forecast*, 2013

¹⁰⁷ Excluding at least £84 billion of 2010/11 expenditure (state pension, pension credit, council tax benefit for over-65s, free TV licences and Winter Fuel Payments) out of total expenditure by the Department for Work and Pensions on benefits and by HMRC on child benefit and tax credits in 2010/11 of £194 billion

¹⁰⁸ Calculated as above

which fell in real terms. The key changes have included the switch to Consumer Price Index indexation of benefits from the Retail Price Index (£5.8 billion), a number of tax credit reforms (£5.5 billion), a range of housing benefit reforms (£1.9 billion), a 1 per cent nominal cap on benefit uprating (£1.9 billion), reform of the Disability Living Allowance Gateway (£1.1 billion) and reducing the time limit on contributory Employment Support Allowance (£1.1 billion). There are also a range of benefit cuts generating smaller savings but a high impact on affected families, including the benefit cap (£270 million), localisation of council tax support with a 10 per cent cut in central government funding (£490 million) and the child benefit freeze (£975 million in 2014/15).

Public services

Overall, the Spending Review 2010 planned to cut Departmental Expenditure Limits (DEL) by 11.2 per cent in real terms by 2014/15 – reducing departmental resource budgets by 8.3 per cent and departmental capital budgets by 29 per cent.¹⁰⁹ Excluding health and international development (which together make up 34 per cent of total 2014/15 DEL), the average government department faced real-terms cuts in DEL of 17 per cent: a 14 per cent cut in departmental resource budgets and a 32 per cent cut in departmental capital budgets.

The Commission is clear that the level of expenditure on public services is an imperfect guide to the potential effectiveness of government policies in achieving social mobility and child poverty outcomes: it is perfectly possible to improve outcomes while cutting public spending by, for example, improving efficiency and stopping ineffective programmes. However, the Commission is also clear that improving outcomes at a time when public expenditure is being cut significantly is a lot more challenging.

There is as yet limited evidence on the impact of reductions in public expenditure on service quality. One recent survey looking at *public perceptions* of the quality of public services found that a majority of people think that the quality of public services has been maintained or improved (42 per cent and 15 per cent respectively) over the past five years, though a sizeable minority think services have got worse (40 per cent).¹¹⁰

Within these tight settlements, the UK Government did protect – and even increase – some spending relevant to social mobility and child poverty: notably increasing the number of health visitors by 50 per cent, doubling the

¹⁰⁹ HM Treasury, *Spending Review 2010*, 2010 using Tables A5 (Resource DEL excluding depreciation), A6 (Capital DEL) and A9 (total DEL excluding depreciation). Figures have been deflated using Office for Budget Responsibility June 2010 forecasts of the GDP deflator

¹¹⁰ See ICM Research *British Split in Attitudes Toward Quality of Public Services* October 9 2013 <http://www.icmresearch.com/british-split-in-attitudes-toward-quality-of-public-services> (accessed 9 October 2013). ICM interviewed a random sample of 1,031 adults aged 18+ by telephone and results were weighted to reflect the profile of all adults

capacity of the Family Nurse Partnership, introducing 15 hours per week of free early education for disadvantaged 2-year-olds, maintaining the current schools budget for 5–16-year-olds in real terms, expanding apprenticeships and increasing funding for widening participation activities in universities.

These decisions are welcome, but the UK Government has also reduced some areas of spending that have potentially significant impacts on social mobility. Some examples include reducing central funding for Sure Start in real terms, abolishing the Education Maintenance Allowance, reducing funding for careers advice significantly, large real reductions in the further education budget and reforms to the higher education funding system. There have also been significant cuts to local authority budgets, which play a significant role in social mobility and child poverty (up to 30 per cent cut in central government support), though local authorities do arguably have flexibility to prioritise expenditure relevant to social mobility and child poverty rather than other areas of expenditure if they so wish, and the Commission would strongly urge them to do this.

The potential impacts of public spending cuts on social mobility are covered further in Chapter 4.

Chapter 3: Poverty today

- The falls in poverty seen over the last 15 years may be reversing.
 - Absolute poverty is rising, with 2.6 million children now affected, and the 2020 target to end child poverty is likely to be missed.
 - Good progress is being made on reducing the number of households where no one is in work.
 - Two in three poor children are now in families where someone works.
 - Universal Credit will sharpen work incentives but should be adapted to maximise its impact on child poverty.
 - Scotland and Wales are reducing child poverty but face particular challenges which will necessitate adjustments in policy.
 - The 5 million adults and children in working poor households are the forgotten people of Britain.
 - The whole UK needs a new approach focused on tackling in-work poverty.
1. The backdrop for efforts to reduce child poverty is hardly conducive to making progress. Nonetheless, there are firm commitments in place to achieve this objective. The Child Poverty Act 2010 ('the Act'), which became law with cross-party agreement, set four income-based targets to end child poverty by 2020 and introduced a number of statutory duties relating to this goal. While some amendments to the Act were made in the Welfare Reform Act 2012, its key features have been maintained (see Box 3.1). The UK Government reaffirmed its commitment to eradicating child poverty in its child poverty strategy in April 2011. The Scottish and Welsh governments have made similar commitments in their child poverty strategies.

*'On entering government last year we stated upfront our clear commitment to ending child poverty in the UK. It is unacceptable that in one of the most developed economies in the world millions of children have their lives blighted by deprivation. It is our moral duty to support all children to be productive, healthy and happy members of society, and we are determined to achieve this goal.'*¹¹¹

2. The Commission warmly welcomes this commitment and agrees with the UK Government that current levels of child poverty are unacceptable. We applaud the UK Government's decision to maintain the goal of ending child poverty by 2020 despite the challenging economic and fiscal environment. The UK Government also deserves credit for introducing tougher accountability arrangements in the changes it made to the role of the Commission.

¹¹¹ HM Government *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families Lives*, April 2011

3. Legally, the income-based measures in the Act remain the central test of progress on the commitments made by the UK, Scottish and Welsh governments to ending child poverty by 2020. The UK Government has, however, also criticised the suite of income-based measures contained in the Act and has consulted on a new measure of child poverty. The Commission has set out its views on this in detail elsewhere: overall we agree with the UK Government's view that income is an incomplete measure of child poverty and believe that a broad 'income plus' approach is required in which improvements in living standards remain key to lifting more families out of poverty (see Box 3.2).¹¹²
4. Although there are several drivers of material living standards – such as tax levels, social security benefits, household size and living costs – the Commission is clear that the most effective way of tackling child poverty is through getting more parents into work, supporting them to stay in work, and helping them progress into jobs that pay enough for them to escape poverty under their own steam. Getting these levers to work in sync must be the key priority for public policy. Doing so means addressing the range of factors influencing worklessness and low earnings. Given the challenging context, this is likely to mean looking beyond some of the levers used in the past.

Box 3.1 – The Child Poverty Act 2010

The Child Poverty Act 2010 established a number of new statutory duties relating to the eradication of child poverty.

Most importantly, it set legally binding targets to reduce poverty, which must be met by the 2020/2021 financial year:

- **Relative low income:** reduce the proportion of children who live in households with income below 60 per cent of the current median to 10 per cent or less.
- **Combined low income and material deprivation:** reduce the proportion of children who live in households with income below 70 per cent of the current median who experience material deprivation to 5 per cent or less.
- **Absolute low income:** reduce the proportion of children who live in households with income below 60 per cent of the 2010/2011 median to 5 per cent or less.
- **Persistent poverty:** reduce the proportion of children who live in households with income below the current median in at least three of the previous four years, with the target to be set in regulations by 2015.

¹¹² Social Mobility and Child Poverty Commission, *Response to 'Measuring Child Poverty: a consultation on better measures of child poverty'*, 2013

The Act also:

- Introduced a duty on the UK Government to publish a child poverty strategy with a number of areas of statutory content as well as similar duties for the Scottish Government and Northern Ireland Executive.
- Established a Child Poverty Commission with a statutory role to provide public advice to the UK Government and the devolved administrations to inform their Child Poverty Strategies, which they must 'have regard' to.
- Introduced new duties on local authorities and other bodies to cooperate in producing a local child poverty needs assessment and a joint local strategy.

The Welfare Reform Act 2012 made a number of amendments to the Act, including:

- Extending the scope of the Commission to cover social mobility as well as child poverty.
- Removing the formal role of the Commission in providing advice to inform the strategies of the UK Government and the devolved administrations.
- Adding a stronger accountability function by requiring the Commission to publish an annual report setting out its views on the progress being made by the Government on social mobility and child poverty, replacing the original requirement for the Government to publish such a report.
- Replacing the duty for strategies to estimate the progress that needs to be made against the targets by the end of each strategy with a duty to describe the measures that are being taken.
- Replacing the duty for strategies to estimate the impact of previous measures on the progress made against the targets in the Act with a duty to 'give an account' of their impact.

Past trends and lessons

Previous trends

5. The commitment to abolish child poverty is an ambitious goal given that poverty is the result of powerful social and economic forces that are challenging for government to influence.¹¹³ These include:
 - Changes in technology and the impact of globalisation such as increasing automation of production processes and the impact of international trade on local labour markets.

¹¹³ See Organisation for Economic Co-operation and Development *Divided We Stand: Why Inequality Keeps Rising*, 2011

- Changes in demography such as a steep rise in the number of single-parent families.
 - Changes in industrial structure such as the types of jobs and their locations.
6. As is the case in many developed countries, these forces have contributed to significant increases in relative child poverty in the UK today compared with the 1960s and 1970s. Nonetheless, recent experience in the UK and elsewhere suggests that high poverty need not be an inevitable consequence of these trends.
 7. Overall, British society has seen significant gains from economic growth over the past few decades. Absolute child poverty has been significantly reduced and the proportion of children below the fixed income threshold used in the Act¹¹⁴ has fallen from 80 per cent in 1961 to 20 per cent in 2012 as long-term economic growth has led to living standards improving for the vast majority of families in the UK. More recently, however, the link between economic growth and improved absolute living standards for the poorest families has begun to fray: for example, the proportion of children in absolute poverty after housing costs is higher today than it was in 2003–04 (see Figure 3.1).
 8. Evidence suggests that the gains from economic growth are being shared less equally than they used to be. As noted above, relative child poverty in the UK has increased significantly since the 1960s and 1970s: the proportion of children in relative poverty against the target in the Act was broadly static at between 11–15 per cent until 1979 and then rose significantly over the next decade to reach 29 per cent in 1992. Trends since then are more encouraging: relative child poverty fell to 21 per cent in 2004–05 and, after a slight rise in the mid-2000s, fell significantly in the aftermath of the recession, reaching 17 per cent in 2011–12, the lowest level since 1984 (see Figure 3.2). Scotland, Wales, Northern Ireland and the regions of England have all seen significant falls in poverty since the mid-1990s (more detailed analysis of child poverty in the different areas of the United Kingdom is available in the Appendix to this report).
 9. Comparing recent trends in child poverty in the UK with other developed countries gives cause for optimism that we can buck the social and economic trends driving high rates of child poverty. Most notably, over the last 15 years or so the UK has gone from having one of the highest rates of child poverty in the developed world to near the EU average. Relative poverty fell significantly in the UK at a time when it was rising in many other countries (see Figure 3.3). The international evidence suggests it can go even lower: for example, our rate of child poverty is still almost twice as high as in the best-performing countries of Scandinavia. Making progress in the future towards that sort of standard in the UK means

¹¹⁴ 60 per cent of 2010/11 equivalised median household income

learning lessons from what has worked both from our past performance and from others elsewhere in the world. We focus on five of the most important lessons below.

Figure 3.1 – Absolute child poverty 1961 to 2011/12 (based on an absolute poverty threshold of 60 per cent of 2010/11 equivalised median income)¹¹⁵

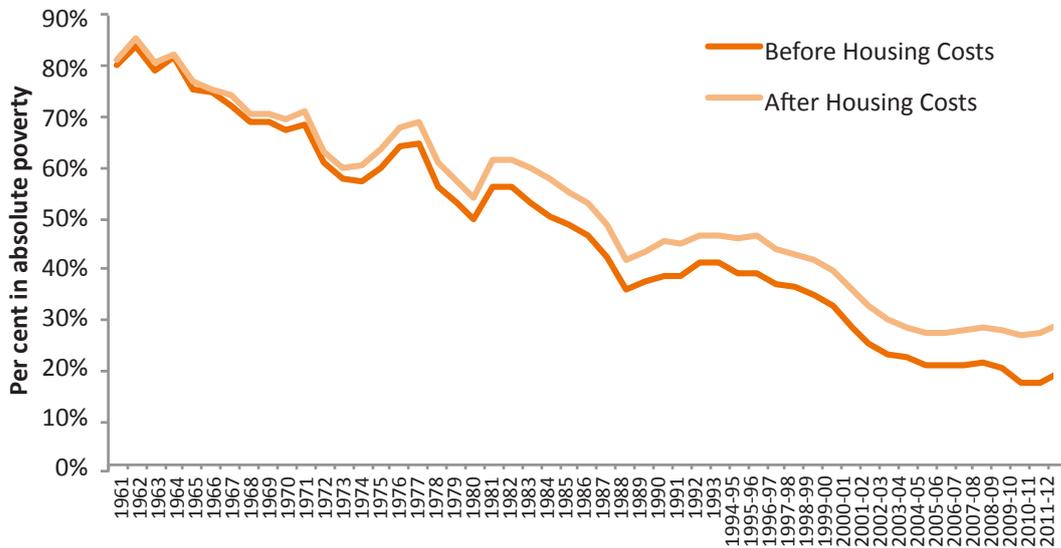
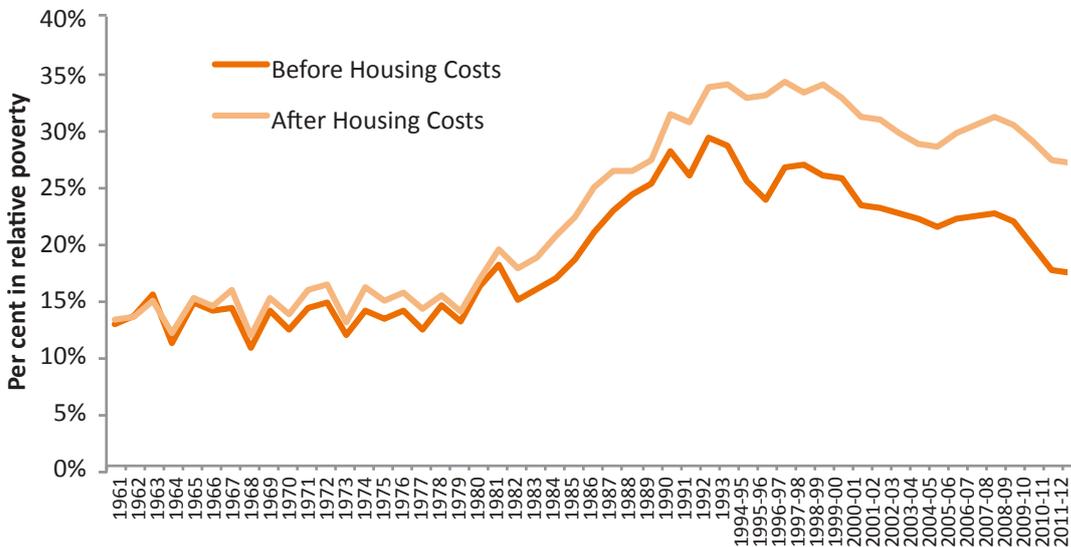


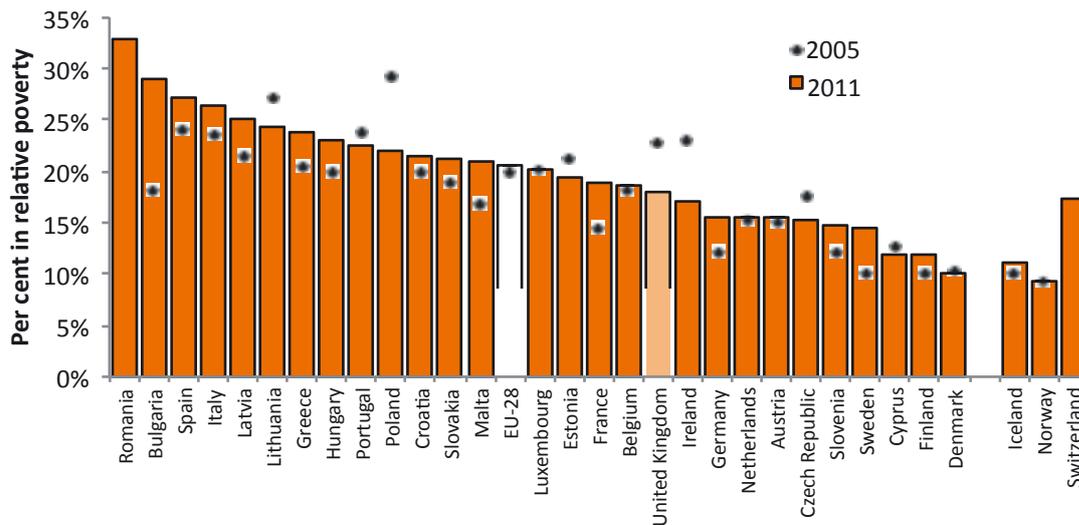
Figure 3.2 – Relative child poverty 1961 to 2011/12¹¹⁶



¹¹⁵ Institute for Fiscal Studies <http://www.ifs.org.uk/fiscalFacts/povertyStats>

¹¹⁶ Ibid

Figure 3.3 – Relative child poverty in the European Union, 2011¹¹⁷



Lessons from previous approaches to tackling poverty

Child poverty and living standards

10. First, reductions in child poverty require improvements in family incomes to ensure that they lead to real improvements in living standards. In the decade to 2009/10, the poverty threshold for a couple with two children increased by 14.6 per cent or £53 per week in real terms.¹¹⁸ Research suggests that reductions in poverty in the early part of the decade were associated with higher child-related spending such as children’s clothing and footwear, fruit and vegetables, and books.¹¹⁹ It has been argued that much of the progress in the decade to 2009/10 was achieved by focusing on lifting those just below the poverty line to just above it without having a real impact on children’s living standards. But we could find little evidence that the child poverty target was 'gamed' in this way.¹²⁰

11. We have, however, found evidence that the reductions in relative child poverty since 2009/10 have been associated with declining living standards for many poor children. Between 2009/10 and 2011/12, the relative poverty threshold for a couple with two children decreased by 6.0 per cent – or £25 per week in real terms¹²¹ – as average incomes fell. As a result, the relative poverty line was in real terms at the same level in

¹¹⁷ Eurostat, *Number of under 18s living in households with less than 60 per cent of the median equivalised income after social transfers 2013*

¹¹⁸ Department for Work and Pensions *Households Below Average Income*, 2013. Data refers to the relative poverty line before housing costs for a couple with two children aged 5 and 14 and is expressed in 2011–12 prices

¹¹⁹ Gregg, Waldfogel and Washbrook, *Expenditure Patterns Post-Welfare Reform in the UK: Are Low Income Families Starting to Catch Up?*, CASE paper 99, London School of Economics, 2005

¹²⁰ See for example Brewer et al, Institute for Fiscal Studies *Child Poverty in the UK since 1998–99: Lessons from the Past Decade* IFS Working Paper 10/23, 2010

¹²¹ Department for Work and Pensions *Households Below Average Income*, 2013. Data refers to the relative poverty line before housing costs for a couple with two children aged 5 and 14 and is expressed in 2011–12 prices

2011/12 as it was in 2001/02. Nonetheless, while the incomes of poor families have fallen in real terms since 2009/10, with absolute poverty increasing by 300,000, their incomes have tended to fall by less than for the average family, meaning relative poverty has actually decreased by 300,000.

12. The Commission concludes that if reducing poverty is to have a real impact on material living standards, there must be progress against the absolute poverty target as well as the relative poverty target. Both are important. Increases in the income of low-income families improve the material living standards of the children within them. Poverty cannot truly be said to be falling if at the same time the living standards of poor families are decreasing. However, the Commission notes that periods of rising absolute poverty have historically been rare (see Figure 3.1) and that many people consider poverty to be an inherently relative concept. Therefore, over the long term, the Commission considers falls in relative poverty to be a critical test of whether income poverty is falling.

Box 3.2 Measuring poverty

What is the right measure of child poverty, and what weight should be put on progress on the income-based measures in the Child Poverty Act 2010, which are the legal test of progress against the UK Government's commitment to ending child poverty by 2020? The answer to this question is complicated by the fact that the UK Government has said it is committed to the Act and the targets it contains, but it has also criticised looking at the current income-based measures in isolation and is consulting on how to develop better measures of child poverty.

The Commission responded earlier this year to the UK Government's consultation. In our response we agreed with the UK Government that income is central to poverty, but poverty is about more than income alone, with only one of the four measures in the Act seeking to show the other dimensions. We also recognised that the most high profile measure - the number of children in households with income below 60 per cent of the contemporary median – can, in some circumstances, act perversely because it looks at incomes relative to median incomes: if median incomes fall faster than incomes at the bottom, as has happened between 2009/10 and 2011/12, relative poverty can decrease even though poor families are worse off. We noted too that excessive concern about income measures can risk driving a policy focus on the symptoms of poverty rather than its causes.

In our response we argued for a two-fold remedy.

First, that the existing measures should be considered together rather than in isolation. The relative income measure tells us whether

children at the bottom are keeping up with the living standards of those in the middle. The absolute measure tells us whether the living standards of children in poor families are going up or down. When average incomes are declining, the absolute line matters most. Over the long-run – assuming that average incomes will resume historical trends of increasing over time – relative poverty matters. The interpretation of the absolute and relative measures should be weighted differently at different times.

Second, that the existing measures should be supplemented to give a fuller picture of poverty. We suggested that the UK Government should assess the numbers of children who are at risk of poverty - based on an assessment of what causes it - such as worklessness; low wages and low parental skills; the opportunities children have, for example, to access good schools; and chronic disadvantage - as well as the numbers who are actually experiencing poverty at any point in time.

The UK Government is expected to bring forward the conclusions of its consultation soon. We welcome that. The Commission hopes that any new measure enables a better understanding of different kinds of poverty, for example that experienced by the relatively small but often deeply marginalised or impoverished group such as children whose parents are addicted to drugs or alcohol, have chaotic home lives, are involved in the care system or are young carers. In turn we hope that will lead to differentiated policy approaches, relevant to a particular cohort in poverty or at risk of it: for example, those far from the labour market need different support and interventions from those who are working poor; current low incomes are susceptible to different levers than other aspects of children's life chances.

Priority groups who need more support include those who are persistently in poverty, for whom the evidence suggests it is most damaging, and the broader group of people who are intermittently and recurrently poor. The overall framework of measurement needs to ensure we track and focus future policy on those in working poverty, and those in deep poverty. And address both current experience, and long and short-term drivers. It is not a question of either/or. It is both.

Fiscal sustainability and work incentives

13. Second, reliance on income transfers will not by itself deliver sustainable long-term reductions in child poverty. Public spending on tax credits increased by 40 per cent in real terms between 2003/04 and 2009/10, reaching £27.5 billion by 2009/10.¹²² This had a significant impact on family incomes: tax credits were the most important sources of income growth for many low-income families over the decade to 2009/10¹²³ and they improved incentives for many parents in workless households to enter employment.¹²⁴ For example, the proportion of children in lone-parent households with a parent who did not work fell from 58 per cent to 43 per cent between 1997 and 2013.¹²⁵ However, tax credits reduced the incentives for many parents to increase their earnings: for example, there was a large increase in the number of workers facing marginal effective deduction rates in excess of 70 per cent.¹²⁶ Although the Commission believes that income transfers will remain essential to tackling child poverty, we also believe that reliance on continued increases in income transfers alone to meet the 2020 child poverty targets will not be fiscally sustainable. The best way in which child poverty can be ended is through a strategy which has at its heart getting parents into sustainable employment with decent earnings.¹²⁷
14. The Institute for Fiscal Studies (IFS) estimated in 2009 that it would cost an additional £19 billion per year to reach the child poverty targets through income transfers alone, and it is highly likely that the cost of this will have risen significantly over the last four years.¹²⁸ As far as we are aware, no mainstream political party is willing to make such a spending commitment; nor do we believe that an approach based solely on income transfers is the right one, both because of affordability concerns and the potential damaging effect on work incentives. In these circumstances, the Commission believes it is incumbent on all political parties – both those in Government and those aspiring to it – to set out clearly how they plan to hit the child poverty targets to which they are all committed.

¹²² Department for Work and Pensions, *Benefit Expenditure and Caseload Tables 2013*, 2013

¹²³ Resolution Foundation, *Gaining From Growth: The Final Report of the Commission for Living Standards*, 2012

¹²⁴ Brewer and Browne, *The Effect of the Working Families Tax Credit on Labour Market Participation*, Institute for Fiscal Studies Briefing Note No. 69, 2006

¹²⁵ Office for National Statistics, *Working and Workless Households*, 2013

¹²⁶ Browne and Phillips, Institute for Fiscal Studies, *Tax and Benefit Reforms Under Labour*, IFS 2010 Election Briefing Note No. 1, 2010

¹²⁷ See for example HM Government, *Ending Child Poverty: Mapping the Route to 2020*, March 2010 and Secretary of State for Work and Pensions speech at the Abbey Centre, Westminster, 14 June 2012

¹²⁸ Institute for Fiscal Studies, *Cost of Cutting Child Poverty Rises as Families Fall Further Below Poverty Line* Press Release, 18 February 2009

Tackling the causes of poverty

15. Third, child poverty targets will not be sustainably met without a focus on tackling the underlying causes of poverty. This is evident from the Commission's analysis of reductions in child poverty under the previous UK Government between 1997 and 2010. The Commission believes that, while there were some successes in tackling the causes of poverty, overall progress was too slow. For example, despite the number of children in workless households falling by 16 per cent between 1997 and 2010,¹²⁹ the UK was still one of the worst performers on this metric in the EU.¹³⁰ While expenditure on education increased by 79 per cent in real terms between 1997/98 and 2010/11¹³¹ and attainment of children from poor backgrounds did improve significantly, too many children were failed by the education system. In England, over two-thirds of children eligible for free school meals sitting GCSEs in 2010 did not achieve five good GCSEs including English and maths, and there are similar problems of low educational attainment for children from disadvantaged backgrounds in Wales and Scotland.
16. The Commission believes that there was a disconnect between policies aimed at tackling the underlying causes of poverty and the key levers driving short-term improvement. Progress in the short term relied too much on incremental increases in tax credits rather than adherence to a long-term plan with clearly defined levers, milestones and goals. Annual decision-making around Budgets drove the child poverty strategy rather than the other way round. The Commission concludes that a holistic long-term strategy is required to tackle child poverty.

A collective effort by the whole of society

17. Fourth, reductions in child poverty require action on the part of wider civil society and not just by government. The Commission believes that the previous UK Government's over-reliance on action via incremental increases in tax credits meant that there was too little effort put into building public support for the goal of reducing child poverty. The debate became too technocratic and focused on benefits and tax credits. Reducing child poverty is a goal that commands widespread support – the 2011 British Social Attitudes Survey found that 82 per cent of people think it is very important and only 2 per cent that it is not important.¹³² There is, however, some evidence that people are increasingly likely to explain poverty in terms of the individual characteristics of the poor rather than it

¹²⁹ Office for National Statistics, *Working and Workless Households* Office for National Statistics, 2013

¹³⁰ Eurostat, *Jobless Households – Children: Share of Persons Aged 0-17 in Households Where No-one Works* Eurostat, 2013. The UK has the third highest proportion of children in workless households in the EU.

¹³¹ House of Commons Library, *Social Indicators* Research Paper 12/59, 2012

¹³² Natcen, *British Social Attitudes Survey 28*, 2011

being due to societal factors (for example, the proportion who believe that people who live in need do so due to laziness or lack of willpower increased from 15 per cent in 1994 to 26 per cent in 2009).¹³³ There has also been a marked shift in attitudes away from increasing welfare spending on those in poverty (for example, British Social Attitudes data shows the falling support for increases in welfare spending on the poor over the last two decades – from 61 per cent in 1989 to 27 per cent in 2009, with a small increase to 34 per cent in 2012).¹³⁴ See Box 3.3 for further analysis.

18. The Commission concludes that to be sustainable for the long term, efforts to reduce child poverty have to involve the whole of society and command widespread public support. Eradicating child poverty is not a task that government can achieve alone. It will depend on a collective effort, involving parents and employers especially. Charities also have a vital role to play here and must do more to help mobilise public support.

Box 3.3 – Public attitudes and media coverage of poverty and social mobility

In recent months, public concerns about the economy have been falling as the recovery gathers pace, but there have been growing concerns about poverty and inequality.

In June 2013, these public concerns hit the highest levels ever recorded in Ipsos MORI's Issues Index, which asks members of the public what they see as the most important issues facing Britain today. Poverty and inequality ranked at the same level as schools and education, ahead of pensions, benefits, inflation and defence but behind the economy, immigration, unemployment, the NHS and crime.¹³⁵

Polling carried out for the Commission earlier this year underlines public concerns about fairness. For example, two-thirds of the public thought 'who you know' matters more than 'what you know' and nearly half believe that a good education is out of reach for most children from low-income families.¹³⁶

Public concern about fairness is a major opportunity for making progress on social mobility and child poverty. One of the key weaknesses of the previous Government's attempts to tackle these issues was the failure to build a public coalition that harnessed

¹³³ Ibid

¹³⁴ Natcen, *British Social Attitudes Survey 30*, 2013

¹³⁵ The Economist/ Ipsos MORI *Issues Index*, July 2013

¹³⁶ Social Mobility and Child Poverty Commission, *Public Attitudes Research on Social Mobility*, June 2013

everyone's efforts, and embedded commitment to the 2020 goal beyond charities and Westminster.

But this depends in part on how social issues are covered in the media and discussed by political leaders. The Commission is concerned that public representations of child poverty are unrepresentative and present a skewed picture about its causes and its consequences. One study from 2008 found that:¹³⁷

- Coverage of poverty is peripheral in the mainstream media and rarely mentioned outside news broadcasts. When it is covered, its causes and consequences are rarely explored.
- People in poverty tended to be portrayed as outside mainstream society: passive victims who lack initiative and are a 'burden'.
- Coverage often focused on extreme cases, highlighting the personal failings of the 'undeserving'.
- Drama programmes represented a largely sanitised image of poverty in which the effects of low income such as material deprivation were not depicted seriously.

One challenge is that poverty and social immobility is often hidden – for example, the isolation, poor housing and low wages experienced by many in poverty. Another is that journalists and broadcasters themselves come from increasingly privileged backgrounds – as highlighted in this report's chapter on professions – making it less likely on average that they will have personal experience of deprivation.

In recent years, poverty has become more commonly represented on television, with programmes like *Nick and Margaret: We All Pay Your Benefits*. However, similar concerns have been raised about these programmes as in the research cited above: that they are superficial, simplistic, focus on extreme examples and do little to explain causes of poverty or challenge widely held attitudes about poverty.

Alongside this, debates in the media about poverty and social immobility are often held in the context of discussions about social security and the welfare state, where public attitudes have hardened markedly over an extended period, especially among younger generations. For example, there has been a long-term fall in public support for spending more on benefits, a hardening view of the impact of benefits on willingness to work, and growing concerns over the generosity of the system.¹³⁸

¹³⁷ McKendrick, J.H., Sinclair, S., Irwin, A., O'Donnell, H., Scott, G. and Dobbie, L., *The Media, Poverty and Public Opinion in the UK*, Joseph Rowntree Foundation, 2008

¹³⁸ For example, in 2010, 39 per cent of the public disagreed with the statement that "the government should spend more money on welfare benefits for the poor, even if it leads to higher taxes", compared with 28 per cent who agreed. In 1987 by contrast, 55 per cent

There are several theories about why support for 'welfare' appears to be falling, including people's own experience, greater individualism and less solidarity, greater use of means-testing, and perceptions that some people are shirking their responsibilities and exploiting the system.

There is also some evidence that media coverage has an impact. While simplistic accounts which assert that the public accept uncritically whatever the media tell them and that people have somehow been 'brainwashed' into holding negative opinions about welfare are clearly wrong, media coverage can have an impact on opinion. For example, there is evidence that the public holds significant misconceptions about welfare spending: qualitative research finds that people over-estimate the proportion of working-age benefits claimed by workless families (around a quarter) and significantly overstate levels of fraud (officially estimated at 0.7 per cent of benefit expenditure).¹³⁹

Recent analysis of newspaper reporting of benefits from 1995 to 2011 finds that while coverage has not become more negative over time, content has changed considerably with more focus on lack of effort from claimants and a lot more coverage of fraud and extreme examples of high benefit claims. The same study points out that people's experiences locally of 'welfare dependency' may be coloured by the changing nature of disability, citing survey evidence that less than a third of disabled claimants think their disability would be obvious to others.¹⁴⁰

The Commission agrees with the UK Government that reform of social security is an important priority – if the benefit system is to command continued public support, it is essential that concerns about people shirking their responsibilities and the fairness of the numbers of people who are able to claim are tackled. We are concerned, however, about the distorting way in which debates can be politically framed (for example, between 'strivers' and 'skivers') and by inaccurate media reporting and coverage of poverty and welfare issues. Both politicians and journalists have a responsibility to handle these issues in a way that aids understanding of the issues and does not distort public debate.

agreed versus 22 per cent who disagreed. Ipsos MORI, *Generation Strains: Information, Political Rhetoric and 'Framing'*, 17 February 2013

¹³⁹ Ibid.

¹⁴⁰ Baumberg, B., Bell, K. and Gaffney, D., *Benefits Stigma in Britain*, November 2012

Understanding the characteristics of child poverty in the UK

19. Fifth, the working poor have to be the focus of future efforts to eradicate child poverty. There have been significant changes in the characteristics of families in poverty in the UK over the past 15 years. Traditionally, the focus has been on getting people off welfare and into work. With 2.5 million people unemployed that focus must of course continue, but when 66 per cent of children in relative poverty in 2011/12 lived in a working family (compared to only 52 per cent in 2000/01) and 50 per cent had at least one parent in full-time work (compared to only 34 per cent in 2000/01), there is an urgent need to focus on how work can pay better, including higher wage levels, better security, and opportunities for progression.
20. It is also important for efforts to eradicate child poverty to be built on a solid understanding of the dynamics of poverty: the poor are not a distinct group with fixed membership, and there are significant movements in and out of poverty in each year. Only a small minority of people are persistently poor, and a large proportion of the population are 'touched' by poverty over a period of several years. Indeed, over a period of nine years, almost half of individuals experience poverty at least once.¹⁴¹
21. The Commission concludes that an effective approach to poverty has to be sufficiently broad. The problems of chronically excluded groups are profoundly important and need to be a big part of any anti-poverty strategy. But approaches that focus only on poverty as something experienced by a distinct group of families who are dependent on out-of-work benefits and are persistently in poverty over long periods of time will not be effective. The wider problems of low incomes and daily struggle for a far larger group of families need to be a central part of any future strategy designed to eradicate child poverty.

The Government's new approach

22. This is the context for the Commission's assessment of the UK Government's current child poverty strategy, *A New Approach to Child Poverty*¹⁴², which sets out the UK Government's thinking on how to tackle child poverty for the period between April 2011 and March 2014. The Scottish and Welsh Government's strategies, covered in detail at the end of this chapter, have similar goals, though they only have control over devolved policy areas. The focus of this section is on the approach taken in the UK child poverty strategy.
23. At a high level, the main features of the UK Government's approach include:

¹⁴¹ S. Jenkins *Changing Fortunes: Income Mobility and Poverty Dynamics in Britain*, 2011

¹⁴² HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*, April 2011

- **Focusing on work as the main route out of poverty:** making work pay as a sustainable route out of poverty and ensuring that those who 'do the right thing (and) take a full-time job' have an income that lifts them and their families out of poverty.
- **Ensuring that those who cannot work are lifted out of poverty:** making sure children with parents who are not expected to work can live with dignity.
- **Tackling the root causes of poverty to transform lives:** focusing on tackling the ultimate causes of poverty and creating a 'second-chance society'.
- **Focusing on living standards rather than income:** ensuring sustained improvement in the living standards of disadvantaged children so that reducing poverty makes a real difference to people's lives.
- **Focusing on the most disadvantaged groups:** targeting families in deep and persistent poverty, whose situation has the most severe impacts on the lives and life chances of their children.
- **Breaking the intergenerational cycle of poverty:** focusing on social mobility and breaking the link between poverty, poor educational attainment and poor employment prospects to ensure that the poor children of today do not become the poor parents of tomorrow.

24. These are all sensible objectives with which the Commission agrees. There is a broad consensus that all of these goals should be key features of any strategy aiming to reduce child poverty.¹⁴³ Where there is more debate is about how these objectives can be delivered. For example, there is disagreement over: the necessary configuration of the social security system to ensure that parents have strong incentives to enter work and increase their hours; the trade-offs between resources to reduce poverty today and resources devoted to breaking the link between poverty and life chances tomorrow; the fair 'work expectation' that society should have of parents who are sick, disabled or have caring responsibilities; and the importance of income and other material factors in determining living standards versus non-material factors such as worklessness, family breakdown, health, addiction, educational failure and life chances, among other things.

25. The Commission believes that – at a high level – the key omission from the UK Government's child poverty strategy objectives is enough of a focus on the role of the demand side of the labour market. The strategy arguably relies on an assumption about there being full employment in every region of the country in order to enable every parent to meet the expectation placed on them in terms of the number of hours a week they should work. The strategy also underplays the challenges posed by flexible labour markets – challenges which have only become more acute in the recession and its aftermath.

¹⁴³ For example, similar themes can be identified in the previous administration's approach: see HM Government, *Ending Child Poverty: Mapping the Route to 2020*, March 2010

26. The Commission believes that the UK's flexible labour market is clearly positive for employment – and helps explain the better-than-expected employment performance since 2008 – but it does pose challenges for efforts to reduce child poverty: for example, by encouraging less stable employment with shorter-term contracts, more temporary work and irregular hours that require parents to be able to access flexible childcare which is available at short notice. There is not sufficient analysis of these issues in the UK Government's strategy.
27. Most importantly, though important steps have been taken like more childcare, and lifting of the income tax threshold, overall it does not pay enough attention to the challenge of in-work poverty and the impact of earnings on the ambition to enable families to escape poverty 'under their own steam'. For example, the Commission estimates that a lone parent with two children would need to earn £21,000 per year before tax to escape relative income poverty before housing costs without any support from the state.¹⁴⁴ Most parents would need to earn far more than this to escape poverty after housing costs without state support, especially if they lived in the private rented sector in high-cost areas such as London. This compares with, for example, full-time earnings at the minimum wage of £11,500 per year.¹⁴⁵
28. This Chapter's Appendix considers Scotland and Wales' child poverty strategies in detail.

The impact so far

29. We now turn to assess the impact to date of the Government's new approach. We cover in turn:
- **Living standards of children in low-income families:** including progress against the income targets in the Act as well as wider indicators of living standards such as food and nutrition and housing.
 - **Tackling the underlying causes of poverty:** including parental employment, family structure, family size, adult skills and health, as well as other drivers of poverty.

An overview of trends in the UK Government's child poverty strategy indicators is provided in Table 3.1. Full data against these indicators is

¹⁴⁴ The relative before-housing-costs poverty threshold for a lone parent with two children aged 5 and 14 in 2011–12 was £308 per week. After council tax (the threshold is based on income net of council tax), the poverty threshold would be £327 per week assuming that the parent faces the average band C council tax for England (£1,294 per year) and claims a 25 per cent single-person discount. A lone parent would need to earn around £400 per week gross to have net income at this level. This analysis ignores childcare costs and other costs of working, consistent with how poverty is officially measured, though these would have a big impact on standard of living (e.g. 40 hours per week childcare for an under-two in nursery care costs on average £157 per week based on Daycare Trust figures)

¹⁴⁵ Based on a full-time working week of 35 hours (8 hours per day with a 60-minute unpaid lunch break)

included in the report's Annex. Further detail about trends in a wider range of indicators of living standards and drivers of poverty is available elsewhere.¹⁴⁶

Table 3.1 – Child poverty strategy indicators

Indicator	Area of coverage	Trend since 2005/06	Trend since 2009/10
Relative low income: proportion of children in households with less than 60 per cent of contemporary median equivalised income	UK	●	●
Absolute low income: proportion of children in households with less than 60 per cent of median equivalised income (until 2010/11 data available, using 1998/99 – adjusted for prices)	UK	■	▲
Low income and material deprivation: proportion in material deprivation who live in households with less than 70 per cent of contemporary median equivalised income	UK	N/A	N/A
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
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	N/A	N/A
Children in workless households: proportion of children in workless households	UK	●	●
In-work poverty: proportion of children where at least one parent works, but household still in relative poverty	UK	●	■

¹⁴⁶ See for example Joseph Rowntree Foundation/New Policy Institute, *Monitoring Poverty and Social Exclusion*, 2012

Youth participation: proportion of 18–24-year-olds who are not in full-time education or training who are not in employment	UK		
Youth participation: proportion of 18–24-year-olds participating in part-time or full-time education or training	UK		
Low birth weight: gap in low birth weight between social classes 1-4 and 5-8	England and Wales		
School readiness: New proposed indicator on gaps in school readiness at age 5 by social background (as proposed in the Tickell Review)	No data	N/A	N/A
Attainment at age 11: gap between children eligible for FSM and others in the proportion of children achieving Level 4 in both English and maths ('basics') at end of Key Stage 2	England		
Attainment at age 16: gap between children eligible for FSM and others in the proportion of children achieving A*–C in English and maths	England		
Attainment at 19: proportion of children in maintained schools at age 15 who achieve <u>Level 3 through 2 or more A-levels</u> at age 19, by FSM eligibility, gap between FSM eligible students and the rest	England		
Attainment at 19: proportion of children in maintained schools at age 15 who achieve <u>Level 3 through other qualifications</u> at age 19, by FSM eligibility, gap between FSM eligible students and the rest	England		
Attainment at 19: proportion of children in maintained schools at age 15 who achieve <u>any Level 3 qualification</u> at age 19, by FSM eligibility, gap between FSM eligible students and the rest	England		

Progression to higher education: progression of pupils age 15 to higher education at age 19 - gap between FSM and non-FSM	England	●	■
Teenage pregnancy: conception rate per 1,000 for 15–17-year-olds	England and Wales	●	●
Youth offending: Number of 10–17-year-olds receiving first reprimand, warning or conviction	England and Wales	●	●
Poverty by family structure: proportion of children living in relative poverty in families - couples who are married/in a civil partnership	UK	●	●
Poverty by family structure: the proportion of children living in relative poverty in families - couples who are cohabiting	UK	●	●
Poverty by family structure: the proportion of children living in relative poverty in families - lone parents	UK	●	●

Living standards and poverty

30. The main story here is that, after significant reductions in poverty in the UK following the recession, progress has begun to stall in the last couple of years, with absolute poverty rising sharply. In 2011/12, there were 2.3 million children in relative income poverty before housing costs (17.5 per cent of children) and 2.6 million children in absolute income poverty before housing costs (19.5 per cent of children). Between 2007/08 and 2011/12, relative child poverty fell by over 600,000 (a reduction of 21 per cent) and, overall, absolute child poverty fell by over 175,000 (a reduction of 6 per cent). However, in 2011/12 relative child poverty was static and absolute child poverty increased by over 275,000 (12 per cent). This reversed 60 per cent of the reduction in absolute poverty seen between 2007/08 and 2010/11.¹⁴⁷ We are extremely concerned about this rise in absolute child poverty. If this rise in poverty continues, the 2020 child poverty targets will be missed. Urgent action is required to get back on track.

¹⁴⁷ Institute for Fiscal Studies <http://www.ifs.org.uk/fiscalFacts/povertyStats>

31. The Appendix at the end of this report sets out in more detail the story of recent trends including national and regional breakdowns – child poverty rates vary between 13 per cent in the South East and 23 per cent in the Yorkshire and Humber, and in the West Midlands.
32. Looking at the overall picture, what seems to have happened is that, between 2007/08 and 2010/11, the impact of the recession on household income was 'equitable' as benefits and tax credits were protected in real terms while earnings fell sharply, meaning poorer households, who have a smaller proportion of their incomes coming from earnings, on average saw smaller falls in income than other better-off households.¹⁴⁸ Indeed, in 2011/12 the picture changed as fiscal consolidation measures started to have an impact on benefit entitlements of those at the bottom of the income distribution, with many low-income families seeing their real incomes fall as a result. Due to the time lags in the reporting of household income data, the statistics cited here only take into account fiscal consolidation measures implemented by April 2011. This means that they do not take into account the full impact of later social security changes (see Box 3.4). Once these measures kick in, the picture is likely to worsen significantly.¹⁴⁹

Box 3.4: Welfare Reform

One of the key factors influencing child poverty over the next few years is the impact of the UK Government's welfare reform policies on the income of less well-off families.

Since May 2010, the UK Government has announced a number of changes to benefit and tax credit entitlements. In total they are expected to save around £22 billion per year by 2014/15.¹⁵⁰ This is equivalent to around 20 per cent of expenditure on benefits and tax credits in 2010/11 excluding pensioner benefits which are being protected from changes.

¹⁴⁸ Brewer M. et al, *The Short- and Medium-Term Effects of the Recession on the UK Income Distribution* in *Fiscal Studies* 34(2) p179-201, 2013

¹⁴⁹ Including changes to local housing allowance, tax credits, council tax benefit, the removal of the spare room subsidy and the one per cent cap on benefit uprating for many working-age benefits.

¹⁵⁰ Based on Commission analysis of various HM Treasury Budget and Spending Review documents published 2010-2013, excluding increases in the generosity of pensioner benefits. It has been expressed as a proportion of 2010/11 benefit expenditure that has not been explicitly protected from cuts: this excludes £84 billion of 2010/11 expenditure (State Pension, Pension Credit, Council Tax Benefit for over 65s, free TV licenses and Winter Fuel Payments) out of total expenditure by DWP on benefits and by HMRC on child benefit and tax credits in 2010-11 of £194 billion

Some of the key changes (see table in the Appendix at the end of this report for more detail) include:

- Changes to benefit and tax credit uprating policy, saving an estimated £7.7 billion by 2014/15 (including moving from the Retail Price Index to Consumer Price Index as the basis for indexation from 2011/12 and capping annual increases at 1 per cent for many working-age and children benefits from 2013/14).
- Changes to tax credits, saving an estimated £3.9 billion by 2014/15 (including increasing taper rates, changing income disregards and reducing the contribution to childcare costs from 80% to 70%).
- Changes to Housing Benefit, saving an estimated £1.8 billion by 2014/15 (including removal of the spare room subsidy, setting Local Housing Allowance rates at 30th percentile rents rather than the median and introducing new national caps).

In the *short term* it is clear that cuts in social security budgets on this scale will have a significant impact on the incomes of affected families, especially those affected by multiple changes. Because these cuts in benefits are the key driver of projected increases in absolute and relative child poverty over the next few years, the Commission is concerned about their impact on low-income families.

The Commission notes that over one third of savings in 2014/15 are being achieved through changes to benefit uprating policy. Although this approach spreads the burden of achieving savings more widely than more targeted cuts, the cumulative effect is significant. Some benefits are projected to be over 5 per cent lower in cash terms in 2014/15 than they would have been if they had been uprated by RPI. If inflation is higher than expected, the impact will be more severe. And in any case, poor families have tended to face higher inflation than others due to rapid price increases in basics such as food and energy costs.

The Commission has heard particular concerns that some families will find it difficult to cope with cuts to their benefits.

Firstly, as noted in Chapter 2, some families are facing several changes at once and so will see very large decreases in their incomes. An assessment of cumulative impact would have made it easier to understand and mitigate this issue. We believe the Government should act to better understand the cumulative consequences of its multiple decisions.

Secondly, some of the changes being made, while not reducing benefit expenditure by a large amount as a proportion of the overall bill or affecting many families, have a very large impact on those who are affected: for example, the benefit cap is expected to save £270 million in 2014/15 (around 0.1% of 2010-11 benefit expenditure) and

affect only 56,000 households, but the average household affected will lose almost £5,000 per year as a result of the policy,¹⁵¹ although we note that lone parents working more than 16 hours and couples working 24 hours are exempt from the cap.

Thirdly, there are concerns about the more general impact of some measures. For example, council tax localisation will see, in many areas, all working-age families now being expected to contribute towards council tax regardless of income. The abolition of the discretionary Social Fund and replacement with local welfare assistance has raised questions about whether the discretionary support offered is sufficient.¹⁵² And many stakeholders have expressed concerns about the removal of the spare bedroom subsidy, not least because there are serious questions about whether the available social housing stock in many areas allows people to avoid the change by moving to a smaller house in the social sector (though other stakeholders have highlighted that, according to Census 2011, 21% of families with dependent children in the social sector – 283,000 families – are living in overcrowded accommodation. Making more efficient use of the housing stock will improve these children's lives).

There seems little doubt that these changes will have negative impact on many low income families. The *long-term* impacts that these changes will have on child poverty and the living standards of the poorest families, however, are as yet unclear. The UK Government expects that the negative impact of these changes will be compensated for by the introduction of measures such as Universal Credit, increases in the income tax personal allowance and providing more support to parents to help them back into work and to increase their hours. The hope is that families who are affected in the short-term by reductions in benefit entitlements should be able to replace this lost income through increased earnings from entering employment and/or increasing their hours of work.

As many welfare reforms were only introduced after April 2013 there is as yet only limited information about their impact. The Commission will continue to monitor this over the next few years and will return to the issue in future Reports.

¹⁵¹ Department for Work and Pensions, *Benefit Cap (Housing Benefit) Regulations 2010: Impact Assessment for the Benefit Cap*, 2012

¹⁵² See Children's Society, *Nowhere to Turn: Changes to Emergency Support*, 2013

33. As noted above, there are drawbacks to an exclusive focus on income based measures and a broad approach is needed. Our judgement on the prospects for income poverty is given additional weight by other factors that suggest we are talking about real changes in living standards. In particular, diets of poor families in the UK appear to have worsened in recent years, particularly since 2007 when food prices began to rise significantly. For example, between 2007 and 2011, fresh fruit purchases by the poorest 10 per cent of households fell by 19 per cent, fresh vegetable purchases (excluding potatoes) fell by 14 per cent and unprocessed meat purchases fell by 18 per cent; at the same time purchases of meat pies, burgers and meat-based ready meals increased by 32 per cent and purchases of chips increased by 19 per cent.¹⁵³ There has also been a significant increase in the use of foodbanks. The Trussell Trust reports that 350,000 people in the UK received at least three days of emergency food from their foodbanks during 2012/13, including 130,000 children: over eight times the number of people who received support during 2009/10.¹⁵⁴ While there are several likely reasons for an increase in the use of foodbanks – not least an expansion in signposting to them by Jobcentre Plus – the Commission is concerned that a significant part of the rise is due to increasing levels of need.
34. There are also some warning signs when we look at housing quality, though the overall picture is mixed. It is clear that housing that is damp, poorly repaired, overcrowded, cold or in an unsafe local area, and housing situations that are unstable have a detrimental impact on the quality of children's lives and often their life chances too. While many aspects of housing quality have continued to improve across the UK in line with long-term trends,¹⁵⁵ there are some areas of notable concern. There has been a significant increase in the proportion of families with children spending at least 10 per cent of their income on heating their homes: from 2.3 per cent of families in England in 2003 to 8.6 per cent in 2011 (with similar rises elsewhere in the UK). There are an estimated 569,000 households with children in this situation, though not all of these households will necessarily be in income poverty or unable to heat their homes properly.¹⁵⁶
35. In addition, there has been a major change in housing tenure among low-income families over recent years with a doubling in the proportion of families with children in the private rented sector in England: from 8.3 per cent in 2003/04 to 21.2 per cent in 2011/12.¹⁵⁷ There have been similar

¹⁵³ All data taken from Department for the Environment and Rural Affairs, *Family Food 2011, 2012*

¹⁵⁴ Trussell Trust, *Biggest Ever Increase in UK Foodbank Use*, 24 April 2013. <http://www.trusselltrust.org/resources/documents/Press/BIGGEST-EVER-INCREASE-IN-UK-FOODBANK-USE.pdf>

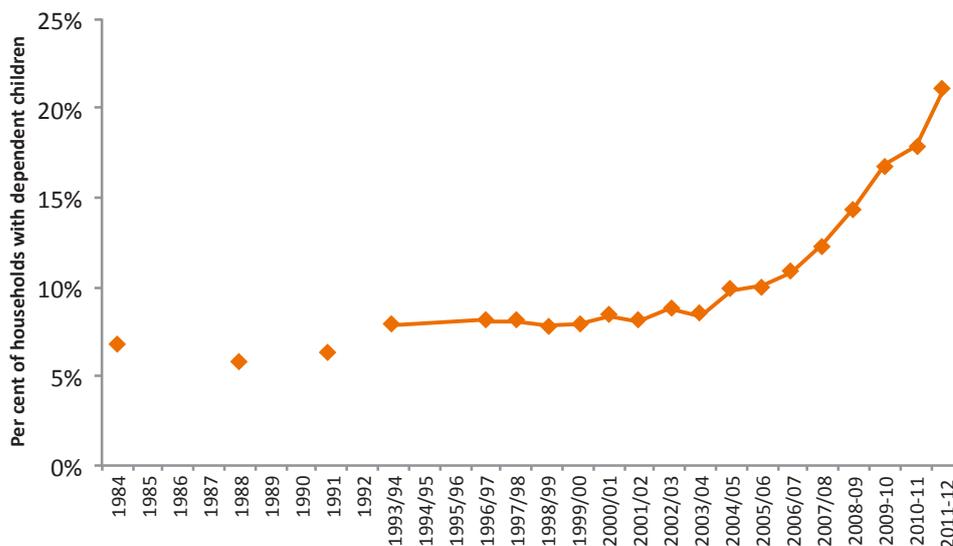
¹⁵⁵ See for example Department for Communities and Local Government, *English Housing Survey, 2013* and Scottish Government, *Scottish Housing Condition Survey, 2012*

¹⁵⁶ Department for Energy and Climate Change, *Fuel Poverty Report, 2013*

¹⁵⁷ Department for Communities and Local Government, *Tenure Trends and Cross Tenure Analysis, FT1241 (S117): Trends in Tenure: Households with Dependent Children, 2013* and

trends in Wales and Scotland. More than 1.3 million families with children in England and 2.4 million children in the UK¹⁵⁸ live in the private rented sector (see Figure 3.4). In some local authorities more than a third of families with children rent privately.¹⁵⁹ This has been accompanied by a significant increase in the proportion of children in poverty in the UK who live in the private rented sector, with 19 per cent of children in relative poverty before housing costs (up from 9 per cent in 2003/04) and 31 per cent of children in relative poverty after housing costs (up from 15 per cent in 2003/04) living in the private rented sector.¹⁶⁰

Figure 3.4 – Proportion of households containing dependent children living in the private rented sector¹⁶¹



36. This represents a radical shift in the housing circumstances of many children – albeit its impact on living standards is not yet fully clear. While living in the private rented sector will undoubtedly confer greater flexibility for families wanting to move quickly to take advantage of job opportunities, there are potential disadvantages of the private rented sector to set against these benefits.¹⁶² As most tenancies in the sector last for 12 months or less, families in the sector move home a lot more often than other families: for example, only one-third of households in the sector have lived in the same house for more than three years.¹⁶³ Lower housing

Department for Communities and Local Government, *English Housing Survey 2011 to 2012: Household Report (Table 1.1)*, 2013

¹⁵⁸ Department for Work and Pensions, *Households Below Average Income*, 2013

¹⁵⁹ Office for National Statistics, *Census 2011: Tenure by Household Composition*, 2013

¹⁶⁰ Department for Work and Pensions, *Households Below Average Income Survey*, 2013

¹⁶¹ D Department for Communities and Local Government, *Tenure Trends and Cross Tenure Analysis, FT1241 (S117): Trends in Tenure: Households with Dependent Children*, 2013 and Department for Communities and Local Government, *English Housing Survey 2011 to 2012: Household Report (Table 1.1)*, 2013

¹⁶² See the arguments made in Department for Communities and Local Government, *Laying the Foundations: A Housing Strategy for England*, 2011

¹⁶³ Department for Communities and Local Government, *English Housing Survey*, 2013

stability can damage educational attainment¹⁶⁴ and access to childcare and other public services.¹⁶⁵ The private rented sector is also more expensive than other tenures with the average private rent being almost twice as big as the average social rent and 16 per cent bigger than the average mortgage payment.¹⁶⁶ As a result, many families are unable to afford private rents without housing benefit even if they are in work, with negative implications for living standards and for work incentives. Around half of families with children in the private rented sector in England claim housing benefit¹⁶⁷ and at least half of these families are in employment (and almost two-thirds are in employment in London).¹⁶⁸ Overall, it is unclear whether the benefits of greater use of the private rented sector for poorer families in terms of flexibility are sufficient to outweigh these potential negatives. The Commission believes that, given the radical changes in the private rented sector in the last few years, there is a strong case for increasing security of tenure in the sector.

37. The UK Government has recently announced that it intends to take action to encourage landlords voluntarily to offer longer-term and more family-friendly tenancies within existing legislation.¹⁶⁹ The Commission welcomes this development. However, it is not yet clear whether a voluntary approach can be successful: very few landlords currently choose to offer stable tenancies even though they are already able to do so. This is an area the Commission will keep under review – we will look for evidence that short-term tenancies for families with children are becoming the exception rather than the norm in the private rented sector.

Tackling the underlying drivers of poverty

38. Limited progress on living standards may be more acceptable if it is likely to be short term because of success in addressing the longer-term drivers of poverty. Here, there are several metrics in the UK Government's child poverty strategy and social justice strategy indicators including:
- **Worklessness** (the proportion of children in workless households)
 - **Working poverty** (the proportion of children in working households who are in poverty)
 - **Family structure** (which the UK Government measures by the proportion of children who live with both their birth parents)

¹⁶⁴ Strand and Demie, *Pupil Mobility, Attainment and Progress in Secondary Schools* in *Educational Studies* 33:3, 2007

¹⁶⁵ See evidence submitted by Shelter to Communities and Local Government, *The Private Rented Sector Committee*, 2013

¹⁶⁶ Department for Communities and Local Government, *English Housing Survey*, 2013

¹⁶⁷ Data sourced from Department for Work and Pensions, *Stat X-Plore*, May 2013. There were 640,000 families with children in receipt of housing benefit in the private rented sector in December 2011 compared to 1.3 million families with children in the private rented sector in England in 2011/12

¹⁶⁸ Data sourced from Department for Work and Pensions, *Stat X-Plore*, May 2013

¹⁶⁹ Department for Communities and Local Government, *Press Release: Better Tenancies for Families in Rental Homes*, 1 October 2013

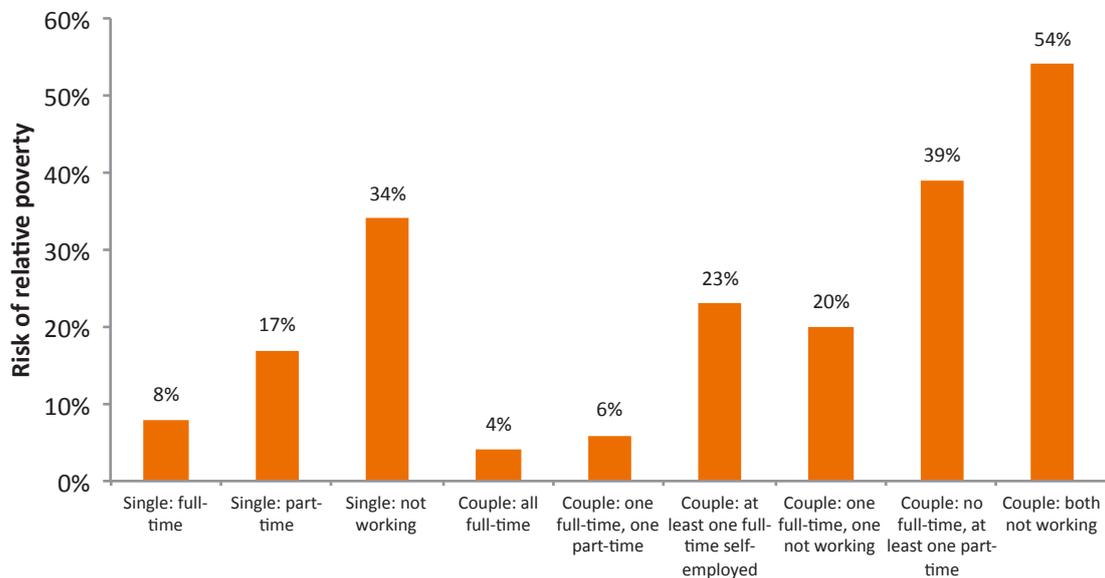
- **Poverty by family structure** (the proportion of children in different household types who are in poverty).

We now examine progress on these areas focusing in particular on trends in employment and worklessness (getting more parents into a job and increasing their hours of work) and earnings and the labour market (ensuring that employment is sustainable and boosting earnings).

Employment and worklessness

39. Children who live in households where no one works or whose parents only work few hours are far more likely to be in poverty than other children. However, part-time work – especially if low paid – is not enough for lone parents to reliably escape poverty and one full-time wage is sometimes not enough for couples to do the same. For example, In the UK as a whole, only 8 per cent of children who live with lone parents in full-time work and 4 per cent who live with two parents where both work full-time are in poverty. By contrast, 34 per cent of children in a workless lone-parent household, 47 per cent of children in a couple household where no one works full-time, and 20 per cent of children in couple households where one parent is in full-time work and the other does not work are in relative poverty before housing costs.

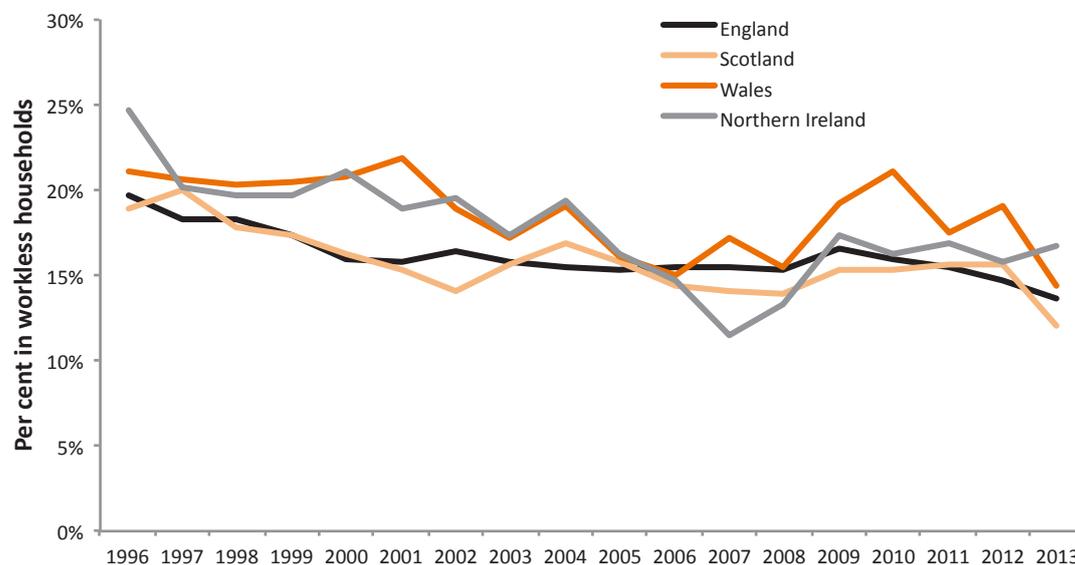
Figure 3.5 – Risks of relative poverty before housing costs by employment and family structure¹⁷⁰



¹⁷⁰ Department for Work and Pensions, *Households Below Average Income*, 2013

40. The good news is that there has been significant progress in getting more parents into work. Despite the impact of the recession, the proportion of children living in workless households in 2013 was 13.6 per cent – its lowest level since comparable records began in 1996. This is good progress. Now 1.6 million children in the United Kingdom live in workless households, with numbers decreasing by over 15 per cent (almost 300,000) since 2010 (see Figure 3.6).¹⁷¹
41. The less good news is that trends since 2010 have been very different in different parts of the country. While there have been big decreases in the proportion of children in workless households since 2010 in Scotland, Wales, London, the Midlands and Yorkshire, it has been broadly static or increasing elsewhere in the UK. It is also notable that London accounts for 72 per cent of the total decrease in the numbers of children in workless households seen in England between 2010 and 2013.

Figure 3.6 – Proportion of children living in workless households



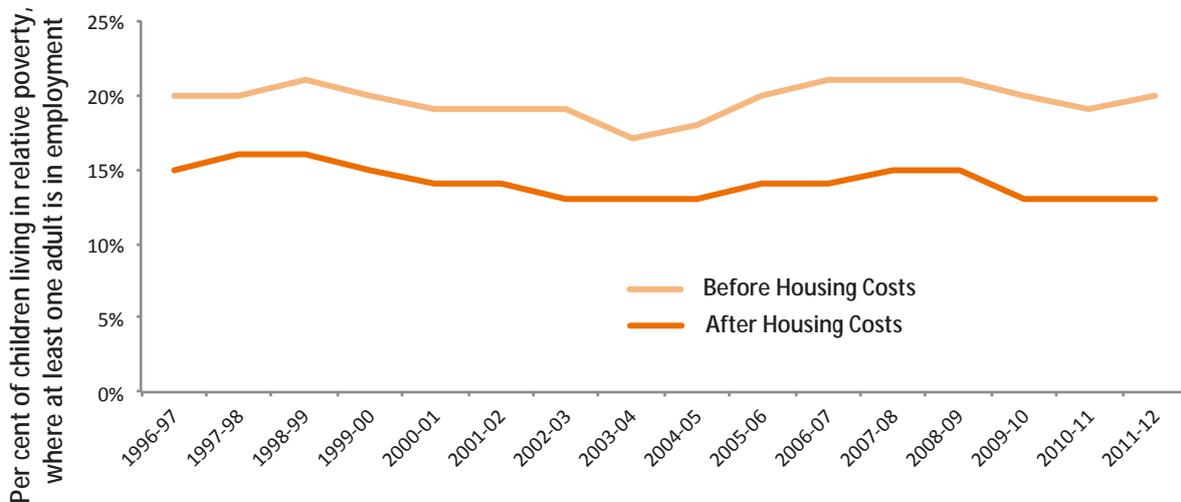
Office for National Statistics, *Working and Workless Households*, 2103.

42. The really bad news is that there has been limited progress in reducing relative poverty risks among children in working families, particularly for children in couple families and after housing costs have been taken into account. In 2011/12, 13 per cent of children in working families in the UK were in relative poverty before housing costs, and 20 per cent of children in working households were in relative poverty after housing costs (see Figure 3.7). **Overall, there has been a significant rise in the proportion of children in poverty who live in working families – from 43 per cent of children in poverty in 1996/97 to 66 per cent of children in poverty in 2011/12.**¹⁷²

¹⁷¹ Office for National Statistics, *Working and Workless Households*, 2013

¹⁷² Department for Work and Pensions, *Households Below Average Income*, 2013

Figure 3.7 – Trends in relative poverty risks over time for families where at least one adult is in employment¹⁷³



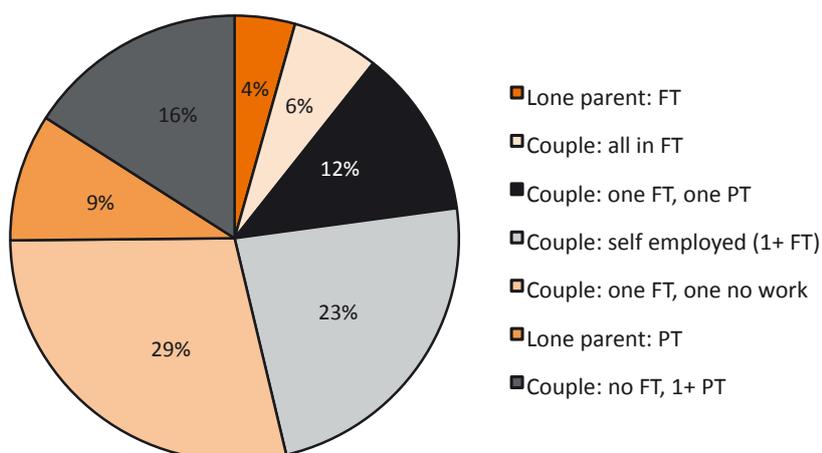
Earnings

43. One reason why many families are in working poverty is the number of hours that parents are working. Analysis by the Commission, based on figures on the employment status of families in poverty that are reported by the UK Government in the Households Below Average Income survey, suggests that three-quarters of children in working poor households live with a parent who is in full-time work (see Figure 3.8).¹⁷⁴ Inadequate hours therefore are not able to explain most of the working poverty problem, though it is clear that this may be a factor for a significant minority of children in working poor families. A quarter of families in working poverty – 400,000 working poor households with children in the UK – do not have any adult in full-time work (though some of these are households where parents may find it difficult to work full-time e.g. lone parents with young children). Also, many households with someone working full-time would not be considered to be meeting their claimant commitment under Universal Credit (e.g. both parents in a couple would be expected to work where the youngest child is aged over 5 and both would be expected to work full-time in families where the youngest child is aged over 13). Increasing hours of work in these households will be an important means of tackling working poverty.

¹⁷³ Ibid

¹⁷⁴ Commission estimates based on data published in Department for Work and Pensions, *Households Below Average Income (HBAI)*, 2013. This assumes that data on parental working hours reported by DWP from HBAI – which is self-reported – is an accurate reflection of actual hours worked

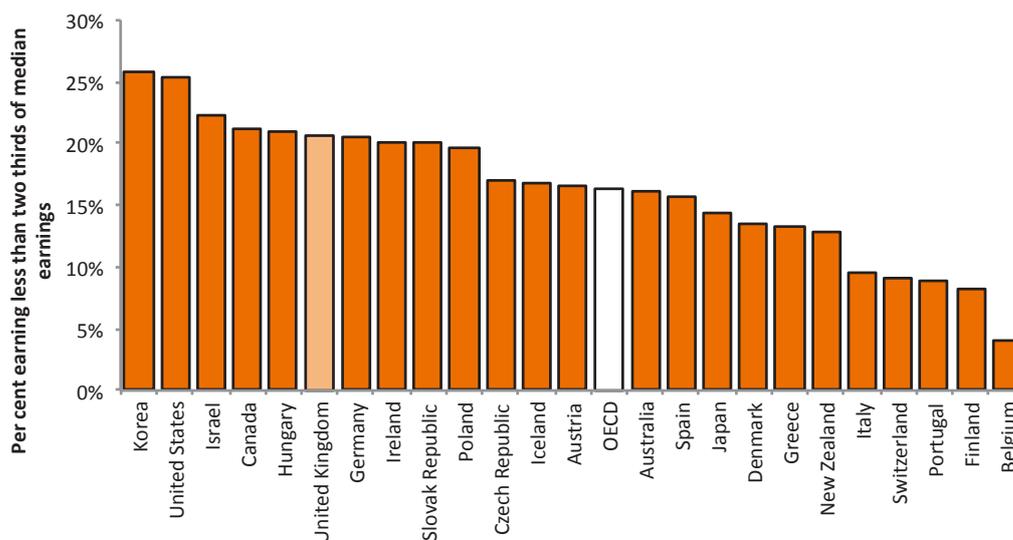
Figure 3.8 – Estimated composition of working poverty in the UK in 2011–12



Commission estimates based on data published in Department for Work and Pensions, Households Below Average Income (HBAI), 2013. This assumes that data on parental working hours reported by DWP from HBAI – which is self-reported – is an accurate reflection of actual hours worked.

44. The other key driver of working poverty is low hourly earnings. Analysis by the Institute for Fiscal Studies among others has highlighted that tackling in-work poverty is increasingly an issue of good wages, with low pay now a stronger predictor of poverty than low hours.¹⁷⁵ But the United Kingdom remains at the wrong end of the low-pay league table internationally. The proportion of workers in low-paid employment is the fifth highest in the OECD (see Figure 3.9), with more than one in five full-time workers being paid less than two-thirds of average earnings (a widely recognised low-pay benchmark).

Figure 3.9 – Proportion of full-time workers in low-paid employment, 2010 (defined as less than two-thirds of median earnings)¹⁷⁶

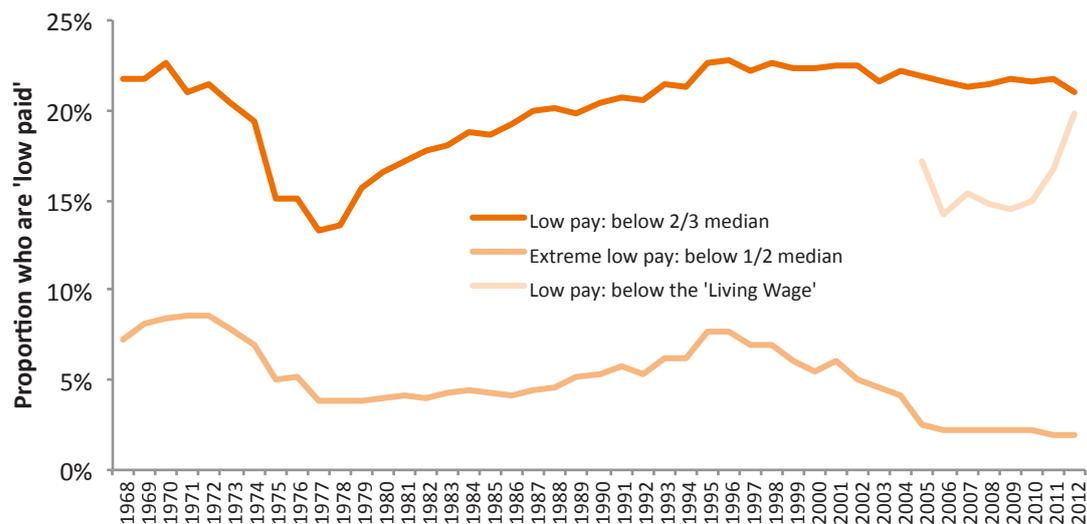


¹⁷⁵ Institute for Fiscal Studies, *Living Standards, Poverty and Inequality in the UK 2013*, 2013

¹⁷⁶ Organisation for Economic Cooperation and Development, *Online OECD Employment Database*, 2013. Data is unavailable for France, the Netherlands, Norway and Sweden

45. Recent analysis by the Resolution Foundation¹⁷⁷ found that the National Minimum Wage has succeeded in all but eradicating extreme low pay (defined as less than 50 per cent of the median hourly wage). However, the proportion of workers being paid less than the 'Living Wage' grew significantly between 2009 and 2012 due to the cost of living outstripping increases in wages across the income distribution, with almost one in five workers being paid below this level in 2012 (see Figure 3.10).¹⁷⁸ Earnings were stagnating even before the recession with median real wages failing to grow after 2004, even when the economy was doing well.¹⁷⁹ The share of national income going to wages of workers in the bottom half of the earnings distribution decreased by a quarter in the 30 years 1979–2009.¹⁸⁰ Moreover, tax credits were the only substantial source of real income growth for low- to middle-income households between 2003 and 2008.¹⁸¹ Between 2007 and 2012, annual earnings of the bottom 20 per cent fell by 13 per cent in real terms due to a combination of falling real pay and reductions in hours of work.¹⁸²

Figure 3.10 – Trends in the incidence of low pay, 1968–2012¹⁸³



¹⁷⁷ Hurrell and Whitaker, Resolution Foundation, *Low Pay Britain 2013*, 2013

¹⁷⁸ The Resolution Foundation analysis uses the Living Wage rates set out by the Greater London Authority for London (£8.30 per hour in April 2012) and by academics at the Centre for Research in Social Policy elsewhere in the country (£7.20 per hour in April 2012)

¹⁷⁹ Office for National Statistics, *Annual Survey of Hours and Earnings*, 2013. The Retail Price Index has been used to calculate real-terms changes

¹⁸⁰ M. Whittaker and L. Savage, Resolution Foundation, *Missing Out: why ordinary workers are experiencing growth without gain*, 2011

¹⁸¹ Resolution Foundation, *Gaining From Growth: the Final Report of the Commission on Living Standards*, 2012

¹⁸² Office for National Statistics *Annual Survey of Hours of Earnings*, 2013. The Retail Price Index has been used to calculate real-terms changes

¹⁸³ Hurrell and Whitaker, Resolution Foundation, *Low Pay Britain 2013*, 2013

46. Those most at risk of low pay are female, young, low-skilled, in temporary or part-time work and in the hospitality, retail and care sectors of the economy: for example, a third of hairdressing jobs, a quarter of cleaning jobs and a quarter of hospitality jobs are paid the minimum wage.¹⁸⁴ There is a big overlap in particular between jobs with high incidence of low pay and the work that many mothers – especially those at high risk of poverty – end up doing when they return to the labour market after having children.
47. The Government has taken some steps towards raising the disposable incomes of low wage workers including raising the income tax threshold significantly. But in the Commission's view, it will be extremely challenging to reduce child poverty unless employers play a far bigger part in creating a labour market where parents in work are able to escape poverty. In the past, tax credits and in-work benefits have effectively subsidised low wages. They were the bridge between low earnings and high living costs. Fiscal constraints have weakened that bridge. It alone cannot carry the weight of tackling in-work poverty. In future, more action will be needed to lift earnings from employment. The challenge of course is to reduce the extent of low pay in a way that does not damage employment.
48. The Commission has suggested elsewhere some potential ways in which progress could be made against these objectives, including through developing a clearer low-pay strategy involving increased transparency on low pay, stronger action on the National Minimum Wage and encouraging more employers to pay a Living Wage.¹⁸⁵ The case for a higher minimum wage in particular is also increasingly strong: its value has fallen markedly in real terms in recent years and the Exchequer would benefit from a higher minimum wage through higher tax revenues and lower expenditure on in-work benefits (provided there were no significant impacts on employment). For example, based on HM Treasury analysis cited by the Low Pay Commission, the recent 12p increase in the main National Minimum Wage rate from £6.19 per hour to £6.31 per hour will benefit the Exchequer by £183 million – £110 million from higher tax and National Insurance revenues and £73 million from reduced expenditure on in-work benefits.¹⁸⁶ There is also evidence that the public believe that employers should do more to pay wages that better reflect the cost of living, with 84 per cent agreeing with this in recent polling carried out by the Commission.¹⁸⁷

¹⁸⁴ Ibid

¹⁸⁵ Social Mobility and Child Poverty Commission, *Social Mobility – The Next Steps*, 2013

¹⁸⁶ Low Pay Commission *National Minimum Wage: Low Pay Commission Report 2013*, 2013. Note that these estimates abstract from any impact of the change on employment and growth – either positive from increases in labour supply, hours worked or labour productivity, or negative from reducing the demand for labour from employers

¹⁸⁷ Social Mobility and Child Poverty Commission, *Public Attitudes Towards Social Mobility and In-Work Poverty*, 2013

49. Progress will also depend on government, employers and trades unions developing new approaches to the labour market that are able to increase the earnings of those in low-paid employment. This should include developing a clearer cross-cutting strategy on pay progression involving, for example, a greater role for the National Careers Service in providing in-work support within Universal Credit, as well as ensuring that the adult skills budget is effectively deployed to help support pay progression. It also means working with employers to help build stronger careers ladders where low-paid staff in every industry have clear routes to progress. The Commission has previously called for improved incentives for Work Programme providers and Jobcentre Plus to focus on pay progression, perhaps by linking reward not to the number of jobs created but to pay rates and the earnings that they generate. This remains an area the Government should explore further.¹⁸⁸

Family structure

50. Family structure and stability matters to income poverty because of its impact on the risk of people becoming poor: children living in lone-parent households are at greater risk than children living in couple households. According to the UK Government's indicator of poverty risk by family type, the proportion of children in relative income poverty before housing costs in 2011/12 was 22 per cent in lone-parent households, 20 per cent in cohabiting-couple households and 15 per cent in married couple households.

51. And of course, family structure in Great Britain has changed significantly over time. Far more children live in lone-parent households than was the case 30–40 years ago, with the proportion of dependent children living in lone-parent households increasing from 8 per cent in 1972 to 25 per cent in 2000 before falling to 19 per cent in 2011.¹⁸⁹

52. Looking at the indicator of family stability in the UK Government's social justice strategy, in 2010/11 one in three children aged 16 and under did not live with both of their birth parents: including 15 per cent of babies under the age of 1, 24 per cent of 5-year-olds, 39 per cent of 11-year-olds and 47 per cent of 16-year-olds.¹⁹⁰ There was no significant change compared to 2009/10, when the indicator was first reported.

53. As it is difficult for government to influence family structure, the main focus of policy has historically been on reducing the risks of poverty experienced by different family types. Here there has been some success: looking at trends over time, poverty risks have fallen somewhat for cohabiting-couple households (from 33 per cent in 1997/98 to 20 per cent in 2011/12), have

¹⁸⁸ Social Mobility and Child Poverty Commission, *Social Mobility – The Next Steps*, 2013

¹⁸⁹ Office for National Statistics, *General Lifestyle Survey 2011, Table 3.7*, 2013

¹⁹⁰ Department for Work and Pensions, *Ad Hoc Statistical Analysis 2013 Q2: Percentage of Children Living With Both Birth Parents*, 2013

dropped slightly for married couples (from 19 per cent in 1997/98 to 15 per cent in 2011–12) and have more than halved for lone-parent families (from 49 per cent in 1997/98).

54. Differences in poverty risks between different household types is largely due to differences in worklessness and working patterns: for example, 43 per cent of children in lone-parent households live in workless households versus only 6 per cent of children in couple households, and 65 per cent of children in workless households are in lone-parent families.¹⁹¹ However, all household types have seen falling worklessness over time, with, for example, the proportion of children in lone-parent households where no one works decreasing from 58 per cent in 1997 and 49 per cent in 2010 to reach its current level of 43 per cent in 2013.
55. These are welcome steps in the right direction but there is still a lot further to go, especially in supporting more lone parents to enter work – as noted in Chapter 2, the UK still has low lone-parent employment rates compared with other developed countries. Future progress is likely to depend on whether sufficient affordable and flexible childcare is available to allow mothers to return to work and increase their working hours.

Parental skills

56. Improving parental skills is important to poverty because of the impact that the level of skill has on employability and on the earnings that someone is able to command in the labour market. For example, average hourly earnings for people with no qualifications in 2010 were £6.93 compared to £8.68 for someone with GCSEs, £10.00 for someone with A-levels and £16.10 for someone with a degree.¹⁹² This contributes to differences in the risk of poverty for adults with different qualification levels: for example, 28 per cent of adults with no qualifications are in poverty compared with 15 per cent of those with qualifications below degree level and 8 per cent of those with degree-level qualifications.¹⁹³
57. There are still too many adults in the UK who lack basic skills – one in five working-age adults (19.4 per cent) has no qualifications or only Level 1 qualifications – and almost two-fifths of adults (38.4 per cent) do not have Level 3 (A-level) or equivalent qualifications.¹⁹⁴ Improving parental employability by helping them to gain skills that employers value therefore has a key role to play in tackling child poverty.

¹⁹¹ Office for National Statistics, *Working and Workless Households*, 2013

¹⁹² Office for National Statistics, *Earnings by Qualification*, 2011 available from <http://www.nomisweb.co.uk/published/stories/story.asp?id=13>

¹⁹³ Department for Work and Pensions, *Households Below Average Income*, 2013

¹⁹⁴ Skills Funding Agency, *Further Education and Skills: Learner Participation, Outcomes and Level of Highest Qualifications Held*, June 2013

58. There has been some improvement in the credentials of the UK population over time: for example, the proportion of the working-age population with no qualifications or only Level 1 qualifications has fallen by almost a third since 2006 (28 per cent to 19 per cent) and the proportion with Level 3 qualifications or above has risen by 16 per cent over the same period (53 per cent to 62 per cent) and these trends have continued in recent years. But there remains a long way to go. Recent findings by the OECD show that there are 8.5 million adults in England and Northern Ireland with the numeracy levels of a 10-year-old and that, in England, there had been little advance in test results in literacy between the 55 to 65-year-olds and those aged 16 to 24.¹⁹⁵ Both these findings are worrying as it is difficult to influence the stock of existing adult skills, with returns from adult training programmes disappointing, so the 'flow' of young people's skills really matters. The focus here should be, for children and young people, redoubling efforts to improve education and skills (see Chapters 6 and 7) and, for adults, further emphasis on basic skills such as literacy and numeracy and getting employers to train in the workplace. There may also be a case for addressing adult non-cognitive 'soft skills' where there is some evidence of higher returns.

The likely future impact

59. Where does this leave prospects for living standards and child poverty in the future? The Institute for Fiscal Studies has produced detailed projections of potential trends in child poverty over the next few years, and they make for depressing reading (see Figures 3.11 and 3.12).¹⁹⁶ As noted earlier, in the UK in 2011/12, **17.5 per cent of children were in relative poverty (2.3 million children) and 19.5 per cent in absolute poverty (2.6 million)**. By 2014/15, the IFS projects that poverty against the relative poverty target will increase to 20.9 per cent (2.8 million children), with 23.8 per cent (3.2 million children) in poverty against the absolute income target. By 2020/21 (the target year), the IFS projects that **poverty against the relative poverty target will increase to 23.5 per cent of children (3.4 million children), with 27.2 per cent of children (3.9 million children) in poverty against the absolute income target**, though this latter figure is very sensitive to how inflation is measured.

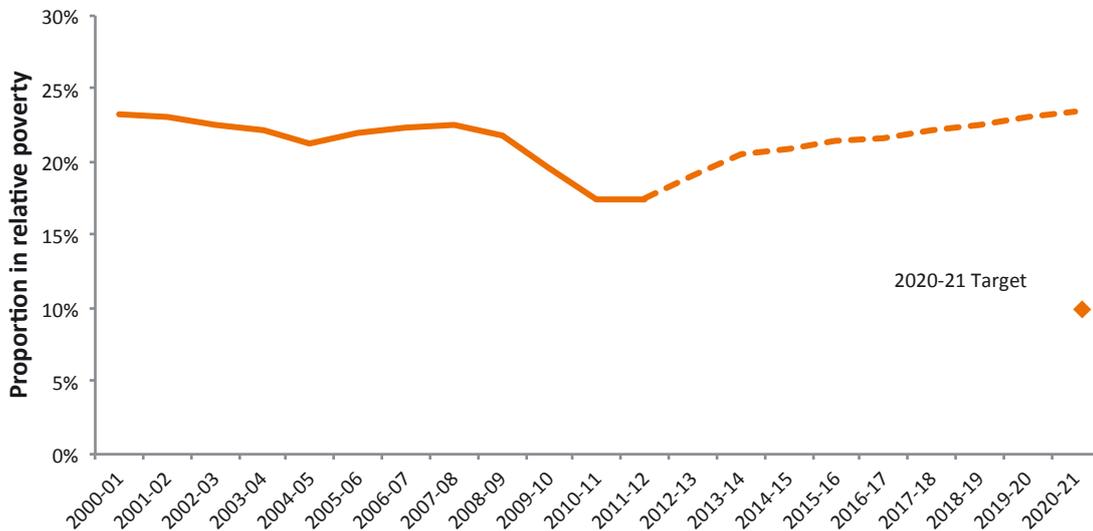
60. It is important to be cautious in the interpretation of these projections, given the significant uncertainties that exist, particularly in the current economic climate and given the radical welfare reforms that the UK Government is currently implementing. The analysis is built on a number of assumptions which may turn out to be too pessimistic (e.g. about household incomes and the income distribution, economic growth, inflation, government policy and the impact of welfare reform on employment rates). However, if the projections prove even remotely

¹⁹⁵ OECD, *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*, 2013

¹⁹⁶ See Browne, Hood and Joyce, Institute for Fiscal Studies, *Child and Working Age Poverty in Northern Ireland from 2010 to 2010* IFS Paper R78, 2013

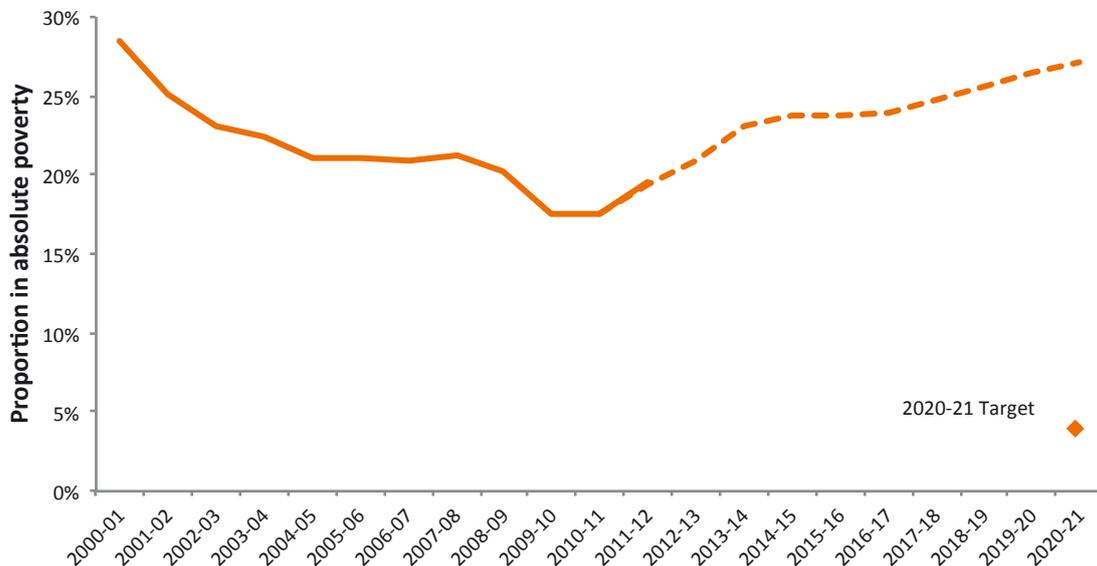
accurate, the targets in the Child Poverty Act 2010 will be missed by a long way: the IFS projects that there will be 2 million more children in relative poverty and over 3 million more children in absolute poverty than required to meet the targets.

Figure 3.11 – Institute for Fiscal Studies projections of relative child poverty, United Kingdom



Browne, Hood and Joyce, Institute for Fiscal Studies, Child and Working Age Poverty in Northern Ireland from 2010 to 2010 IFS Paper R78, 2013

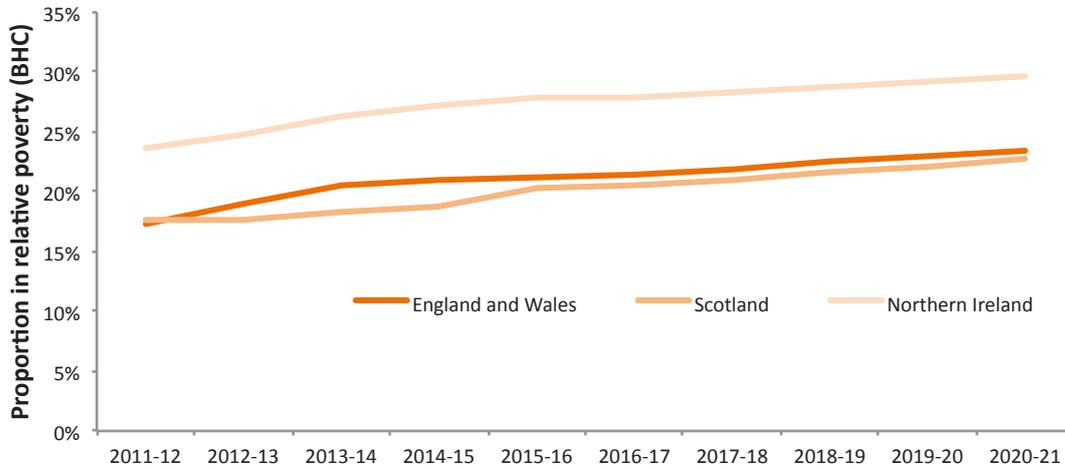
Figure 3.12– Institute for Fiscal Studies projections of absolute child poverty, United Kingdom



Browne, Hood and Joyce, Institute for Fiscal Studies, Child and Working Age Poverty in Northern Ireland from 2010 to 2010 IFS Paper R78, 2013

61. The analysis also looked at trends for the constituent countries of the UK (though no robust projections for Wales could be made due to small sample sizes), projecting that England and Wales, Scotland, and Northern Ireland will face similar trends in child poverty over the next few years (see Figure 3.13).

Figure 3.13 – Institute for Fiscal Studies projections of relative child poverty, constituent countries of the UK.



Browne, Hood and Joyce, Institute for Fiscal Studies, *Child and Working Age Poverty in Northern Ireland from 2010 to 2010* IFS Paper R78, 2013

62. While these projections factor in many of the expected impacts of current UK Government policies, they do not take into account the potential 'dynamic' behavioural impacts of reforms such as those to the welfare system. For example, more parents may decide to enter work or increase their hours of work in response to benefit reforms such as reductions in the generosity of out-of-work benefits, greater conditionality of benefits, simplification of the benefit system, improvements in work incentives and policies aimed at reducing barriers to work (e.g. improving skills, childcare) and providing more support to parents facing significant barriers to work (e.g. sickness and disability). The UK Government has estimated that the dynamic effects from the introduction of Universal Credit will reduce the number of workless households in the UK by 300,000, with the majority of these moving into 'mini jobs' of 16 hours per week or less.¹⁹⁷ Detailed estimates of the impact that welfare reform is expected to have on *parents* have not been published. However, the UK Government has reported high-level estimates to Parliament.¹⁹⁸ Based on this analysis, 150,000 parents will move into work as a result of the dynamic effects of Universal Credit, with around half of these (75,000) moving into jobs of over 16 hours per week. Those currently in work are expected to increase their hours by 1 million to 2.5 million hours per week, with 'the vast majority' of these extra hours worked by parents; for comparison, the figure for total hours worked in the economy was approximately 950 million per week in January 2013.¹⁹⁹

¹⁹⁷ Department for Work and Pensions, *Universal Credit: Welfare That Works*, 2010 and Department for Work and Pensions, *Impact Assessment for Universal Credit*, 2010

¹⁹⁸ UK Parliament, *Reply from Esther McVey to Chris Skidmore*, House of Commons Written Answers for 15 Jan 2013 Column 715W (2013)

¹⁹⁹ Office for National Statistics, *Labour Market Statistics*, 2013

63. The UK Government's ambition to reduce child poverty rests on the combined impact of Universal Credit on work incentives, its tougher conditionality regime, increased support for parents to find work or increase their hours and earnings, improved work incentives from raising the income tax personal allowance, the Work Programme, and the rest of its economic reform programme. The aim is that this will ensure that work always pays and drive the large increases in parental employment that are necessary for significant improvements in child poverty within a less-generous welfare system.
64. The Commission agrees that Universal Credit has the potential to be a transformative reform and represents a real improvement from the current system. We strongly support the objectives of the programme and agree that it can indeed be expected to encourage many people to enter employment and to increase their hours of work.
65. But it is important to be clear on the nature of the impact. Financial incentives to enter work will improve for many parents, particularly for workless couple households and lone parents working a few hours a week under Universal Credit. However, the impacts on work incentives for second earners in couples are less positive and many parents in work will continue to face high effective marginal tax rates (as they do in the current system), with a significant proportion facing effective marginal tax rates of 76 per cent (meaning they will only keep 24 per cent of any increase in their earnings).²⁰⁰ Many parents will face worse incentives than this because some support is provided outside of Universal Credit (though this is a big issue in the current system too) including local council tax support and passported benefits such as free school meals and free prescriptions (assuming that they continue to be allocated on a simple threshold basis). High childcare costs also present challenges (see Box 3.5).
66. The Commission believes that a potentially more important driver of increased employment will be the impact that Universal Credit will have in creating a simpler benefit system which integrates out-of-work and in-work support making it more responsive to changes in income and encouraging more parents to take a full-time job. This could reduce financial risks associated with entering employment and represents a big improvement in the scope for introducing policies to tackle in-work poverty compared to the current tax credits system.²⁰¹
67. Overall, the Commission's assessment is that Universal Credit will improve work incentives and make it easier to enter work. With wider economic and welfare reform and improved work incentives from raising the income tax

²⁰⁰ This would be the marginal deduction rate faced by a parent paying income tax and National Insurance facing reductions in Universal Credit as their earnings increase. It ignores the impact of local Council Tax Support and passported benefits

²⁰¹ See Department for Work and Pensions *Extending Labour Market Interventions to In-Work Claimants*, 2013

personal allowance, it is likely to lead to some improvements in parental employment rates and hours of work. But based on the UK Government's estimates of the scale of the dynamic effects of welfare reform on parental employment rates cited above, the Commission thinks that it is unlikely these impacts will be sufficient on their own to ensure that the 2020 child poverty targets are met. To square the circle between the UK Government's child poverty commitments and its welfare reform plans there will need to be a lot more progress in getting far more parents into employment and, in particular, into full-time employment that pays well enough to allow them to avoid poverty. Enabling a higher employment rate and longer hours of work are absolutely critical to progress on child poverty, which depends in turn on issues such as childcare volume, availability, cost and quality.

Box 3.5 – Universal Credit

The Commission strongly supports the ambitions of Universal Credit but we are concerned that a number of areas require active attention if it is to fully support the UK Government's child poverty goals.

First, the UK Government needs to ensure that “work always pays”. Localisation of Council Tax Support and the lack of integration of passported benefits such as free school meals and free prescriptions into Universal Credit (assuming eligibility continues to be based on a fixed income threshold) will mean that, in some cases, incentives to work will be weakened. For example, once local council tax support is factored in, many parents will keep as little as 17p out of each additional £1 they earn²⁰² and the lack of integration of passported benefits such as free school meals²⁰³ (a problem with the existing system) will maintain cliff edges, meaning some parents will lose out financially from increasing their hours from part-time to full-time work. The recent decision to extend free school meals to children under the age of eight from September 2014 will help improve work incentives by removing this cliff edge for some parents but the issue will remain for families with older school-age children.

Second, the UK Government needs to ensure that the cost of childcare and support for childcare costs ensures parents are better off in work. It is clear that for many lone parents and second earners, childcare costs are a substantial barrier to work, especially in high cost areas such as London. While increasing support for

²⁰² Based on evidence that local authorities have set ‘taper rates’ applied to net income in determining the level of Council Tax Support of between 15 per cent and 30 per cent - see <http://counciltaxsupport.org/the-story-so-far/>

²⁰³ Department for Work and Pensions, *Universal Credit: The Impact on Passported Benefits*, 2012 suggests that a fixed income threshold will be set, though the Government have not yet decided the level at which this will be set.

childcare costs to 85 per cent from April 2016 in families where all parents are in work and pay income tax will help, the introduction of a new cliff edge at the income tax threshold runs counter to the simplification objectives of Universal Credit as well as complicating the decisions of some parents about whether to take on more hours.²⁰⁴ Childcare costs will also remain a substantial barrier to full-time work for many – for example, those with more than two children and those who would hit the monthly limit for support in Universal Credit if they worked more hours (the monthly limits on support will be the same in cash terms in April 2016 as they were over a decade earlier in April 2005 despite the expected 80 per cent increase in hourly childcare costs over the period).²⁰⁵ While the Budget 2013 commitments on childcare were positive overall, the Commission believes that the UK Government has got the balance wrong in its offer between well-off and disadvantaged parents. The Commission recommends that the Government should take action to remove the new cliff-edge in support at the income tax threshold and increase support for the most disadvantaged by introducing 85 per cent support with childcare costs for every family on Universal Credit, not only those in which all parents pay income tax. The Commission also recommends that the Government considers whether the monthly limit for childcare support in Universal Credit needs to be increased to ensure the April 2016 changes have the desired impact on work incentives in high cost areas such as London and for families with more than two children.

Third, the UK Government needs to ensure that parents who “do the right thing” will have an income which lifts them out of poverty. The UK child poverty strategy stated that “*the Universal Credit will support those who do the right thing, who take a full-time job, to have an income which lifts them out of poverty*”. However, the available evidence suggests that, in the current system, many families in which at least one parent is working full-time are still in poverty and it is unclear whether the introduction of Universal Credit will change this: for example, based on data published in the Households Below Average Income Survey, half of children in poverty in 2011/12 were in families where at least one parent was in full-time work.²⁰⁶ The Commission believes that Universal Credit should guarantee a move out of poverty for all parents who work sufficient hours given their caring responsibilities (e.g. guaranteeing that no children in families meeting their claimant commitment under Universal Credit will be in poverty).

²⁰⁴ See for example <http://blogs.citizensadvice.org.uk/blog/calculating-the-cost-of-childcare-support-2/>

²⁰⁵ Commission analysis based on the estimate that childcare costs increased by 77 per cent in the 10 years 2003-2013 in Daycare Trust *Childcare Costs Survey 2013*, 2013

²⁰⁶ Department for Work and Pensions *Households Below Average Income*, 2013

Fourth, in relation to conditionality, the Commission welcomes the increased expectations for the hours of work and work search activity parents should do and believes that the requirements that have been set are fair. The Commission also agrees that there needs to be a robust enforcement regime alongside appropriate support: conditionality has always been an important feature of the benefit system to help ensure that claimants make sufficient effort to fulfil their responsibilities. Universal Credit makes the expectations of the claimant clearer and raises the bar on them, which presents a possibility more people could be sanctioned than under the current system. Given the potential impact of this on children, it is important that the conditions attached to claims are reasonable and that sanctions are applied in a fair and proportionate way and only on claimants who are clearly, wilfully and persistently failing to meet their commitments without good cause. It is also important that there is a sufficient safety net to ensure that children in families facing benefit sanctions are not forced to go without basic necessities. The Commission will return to this issue once there is further information about implementation of the conditionality regime and about how sanctions are being utilised.

Finally, stakeholders have highlighted a number of potential risks around the operational arrangements for Universal Credit including: the move to a single monthly payment, the shift from 'purse to wallet', the move to payment of benefits one month in arrears, risks of increasing arrears from direct payment of Housing Benefit to claimants in the social sector, lack of secure internet access among poor families, and the user-friendliness of the claims system. The Government argues that it is taking steps to mitigate these risks and dispel misconceptions including through provision for alternative payment. On risk of arrears it points out that rent collection rates are 94 per cent in its Direct Payment Demonstration Projects and direct payments are reviewed and returned to landlords where arrears build up. On online access, more than 2,000 devices giving relevant Internet access have been installed in Jobcentres and 6,000 more are expected, those who are unable to access Universal Credit online will have the option to claim over the phone or in person, and digital inclusion is the focus of one of the local authority-led pilots, from which it is learning..

Recommendations

68. The Commission believes that the United Kingdom is clearly not on track to meet its statutory goal of ending child poverty. Things look set to move in the wrong direction over the next few years, and the best projections available suggest that the targets will be missed by a considerable margin. Although we know it is probable that any government would be finding it hard to remain on course in the face of the economic situation and the widely accepted need for fiscal consolidation, we are deeply concerned that a decade or more of reductions in child poverty could be coming to an

end. The previous strategy which relied heavily on income transfers was running out of road even before the recession, and a change in direction is now overdue. We think that a new approach focusing on in-work poverty is needed if the child poverty targets are to be met.

69. In the Commission's view stagnation is not inevitable. Significant progress has been made by the United Kingdom in reducing child poverty since the early 1990s despite significant headwinds, and the fact that other developed countries are able to achieve far lower rates of child poverty than the United Kingdom gives cause for optimism. Making progress today will require a renewed collective effort from parents, from employers and from government. Parents will need to accept their responsibilities to work their families out of poverty. Employers will need to create high-quality jobs that allow parents to work themselves out of poverty, including by creating progression opportunities. The UK, Scottish and Welsh governments will need to do their bit in making sure that work pays, protecting those who cannot work, removing the barriers to work that many parents face, creating the right economic environment for a zero-poverty society to be a realistic ambition and coordinating society's collective efforts to tackle child poverty.
70. All this amounts to a new settlement for child poverty. Delivering this will require a more ambitious and more specific strategy based on:
- **Personal responsibility**, with parents supported and challenged to find work and work for a sufficient number of hours (consistent with their caring responsibilities and available childcare).
 - **Higher employment in every region**, with sufficient full-time jobs in the right places at the right skill levels for every parent to be able to meet their responsibilities.
 - **Action to tackle low pay**, with a new focus on helping employers to raise wages in a way that is consistent with growing employment.
 - **Action to tackle living costs**, especially essentials like energy, food and housing.

Our high-level recommendations for the UK as a whole include:

71. The UK Government should use the next child poverty strategy, due to be published in March 2014, to produce an ambitious detailed step-by-step plan for how it will meet the 2020 targets, including making clear its underlying assumptions about parental employment rates, earnings, hours of work and in-work poverty risks.
72. The UK Government should continue its efforts to get more people off welfare and into work, but should give new priority to ensuring that work pays and that parents who 'do the right thing' are able to escape in-work poverty. In the short-term, it should consider changing the remit of the Low Pay Commission with a view to delivering a higher minimum wage. For the medium-term, it should produce a clear and costed plan to ensure that, over time, there is sufficient in-work support in place to provide a new

guarantee that every family meeting the UK Government's expectations about their hours of work will be able to live free of poverty. Other steps could also help: for example, paying job agencies for the earnings people receive rather than the number of jobs found.

73. The UK Government should adapt its Universal Credit plans and examine its wider welfare reform programme are capable of delivering a bigger impact on in-work poverty. A good first step would be to switch resources for subsidised childcare in Budget 2013 from higher income families to ensure those who will be receiving Universal Credit have 85 per cent of their childcare costs covered, further incentivising parental employment.
74. Employers and their representative bodies should actively collaborate with the UK Government to determine what action – statutory and non-statutory– will be required to lift earnings without damaging employment.

Appendix to Chapter 3

Part 1: The child poverty strategy for Scotland

Scotland has the lowest levels of child poverty of any country in the United Kingdom with, for example, in 2011/12 only 15 per cent of children in relative income poverty before housing costs (compared to 17 per cent in the UK as a whole) and 20 per cent of children in relative income poverty after housing costs (compared to 27 per cent in the UK as a whole).

This is a significant achievement. Child poverty in Scotland has halved in the last 15 years. Progress in Scotland has been more rapid than in any other area of the UK. Poverty after housing costs is lower than anywhere in the UK except the South East of England. The number of children in workless households has almost halved since 1997, the best performance of anywhere in the UK except London.²⁰⁷

However, it remains the case that too many children in Scotland live in poverty and there is a long way to go to meet the 2020 targets. Child poverty in some geographical areas of Scotland – such as Glasgow and Dundee – is amongst the highest in the UK. Scotland also has many of the most deprived neighbourhoods in the UK – for example, half of the neighbourhoods in the UK where more than two-thirds of children are in poverty are found in Scotland.²⁰⁸

Many analysts are also projecting that child poverty is set to increase over the next few years: for example, the Institute for Fiscal Studies projects that relative child poverty in Scotland will increase to 22.7 per cent by 2020/21.²⁰⁹

This is the context for the child poverty strategy for Scotland, which sets out the Scottish Government's plans for reducing levels of child poverty and minimising the impact of socioeconomic disadvantage on children between 2011 and 2014. The strategy has two key aims:

- **Maximising household resources:** maximising incomes and reducing pressures on budgets among low-income families through, for example, enabling parents to access and sustain good-quality employment and promoting financial inclusion and capability.
- **Improving children's wellbeing and life chances:** breaking intergenerational cycles of poverty, inequality and deprivation through tackling the underlying social and economic determinants of poverty and improving the circumstances in which children grow up, with a particular emphasis on the early years.

²⁰⁷ Office for National Statistics *Working and Workless Households*, 2013

²⁰⁸ Commission analysis using data on lower-layer super output areas from the HMRC Children in Low Income Families measure

²⁰⁹ Institute for Fiscal Studies, *Child and Working-Age Poverty in Northern Ireland from 2010 to 2020*, 2013 <http://www.ifs.org.uk/comms/r78.pdf>

The Scottish approach to tackling poverty is underpinned by three key principles:

- **Early intervention and prevention:** preventing cycles of poor outcomes.
- **An asset-based approach:** building on the skills, capabilities and social capital of people in poverty to enable them to increase their income (as opposed to a 'deficit approach' focused only on barriers and seeing people as passive recipients of support).
- **A child-centred approach:** embedding the principles of the UN Convention on the Rights of the Child in service design and delivery.

These aims are delivered through a range of policies, backed by cross-cutting social policy frameworks on poverty and income inequality, early years and health inequalities and in line with principles set out in Getting it Right for Every Child, Scotland's approach to improving outcomes for all children.

Key policies set out in the strategy

The strategy describes a range of actions being undertaken by the Scottish Government that relate to ten key measures to achieve its aims.

1. Increase the numbers of parents in good-quality employment through:
 - **Promoting employment opportunities** e.g. supporting small business growth and using Community Benefit clauses in public sector procurement processes.
 - **Promoting employability** e.g. supporting the development of local employability pipelines, bringing local authorities, the third sector and employers together to tackle barriers to employability.
 - **Improving skills** e.g. implementing Skills for Scotland and targeting support at those who are out of work.
 - **Supporting parents with childcare** e.g. working with local partners to improve childcare provision and encouraging flexible working practices.
 - **Making work pay** e.g. committing to pay a Living Wage to all employees covered by the Scottish Government's Public Sector Pay policy and encouraging other employers to do the same.
2. Increase household incomes through:
 - **Promoting financial inclusion and capability** e.g. supporting and developing the national information and advice infrastructure.
3. Reduce pressure on household budgets through:
 - **A range of spending measures aiming to reduce costs for low-income families** e.g. freezing council tax, introducing free prescriptions and extending free school meal eligibility.
 - **Mitigating the impact of welfare reform** e.g. analysing the impacts on people in Scotland and liaising with the UK Government.

4. Ensure that more children have positive outcomes in the early years and that more children grow up in nurturing, stable households, with good parenting and home learning environments through:
 - **Implementing the Early Years Framework** e.g. making early years a priority in Single Outcome Agreements.
 - **Expanding entitlements to and quality of pre-school education** e.g. to a minimum of 600 hours per year of free early education and childcare for three- and four-year-olds and two-year olds who are looked after or under a kinship care order.
 - **Improving play opportunities for children** e.g. funding initiatives such as 'Go Play', 'Play@Home' and 'Play Talk Read'.
 - **Supporting early intervention** e.g. through the Early Years Early Action Fund.
 - **Ensuring that children grow up in decent housing** e.g. through ensuring that all unintentionally homeless people have the right to settled accommodation.

5. Reduce health inequalities among children and families through:
 - **Implementing the recommendations of Equally Well.**
 - **Disseminating learning from pilot programmes** e.g. through promoting findings from the Family Nurse Partnership.
 - **Embedding understanding of health inequalities** e.g. through workforce-training initiatives.

6. Ensure that children and young people receive the opportunities they need to succeed, regardless of their socioeconomic background through:
 - **Continuing to transform education** e.g. through implementing Curriculum for Excellence (see below) and by reducing class sizes.

7. Ensure that more young people are in positive and sustained destinations through:
 - **Ensuring that all young people receive an offer of appropriate post-16 learning** e.g. through Activity Agreements for those at most risk of dropping out, financial support for those from low-income backgrounds through keeping the Education Maintenance Allowance and through the careers information, advice and guidance strategy and supporting vulnerable young people through Inspiring Scotland's 14–19 Fund.

8. Ensure that families receive the support they need when they need it – especially the most vulnerable through:
 - **Implementing and embedding Getting it Right for Every Child and the Early Years Framework.**
 - **Improving the infrastructure of service delivery for children and families** e.g. by streamlining scrutiny of care and healthcare services.
 - **Implementing the actions set out in the comprehensive review of services for disabled children.**

- **Improving the skills of the workforce** e.g. by building on the findings of the consultation on common skills for the children's workforce.
9. Reduce levels of child poverty and minimise the impact of socioeconomic disadvantage on children through communities and place by:
- **Developing new approaches to regenerating deprived areas** e.g. building on responses to 'Building a Sustainable Future' and better engaging citizens in the policy-making process.
 - **Creating safer and stronger communities** e.g. through the Safer Communities Programme and Cashback for Communities.
 - **Improving green space and play opportunities** e.g. through national policy on open space and recreation facilities and targeted approaches to invest in infrastructure such as 'Go Play'.
10. Drive change through working with local partners through:
- **Supporting Community Planning Partnerships** to embed the three social policy frameworks in local planning and delivery.
 - **Supporting the third sector** e.g. through the Scottish Investment Fund
 - **Building stronger links between the private sector and the tackling poverty agenda.**

The broader Scottish Government strategy

The Scottish Government's approach appears comprehensive. It fits into a wider set of devolved policies over which Scotland has taken its own distinctive path. For example:

- On **social security and the labour market**, while the UK Government retains key policy responsibility here, the Scottish Government has committed to introduce a series of policies aimed at mitigating some of the impacts of welfare reform – for example, retaining a version of the Social Fund as the Scottish Welfare Fund. It has also taken steps to help people into work (see above).
- In the **early years**, initiatives include the Early Years Collaborative which encompasses targets on infant mortality and early development, a commitment to increase the childcare entitlement for three- and four-year-olds and extending the childcare offer to looked after and kinship care order two-year-olds (though this will be a less generous offer than in England, where up to 40 per cent of two-year-old children will benefit). It has sought to drive a shift to spending on prevention through the Early Years Change Fund. It has also introduced the 2012 national parenting strategy which brings a more cross-cutting approach to parenting than exists in England.
- In the **school years**, it is continuing with implementation of Curriculum for Excellence, an approach that seeks to ensure that children are successful learners, confident individuals, responsible citizens and effective contributors. There has also been a policy focus on protecting teacher

numbers and class sizes. The schools system in Scotland has historically been very different to that in the rest of the UK – for example, it was run separately from other parts of the UK prior to devolution – and in recent years there has been continuing policy divergence.

- On **youth transition**, initiatives include Youth Employment Scotland, a local authority delivered programme to provide 100,000 young people with an enhanced package of support from the start of unemployment. The Scottish Government has also introduced the 2013 Employability Fund to support pre-employment training and Community Jobs Scotland, a programme which pays participants to undertake training for at least 6 months in the third sector. Unlike in England, the participation age is not being increased, but there is a commitment to ensure that every 16-year-old is offered a suitable place in post-16 education. Scotland has also retained a version of the Education Maintenance Allowance, which has been abolished in England.
- On **higher education**, Scotland has decided to continue with its free tuition fees policy and has also introduced Widening Access Agreements.

Assessing progress

The child poverty strategy highlights several indicators which will be used to track progress in achieving the objectives of the strategy.

These include:

- Progress against the statutory targets in the Child Poverty Act 2010.
- Progress against indicators in the National Performance Framework. Those the Scottish Government considers most relevant include:
 - Increasing overall income and the proportion of income received by the three lowest income deciles;
 - Decreasing the proportion of individuals living in poverty;
 - Increasing healthy life expectancy at birth in the most deprived areas;
 - Increasing the proportion of school leavers in positive and sustained destinations.
- General public health and health improvement measures relevant to poverty e.g. smoking, drug use, alcohol consumption and data on sexual health outcomes.
- Local poverty measures tracked by local authorities as part of Single Outcome Agreements.
- The suite of Early Years Outcomes Indicators that the Scottish Government suggests local areas may wish to look at to track outcomes.
- Data collected as part of the Scottish Public Health Observatory Children and Young People Profiles.

It is, however, difficult to assess progress against each of the ten key measures, as there is no indicator framework that directly correlates to them. The Commission believes that future strategies would benefit from having such a framework that could, for example, include measures of:

- Increasing employment and hours of work and in making work pay, for example worklessness, earnings and hours of work of families in poverty, working poverty.
- Reducing educational inequalities, for example indicators looking at trends in gaps between those from disadvantaged backgrounds and others in early child development, school attainment, post-16 destinations and access to higher education.
- Reducing inequalities in access to the labour market, for example, indicators looking at trends in gaps between those from disadvantaged backgrounds and others in access to jobs, e.g. in access to the professions.

The Scottish Government recently gave its view of the progress that has been made in its Annual Report, published at the start of September 2013.

Recent progress

As highlighted above, the progress that has been made in Scotland over the last 15 years against the income poverty targets and in reducing the number of children in workless households has been impressive. There has also been a lot of progress more recently. More detail on can be found in this report's Annex.

Against the Child Poverty Act 2010 measures, poverty has fallen over the past five years whether it is measured by the absolute, relative or material deprivation measures. However, absolute poverty after housing costs has been static since 2005/06. Progress against the persistent poverty target cannot yet be reported:

- **Relative child poverty** has decreased from 21 per cent in 2006/07 to 17 per cent in 2010/11 and 15 per cent in 2011/12.
- **Absolute child poverty** has decreased from 21 per cent in 2006/07 to 17 per cent in 2010/11 and 16 per cent in 2011/12.
- **Material deprivation** has decreased from 16 per cent in 2006/07 to 13 per cent in 2010/11 against the old definition, and from 12 per cent in 2010/11 to 8 per cent in 2011/12 against the new definition.²¹⁰

Against the headline measures in the National Performance Framework²¹¹ identified in the child poverty strategy, there has overall been some progress over the last five years:

- **Income inequality:** the proportion of income going to the bottom 30 per cent has been broadly static: it was 13.9 per cent in 2006/07, 14.5 per cent in 2010/11 and 14.1 per cent in 2011/12.

²¹⁰ The definition of child material deprivation changed in 2011/12: it is impossible to compare data against the new definition to data against the old definition. See Department for Work and Pensions, *Changes to the Households Below Average Income (HBAI) Statistics 2011/12*, 2013

²¹¹ See <http://www.scotland.gov.uk/About/Performance/purposestratobjs>

- **Poverty:** the number of individuals in relative income poverty has decreased from 16.8 per cent in 2006/07 to 15.2 per cent in 2010/11 and 13.8 per cent in 2011/12.
- **Health outcomes:** recent trends in healthy life expectancy in the most deprived areas are unclear as the measure has been discontinued.
- **Youth participation:** the proportion of school leavers in 'positive and sustained destinations' has overall increased after decreasing during the recession: 87.0 per cent in 2007/08 to 84.0 per cent in 2008/09, 87.2 per cent in 2011/12 and 89.5 per cent in 2012/13. Progress has been particularly rapid for children in deprived areas: the gap between those in deprived areas and others has closed significantly since 2008/09.

Other developments relevant to the child poverty strategy over the last five years include:

- **Employment:** the proportion of Scottish children living in workless households increased post-recession from 14.0 per cent in 2008 to 15.6 per cent in 2012 before falling to 12.0 per cent in 2013.
- **Education attainment gaps:** While significant gaps by social background remain, there is evidence of some progress in closing gaps in attainment of the 'basics' – e.g. the gap between tariff scores of 16-year-olds in the most and least deprived areas has decreased by 10 per cent since 2006/07. However, there is little evidence that gaps have been closing at higher levels of attainment.

Reflections

The Commission welcomes much of Scotland's approach to child poverty, and especially the emphasis on the early years. We identify several areas where other countries in the United Kingdom could learn from Scotland's experience, especially its approach towards early intervention and parenting and its greater focus on pay and the role of employers in reducing poverty than is found in other parts of the UK.

However, the Commission has a number of other reflections about the Scottish approach to tackling poverty that will guide our scrutiny in future annual reports as we deepen our Great Britain-wide analysis. We hope that these observations will help to inform the forthcoming revision of the Scottish child poverty strategy, due to be laid before the Scottish Parliament by Spring 2014.

First, it is difficult to track progress against some of the strategy's objectives: notably those looking at employment outcomes and educational disadvantage objectives. These measurement challenges also make it difficult for policymakers to develop a full picture about the nature of poverty (for example, the role of parental hours of work in child poverty) and the way in which socioeconomic background influences opportunities (for example, educational attainment gaps beyond the 'basics').

Second, other countries in the UK appear to have a stronger focus on relative performance in school attainment, higher education access and access to the labour market. While the focus in the Scottish strategy on raising educational attainment of children from disadvantaged backgrounds is the correct one, this may not necessarily translate into fairer opportunities unless their attainment improves relative to children from more advantaged backgrounds. There is also weaker public accountability and less readily accessible information about attainment gaps than in other parts of the UK.

Third, the Commission has heard some concerns in its evidence-gathering that the introduction of Single Outcome Agreements for local authorities poses risks as well as opportunities for Scotland's focus on child poverty. The Commission also notes that Scotland is the only country in Great Britain in which local authorities do not have a duty to publish child poverty strategies. This is a significant gap in ensuring that there is a mechanism in place to link up the Scottish child poverty strategy with local strategies in relation to many of the key issues that affect child poverty.

Fourth, there have recently been moves to increase the focus in Scotland on closing socioeconomic gaps beyond the 'basics' through, for example, the new legal duties on the Scottish Funding Council to promote widening participation goals in Further and Higher Education. But the Commission believes that there remain opportunities to take further action to close gaps between academically able children from less well-off backgrounds and others – for example, by closing gaps in access to the most selective universities and working with Scottish business to address gaps in access to the professions.

Finally, while there are several risks to child poverty from welfare reform, which Scotland is right to focus on mitigating, there may also be potential opportunities – for example, to tackle working poverty by supporting and enabling more parents to move from part-time work into full-time work where this is consistent with their caring responsibilities.

Part 2: The child poverty strategy for Wales

Wales faces big challenges in tackling child poverty with, for example, 23 per cent of children in relative income poverty before housing costs (compared to 18 per cent in the UK as a whole) and 33 per cent of children in relative income poverty after housing costs (compared to 28 per cent in the UK as a whole) in the three years ending in 2011/12.²¹²

There has been much progress over time in tackling poverty in Wales. Child poverty has fallen by almost a quarter since the three years ending in 1999/00. Progress has been broadly similar to that made in England. The number of children in workless households has fallen by a third since 2010 and is at its lowest since records began in 1996 following a sharp increase during the recession.²¹³

However, there is clearly a long way further still to go. Wales has the joint-highest rate of child poverty of any area of the UK. After housing costs, Wales has the second highest rate of child poverty of any area of the UK with only London having higher poverty. Half of children in poverty in Wales live in workless households.²¹⁴ Many areas of South Wales and the Valleys are among the most deprived in the UK with, for example, more than one in five of the working-age population claiming benefits in several local authority areas.²¹⁵

Many analysts are also projecting that child poverty is set to increase over the next few years, with rates of child poverty anticipated to follow similar trends as in the rest of the United Kingdom.

This is the context for the Welsh child poverty strategy, which sets out the Welsh Government's plans for eradicating child poverty between 2011 and 2014. The strategy has three key strategic objectives:

- Reducing the number of families living in workless households.
- To improve the skills of parents and young people living in low-income households so they can secure well-paid employment.
- To reduce inequalities that exist in health, education and economic outcomes of children and families by improving the outcomes of the poorest.

The Welsh approach to tackling child poverty covers the 13 broad aims for contributing to the eradication of child poverty set out in the Children and Families (Wales) Measure 2010:

- Minimise the number of children in income poverty.

²¹² Department for Work and Pensions *Households Below Average Income Survey*, 2013

²¹³ Office for National Statistics *Working and Workless Households*, 2013

²¹⁴ Analysis taken from Bevan Foundation/NPI *Monitoring Poverty Wales: In-Work Poverty*, 2013

²¹⁵ Office for National Statistics *Nomis: Official Labour Market Statistics*, 2013

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- Minimise the number of children in low-income and material deprivation.
- Promote and facilitate paid employment for parents.
- Provide parents with the skills necessary for paid employment.
- Reduce inequalities in educational attainment.
- Support parenting of children.
- Reduce inequalities in health between children and between parents.
- Ensure that all children grow up in decent housing.
- Ensure that all children grow up in safe and cohesive communities.
- Reduce inequalities in participation in cultural, sporting and leisure activities between children and between parents.
- Help young people participate effectively in education and training.
- Help young people take advantage of employment opportunities.
- Help young people participate effectively and responsibly in the life of their communities.

Key policies set out in the strategy

1. Helping more people into paid work and helping them to progress into higher-paying jobs:
 - Reducing worklessness and in-work poverty: for example, programmes to support those who have been out of work for long periods, in-work support to help job sustainment, childcare, and initiatives to tackle in-work poverty.
 - Improving skills: for example, improving basic skills through the Employer Pledge programme.
 - Supporting youth engagement and employment: for example through the work of the cross-cutting Youth Engagement and Employment Unit, retaining the Education Maintenance Allowance and targeted programmes such as the successor to Skill Build and Pathways to Apprenticeship.
 - Initiatives to ensure jobs growth: for example, the Welsh economic development strategy including investing in high-quality infrastructure such as next-generation broadband, supporting business start-ups particularly in areas of Wales with low business start-up rates, and investment programmes in the seven regeneration areas of Wales.
 - Programmes include: Jobs Growth Wales and the Integrated Children Centre Initiative, which placed Jobcentre Plus Advisers in Communities First areas across Wales.
2. Reducing inequalities that exist in health, education and economic outcomes of children and families by improving the outcomes of the poorest:
 - Focus on the early years: for example, the Flying Start programme in deprived areas (free high-quality childcare for two and three year olds, an enhanced Health Visiting service, parenting programmes and language and play sessions) and the Healthy Start programme (antenatal health and lifestyle, promoting breastfeeding, review of the

role of health visitors, healthy-food vouchers and free vitamins for 23,000 Welsh families).

- The Programme for Government document sets out the outcomes the Welsh Government wants to deliver, as well as key commitments around tackling poverty. One of the commitments was to double the number of children benefiting from the Flying Start initiative.
 - Putting Families First and focusing on prevention: for example, Integrated Family Support Services to support vulnerable families with complex needs (substance misuse, domestic violence, mental health problems, learning disabilities), rolling out Families First to better integrate preventative support for families living in poverty and building their resilience to reduce the numbers of families developing more complex needs.
 - Breaking the link between educational attainment and poverty: for example, prioritising improving literacy and numeracy, using data more effectively through the Wales Core Data Sets and benchmarking, introducing the School Effectiveness Grant.
 - Raising aspirations and maintaining a ladder of opportunity: for example, meeting the cost of increases in tuition fees associated with the UK Government's reforms in order to ensure that no Welsh student is worse off than under the previous system, implementing the 'For Our Future' action plan prioritising widening access through the Reaching Wider initiative and setting targets for higher education participation in deprived areas.
 - Reducing health inequalities: for example, through Our Healthy Future and the Fairer Health Outcomes for All plan and associated targets in the child poverty strategy, initiatives to reduce the use of alcohol, tobacco and drugs by young people and involving schools through initiatives such as the Welsh Network of Healthy Schools Schemes and the A Stop Smoking in Schools Trial (ASSIST) smoking prevention programme.
 - Tackling poverty in deprived areas: for example, through the Communities First programme focusing on improving the quality of life in the most deprived areas of Wales to help make it easier for families to take steps out of poverty, and helping to raise the aspirations of whole communities and to involve residents in developing their own local solutions.
 - Tackling youth offending: for example the all-Wales youth offending strategy, additional funding for community safety partnerships and youth offending teams.
3. Making poverty less damaging for children
- Rights and legal protection: for example, embedding the UN Convention on the Rights of the Child in Welsh law – including a new duty for Welsh ministers to raise awareness of the Convention, promote understanding of the rights it gives and to give due regard to the Convention in discharging their functions.

Chapter 3: Poverty today

- The right to play: for example, placing a new duty on local authorities to secure sufficient play opportunities for children given the importance of play to children's development and quality of life.
- Income maximisation: for example, funding for financial advice services, promoting credit unions, energy efficiency measures.
- Safeguarding essential services: for example, continuing to provide free swimming, free breakfasts for primary school children and access to high-quality arts provision in deprived areas.
- Other initiatives: for example, reducing homelessness, improving community safety and cohesion, reducing domestic violence and regenerating rural communities.

The child poverty strategy has been built upon by the Tackling Poverty Action Plan published in 2012 and was subsequently refreshed in July 2013. Building Resilient Communities: Taking Forward the Tackling Poverty Action Plan sets out clear milestones and targets that apply to all departments across Welsh Government, including support for children, young people and adults.

Key policy developments since publication of the strategy include a greater focus on the role of Communities First in tackling poverty, setting specific targets for progress in improving outcomes and milestones towards their achievement and introducing a new £33 million Pupil Deprivation Grant equivalent to £450 for every student eligible for free school meals, which schools can use to invest in mitigating the impact of poverty on attainment.

The broader Welsh Government approach

The Welsh Government strategic objectives look at poverty and its impact in the broadest sense: focusing on work and progression in work as the key route out of poverty, improving the life chances of children in poverty and improving the quality of life for children in poverty.

Distinctive features of the Welsh Government approach include:

- A strongly rights-based approach, driven by the statutory commitment to the UN Convention on the Rights of the Child.
- A focus on initiatives in deprived areas, e.g. the importance of Communities First as a means of delivering poverty objectives.
- A focus on setting clear and measurable targets for progress to be made on key outcomes across the strategy.
- An emphasis on the responsibilities of all public bodies – not just the Welsh Government and local authorities – to tackle poverty.
- There is now a Minister for Tackling Poverty and also a Deputy Minister with responsibility for tackling child poverty.

Looking at some of the key elements of the strategy:

- On **social security and the labour market**: getting more people into sustained employment is at the heart of the strategy. A key focus is on

mitigating the potential risks of welfare reforms through building resilience in Welsh communities and making poverty less damaging for children through, for example, measures aimed at reducing the cost of living and ensuring access to quality public services.

- In the **early years**: there is a clear focus on the early years and prevention through e.g. Flying Start and Families First. All three- and four-year-olds in Wales are entitled to at least ten hours a week free early education (though the offer is less generous than in Scotland and England). One in eight pre-school children currently benefit from enhanced early education provision through Flying Start including, for example, 12.5 hours per week free early education for two-year-olds. The Welsh Government has a commitment to extend Flying Start to a quarter of under-fours (though the offer for two-year-olds will still be somewhat less generous than it is in England).
- In the **school years** the Welsh school system features several differences in comparison with that used in England: for example, in Wales, there is a closer relationship between schools and local authorities with no Academies and a very different system of school accountability. The Foundation Phase is also a key programme for children aged between three and seven. There have recently been moves to enhance transparency and accountability: for example, the creation of 'My Local School'²¹⁶ – a new website providing detailed school-level performance data including information on attainment of children from disadvantaged backgrounds and performance compared to schools facing a similar context is a positive and important development.
- On **youth transition**: an interesting aspect of policy towards youth transition in Wales is the cross-cutting approach it takes through the creation of the Youth Engagement and Employment Unit.
- On **higher education**: the key policy decision has been to mitigate the financial impact of increases in tuition fees on Welsh students through providing a grant for tuition fees in excess of £3,500 per year.

Assessing progress

The Welsh child poverty strategy highlighted several indicators which will be used to track progress.

Indicators include:

- Progress against the statutory targets in the Child Poverty Act 2010.
- Progress against six key indicators of progress in achieving the objectives of the strategy: children living in workless households; working-age adults with no qualifications; children eligible for free school meals who achieve five good GCSEs including English/Welsh and maths; low birth weight; number of looked-after children per 10,000 children under 18; percentage

²¹⁶ <http://mylocalschool.wales.gov.uk/>

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of children living in workless households; and low-income families reaching child development milestones when entering formal education.

- A wider set of proxy indicators in the areas of early years, income and work, education, health, housing and community.

These have been supplemented by the new targets and milestones set out in the Tackling Poverty Action Plan. Most relevant to child poverty are:

Prevention

- **Age 3:** By 2016, increase the proportion of 3-year-olds receiving Flying Start services that have achieved or exceeded their developmental milestones by 5 percentage points.
- **Age 7:** Narrowing the attainment gap between those eligible for free school meals and others by 10 per cent by 2017 from 18.3 per cent in 2012.
- **Age 16:** Improve the proportion of children eligible for free school meals achieving five good GCSEs including English/Welsh and maths from 23.4 per cent in 2012 to 37 per cent by 2017.

Helping people into work

- Offer 5,000 opportunities for adults in workless households to find sustainable training or employment by 2017.
- Reduce the proportion of 16–17-year-olds not in employment, education or training from 10.2 per cent in 2012 to 9 per cent in 2017.
- Reduce the proportion of 19–24-year-olds not in employment, education or training relative to the UK by 2017.
- Increase the proportion of care leavers in education, training or employment to 51 per cent by 2017 from 47 per cent in 2011/12.

Mitigating the impact

- Close gaps between healthy life expectancy in the most and least deprived areas by 2.5 per cent by 2020.
- Reduce the number of low birth weight babies born to the most deprived fifth of the population by 19 per cent by 2020.
- Improve the dental health of 5 and 12-year-olds in the most deprived 20 per cent of the population to that found in the middle fifth by 2020.
- To generate £8 million in additional confirmed benefits for individuals per year through advice services.
- A range of digital inclusion targets.

The Commission believes that there are some areas where additional headline indicators to track progress in achieving the objectives of the strategy would be useful:

- **Tackling in-work poverty** (e.g. earnings, hours of work of families in poverty).
- **Reducing educational inequalities beyond the basics** (e.g. focusing on the outcomes of academically able children from poorer backgrounds).

- **Tackling opportunity gaps beyond the age of 16** (e.g. access to higher education, access to professional jobs).

The Commission also believes that there are improvements that could be made to the current headline indicators: for example, the 'looked-after children' indicator is sensitive to policy change over the threshold at which government intervenes, and it is unclear whether the indicator of adult skills is currently looking at qualifications at a level that significantly improves people's work and earnings prospects.

Recent progress

As highlighted above, considerable progress has been made in Wales over the last 15 years and the proportion of children in workless households is the lowest since records began in 1996. However, progress more recently has been mixed. More detail on recent progress in tackling poverty in Wales can be found in this report's Annex.

The Welsh Government will be producing a progress report later this autumn, which will set out its progress against the objectives and indicators detailed in its child poverty strategy. In addition to this, the Welsh Government has commissioned Ipsos MORI to carry out an evaluation of the impact of its child poverty strategy, which is due to be published in December 2013.

Against the Child Poverty Act 2010 measures, poverty has been broadly static over the past five years: while relative poverty, absolute poverty and material deprivation all fell slightly during the recession, absolute poverty and material deprivation have risen back to pre-recession levels and absolute poverty after housing costs is higher now than it was in the three years ending 2003/04. Progress against the persistent poverty target cannot yet be reported:

- **Relative child poverty** decreased from 25 per cent in the three years ending 2006/07 to 23 per cent in the three years ending 2010/11. Relative poverty was static in the three years ending 2011/12.
- **Absolute child poverty** decreased from 24 per cent in the three years ending 2006/07 to 21 per cent in the three years ending 2010/11 before increasing back to 24 per cent in the three years ending 2011/12.
- **Material deprivation** increased from 18 per cent in the three years ending 2006/07 to 20 per cent in the three years ending 2010/11. Data for Wales cannot yet be reported against the new definition of material deprivation being used from 2011/12.²¹⁷

²¹⁷ The definition of child material deprivation changed in 2011/12: data for Wales cannot yet be reported against the new indicator. See Department for Work and Pensions, *Changes to the Households Below Average Income (HBAI) Statistics 2011/12, 2013*

Against the key indicators in the strategy, there has overall been some progress over the last five years on three out of the five indicators where data is available.

- **Worklessness:** the proportion of children in workless households rose rapidly during the recession from 15.5 per cent in 2008 to 21.1 per cent in 2010 before falling rapidly to reach 14.4 per cent in 2013.
- **Adult skills:** the proportion of working-age adults with no qualifications has fallen from 14.9 per cent in 2007 to 10.6 per cent in 2012. There have also been significant improvements in Wales in adult skills at GCSE-level, A-level and degree-level over the last 5 years.
- **Attainment at age 16:** the attainment gap between children eligible for FSM and other children rose from 29.7 percentage points in 2007 to 33.9 percentage points in 2010 before falling slightly over the last two years to 33.2 percentage points in 2012. In absolute terms, the proportion of children eligible for FSM achieving the GCSE threshold increased by 30 per cent over the same period from 18.0 per cent in 2007 to 23.4 per cent in 2012.
- **Low birth weight:** Over the last five years, the proportion of babies born with a low birth weight has been broadly static at around 7 per cent.
- **Looked-after children:** The number of looked-after children has been rising rapidly over the past five years from 72 per 10,000 children in 2007 to 91 per 10,000 children in 2013.
- **Early child development:** Data cannot yet be reported.

Other developments relevant to the child poverty strategy over the last five years include:

- **Working poverty:** 52 per cent of children in poverty in Wales are in working households: while this is lower than in the UK as a whole (where 66 per cent of children in poverty are in working families), the relative importance of working poverty has risen significantly over time.
- **Youth unemployment (16–18):** 10.2 per cent of 16–18-year-olds in Wales were not in education, employment or training (NEET) in 2012, similar to the level in England. This represents a significant fall from 12.2 per cent in 2011, though is still higher than the pre-recession low of 9.7 per cent.
- **Youth unemployment (19–24):** 23.0 per cent of 19–24-year-olds in Wales were NEET in 2012. There was a large rise in the proportion of young adults who were NEET after the recession, increasing from 17.4 per cent in 2008. The proportion of young adults who are NEET has been broadly unchanged since 2010.

Reflections

At a high level, the Welsh strategy covers many of the right things and the development of the approach in the Tackling Poverty Action Plan – setting out specific and clear milestones and targets for progress – is a very positive step that the Commission welcomes and would like to see emulated elsewhere. There are also several areas where other countries in the United Kingdom could learn from the experience of Wales, especially around its efforts to make the experience of poverty less damaging to children, the focus on area-based initiatives in deprived communities as a key means of delivering its objectives to tackle poverty, and the active role local public services are expected to take in reducing child poverty.

There are also lessons that other countries could learn from how the Welsh Government presents school performance information to aid transparency and accountability: the Commission is impressed with several aspects of the design of the new 'My Local School' website (e.g. the use of graphs to present trends over time and the way in which comparative data is presented to help parents and others to interpret school performance in context).

However, the Commission has a number of other reflections about the Welsh approach to tackling poverty that will guide our scrutiny in future annual reports as we deepen our Britain-wide analysis. We hope that these reflections help to inform future revisions of the Welsh child poverty strategy.

Firstly, there is an opportunity to take more action to tackle the growing problem of in-work poverty and wage progression, such as exploring the role the Welsh Government's pay and progression practices could play for its own staff, influencing local authorities and other public sector bodies to pay a Living Wage, and encouraging private sector employers to do more.

Secondly, while it is very positive that clear targets for improvement have been set in many key areas, there may be some scope to be more ambitious. One example is the target on improving the GCSE performance of children eligible for FSM: even if it is met by 2017, almost two-thirds of poor children will be failing to achieve the 'basics': experience in other regions of the UK suggests that more could be done. Another example is reducing the number of young adults NEET – given the relatively high number of 19–24 NEETs in Wales, a more ambitious target for relative progress may be appropriate.

Thirdly, there is an opportunity for Wales to focus more on closing the gaps in educational attainment beyond the 'basics' in pre-school and compulsory school. As is the case elsewhere in the UK, it is clear that academically able children from disadvantaged backgrounds in Wales are less likely to achieve good A-levels, enter higher education (especially at the most selective universities) or to access the professions. If the strategy is to achieve its ambition of breaking the link between educational attainment and poverty, it is essential that these 'disadvantage gaps' are tackled as well as the gaps in the 'basics'.

Finally, while there are benefits from the area-based approach taken in Wales, the Commission is concerned that some children from poor backgrounds may be losing out on support – for example, free childcare for two-year olds is part of the Flying Start programme and is only available to eligible families living in the relevant areas.²¹⁸

²¹⁸ Commission analysis of the HMRC Children in Low Income Families measure shows that 48 per cent of poor children in Wales live outside of the 25 per cent of lower-layer super output areas with the highest rates of child poverty

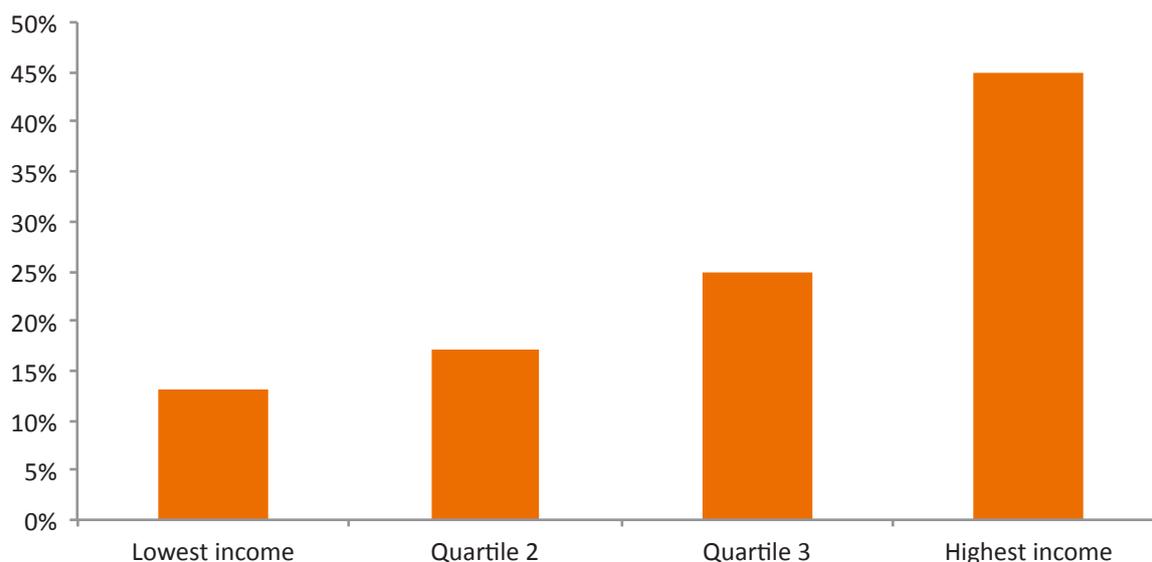
Chapter 4: Life chances and social mobility

- **The United Kingdom is a low social mobility society compared to other developed countries**
 - **We welcome the UK Government's focus on social mobility and see some evidence of progress on educational attainment that may improve life chances**
 - **However, while there is evidence of improving outcomes for those at the bottom, there is little sign of opening up elites at the top**
 - **High youth unemployment and rising child poverty are storing up trouble for the future**
 - **The scale and intensity of the UK Government's efforts do not yet match its ambitions – it needs a clearer strategy, a senior responsible Cabinet Minister, and an independent social mobility impact assessment of spending decisions**
 - **The focus should broaden to open up more opportunities for 'squeezed middle' families as well as low-income ones**
 - **A national effort is needed involving parents, communities, employers and schools as well as local and national governments**
1. Improving social mobility has become a central concern of public policy in recent years. The evidence has long been clear that, too often in our country, the circumstances a child is born into shapes their destiny. Being born poor too often leads to a lifetime of poverty. Children from poorer backgrounds are far more likely to leave school with few qualifications and doing badly at school tends to lead to an insecure and low-wage job. Those who do not go to university risk losing out on a professional career. These are old national concerns. In recent years a new concern has risen to the fore: the middle being left behind by the top, as competition to access the best opportunities intensifies. This comes against the backdrop of uncertainty about the prospects of improved living standards for the next generation. The incomes of the 'squeezed middle' are caught between stagnating wages and rising costs, with growing numbers finding it difficult to save or to get on the housing ladder, and with parents fearing a future where their children are worse off than they are.
 2. It is not that British society lacks fluidity. It is clearly possible for children from very poor backgrounds to do well as adults, and some do. However, they are far less likely to do well as adults as their peers from wealthier homes – the relative chances of individuals making progress are heavily skewed by their background.²¹⁹ Figure 4.1 shows that fewer than one in

²¹⁹Blanden, J., Goodman, A., Gregg, P. and Machin, S., *Changes in Intergenerational Mobility in Britain*, London: Centre for Economic Performance, 2002; Blanden, J. Gregg, P. and Machin, S., *Educational Inequality and Intergenerational Mobility* in Machin, S., and . Vignoles, A., (eds.), *What's the Good of Education?: The Economics of Education in the UK*, Princeton: Princeton University Press, 2005; Blanden, J., Gregg, P. and Machin, S., *Intergenerational Mobility in Europe and North America*, London: Centre for Economic Performance and Sutton Trust, 2005

seven children of the poorest quarter of parents go on to achieve high income as adults, compared with nearly half of their peers from high-income families: children from high-income backgrounds are three and a half times more likely to have high incomes as adults and over one-third of children from low-income backgrounds remain poor as adults, compared with one-sixth of their peers from high-income families. This low downward mobility particularly marks the United Kingdom out internationally.²²⁰

Figure 4.1 – Likelihood by background to have high income as adults²²¹

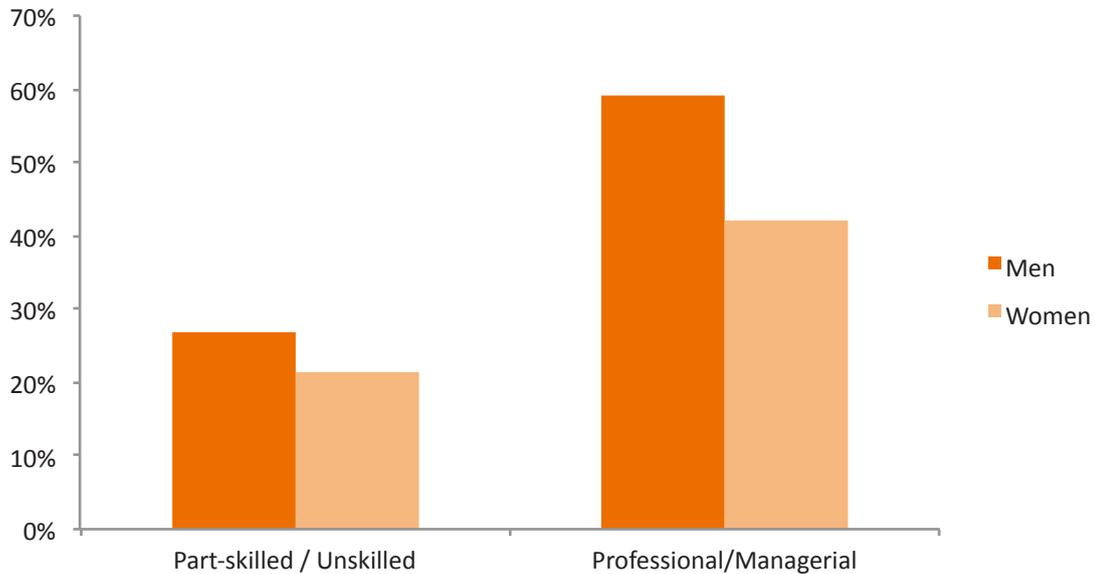


3. There is also a strong relationship between the social class of parents and the social class their children end up in. Figure 4.2 shows that those with parents in professional and managerial occupations are twice as likely to end up in professional and managerial occupations as those with parents in part-skilled or unskilled occupations.

²²⁰ D'Addio, A.C., *Intergenerational Transmission of Disadvantage: Mobility or Immobility Across Generations? A Review of the Evidence for OECD Countries*, Paris: Organisation for Economic Cooperation and Development (Working Papers No. 52), 2007

²²¹ Blanden, J., Machin, S., *Recent Changes in Intergenerational Social Mobility in Britain*, Sutton Trust, 2007

Figure 4.2 – Men and women with parents in professional and managerial occupations and likelihood of being in professional and managerial occupations²²²



4. Social gaps open up early and widen through school. For example, at age 3, the children of graduates are 12.5 months ahead of the children of the least educated in vocabulary tests.²²³ As can be seen in the chapters that follow, the gap in attainment between children eligible for free schools meals (FSM) and those ineligible in England is nearly 19 per cent at age 5 (measured by those attaining a good level of development in the Early Years Foundation Stage), nearly 17 per cent at age 11 (measured by those attaining Level 4 in English and maths at Key Stage 2), and just over 26 per cent at age 16 (measured by those getting five GCSEs at grades A*-C including English and maths). These inequalities are then reflected in university access, and access to the professions. For example, children eligible for FSM are less than half as likely as others to progress to higher education by age 19.²²⁴
5. Children’s educational attainment is strongly associated with parental income, qualifications and occupation. Children from disadvantaged backgrounds on average have less access to books, computers and tuition, and are less likely to attend the best schools than more advantaged children. Under half of children (45 per cent) from the poorest

²²² Buxton, J., et al, *The Long Shadow of Childhood: associations between parental social class and own social class, educational attainment and timing of first birth; Results from the Office for National Statistics Longitudinal Study*, from ‘Population Trends 2005 121:17-26 (2005) – Chart is based on children with two parents in 1971 and their social class position in 2001.

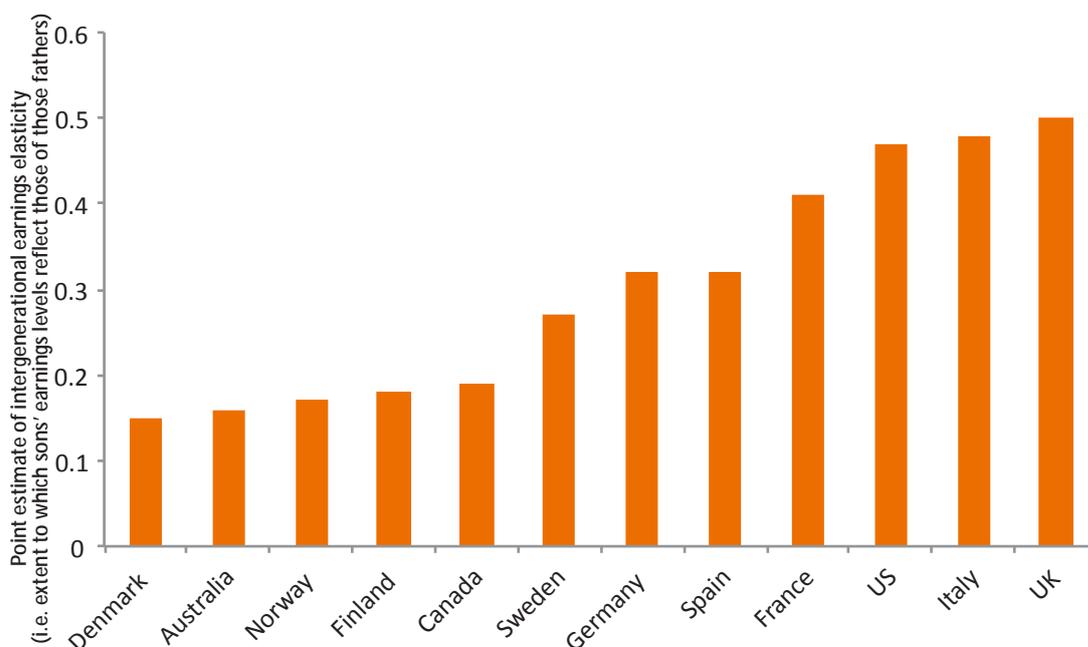
²²³ Sullivan, A., Ketende, S. and Joshi, H., Social class and inequalities in early cognitive scores, *Sociology*, April 2013

²²⁴ Department for Business, Innovation and Skills, *Widening Participation in Higher Education*, August 2013

fifth of families were read to daily when they were 3 years old, compared with eight in ten (78 per cent) children from the richest fifth.²²⁵ Disadvantaged children also tend to have less access to the networks, understandings and experiences that help in enabling them to fulfil their potential – whether picking the right courses, accessing work experience or developing important ‘character’ skills.

6. The fact that some children get a better start in life than others is nothing new: resources, skills and connections have always mattered to chances of success. But the link between background and educational attainment appears to be stronger in the United Kingdom than many other OECD countries, and social mobility lower. For example, according to OECD data, the relationship between parental and child income in the United Kingdom is over two times stronger than in Canada, Australia or Finland (see Figure 4.3).²²⁶ This suggests that policy can make a difference.

Figure 4.3 – Strength of link between individual and parental earnings across OECD countries²²⁷



²²⁵ Waldfogel, J. and Washbrook, E.V., *Low Income and Early Cognitive Development in the UK: A Report for the Sutton Trust*, 2010

²²⁶ OECD, *A Family Affair: Intergenerational Social Mobility Across OECD Countries*, Economic Policy Reforms, *Going for Growth 2010*, 2010

²²⁷ OECD, *A Family Affair: Intergenerational Social Mobility Across OECD Countries*, Economic Policy Reforms, *Going for Growth 2010*, 2010

Past trends and lessons

7. It appears that social mobility has not been improving over recent decades. In particular, the link between parental and child income may have strengthened between the generations born in 1958 and 1970, suggesting a decline in social mobility.²²⁸ More recent trends in social mobility are difficult to measure because the link between parental earnings and those of their children can only be determined when the children become adults and there is, in any case a 30-year gap in the United Kingdom's programme of national cohort studies between 1970 and 2000. That is one reason why the Commission warmly welcomes the Government's decision to start a new cohort study in 2012. Alongside this, the UK Government makes use of a range of proxy indicators of social mobility, including gaps in child development and attainment at different life stages between disadvantaged children and the rest, to judge whether the prospects for social mobility are improving or worsening. This seems to us to be a sensible approach and is consistent with the prospective accountability approach we take in this report.
8. For example, one study found that those entering leading professions like law and banking born in 1970 were, on average from significantly more advantaged backgrounds than those entering these professions who were born in 1958.²²⁹ Measured by social class rather than income, there has been long-term growth in white-collar jobs, but no further social mobility on top of that. Expansion in professional jobs has helped more move up, but the relative chances of someone from a disadvantaged background doing well have not improved.
9. What seems to have been happening is that educational attainment has become increasingly important to future employment prospects, and informal barriers to opportunity have expanded. Key forces here include the shift to a knowledge-based economy where success in life depends upon formal qualifications, social networks and so-called 'character' skills like grit and persistence. This has occurred alongside occupational changes like the hollowing out of the labour market with fewer jobs in the middle, the erosion of careers ladders and a higher proportion of small businesses, which are more likely on average to recruit through word of mouth than larger firms. Higher skills have led to large increases in productivity and pay for those who possess them while those with low skills have experienced reduced demand for their labour and lower

²²⁸ Machin, S., Gregg, P. and Blanden, J., *Intergenerational Mobility in Europe and North America*, Sutton Trust, 2005, Blanden, J., and Machin, S., *Recent Changes in Intergenerational Mobility in Britain*, Sutton Trust, December 2007

²²⁹ Macmillan, L., *Social Mobility and the Professions*, Centre for Market and Public Organisation, 2009

average earnings.²³⁰ The former tend to enjoy better job security, higher pay and decent prospects for social advance. The latter risk facing a life of insecurity, low pay and little prospect of social progress. Bridging this labour market divide is the route to a fairer, more mobile Britain.

10. Successive administrations have made efforts to open up opportunity and enable talent to prosper. For example, the previous government committed to deliver 'an inclusive society, where everyone has an equal chance to achieve their potential' by expanding cash transfers, introducing early years policies including a large expansion of nursery education to 3 and 4-year-olds and creating Sure Start, and implementing education policies including new approaches to failing schools in deprived areas – which became academies, the Every Child Matters agenda and the reform of higher education.²³¹
11. A recent comprehensive review finds improvement between 1997/98 and 2009/10 on 48 of the 59 'Opportunity for All' social indicators, which were adopted by the previous government in 1999 to hold departments to account on poverty and social exclusion.²³² Areas of improvement cited include better results in Key Stage 2 tests at age 11 with the proportion of children meeting the benchmark in English rising from 62.5 per cent in 1996/97 to 80.3 per cent in 2009/10. There were also better results at age 16, with the proportion gaining five A*–C at GCSE (not including English and maths) increasing from 45.1 per cent in 1996/97 to 75.6 per cent in 2009/10.²³³
12. There were also a wider set of changes. Over the period 2005/06 to 2009/10, children eligible for FSM gaining five A*–Cs including English and maths at GCSE increased by over 50 per cent. In children's 'early years', from 1997 onwards there was a doubling of maternity leave taken from around 18 weeks to 39 weeks and the proportion of 3 and 4-year-olds getting early education increased such that, by 2010, 98 per cent of all 4-year-olds and 92 per cent of eligible 3-year-olds received at least some free early education.²³⁴ Between 2006/07 and 2009/10, school readiness, as measured by the Early Years Foundation Stage Profile, improved.²³⁵ There were also better outcomes on infant mortality, healthy behaviours

²³⁰ Lindley, J. and Machin, S., The Quest for More and More Education: Implications for Social Mobility, *Fiscal Studies*, 33(2), 2012

²³¹ Quoted in Lupton, R., Hills, J., Stewart, K. and Vizard, P., *Labour's Social Policy Record: Policy, Spending and Outcomes 1997–2010*, Centre for Analysis of Social Exclusion, June 2013

²³² Lupton, R., Hills, J., Stewart, K. and Vizard, P., *Labour's Social Policy Record: Policy, Spending and Outcomes 1997–2010*, Centre for Analysis of Social Exclusion, June 2013

²³³ Lupton, R., Hills, J., Stewart, K. and Vizard, P., *Labour's Social Policy Record: Policy, Spending and Outcomes 1997–2010*, Centre for Analysis of Social Exclusion, June 2013

²³⁴ Stewart, K., *Labour's Record on the Under Fives: Policy, Spending and Outcomes 1997–2010*, July 2013

²³⁵ Stewart, K., *Labour's Record on the Under Fives: Policy, Spending and Outcomes 1997–2010*, July 2013

during pregnancy and low birth weight. For example, the gap between the proportion of low birth weight babies born to mothers in higher and lower socioeconomic groups more than halved between 2005 and 2010.²³⁶ Finally, university participation by the age of 19 increased from 30 per cent in the mid-1990s to 36 per cent at the end of the first decade of the 2000s and there were impressive falls in poverty, as noted earlier in this report.²³⁷

13. However, there were also areas of weakness. For example, although there were absolute improvements in the attainment of the poorest children at GCSE, the gap between the attainment of children eligible for FSM and the rest only narrowed slightly between 2005/06 and 2009/10 for England as a whole. However, the increase in equivalent qualifications had a part to play in these improvements - when researchers excluded GCSE equivalent qualifications between 2005/06 and 2010/11, there was a 1 per cent increase in the attainment gap for students obtaining five A*-C GCSEs including English and maths.²³⁸ Evidence on Sure Start does not show meaningful improvements in children's cognitive development, albeit this may reflect methodological issues with the evaluation - and it had small but significant benefits to parenting and home environment.²³⁹ While rates of participation in higher education for those living in the most disadvantaged geographical areas increased by 30 per cent between 2004/05 and 2009/10, those in the most advantaged areas were still three times more likely to participate in higher education than those in the most disadvantaged areas.²⁴⁰ Some 'Opportunity for All' indicators also worsened between 1997/98 and 2009/10, including the overall employment rate, the employment rate among the lowest qualified, the gap in life expectancy at birth between the poorest areas and others, child obesity and the gap between the educational attainment of looked-after children and others.²⁴¹
14. Meanwhile, new barriers to social mobility emerged during the first decade of the 2000s, including unpaid internships moving from the margins to the mainstream of the graduate labour market. There was also increasing awareness of the social profile of entry to the top professions, with the 2009 Panel on Fair Access to the Professions finding that the typical doctor or lawyer was likely to be growing up in a family that was better off

²³⁶ Stewart, K, *Labour's Record on the Under Fives: Policy, Spending and Outcomes 1997-2010*, July 2013

²³⁷ Machin, S., Murphy, R., and Soobedar, Z, *Differences in Labour Market Gains from Higher Education Participation*. National Equality Panel, 2009

²³⁸ Whitty, G., Anders, J., *(How) Did New Labour Narrow the Achievement and Participation Gap*, Paper presented at a seminar at the Centre of the Centre for Learning and Life Chances in Knowledge Economies and Societies (LLAKES), Institute of Education, December 2012

²³⁹ Stewart, K., *Labour's Record On The Under Fives*, Centre for Analysis of Social Exclusion, July 2013

²⁴⁰ Higher Education Funding Council for England, *Trends in Young Participation in Higher Education*, 2010

²⁴¹ Lupton, R., Hills, J., Stewart, K. and Vizard, P., *Labour's Social Policy Record: Policy, Spending and Outcomes 1997-2010*, Centre for Analysis of Social Exclusion, June 2013

than five in six of all families in the United Kingdom - and the typical journalist or accountant was growing up in a family that was better off than three in four of all families in the United Kingdom.²⁴² Alongside these developments, real earnings stagnated for the lower half of the income distribution in the run up to the recession in 2008 and, although previous growth in income inequality was halted, it was not reversed.²⁴³

15. One recent review of the progress made over the last 15 years concluded that for the period of the previous government '*on the whole, economic and social outcomes got better, and differences between social groups narrowed*'.²⁴⁴ The government '*spent a lot and achieved a lot*' but '*there was a long way still to go in relation to its original ambitious vision*'.²⁴⁵
16. There are a number of insights that can be gleaned from these past efforts to improve social mobility. Here, the Commission focuses on five lessons that we hope will inform future efforts.
17. First, social mobility is not wholly in the gift of the Government. It is clear that development gaps and social differences in opportunity begin well before school, and have their roots in family factors. Equally, schools, employers, professions, councils and charities – among others – all have a role to play in helping children to realise their aspirations to progress. Success depends upon a national mobilisation of effort. The Government has a key role here in leading that national effort. The last Government had 13 years in office. It began working on an explicit social mobility strategy only in its dying days. Meanwhile, its earlier approach to life chances was arguably highly statist in approach, emphasising spending and provision of services, arguably sometimes to the neglect of mobilising others, like businesses and communities. It has not always been obvious that social mobility was the top overarching policy priority of the last government or is of the current one.
18. Second, the Government has to will the means as well as the ends. The previous government made efforts to embed some life chances objectives within decision-making processes – for example through shared cross-government indicators, but it is not clear that it drove policy consistently. The current Government's approach, with a complicated web of indicators, initiatives and strategies – risks worsening some of these fault-lines.

²⁴² The Panel on Fair Access to the Professions, *Unleashing Aspirations: The Final Report of the Panel on Fair Access to the Professions*, 2009

²⁴³ This is on a 90:10 measure that is comparing incomes near the top to those near the bottom. On a Gini coefficient measure, affected by income at the very top and the very bottom, it was higher in 2009/10 than in 1996/97 but fell back to its starting point in 2010/11.

²⁴⁴ Lupton, R., Hills, J., Stewart, K. and Vizard, P., *Labour's Social Policy Record: Policy, Spending and Outcomes 1997–2010*, June 2013, p. 60

²⁴⁵ Lupton, R., Hills, J., Stewart, K. and Vizard, P., *Labour's Social Policy Record: Policy, Spending and Outcomes 1997–2010*, June 2013, p. 7

19. Third, closing gaps in academic performance between social groups is harder than raising absolute attainment. General, untargeted efforts to raise school standards improve everyone's outcomes but do not necessarily improve the relative performance of those at the bottom – something reflected in the last administration's greater success at raising attainment than reducing educational inequalities.²⁴⁶ Equal priority – including targets, resources and accountability – should be given to 'closing the gap' in educational attainment as is dedicated to raising the bar in educational standards. And that approach needs to start in shaping how public policy enables support for parents and provides high-quality early years services, since by the age of five gaps which are highly consequential for attainment and life chances have already opened up.²⁴⁷
20. Fourth, social mobility has to be about more than education alone. Educational attainment is clearly fundamentally important, but other factors affect the ability of individuals to benefit from their education.²⁴⁸ As well as 'supply-side' interventions focused on schools and parents, 'demand-side' factors matter, including how career opportunities are distributed. Critically, active labour market policies to improve wage and career opportunities need to be given far greater priority in the future than in the past.
21. Fifth, the implications of achieving higher levels of social mobility need to be understood and articulated. Though absolute social mobility can increase for everyone if society becomes better off over time or the employment structure changes, relative social mobility is a two-way street. Some will rise and others will fall. The Government needs to be comfortable with that. Even more fundamentally, it needs to be comfortable with the notion that achieving more mobility may require lower levels of income inequality.

The Government's new approach

22. The UK Government's ambitions on life chances are set out across its separate social justice, child poverty and social mobility strategies, which as a whole the Government describes as a social ladder. It argues that social justice is about helping people to get on the ladder, child poverty gets people off the bottom, and social mobility helps people up the rungs. The Commission welcomes the fact that:

²⁴⁶ Willingham, D.T., *Why Don't Students Like School?: A Cognitive Scientist Answers Questions About How the Mind Works and What It Means for the Classroom*, 2010

²⁴⁷ Centre for Longitudinal Studies, *Intergenerational Inequality in Early Years Assessment*, Institute for Education, April 2010

²⁴⁸ Evidence of an ethnic minority penalty in the labour market suggests that getting qualifications is only part of the battle and there are other hurdles to realising equal value, for example having the right social networks, and avoiding discrimination. See HM Government, *Ethnic Minorities and the Labour Market: Interim Analytical Report*, Cabinet Office, 2002

- The social mobility strategy establishes the objective of improving social mobility as *'the principal goal of the Government's social policy'*.²⁴⁹
 - In the child poverty strategy, the Government has committed to breaking the *'long-term grip [of poverty] on families and communities, holding them back generation after generation'* while *'helping children to progress and preventing them from becoming the next generation of disadvantaged parents'*.²⁵⁰
23. The Scottish and Welsh Government's child poverty strategies also have life chances goals, although neither nation has an explicit social mobility policy objective or strategy.
24. The Commission focuses here primarily on the UK Government's social mobility strategy, whose goals on education overlap strongly with the child poverty strategy. At a high level, the main features of the social mobility strategy include:²⁵¹
- A primary concern with intergenerational social mobility: breaking the transmission of disadvantage from one generation to the next so that children are *'free to succeed whatever circumstances they are born into'*. It also recognises that progression during people's working lives - or intragenerational social mobility is an important means of realising this goal, and an end in itself.
 - A primary focus on relative social mobility: such that *'for any given level of skill and ambition, regardless of an individual's background, everyone should have an equal chance of getting the job they want or reaching a higher income bracket'*. It recognises that absolute social mobility is also important and desirable but is insufficient because high levels of absolute mobility can *'go hand in hand with a society in which background has an unfair influence on life chances'*.
 - A long-term view: recognising that progress is likely to take a generation.
25. It takes a life-cycle-based approach (see Figure 4.4), highlighting policies that seek to close developmental and educational attainment gaps between children from low-income backgrounds and others – either by supporting parents and tackling 'home' drivers of poor life chances, or direct to young people. These life-cycle stages are:
- The foundation years (pregnancy to 5).
 - School (5 to 16).
 - Transition from school to work (16–24).
 - Adulthood (24 and over).

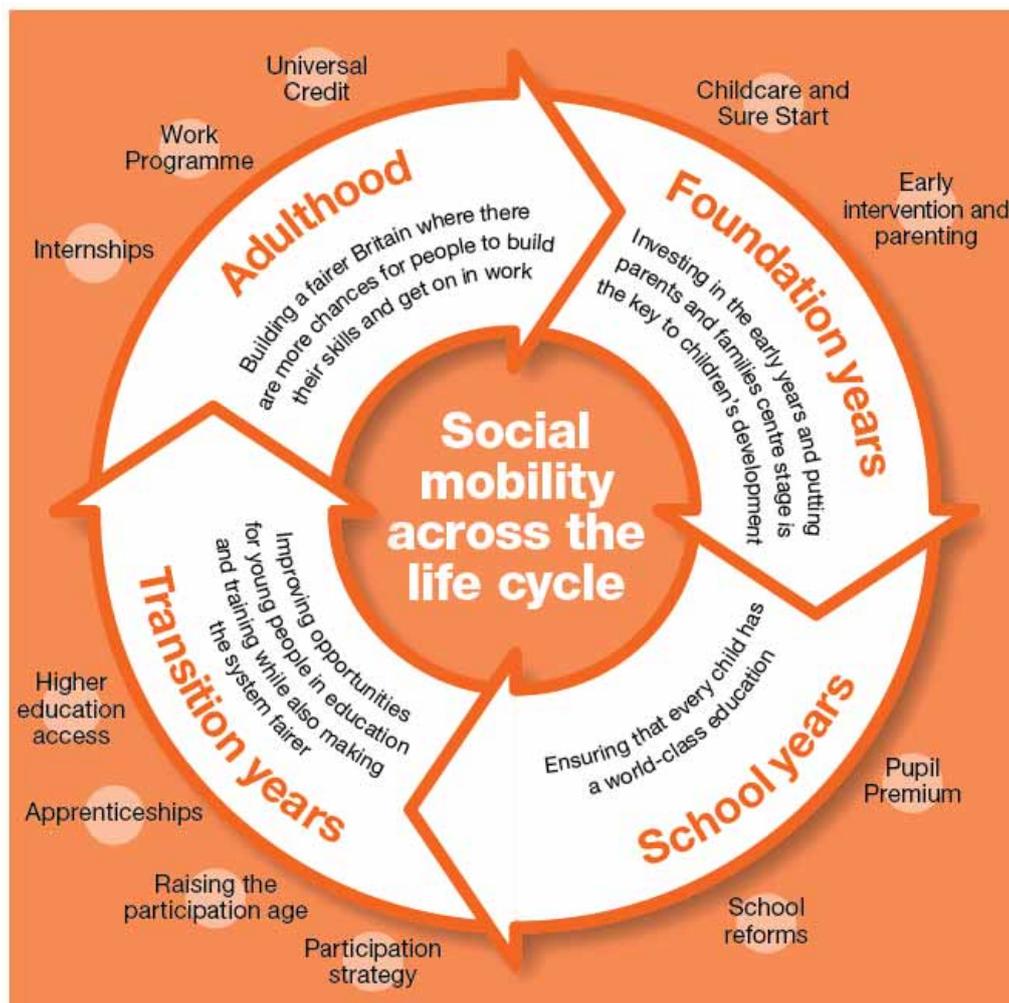
²⁴⁹ HM Government, *Opening Doors, Breaking Barriers: A Strategy for Social Mobility*, April 2011

²⁵⁰ HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*, April 2011

²⁵¹ HM Government, *Opening Doors, Breaking Barriers: A Strategy for Social Mobility*, April 2011

26. It also sets out policy measures aiming to remove non-attainment barriers to social mobility, including raising aspirations, the provision of careers advice, the development of non-cognitive skills, supporting access to higher education and promoting fair access to the most selective universities and removing barriers to entry to the professions. The strategy also seeks to mobilise other actors, including encouraging universities to do more outreach activity and working with employers via the Social Mobility Business Compact.

Figure 4.4 – A life-cycle approach to social mobility²⁵²



27. Figure 4.5 sets out the main life chances policies set out in the UK child poverty and social mobility strategies.

²⁵² HM Government, *Opening Doors, Breaking Barriers: A Strategy for Social Mobility*, April 2011

Figure 4.5– Key UK life chances policies

Factor	Policy
<p>Early years, parenting, the home environment</p>	<ul style="list-style-type: none"> • Relationship support, grants for voluntary and community organisations to support parenting and mediation 2011–13 • Doubling places on the Family Nurse Partnership programme by 2015 and an extra 4,200 health visitors • Helping 120,000 families via the Troubled Families Programme • Extending 15 hours of free early education to the 40 per cent most disadvantaged 2-year-olds by 2014 • Reforming children’s centres and refocusing them on a core purpose of helping parents and improving the outcomes of the most disadvantaged children • Allen, Field and Tickell Reviews, and flexible parental leave
<p>School</p>	<ul style="list-style-type: none"> • Raise standards in disadvantaged areas through improving the quality of all schools– including raising floor standards, a new Ofsted regime and expanding the academies programme and free schools • Curriculum and qualification reform • Pupil Premium, supported by evidence from the Education Endowment Foundation • Launching ‘Inspiring the Future’ with the Education and Employers Taskforce, and ‘Speakers for Schools’
<p>Youth transition</p>	<ul style="list-style-type: none"> • Raising the participation age to 17 in 2013 and 18 in 2015 • Replacing the Educational Maintenance Allowance with the Bursary Fund • Reform of vocational education in line with the Wolf Review • Youth Contract • Creating more apprenticeships • Higher education access, grants for low-income families, Access Agreements and National Scholarship Programme
<p>Work</p>	<ul style="list-style-type: none"> • Work Programme and Universal Credit • Social Mobility Business Compact • Raising the personal tax allowance • Part-time students eligible for tuition loans
<p>Cross-cutting</p>	<ul style="list-style-type: none"> • Child poverty indicators: low birth weight; develop a child development indicator; attainment gaps in schools and further education; progression to higher education; teen pregnancy and young people entering the criminal justice system; family structure

- Social mobility indicators: low birth weight; develop a child development indicator; attainment gaps in schools and further education; higher education access, social mobility in adulthood
- Creating the Social Mobility and Child Poverty Commission

28. As noted in Chapter 2, the UK Government's strategies are being implemented in the context of fiscal consolidation. At a time of austerity, it is welcome that investment is being increased in a number of areas that have the potential to narrow gaps between poor children and the rest – either indirectly, by supporting parents, or directly, by supporting children. Policies include increasing the number of health visitors by 50 per cent, doubling the capacity of the Family Nurse Partnership, major investment in childcare including introducing 15 hours per week of free early education for disadvantaged 2-year-olds, relative protection of the current schools budget for 5–16-year-olds, expanding apprenticeships and increasing funding for widening participation activities in universities. The Government has also raised the basic income tax threshold, is improving work incentives for the low-paid, and recently announced free school meals for all children in the first 3 years of primary school from September 2014.

29. Conversely, since the 2010 Spending Review, spending has been reduced in some areas that have potential impacts on life chances.²⁵³ Children's centre budgets have been retained in 'cash terms', implying a real-terms cut of at least 10 per cent (and as the grant which includes this funding is not ring-fenced, some local areas have implemented larger cuts than this due to rising social care costs and other pressures). Capital funding for schools was reduced by 60 per cent in real terms in Spending Review 2010. The Department for Education's non schools budget has been cut by 12 per cent, including abolishing the Educational Maintenance Allowance (replacing it with less generously funded Bursaries) and the Connexions service (reducing funding for careers advice markedly). There have also been significant cuts to local authority budgets, which play an important role in social mobility and child poverty – with real terms cuts of up to 30 per cent to funding from central government.²⁵⁴ This may have long term consequences for Cinderella areas like youth provision. Areas of asset-based welfare like the Child Trust Fund have been abolished, and the Future Jobs Fund was stopped. Finally, tuition fees for higher education have been increased significantly – though with a significant financial support package and income-contingent repayments at highly subsidised interest rates and more generous terms.

²⁵³ HM Treasury, *Spending Review 2010*, October 2010

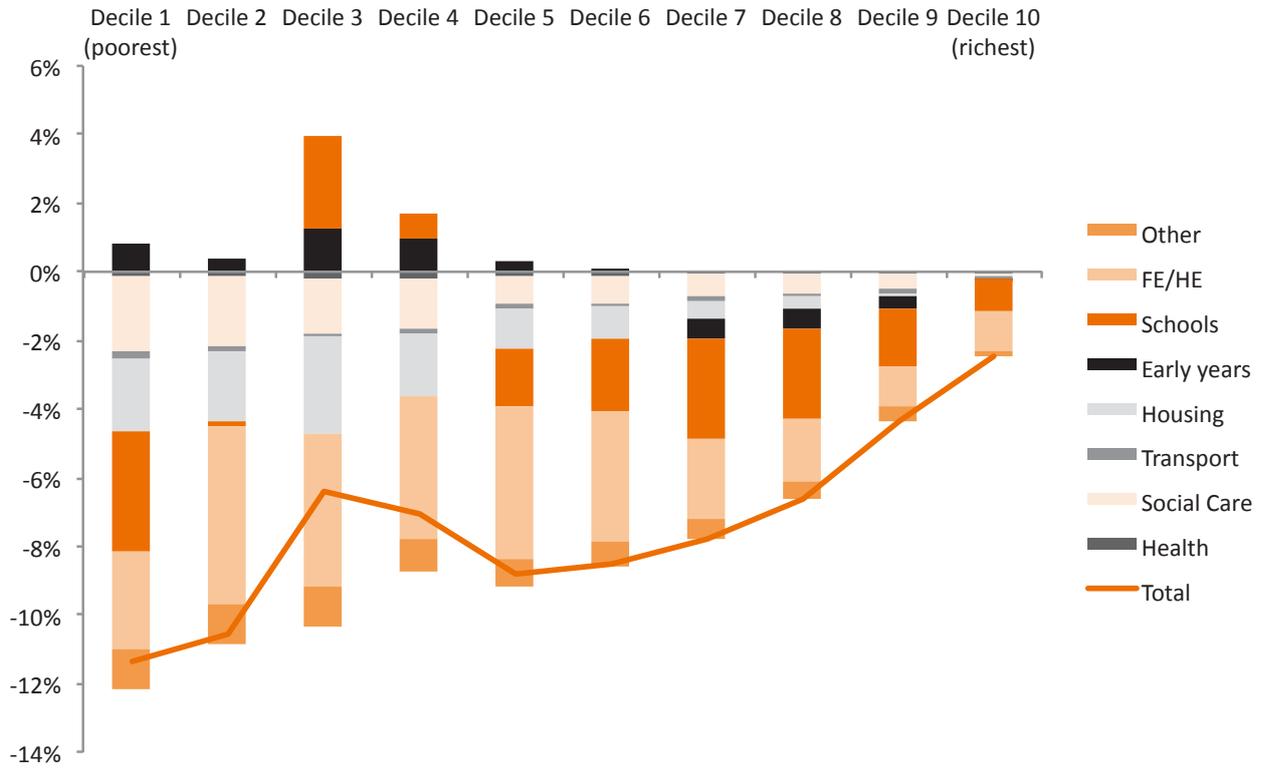
²⁵⁴ Paul Johnson, *How Much Should be Spent on the NHS?*, Prospect magazine, 22 May 2013; Institute for Fiscal Studies, *The Squeeze Continues*, Presentation for IFS and IFG Background Briefing on "The 2014-15 Spending Round", Friday 7 June 2013 accessed 12 October 2013 at http://www.ifs.org.uk/docs/pre_spendinground_ce2013.pdf

30. The Commission welcomes the apparent relative protection of some social mobility related spending areas, and acknowledges that the impact of other spending reductions will in some cases be offset by efficiency improvements. We note one recent survey looking at public perceptions of local public services which found that the majority of respondents felt the quality of public services had been maintained or improved over the last 5 years (42 per cent and 15 per cent respectively); although a sizeable minority thought that services had got worse (40 per cent).²⁵⁵ Overall however, it is not clear to us that there has been a consistent basis on which government decisions to protect or reduce budgets have been taken. We are unclear as to whether social mobility considerations played any part in how ministers reached spending judgements made in the Spending Review 2010 before the social mobility strategy was published, with some programmes that appear to have been well evaluated in improving proxies of better life chances subject to cuts. Arguably if social mobility considerations were at the core of governmental decision-making, different decisions would sometimes have been made.
31. As noted briefly in Chapter 2, analysis for the Office of the Children's Commissioner (OCC) has sought to model the distributional impact on families of an identified £29 billion of UK spending reductions by 2015/16 (expressed at January 2013 prices).²⁵⁶ The analysis acknowledges that this approach has limitations – in particular that it does not capture changes in organisation, efficiency or quality or the impact of local decision-makers' choices. The spending captured in the OCC analysis spans a range of public services, some of which are likely to more directly affect life chances than others. Figures 4.6 and 4.7 show some of the key findings – the impact of spending reductions in percentage terms by income decile for lone-parent families and couple families respectively.

²⁵⁵ See *ICM British Split in Attitudes Toward Quality of Public Services*, October 9 2013, accessed 12 October at <http://www.icmresearch.com/british-split-in-attitudes-toward-quality-of-public-services>

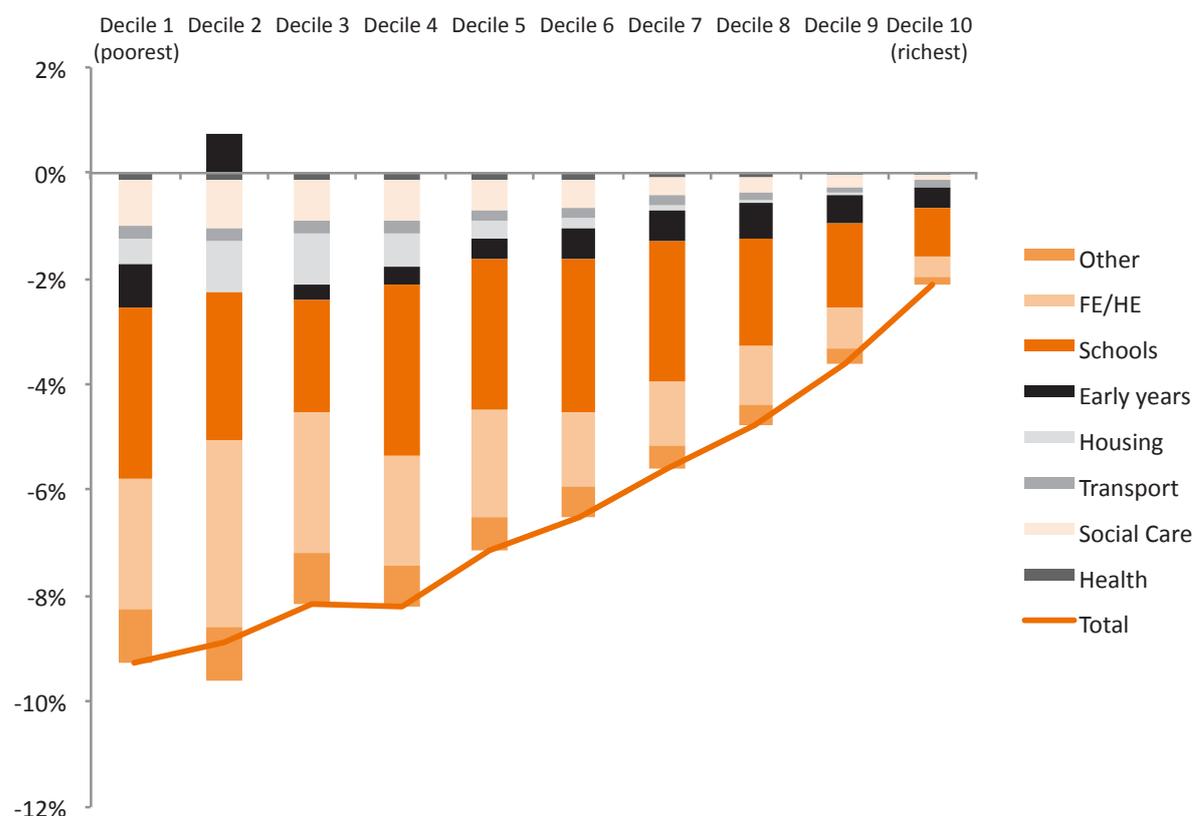
²⁵⁶ Office of the Children's Commissioner, *A Child Rights Impact Assessment of Budget Decisions: including the 2013 Budget, and the cumulative impact of tax-benefit reforms and reductions in spending on public services 2010–2015*, June 2013

Figure 4.6 – Impact of spending reductions by income decile: lone parents²⁵⁷



²⁵⁷ Office of the Children’s Commissioner, *A Child Rights Impact Assessment of Budget Decisions: including the 2013 Budget, and the cumulative impact of tax-benefit reforms and reductions in spending on public services 2010–2015*, June 2013

Figure 4.7– Impact of spending cuts by income decile: couples with children²⁵⁸



32. The OCC found that overall the impact of consolidation is bigger for families with children: they make up 32 per cent of working-age families in England but bear 63 per cent of the costs of public services cuts.²⁵⁹ This also shows that spending reductions are regressive across the income distribution. In cash-terms, reductions range between £1,575 and £1,900 across couple households. As a proportion of income it is notable that reductions hit the lowest income deciles hard but also have significant impact into the middle deciles.

33. The Commission believes that this kind of analysis, broken down into more detail, should be produced by policy-makers and publicly available to support spending decisions. Because it is vital that analysis is authoritative and independent, we believe that the Office for Budget Responsibility should social mobility proof budgets and spending reviews, publishing independent assessments of key proposals so their impact can be understood and debated.

²⁵⁸ Office of the Children’s Commissioner, *A Child Rights Impact Assessment of Budget Decisions: including the 2013 Budget, and the cumulative impact of tax-benefit reforms and reductions in spending on public services 2010–2015*, June 2013

²⁵⁹ Office of the Children’s Commissioner, *A Child Rights Impact Assessment of Budget Decisions: including the 2013 Budget, and the cumulative impact of tax-benefit reforms and reductions in spending on public services 2010–2015*, June 2013

Assessment of strategic objectives

34. The Commission strongly welcomes the UK Government's commitment to improving life chances, as set out in its social mobility and child poverty strategies – and supports its ambitions. Making commitments is, of course, one thing. Delivering on those commitments is quite another. The Commission's view is that delivering on these commitments demands clarity in approach and accountability from the Government. At present it is not clear to us that this is the case. There are a myriad of different initiatives, indicators and strategies. We count up to 24 relevant indicators relating to social mobility goals across the child poverty, social mobility and social justice strategies, not including those in the Public Health Outcomes Framework or related life chances measures such as those set out in the Child Poverty Act 2010. It is welcome of course that so many Whitehall departments are engaged in seeking to improve mobility and tackle poverty. But the more fingers there are in the pie, the more it is important to know who is in charge of the kitchen. At present, accountability is spread across too many ministers and too many committees to ensure a truly coherent approach.
35. Nor do the existing strategies tell us much about what success looks like. The key challenge for a social mobility strategy is enforcing accountability over a five-year political cycle for trends that are likely to take a generation to shift. So, whether or not the strategy actually drives government action really matters. The Government's aim is directional improvement in its social mobility and child poverty life chances indicators. But directional improvement is not in itself very ambitious (a key predictor of progress in attainment for example is prior attainment, so some directional improvement should follow automatically purely as a result of younger children's earlier gains). Particularly in light of the headwinds noted in Chapter 2 of this report, the UK Government should broaden and clarify its approach to life chances, including defining clearer goals, supported by a definition of success, and an ambitious timeline for reaching milestones. Having different life chances objectives split between the social justice, child poverty, social mobility and public health strategies may be justifiable, but only if they are all pulling in the same direction. Again we remain to be convinced that this is presently the case.
36. Next, we turn to what is missing from the Government's life chances jigsaw. We identify four missing pieces. First, more needs to happen to make social mobility count for adults. Around 80 per cent of the workforce of 2020 is in the labour market already.²⁶⁰ Their prospects matter. Stagnating wages have been a fact of life for a decade for half the workforce. If the shape of the economic recovery sees that trend continuing with the top half prospering and the bottom half stagnating, inequalities will grow and the rungs of the social ladder will grow further

²⁶⁰ Leitch Review of Skills, *Prosperity for All in the Global Economy – World Class Skills*, Final Report, December 2006

apart. So a far bigger focus is needed on wage and career progression. There is some positive activity in this space with Universal Credit but further scope for reforms to adult skills, to the National Minimum Wage and to working with employers to build career ladders to give real chances, for low-paid workers to progress.

37. Second, it is welcome that the Government is focusing hard on raising the attainment of poor children, but we believe that their approach does not go far enough. The ambition should not just be to get children off the bottom, but to get more of them to the top. Excellence for children from poor families, though helped by policies like the Pupil Premium and the proposed new accountability arrangements for England's schools, could be given further priority. For example, there are no indicators in the child poverty or social mobility strategies relating to disadvantaged children up to age 16 reaching the levels of attainment that would put them on course for access to top universities or a career in the professions. That also goes for the cohort of 'squeezed middle' families who have high-potential children but who may lack the financial resources or social connections to get them 'into the top'. This is particularly important in view of the educational 'arms race', where those on the highest incomes are increasingly 'superinvesting' in children, with extensive tuition and coaching and intensive access to extracurricular activities.²⁶¹
38. Third, the Government's main metric of disadvantage, eligibility for free school meals, does not properly capture the breadth of the cohort which is in poverty or at risk from falling into it. Eligibility currently depends on take-up among parents receiving certain out-of-work benefits or child tax credit and within a particular income limit and delivers access to free lunches and the Pupil Premium. But two-thirds of children in poverty are in households where at least one adult works, many of whom are not entitled to this extra support. The Children's Society has calculated that one-third of school-aged children living in poverty in England – around 700,000 children – are not entitled to free school meals.²⁶² The Commission believes that the UK Government's indicators should be updated in line with eligibility for the Pupil Premium, which brings in a wider set of disadvantaged children – those eligible for FSM over the past six years (so-called Ever 6) and children looked after for over six months. The Government should also look to use the introduction of Universal Credit to further reflect the nature of poverty (in particular working poverty) in a new definition of disadvantage to inform FSM eligibility.

²⁶¹ The Commission recognises, however, that wider school reforms, including changes to accountability, are aimed at ensuring the incentives are in place to maximise performance across the income distribution

²⁶² Parents working more than 16 hours, or 24 for couples, lose their entitlement. Although entitled, a further 500,000 children do not take up FSM. This means more than half of poor school-age children – around 1.2 million children – do not receive FSM. The Children's Society, *Fair and Square: a Policy Report on Free School Meals*, April 2012

39. Fourth, the Commission is concerned that life chances ambitions should not be limited to those who are currently poor but should focus as well on those who are at risk of becoming poor as adults, in particular on low attaining children from low to middle income families. These children may have other risk factors like an inadequate home learning environment, poor health or low social capital. New research by the Commission finds that nearly two-thirds of low-attaining children at GCSE – those not getting A*–C in English and maths – are ineligible for the Pupil Premium (which roughly goes to the poorest quarter of students). Low-attainers ineligible for the Pupil Premium are arguably a missing piece in the Government's school-based efforts to tackle future flows of poor adults. This is discussed further in Chapter 6.

The impact so far

40. In terms of the implementation of policy measures, the UK Government has done most of what it said it would do in its various strategies. It has also introduced additional policies not in the original strategies such as the Youth Contract and an additional expansion of the Troubled Families Programme. Assessing impact is harder to establish because it takes time for policies to have an impact on outcomes once they are implemented. Nonetheless, we have made judgements on the Government's key life chances indicators. This report's Annex sets out both the trends and the latest data on the key indicators in detail, spanning the UK Government and the Scottish and Welsh governments. Generally, data is not available beyond mid-2012 so this is by necessity an assessment of short-term rather than long-term progress. Figure 4.8 sets out a summary picture.

41. Areas of progress include:

- Some aspects of the labour market – notably a fall in the proportion of children in UK workless households. As noted in Chapter 3, this is an area of impressive progress.
- Aspects of early years health – notably a long-term narrowing of the gap by social class in low birth weight in England and Wales, though rates among less advantaged groups have stagnated from 2009 to 2011. Low birth weight is a risk factor for poor development and health, damaging future life chances.
- Education outcomes in the early years – the school readiness of children eligible for free school meals in England is measured by those achieving a good level of development in the Early Years Foundation Stage, which is assessed when children are aged 5. Despite absolute improvements on this measure, there remains a stubborn gap between the poorest children and the rest. Less than half (48.2 per cent) of FSM-eligible children achieved a good level of development in 2011/12, which is lower than the rate for other children 5 years previously.
- Attainment at age 11 – here the key measure is the attainment of children at Key Stage 2 in English and maths. Nearly two-thirds of students eligible for FSM (65.7 per cent) achieved the current benchmark (Level 4) in 2011/12. The gap has narrowed over recent

years, although unfortunately a change in assessment means that data after 2010/11 is not comparable with previous years. Notably the UK Government has recognised that the current Level 4 threshold measure does not represent secondary readiness, so has pledged to use a new standard, which is more demanding.

- Attainment at 16 – here the key measure is improvement in the proportion of children eligible for FSM in England achieving A*–C in both English and maths GCSEs at age 16.²⁶³ There have been absolute improvements in the proportion of students eligible for FSM achieving this benchmark since 2007/08. However, there remains a stubborn gap between the attainment of students eligible for FSM and the rest.
- Youth health risks – there has been a long-term fall in the teenage conception rate in England and Wales. Most recent data shows that in 2011, there were 30.9 conceptions per 1,000 15-17 year old women, compared to 45.9 in 1997.²⁶⁴
- Other youth risks – here the key evidence shows a large reduction since 2006/07 in the number of children and young people aged 10–17 receiving a first reprimand, warning or conviction.

42. Areas of concern include:

- Attainment at 19 – the Government's indicators record stagnating progress in the proportion of students eligible for FSM achieving at least two A-levels or equivalent in England. Fewer than one in six (15.6 per cent) students eligible for FSM reached this benchmark by age 19 in 2011/12 compared to two in five (37.5 per cent) of other students, and the gap has widened since 2010. There has been more progress looking at those gaining any Level 3 qualification – up from 20 per cent of students eligible for FSM in 2005, to 30 per cent in 2010 and 34 per cent in 2012.
- High attainment for those not in independent schools – the Government's social mobility indicator suggests that in 2011/12, only 8.4 per cent of children in state schools studying three A-levels in facilitating subjects got AAB grades compared with 23.1 per cent in independent schools.
- Access to higher education – there has been some improvement in the entry of children previously eligible for FSM into higher education in England (19.9 per cent in 2010/11) but limited progress in closing the gap between them and other children and young people.

²⁶³ A*–C in English and maths GCSE is the measure used in the UK Government's social mobility indicators – data available back to 2007/08 - <https://www.gov.uk/government/publications/social-mobility-indicators/social-mobility-indicators#school-attainment-age-16-by-free-school-meal-eligibility>

²⁶⁴ Office for National Statistics, *Conceptions in England and Wales, 2011*, 26 February 2013

- Access to the most selective universities – there has been little change in the social profile of the most elite institutions for over a decade, a point the Commission has examined at length elsewhere.²⁶⁵
- The relative chances of graduates from less advantaged backgrounds succeeding – graduates from less advantaged backgrounds have a 6 percentage point lower employment rate in graduate roles. Commission research, described in Chapter 8, highlights that even comparing graduates with the same qualifications, who attended similar universities and studied the same subjects, those from better-off families were more likely to be in top jobs three years after graduation.
- Youth reoffending – there has been an increase in the proportion of youth offenders who go on to reoffend. This is reconcilable with the finding noted earlier of fewer 10–17 year olds becoming engaged with the criminal justice system in the first place on the basis that, as the number of young people entering the system has decreased, those remaining are the more problematic (and potentially serious) offenders.

43. Areas of uncertainty include:

- The detailed picture on early years – the full range of early years indicators are not yet in place, notably a planned new measure of child development at two and a half.
- Adult progression in the labour market – the Government's indicator here is very complicated and is difficult to interpret as progression is not measured for around half of adults.
- The social profile of young people in employment, education or training – there is not a current indicator tracking social gaps because of underlying data challenges.
- The number of opportunities – the Government wants to measure the proportion of the population in higher level occupations by social background but underlying data do not currently allow this.

44. There are also some marginalised groups with very poor life chances that are not directly captured within the Government's framework on social mobility – in part because numbers are small and perhaps because they fall more naturally within a social justice policy approach. For example, only 1.3 per cent of the 9,815 children at the end of Key Stage 4 in 2011/12 in alternative educational provision (that is, children who, because of exclusion from school, illness or other reasons, are not in mainstream provision) got five A*–C grades including English and maths at GCSE, compared to 59.4 per cent of all students.²⁶⁶ In other words, the system is currently producing the equivalent of ten secondary schools of children with catastrophically low attainment in these settings (however, the Government is implementing reforms to tackle the causes of exclusion and raise attainment in alternative

²⁶⁵ The Social Mobility and Child Poverty Commission, *Higher Education: the Fair Access Challenge*, June 2013

²⁶⁶ Department for Education, *GCSE and Equivalent Results in England 2011/12 (Revised)*, SFR 02/2013

provision through better providers, better commissioning and better-trained teachers).²⁶⁷ Looked-after children also have very poor results. The good news here is that the attainment of looked after children has improved rapidly between 2008 and 2012, and the new ‘pupil premium’ plus for looked after children significantly increases funding to support their educational needs.²⁶⁸ Absolute differences between the attainment of looked-after children and their peers remain very large. In England in 2012, only 14.6 per cent got five A*–C at GCSE including English and maths compared to 58.1 per cent of other children.²⁶⁹ The Commission will look in more detail at these and other groups with poor life chances in future – for example, those in the criminal justice system, young carers and the attainment of ethnic minority groups such as gypsies and travellers.

Figure 4.8– Social mobility and life chances indicators

Indicator	Area of coverage	Trend since 2005/06	Trend since 2009/10
Low birth weight: gap between the most and least advantaged social classes	England and Wales	■	■
Early child development: a new metric based on the Healthy Child Programme developmental review at age 2–2.5	No data	N/A	N/A
School readiness: New proposed indicator on gaps in school readiness at age 5 by social background (as proposed in the Tickell Review)	No data	N/A	N/A
School readiness: Early Years Foundation Stage – proportion of children achieving a ‘good level of development’, by FSM eligibility	England	N/A	■
School readiness: phonics check. Proportion of Year 1 children meeting the required standard in the phonics screening check, by FSM eligibility	England	N/A	N/A

²⁶⁷ Department for Education, *The Children’s Commissioners reports, ‘They Go The Extra Mile’ and ‘Always Someone Else’s Problem’: the Government’s Response*, August 2013

²⁶⁸ <https://www.gov.uk/government/news/100-million-to-support-the-education-of-children-in-care>

²⁶⁹ Department for Education, *Outcomes for Children Looked After by Local Authorities in England, as at 31 March 2012, SFR 32/2012*

Attainment at age 11: gap between children eligible for FSM and others in the proportion of children achieving Level 4 in both English and maths ('basics') at end of Key Stage 2	England	●	●
Attainment at age 16: gap between children eligible for FSM and others in the proportion of children achieving A*–C in English and maths	England	●	●
Attainment at age 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	●
Attainment at 19: proportion of children in maintained schools at age 15 who achieve Level 3 through 2 or more A-levels at age 19, by FSM eligibility, gap between FSM eligible students and the rest	England	■	▲
Attainment at 19: proportion of children in maintained schools at age 15 who achieve Level 3 through other qualifications at age 19, by FSM eligibility, gap between FSM eligible students and the rest	England	●	●
Attainment at 19: proportion of children in maintained schools at age 15 who achieve any Level 3 qualification at age 19, by FSM eligibility, gap between FSM eligible students and the rest	England	●	■
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	N/A	■
Teenage pregnancy: conception rate per 1,000 for 15–17-year-olds	England and Wales	●	●
Youth offending: Number of 10–17-year-olds receiving first reprimand, warning or conviction	England and Wales	●	●
Youth participation: Proportion of 18 to 24 year olds participating in part-time or full-time education or training	England	■	■

Youth participation: Proportion of 18 to 24 year olds participating in part-time or full-time education or training – gap by social background	England	NA	NA
Youth participation: Proportion of 18 to 24 year olds not in full time education or training who are not in employment	UK	▲	■
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	NA	NA
Participation in higher education: gap in the proportion of children who enter higher education by FSM eligibility	England	●	■
Higher education participation: gap between state and selective schools in the proportion of A-Level students going to the most selective universities	England	N/A	■
Graduate destinations: gap in the proportion of graduates in full-time employment 6 months after graduating who are in graduate jobs, by social background	England	▲	●
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
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
Second chances: Achievement of Level 2 qualifications by adults aged 19 and over	England	N/A	N/A
Second chances: Achievement of Level 3 qualifications by adults aged 19 and over	England	N/A	N/A

45. What this data suggests about the overall state of life chances in England is that some progress has been made, though, given time lags in data, it is very difficult to attribute changes to policy. The main areas of improvement relate to efforts to lift the nation's tail of low skills, something likely to improve life chances at the bottom and parts of the middle – albeit there still remains a long way to go before gaps by social background are closed. There has been less success as you move up the qualifications ladder – for example, at higher grades across all qualifications, in particular at A-Level between those on free school meals and others, and in access to university, especially to the most selective universities. This suggests that while some of the building blocks are in place to lift children off the bottom, opening up elites remains elusive. Crucially, however, the data in part predates the effects of austerity, as well as the Government's broad programme of school reform, so it remains to be seen if these trends will continue. Overall, the Commission's assessment is that we remain a divided country, with disadvantage still strongly shaping life chances.
46. The Commission also notes some weaknesses in the Government's indicators on life chances contained in the social mobility and child poverty strategies. This sounds like a technical quibble, but it particularly matters for social mobility because these indicators are critical to ensuring accountability over the long term, institutionalising a focus on life chances. We noted some of our concerns above. In addition we are concerned about:
- The need to ensure indicators reflect a robust working definition of disadvantage. The Commission suggests that the Government should, in the short term align its definition with the one it uses to determine Pupil Premium eligibility, which now includes students eligible for free school meals in the previous 6 years and looked-after children. In the longer term, Government should use a more accurate income measure (enabled by Universal Credit).
 - The long time lag in developing an indicator of early childhood development. At the moment there is no measurement of progress before age 5 except the low birth weight indicator, despite the importance of the early years.
 - The 'facilitating subjects' indicator in tracking eligibility for access to the most selective universities. The Russell Group universities themselves disagree with the '3 facilitating subjects' limitation. The Government should perhaps move to the 2+ measure used in performance tables.
 - The failure to make the progress promised in the social mobility strategy to develop data by social background for those not in education, employment or training and for access to the professions. We recommend the Government proceeds with plans to include a question in the Labour Force Survey.
 - The time lag is too great on the Government's higher education indicators. As things stand, the indicator will not pick up any impact of the 2012/13 fund reforms on 18 year olds until August 2016. Government should move to use more timely UCAS data.
 - The graduate destinations, progression in labour markets and second chances indicators. All three are weak and need revision. The first

excludes all graduates who do not enter full-time employment within 6 months of graduation and so underplays social differences (since those from less well-off backgrounds are more likely to be unemployed or in part-time employment). The second is overly complicated. It is unclear what it is measuring. The third is a crude measure of adult skills, but not all Level 2 and Level 3 qualifications are equally valuable or deliver improvements in life chances when taken by adults.

Likely future impact

47. What about prospects for the future? Of course it is hard to tell because social mobility is about generational change. Nonetheless, the Commission has identified some factors existing today that pose risks to progress in future. These include:

- The rising numbers of children who are in income poverty, especially absolute income poverty, which has the potential to increase home stress and undermine parental investment in education.²⁷⁰
- The long-term impact of high levels of youth unemployment, which we discuss further in Chapter 7.
- The cuts to some 'life chances' services, especially in the early years, discussed above and in Chapter 5.
- The ongoing challenge of closing attainment gaps at higher grade thresholds, and opening up opportunities in top universities and professions, discussed in Chapters 6, 7 and 8.
- The growth in income and wealth inequality, touched on in Chapters 2 and 3 and here.

48. Each of these factors on its own could derail Britain's progress towards a more mobile society. Taken together they pose a substantial risk to progress and, if not intentionally mitigated, could combine to drive mobility lower rather than higher. More child poverty, youth unemployment and service cuts can be expected to have a negative influence on efforts to tackle future poverty. Failure to open up opportunities and tackle inequality risks elites remaining closed.

49. In line with its commitment to 'prospective accountability', the Commission has sought to reach a judgement about the potential impact of key policies on these risks, drawing on the international evidence about the essential traits that tend to characterise low poverty and high mobility societies. As set out in the first chapter of this report, analysis by the OECD suggests that key mitigating policies include:²⁷¹

- High-quality, widely available childcare.

²⁷⁰ Cooper, K. and Stewart, K., *How Much Does Money Matter? A Review of Evidence on Impact of Household Financial Resources on Wider Outcomes for Children*, Joseph Rowntree Foundation, forthcoming

²⁷¹ OECD, *A Family Affair: Intergenerational Social Mobility Across EU Countries*, 2010

- High teacher quality targeted on the disadvantaged to close education gaps.
- Fair access to higher education and vocational training.
- Fair access to a career in the professions.

50. The Commission's judgement is that it is clear that historically the United Kingdom has not had some of these features in place but has been moving broadly, if ponderously, in the right direction under both the previous and current UK governments. The remaining chapters of this report look in more detail at the key life stages that influence children's life chances, evaluating early years, schools, youth transition and the professions in detail. In each of those chapters we identify a range of risks and opportunities.²⁷²

51. Overall, we believe it is far from certain that the scale or intensity of overall activity matches the Government's ambition of improving life chances. Despite incremental improvements and promising reforms in areas like schools, we see a series of present-day problems – most notably high youth unemployment and falling living standards – that are storing up trouble for the future. Given the difficult context in which the Government finds itself we think much more will need to be done to mitigate the risks.

Recommendations

52. Recommendations across different life stages are captured in the relevant chapters below but here we provide our high-level proposals that we hope the UK Government will action. We recommend:

53. First, that the UK Government commits to ending child poverty and improving social mobility as its shared top-line mission, not just two goals among others. To that end the Government should more actively seek to mobilise the whole range of players including parents, schools, employers, the professions, local government and charities behind these ambitions.

54. Second, that the Government brings greater clarity to its social mobility agenda by identifying defined goals, supported by a definition of success, and a timeline for reaching milestones with greater coherence through a single senior Cabinet minister responsible to a full Cabinet Committee (along the lines of the Social Justice Committee which has given focus to efforts to tackle entrenched disadvantaged). In addition the Office of Budget Responsibility should be charged to produce independent analyses of tax and spending decisions for their distributional and opportunity impacts upon social mobility.

²⁷² In early years and schools we touch on provision in Scotland and Wales but the focus is overall UK policies, which in devolved areas relate mainly to England. As noted in the first chapter, in future reports the Commission will deepen its perspective on the nations.

55. Third, that the Government broadens the focus of its social mobility agenda to open up further opportunities for average-income families as well as low-income ones, to support children at risk of low attainment as well as those at risk from low incomes, and to do even more for those with the potential to get to the top as well as those who are currently struggling at the bottom.

Chapter 5: Early years

- **It is welcome that childcare and early years are a public policy priority**
 - **Poor children are half as likely to be read to as better-off children**
 - **Helping parents to parent remains the Cinderella of early years services**
 - **There is good evidence that the gap in life chances can be closed during the early years**
 - **But the quality and take-up of services both need to improve**
 - **Childcare funding for better-off parents in Budget 2013 should be re-allocated to expand services for low-income groups**
 - **The Pupil Premium should be stretched into the early years**
 - **The Government should devise a long-term plan to improve the affordability and quality of childcare**
1. The early years lay the foundations for children's future outcomes, as infants start to establish the skills, behaviours and characteristics necessary to do well at school and thrive in later life. But by age 3, there are already large gaps in cognitive and other areas of development between children with high-income or well educated parents and those with low-income or less well educated parents. These gaps get harder and more expensive to tackle as children get older. The good news is that this has been increasingly recognised by governments across Great Britain over the last decade and in independent analyses like the Field and Allen Reviews. The early years have become a priority for public policy. The question is whether the rhetoric is matched by the reality.
 2. According to the Organisation for Economic Cooperation and Development (OECD), greater spend and higher enrolment in early education is correlated with one of the key drivers of social mobility: a weaker association between parental background and how well children do in school.²⁷³ Universal, affordable and high-quality childcare helps in two ways. First, access to universal and affordable childcare can lift the maternal employment rate. Having both parents in work for long enough is the best guarantee of a life free from poverty. Employment among women with children is 8 percentage points lower in the UK than in the top five performers in the OECD.²⁷⁴ And women in the UK are also far more likely than women in these countries to switch to part-time work once they have children – with as many as three in ten saying that they work part time rather than longer hours because they have no choice.²⁷⁵ Second, high-quality childcare can improve child development for the most

²⁷³ OECD, *Economic Policy Reforms: Going for Growth*, 2010

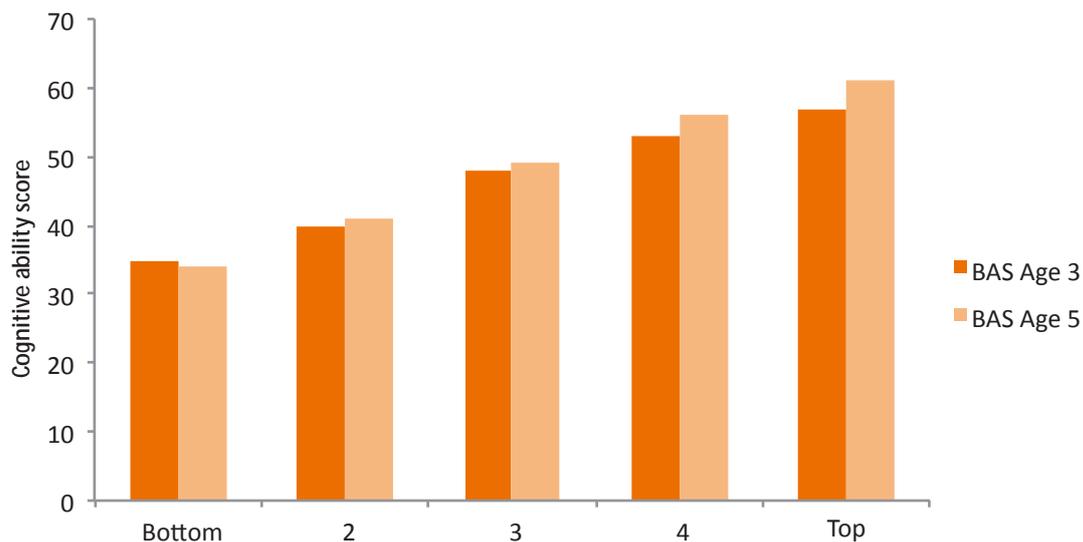
²⁷⁴ Resolution Foundation, *The Missing Million: The potential for female employment to raise living standards in low to middle income Britain*, 2011, Plunkett, J

²⁷⁵ Resolution Foundation, *The Price of Motherhood: Women and Part Time Work*, February 2012, Alakeson, V

disadvantaged children. However, nearly half of low-income parents said that cost (rather than quality) was the main factor for them in choosing childcare, compared with just over a third of better-off families.²⁷⁶

3. Inequalities in access to services sit against the backdrop of what is effectively a child development gap between each socio-economic quintile – with low and middle income children doing worse than their better-off peers on cognitive ability tests from a very early age. Although the poorest children are far more likely to be increasingly disadvantaged in the early years (Figure 5.1 shows that the gap between the bottom quintile and the top increases between ages 3 and 5), this isn't just a story of the poorest doing badly and the rest doing well.²⁷⁷

Figure 5.1 British Ability Scales (cognitive ability in the early years) Millennium Cohort Survey data by socio-economic profile quintile²⁷⁸



4. The bottom two socio-economic groups (40 per cent of all children) are not only disproportionately likely to be in the bottom 40 per cent by cognitive ability at ages 3 and 5, but are also more likely to stay in the bottom 40 per cent of achievers and more likely to drop out of the top 40 per cent if they were there at age 3. For children in the bottom three

²⁷⁶Waldegrave, H, *Quality Childcare – Improving early years childcare*, 2013, Policy Exchange

²⁷⁷Dearden, Lorraine, Sibieta, Luke, Sylva, Kathy, *The Socio Economic Gradient in Early Childhood Outcomes – Evidence from the Millennium Cohort Survey*, Institute for Fiscal Studies Working Paper 03/11, 2011 and Kely, Y, Sacker, A, Del Bono, E, Francesconi, M, Marmot, M, *What role for the home learning environment and parenting in reducing the socioeconomic gradient in child development? Findings from the Millennium Cohort Survey*, British Medical Journal, 12 June 2011

²⁷⁸Dearden, Lorraine, Sibieta, Luke, Sylva, Kathy, *The Socio Economic Gradient in Early Childhood Outcomes – Evidence from the Millennium Cohort Survey, Longitudinal and Life Course Studies 2011 Volume 2 Issue 1, pp19-40, 2011*

socio-economic groups (60 per cent of all children), their likelihood of being in the bottom 40 per cent by cognitive ability also increases between ages 3 and 5 as their better-off peers pull away.²⁷⁹ Research also shows similarly large gaps in social and emotional development.

5. Parents' behaviours and choices explain most of these early differences. Parents rightly guard the decisions they make about how to bring up their children and governments are wary of interfering in family life. This conundrum poses a real challenge to those concerned about improving life chances. Factors like parenting style are a product of parents' own experiences and education, and more advantaged parents are on average more likely to demonstrate the types of behaviours that are proven to improve their children's development. US data, for example, shows striking differences in the words heard by children from different social backgrounds – with children from families which are dependent upon social security hearing 616 words per hour, working-class children hearing 1,215 and children of professional parents hearing 2,153.²⁸⁰ In the UK, children from the poorest homes are far less likely to be read to every day (42 per cent) than children from the richest families (79 per cent).²⁸¹ Similarly, babies from the poorest families are less likely to be breastfed (about 50 per cent) than the children of the richest parents (about 90 per cent) – and their mothers are much more likely to suffer from depression when their babies are 9 months old (22 per cent of the poorest fifth of mothers, compared with 7 per cent of the richest fifth).²⁸²
6. The Government and others have emphasised that, in understanding the gap in children's outcomes, it's not who parents are (or how much they earn) that makes the biggest difference; it's what they do that matters. Parents of young children from a range of backgrounds want the very best for their children. 96 per cent of mothers want their children at age 7 to attend university – even if they have no qualifications themselves.²⁸³ So the principal problem is not, as often alleged, one of poverty of aspiration. The problem is one of execution: how to help parents do what they want to do – adopt the most effective approaches to parenting to help their children progress in life. Robust evidence of the impact of universal interventions to improve children's early outcomes and parenting behaviours is limited, but there is promising evidence of some of the more intensive (and expensive) interventions, like the Family Nurse

²⁷⁹ Dearden, Lorraine, Sibieta, Luke, Sylva, Kathy, *The Socio Economic Gradient in Early Childhood Outcomes – Evidence from the Millennium Cohort Survey, Longitudinal and Life Course Studies 2011 Volume 2 Issue 1, pp19-40, 2011*

²⁸⁰ Hart, B, Risley, T, *Meaningful differences in the everyday experience of young American children, 1995*

²⁸¹ Joseph Rowntree Foundation, *Poorer children's educational attainment: how important are attitudes and behaviours*, eds Goodman, A. and Gregg, P., March 2010

²⁸² Joseph Rowntree Foundation, *Poorer children's educational attainment: how important are attitudes and behaviours*, eds Goodman, A. and Gregg, P., March 2010

²⁸³ Hansen, K. et al, *Millennium Cohort Study: Fourth Survey, a User's Guide to Initial Findings, 2nd Edition, December 2010, Institute of Education: London*

Partnership, as well as increasing evidence on the role that high-quality early education can play in improving children's early outcomes. The bottom line is that quality – both of parenting and of early education – really matters to children's life chances.²⁸⁴

Past trends and lessons

7. The last 15 years have seen major changes to the early years' landscape as this issue has moved rapidly up the public policy agenda. During the 2000s, a new focus was placed on the need for high-quality, integrated services for children, significant increases in maternity leave allowances, the introduction of free part-time early education and the introduction of area-based initiatives to support families (Sure Start). Real-terms spending on under-5s (not including tax credits) increased nearly fourfold between 1997/98 and 2009/10, from £876 per child to £3,194 per child.²⁸⁵ The evidence on how this compares internationally is disputed, with a recent OECD estimate suggesting that the UK is among the top spenders on early years services – although, even on this estimate, we still spend less than gold-standard Nordic countries.
8. The evidence on the impact of these policy reforms suggests a broadly positive picture. A recent study, looking at the impact of policy across the tenure of the previous government (1997-2010), compares the outcomes of a hypothetical child born at the end of the period with those of another child born at the beginning. The child born later:²⁸⁶
 - Could expect to spend twice as long at home with his or her mother in the first year if the mother had worked before giving birth.
 - Was more likely to be breastfed in the first few days and also more likely to still be breastfed six months later, irrespective of social background.
 - Was now almost certain to access early education, which would very likely be of better quality than that available to the child born earlier.
 - Would benefit from the greater support available to his or her mother, with easier access both to networks of other parents and to more formal advice and information.
 - Was a little less likely to experience harsh parenting and a little more likely to have a stimulating home environment.
 - Would live in a household that was better off financially and was considerably less likely to be below the poverty line.
9. Figure 5.2 shows that, over the period from 2006/07 to 2009/10, the proportion of children eligible for free school meals (FSM) who achieved a good level of development increased by 11.6 percentage points.

²⁸⁴ Waldfogel, J. *Social Mobility, Life Chances and the Early Years*, November 2004

²⁸⁵ Stewart, K., *Labour's Record on the Under Fives: Policy, Spending and Outcomes 1997-2010*, Working Paper 4 July 2013, LSE

²⁸⁶ Stewart, K., *Labour's Record on the Under Fives: Policy, Spending and Outcomes 1997-2010*, Working Paper 4 July 2013, LSE

However, this was accompanied by a similar improvement for all other children, so the gap in early outcomes reduced by only 1.7 percentage points over the 3 years.

Figure 5.2 Proportion of children achieving a ‘good level of development’ in Early Years Foundation Stage by FSM eligibility, 2006/07–2009/10²⁸⁷

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	Change pp
FSM	27.9	31.5	34.5	39.5	+11.6
Non FSM	49.1	52.1	54.8	59.0	+9.9
Gap (percentage points)	21.2	20.6	20.3	19.5	-1.7

10. It has not, however, all been plain sailing. There are a number of lessons the current government can learn from the experience of the previous one. First, and most important, there is good evidence that although childcare can have an impact on child development, outcomes for disadvantaged children don't improve where childcare is other than high quality.²⁸⁸ Second, although the gap between the poorest children and the rest has narrowed at the Early Years Foundation Stage, it has done so only marginally, suggesting that there may be a strong case for further targeting. Third, Sure Start, which was shown to have a number of positive impacts on parenting, did not seem to show similar impacts on children's cognitive outcomes,²⁸⁹ suggesting the need for a more focused approach – which commentators suggest should include a strong focus on language development, better evaluation and later investments to maximise early years gains. Fourth, there remained gaps in the take-up of the free childcare offer between the poorest and the rest, suggesting that although take-up was high overall, more needed to be done to target disadvantaged parents and parents in areas where take-up was low, whilst also seeking to normalise attendance at early education.²⁹⁰

11. The international evidence, using data from the 2000s, suggests that the UK needs to achieve a better balance between how it helps families financially and how it helps them with the provision of early years

²⁸⁷ Department for Education, *EYFSP attainment by pupil characteristics in England: academic year 2011 to 2012*, SFR30/2012, 2012

²⁸⁸ Maisey et al (2013), *The Early Education Pilot for Two Year Old Children: Age 5 follow up*, Department for Education

²⁸⁹ Melhuish, E et al (2008), *Effects of fully established Sure Start Local Programmes on 3 year old children and their families living in England. The disappointing results may be as a result of weaknesses of the evaluation, variations across children studied (with a limited average effect) or perhaps less likely considering the proven effect on parents, a lack of impact*

²⁹⁰ Department for Education, *Provision for Children under 5 years of age in England: January 2013*, SFR 23/2013, 27 June 2013

services. There is evidence that the UK is one of the biggest investors in families across all countries of the OECD, spending 3.6 per cent of its GDP in 2007 on family benefits (compared with an OECD average of 2.2 per cent), but most of the spending is targeted as cash benefits for families.²⁹¹ In Nordic countries the spending is predominantly targeted as services. The OECD suggests that countries which spend proportionally more on services than they do on cash transfers get 'more bang for their buck' – 'Nordic countries have better outcomes in terms of less child poverty, gender equality, better employment rates in families and better childcare enrolment rates for under sixes'.²⁹² The lesson seems to be that high-quality childcare and early years services are the foundation stone of a successful approach to tackling child poverty and improving mobility, and that this may be more effectively achieved through spending on high-quality services for families than through cash transfers (though others have argued that the composition of UK spending is shaped by high inequality in incomes, which means more spending on cash transfers is needed).

The Government's new approach

12. How does the UK Government measure up against international approaches? The UK Government has a wide-ranging set of policies in the early years, spanning health, education and local government. Key measures include:
- Maintaining the offer of 15 hours of free childcare for all 3- and 4-year-olds.
 - Introducing the 2-year-old offer, providing 15 hours of free childcare for the most disadvantaged 2-year-olds (including to 20 per cent of the most disadvantaged 2-year-olds by September 2013 and 40 per cent of all 2-year-olds from September 2014).
 - Taking on board the emphasis in the Marmot Review of the importance of a high-quality health offer for new parents, implemented through the Healthy Child Programme and increasing the number of health visitors to deliver it.
 - The continued expansion (and evaluation) of the Family Nurse Partnership.
 - Promoting the importance of high-quality childcare through reviews by Kathy Nutbrown and Dame Claire Tickell, including introducing the Early Years Foundation Stage pre-school curriculum.
 - Introducing pilots of the use of parenting vouchers for universal, market-based provision for parents (CANparent).
 - Promoting the importance of better evidence on 'what works' through Graham Allen's review of early intervention, the introduction of the Education Endowment Foundation and the Early Intervention

²⁹¹ OECD, (2011) *Doing Better for Families*, OECD Publishing

²⁹² OECD, (2011) *Doing Better for Families*, OECD Publishing

Foundation, and a strong commitment from the Government to promote 'what works'.

- Implementing new arrangements for more flexible parental leave which aim to give parents more choice about how to share their caring responsibilities.
- Providing information to parents through new online and telephone resources, including the new Information Service for Parents.
- Seeking to address the cost and availability of childcare, including through proposals in *More great childcare* and the additional childcare funding announced in Budget 2013.
- Building on this with proposals in *More affordable childcare* to help families to meet the costs of childcare, increase the amount of affordable provision, and give parents the right information so they can make informed choices.

13. The Government has clearly prioritised childcare as its central early years policy approach and is now spending over £4.3bn (with just over half to fund direct provision and the rest as financial support to parents).²⁹³ It is far more difficult to determine the cost of the wider set of early years services, which are mainly funded through de-ringfenced grants to local authorities. Funding for early intervention, which includes children's centres, is now channelled to local authorities from central government as part of a 'general fund' and estimates suggest this part of funding will have fallen by nearly £0.9 billion by 2014/15 (from £2.5bn in 2010/11 to £1.6bn in 2014/15).²⁹⁴ This would be challenging to manage in and of itself, but local councils are facing significant pressure from elsewhere – including an ageing population and related pressures on adult social care – at a time when local government budgets are being cut by as much as 30 per cent by 2015/16.²⁹⁵

Assessment of current impact

14. The Commission has heard mixed news about how local authorities are responding to these funding pressures. On the upside, many areas are continuing to prioritise the early years, including through community budget approaches and by changing delivery of children's centres.²⁹⁶ Conversely, although there is limited evidence of large-scale children's centre closures, the numbers have been masked by widespread mergers and considerable hollowing out, with shorter hours and fewer services being offered. There is a lack of a clear national picture on the state of

²⁹³ Crawford, Claire, *Childcare in England: A Brief Introduction*, Institute for Fiscal Studies, 2013

²⁹⁴ All Party Parliamentary Sure Start Group, *Best Practice for a Sure Start: The Way Forward for Children's Centres*, July 2013

²⁹⁵ Paul Johnson, *How Much Should be Spent on the NHS?*, Prospect magazine, 22 May 2013

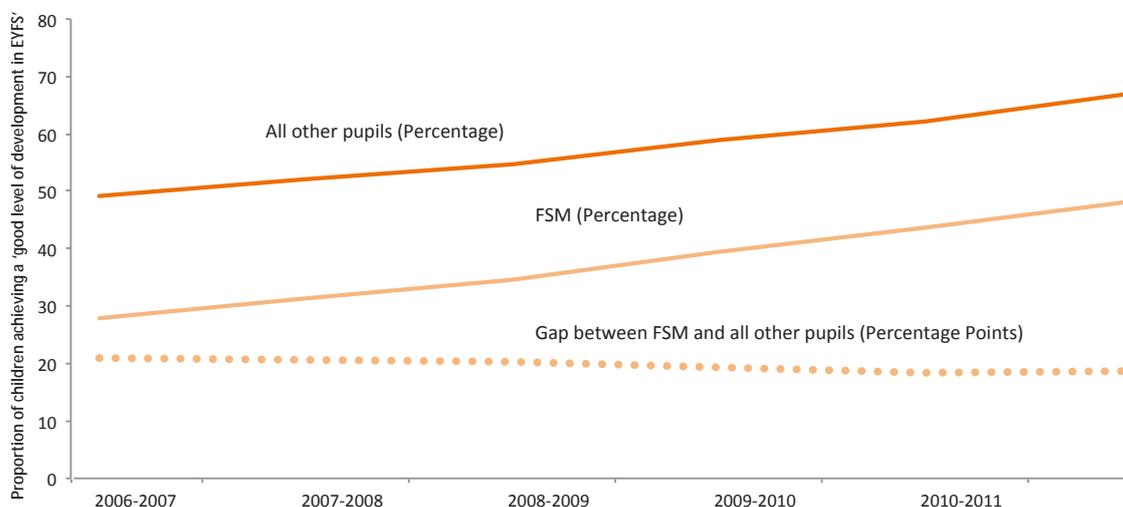
²⁹⁶ 4Children, *Sure Start Children's Centres Census 2012*

<http://www.4children.org.uk/Resources/Detail/Sure-Start-Childrens-Centres-Census-2012>

early years funding and provision across England, and the Commission is concerned that the rhetoric of protected funding for wider services like children’s centres is falling far short of reality for many local authorities.

15. Looking at key indicators related to the early years, there have been some improvements in health measures relevant to child development. In particular, teenage conception rates have continued a long-term trend of year-on-year reductions to 2011, down to 30.9 conceptions per thousand 15–17-year-olds.²⁹⁷ And there has been a long-term fall in the proportion of those from less advantaged backgrounds in England and Wales having children of low birth weight, whilst the proportion of low birth weight babies born to more advantaged parents has remained relatively stable since 2002.
16. In England, increasing numbers of children have been judged school-ready over time, including children eligible for free school meals. The UK Government’s measure of school readiness tells us that, in 2011/12, 48.2 per cent of children eligible for FSM achieved a good level of development in the Early Years Foundation Stage (aged 5), compared with 67.0 per cent of other children, a gap of 19 percentage points. The gap has also increased very slightly since 2010/11.

Figure 5.3 School readiness – proportion of children achieving a ‘good level of development’ in Early Years Foundation Stage by FSM eligibility, 2006/07–2011/12²⁹⁸



²⁹⁷ Office for National Statistics, *Conceptions in England and Wales 2011*, 26 February 2013

²⁹⁸ Department for Education, *EYFSP attainment by pupil characteristics in England: academic year 2011 to 2012*, SFR30/2012, 2012

17. The outcomes of the poorest children have improved markedly over the longer term, but there remains a wide gap between their outcomes and those of the rest. The proportion of children eligible for FSM who were 'school ready' at age 5 increased by 20 percentage points between 2006/07 and 2011/12, with a 10 percentage point increase over the last 2 years. It is welcome that the progress that started under the last government has continued under this government. Nonetheless, the gap between the outcomes of the poorest children and the rest has remained stubborn and narrowed only very slightly – just over two percentage points over this period. Children eligible for FSM in 2011/12 were still, on average, less likely to be school ready than their better-off peers were 5 years previously (2006/07). Department for Education analysis suggests that these results are highly consequential for later attainment. 94 per cent of children who achieve a good level of development at age 5 go on to achieve the expected levels for reading at Key Stage 1,²⁹⁹ but children who start off in the bottom 20 per cent at age 5 are six times more likely than other children to be in the bottom 20 per cent at Key Stage 1.³⁰⁰
18. There is also a varied picture on the Early Years Foundation Stage, with some local authorities performing far worse than others (Figure 5.4). The poorest-performing areas are not necessarily the inner-city boroughs that we might expect. The Commission notes that Telford and Wrekin and Derby were both in the bottom 15 of top-tier local authorities on the percentage of children reaching a good level of development in the Early Years Foundation Stage, with 55 per cent and 56 per cent respectively achieving the benchmark in 2011/12.³⁰¹ Both local authorities are middle ranked according to the indices of multiple deprivation.³⁰² There is clearly significant progress to be made in some areas of the country where we would expect outcomes to be far better than they actually are.

²⁹⁹Department for Education, *EYFSP attainment by pupil characteristics in England: academic year 2011 to 2012*, SFR30/2012, 2012

³⁰⁰ Taken from Department for Education internal analysis set out in Families in the Foundation Stage Evidence Pack, 2011:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/177034/DFE-00214-2011.pdf

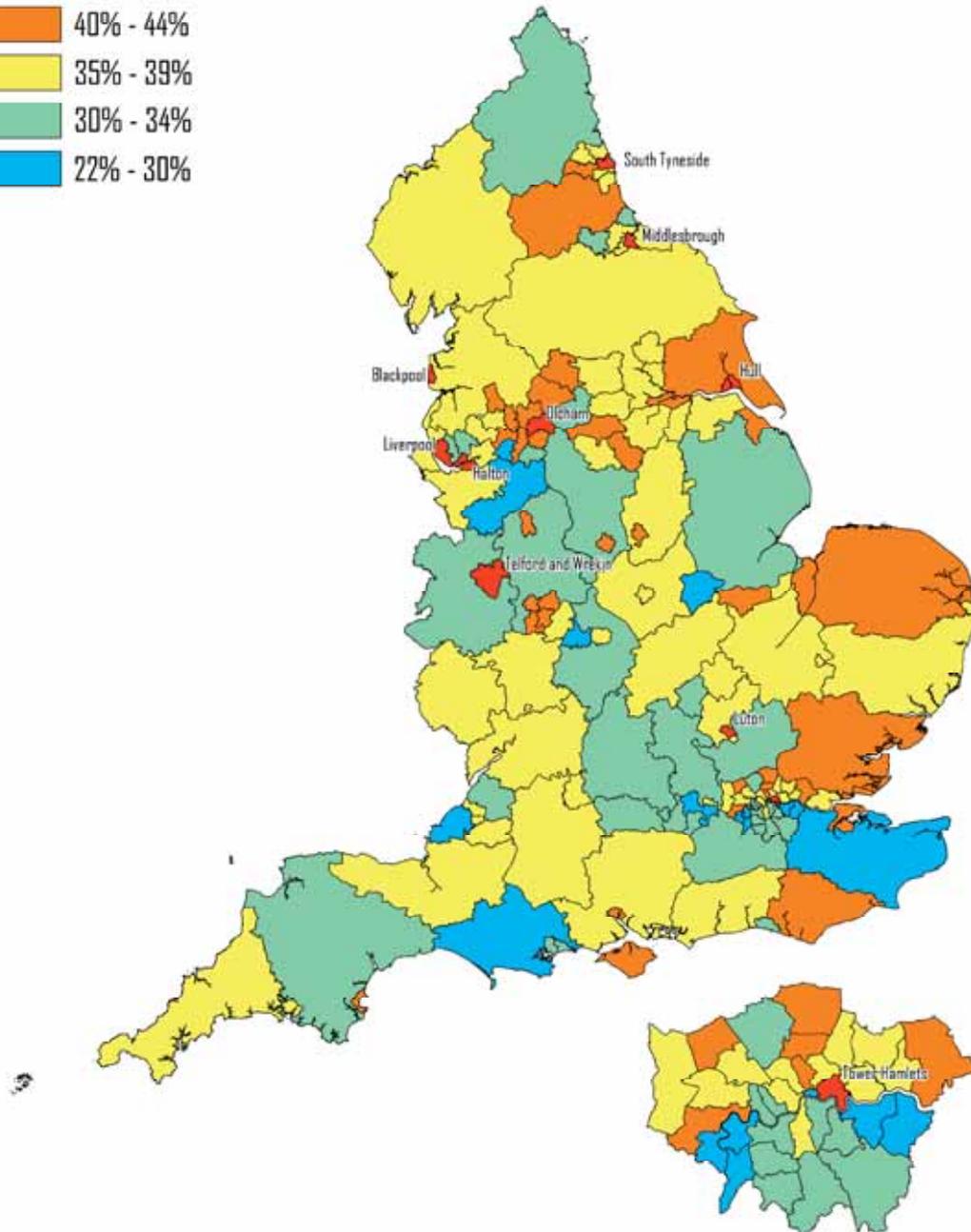
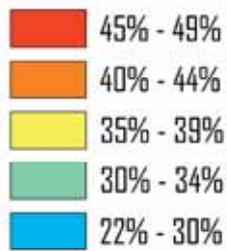
³⁰¹Department for Education, *EYFSP attainment by pupil characteristics in England: academic year 2011 to 2012*, SFR30/2012, 2012, Local Authority Tables

³⁰² Telford and Wrekin 74 of 152 top-tier local authorities and Derby 76 of 152

Figure 5.4 Map of Early Years Foundation Stage profile statistics – proportion of children achieving a 'good level of development', academic year 2011/12

Early Years Foundation Stage

% not achieving a 'good level of development' (2012)

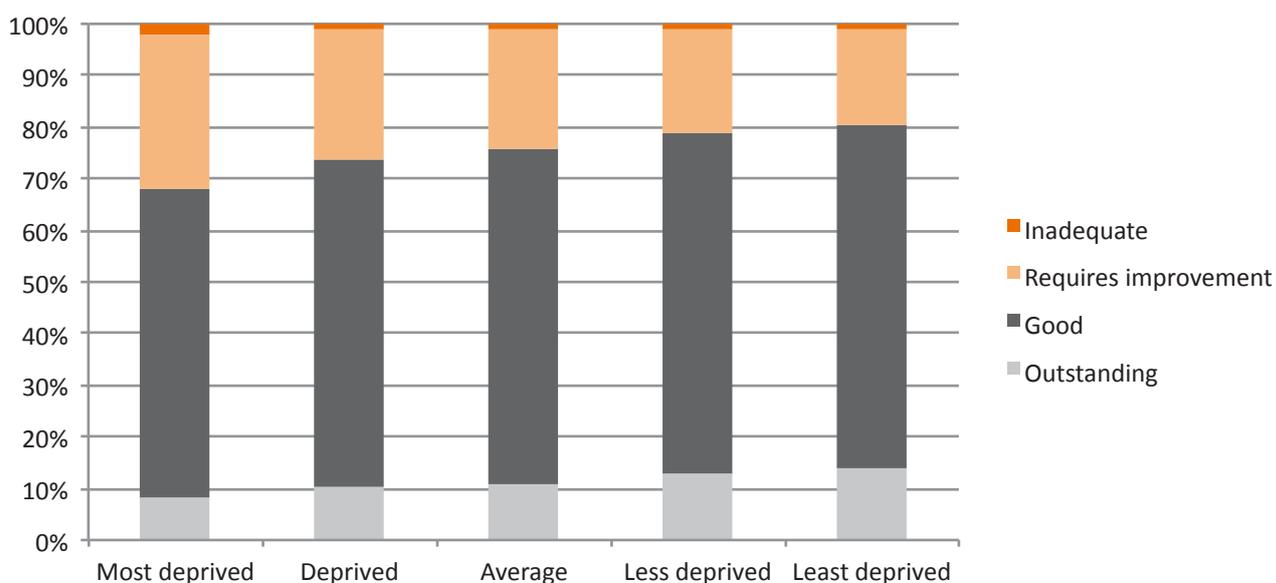


Map produced in analysis commissioned from Dr Alasdair Rae, University of Sheffield.

Greater London

19. When it comes to the quality of early years provision, however, there is a correlation between poor services and poor areas. In the least deprived areas, where parents are likely to be better off, almost 4 in 5 providers were rated good or outstanding, compared with just over 2 in 3 in the most deprived areas (Figure 5.5). Unlike in schools there has been no positive London effect, so the same is true in our capital city.

Figure 5.5 Quality of early years provision (as rated by Ofsted inspections) by area deprivation in England as at 31 March 2013³⁰³



Likely future impact

20. At a time when child poverty is liable to increase, targeted action to protect and improve the development of the most deprived children in the early years becomes even more important. If the percentage of children achieving a good level of development in the Early Years Foundation Stage increases at the average year-on-year rate seen since 2009/10, the gap would only narrow another 1.4 percentage points by 2015/16.³⁰⁴ That progress is too slow.

21. To speed it up, the Government needs to set out a clear and joined-up vision for childcare which achieves a better balance between quality and volume. At present, a number of government departments have an interest in childcare, with differing objectives; we also have a childcare offer which combines supply and demand-side support for parents – all of which makes it very difficult to assess how efficient our spending on childcare is. For early education to have the impact on children's

³⁰³ Taken from Ofsted's Data View analysis tool in September 2013

³⁰⁴ Analysis based on average year-on-year increases of Early Years Foundation Stage results for children eligible for FSM and not, between 2009/10 and 2011/12, using average percentage-point increase to project outcomes to 2015/16

development that we know it can, it must be high quality. That means raising the qualifications and status of the workforce – and, to support maternal employment, early education needs to be high volume and flexible. That means more than the 15 hours of care currently available for the 20 per cent poorest 2-year-olds.³⁰⁵ But there is a danger that promoting quality will price out poorer families. The Commission believes that the policy ideal is a better balance between quality and volume – which means heading towards the type of universal, affordable and high-quality childcare that parents in Nordic countries benefit from.

22. Today, the quality of childcare is still far too variable, with inadequate take-up by poorer families, and too often the extra hours of care that would enable parental employment are not available, sufficiently flexible or affordable. Currently, the road map for the future of early years services is not clear, nor is it obvious who holds accountability for the overall offer, including ensuring the continued expansion of childcare. These are gaps that need to be filled.
23. Most importantly, the Commission has identified a gap around the role of parents in children's early development. In our view, progress on closing the life-chances gap in our country depends upon finding better ways of engaging parents from all backgrounds in their children's development.

Quality and take-up

24. The Commission notes that 81 per cent of early years provision in the least deprived areas is rated good or outstanding by Ofsted, compared with 68 per cent in the most deprived areas (as at 31 March 2013 – Figure 5.4). The distribution of good or outstanding early years providers is not equal across similarly deprived areas of England. In the East Midlands, for example, more than a third (37 per cent) of early years providers in the most deprived areas were judged to be satisfactory or worse, compared with just over a quarter (26 per cent) in the most deprived areas of the South West.³⁰⁶
25. Similarly, there are big variations in the take-up of formal childcare. Parents from the least deprived 20 per cent of areas are far more likely to use formal childcare (67 per cent) than parents from the most deprived 20 per cent of areas (38 per cent). This same trend is evident by income; 70 per cent of families with an annual income of over £45,000 use formal childcare, compared with 38 per cent of families earning less than £20,000 but over £10,000. Working-couple families are also far more likely to use formal childcare (62 per cent) than working lone parents (53 per cent), who are more likely to use informal care instead.³⁰⁷

³⁰⁵ To be extended to 40% in September 2014

³⁰⁶ Taken from Ofsted's Data View analysis tool in September 2013. Data as at 31 March 2013.

³⁰⁷ Department for Education, *Childcare and Early Years Survey of Parents 2011*, SFR 08/2013, January 2013

26. High-quality early education can have long-term effects on the outcomes of the poorest children, but the lower quality of provision available to the poorest families risks widening, rather than closing, the gap in early outcomes, compounding better-off parents' existing advantages in human capital and access to good information. That is why the Commission believes that addressing inequalities in the quality of early education should be a top priority for the Government, local authorities and providers. The Government's announcement of the creation of the Early Years Educator and Early Years Teacher qualifications, new guidance on the role of local authorities and a stronger Ofsted regime are important developments, but the Commission believes that they are unlikely to go far enough, soon enough. In order to close the gap in children's attainment at school, the early years must form an even stronger part of the Government's overall 'closing the gap' approach, with increasing emphasis on the need for the best teachers and staff for the youngest, most disadvantaged children.
27. The Commission notes recent analysis from the Institute for Public Policy Research (IPPR) which puts forward a number of suggestions, including that the Government should focus on increasing graduate-led childcare provision, target funding to boost take-up of early education among the most disadvantaged children, ensure that Ofsted inspectors are trained specifically in early years practice and consider publishing school readiness scores by provider.³⁰⁸

Expanding early years

28. While welcome steps are being taken to build a high-quality early education offer and support for parents, it is unclear what final destination the Government is aiming for, when it hopes to get there and how it will know if it has been successful. The Commission notes with interest the example of Scotland, which has set out an aspiration to make the country 'the best place in the world for a child to grow up', including ambitious goals to ensure that 85 per cent of children in each local authority area have reached all expected developmental milestones at age 2 and a half (by the end of 2016) and 90 per cent at the start of primary school (by the end of 2017).³⁰⁹ Box 5.1 has further analysis of early years policy in Scotland and Wales). It is welcome that the UK Government recognises the importance of the early years in preparing children (and parents) for school. Overall, however, the UK Government has focused more on school reform than on early years as a means of narrowing the gap. In order to ensure that narrowing the education attainment gap between disadvantaged and better-off children in schools is achievable, the

³⁰⁸ Parker, I, *Early Developments, Bridging the Gap Between Evidence and Policy in Early Education*, IPPR: London, August 2013

³⁰⁹ Scottish Government's Early Years Collaborative, accessed 7 October 2013 at <http://www.scotland.gov.uk/Topics/People/Young-People/Early-Years-and-Family/early-years-collaborative>

Government must do more to promote the early years as part of the journey to a successful education and ensure incentives across the system adequately reflect this.

Improving accountability

29. The Commission believes that the Government's objectives for the early years, including high-quality early years education and children's centres (especially for low-income parents), are threatened by a lack of adequate mechanisms for the Government to hold local authorities to account. The Government's vision for the early years relies in no small part on local government, whether as a commissioner of early intervention services, a deliverer of those services or a local agent legally responsible for ensuring sufficient early education. As noted, local services are under pressure, with real challenges faced by local authorities in fulfilling their statutory obligation to ensure sufficient free early learning places for 3, 4 and disadvantaged 2-year-olds. The Commission shares the Government's instinct that local freedoms can lead to services that best meet the needs of particular populations, but localism needs to be accompanied by transparency and accountability in order to ensure in particular that the needs of the most disadvantaged groups are protected.

Parents and parenting

30. Parenting is the most important factor influencing children's life chances. Despite its importance, parenting remains the Cinderella of early years and public service provision. For decades successive governments have focused public policy effort on improvements in institutional forms of early years services. This focus is welcome. But the consequence has been far less focus on helping parents to parent. That deficit needs now to be addressed.
31. While the current government has set out ambitions on parenting – notably the social mobility strategy's aspiration to develop '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'³¹⁰ – the evidence suggests we are a long way from achieving this, in part because the Government is understandably hesitant about state intervention in family life. However, a recent survey of new mothers showed that 71 per cent wanted more support during pregnancy and in their children's early years.³¹¹ Of course, it is welcome that the Government has put in place very intensive measures for particularly needy groups, including expanding Family Nurse Partnerships and rolling out the Troubled Families programme. It has also implemented some

³¹⁰ HM Government, *Opening Doors, Breaking Barriers: a Strategy for Social Mobility*, 2011

³¹¹ Survey undertaken by Bounty, the parenting club, for Big Lottery – http://www.biglotteryfund.org.uk/global-content/press-releases/england/200813_nat_mums-want-more-support-to-improve, 20 August 2013

important new universal approaches, including the Information Service for Parents, the development of Pregnancy, Birth and Beyond, and the CANParent trial. But the best-evidenced intensive approaches remain relatively small scale and aren't suitable or cost-effective for wider use. Furthermore, some universal approaches – particularly those which don't take into account the varying behaviours of different groups of parents – risk widening, rather than narrowing, parenting gaps. In particular, the provision of online and helpline family and relationship support services, including the Government's Information Service for Parents, depends upon parents' access to the Internet, as well as them identifying a need for and proactively seeking information. Recent US evidence highlighted the importance of a differentiated approach to communication with parents, recognising the different places that mothers from different income groups go for parenting information. Women from lower income groups tended to seek parenting advice from friends and relatives, whereas better-off mothers were more likely to seek information on parenting from books and the Internet.³¹²

32. The Commission has also identified specific information gaps for parents, including a lack of simple messages on key behaviours, like the need to talk to babies and on 'reading baby cues', and an effective, early offer of parenting education for new parents. The Commission welcomes the approach taken in the development of Pregnancy, Birth and Beyond, which sets out steps that local providers could take to introduce ante-natal education, but current ante-natal care focuses on pregnancy and birth (which are clearly vitally important), so missing the opportunity to capitalise on new parents' strong desire to learn about how to be parents.

³¹² Rowe, M , *Child-Directed Speech: relation to socioeconomic status, knowledge of child development and child vocabulary skill*, in *Journal of Child Language*, Vol 35, Issue 1, February 2008, pp185-205

Box 5.1 Scotland and Wales Early Years

The evidence of the importance of the early years is universal, and the Welsh and Scottish governments cite much the same sources of evidence in acknowledging the vital role of this life stage. Unfortunately, there is little data on child development outcomes to assess the progress of each nation, although, like England, Scotland and Wales are both developing new measures at the moment.³¹³ The Commission has looked here at the policy differences in seeking to assess the respective governments' approaches to improving life chances, which are distinct but have common features (including variations of a free childcare offer).

In Wales, key measures include:

- Flying Start. This is the Welsh Government's flagship early years programme for under-4s in the most deprived areas. It recently extended the number of places – from 18,000 children to 36,000 children. Flying Start centres provide free part-time childcare for eligible 2- and 3-year-olds, an enhanced health visiting service, access to parenting programmes, and early language development.
- The Foundation Phase – a new statutory curriculum fully operational from 2011 for 3- to 7-year-olds, which takes an experiential approach to learning for all children in maintained and non-maintained settings.
- Free childcare – 12.5 hours in Flying Start areas for 2- and 3-year-olds, as well as an offer of at least 10 hours of free early education for all 3- and 4-year-olds (determined by the local authority).
- Seeking to develop a new approach to assessing the health, development and wellbeing of all children in the early years by December 2013.
- A number of early years targets, including: on Flying Start, to increase the proportion of 3-year-olds that have achieved or exceeded their developmental milestones by 5 percentage points by 2016; to increase the number of children benefitting from Flying Start health visitor services; and to increase the take-up of Flying Start provision to 95 per cent; to narrow the gap in the percentage of children achieving the Foundation Phase Indicator (age 7) between those eligible for free school

³¹³There are no current child development or school readiness measures for Scotland or Wales, although in line with England, which is developing a new 2/2.5-year-old integrated review, Scotland and Wales are at different stages of implementing new checks for children between ages 2 and 3. However, Wales defines its foundation phase as 0–7 and does measure the progress of children at this point – when they have been in school for at least 2 years.

meals and those not by 10 per cent by 2017. (The gap in 2012 was 18.3 per cent.)

In Scotland, key measures include:

- The 2013 Children and Young People (Scotland) Bill, which includes provisions to increase the flexibility and amount of funded early learning and childcare for 3- and 4-year-olds from the current 475 hours to 600 hours per year. This would take the offer from 12.5 hours a week for 38 weeks to almost 16 hours. As the Bill stands, 2-year-olds who are looked after by the local authority or under a kinship care order would also receive the free childcare offer.
- A National Parenting Strategy (2012) which sets out the role of and support available to parents in Scotland to ensure the best outcomes for their children.
- Play, Talk, Read: a national campaign, encouraging parents' participation in fun developmental activities with their children.
- From April 2013, NHS boards in Scotland have been required to undertake a new child health review when children are between 24 and 30 months old. This looks at child development, physical health, parenting capacity and family.
- Extending the Family Nurse Partnership programme to five NHS boards by the end of 2013 – with a commitment to long-term roll-out.
- The Early Years Collaborative: a ground-up partnership which seeks to bring together a wide set of partners to improve early years support and provision, including testing different approaches. The Early Years Collaborative aims 'to make Scotland the best place in the world to grow up in by improving outcomes, and reducing inequalities, for all babies, children, mothers, fathers and families across Scotland to ensure that all children have the best start in life and are ready to succeed'. The Collaborative has 'stretch aims', which include reducing stillbirths and infant mortality, ensuring that 85 per cent of children in each area reach new development milestones in the new 27–30 month review by the end of 2016, and ensuring that 90 per cent of children reach expected milestones by the start of primary school by the end of 2017.

How do the different nations compare? It is difficult to tell in the absence of comparable data. A recent study using data from the Millennium Cohort Survey flags up some interesting differences between nations, including:³¹⁴

³¹⁴Taylor, C.M., Rees, G.M., Davies, O.R., (2013), *Devolution and Geographies of Education: The Use of the MCS for 'Home International' Comparisons Across the UK*, *Comparative Education*, 49:3, pp290-316

- At age 5 the poorest children from Wales are a little behind the poorest children in England in vocabulary skills, but by age 7 a notable gap has opened up.
- In Scotland the poorest children perform less well than their low-income counterparts in England, but high-income children in Scotland outperform high-income children in England throughout the first 7 years.
- By age 7 the word-reading ability of children in Wales is behind that of children in England and Scotland, irrespective of whether they are from families with relatively low or high incomes.
- Poor children in Wales and Scotland have higher levels of wellbeing than such children in England.
- The home learning environment of children from low-income families is better in Wales and Scotland than it is for their counterparts in England. The authors suggest that this presents a big challenge to policy makers, as – other things being equal – it should mean that the poorest children in these nations should do better on child development outcomes.

What is our assessment of their approach?

Scotland's approach to the early years involves fewer national programmes, like those previously seen in England (Sure Start) and in Wales (now, Flying Start), so there isn't a one-size-fits-all offer – it will vary by area. Scotland also hasn't implemented as generous a childcare offer for 2-year-olds as England (40 per cent of all 2-year-olds from 2014) or Wales (12.5 hours for all 2-year-olds in Flying Start areas).

However, the Scottish Government has set out strong ambitions on the early years, with the structures to support them, including a parenting strategy and the Early Years Collaborative. Relative to England, the Commission identifies a stronger focus on the role of parents, including a parenting campaign on the basics of child development and a stronger strategic approach. These are important steps and the Commission has heard that the Early Years Collaborative has achieved positive engagement across government, local authorities and health partners on the future of interventions, evidence and outcomes.

The early years are also central to Wales' approach to child poverty and life chances. The 'Flying Start' programme, which has engagement with health partners built into its design, appears to be a promising approach to improving life chances in some of Wales' most deprived areas. The Commission will be interested to see further evaluation findings as they emerge. There may be lessons here from the previous UK government's approach to evaluating early years interventions: without high-quality data and evaluation (randomised

control trials), it will be challenging to determine the impact of the programme.

Flying Start takes an area-based approach to geographical targeting. This has some advantages, including universality, which can improve take-up. However, the Commission is concerned that some children from poor backgrounds may lose out on support – notably, children are only eligible for the 2-year-old childcare offer if they live in a Flying Start area. HMRC local child poverty data tells us that around half of children in poverty in Wales live outside the most deprived 25 per cent of neighbourhoods³¹⁵. The Commission recommends that the Welsh Government considers how it can ensure that poor children who live outside the most deprived areas can benefit from support aimed at breaking the link between disadvantage and life chances.

On childcare, the Commission notes that the overall amount of childcare on offer in Wales is lower than in Scotland and England for 3- and 4-year-olds, although the improvement for 2-year-olds in Flying Start areas is a welcome development. The recent Early Years and Childcare Plan does set out the Welsh Government's ambition for 'our universal Foundation Phase offer to be leading the way internationally in terms of the number of free hours of early education provided, flexibility of the offer, the quality of the curriculum and outcomes for our children. As resources allow our aim is to increase the number of hours of free early education'.³¹⁶ The Plan also sets out intentions to review and consult on approaches to improve the quality of childcare – which the Commission awaits with interest. Similarly to in Scotland, the Commission found it difficult to obtain a clear picture on the quality of childcare in Wales, particularly across more and less deprived areas. The dual aims of addressing the quality of childcare, particularly for the most disadvantaged children, and ensuring appropriate flexibility to enable parents to work remain critically important.

Recommendations

33. The Commission strongly endorses the UK Government's focus on the early years as vital to children's future life chances. There is much to welcome in what both this and the previous government have done. But there are risks and gaps which we believe need to be addressed. We make five recommendations.

³¹⁵ Commission analysis shows that 48.3 per cent of poor children in Wales live outside the 25 per cent of local super output areas with the highest rates of child poverty

³¹⁶ Welsh Government, *Building a Brighter Future: Early Years and Childcare Plan*, July 2013

34. First, the Government must increase its focus on the role of parents in improving children's early outcomes. In particular, it should urgently review how best to communicate with low-income parents and improve their take-up of information services. To that end it should bring together organisations from across the third and private sectors to develop an innovative parenting campaign with clear strategies to target those at the lower end of the income spectrum.
35. Second, the Government should set out a long-term plan for narrowing gaps in children's development in the early years, including how it will prioritise the quality of early education and the role of parenting. If the ambition is to move towards a Nordic-style system of universal, high-quality, affordable childcare, the Government should identify clear milestones and timescales for delivering it.
36. Third, local authorities and central government should act quickly to improve the (currently) lower take-up of the free early education offer by low-income parents. Of the new funding allocated for the Budget 2013 childcare proposals, 80 per cent will go to households in the top half of the income distribution. The Commission believes that these resources could be spent more effectively within Universal Credit to further incentivise parental employment.
37. Fourth, the Government should consider 'stretching' the Pupil Premium funding into early years education, to incentivise the use of high-quality provision and the narrowing of development gaps earlier in a child's life.³¹⁷ This would involve taking the allocation of the Pupil Premium and extending it to children receiving the free childcare offer who meet the entitlements for free school meals – with Ofsted assessing how it has been spent.
38. Fifth, new local accountability mechanisms should be developed, including on local delivery of children's centres and the availability and quality of free early learning places for 2, 3 and 4-year-olds. Ofsted could centrally collate and report on a wider set of data on the state of provision in each local authority area, including the number of providers, qualifications of staff, hours of opening, quality of service and the population served.

³¹⁷Barnardo's, *Mind the Gap: Ensuring all Disadvantaged Children Benefit from the Pupil Premium*, August 2012

Chapter 6: Schools

- We welcome the UK Government's focus on school reform to drive social mobility
 - Just over half as many children on free school meals get good GCSEs as their better-off classmates
 - Poorer children have worse teachers and head teachers on average: the most advantaged areas have 30 per cent more good schools than the poorest
 - Education inequality has narrowed slightly at GCSE but widened at A-level
 - London schools are now the best in England; some of the worst schools for poor children are in 'Middle England' towns
 - Schools need to focus more on low attainers from low- to middle-income family backgrounds
 - All schools should aim to raise standards and close attainment gaps
 - The best teachers should be paid more to work in poorly performing schools and areas
 - Careers advice should be better resourced and schools should work closer with business to equip children for the world of work
1. The UK Government has referred to schools as 'engines of social mobility'.³¹⁸ But for children in the UK, how well they do at school is strongly correlated with what their parents do for a living, how well qualified they are and how much they earn. This isn't just a problem for the poorest children (although they are disproportionately affected). There is a clear socio-economic gradient in children's cognitive ability by the time they start school. This is a major concern in a world where education is becoming increasingly important in determining people's chances of getting on in life. Wage differentials for the most highly educated are rising, while low skills and few qualifications exact an earnings penalty throughout adult life.³¹⁹
 2. It is estimated that schools account for around 20 per cent of the variation in attainment between children, with parents and individual factors explaining the rest.³²⁰ For decades the assumption that deprivation was destiny – that wealthier children would naturally excel while poorer children would lag behind – seemed to underpin public attitudes and the public policy approach taken to education. But those attitudes have changed as

³¹⁸ UK Government, *Opening Doors, Breaking Barriers: A Strategy for Social Mobility*, April 2011

³¹⁹ Lindley, J and Machin, S (2012), *The Quest for More and More Education: Implications for Social Mobility*, in *Fiscal Studies*, Institute for Fiscal Studies, vol. 33(2), pp265-286, 06

³²⁰ Rasbash J., Leckie G., Pillinger, R. and Jenkins, J. (2010) *Children's educational progress: partitioning family, schools and area effects*, *Journal of the Royal Statistical Society*, 173 (3):657-682

countries as diverse as Singapore, Poland and Canada have all made impressive achievements in raising attainment.³²¹ In recent years new evidence has been gathered from England (London especially) that good schools can transform educational prospects for less well-off children.³²²

3. That said, disadvantaged children are less likely to go to a good or outstanding school than their better-off peers – and even where poorer children do go to good schools, they tend to do badly.³²³ It is true that school standards and examination results have both risen across England over recent decades, but there remains a worrying ‘long tail’ of underachievement in England which is increasingly recognised as a threat to economic growth and impacts far beyond the poorest children. Perhaps unsurprisingly, the poorest areas of England have far fewer of the best schools.³²⁴
4. Unlike many of the most highly performing education systems across the Organisation for Economic Cooperation and Development (OECD) countries, the UK has a strong link between family background and performance in school. In England, 14 per cent of the variance in pupil performance is explained by social background, compared with just 8 per cent in Finland and 9 per cent in Canada.³²⁵ Other countries do far better than the UK at ensuring that all children can excel in education – and despite the increasingly different schooling systems in place across England, Scotland and Wales, there is little difference in social and economic inequality in educational outcomes across the three nations.³²⁶
5. Within this broad depressing picture there are, however, striking differences in the performance of pupils eligible for free school meals across seemingly similar schools and local authorities – and bigger variations in the performance of pupils within schools than there are between schools. Indeed, there is increasing evidence showing the ‘geographical lottery’ in a child’s chances of doing well at school. Children are far more likely to do well in London schools than elsewhere in England. That is particularly the case for the most disadvantaged pupils. Figure 6.1 shows the far gentler attainment gradient in London by deprivation, compared with other regions in England – in addition to the far higher attainment levels of disadvantaged children in the capital. This data also shows that, on average, students in all but the first decile (the most

³²¹McKinsey, *How the Worlds Most Improved School Systems Keep Getting Better*, 2010

³²² Allen, Rebecca, blog, *The social mobility challenge is not impossible*, undated, accessed 10 August 2013 at <http://rebeccaallen.co.uk/2012/02/24/the-social-mobility-challenge-is-not-impossible/>

³²³ Cook, C., *Failing Schools and Top Schools*, 24 January 2013, Financial Times Data Blog, accessed 12 August 2013 at <http://blogs.ft.com/ftdata/2013/01/24/failing-schools-and-top-schools/>

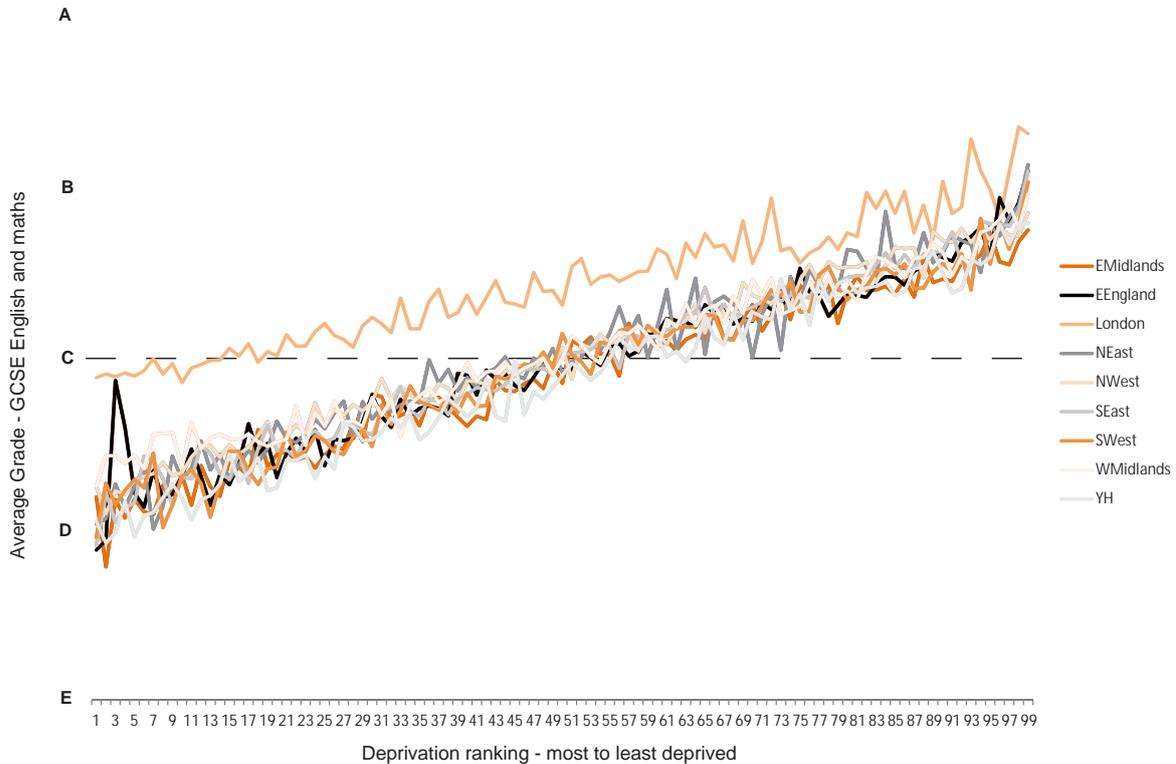
³²⁴Ofsted, *Unseen Children: Access and Achievement 20 Years On*, 2013

³²⁵OECD *PISA 2009 Results: Executive Summary*, 2010

³²⁶Bradshaw, J., Ager, R., Burge, B. and Wheeler, R. (2010). *PISA 2009: Achievement of 15-year-olds in Wales*. Slough: NFER.

deprived 10 per cent of areas) in London are likely to leave school with a C grade or above in English and maths, whereas outside the capital, on average, this is only true of the top five deciles (the least disadvantaged 50 per cent of areas).

Figure 6.1 Average point score – GCSE English and maths in 2011/12 by area deprivation in English regions



- Although some commentators have suggested that London’s performance is driven by the high attainment of particular ethnic groups concentrated in the capital, the effect is still observed when looking at the attainment of White pupils alone.³²⁷ There is some speculation as to the cause but broad agreement that concerted policy effort in the capital, including the London Challenge from 2003 and the efforts of high-quality school leaders and teachers, made a difference. London is proving that deprivation need not be destiny.

Past trends and lessons

- Improving the quality of education and raising attainment are not new ambitions. They have been the concerns of successive governments. The previous government increased funding for disadvantaged students in schools and introduced new programmes to raise standards, such as: the

³²⁷Cook, C., *How to explain the London success story?*, Financial Times Data Blog, accessed 10 August 2013 at <http://s3.documentcloud.org/documents/687048/london-presentation.pdf>

National Strategies for Literacy and Numeracy; the academies programme; Every Child Matters (which signalled a wider focus on children's needs); and area-based initiatives including Education Action Zones, Excellence in Cities and the London Challenge. There were also major changes to the school workforce. In 2010, there were 48,000 more full-time teachers and 133,000 more full-time teaching assistants than there had been in 1997.³²⁸ Teach First was also introduced in this period, creating a new, highly selective teacher training route for graduates with leadership potential. These policies came at considerable expense: between 1997/98 and 2010/11 school spending per pupil grew by about 5 per cent per year in real terms.³²⁹

8. What impact did the extra attention and resources have? In England, the academies that took over weak schools in the poorest areas increased attainment compared with their predecessor schools and improved at a faster rate than maintained schools with similar intakes.³³⁰ More generally, research looking at trends in attainment between 1990 and 2006 found that, although inequality in attainment by social background persisted and tended to be greater at higher levels of attainment, class inequalities declined at all levels over the period – and declined faster after 1997 than before.³³¹ Similarly, the attainment of some of the lower-attaining ethnic minority groups, such as Black Caribbean boys, began to improve.³³² The impact of education reforms begun under the previous government is shown most starkly in what has happened to London schools. Pupils in London who are entitled to free school meals now have attainment at the age of 16 which is 50 per cent higher than the attainment of students eligible for free school meals outside the capital.³³³
9. Figure 6.2 shows that, over the period 2005/06 to 2009/10, the number of children eligible for free school meals (FSM) who achieved 5 A*–C grades at GCSE, including English and maths, increased by more than 50 per cent. There was also a rise for other children, so the attainment gap narrowed by only 0.5 percentage points over this period – a small step in the right direction.

³²⁸ Lupton, R., and Obolenskaya, P., *Labour's Record on Education*, CASE Summary Working Paper 3, July 2013, LSE: London

³²⁹ Chowdry, H. and Sibieta, L., *Trends in Education and Schools Spending*, IFS Briefing Note BN121, Institute for Fiscal Studies, 2011

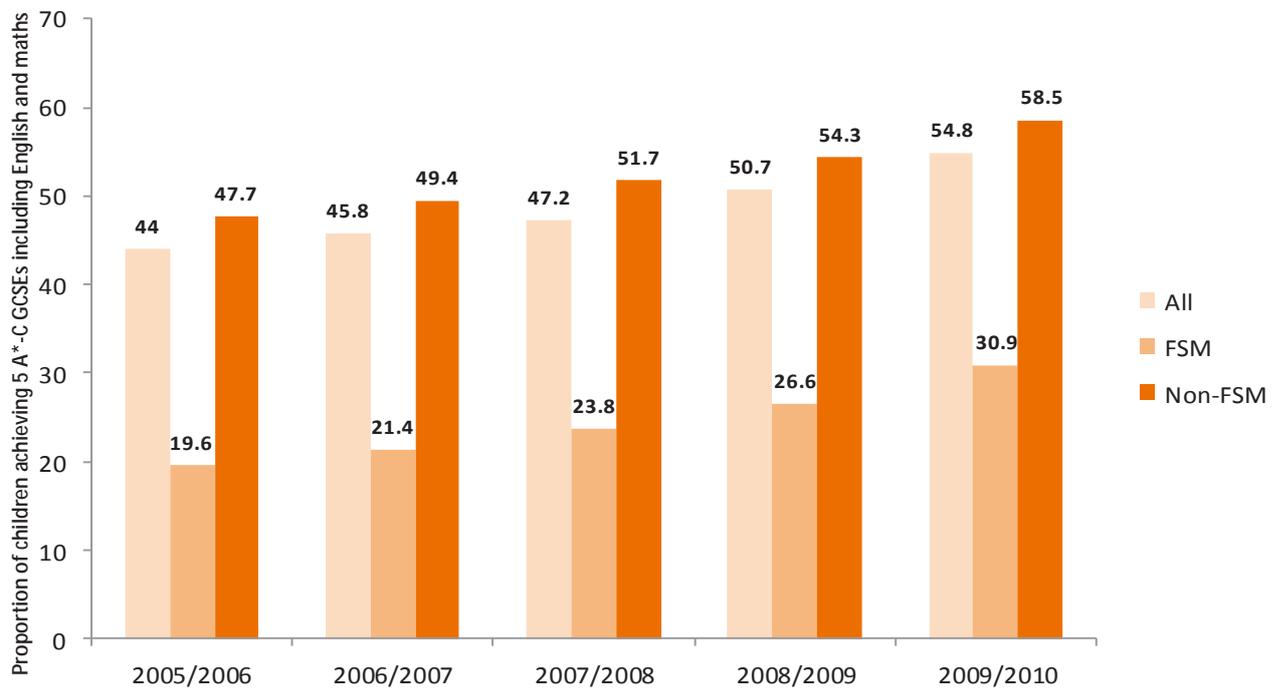
³³⁰ National Audit Office, *The Academies Programme*, 10 September 2010

³³¹ Sullivan, A., Heath, A., Rotheron, C., *Equalisation or inflation? Social class and gender differentials in England and Wales*, Oxford Review of Education, Volume 37, Issue 2, 2011, pp215-240

³³² In Figure 6.5 – and as in Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics in England 2011 to 2012*, SFR04/2013, 24 January 2013

³³³ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics in England 2011 to 2012*, SFR04/2012, January 2013

Figure 6.2 Proportion of children at the end of Key Stage 4 obtaining 5 GCSEs (and equivalents) at Grades A*–C including English and maths, 2005/06–2009/10³³⁴



10. The weaker progress of poorer students on more rigorous measures (at higher grades and excluding equivalent qualifications) has led some researchers to conclude that some, but not all, of the high-profile educational gains under the previous government are ‘illusory’ and may not have led to real increases in knowledge or skills.³³⁵ There is also some (disputed) commentary on the role of grade inflation, where intellectual standards may not have remained constant over time, although when researchers used a positional measure of GCSE attainment to remove the effect of any grade inflation, they still found clear (although more modest) class equalisation.³³⁶ Research using PISA data to compare international trends over time also suggests that the 5 A*–C threshold measure led to schools focusing disproportionately on borderline students and paying less attention to getting the brightest students to reach the top grades.³³⁷ Other

³³⁴ Data taken from: Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics in England, 2009/10*, SFR 37/2010, December 2010

³³⁵ Sullivan, A., Heath, A., Rotheron, C., *Equalisation or inflation? Social class and gender differentials in England and Wales*, Oxford Review of Education, Volume 37, Issue 2, 2011, pp215-240

³³⁶ Sullivan, A., Heath, A., Rotheron, C., *Equalisation or inflation? Social class and gender differentials in England and Wales*, Oxford Review of Education, Volume 37, Issue 2, 2011, pp215-240

³³⁷ Jerrim, J., *The Socio-Economic Gradient in Teenagers’ Reading Skills: How Does England Compare with Other Countries?*, Fiscal Studies, vol.33, no.2, pp159-184

research has found that the 5A*–C threshold has also disadvantaged low- and very low-achieving students, who had little chance of reaching the threshold.³³⁸

11. Overall, however, there is broad consensus that, between 1997 and 2010, there were clear improvements in school standards, with more modest progress towards greater equity in attainment.³³⁹ Some commentators have suggested that progress made during this period may well have been as a result of economic and demographic changes but there seems little doubt that a renewed focus on driving up standards, backed by additional resources, made a positive difference. Indeed it is noteworthy that England is considered internationally to be an improving school system,³⁴⁰ with the academies programme and the London Challenge programme in particular receiving global policy and research attention.
12. There are a number of lessons that emerge from the policy approach of the previous government. First, clarity about what schools are expected to do helps drive improvements in performance. Clear accountability focuses schools on raising levels of attainment – but experiences in the 2000s highlighted the importance of getting right the measures against which schools are judged, in particular to ensure that they focus across the ability spectrum and prioritise high-value qualifications. Although there has been some discussion of the damaging effect of the threshold measure, the Commission believes that a threshold can have value where it reflects a meaningful minimum competence level.
13. Second, organisational structure and teacher quality both matter. The autonomy that academies enjoy gave them the leeway to improve school performance – in some cases dramatically – in particular by focusing on raising the status and quality of teaching and school leadership. A school and a system are only as good as the quality of the teaching that occurs within it.
14. Third, a targeted approach is needed to narrow the attainment gap. Otherwise schools will raise the bar but won't narrow the gap. Area-based approaches to address weak schools and improve standards can be particularly effective here – although the limited success of the Black Country and Manchester Challenge programmes in comparison with London Challenge suggests that good design and management which is relevant to the context really matter.

³³⁸ Burgess et al, *Who wins and who loses from school accountability? The distribution of educational gain in English secondary schools*, p.2, 2005, CMPO: Bristol

³³⁹ Whitty, G., Anders, J. (2012), *(How) Did New Labour Narrow the Achievement and Participation Gap?*, Paper presented at a seminar of the Centre for Learning and Life Chances in Knowledge Economies and Societies (LLAKES), Institute of Education, University of London, 5 December 2012

³⁴⁰ McKinsey & Co, *How the world's most improved school systems keep getting better*, 2010

The Government's new approach

15. This is the context for this Government's reforms. The Commission strongly welcomes its commitment to improve the education system in England and its relative protection of schools' budgets. The UK Government's approach includes:³⁴¹

- **Increasing the number of high-quality schools and introducing fair funding.** As part of the drive to improve parental choice, the Government has driven rapid expansion of the academies programme and introduced free schools, which seek to introduce innovation to local school markets. The Government has also introduced university technical colleges and studio schools, and proposed to reform the school funding formula.
- **Reforming the school curriculum and qualifications,** including by: improving testing; producing a new curriculum; incentivising schools to focus on a set of high-quality, robust qualifications; and reforming the qualifications system (including vocational qualifications).
- **Reducing bureaucracy and improving accountability** by: ensuring higher-quality, more transparent data on school performance; and consulting on new approaches to accountability for primary and secondary schools.
- **Improving the training and development of teachers** by: attracting high-quality entrants into the workforce; improving initial teacher training and continuing professional development; launching a new skills test for trainees; and reforming teachers' pay and conditions.
- **Increasing its focus on narrowing the attainment gap** by introducing the Pupil Premium to fund primary and secondary schools on a per pupil basis with the aim of narrowing differences in attainment and progress between disadvantaged children and their peers.³⁴² The premium for 2013/14 stands at £900 per pupil and will rise to £1,300 per pupil for primary schools from 2014/15. In total, funding for the Pupil Premium is expected to be £2.5bn by 2014/15.

Impact to date

16. In England, the most recent data (2011/12 at Table 6.1) show that:

- The gap in attainment between children eligible for free school meals (FSM) and the rest is 19 per cent at age 5, 17 per cent at age 11, and 26 per cent at age 16, compared with 20 per cent, 21 per cent and 28 per cent respectively in 2009/10.
- In 2011/12, just over a third (37 per cent) of students eligible for FSM gained 5 A*–C grades, including English and maths, compared with nearly two-thirds (63 per cent) of their better-off peers, and compared with 32 per cent of students eligible for FSM and 59 per cent of other students in 2009/10.

³⁴¹ Taken mainly from the Department for Education's 2013 Business Plan, May 2013

³⁴² Department for Education (2013) Pupil Premium. London: DfE.

<http://www.education.gov.uk/schools/pupilsupport/premium>

- In 2011/12, 16 per cent of students eligible for FSM at age 19 achieved two or more A-levels and 38 per cent of other students did so, compared with 15 and 36 per cent respectively in 2009/10.

17. Overall, the picture over the last few years is similar to that throughout the 2000s, with positive absolute increases in attainment for all children, including the least advantaged, but slow and limited progress in narrowing the educational attainment gap (Figure 6.3). The data below shows a more positive reduction in the gap at the end of primary school in 2011/12, although methodological changes mean this isn't reliably comparable to previous years. However, by contrast, the attainment gap at A-level is slightly wider now than it was in 2009/10.

18. Of course, progress is bound to be incremental. However, the UK Government hasn't set out a target for improvement or suggested what success might look like over time, other than suggesting that its aim is not about 'narrowing the gap' but 'closing the gap'.

Figure 6.3 The UK Government's social mobility education indicators at different stages in education, 2009/10–2011/12

	09/10 %	10/11 %	11/12 %	Change pp
School readiness at 5 – proportion achieving 'a good level of development' in the Early Years Foundation Phase³⁴³				
FSM	39.5	43.7	48.2	+8.7
Non FSM	59.0	62.1	67.0	+8.0
Gap (percentage points)	19.5	18.4	18.8	-0.7
Attainment at 11 – proportion achieving level 4 in English and maths at KS2*³⁴⁴				
FSM	55.9	57.9	65.7	+9.8
Non FSM	77.1	77.9	82.5	+5.4
Gap (percentage points)	21.2	20.0	16.8	-4.4
Attainment at 16 – proportion achieving A*–C in English and maths GCSE³⁴⁵				
FSM	31.8	35.1	36.8	+5
Non-FSM	59.3	62.5	63.0	+3.7
Gap (percentage points)	27.6	27.4	26.2	-1.4

³⁴³ Department for Education, *EYFSP Attainment by Pupil Characteristics in England: Academic Year 2011 to 2012*, SFR30/2012, 2012

³⁴⁴ Department for Education (2012), *National Curriculum Assessments at Key Stage 2 in England: Academic Year 2011 to 2012*, SFR 33/2012,

³⁴⁵ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics in England 2011 to 2012*, SFR04/2012, January 2013

Attainment at 19 – proportion achieving any level 3 at age 19 ³⁴⁶				
FSM**	29.6	31.9	34.0	+4.4
Non-FSM	53.8	56.6	58.1	+4.3
Gap (percentage points)	24.2	24.8	24.2	0
Attainment at 19 – proportion achieving two or more A-levels or equivalent by 19 ³⁴⁷				
FSM**	14.7	15.2	15.6	+0.9
Non FSM	35.5	36.8	37.5	+2.0
Gap (percentage points)	20.8	21.7	21.9	+ 1.1

* N.B. Due to methodological changes in 2011/12, data is not comparable with previous years

** FSM eligible at age 15

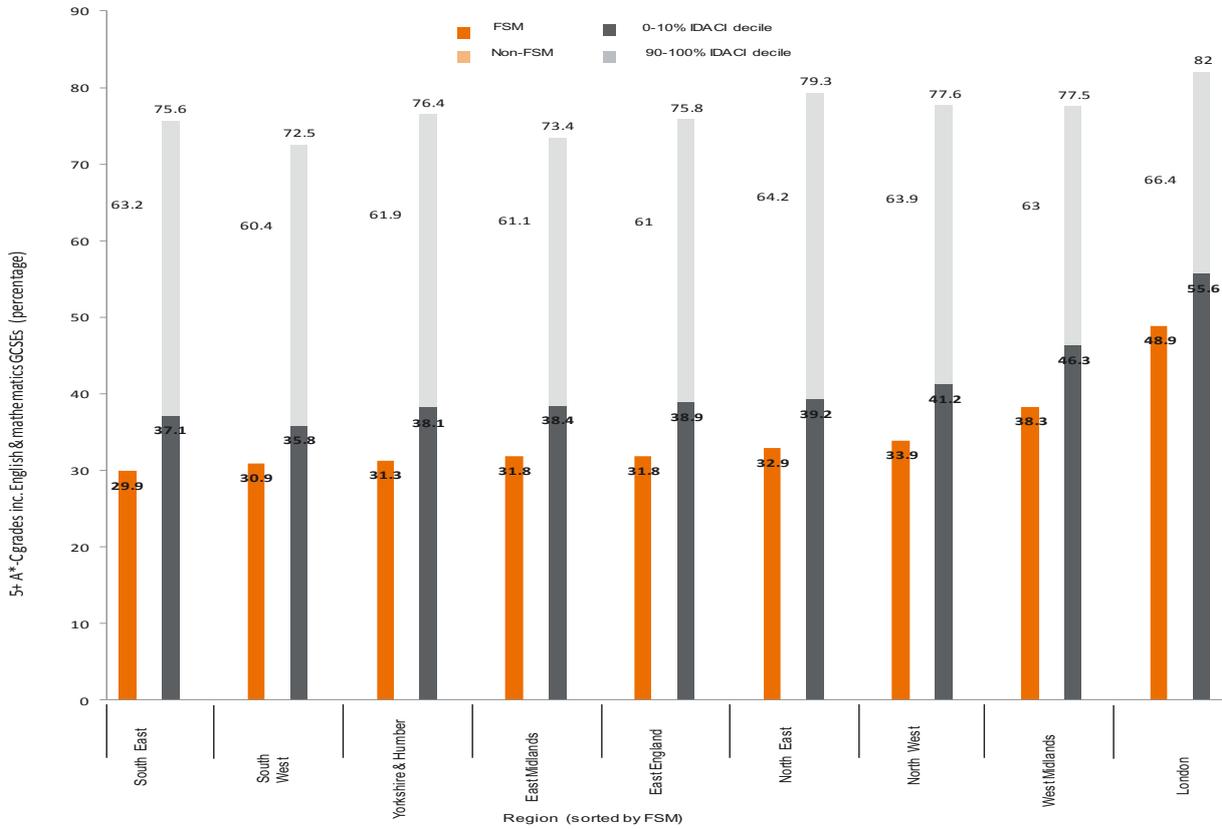
19. The national picture in England conceals a much more nuanced situation at a regional and local level. This difference is particularly stark by area of the country, showing that it's not just living in a disadvantaged area that dictates how well you do at school (although that matters a lot too) – it's where in the country that disadvantaged area is. Figure 6.4s shows that children eligible for free school meals (FSM) in the South East of England are far less likely to do well than their nearby peers in London or indeed any other region of the country. Just 29.9 per cent of children eligible for FSM in the South East gained 5 A*–C grades at GCSE in 2012 – creating the largest regional attainment gap (at 33.3 percentage points) in England. In London the attainment gap is almost half this size, at just 17.5 percentage points.

20. For more advantaged children, whether measured by postcode deprivation or FSM eligibility, there is less variation in attainment across regions. In other words, it matters much more for poorer children than better-off children where in the country they go to school.

³⁴⁶ Department for Education, *Revised A level and Equivalent Examination Results in England: Academic Year 2011 to 2012*, SFR05/2013

³⁴⁷ Department for Education, *Revised A level and Equivalent Examination Results in England: Academic Year 2011 to 2012*, SFR05/2013

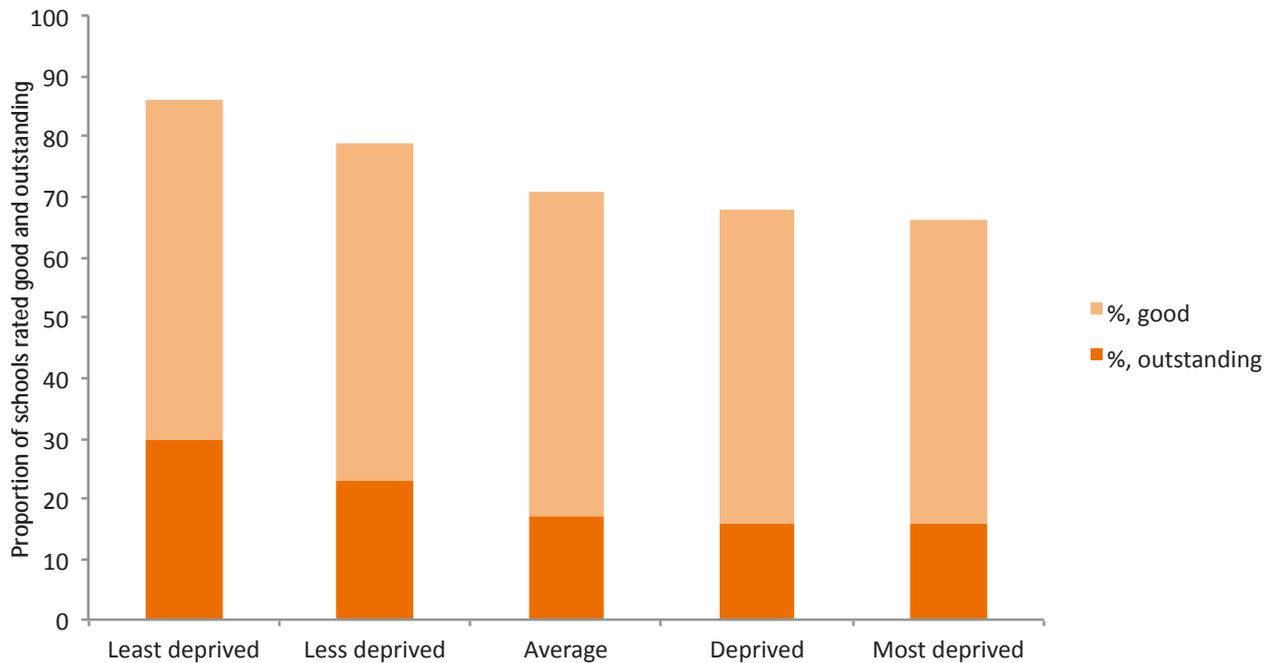
Figure 6.4 Comparison of attainment at GCSE between regions of England by eligibility for free school meals and pupil residence, 2011/12³⁴⁸



21. This isn't just a story of disproportionate attainment between the poorest children and the rest across England. Children in the poorest areas of the country are far more likely to attend weaker schools, with two-thirds of schools in the most deprived areas of England being good or outstanding according to Ofsted, compared with almost nine in ten schools in the least deprived areas – a difference of 20 percentage points (Figure 6.5).

³⁴⁸ Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics in England 2011 to 2012*, SFR04/2012, January 2013 and internal analysis

Figure 6.5 Overall effectiveness of maintained schools in England as at December 2012³⁴⁹



22. Since the late 1990s there has been a major shift in the geography of educational inequality in England. Then, the biggest gulfs in attainment were concentrated in the inner cities, especially in London.³⁵⁰ But today, some of the best-performing schools serving high proportions of poor students are in London and other large urban conurbations. By contrast, Ofsted recently noted that some of the weakest schools for poorer children are in Middle England – areas like Peterborough, West Berkshire and Herefordshire.³⁵¹

23. There is also an ethnic dimension to underachievement in England's schools. White British pupils from disadvantaged backgrounds are consistently the lowest performing of all the main ethnic groups. Figure 6.6 highlights the attainment over time of some of the lowest-attaining disadvantaged groups (separated by gender and ethnicity). It shows that there have been absolute improvements in the attainment of white and Black Caribbean children eligible for free school meals (FSM) but that their attainment remains worryingly low, particularly among boys. Although this data shows that there is a clear gender story in attainment, white FSM girls do badly too. The data also highlights some important changes between 2010/11 and 2011/12 – including a widening gap between boys and girls at the 5A*–C measure and a notable improvement in the attainment of Black Caribbean girls, whilst the attainment of Black Caribbean boys has

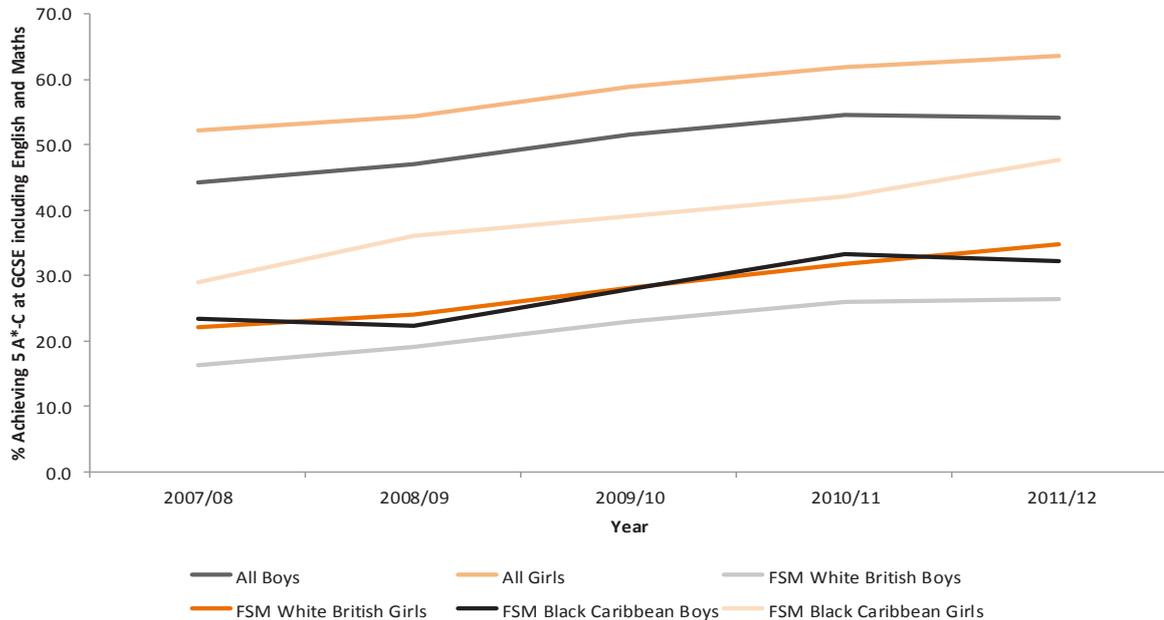
³⁴⁹ Taken from Ofsted, *Unseen Children: Access and Achievement 20 Years On*, 2013

³⁵⁰ Ofsted, *Unseen Children: Access and Achievement 20 Years On*, 2013

³⁵¹ Ofsted, *Unseen Children: Access and Achievement 20 Years On*, 2013

fallen back. Future success in improving children’s life chances will depend largely upon schools’ ability to address these regional, ethnic and gender inequalities in attainment and school performance.

Figure 6.6 Attainment at GCSE by gender, ethnicity and deprivation (using FSM), 2007/08–2011/12³⁵²



The future impact

24. We now turn to the Commission’s analysis of the likely impact of the Government’s approach to school reform. In order to support this analysis, the Commission has assessed the international evidence – which suggests that the highest-performing countries across the OECD are those that combine quality with equity.³⁵³ In other words, there isn’t a trade-off between high standards and fairness.

25. Key characteristics of approaches seen in some of the most successful school systems include:³⁵⁴

- **Autonomy plus accountability.** The evidence is not entirely clear about how and what it is about autonomy that works, but it does suggest that autonomy is effective where quality (of schools,

³⁵² Data taken from: Department for Education, *GCSE and Equivalent Attainment by Pupil Characteristics in England 2011 to 2012*, SFR04/2013, 24 January 2013

³⁵³ OECD *Equity and Quality in Education: Supporting Disadvantaged Students and Schools*, OECD Publishing, 2012

³⁵⁴ From various sources, including: Pisa 2009 Results: *What Makes a School Successful?* Resources, policies and practices Volume IV, OECD, McKinsey & Co – *How the world’s most improved school systems keep getting better*, 2010, OECD (2012) *Equity and Quality in Education: Supporting Disadvantaged Students and Schools*, OECD Publishing

leadership, teachers and/or the curriculum) is established and high. Anglo-American systems – unlike Asian and East European systems – are generally more likely to implement public accountability mechanisms.

- **Collaboration between schools.** Andreas Schleicher of the OECD has pointed out that, although autonomous systems tend to be more effective, systems with a strong collaborative culture are more likely to be successful, noting that the lowest-performing school systems in the OECD have autonomy but no collaborative culture.³⁵⁵
- **High teacher quality.** In the highest-performing systems, teaching is a high-status profession, with an excellent stock of teachers and little variation in quality. Some of the most effective systems, including Finland and Singapore, recruit the most suitable from the top of the graduate pool and provide high-quality, structured teacher training.
- **Ambitious standards and high performance expectations.** The most successful systems tend to be ones where standards are shared across the system and are developed in collaboration between policy makers and teachers and leaders.
- **Minimising segregation by ability.** Segregation by ability disproportionately disadvantages the poorest children, reinforcing low expectations and often resulting in lower streams and sets being assigned less capable teachers. Programmes need to be designed to ensure a diverse distribution of students within a school.³⁵⁶
- **Targeting low-income students.** High-performing countries place strong and concerted focus on the learning needs and attainment of their low-attaining students. Research suggests that this is the case in Singapore, as well as in Finland, where the gap between high and low achievers is among the smallest in the world. In Finland, highly skilled teachers who have undertaken an additional year of university training provide targeted additional support to nearly 30 per cent of children, with extra funds provided for this purpose.³⁵⁷

26. At a high level, the Government's agenda for schools broadly aligns with the international evidence. But there are areas of weakness in the English system, including a high reliance on segregation by ability (with the deployment of teachers within schools not reflecting the additional needs of lower-attaining students), big inconsistencies in teacher quality and limited collaboration. We applaud the dynamism with which ministers are approaching the task of school improvement and their determination to

³⁵⁵ Francis, B., The Pearson Think Tank blog, *Collaboration, Collaboration, Collaboration*, posted 13 January 2013, <http://thepearsonthinktank.com/2013/collaboration-collaboration-collaboration/>

³⁵⁶ Francis, Professor Becky and Wong, Dr Billy, *What is preventing social mobility, A review of the evidence*, Kings College London, 2013

³⁵⁷ Hancock, L. (2011), *Why Are Finland's Schools Successful?*, in Smithsonian magazine, September 2011. Accessed 15 July 2013, <http://www.smithsonianmag.com/people-places/Why-Are-Finlands-Schools-Successful.html?c=y&story=fullstory>

align means (through their reform programme) with ends (a more mobile society). We have, however, identified some key areas of risk which, if not addressed, could jeopardise progress in closing the education attainment gap.

Variations in teacher quality

27. High-quality teaching is, in the Commission’s view, the single most important way to raise attainment and close gaps. Great teachers can inspire children with the subject knowledge, belief and skills to fulfil their potential, with high-quality teachers enabling students to learn at twice the rate they do in the classrooms of average teachers.³⁵⁸ Many of the 442,000 teachers in England do an excellent job in this regard.³⁵⁹ But Ofsted inspections show very large differences in the quality of teaching by area and – disturbingly – suggest that the poorest children are less likely to be in schools with high-quality teachers.

28. At the moment, in the most deprived areas within eight of England’s nine regions, teaching has been rated good or outstanding in less than two-thirds of secondary schools. In the North East, under a third (29 per cent) of schools in the most deprived areas of the region had their teaching rated as good or outstanding, compared with 85 per cent of schools in the least deprived areas in the North East and 77 per cent in the most deprived areas of London (Figure 6.7).

29. Gaps in teaching quality are replicated in the quality of school leaders. Ofsted noted in a recent report that in the North East’s most deprived areas, leadership and management is good or outstanding in just over one-third of secondary schools, compared with over four-fifths of secondary schools in the most deprived areas of London.³⁶⁰

Figure 6.7 Proportion of secondary schools in England judged good or outstanding for teaching and leadership by region and deprivation, December 2012³⁶¹

	Teaching			Leadership		
	Least deprived	Most deprived	Gap	Least deprived	Most deprived	Gap
	%	%	pp	%	%	pp
London	91	77	14	91	86	5
West Midlands	83	65	18	88	76	12

³⁵⁸William, D. (2009), *Assessment for learning: why, what and how?*, London: Institute of Education, University of London

³⁵⁹ Department for Education, *School Workforce in England, November 2012*, SFR15/2013

³⁶⁰ Ofsted, *Unseen Children: Access and Achievement 20 Years On*, 2013

³⁶¹ Ofsted, *Unseen Children: Access and Achievement 20 Years On*, 2013

North West	93	63	30	94	75	19
East Midlands	83	59	24	87	70	17
East	80	55	25	85	60	25
South West	92	54	38	93	92	1
South East	89	53	36	93	80	13
Yorkshire and Humber	78	41	37	84	51	33
North East	85	29	56	85	36	49

30. The Commission has heard concerns about the problem of attracting the best school leaders to weaker schools and getting the best teachers to teach disadvantaged and/or low attaining students within schools, both of which disproportionately affect schools outside the capital. The Commission notes evidence that schools aren't targeting their resources according to need – and whilst they are more likely to teach lower attainers in smaller classes, they tend to deploy similarly experienced and qualified teachers across all ability groups.³⁶² Survey evidence from Ofsted supports these concerns, suggesting that 40 per cent of school leaders in 2012 were using the Pupil Premium to pay for teaching assistants – over 40 per cent were using the funding for this purpose (the most commonly stated use of the funding in the survey).³⁶³ Though well intentioned, using teaching assistants to raise attainment can be high cost and poor value for money unless they are well trained and working with a clear purpose – use of teaching assistants can deprive students of important contact time with trained teachers.³⁶⁴

31. There is clearly a balance to be achieved here. High-ability students from all backgrounds, as well as low attainers, need help from the best teachers. But the UK is in the minority internationally in having similar student-teacher ratios for socioeconomically advantaged schools as for schools in less advantaged areas. Most school systems focus more resources on the latter group.³⁶⁵ The Government has a role to play here in ensuring that the best teachers are offered the highest status and best pay to take them to the toughest schools and that school funding appropriately reflects need. Government also influences deployment through its accountability framework and it can also catalyse research to

³⁶² Dunne, M. et al, *Effective Teaching and Learning for Pupils in Low Attaining Groups*, DCSF RR011, Department for Children, Schools and Families 2007

³⁶³ Ofsted, *The Pupil Premium – How schools are using the Pupil Premium funding to raise achievement for disadvantaged pupils*, September 2012

³⁶⁴ Education Endowment Foundation, *Toolkit*, <http://educationendowmentfoundation.org.uk/toolkit>; Ofsted, *The Pupil Premium – How Schools Are Spending the Funding Successfully to Maximise Achievement*, February 2013

³⁶⁵ OECD, *Viewing the United Kingdom School System Through the Prism of PISA*, www.oecd.org/pisa/46624007.pdf

better understand the characteristics of teachers most effective at improving the attainment of disadvantaged and low-attaining students, and how to identify the individuals likely to have those characteristics and skills (an area where surprisingly little is known). However, the key responsibility in ensuring disadvantaged children get their fair share of the best teaching lies with schools and teachers themselves. 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.

32. On the wider question of improving the quality of teachers and leaders, there has been a lot of activity, including Teach First, the movement to school-based teacher training through School Direct and Teaching Schools, and the National Leaders in Education and Future Leaders programmes. But more is needed.
33. Teach First is an outstanding scheme that is now the largest graduate recruiter in the UK, with 1,261 recruits in 2013 going to schools with high levels of deprivation. New research confirms that Teach First teachers are likely to have a positive impact on attainment. Although their impact was limited in the first year, researchers found that Teach First teachers produced school-wide gains in GCSE results in their second and third year of the scheme – which were of the order of 5 per cent of a pupil standard deviation, or around one grade in one of the pupil's best eight subjects.³⁶⁶
34. Teach First numbers, however, are unlikely to exceed 1 per cent of the teaching workforce in the short term³⁶⁷ and although School Direct (through which schools requested over 9,000 places for 2013/14)³⁶⁸ and Teaching Schools could have a positive impact in time, there are concerns about a wider 'crisis' in teacher recruitment in shortage subjects such as physics, maths and computer science. The Government's direction of travel is for increasing numbers of initial teacher training places to be delivered by schools – with an intention that over half of all training places will be delivered in this way by the end of this Parliament.³⁶⁹ Overall, the Commission is concerned about the absence of a more targeted and nationally coordinated approach to address the stark problems with teacher quality and recruitment, particularly ensuring their deployment in those areas of the country where new interventions focused first on the best schools (like Teaching Schools) are less present. As noted previously, there are particular challenges in identifying the highest-performing teachers (the data that we cite here is school level and from

³⁶⁶ Allen, R., Allnut, J. (2013), *Matched panel data estimates of the impact of Teach First on school and departmental performance*, DoQSS Working Paper No. 13-11, Institute of Education: London

³⁶⁷ Institute for Public Policy Research, *Excellence and Equity: Tackling Educational Disadvantage in England's secondary schools*, 2013

³⁶⁸ <https://www.gov.uk/government/news/school-direct-figures-published-today>

³⁶⁹ <https://www.gov.uk/government/news/new-school-led-teacher-training-programme-announced>

Ofsted inspections) – especially those who have demonstrated skills in inspiring and enabling the progress of the most disadvantaged and low-attaining children. This must be a priority for future research.

Failing schools and poor standards

35. As observed earlier, where disadvantaged children live in England makes far too much difference to how well they do at school. The Government's key way of addressing this has been by seeking to provide more good schools through the rapid expansion of the academies programme, as well as a tougher regime for failing and coasting schools. At the same time, the Government is seeking to raise standards through a more rigorous curriculum and qualifications. This will undoubtedly place extra pressure on a system where the quality of schools is so variable.
36. The Commission's analysis of government data shows that in many areas of the country, although schools are improving on the 5A*-C GCSE measure including English and maths (including for their poorest children), they may struggle to respond to tougher exams and a more rigorous curriculum (Figure 6.8).
37. The evidence for this comes from looking at a measure of higher attainment: those free school meals (FSM) pupils who get 8A*-B GCSEs (excluding equivalent qualifications). Against this threshold, London is even further ahead than other regions than it is on the 5A*-C benchmark: nearly 20 per cent of children in London reach the 8 A*-B benchmark, whereas just 6.2 per cent of Ever6 students in the North East manage to do so. The Commission notes that the West Midlands, which is one of the higher performers on the 5A*-C measure for more disadvantaged students, is one of the worst performers against the more challenging measure.
38. These data also suggest that the system is better at lifting children eligible for FSM above a basic competence level (getting 5A*-C) than getting them above a tougher level of attainment likely to secure access to top universities. Every region is relatively further behind for FSM pupils at the 8 A*-B benchmark than at 5A*-C.
39. This has potential implications for the Government's plans to raise the bar on qualifications and the curriculum. It is not unreasonable to assume that children in London could pull further away from their peers elsewhere, not only on the basic threshold measure but, even more worryingly, at the higher levels of attainment necessary to enter the best universities and top jobs.

Figure 6.8 Attainment by region and Ever 6 eligibility 2011/12

	5A*–C (including equivalents) including English and maths			8 A*–B (excluding equivalents) including English and maths		
	Non-Ever 6 %	Ever 6 %	All pupils %	Non-Ever 6 %	Ever 6 %	All pupils %
East Midlands	63.3	34.5	57.6	28.6	7.4	24.2
East of England	63.6	34.0	58.2	32.3	9.4	28.1
London	68.9	49.8	62.4	40.0	19.1	32.0
North East	68.1	36.2	58.5	28.2	6.2	21.5
North West	66.9	37.4	58.9	32.2	8.8	25.6
South East	65.5	33.2	60.2	35.2	9.5	30.8
South West	62.8	33.5	57.5	32.6	9.2	28.2
West Midlands	65.8	40.0	58.8	29.1	8.4	23.4
Yorkshire & the Humber	64.8	34.9	57.3	27.3	6.9	22.0

40. Concerted action is needed to stop this geographical and socio-economic divide at higher levels of attainment from widening. The Commission believes that there is a role for a clear, localised failure and improvement regime, which includes increased collaboration between schools. Some local authorities are striving towards this end by developing new, productive relationships with their autonomous schools. We welcome those efforts, but there remain parts of the country where local authorities seem to have low expectations of disadvantaged children's abilities to progress and are sometimes putting ideological objections to reforms like academies ahead of the best interests of local children.

41. The Commission believes that action is required to address these issues. First, by local and central government, as well as schools working together to ensure that the current wave of academies improve results faster for the poorest children. Second, by putting in place a more nuanced suite of interventions other than academy conversion for schools that risk failing, including underperforming sponsored academies and academy chains.³⁷⁰ Third, by introducing more area-based approaches to improve the quality of local schools and promote collaboration, such as new versions of the London Challenge that gets schools, local authorities, central government

³⁷⁰O'Shaughnessy, J., *Competition Meets Collaboration: helping school chains address England's long tail of educational failure*, Policy Exchange: London, 2012

and other agencies working together to systematically focus on how standards can be raised and attainment gaps narrowed in areas where schools are weaker.

School choice and admissions

42. Future progress on life chances depends on more poor children going to good schools. Whilst the quality of schools, teachers and school leaders is lower in the most disadvantaged areas, the Government must use the levers that it has to ensure that the balance is redressed. The Commission supports school choice as a means of achieving its school improvement objectives but believes it has to be made to work for children from all backgrounds. Critically, choice should be about parents from all backgrounds being able to choose schools and not schools being able to choose pupils. Choice also means overcoming transport hurdles, particularly in rural areas where there may be no meaningful choice and a local school effectively has a monopoly – the Commission heard concerns about this in our roundtables.
43. Research has shown that school choice matters more for low-attaining and disadvantaged students than for their more advantaged peers. Students who do well at the end of Key Stage 2 (age 11) are more likely to achieve eight Bs at GCSE, regardless of which local secondary school they go on to attend. By contrast, the GCSE results of students who do poorly at Key Stage 2 are more likely to vary widely – from lower than 8 Es to as high as 8Cs, depending on which school they attend.³⁷¹ Making the right choice of school matters more for the group of students who are less likely to live in the areas with the best schools and whose families are less likely to access the best local schools.
44. The Commission is concerned about the potential risk to fair access if high-performing schools use their greater autonomy to actively pursue admissions which fail to represent the areas they serve. The Commission is concerned, for example, that exclusionary practices have become more common in recent years. Examples include parents attending church for the sole purpose of securing a place at a local high-performing religious school, and schools targeting specific groups of parents with social activities and information.
45. Free schools, which the Commission believes can play an important role in addressing education inequalities, could pose similar risks. Of the first tranche of free schools, only 2 of the 24 had a proportion of pupils on free school meals the same as or higher than the rate across their local

³⁷¹ Allen, Rebecca, *Fair Access: Making School Choice and Admissions Work for All*, in IPPR, *Excellence and Equity: Tackling Educational Disadvantage in England's Secondary Schools*, ed. Jonathan Clifton, June 2013

authority.³⁷² On average, 11 per cent of pupils in free schools were eligible for free school meals, compared with 23 per cent in their local areas. Rightly, when assessing applications for free schools, the Government attaches increased weight to their approach to disadvantage, but the Commission believes free schools should have an explicit objective of narrowing education attainment gaps. The Commission will continue to scrutinise data on free schools' admissions practices and how deprivation is reflected in future intakes.

Making closing the gap a core objective for schools

46. The educational attainment gap will not be closed by good intentions or warm words. The problem is far too big and too entrenched for that. Concerted, targeted action is what is needed. So while it is welcome that the Government has an increasingly strong focus on closing the attainment gap, all schools need to know that this is now part of their core business. Every school in the country knows it has to raise standards for all its pupils. In truth, schools have given less priority to narrowing the attainment gap between their better-off and worse-off pupils.
47. It is welcome that, from January 2014, school performance tables will include new closing-the-gap measures. They will include data on the progress and attainment of Ever 6 students – those children who have been eligible for free school meals over the last 6 years, as well as children looked after for a period of over 6 months. We also welcome the fact that the Schools Minister will use this data to write annual letters to schools underperforming on this measure. This is a welcome step towards a broader necessary goal – enshrining as the twin objectives of education policy the raising of educational standards and the narrowing of educational inequalities. One without the other will doom Britain to a slow-lane/fast-lane education system and inhibit efforts to make society more mobile.
48. To ensure that schools give equal priority to raising the bar and narrowing the gap, the Commission would like to see the Government strengthening accountability further by comparing schools' performance on some of its key closing-the-gap measures – the absolute attainment and progress of children eligible for free school meals across a set of similar schools and publishing that data, as it currently does for headline measures. If sufficient progress is not being made, the Government could consider setting schools explicit 5-year objectives for reducing the gap in attainment between children from less well-off and better-off backgrounds.

³⁷²Hansard, House of Commons Written Answers for 13 May 2013, accessed 13 August 2013 at <http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm130513/text/130513w0004.htm#13051412000025>

[With further analysis conducted at <http://www.lkmco.org/article/free-schools-are-disproportionately-serving-more-privileged-pupils-itas-official-14052013>]

49. The Commission believes that the Pupil Premium has great potential to address this problem by ensuring that school funding follows disadvantage, incentivising schools to target new resources to close the attainment gap. The Commission is comfortable that the Government now has a broadly sensible and robust framework in place to encourage schools to use the Pupil Premium on things that improve attainment, and the increased Pupil Premium funding recently announced for primary schools reflects the importance of earlier intervention. Of course, its use should be monitored and schools need to keep focused on well-evidenced interventions of the kind highlighted by the Education Endowment Foundation.

Focusing on low attainers, not just low incomes

50. The Commission is concerned that there remains a missing piece in the Government's approach to schools and life chances: the fortunes of children who are low attainers but neither well-off enough to be insulated from its effects by their parents' resources, nor badly-off enough to qualify for support on grounds of poverty. Whilst disadvantaged students are disproportionately likely to be low attainers, not doing well at school to a degree which is likely to damage life chances is a problem affecting a wider group. New analysis we have carried out using the National Pupil Database looking at 2011/12 GCSE results suggests that nearly two-thirds (63 per cent) of those students who failed to meet the core life-chances attainment benchmark of achieving English and maths GCSE at A*–C would not be captured within the Government's new Ever 6 deprivation measure.³⁷³ The biggest concentrations of non-poor low attainers are low- to middle-income children living in the 30–50 per cent most deprived areas (whose parents are likely to be in employment).³⁷⁴ These students should be a matter of concern for policy because low attainment is the key risk factor for future poverty. A policy approach which seeks to 'break the cycle', but only for currently poor children, risks creating a new at-risk cohort in the middle, of low-attaining children who are likely to become poor as adults.³⁷⁵

51. In the Commission's view, the Government and Ofsted need to ensure that schools use their resources appropriately to ensure that all disadvantaged students make progress that reflects their potential, as well as tackling the

³⁷³ Internal analysis using the National Pupil Database with 2011/12 GCSE results (Key Stage 4) data

³⁷⁴ Commission analysis showed that of non Pupil Premium eligible students not gaining A*-C in English and maths were more likely to live in the 30-50th percentile areas by deprivation (based on IDACI)

³⁷⁵ One objection to this argument is that there will always be low attainment and the proper aim of policy is to make sure its distribution is unrelated to deprivation. The Commission accepts that education is partly a positional good, with exams helping to rank students, so some will always do less well and it is right to try and make pupils' position in the ranking unrelated to social background. But attainment also has an absolute dimension and getting a C in English and maths should, in the Commission's view, be attainable for the vast majority of students, without compromising standards.

wider problem of low attainment for those from ‘the squeezed middle’. The Government’s proposed new accountability measures will make a difference here – weighting the progress of students alongside the achievement of a threshold should ensure that schools promote the attainment of all students more equally. But more could be done to make low attainment a priority for policy and resource. In particular, the students we are talking about are ineligible for the Pupil Premium - and our analysis suggests that only 20 per cent are in schools with high concentrations of Pupil Premium students (so there may be less potential for them to benefit indirectly from ‘spillovers’).³⁷⁶ Although the Government’s Catch Up Premium is available for Year 7 students who don’t reach level 4 at age 11, at only £500 per pupil it is massively outgunned by the Pupil Premium, which will soon be contributing £14,300 over a student’s schooling.³⁷⁷ The Commission believes that schools should have the flexibility to use their Pupil Premium funding both on closing the gap between disadvantaged students and the rest at every level of attainment and on low attainers from a broader range of backgrounds.

Preparing pupils for work

52. Poverty and low social mobility arise in part from gaps in the information and networks that help young people turn their abilities and qualifications into jobs and careers. Getting good advice becomes more and more important in the context of an increasingly complex labour market.
53. The Commission recognises the arguments that led the UK Government to abolish the Connexions service and devolve obligations to schools. We welcome the extension of the duty on schools to secure access to guidance down to Year 8 (12–13-year-olds) and up to Years 12 and 13 (16–18-year-olds) in school or college from September 2013. But the Government has devolved the responsibilities without devolving the resources to enable schools to provide good careers advice to pupils. The chickens are already coming home to roost. The Commission notes evidence of:
- **Inadequate levels of provision.** Ofsted has found that three-quarters of schools in England are failing to provide adequate careers advice³⁷⁸ and statistics from the National Careers Council show that less than one per cent of teenagers had used the National Careers Service phone line.³⁷⁹

³⁷⁶ Commission’s own analysis based on National Pupil Database Key Stage 4 results 2011/12. NB – High Pupil Premium eligibility determined as schools where over 35 per cent of pupils are eligible.

³⁷⁷ £1,300 per annum throughout primary school, followed by £900 per annum in secondary school – at 2014/15 rates.

³⁷⁸ Ofsted, *Going in the Right Direction? Careers Guidance in Schools from September 2012*, September 2013

³⁷⁹ National Careers Council, *An Aspirational Nation: Creating a Culture Change in Careers Provision*, June 2013

- **Poor-quality advice.** The Commission has heard evidence of limited face-to-face provision and weak coverage of vocational training and apprenticeship options, with a recent survey showing that nearly three in ten school and college leavers (28 per cent) said that they were not provided with adequate information on alternatives to university.³⁸⁰

54. Whereas better-off families tend to have connections and networks that can compensate for some of these institutional failures, less well-off families are less likely to have this support. The current gaps in careers provision leave disadvantaged young people at risk of missing out on the information and networks they need to make the right career choices. Some schools are rightly re-thinking the format and efficiency of their careers services. Positive relationships between schools and business, in particular, can give children much better insight into future employment opportunities and help to raise expectations about their future careers. The Commission will be looking for evidence that many more schools and businesses are developing the long-term relationships needed to give more students access to the insight and information that the most advantaged children can take for granted. This is an area the Commission will keep under active review.

55. Schools nowadays need to help students build a wider set of essential 'character' skills, not least because that is what employers and universities are increasingly looking for. In the words of the Confederation of British Industry (CBI): 'We need a better balance between core and enabling subjects and a focus on personal attributes and attitudes, developed as part of everything that schools do'.³⁸¹ The so-called 'character' or soft skills – resilience, communication, teamwork, ability to navigate complicated systems with confidence – are becoming more and more valuable in the modern labour market. There is increasing recognition that these skills shouldn't be seen as separate from the academic side of school, as they have significant cognitive elements and are powerful enablers of literacy and numeracy skills. So schools need to focus on developing these skills alongside improving their pupils' academic achievement. It is not a question of either/or. Schools need to be doing both. As the All Party Parliamentary Group on Social Mobility has argued, character and resilience are very important to young people's attainment and their ability to turn that attainment into success at university and in a career.³⁸² There is not a strong evidence base on how to deliver these skills, but it is thought that leadership roles in school teams, volunteering activity, community work and extracurricular activity are all likely to help, and there is increasing activity in US Charter schools seeking to embed character

³⁸⁰ The Student Room, *Options 2013*, <http://insight.thestudentroom.co.uk/wp-content/uploads/insight/The-Student-Room-Options-2013-Report.pdf>

³⁸¹ CBI/Pearson Education and Skills Survey 2013, p24; see also CBI, *First Steps: A New Approach for Our Schools*, 2012

³⁸² All Party Parliamentary Group on Social Mobility, *Character Matters*, 2013, <http://www.appg-socialmobility.org/>

skill building in lessons. The Commission is concerned that some of this wider activity may be under pressure because of funding cuts to wider services. For example, data on local authority expenditure in 2011/12 shows that authorities spent a total of £876.6 million (gross) on services for young people, a reduction of £307.5 million (26.0 per cent) compared with 2010/11.³⁸³

56. There are similar concerns about whether schools are giving sufficient priority to work experience. 55 per cent of employers think not enough young people leave school with work experience³⁸⁴ and it seems disadvantaged children are more likely to struggle to get access to high-quality opportunities. Although there is little hard data on what is happening to levels of work experience, the Commission has heard anecdotal evidence of a reduction for under-16s following the removal of the duty on schools to provide it, and there have been isolated reports of parents being asked to subsidise work experience.³⁸⁵ We have also heard complaints that firms find it hard to get a foot in the door of some schools and survey data suggests that over a quarter of businesses (27 per cent) cited lack of interest among schools or pupils as a key barrier to engagement.³⁸⁶ The Commission believes that it is important for the Government and schools to rethink the nature and role of work experience (what, when, for whom), high-quality engagement with the world of work plays an important role and these findings are worrying. The Commission believes that Government could further incentivise schools to ensure that students have high quality, early engagement with work (as well as wider employability skills) by addressing a key weakness in its destinations data – by improving the quality of data on the destinations of students not continuing in education. The Commission will keep the issue under scrutiny.

³⁸³ HM Government, *Positive for Youth: Progress since December 2011*, July 2013
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210383/Positive-for-Youth-progress-update.pdf

³⁸⁴ CBI, *Changing the Pace: CBI Pearson Education and Skills Survey 2013*

³⁸⁵ <http://www.guardian.co.uk/commentisfree/2013/may/22/charging-parents-work-experience-children-suffer>

³⁸⁶ CBI, *Changing the Pace: CBI Pearson Education and Skills Survey 2013*

Box 6.1 – Scotland and Wales

As in England, too many children in the poorest areas of Scotland and Wales (which include some of the poorest areas of the UK) are leaving school without the basic qualifications that they need to succeed, seriously damaging their life chances. So there are common challenges, despite very different systems.

In Wales:

- The curriculum is broadly in line with England, but different from Scotland, as Wales has retained Key Stages, as well as GCSEs and A-levels. The curriculum and qualification reforms taking place in England will create more divergence in the future.
- Schools are within local government control – similar to Scotland. There have been no moves towards the forms of school autonomy seen in England.
- The Government has introduced a Pupil Deprivation Grant of £450 per pupil, which goes directly to schools for children eligible for free school meals and children looked after by the local authority – this is similar to the Pupil Premium, though lower in value. (The Pupil Premium is currently £900 for children and will rise to £1,300 for primary school children.)
- The Government has now introduced banding, a form of public accountability which supports improvement activity in schools and local authorities, and groups similar schools together to compare outcomes, in addition to a new resource, My Local School, which provides a range of school-level data, including data on the performance of children eligible for free school meals.

In Scotland:

- The Scottish Government's Curriculum for Excellence is a major difference from England and Wales, a wide and varied curriculum that brings together the different stages of education from ages 3 to 18 and aims to ensure that children are successful learners, confident individuals, responsible citizens and effective contributors.
- There are long-standing exam-system differences between Scotland and England and Wales. Scottish pupils sit Standard Grades at age 15/16 (which marks the end of compulsory schooling) and can also sit Scottish Highers at age 17 and Advanced Highers at age 18, although the exam system is changing in line with the Curriculum for Excellence.
- As in Wales, schools are within local government control.
- Scotland does not publish school league tables, and there is less emphasis on choice and public high-stakes accountability. However, the Scottish Government is introducing a new Senior Phase Benchmarking Tool, which will allow schools, local

authorities and the Government to compare performance in the senior phase of education for self-evaluation and improvement purposes. The tool uses a range of key measures, including: increasing post-school participation; improving attainment in literacy and numeracy; improving attainment for all; and tackling disadvantage by improving the attainment of lower attainers relative to higher attainers.³⁸⁷

How do the outcomes compare? International surveys of students across nations are inconsistent in rankings and methodology but tend to show:

- Scottish pupils performing similarly to English pupils, with Wales lagging behind the other UK nations – and the gap appearing to widen in the 2009 PISA study;³⁸⁸
- smaller variations in performance between schools in Scotland and Wales, compared with England and Northern Ireland;
- similar levels of educational inequality across all UK nations.³⁸⁹

There is data supporting this last point in particular. In Scotland, social gaps in attainment are measured by deprivation of area rather than the free school meal eligibility which is used in England and Wales. Data show that students from high-deprivation areas leave school with results half as good as those for students living in the most advantaged areas (a 'tariff score' of 268, compared with 552), although the absolute attainment of students in each socio-economic group has increased over time.³⁹⁰ When looking at the gap between tariff scores, the data does show a different picture using different measures. However, at S4 (age 16), comparing the outcomes of those in the most and least deprived areas, the gap has decreased by 8 per cent since 2005/06.³⁹¹

In Wales, 23.4 per cent of children on free school meals achieved 5 or more GCSEs at Grade A*–C including maths and English or Welsh in 2012, compared with 56.6 per cent of other students (a gap of 33.2 percentage points). In England, the attainment of children eligible for free school meals is higher – at 36.8 per cent in 2012, with 63 per

³⁸⁷ Scottish Government, *Senior Phase Benchmarking Tool* – <http://www.scotland.gov.uk/Topics/Education/Schools/curriculum/seniorphasebenchmarking/KeyFeatures>

³⁸⁸ Machin, S., McNally, S., Wyness, G., *Education in a Devolved Scotland: A Quantitative Analysis*, Special paper No 30, May 2013, Centre for Economic Performance: London

³⁸⁹ Machin, S., McNally, S., Wyness, G., *Education in a Devolved Scotland: A Quantitative Analysis*, Special paper No 30, May 2013, Centre for Economic Performance: London

³⁹⁰ Scottish Government (2013), *Summary Statistics for Attainment, Leaver Destinations and Healthy Living*, No 3: 2013 edition, accessed 7 October 2013

at <http://www.scotland.gov.uk/Publications/2013/06/7503/5#tb8>

³⁹¹ Average tariff score of S4 pupils, by deprivation – full data set out in Annex

cent of other students reaching the benchmark (a gap of 26.2 percentage points).³⁹²

It is difficult to make comparisons between systems that are very different, and the Commission doesn't attempt a full analysis here. However, key observations include the following:

Scotland's education system has historically been high performing and retains enormous strengths. Evidence suggests that an important positive factor in Scotland (and one aligned with international evidence on factors important to social mobility) is the relatively high social integration within schools. This may offer protection from a big challenge for the system in England – the difficulty in recruiting the best teachers to schools with high proportions of disadvantaged students or schools that are known to be weak performers.

However, a number of commentators have recently suggested that other nations have begun to catch up, based on performance in national examinations.³⁹³ It is also clear that, as in England and Wales, there are stark inequalities in educational outcomes between the most deprived children and the rest in Scotland. The Commission would support recent calls for increased allocation of support for disadvantaged students in Scottish schools (including targeted efforts),³⁹⁴ particularly as the evidence from the previous government's experience in England suggests that, without this concerted effort, it is difficult to close attainment gaps. Teacher quality plays an important part here – ensuring the training, development and targeted deployment of high-quality teachers at the lowest-attaining and most disadvantaged students is the most important approach to improving life chances through education. As discussed earlier, Teach First, now in England and Wales, is promising in this regard. The Commission also believes that the Pupil Premium in England (and the Pupil Deprivation Grant in Wales) has great potential to close attainment gaps.

The Commission also notes that Scotland could be more transparent in its schools data on the attainment gap by social background, where (while it is not the only way to drive accountability) there are benefits to public elements to school performance. The Commission notes here the My Local School data in Wales, which breaks down performance by free school meals eligibility and benchmarks to

³⁹² Statistics for Wales, *Achievement and Entitlement to Free School Meals in Wales, 2012*, SB 32/2013, 26 March 2013

³⁹³ Machin, S., McNally, S., Wyness, G., *Education in a Devolved Scotland: A Quantitative Analysis*, Special paper No 30, May 2013, Centre for Economic Performance: London

³⁹⁴ Reform Scotland, *By Diverse Means: Improving Scottish Education*, The Commission on School Reform Final Report, March 2013

provide comparisons with schools with similar levels of free school meals.³⁹⁵

In Wales, the Commission acknowledges that higher levels of poverty than in most other parts of the UK present a particular challenge. But there remains more to do in improving educational performance, which was acknowledged in the recent independent report by Robert Hill on the future of education services in Wales.³⁹⁶

Comparing just the population of children eligible for free school meals across England and Wales shows that 50 per cent more FSM pupils reach the 5 A*–C at GCSE threshold (including maths and English/Welsh) in England than in Wales – although, at under two-fifths of all children, the absolute level remains unacceptably low in England as well.

The gap in Wales between the most disadvantaged students and the rest is also higher than in England. Wales performs less well than all regions in England, including comparably deprived regions like the North East (Figure 6.3).

While absolute attainment in Wales has been improving for disadvantaged children (from 18 per cent receiving 5 or more GCSEs at Grade A*–C including maths and English or Welsh in 2007),³⁹⁷ the Welsh schools' inspector Estyn has commented on the unacceptable variability in attainment between schools and local authorities in Wales and worrying variations in the quality of leadership across schools.³⁹⁸ Estyn has also called for school leaders in Wales to make closing the poverty gap central to their planning and has said that many schools do not do enough to monitor the performance of poorer students.

In this context, the Commission welcomes the Welsh Government's target to narrow the gap in attainment at the end of the Foundation Phase by 10 percentage points by 2017, as well as the target to improve the performance of children eligible for free school meals at GCSE (5 A*–C including maths and English/Welsh) to 37 per cent by 2017 – an increase of over 50 per cent from the current rate, albeit one that could be even more ambitious.³⁹⁹ Wales has also made

³⁹⁵<http://mylocalschool.wales.gov.uk/>

³⁹⁶ Hill, Robert (2013), *The Review of the Future of Education Services in Wales*, Review for the Welsh Government, Robert Hill Consulting, June 2013

³⁹⁷ Statistics for Wales, *Achievement and Entitlement to Free School Meals in Wales, 2012*, SB 32/2013, 26 March 2013

³⁹⁸ Estyn, *Annual Report of Her Majesty's Chief Inspector of Education and Training in Wales, 2011/12*, January 2013

³⁹⁹ Welsh Government, *Building Resilient Communities: Taking Forward the Tackling Poverty Action Plan*, July 2013

welcome moves to ensure school-level data is transparent, including through its banding data.

The Commission notes in particular the data on schools' performance available at the Welsh Government's My Local School website,⁴⁰⁰ which – although not showing the breadth available in English performance data at a school level – is an excellent resource. The time-series data on attainment, including attainment by gender and eligibility for free school meals in chart format, with benchmarking on key measures using red/amber/green colour coding on charts to show how a school compares to other schools with similar levels of free school meal eligibility. The Commission believes that this is an innovation that England and Scotland could learn from. Wales has also recently introduced a bespoke version of the Sutton Trust toolkit,⁴⁰¹ which should support schools in spending the Pupil Deprivation Grant in an evidence-based way.

The Commission is keen to do more work in learning the lessons from different systems, although the considerable difficulties in comparing policy regimes, and the widening differences in policy approaches, make this challenging. England, Scotland and Wales each have troubling and stubborn levels of educational inequality. A number of this chapter's conclusions about England hold true for Scotland and Wales; only with concerted effort to tackle educational inequalities by the Government, local authorities and schools, as well as society at large, will the gap in attainment be addressed. In each nation there is some way to go.

Recommendations

57. There is much to welcome in the UK Government's approach to schools. We do not suggest a major reshaping of its policy agenda. Instead we propose four recommendations to deliver the improvements in life changes it seeks.
58. First, the UK Government should ensure that raising standards and closing attainment gaps are the twin objectives for all teachers and all schools – free schools included – through the standards it sets, the inspection regimes it sanctions, the league tables it publishes and the reward mechanisms it deploys.

⁴⁰⁰ My Local School, accessed on 24 September 2013 at <http://mylocalschool.wales.gov.uk/index.html?iaith=eng>

⁴⁰¹ <http://learning.wales.gov.uk/resources/sutton-trust-education-endowment-foundation/?lang=en>

Chapter 6: Schools

59. Second, local authorities, schools and the UK Government should focus harder on eliminating the 'geographical lottery' in school performance by introducing new area-based approaches like London Challenge, further adopting reforms like academies, strengthening incentives for the best teachers to teach disadvantaged students in poorly performing areas, and broadening the school failure regime.
60. Third, schools, local authorities and the Government should prioritise low attainment as a threat to children's life chances, including enabling the Pupil Premium to be focused on low- and middle-income children who aren't poor but who are at risk of failing on core benchmarks at school.
61. Fourth, the UK Government should provide additional resources to schools to provide high quality careers services, whilst schools should ensure that they build long-term relationships with businesses and improve work-experience opportunities and Ofsted should assess and report on their performance.

Chapter 7: Moving from school to work

- The UK Government has sensible aims and many promising initiatives.
 - But so far these are having little impact on long-term youth unemployment, which is at a 20-year high.
 - Public policy has long focused on higher education, not on ‘the other 50 per cent’ more likely to go on to vocational education
 - Young people who go on to vocational education face lower funding, greater complexity and more variability than university students
 - The increase in the number of apprenticeships and work experience opportunities are welcome; the abolition of Education Maintenance Allowance is not
 - The Government should aim to eliminate long-term youth unemployment and reduce numbers not in employment, education or training (NEET) to the EU average
 - Half of employers should offer apprenticeships and work experience
 - Further education colleges should be paid by results
 - Top universities should close the fair access gap within 5 years
1. Young people’s transition from school to the labour market between the ages of 16 and 24 is the stage at which differences in development, attainment and opportunity earlier in life start to be translated into adult careers and future prospects. Here we mainly focus on progress made in England in helping those not on the path to higher education. We also consider progress on opening up routes into higher education, since this remains a key area of concern for the Commission and one we will monitor and return to in detail in future. Many of our concerns were captured in our free-standing report on universities published in June 2013.⁴⁰²
 2. The greatest immediate challenge affecting 16–24-year-olds in the United Kingdom is the high level of youth unemployment in the aftermath of the recession. Currently just under one million 16–24-year-olds (960,000) is unemployed, accounting for almost 40 per cent of all unemployed people in the United Kingdom. Nearly half (46 per cent) of these 16–24-year-olds have been out of work for 6 months or more.⁴⁰³

⁴⁰² Social Mobility and Child Poverty Commission, *Higher Education: the Fair Access Challenge*, June 2013. <https://www.gov.uk/government/publications/higher-education-the-fair-access-challenge>

⁴⁰³ Office for National Statistics, Labour Market Statistics, September 2013 (May–July 2013). http://www.ons.gov.uk/ons/dcp171778_325094.pdf. Most unemployment is short. Even during recession, 60 per cent of 18–24-year-olds move off Jobseeker’s Allowance within 3 months, and 80 per cent do so within 6 months

3. There is an overlap here with those not in education, employment or training (NEET).⁴⁰⁴ In the first quarter of 2013, 1.1 million 16–24-year-olds in the United Kingdom was NEET (15 per cent of the age group), with nearly half of these (47 per cent) inactive.⁴⁰⁵ There have been recent indications of a striking drop in the number of NEET 16- to 18-year-olds in England, as more have stayed in education. However, there remains a substantial problem for the older group, and more than half of NEETs (55 per cent) remain so for a year or longer.⁴⁰⁶
4. In addition, there are significant levels of under-employment in terms of both hours and skill levels: it is estimated, for example, that one-third (36.4 per cent) of this year's graduates will be in non-graduate roles six months after leaving university.⁴⁰⁷
5. Unemployment and inactivity matter to life chances because in addition to damaging young people in the present, with detrimental effects on wellbeing, mental health and living standards, they have long-term negative consequences. Youth unemployment has a scarring effect that reaches well into adulthood. Evidence from the 1958 and 1970 cohort studies suggests that, controlling for other factors, a year of youth unemployment reduces earnings 10 years later by about 6 per cent and means that individuals spend an extra month unemployed every year up to their mid-30s.⁴⁰⁸ These effects are more pronounced the earlier and longer people are unemployed. Estimates for the Association of Chief Executives of Voluntary Organisations (ACEVO) Commission on youth unemployment found that the effects of high youth unemployment cost at least £689 million per year in additional future benefits, £2.2 billion per year in lost tax revenues and £6.3 billion in lost economic output.⁴⁰⁹

⁴⁰⁴ Under the International Labour Organization definition, a person is unemployed if she or he does not have a job, is seeking work and is available to start work. This includes some students who would like to have a job, but excludes those without work or education who are not job searching ('the inactive'). The term 'NEET' describes those not in employment, education or training: it includes those who are not even looking for work ('the inactive'), but excludes students. Both differ from the (much smaller) claimant count, which represents those claiming Jobseeker's Allowance

⁴⁰⁵ Office for National Statistics, Young People Not in Education, Employment or Training (NEET), August 2013 (April–June 2013). http://www.ons.gov.uk/ons/dcp171778_324364.pdf

⁴⁰⁶ Paul Sisson and Katy Jones, *Lost in Transition? The Changing Labour Market and Young People Not in Employment, Education or Training*, May 2012. Figures are calculated from five-quarter Labour Force Survey longitudinal datasets. They are the average of eight datasets covering flows between Quarter 2 2008 and Quarter 1 2011. Note: high proportions of NEETs have caring responsibilities or disabilities that constrain their choices. Sisson and Jones estimate the potential labour pool at two-thirds of total numbers.

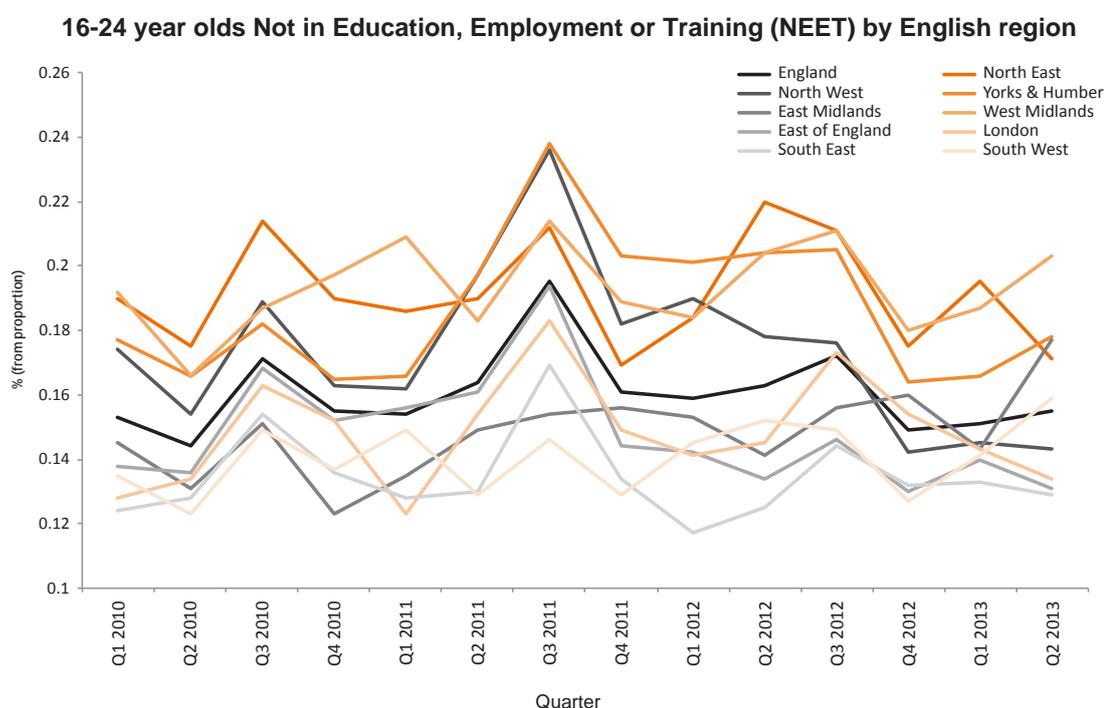
⁴⁰⁷ AAT and CEBR, *University Education: Is This the Best Route into Employment?*, February 2013 http://www.aat.org.uk/sites/default/files/assets/University_Report_AAT_and_CEBR_February_2013.pdf

⁴⁰⁸ Paul Gregg and Lindsey Macmillan, *The Future Costs of Youth Unemployment*, CMPO, 6 February 2012

⁴⁰⁹ The ACEVO Commission on Youth Unemployment, *Youth Unemployment: the Crisis We Cannot Afford*, 2012

6. The geographical distribution of NEETs across England is not even (see Figure 7.1). The North East, West Midlands and Yorkshire and the Humber all have a higher proportion of young people who are NEET than the national average. The regional pattern has, however, changed over time: while the East Midlands has seen an increase in the proportion of 16–24-year-olds who were NEET since 2010 (from an annual average of 13.8 per cent to an average of 16.0 per cent in the first two quarters of 2013) there has been a decrease in the North West (from 17.0 per cent to 14.4 per cent).⁴¹⁰

Figure 7.1: 16–24-year-olds not in education, employment or training (NEET), by region (England) 2010–13



DfE, *Additional Tables (1) to NEET Statistics Quarterly Brief: April to June 2013, 2013*

⁴¹⁰ Department for Education, *Additional Tables (1) to NEET Statistics Quarterly Brief: April to June 2013. Statistical First Release (SFR)*, 2013. <https://www.gov.uk/government/publications/neet-statistics-quarterly-brief-april-to-june-2013>

7. Those 16-year-olds who receive free school meals (FSM) in Year 11 are more than twice as likely to be NEET at age 19 than those who do not.⁴¹¹ Of NEETs at age 19, over one-third had been eligible for FSM and 41 per cent had been permanently excluded from school.⁴¹² Whereas nine in ten young people who stay in education between the ages of 16 and 21 have parents with medium or high qualifications, eight in ten young people who are long-term workless between 16 and 21 have parents with low qualifications.⁴¹³ Those who live in social housing, have grown up in care, have special educational needs or are teen parents are much more likely to end up NEET than young people without these traits.
8. At the other end of the youth labour market are those fortunate enough to gain a university place. Notwithstanding the immediate challenges in the labour market that many graduates face, access to a degree remains the surest guarantee of stable employment and economic security in the long term. Graduates on average earn £100,000 more throughout their careers than non-graduates.⁴¹⁴ Access to the most selective universities in particular remains the gateway to elite jobs, with top employers still predominantly recruiting from 20 or fewer universities. Unfortunately, there is still a strong correlation between a person's social class and their chances of going to university generally, and to the top universities in particular.

Past trends and lessons

9. Rising youth unemployment has been caused by the recession, though it has deeper roots. After falling during the late 1980s and early 1990s, youth unemployment rose from 2001 (see Figure 7.2). Even during the boom years, seven to nine per cent of young people were leaving school and struggling to gain a foothold in the labour market.⁴¹⁵ Part of the reason has been an increase in the size of the youth cohort, which in absolute terms has grown since 2000 from 5.1 million to 6.1 million.⁴¹⁶

⁴¹¹ HM Government, *Building Engagement, Building Futures: Our Strategy to Maximise the Participation of 16–24 Year Olds in Education, Training and Work*, 2011

⁴¹² Department for Education, *Youth Cohort Study & Longitudinal Study of Young People in England: the Activities and Experiences of 19 Year Olds: England 2010*, 2011

⁴¹³ The ACEVO Commission on Youth Unemployment, *Youth Unemployment: the Crisis We Cannot Afford*, 2012

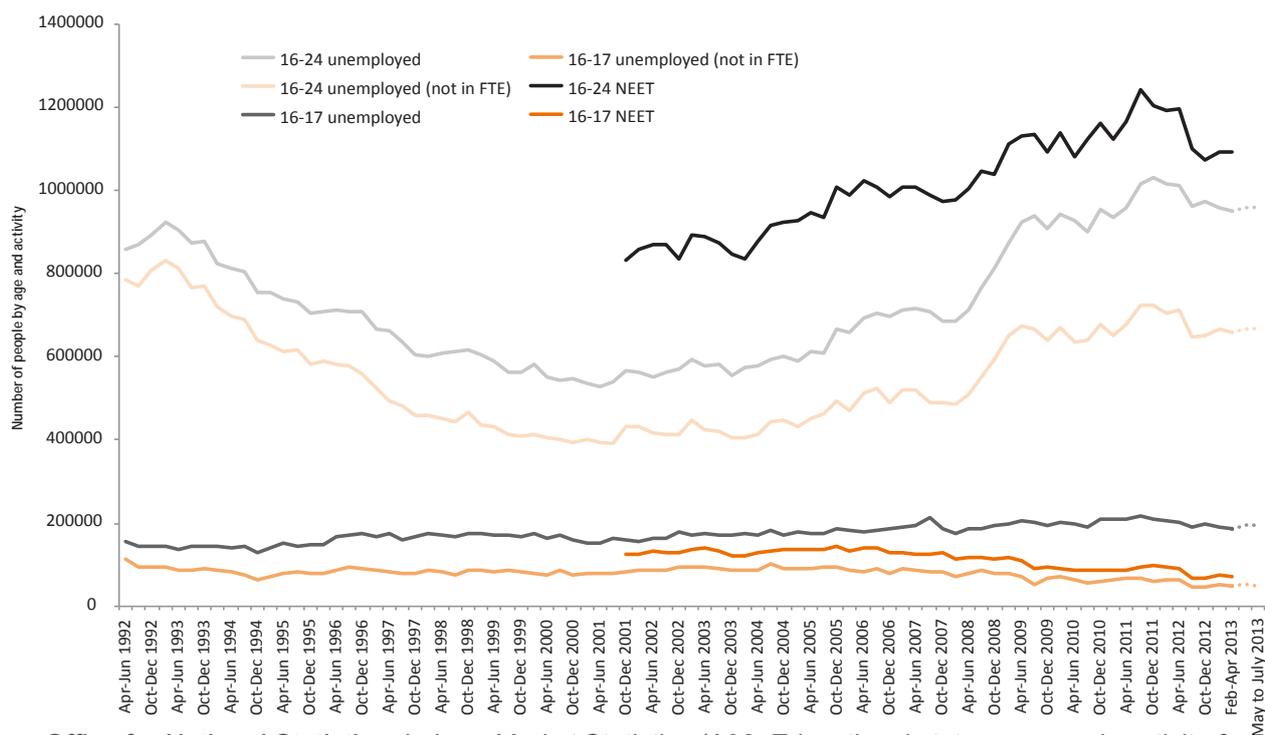
⁴¹⁴ A. Milburn, *University Challenge: How Higher Education Can Advance Social Mobility*, 2012

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80188/Higher-Education.pdf

⁴¹⁵ P. Lucchino and R. Dorsett, Annex C, NIESR, in The ACEVO Commission on Youth Unemployment, *Youth Unemployment: the Crisis We Cannot Afford*, 2012

⁴¹⁶ A. Wolf, *Review of Vocational Education – the Wolf Report*, 2011

Figure 7.2: Youth unemployment in the United Kingdom, 1992–2013



Office for National Statistics, *Labour Market Statistics (A06: Educational status, economic activity & inactivity of young people)*, 2013

10. However, other factors were at play, most notably the decline of the youth labour market, with many entry-level jobs becoming graduate-only positions. The number of full-time learners with part-time jobs has declined in the past 15 years, particularly sharply for 16-17 year olds, for whom it has halved. The labour market has become more complex and harder to navigate. Between 1998 and 2010, the share of private sector employment in large businesses (250-plus employees) dropped from 50 per cent to 40 per cent, while the proportion of workers in small businesses (1–4 employees) doubled to 22 per cent. Soft skills may also have become more important as the service sector has grown (almost 40 per cent of young people in work are employed in distribution, hotels and restaurants).⁴¹⁷

11. The lack of public policy focus on the so-called ‘other 50 per cent’ who do not have a pathway into university has not helped. Although only two-fifths of young people in England go on to study A-levels, public policy has for decades prioritised this high-achieving group.⁴¹⁸ Individuals in this cohort receive a higher level of funding per student than their peers, and their transitions (most often into higher education) have been the subject

⁴¹⁷ Paul Sisson and Katy Jones, *Lost in Transition? The Changing Labour Market and Young People Not in Employment, Education or Training*, May 2012; UK Commission for Employment and Skills (UKCES), *Scaling the Youth Employment Challenge*, March 2013; UKCES; *The UK Commission’s Employer Perspectives Survey 2012*, December 2012

⁴¹⁸ Department for Education, *SFR13/2013, Level 2 and 3 Attainment by Young People in England Measured Using Matched Administrative Data: Attainment by age 19 in 2012, 2013*

of intensive policy effort. All other young people are faced with a highly complex system with a plethora of poorly understood qualifications, limited support and advice, and the lack of a simple 'conveyor belt' taking people from school to work. Whereas countries such as Germany and Australia accord high status to vocational education and apprenticeships as a route into employment, the United Kingdom has chosen to focus on higher education rather than vocational routes.

12. Successive governments have sought to address these issues, with mixed success. The previous UK Government sought to create more vocational options, including higher numbers of apprenticeships. The number of apprenticeship starts increased from around 175,000 in 2005/06 to 279,700 in 2009/10.⁴¹⁹ The previous UK Government also introduced Connexions (the combined careers advice and youth service) and the Educational Maintenance Allowance (EMA), and announced the Raising the Participation Age (RPA) Regulations that are currently being implemented. Alongside this it developed a series of UK-wide welfare to work policies aimed at young people, including the New Deal for Young People and, much later, the Future Jobs Fund. In addition, it radically changed higher education policy in England, rapidly expanding university access, but also introducing tuition fees, backed by tougher requirements on universities around fair access.
13. Some of these policies have been well evaluated and seem to have had a positive impact. Post-16 school and college participation rates have risen sharply, especially since 2004.⁴²⁰ University participation has continued its long-term rise, with the proportion of young people entering higher education by the age of 19 increasing from 30 per cent in the mid-1990s to 36 per cent at the end of the 2000s.⁴²¹ It was not, however, all plain sailing. Many of the apprenticeships were low quality, and the system was bureaucratic. The proportion of 16- to 18-year-old NEETs rose slightly during the previous UK Government's term in office. Improvements in attainment were from a low base, so significant numbers still left school poorly qualified, and gaps between young people from different social backgrounds remained stubbornly high. Although the divide between those parts of the country that sent most children to university and those that did not narrowed for the first time in our country's history, the social profile of higher education changed only slowly, especially at the most selective institutions.⁴²²
14. There are lessons from these past successes and failures that can help to inform policy decisions in future. First, there is a need for a simpler and

⁴¹⁹ http://www.thedataservice.org.uk/Statistics/fe_data_library/Apprenticeships/

⁴²⁰ *Participation in education, training and employment by 16- to 18-year-olds in England, end 2012 (Table T5)*, 2013

⁴²¹ Higher Education Funding Council for England, *Trends in Young Participation in Higher Education*, 2010

⁴²² *Ibid*

higher-quality vocational skills offer that successfully engages employers by making it easier for them to train and employ young people. Central to this is the creation of stronger labour market institutions. While it may not be possible to create the kind of relationships that underpin, for example, the German vocational system, employers and unions could both do more. In 2008/09, there were 11 apprenticeship places for every 1,000 employed people in the UK, compared with 40 in Germany.⁴²³ Second, there is a need for better identification of those at risk of becoming NEET, including those with poor basic skills and qualifications, and for improved efforts to prevent, intervene early or help them to 'recover' and remain engaged in education and the labour market. Third, there is a need to have a far greater focus on improving the quality of further education provision, which is the largest provider of education to those who do not do well at school. Fourth, there is a need for continued activity to ensure that higher education is accessible, especially at the most selective institutions. Currently, even after controlling for a range of factors, including A-level grades and the subjects taken at A-level, pupils from state schools in England need to be the equivalent of two grades better qualified than privately educated pupils to be as likely as those pupils to apply to Russell Group universities.⁴²⁴

The Government's new approach

15. We now turn to the way in which the current UK Government has approached these issues. A range of measures were set out in the child poverty strategy and the social mobility strategy on youth transition. Those aimed at young people not on a direct path for university were then elaborated further in *Building Engagement, Building Futures*, the UK Government's 16–24 participation strategy.⁴²⁵ The measures cover steps to improve educational attainment; to help local partners to coordinate and deliver services; to incentivise employers to recruit young people through apprenticeships and to provide work experience; to get people into employment and to ensure that work pays. The Government is also currently carrying out a cross-cutting review of provision for 16–24-year-olds, led by the Cabinet Office.
16. Key initiatives have included the Wolf Review, which highlighted the issue of hundreds of thousands of young people who are taking vocational courses that do not reliably lead to university or a job: '*not despite of but because of central government's constant redesign, re-regulation and re-organisation of 14-19 education*'. It found that 350,000 out of approximately 1.6 million students in the 16–19 cohort gain 'very

⁴²³ H. Steedman, *The State of Apprenticeship in 2010*, Apprenticeship Ambassadors Network, 2010

⁴²⁴ V. Boliver, How Fair is Access to More Prestigious UK Universities, *British Journal of Sociology*, 2013

⁴²⁵ HM Government, *Building Engagement, Building Futures: Our Strategy to Maximise the Participation of 16–24 Year Olds in Education, Training and Work*, December 2011

little benefit from the post-16 education system.⁴²⁶ It also found that only four per cent of 16-year-olds who have failed GCSE mathematics and English go on to pass them by the age of 19, *'an omission that contrasts with the rest of the world's absolute determination to improve basic numeracy and literacy of its post-16 vocational students'*.

17. The UK Government has since implemented reforms intended to address the perverse incentives of further education colleges and schools to push young people into qualifications that carry no or little labour market benefit. It is creating University Technical Colleges, schools for students aged 14–18 that specialise in technical studies, combining practical and academic work, and that are each sponsored by a university. Forty-four are open or in development. It has begun reforming vocational education. It is also introducing the TechBacc from September 2014, under which students will combine a high-quality vocational qualification and a 'core maths' qualification, both at Level 3 (A-Level), with an extended project, thus beginning to build an improved high-prestige technical route. In addition, it is proposing to create a Further Education Commissioner with stronger powers of intervention in failing institutions. These positive changes sit alongside the potentially negative impact from substantial reductions in funding for further education.
18. In addition, responsibility for careers advice has been devolved to schools – although funding has not – and the statutory requirement for work-related learning at Key Stage 4 (GCSE) has been removed in line with the Wolf Review recommendations. Instead, increased provision for the over-16s has been made available, including making work experience a part of 16–19 courses and unpaid traineeships. The introduction of destinations data is intended to encourage schools and colleges to focus on equipping their young people for work. The UK Government has also developed the Work Experience programme for over-18 jobseekers (and in some circumstances 16- and 17-year-olds and those aged over 25), under which they can gain unpaid work experience with an employer for two to eight weeks while retaining their benefits.
19. The UK Government has gone ahead with the planned raising of the education participation age from September 2013 and has begun simplifying pathways with the introduction of coherent programmes of study for 16–19-year-olds (these require students to combine a substantive qualification with work experience and, for those who do not have them, English and maths GCSEs), the creation of traineeships (which will provide a progression route for those not ready for apprenticeships or jobs), and a large expansion in funding for apprenticeships. It has pledged funding to increase the number of apprenticeship starts by an additional 250,000 over the course of the

⁴²⁶ A. Wolf, *Review of Vocational Education – the Wolf Report*, 2011

Parliament (compared to the previous government's plans) and has also introduced a £25 million fund to support the development of Higher Apprenticeships.

20. Other key policies have included changing financial support for over-16s by replacing the £560 million Education Maintenance Allowance (EMA) with the £180 million 16–19 Bursary Fund. This is a more narrowly targeted scheme focused on specific categories of vulnerable young people. In contrast, Scotland and Wales have both retained a version of the EMA.
21. Following the abolition of the Future Jobs Fund, the UK Government has implemented the £1 billion Youth Contract, which includes providing training, work experience and a guaranteed interview to 18–24-year-olds as part of 'sector-based work academies'. These are a collaboration between Jobcentres, firms and trainers providing pre-employment training. The Youth Contract also funds the Work Experience programme, additional adviser support in Jobcentres and wage incentives. In addition it funds additional Apprenticeship Grants for Employers (AGE) for 16–24-year-olds and new provision for 16- and 17-year-old NEETs, through which providers are paid for achieving outcomes.
22. Wage incentives are payments of up to £2,275 for employers who take on 18–24-year-olds who either have been claiming Jobseeker's Allowance for more than 6 months or are attached to the Work Programme. The Government set aside funding for 160,000 subsidies over a three-year period from April 2012, and full payment is linked to young people staying in work, as payments are made after periods spent in work.
23. The Innovation Fund – a payment-by-results scheme (worth £30 million over 3 years) was established by the Department for Work and Pensions (DWP) to encourage the setting up of social investment projects to support disadvantaged young people to re-engage with education, training and employment.⁴²⁷ Meanwhile, through the Employer Ownership of Skills pilot, the Government is providing incentives to encourage employers to design and deliver vocational training that meets industry requirements and employer needs (£340 million of public investment is available to 2015/16, with employers expected to provide co-funding). The initiative is expected to create traineeships, apprenticeships and work experience opportunities, with some employers specifically targeting young people. Among the successful bidders announced for the second round of funding, three – Rogers Restoration,

⁴²⁷ Department for Work and Pensions (DWP), *Youth Unemployment Innovation Fund Pilot: starts and outcomes*, 2013 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206238/youth_unemploy_if_pilot.pdf

Everton Football Club and Costain Engineering and Construction – are focusing on delivering opportunities for young people.⁴²⁸

24. On higher education, the Government introduced higher fees, albeit on a fairly progressive basis, where graduates repay only when their salary is £21,000 rather than the previous figure of £15,000. It has also improved grants for lower-income students and introduced access agreements to ensure that universities broaden their social intake. The approach contrasts strikingly with Scotland, where fees have not been introduced for home students, and Wales, which directly subsidises Welsh students wherever in the United Kingdom they study.
25. In addition to government, employers, schools, colleges and universities all play a vital role in youth transition. There have been some outstanding examples of good practice in the UK. For example, Barclays has recruited 1,000 apprentices and is looking to recruit 1,000 more into permanent jobs, thus helping young unemployed people with few qualifications. In 2011/12, universities spent more than £444 million on fair access and outreach, a figure that will rise to £707.5 million by 2017/18.⁴²⁹ In addition, some are using contextual admissions to help to diversify their intakes.

The impact so far

26. The Commission's view is that the UK Government has sensible aims in terms of youth policy and has begun a series of reforms that have the potential to make a substantial difference – notably the reforms following the Wolf Review and the recommendations of the Richards Review. In relation to many of these reforms, it is too early to consider their impact (changes such as traineeships, for example, have only just begun to be implemented). Focusing on the more established reforms, the Commission finds that the overall record to date is mixed, and there are substantial gaps and risks that must be addressed with greater urgency if progress on life chances is not to be threatened.
27. In particular, the key indicators on youth transition highlight limited progress on long-term youth unemployment and numbers NEET. Although the fall in employment among young people has been greater than the rise in the number of NEETs because young people have stayed in education longer, and there have been recent reductions in NEETs aged 16–18, this still leaves a large group at age 18 and beyond who are

⁴²⁸Department for Business, Innovation and Skills (BIS), 'Millions in government funding made available to target industrial strategy skills training', 2013 (Issued September 9 2013, accessed 1 October 2013). <https://www.gov.uk/government/news/hundreds-of-employers-bid-for-250m-skills-training-pilot--2>

⁴²⁹Office for Fair Access, *2014-15 Access Agreements: Institutional Expenditure and Fee Levels*, 2012, <http://www.offa.org.uk/press-releases/universities-get-smarter-in-their-approach-to-fair-access/#note2>

moving into a shrunken youth labour market.⁴³⁰ More worrying still, the proportion of 18–24-year-olds who have been unemployed for over 12 months has increased relatively steadily since 2002, and the proportion unemployed for over 24 months has risen since 2009.

28. Recent data (May–July 2013) highlights the fact that 33 per cent (250,000) of unemployed 18–24-year-olds had been unemployed for more than 12 months, and 15 per cent (115,000) had been unemployed for over 24 months. The number unemployed for over 2 years is at its highest level since 1994.⁴³¹
29. Even excluding those in full-time education from unemployment estimates, jobless rates among 18–24-year-olds have increased. The proportion of 18–24-year-olds not in full-time education who are long-term unemployed has risen steadily since 2008. Recent data (April–June 2013) found that almost 213,000 individuals had been unemployed for over 12 months, and nearly 100,000 for over 24 months. This represents 6.6 per cent of economically active young people unemployed for over 12 months (3.7 per cent of all 18–24-year-olds) and 3.0 per cent of economically active young people unemployed for over 24 months (1.7 per cent of the age group)(see Figure 7.4).⁴³²

⁴³⁰ See for example: <https://www.gov.uk/government/news/number-of-young-people-not-in-education-employment-or-training-falls> which highlights that the number of 16-18 year olds who are NEET against the Department for Education's measure is the lowest it has been since the second quarter of 2000.

⁴³¹ Office for National Statistics, *Labour Market Statistics*, September 2013 (May-July 2013), 2013

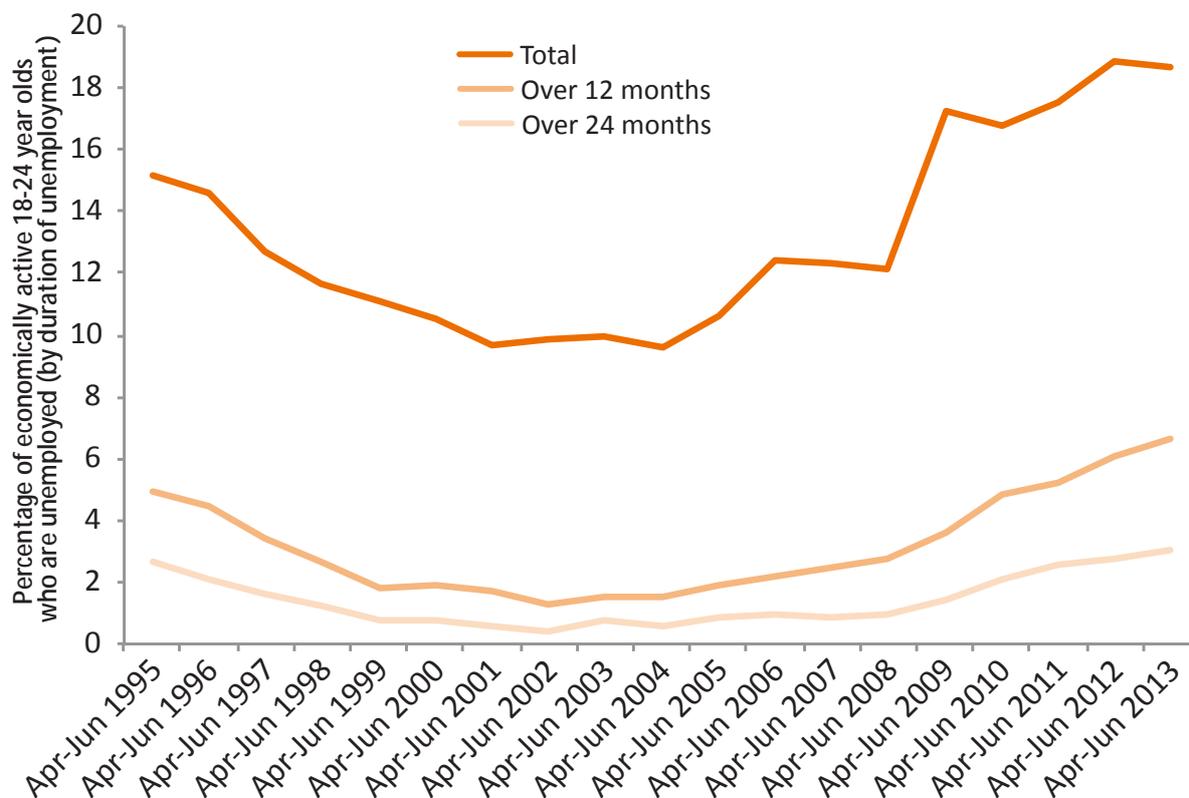
⁴³² Office for National Statistics, *Unpublished data: Unemployed people aged 18-24, not in full-time education, by duration of unemployment (1995 to 2013)*, 2013

Figure 7.3: Long-term youth unemployment (United Kingdom), 1992–2013



Office for National Statistics, *Labour Market Statistics*, September 2013, 2013

Figure 7.4: Unemployment rates among economically active 18–24-year-olds (excluding full-time education), by duration (1995–2013)



Office for National Statistics, Unpublished data: Unemployed people aged 18-24, not in full-time education, by duration of unemployment (1995 to 2013), 2013

30. The recovery has been weaker for younger than for older workers. The employment rate of 18–24-year-olds fell by over 8 percentage points, from 64.7 per cent to 56.5 per cent between Q3 2007 and Q3 2011 and only recovered slightly to 56.7 per cent in Q2 2013.⁴³³ Performance compared to other nations has been mixed. In 2012 the UK had the 11th highest youth unemployment rate of 34 Organisation for Economic Co-operation and Development (OECD) countries, but the 4th worst ratio of youth unemployment to unemployment of over 25s (there are 3.5 unemployed young people for every 1 unemployed older worker). Only Luxembourg, Greece and Slovakia had higher ratios. In Germany, the OECD country with the lowest ratio, it was 1.6 to 1.⁴³⁴

31. Despite all these worrying trends, it is notable that youth unemployment did not feature in the Coalition Agreement, and the main youth unemployment initiative, the £1 billion Youth Contract, was not originally part of the social mobility strategy. Of course, the fact that the

⁴³³ The employment rate is the proportion of jobseekers of that age in work. Office for National Statistics, *Labour Market Statistics*, September 2013

⁴³⁴ Organisation for Economic Cooperation and Development (OECD), *Short-term labour market statistics* Unemployment rate, Aged 15–24 and 25–49, All persons, 2013.

Government has latterly focused more attention on the issue is welcome, but it was slow to start, and the actions it has taken are so far having too limited an impact.

32. The Youth Contract, through Jobcentre Plus's Work Experience programme, provided nearly 100,000 work experience starts in Britain between January 2011 and November 2012.⁴³⁵ The Commission commends this element of the programme which appears to have had some success. Evaluation has found that 21 weeks after starting the programme, 46 per cent of participants are off benefits, compared to 40 per cent of comparable non-participants; 35 per cent are recorded as being in employment, compared to 27 per cent of non-participants.⁴³⁶ Sector-based work academies have also had some positive impact: there were 37,000 starts between August 2011 and November 2012.⁴³⁷
33. Other elements of the Youth Contract have proved less successful. Roughly one-quarter of the way through the programme, wage incentives had resulted in job starts for only one-eighth of the number of subsidies available, with only one-eightieth of the subsidy being used.⁴³⁸ Similarly, the intention to help at least 55,000 disengaged 16- and 17-year-olds by making available payments of £2,200 to providers who took them on has not been fulfilled. Up to March 2013, only 4,364 were enrolled and 1,202 re-engaged with a positive outcome.⁴³⁹ Ministers have announced that an under-spend on the Youth Contract will be used to fund additional support for claimants wishing to become self-employed (through an extension of the New Enterprise Allowance)⁴⁴⁰ and placed in a Challenge Fund for City Deals to be used in tackling youth unemployment.
34. To date the Youth Contract is not working effectively enough. It is not making a meaningful enough dent in what are appallingly high levels of long-term youth unemployment. New focus and urgency are needed.
35. On higher education, it is clear that the worst fears about the potential impact of tuition fees have not been realised. In 2013, it seems that relatively few 18- and 19-year-old applicants have been deterred from applying for a university place. The entry rate for the 2012 cycle

⁴³⁵ Department for Work and Pensions, *Get Britain Working Measures Official Statistics*, February 2013

⁴³⁶ Department for Work and Pensions, *Early Impacts of Work Experience*, April 2012

⁴³⁷ Department for Work and Pensions, *Get Britain Working Measures Official Statistics*, February 2013

⁴³⁸ Commission calculation from House of Commons Library, Youth Contract, 31 July 2013. This partly reflects start-up time lags. The Government set aside funding for 160,000 subsidies over a 3-year period from April 2012. By May 2013, 21,000 applications had been submitted and 2,070 payments made for individuals completing 26 weeks on the scheme

⁴³⁹ Department for Education (DfE), *Youth Contract data FY 2012 to 2013*, June 2013

⁴⁴⁰ <https://www.gov.uk/government/news/69-million-more-for-start-up-loans-and-new-enterprise-allowance>

decreased from 29.5 per cent of 18-year-olds to 28.8 per cent.⁴⁴¹ The gap between applications from advantaged and disadvantaged students narrowed. Those in the most advantaged areas were 2.9 times more likely as those in the least advantaged areas to apply and be accepted in the 2012 cycle, compared to 3.2 times more likely in 2011. Overall, more disadvantaged students were accepted into higher education than previously, and there seems to be little evidence of poorer students' choices being affected by differences in tuition fees charged by different institutions.⁴⁴²

36. There is, however, evidence of tuition fees having a negative impact on groups other than school leavers. There have been large falls in the number of mature and part-time students applying to university. Both part-time study and study by mature students are key routes for those from disadvantaged backgrounds. Recent analysis has found that the number of applicants aged 20 or older for full-time courses at English universities has fallen from just over 134,000 to just below 116,000, a reduction of over 18,500 (13.8 per cent) since 2010.⁴⁴³ The decrease has been greater among those aged 25 and over, where there has been a drop of 15.4 per cent in applications. The situation in England contrasts with that in Scotland, where there were increases in the numbers aged over 20 applying for full-time courses, and in Wales, where there has been little change in the numbers.

37. These trends are concerning, particularly when set against the Commission's recently published evidence suggesting that little progress has been made in improving the social diversity of the most selective institutions. Despite extensive efforts by universities, better-off young people are still far more likely to attend the most selective universities than the most disadvantaged.⁴⁴⁴ There is evidence that the proportion of students at these institutions who are from state schools and from disadvantaged backgrounds is lower than it was a decade ago. There are an estimated 3,700 'missing' state-educated students who have the grades required by Russell Group universities but do not go.⁴⁴⁵

⁴⁴¹ Universities and Colleges Admissions Service, *End of Cycle Report 2012*,

⁴⁴² Universities and Colleges Admissions Service, UK Application Rates by Country, Sex, Age and Background (2013 Cycle, January Deadline), 2013; UCAS, Demand for Full-Time Undergraduate Higher Education (2013 Cycle, March Deadline), 2013. Note that we do not yet know what impact tuition fees will have on future cohorts, with some arguing that the current cohort's expectations of going to university were set before fees were in place, and that this may change for future generations

⁴⁴³ Independent Commission on Fees, *Analysis of University Applications for 2013/2014 Admissions*, 2013

⁴⁴⁴ Office for Fair Access, *What More Can Be Done to Widen Access to Highly Selective Universities – Annex C: Trends in Young Participation by Selectivity of Institution*, 2010

⁴⁴⁵ Social Mobility and Child Poverty Commission, *Higher Education: the Fair Access Challenge*, July 2013. The 3,700 figure is based on the distance of each university from meeting their Higher Education Statistics Agency (HESA) benchmarks. Possible explanations could include low aspirations among less advantaged students or their teachers, lack of knowledge of the applications process, students not choosing the right A-Levels or having difficulties in demonstrating their potential in the admission process, issues with UCAS personal statements, or unconscious bias in admissions

38. The main groups that are disadvantaged in school attainment continue to struggle with university access. For example, while there has been a large increase in applications from ethnic minority youngsters in England, particularly black teenagers, rising from 20 per cent to 34 per cent between 2006 and 2013, white pupils at English schools now have the lowest application rate of any ethnic group.⁴⁴⁶ There also remain considerable regional variations: 42 per cent of 18-year-olds in London apply to university, compared with 31 per cent in the North East.⁴⁴⁷

The likely future impact

39. It is difficult to predict whether more progress will be made in the future than is currently being made, as it is in good part contingent on the shape of economic recovery. Furthermore, the policy environment is in flux given the current volume of reviews, reforms and new initiatives. In line with a commitment to prospective accountability, however, the Commission has sought to reach a judgement on the potential impact of key policies and initiatives.

Reducing the number of NEETs

40. The Commission is concerned that long-standing weaknesses in England regarding the local responsibility for reducing the number of young people who are NEET remain a risk to future progress on life chances. In particular, incentives for schools to identify and re-engage young people still remain weak, though accountability changes and the introduction of destinations data may help. Local authorities have formal responsibility for NEETs, but the activity of more than 10 per cent of 16–18-year-olds in local authority data on NEETs is ‘unknown’.⁴⁴⁸ The Commission is concerned that if young people are no longer in school or further education and the local authority has fulfilled the requirement under the ‘September Guarantee’ to offer an education or training place, no organisation is responsible for their outcomes until they become eligible for benefits at the age of 18 and engage with Jobcentre Plus. There is a need for a re-engagement strategy targeting individuals who drop out of college or further education and those who complete education and training but do not successfully move into work. This sits alongside gaps in information flows between schools, local authorities and other agencies in terms of identifying and keeping in touch with those who are NEET, barriers that have the potential to worsen as more schools become autonomous of local authorities.

⁴⁴⁶ Universities and Colleges Admissions Service (UCAS), *Demand for full-time undergraduate higher education (2013 cycle, March deadline)*, 2013

⁴⁴⁷ Ibid

⁴⁴⁸ Department for Education (DfE), *Data on 16- to 18-year-olds not in education, employment or training (NEET): 2012 local authority NEET figures*, 2013

Unclear pathways

41. There remains excessive complexity in the choices and routes that young people at age 16 and 19 encounter. Reforms to vocational qualifications look positive, though there remains inadequate information on courses and apprenticeships, and too little support for non-academic routes. There is also excessive complexity in local funding. Analysis by the Local Government Association has found that ‘*young people between 13 and 24 years old can receive support from at least eight national organisations, funding 33 different funds and schemes, spanning 13 different age groups and – not including school funding – at a cost of over £15 billion each year.*’⁴⁴⁹ As the Commission has argued previously, the multiplicity of organisational structures, agencies and funding arrangements locally weaken the policy offer for young people post-16.⁴⁵⁰

Apprenticeships

42. Apprenticeships are a critical part of simplifying the vocational offer for young people. The Commission welcomes progress on overall numbers: starts have increased by 86 per cent between 2009/10 and 2011/12, so that there are now over half a million annually (520,600, up from 279,700). However, more than three-quarters of the increase has been in provision for the over-25s: while apprenticeships for the over-25s increased by nearly 400 per cent, those for under-25s increased by only 36 per cent.⁴⁵¹ Some of the latter may have represented a re-badging of existing employer training. It is concerning that at a time of such high youth unemployment, the Department for Education is under-spending on this key initiative by £166 million.⁴⁵²
43. The Commission considers the Employer Ownership of Skills initiative a step in the right direction, with the potential to increase both the quality and availability of vocational training opportunities (through the provision of traineeships, apprenticeships and work experience) and to help with wage progression through better use of skills. However, how effectively these objectives will be delivered remains to be seen.
44. There remain concerns over the quality of the apprenticeships on offer, with a clear majority being at Level 2 (GCSE equivalent), which is a lower level than would be recognised as an apprenticeship in mainland Europe.

⁴⁴⁹ Local Government Association, *Hidden Talents 1: Supporting the Most Disengaged Young People into Employment, Education or Training*, March 2012

⁴⁵⁰ Social Mobility and Child Poverty Commission, *Social Mobility: The Next Steps*, July 2013

⁴⁵¹ The Data Service, *Apprenticeships: Breakdown by Geography, Equality & Diversity and Sector Subject Area*, 2013

⁴⁵² Department for Education (DfE), *Response to the Education Select Committee Questions on the Department for Education Supplementary Estimate 2012-13*, 8 May 2013, <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmeduc/writev/estimates/estimates.pdf>

There is evidence that 29 per cent in 2012 were not paid the relevant National Minimum Wage, in breach of the law, a figure that was up from 20 per cent in 2011.⁴⁵³ Meanwhile, Ofsted has concluded that ‘most English apprenticeships are still at Level 2, and many are short programmes of a year or less. These courses are too short and do not reliably lead to real employment.’⁴⁵⁴ We concur with this assessment. In this context we strongly welcome the conclusions of the Richards Review, which have been widely acknowledged as having the potential to deliver a step change in quality. We will monitor the situation closely.

45. Survey evidence suggests that just 15 per cent of employers in the UK offer apprenticeships, and only 9 per cent actually had one in place, with the lowest engagement in London, Wales and Northern Ireland.⁴⁵⁵ The lowest engagement by sector was financial services, where 4 per cent had apprenticeships, compared with education at 18 per cent. As the UK Commission for Employment and Skills (UKCES) has pointed out, there remains a great opportunity here. Two in five employers are unaware that the full cost of training for 16–18-year-olds is actually met by the Government.

Further education

46. Further education colleges receive far less policy and public attention than schools or universities. Funding per student in further education is much lower than in higher education. Provision in the sector has been subject to large cuts. Analysis by the Institute for Fiscal Studies (IFS) in 2011 found that there would be a 20 per cent real-term reduction in 16–19 education spending between 2010/11 and 2014/15, and further reductions have been announced since, including in the Spending Review for 2015/16, which announced a further cut of £260million.⁴⁵⁶ Although two out of three (66 per cent) of England’s general further education colleges are rated as outstanding or good, this compares unfavourably to sixth form colleges, where four in five (80 per cent) are outstanding or good, and there are considerable variations in the quality of provision.⁴⁵⁷ Ofsted inspection data lays bare the challenges for the sector, including the fact that at the end of August 2012, 1.5 million learners in the post-16 learning and skills sector were in provision that was rated less than good. Some very large providers in some of England’s biggest cities have been judged inadequate.⁴⁵⁸ This sits alongside long-standing concerns about whether

⁴⁵³ Department for Business, Innovation and Skills, *Apprenticeship Pay Survey 2012*, October 2013

⁴⁵⁴ Ofsted, *Unseen Children: Access and Achievement 20 Years On*, July 2013

⁴⁵⁵ UK Commission for Employment and Skills (UKCES), *Employer Perspectives Survey 2012*, Table 33/1

⁴⁵⁶ H. Chowdry and L. Sibieta, *Trends in Education and Schools Spending*, Institute for Fiscal Studies Briefing Note BN121, October 2011

⁴⁵⁷ Ofsted, *Dataview*, compare “Learning and Skills” “Further Education” with “Learning and Skills” “Sixth Form Colleges”.

⁴⁵⁸ Ibid

the right incentives exist in the sector to focus on employability. The hairdressing and beauty sector is a case in point: in 2011, more than 94,000 people completed hair and beauty courses despite there being just 18,000 new jobs in the sector – with the result that five people were qualified for every job.⁴⁵⁹

Fragmented financial support

47. For those from disadvantaged backgrounds who continue in education, post-16 financial support is very important, helping to ensure they are not prevented from studying because of poverty. In this context, the Commission believes that the decision to abolish the EMA was badly conceived, given its relatively positive evaluation.⁴⁶⁰ The jury remains out on the effectiveness of the Bursary Fund that replaced the EMA. This is an area that the Commission will continue to monitor.
48. Post-18, those who do not continue in education find themselves in a welfare and benefits system that does not always work well for young people. Those claiming Jobseeker's Allowance become part of a system designed for those who have lost their jobs, not those starting out in their career. Though traineeships, which provide work experience, are open to over-18s who can continue to claim JSA, in general it is very difficult to do training while also getting financial support. Other countries do not have the split that characterises the UK system between support for finding a job and support for finishing education. For example, the Netherlands and Denmark have a distinct system for young people that matches obligations to take up earning and learning with high quality support and provision.
49. Despite an array of requests to employers (work experience in schools; work experience in study programmes and traineeships; apprenticeship access; work experience under the DWP programme) and activities to engage employers (including work by the National Careers Service, National Apprenticeships Service and local enterprise partnerships, as well as Jobcentre Plus, Work Programme providers, schools and further education colleges, and initiatives led by third-sector organisations), too little work experience is currently on offer to ensure a step change in young people's prospects. Just over one-quarter of businesses in England (27 per cent) offer work experience, with marked differences by company size and sector.⁴⁶¹ There are also significant regional variations, with

⁴⁵⁹ L. Gardiner and T. Wilson, *Hidden Talents: Skills mismatch analysis*, Centre for Economic and Social Inclusion and Local Government Authority, June 2012

⁴⁶⁰ See, for example, <http://www.ifs.org.uk/projects/98> and <http://blogs.lse.ac.uk/politicsandpolicy/archives/7646>

⁴⁶¹ UK Commission for Employment and Skills (UKCES), *Employer Perspectives Survey 2012*. By contrast, the Confederation of British Industry (CBI) reports that the proportion of employers with links to schools and colleges offering work experience rose to 81 per cent in 2013, though its survey has a much smaller sample, with fewer direct respondents from small and medium-sized enterprises (SMEs)

nearly one-third of firms (32 per cent) offering work experience in London compared to just one-fifth (22 per cent) in the East Midlands.⁴⁶²

50. Overall, the Commission believes that current policies are likely to be insufficient to address entrenched and unacceptably high levels of youth unemployment and inactivity.

Higher education

51. We have concerns too, about the prospects for improving fair access for those young people wanting to enter higher education, especially at the most selective institutions. These concerns were voiced in *Higher Education: the Fair Access Challenge* in May 2013, and we echo the concerns expressed by the Independent Reviewer on Social Mobility and Child Poverty in his 2012 report, *University Challenge: How Higher Education Can Advance Social Mobility*.
52. The Commission recognises that tuition fees have been introduced on a relatively progressive basis. In particular, we welcome the fact that students from families with incomes of £25,000 or less receive a full grant for living costs of £3,250 a year, as well as maintenance loans. The Commission also welcomes government plans to provide additional funding of £2,500 for students previously eligible for free school meals who have secured university places and achieved at least grade Cs in their English Baccalaureate subjects.⁴⁶³ We agree with the Institute for Fiscal Studies' assessment that the current system is progressive, leaving graduates in the bottom 20 to 25 per cent of graduate life time earnings better off than under the previous system and the top 10 per cent of graduates paying back more than their borrowed.⁴⁶⁴
53. Nonetheless, we are concerned that, although some progress has been made, the proportion of university spending under access agreements which goes on financial support is still too high (bursaries and fee waivers) despite evidence that this is not the key driver of the social gradient in access. In 2017/18, 66 per cent will still be being spent on financial support.⁴⁶⁵ In addition, again despite progress, too much outreach work that aims to make access to university fairer and participation wider continues to rely on unproven methods or on work that is ad hoc, uncoordinated and duplicative. Finally, there continues to be

⁴⁶² UK Commission for Employment and Skills (UKCES) *Employer Perspectives Survey 2012*, Table 33/1

⁴⁶³ *The Guardian*, Nick Clegg Proposes Student Premium to Help Poorest Entering University, 21 May 2013

⁴⁶⁴ H. Chowdry, L. Dearden, and G. Wyness, *Higher Education Reforms: Progressive but Complicated with an Unwelcome Incentive*, IFS Briefing Note 113, December 2010.

⁴⁶⁵ £464.5 million of £707.5 million access spend. <http://www.offa.org.uk/press-releases/universities-get-smarter-in-their-approach-to-fair-access/#note2>. This is down from 87 per cent in 2011/12. <http://www.offa.org.uk/press/quick-facts/>

insufficient use of contextual data, despite the growing evidence base in its favour, and of foundation year degrees. These are all issues that the higher education sector needs to address with greater intentionality if progress is to be made on breaking the link between social origin and university education.

54. The UK Government also needs to raise its game. The Commission acknowledges some positive recent steps, including the reallocation of part of the funding for the National Scholarship Programme to postgraduate support. But we believe that much more needs to be done to address the fall-off in applications for undergraduate degrees from mature students and part-time students, and to address the loss of coordination capacity in outreach work following the abolition of Aimhigher.

Recommendations

55. The Commission believes that there is much to welcome in the Government's agenda for helping young people to make the transition from school to work. There is a great deal of activity underway. However, it is not making enough impact to address the immediate problem of long-term youth unemployment nor the medium-term challenges of making vocational education a higher priority and making higher education more socially diverse. The Government needs to increase its efforts and set clearer and more ambitious objectives. We welcome the fact that a review is underway into 16–24 policy, and hope that these recommendations will be considered as part of that process.
56. First, the Government should set challenging aims of eliminating long-term (12 month+) youth unemployment, and reducing the proportion of young people who are NEET to below the European average.
57. Second, as a first step the Government and business leaders should work together to set a joint strategic goal for half of firms to offer high-quality apprenticeships and work experience. Central and local government can help to lead this process by offering more apprenticeships to fill high-skill roles and using procurement to drive greater private sector provision.
58. Third, for the cohort of young people entering the labour market without prior work experience, it is reasonable to expect them to be 'earning or learning' provided opportunities are made available to match obligations. So the Government should consider introducing a youth credit (or participation payment), conditional on their participation in high quality work-related support and educational programmes, perhaps along the lines of current traineeships (with funding drawn out of the Bursary Fund and Child Benefit for 16 and 17 years olds and out of Jobseeker's Allowance for the over-18s).

59. Fourth, for young people aged 18-24-years old with prior work experience, the Government should cap the amount of time they can spend jobless on benefits by putting in place a guaranteed job placement opportunity under the Work Programme.
60. Fifth, local partnership organisations should be created to identify, track and reengage NEETs as a possible step towards an integrated youth work and education system along the lines of the Netherlands and Denmark, which have among the lowest youth unemployment in Europe.
61. Sixth, a UCAS-like system for the 'other 50 per cent' should be introduced to make access to vocational education simpler alongside a payment-by-results approach in further education, based on students' labour market outcomes, with the Government setting a long-term goal to narrow the gap in funding between academic and vocational education.
62. Seventh, all Russell Group universities should agree five-year aims to close the fair access gap, all universities should adopt contextual admissions processes and evidence-based outreach programmes, and the Government should focus attention on increasing university applications from mature and part-time students.

Chapter 8 Access to the professions

- **New research shows that social class is a more significant barrier than gender to obtaining a top job.**
 - **Senior professionals are still more likely to be part of a social elite of men from private school and privileged backgrounds.**
 - **Professions are undertaking more activity in order to improve but results are mixed: law leads medicine, media, politics and finance.**
 - **Work experience is a regional lottery: one in three London firms participate, but only one in five firms in the East Midlands do so.**
 - **Graduates who have completed an internship are three times more likely to be offered a job, but 90 per cent of those entering journalism have completed unpaid internships**
 - **Unpaid internships should be stopped, and more apprentices recruited**
 - **The Government should use procurement to encourage firms to adopt social mobility practices**
1. The more professional jobs there are, the better the prospects for social mobility. As outlined earlier in this report, the first great wave of social mobility, in the 1950s and 1960s, was given momentum by a major expansion in white-collar jobs, thus creating more ‘room at the top’ for millions of women and men. A professional career is more likely than low-skill roles to offer long-term employment and better prospects for social advancement and wellbeing.⁴⁶⁶ Today managerial, professional and associate professional roles account for 42 per cent of all jobs in the United Kingdom, and are expected to remain an increasing part of future employment growth.⁴⁶⁷ That expansion provides the basis for a second wave of social mobility – provided, of course, that access to a professional career is open to the widest possible pool of talent.
 2. However, the evidence suggests that for too long, professions have been dominated by narrow social groups, particularly in the most senior positions. Nearly one-quarter of university vice-chancellors, one-third of MPs, more than half of senior medical consultants, FTSE chief executives and top journalists, and over two-thirds of High Court judges went to independent schools, though only seven per cent of the total population do so.⁴⁶⁸ These problems at the top are reflected at the bottom of the professional career ladder, with new research funded by the Commission finding that those from a high socioeconomic background are more likely

⁴⁶⁶ Office for National Statistics, *Life expectancy at birth and the age of 65 by local areas in the UK 2004–06 and 2008–10*, 2011

⁴⁶⁷ UKCES, *Working Futures 2010–2020*, 2012

⁴⁶⁸ Sutton Trust, *The Educational Backgrounds of Leading Lawyers, Journalists, Vice Chancellors, Politicians, Medics and Chief Executives*, 2009

to be in a top job 3 years after graduation.⁴⁶⁹ Recruitment and selection practices – such as word of mouth recruitment and unpaid internships – appear to advantage those from better-off backgrounds and disadvantage those from worse-off backgrounds.

3. The role of the UK's leading professions has been the subject of previous work on social mobility, including *Unleashing Aspiration: The Final Report of the Panel on Fair Access to the Professions* in 2009, and most recently, the May 2012 report of the then Independent Reviewer on Social Mobility (now Chair of the Commission), *Fair Access to Professional Careers*. Here we build upon previous analysis to assess recent progress. We focus on those leading professions covered in *Fair Access to Professional Careers* – law, medicine, media, the Civil Service and politics – in part because previous analysis provides a baseline, and in part because these are some of the nation's most elite and influential occupations. We also look at the financial services sector and its progress in creating a more socially diverse workforce. We intend to look in future at other sectors, including science and engineering, and local government.
4. The Commission believes that there is both a business case and a fairness case for these professions – and indeed employers more widely – to do more to remove barriers to applicants. Unfair practices deny businesses access to talent and the advantages that come from having a truly diverse workforce.⁴⁷⁰

Past trends and lessons

5. The number of professional jobs has continually expanded since the Second World War. In 1951 one in every eight jobs was professional. By 2001 this had risen to more than one in three.⁴⁷¹ This growth has been accompanied by increasing unease about the skewed social make-up of professions such as law and medicine. Recognising this issue, in 2009 the previous government established the Panel on Fair Access to the Professions, which made a series of recommendations to the UK Government and professions on the steps needed to open up the professional labour market. Key barriers identified in the 2009 work included:
 - *Parental attitudes and school engagement*: Over half of children whose parents are employed in the professions wish to have a professional career compared with just 13 per cent of children whose parents are in semi-skilled occupations.⁴⁷² Businesses engaging with schools via

⁴⁶⁹ L. Macmillan and A. Vignoles, *Mapping the Occupational Destination of New Graduates*, 2013

⁴⁷⁰ The Social Mobility and Child Poverty Commission, *Business and Social Mobility: a Manifesto for Change*, October 2013

⁴⁷¹ Office for National Statistics, *Census*, 2001

⁴⁷² Cabinet Office, *Aspiration and Attainment Amongst Young People in Deprived Communities*, 2008

careers talks or providing work experience can help to level the playing field on aspiration and expectation. But activity is too often poorly coordinated and too sporadic to maximise impact.

- *Work experience and internships*: Employers increasingly place a premium on previous experience when deciding who to recruit. Internships in particular have become a new rung on the professional career ladder. But all too often it is informal connections that dictate who gets those job opportunities, and the fact that many internships are unpaid disadvantages those unable to afford to work for free.
 - *Recruitment and selection processes*: Top employers often recruit from a small pool of talent, focusing on average on 20 out of more than 115 universities.⁴⁷³ These universities tend to have the lowest proportion of disadvantaged students, with the most advantaged 20 per cent of young people being seven times more likely to attend the most selective higher education institutions than the most disadvantaged 40 per cent.⁴⁷⁴
 - *Entry and progression routes*: Forty years ago it was possible for school leavers to work their way up from the bottom rung to the top within a profession in sectors such as accountancy and journalism. The expansion of requirements for formal credentials – including a qualification’s ‘arms-race’ - has virtually put an end to that, as more and more jobs have become the exclusive preserve of graduates and often postgraduates, thereby automatically excluding ‘the other 50 per cent’ who do not go to university.
6. Prompted by this analysis, the then Government implemented a series of measures – such as launching the Graduate Talent Pool website and increasing support for apprenticeships – and the leading professions increased their activities. Subsequently, in September 2011 the legal profession launched PRIME, a commitment by law firms to offer work placements to disadvantaged young people. In Parliament, 2011 also saw the launch of the Speaker’s Parliamentary Placements Scheme, offering paid internships to people from a range of different backgrounds. Within medicine, the King’s College London’s Extended Medical Degree – one of the UK’s flagship programmes for widening access to medicine – was later replicated by other medical schools. Universities including Dundee, Durham and Southampton offer similar programmes.
7. In 2012 the Independent Reviewer’s follow-up report sought to assess what progress had been made since 2009. Its overall conclusion was mixed. Some professions had recognised the social mobility challenge and taken tangible steps. For example, the report applauded the efforts of the legal sector to improve the diversity of its workforce (in part prompted by the landmark report of Lord Neuberger).⁴⁷⁵ Meanwhile, medicine and

⁴⁷³ High Fliers Research, *The Graduate Market in 2013*, 2013

⁴⁷⁴ Office for Fair Access, *What More Can be Done to Widen Access to Highly Selective Universities*, 2012

⁴⁷⁵ The General Council of the Bar, *Entry to the Bar Working Party Final Report*, 2007

journalism were both criticised for limited progress. In sum, it found that “*despite some pockets of progress [the professions] have done too little to catch up*”.⁴⁷⁶

8. The Commission has identified a range of lessons from the experience to date, some of which have informed its early work to address social mobility. These include:
 - *Leadership*: The professions that have made most progress tend to be those where a senior leader has recognised the social mobility challenge, often because of personal experience. Those making the least progress lacked visible advocates willing to recognise the problem and drive change. Regulators – such as the Legal Services Board, the first to collect socioeconomic data on the make-up of the profession it oversees – have a key role to play here.
 - *Business case*: While the initial prompt for engagement with the fair access agenda has often been grounded in concerns about social fairness and corporate reputation, the professions that have taken meaningful steps have tended to pursue a more hard-headed business case for taking action. They have sought to better understand how existing recruitment and promotion practices affect talent and creativity within their organisations. Some have started measuring their social profile in order to use data to judge where there might be problems. The Commission has recently set out the business case for action to tackle social mobility (see Box 8.3).⁴⁷⁷
 - *Collective action*: Many more firms have become engaged in the agenda. They are undertaking a variety of activities to better guarantee fair access, ranging from pupil mentoring to work experience. Some have begun to recognise the risk of uncoordinated activity and have started to forge alliances with others to pool efforts and resources. The most high profile example may be PRIME, but there are others, such as the Selecting for Excellence Executive Group chaired by the Medical Schools Council, and the recent accountancy roundtable and working group established by KPMG and the Institute for Chartered Accountants in England and Wales (ICAEW).

The Government and others’ new approach

9. This is the context for recent efforts by the UK Government, professions and the Commission itself.
10. For the UK Government, social mobility responsibilities cut across the Cabinet Office, Department for Education, the Department for Business, Innovation and Skills and the Department for Work and Pensions. The

⁴⁷⁶ Cabinet Office, *Fair Access to Professional Careers*, 2012

⁴⁷⁷ Social Mobility and Child Poverty Commission, *Social Mobility and Business: A Manifesto for Change*, October 2013 <https://www.gov.uk/government/publications/business-and-social-mobility-a-manifesto-for-change>

Commission also recognises the high level of engagement in this area from the Deputy Prime Minister, and from the Parliamentary Under-Secretary of State for Health, who has supported action within medicine. Activities have included:

- *Promoting the Social Mobility Business Compact*: This public commitment from employers to tackle social mobility issues was launched by the Deputy Prime Minister in January 2012 and now has over 150 signatories. The Deputy Prime Minister's Opening Doors Awards, due to be presented for the first time in autumn 2013, will provide an opportunity for those leaders in this field to receive recognition of their efforts and to share best practice.
 - *Taking action on unpaid internships*: If interns are "workers" (as defined in the National Minimum Wage Act 1998), they are entitled to the National Minimum Wage and should be paid at least this if the placement is to be compliant with employment law.⁴⁷⁸ As the Prime Minister recently stated, "*unpaid interns should not be employed instead of workers to avoid the National Minimum Wage*".⁴⁷⁹ HMRC has written to both employers and websites highlighting the implications of the law for internships. In 2012/13, HMRC identified £3.9 million in arrears of wages for around 26,000 workers, and from the start of October 2013, it is planned that employers who fail to pay the National Minimum Wage will be 'named and shamed'.
 - *Increasing access to apprenticeships*: The introduction of traineeships has created a first step on the career pathway to apprenticeships and work for young people, and further investment has increased the number of opportunities.
11. Across business and the professions, responses to the Commission's Call for Evidence for this report have highlighted a wide range of activity including:
- *School outreach*: Some 85 per cent of larger employers say they work with schools, and 77 per cent of firms with links to schools and colleges have those connections at a local level.⁴⁸⁰
 - *Work experience and internships*: Around one-quarter of businesses in the United Kingdom provide work experience, ranging from nearly one-third in London to just over one-fifth in the East Midlands.⁴⁸¹ The Professional Collaborative Forum has been undertaking further efforts to raise the profile of its Common Best Practice Code for High-Quality Internships, which outlines the core elements of fair and open internships.⁴⁸²

⁴⁷⁸ Key guidance is available at <https://www.gov.uk/government/publications/national-minimum-wage-workers-checklist>

⁴⁷⁹ Prime Minister's Questions, 19 June 2013

⁴⁸⁰ CBI, *Changing the Pace: CBI/ Pearson Education and Skills Survey*, 2013

⁴⁸¹ UKCES, *UK Commission's Employer Perspectives Survey*, 2012

⁴⁸² Gateways to Professional Collaborative Forum, *Common Best Practice Code for High-Quality Internships*, 2012

- *Recruitment and selection:* A small number of leading employers, including parts of the Civil Service and the legal sector, are now using school and university blind applications, backed by bias-awareness training.
- *Flexible entry:* There has been continued growth in Higher Apprenticeships and school leaver programmes. Whereas in 2009, just four of *The Times* Top 100 Graduate Employers offered non-graduate recruitment, this figure has now risen to around one-half of these employers.
- *Monitoring and data collection:* 16 per cent of graduate employers are now monitoring the socioeconomic background of their graduates, with a further 21 per cent planning to do so in the next recruitment cycle.⁴⁸³ However, little data has been published to date.

Law

12. The regulators of the legal sector – the Bar Standards Board (BSB), the Solicitors Regulation Authority (SRA) and the Chartered Institute of Legal Executives (CILEx) – have continued to be key advocates in driving progress by supporting and encouraging chambers and law firms to implement change quickly. The Legal Education and Training Review (LETR) – a joint project of the regulators – has now reported, providing a review of education and training requirements of legal services in England and Wales and making a series of recommendations in areas relevant to social mobility, such as entry routes to law.
13. On school activity, lawyers continue to seek to raise the profile of the profession through a wide range of activities with children who may not otherwise have access to the profession. Run by the Citizenship Foundation, Lawyers in Schools places legal professionals in the classroom to help young people to understand the law and to break down preconceptions. The Bar National Mock Trial Competition continues to involve over 2,000 students, 300 barristers and advocates, and 90 judges from across the United Kingdom. The Bar Council also runs several activities, including annual career days that are held around the country in Leeds, Cardiff, Birmingham and Liverpool, in addition to London.
14. On work experience, PRIME has continued to expand, with 80 law firms now signed up to the commitment, and the Commission notes that most firms taking part have been offering high-quality placements, including post-placement contact and support.⁴⁸⁴ PRIME has also acted as a useful model of collaboration for other sectors, such as medicine and accountancy, with both of these considering a similar scheme for young people interested in their respective professions. The Bar is continuing to

⁴⁸³ Association of Graduate Recruiters, *Graduate Recruitment Survey*, 2013

⁴⁸⁴K. Kettlewell, C. Southcott, G. Featherstone, E. Stevens and C. Sharp, *Evaluation of the First Year of PRIME*, 2012

offer work experience to disadvantaged students of both school and university age. The Pegasus Access Scheme offers mini-pupillages at the Bar to high-achieving undergraduate students from disadvantaged backgrounds. The Honourable Society of the Middle Temple runs a scheme for undergraduates from disadvantaged socioeconomic backgrounds, placing them in chambers for one week, and shadowing a judge for another week.

15. On selection procedures, the Bar Council has produced a Fair Recruitment Guide as a resource for chambers. The BSB's new Code of Conduct rules require interview panel members to have bias training to support fair recruitment, and include a monitoring toolkit for chambers to use. The Law Society intends to identify good practice in recruitment, which excludes, for example, practices such as using UCAS points to screen out candidates.
16. On flexible entry routes, CILEx continues to provide an important pathway to qualification as a lawyer for those who have not been to university. New developments include the Level 4 Apprenticeship in Legal Services, which has been available since May 2013, and the announcement by BPP Law School that from 2014 it intends to run a degree-level apprenticeship for solicitors, combining work and study. The legal sector is also collecting socioeconomic data on its workforce, although this has not yet been widely published.

Medicine

17. The past 18 months have seen a notable increase in commitment and activity in medicine. This has included the establishment of the Selecting for Excellence Executive Group (SEEG), chaired by the Medical Schools Council, which is bringing together key players from across the sector and has publicly set out its workplan to address social mobility. The fact that the General Medical Council (GMC) is taking an active role in addressing access issues is also welcome.
18. Health Education England (HEE) became fully operational in April of this year and will provide leadership for the new education and training system for the future health workforce. The UK Government's mandate to the new body includes a responsibility to support widening access to the medical profession.⁴⁸⁵ Its role in opening up medicine is expected to include supporting engagement with schools and considering selection procedures for higher education. Recommendations are expected by the end of this year.

⁴⁸⁵ Department of Health, *Delivering high quality, effective, compassionate care: Developing the right people with the right skills and the right values*, 2013

19. On engagement with schools, most university medical schools continue to offer mentoring and talks, often targeted at secondary schools, to encourage young people to apply. On work experience, the SEEG has committed to establishing a best practice guide for the NHS by early 2014 with the intention of producing further guidance later on in the year on how medical schools should evaluate candidates' work experience in their selection methods.
20. On selection procedures more broadly, some medical schools are beginning to use contextual data, which may help to address past problems. Entry to medicine is really an issue of entry to university, and very high qualifications are required, including high predicted grades. But capable students who go to weaker schools are likely to have worse grades than those of similar ability at better schools, and there is some evidence that poorer students have lower predicted grades than similar better-off students.⁴⁸⁶ Alongside established widening-participation activities, the University of Birmingham recently took into consideration students' schools for a small number of applicants when offering interviews and found that those selected contextually performed as well at interview as those selected on a traditional basis.
21. On flexible entry, extended medical degrees are increasingly a recognised part of the system, though there has been limited progress in establishing them more selective universities. There has been continued growth in apprenticeships among the wider NHS workforce.
22. On monitoring, there has been significant progress, with the GMC for the first time asking doctors in training about their socioeconomic background within their National Training Survey. We welcome the opportunity the GMC has given us to publish the results (see Box 8.1). They show the scale of the task that lies ahead if medicine is to become more socially representative of the public it serves, but are also testament to its commitment to widening access.

⁴⁸⁶Department for Business, Innovation and Skills (BIS), *Investigating the Accuracy of Predicted A-Level Grades as part of 2009 UCAS Admissions Process*, 2011

Box 8.1: National Training Survey 2013, General Medical Council⁴⁸⁷

This year the General Medical Council for the first time included questions on socioeconomic background within its annual National Training Survey. Over 50,000 doctors undergoing their foundation or specialist training responded, with the results suggesting there remains limited representation of those from lower socioeconomic backgrounds within medicine. Key findings regarding those trainee doctors who completed both their secondary education and their undergraduate medical degree in the United Kingdom (three-quarters of the current cohort), included the following:

- The current cohort of trainee doctors is dominated by those who attended private schools or selective state schools. Over one-third (34 per cent) of trainee doctors attended private school compared with seven per cent of the general population. Almost one-quarter (24 per cent) attended selective state schools. Of those who stated which school they mainly attended, 39 per cent attended a non-selective state school.
- Eight per cent of trainee doctors received free school meals (FSM) at any point during their schooling, compared with one quarter of the general population.
- Trainee doctors are more likely to be the children of graduates, with almost two-thirds (65 per cent) having a parent or guardian who completed a university degree or equivalent.
- Six per cent of trainee doctors grew up in one of the most deprived areas of the United Kingdom.

Media

23. There has been a recent rise in activity by broadcast companies and newspapers to improve social mobility. For example, in relation to schools, the BBC has been involved in the Inspiring the Future programme. Some individual media commentators are also providing leadership: for example, Robert Peston founded Speakers for Schools, the charity that arranges for inspiring well-known figures to talk to students. On work experience, 4Talent advertises work experience opportunities at Channel 4, and their 4Talent Days that are held around the United Kingdom have been providing young people with direct access to industry professionals. The rise of social media also provides the industry with the opportunity to engage with young people across the country through digital channels. *The New Statesman* has adopted this approach by testing a 'virtual work experience scheme' in which aspiring journalists pitch, submit and receive feedback on written work via email.

⁴⁸⁷ General Medical Council, *National Training Survey*, 2013

Discussions are taking place among broadcast companies about pooling their efforts to improve social mobility.

24. On flexible entry, the Commission notes the apprenticeship schemes run by the *London Evening Standard* and *The Independent* that offer opportunities to young people who are interested in journalism but who do not hold a degree-level qualification. ITV also offers apprenticeships in creative and digital media, and business and administration, including opportunities outside the capital. The BBC offers an apprenticeship in broadcast engineering based in Birmingham, Salford or London.
25. These initiatives are welcome, but overall fall well short of what is needed. The media industry is characterised by a skewed social intake that has not changed over a decade. Recent statistics on the social background of journalists show starkly the continuing lack of socioeconomic diversity in the profession. Only 3 per cent of journalists have parents in the lowest 'unskilled occupations', compared to 17 per cent of the public as a whole, and 65 per cent have parents who are 'professionals, managers, directors, or senior officials' compared with 29 per cent across the UK.⁴⁸⁸ As noted in Chapter 2, the fact that journalists come from a narrow range of backgrounds may be one contributor to the mixed coverage of poverty issues.

Politics and government

26. Politics is making tentative moves towards grappling with fair access. Within Westminster the Speaker's Parliamentary Placements Scheme has continued providing high-quality paid placements, albeit that they are necessarily limited in number.
27. The Civil Service one-day Whitehall Internship ran this year for the third time, giving Year 9 pupils the opportunity to visit Whitehall, including talks from ministers and senior officials. The Civil Service's two-week programme for sixth formers has also continued, and was expanded this year, including being run in Scotland for the first time. At the same time the Civil Service Summer Diversity Internship Programme for graduates has continued. This paid programme has been in place for over 10 years, specifically for graduates from diverse socioeconomic backgrounds and black and ethnic minority groups with the expectation that interns will apply to the Fast Stream or seek wider Civil Service opportunities. The number of available internships has increased year on year, with a higher proportion of placements being offered to students from disadvantaged backgrounds.

⁴⁸⁸ National Council for the Training of Journalists, *Journalists At Work: Their View on Training, Recruitment and Conditions*, 2013
http://www.nctj.com/downloadlibrary/jaw_final_higher_2.pdf

28. On non-graduate routes, in 2013 the Civil Service launched a Fast Track Apprenticeship Scheme for young people. It specifically targets 18–21-year-olds who have chosen not to go to university and provides a structured training programme for at least 2 years as the apprentices work towards a Level 4 Higher Apprenticeship in Business and Professional Administration.
29. The Civil Service has continued to monitor applicants for the Fast Stream scheme and published its latest analysis in summer 2013. This highlights the continued challenges of opening up Whitehall, albeit that the proportion of applicants from a routine and manual occupational background has increased slightly to 7.1 per cent, compared with 6.1 per cent in 2011. The proportion of successful applicants from this group also increased to 3.8 per cent, compared with 2.5 per cent in the previous year.⁴⁸⁹ Disappointingly, however, the promise to publish similar monitoring data on the socioeconomic make-up of the Senior Civil Service has not yet been delivered.

Financial services

30. Parts of the financial services industry have intensified efforts over recent years. On engagement with schools, the Commission has heard about a variety of outreach activities being undertaken by individual firms within the financial services sector, often in collaboration with third-sector organisations such as the Social Mobility Foundation, Careers Academies UK and Business in the Community. There are also some activities at a sector level, with the ICAEW working with over 500 schools and colleges in the United Kingdom. In Scotland, the ICAS Foundation offers financial and mentoring assistance to young people from disadvantaged backgrounds who are interested in a career in chartered accountancy. Earlier this year Barclays launched Life Skills, a new programme designed to give young people access to the advice, support and opportunities they need in order to prepare for employment.
31. In addition to these activities, some firms are sponsoring academies within their local areas. City Academy in Hackney, where half of students are eligible for FSM, is sponsored by KPMG and the City of London, and UBS has invested £2 million in the establishment of the Bridge Academy in Hackney. PWC is now adopting a 'whole school approach' in which it focuses on 25 schools nationally, working as governors and as mentors to students and teachers over the long-term.
32. Earlier this year, KPMG and ICAEW co-hosted a meeting of representatives from 30 accountancy firms, professional bodies and key community organisations to discuss taking a collaborative approach to improving access to the accountancy sector. A working group has

⁴⁸⁹ Cabinet Office, *2012 Fast Stream Recruitment Report*, 2013

developed a draft set of commitments aimed at ensuring that the accountancy profession is more socioeconomically representative, and will report on progress early next year.

33. On work experience, the sector offers numerous internships, for example in banking, with almost 2,800 paid placements and other experiences available.⁴⁹⁰
34. The Association of Accounting Technicians (AAT) continues to provide a non-graduate pathway within accountancy for those with no formal academic qualifications. In addition, the AAT Access in Business and Finance course has now been added to the apprenticeship framework, providing a Level 1 course as the initial step for a career in accountancy.

Other professions

35. The Commission has also heard, partly through our Call for Evidence, about activities being carried out by other leading professions to improve social mobility. For example, the Royal Institution of Chartered Surveyors launched a non-graduate scheme 3 years ago and is supporting the development of the first Construction University Technical Colleges. The Chartered Institute of Personnel and Development has also engaged in the social mobility agenda, partly through its Learning to Work initiative, which aims to address the issues surrounding youth unemployment.

The impact so far

36. All of this suggests that there is a great deal going on. The question is whether it is leading to progress on opening up access to elite occupations to people from a wider range of backgrounds.
37. We commissioned research that sheds new light on entry to the professions, looking at whether there are differences by social background in people's entry into 'top jobs', which is an issue on which there has been much speculation but precious little evidence. This new analysis finds that in England and Wales, if we compare two graduates, one from a high socioeconomic background and the other from a low socioeconomic background, with the same qualifications, who attended the same type of university and took the same subjects, those from better-off families are more likely to be working in top jobs three years after graduation (see Box 8.2). The research also found that attending a private school is a significant predictor of being in a top job, both six months and three years after graduation.⁴⁹¹

⁴⁹⁰ High Fliers Research, *The Graduate Market in 2013*, 2013

⁴⁹¹ L. Macmillan. and A. Vignoles, *Mapping the Occupational Destinations of New Graduates*, 2013. This is available at www.gov.uk/smcpc.

38. Whatever the reasons, this new research shows that the socioeconomic effect is greater than the gender effect: that is, social class appears to be a bigger barrier than gender when it comes to securing a top job. The top professional jobs are still more likely to go to men from private schools and privileged backgrounds. The hope that the phenomenon of a social elite dominating the top jobs would fade naturally over time seems misplaced. The professions need to redouble their efforts to make access open to a far wider pool of talent.

Box 8.2: Mapping the Occupational Destinations of New Graduates, Lindsey MacMillan and Anna Vignoles, 2013

The Social Mobility and Child Poverty Commission funded research exploring the early careers of graduates, looking specifically at whether their chances of securing a high-status job 6 months and 3 years after graduation differ according to socioeconomic background. Looking at the destinations of over 20,000 young people who graduated from university in Scotland, England and Wales in 2006/07, this research found that socioeconomic background and private schooling are associated with a greater influence than gender on the chances of securing a top job 3 years after graduation, and this difference is particularly strong for men. Key findings included the following.

- A graduate's socioeconomic background is not associated with increased chances of securing a top job 6 months after graduation, apart from through the positive effect it is likely to have on their prior academic attainment and higher education choices.
- However, three years after graduation, those from more advantaged socioeconomic backgrounds and those who attended private schools are more likely to be in top jobs, including top administrative, professional and managerial roles in such leading professions as law and the media.
- And graduates who attended private schools are more likely to secure a top job 6 months after graduation than individuals from state schools with similar characteristics and similar levels of educational achievement. Despite the same prior academic attainment, subject choices and university, a private school student has a 3 percentage point higher chance of entering a top occupation. This is a greater difference than the 2.3 percentage points between men and women.
- Socioeconomically advantaged graduates are more likely to undertake postgraduate study, which is likely to improve their future career prospects.
- However, there does not appear to be a similar socioeconomic gap for Scottish-domiciled students, although further study is necessary to fully understand the reasons for this.

- This research shows that even if we compare students from the same institution type, taking the same subjects and with the same degree class, socioeconomic status and private schooling still affects an individual's chance of securing a top job.

School outreach

39. While it is good news that many employers are working with schools, the evidence seen by the Commission suggests that a great deal of activity remains one off and ad hoc, despite research showing that continued engagement is directly linked to employment outcomes. Recent analysis found that young adults who could recall 'four or more employer contacts' were five times less likely to be NEET than those who had no involvement.⁴⁹² In order to truly impact on outcomes, employer engagement with schools should be long term, and should go beyond aspiration-raising activity. Much of what is happening is not achieving all that it could.
40. The Commission has also heard evidence that far too little school outreach activity is happening outside London and the South East of England, where there is a great deal of provision in some places, especially those boroughs in close proximity to the City. We heard about schools and colleges within Tower Hamlets being inundated with offers from employers and the third sector, while schools in other parts of the United Kingdom, such as the Welsh Valleys and the North East, struggle to find work experience placements within the professions for their students.

Work experience

41. Work experience matters, since for non-graduates, lack of experience is cited by employers as the number one reason that they turn down young people for jobs.⁴⁹³ There has been significant recent policy change to promote higher quality. This includes the UK Government's removal of the duty on English schools to ensure work experience for under-16s, alongside an expansion of post-16 opportunities. This is intended to lead to more meaningful experience that is better targeted at those close to entry to the labour market, but the Commission notes a risk that younger pupils who need work experience for university applications will be more reliant on their personal contacts than before. Schemes such as PRIME and Ernst & Young's Smart Futures programme are helping to open up opportunities for young people, but there needs to be a significant scaling up of provision to meet demand, bearing in mind the growing importance of practical skills learned in the workplace.

⁴⁹² A. Mann, *It's Who You Meet: Why Employer Contacts at School Make a Difference to the Employment Prospects of Young Adults*, 2012

⁴⁹³ UKCES, *Scaling the Youth Employment Challenge*, 2013

42. A key issue remains that around half of placements are found by young people themselves or by their families using existing social networks.⁴⁹⁴ This gives children from privileged backgrounds with extensive social networks an advantage over those whose families are not so well connected.

Internships

43. There has been no let-up in the continued importance of internships as a gateway to opportunity in today's labour market, with one-third of this year's graduate entry-level positions with the leading employers being filled by graduates who have already worked for them while they were studying. This year students who completed an internship or other vacation work during their studies were three times more likely to receive a definite job offer from a leading graduate employer before leaving university than undergraduates with no work experience.⁴⁹⁵
44. The Commission's impression is that there have been improvements in the open advertising of internship opportunities. However, on the wider issue of ending illegal unpaid internships, good intentions do not yet seem to have changed practice. Although their informal nature means it is difficult to accurately judge the extent of the problem, there is anecdotal evidence of young people commonly working for long periods for free. The Low Pay Commission, which has been looking at the issue closely, has this year warned: *'Despite the targeted enforcement of unlawful internships which breach the National Minimum Wage we continue to receive evidence of widespread non-payment of the minimum wage for positions that appear to be work. The longer this continues the greater is the risk that extracting work from unpaid interns becomes a "new normal".'*⁴⁹⁶ It highlighted film and fashion as sectors of concern. The Commission has also heard concerns about the media, and about the charity sector's definition of certain roles as volunteering, enabling employers to be exempt from National Minimum Wage guidelines.

Recruitment processes

45. Many employers appear to be continuing to use recruitment and selection practices that reinforce, rather than challenge, educational and social disadvantage. In the Commission's judgement it is in this area that the least progress has been made since 2009. The 2009 and 2012 reports by the Independent Reviewer highlighted concerns about the selection of new graduate recruits from a narrow pool of universities. However, research shows that leading graduate employers are continuing to focus their recruitment on a limited number of campuses, with the UK's leading employers still actively marketing their 2013 graduate vacancies at 20 universities on average, out of more than 115 universities.⁴⁹⁷

⁴⁹⁴ A. Mann, *Work Experience: Impact and Delivery – Insights from the Evidence*, 2012

⁴⁹⁵ High Fliers Research, *The UK Graduate Careers Survey*, 2013

⁴⁹⁶ Low Pay Commission, *National Minimum Wage*, 2013

⁴⁹⁷ High Fliers Research, *The Graduate Market in 2013*, 2013

46. Looking at entry requirements, new analysis by the Commission finds that over 40 per cent of *The Times* Top 100 Graduate Employers still require UCAS points for their graduate schemes.⁴⁹⁸ The Commission is concerned about this practice because it automatically excludes graduates who did well at university but whose A-level results do not accurately reflect their ability because of the standard of their school. There is evidence that at the time of graduation, A-level grades are not the most accurate assessment of ability: for example, students from state schools with ABB on average perform as well at university as independent school students with AAA.⁴⁹⁹ PWC carried out research to identify the best predictors of success in professional exams such as accountancy and found that both the online tests carried out as part of their recruitment process and degree results (regardless of the university from which they were obtained) are, statistically speaking, stronger predictors of success than A-level results.⁵⁰⁰ The continuing reliance on A-level grades means that too many employers are missing out on some of the most talented graduates, and on those who are most likely to be from disadvantaged backgrounds.
47. On non-graduate entry, there is some encouraging evidence from developments such as Higher Apprenticeships and a greater number of school leaver programmes. Nonetheless, just 15 per cent of employers in the UK overall have current apprentices or offer apprenticeships, with the lowest engagement in London, Wales and Northern Ireland.⁵⁰¹

Our view on the progress made to date

48. The Commission's assessment is that more professions are taking an interest in social mobility, and there are many good initiatives underway. Programmes and changes to practices are touching the lives of some young people who until recently would not have had much chance of a professional career. However, there remains a challenge of scale, with many initiatives reaching only small numbers of people. There also remains a challenge of depth, with many professions – in line with the lessons of the past few years – far more comfortable with outreach work or engagement with schools than reforming recruitment procedures or making other systemic changes.
49. The good news is that some sectors have laid the foundations for future success, with medicine taking important steps this year. But others, notably journalism and the media, remain relative laggards. Furthermore, although the focus of this chapter is mainly England, the Commission notes evidence that social mobility is not fully on the agenda for businesses in Scotland and Wales, where it is often viewed solely as an issue of access to higher education.

⁴⁹⁸ Internal Social Mobility and Child Poverty Commission research, 2013

⁴⁹⁹ A. Hoare and R. Johnston, *Widening Participation through Admissions Policy – A British Case Study of School and University Performance*, 2010

⁵⁰⁰ PWC internal research, 2013

⁵⁰¹ UKCES, *UK Commission's Employer Perspectives Survey*, 2012

Box 8.3: Business and Social Mobility: a manifesto for change, 2013⁵⁰²

In October 2013 the Commission published its social mobility manifesto for business setting out the arguments for employers to take greater steps to increase the socioeconomic diversity of their workforce.

Although some employers are taking action, there remain serious barriers which prevent some of the UK's most capable and driven people getting ahead. This is costly for individual firms, and the economy as a whole, which is missing out on talent and potential.

The manifesto outlined the practical ways in which business can take action to overcome these barriers and widen their talent pool by:

- Engaging strategically with young people and schools, including by encouraging staff to become school governors;
- Adhering to best practice on internships, including advertising work experience and paying a wage to interns;
- Reforming selection processes, including broadening the number of universities at which firms recruit, and avoiding using UCAS points to screen out candidates;
- Opening up well-structured non-graduate routes such as apprenticeships; and
- Monitoring and evaluating the workforce according to socioeconomic background.

All this activity needs to be underpinned by leadership with an identified senior leader who champions the importance of social mobility within each firm.

The Commission also called for the above to become the basis of a refreshed version of the Government's Social Mobility Business Compact, in order to strengthen the commitment and impact of its signatories.

⁵⁰² Social Mobility and Child Poverty Commission, *Social Mobility and Business: A Manifesto for Change*, October 2013 <https://www.gov.uk/government/publications/business-and-social-mobility-a-manifesto-for-change>

The likely future impact

50. We now turn our attention to what we think the impact will be of the developments we have described on opening up key professions in the future.

Law

51. Law has been one of the leading sectors on social mobility, and the Commission applauds its efforts. The Commission is keen to see the results of this activity, with the socioeconomic monitoring of all firms due to be submitted to the Solicitors Regulation Authority by January 2014.

52. The Commission also awaits the next steps taken by the key legal regulators in response to the Legal Education and Training Review report and encourages them to move quickly, as recent data shows that law still remains a socially exclusive profession. Latest available figures show that almost one-third (31 per cent) of solicitors in England and Wales attended independent schools.⁵⁰³ The recent Bar Barometer shows that the alma maters of barristers have become more exclusive, with 23 per cent from Oxbridge in the 2009/10 pupillage cohort increasing to 35 per cent for the 2010/11 cohort, and 46 per cent from Russell Group universities increasing to 64 per cent. While too much weight should not be placed on a single year's data, the most recent figures also show that 81 per cent (358) of pupils came from professional backgrounds compared with 55 per cent in the previous year, with almost 40 per cent of pupils having attended fee-paying schools.⁵⁰⁴ We are concerned that this trend could become a trajectory if urgent action is not taken.

53. The Commission has heard from some within the legal sector that its shifting profile may reflect a contraction of the publicly funded end of the Bar, which usually recruits a more diverse intake, and that the situation may further worsen with legal aid cuts. The Commission acknowledges that fewer opportunities in the publicly-funded Bar could inhibit progress towards a more diverse intake, but is equally concerned that the commercial end of the Bar remains so unrelentingly socially exclusive. The Bar should consider the reasons that certain demographic groups disproportionately work in particular areas of the law, and drive greater openness across all areas of practice.

Medicine

54. Medicine has taken the vital first steps in tackling social mobility and is now showing leadership on the issue of fair access. The Commission now looks for these good intentions to be turned into further actions, genuinely opening up the profession. The Commission has high hopes that Health

⁵⁰³ The Law Society, *Diversity profile of the profession*, 2012

⁵⁰⁴ The General Council of the Bar, *Bar Barometer: Trends in the profile of the Bar*, 2012

Education England will play a leadership role on widening access, but is concerned that implementation is not expected until 2015, a longer than necessary timeframe. The Commission believes that medical schools should use contextual data (recognising that some institutions, such as the University of Birmingham, are already adopting this approach) and should routinely offer foundation years.

55. The Commission believes that opening up the profession to a more diverse intake will require urgent action to ensure that work experience opportunities are made available to young people fairly, regardless of their background, when they are thinking of applying to medical school. Without it, the chances of being admitted are considerably reduced. We heard evidence that, all too often, work experience opportunities go to those in the know (children of doctors seem, anecdotally, to be particular beneficiaries) and the NHS has thus far failed to ensure they are made available openly and fairly. We are pleased that the Selecting for Excellence Executive Group has committed to publishing a best practice guide on work experience for the NHS, but we will be looking for evidence that every NHS employer is taking action to ensure that work experience opportunities are open to all. We also believe that relevant experience such as caring responsibilities, part-time work and volunteering should be recognised, rather than just hospital or GP work shadowing, and moves in this direction from medical schools are welcome.

Media

56. The Commission is pleased to see increased activity by broadcasters and production companies, but very concerned by the apparent lack of interest in the issue of social mobility in some other parts of the media. Part of the reason for the profession's social exclusivity could be that long periods of unpaid employment now appear to be the norm for getting a start in the media. The National Council for the Training of Journalists survey found that 83 per cent of journalists who started work in the past 3 years did work experience or an internship, 92 per cent of which were unpaid, before getting their first paid job. The median duration was 7 weeks, with 26 per cent lasting over 13 weeks.⁵⁰⁵ Unless media organisations address the issue of unpaid internships, the Commission cannot be anything other than pessimistic about the prospects for progress.
57. Without any single body leading the sector or any move to create greater collaboration on this issue, limited change has been achieved within the media. The leading employers in this sector need to take much stronger action, in turn setting an example for the smaller production companies, new media firms and regional and local newspapers where people begin their careers and where unpaid internships are rife. There are welcome if tentative signs that this may be starting to happen.

⁵⁰⁵ National Council for the Training of Journalists, *Journalists at Work*, 2013

Politics and government

58. Engagement by those within Westminster and Whitehall appears to be mixed. While there is some excellent practice, such as the exemplary Speaker's Parliamentary Placements Scheme, there is continued evidence of parliamentarians advertising unpaid jobs within Westminster and their constituencies, often badging them as volunteering opportunities, training positions or even 'summer schools'.⁵⁰⁶ In March 2013, the Independent Parliamentary Standards Authority (IPSA) published a Freedom of Information response showing that half of MPs (303) have made claims for the expenses of unpaid volunteers since 2010, with about 1,500 volunteers having been used in total. Some of these are likely to be short-term volunteers, rather than interns, but at least 90 MPs have registered only one, suggesting that these are longer-term relationships.⁵⁰⁷ Clearer data with claims broken down by duration would help illuminate what is going on here. The Commission also identifies a perverse incentive built into the system for how interns are paid: MPs receive unlimited expenses for unpaid volunteers from IPSA, while all intern costs have to be borne from within MPs' staffing allowances.

Civil Service

59. In the Civil Service, internship programmes appear to be having a positive impact, although numbers remain very small. Summer Diversity interns receive support following their placement through a Coaching Programme to guide them through the application process. In both 2011 and 2012, more than one-third (35 per cent) of Coaching Programme participants were successful in their applications to the Fast Stream, representing an appointment rate 15 times better than for the Fast Stream itself.

60. These are small but significant steps in the right direction and, if maintained and built upon, augur well for the future. The Commission will be looking for evidence of increased pace in the years to come. Some further steps that the Civil Service should take include fulfilling its previous commitment on Senior Civil Service (SCS) monitoring. The Cabinet Office, which runs the Fast Stream recruitment process, should consider whether the recruitment process unfairly advantages certain students in any way. Recent statistics show that over one-quarter of successful Fast Stream candidates attended Oxford or Cambridge, yet fewer than one in ten applicants attended those universities.⁵⁰⁸

⁵⁰⁶ Adverts (as of 1 October 2013) include:

<http://www.w4mpjobs.org/JobDetails.aspx?jobid=42308>;

<http://www.w4mpjobs.org/JobDetails.aspx?jobid=42263>;

<http://www.w4mpjobs.org/JobDetails.aspx?jobid=42250>

⁵⁰⁷ http://parliamentarystandards.org.uk/transparency/FOI/2012_13_per_cent20Freedom_per_cent20of_per_cent20information_per_cent20requests_per_cent20and_per_cent20responses/wFOI2013-A192.pdf

⁵⁰⁸ Cabinet Office, *2012 Fast Stream Recruitment Report*, 2013

Financial services

61. Engagement by the financial services industry on tackling socioeconomic diversity has recently increased, though commitment has been patchy across the sector. Accountancy has begun to respond to the challenge, with professional bodies such as ICAEW and AAT playing a leading role in driving forward the issue. Some individual firms, such as KPMG, Ernst & Young and PWC have established themselves as leaders in this area of diversity. Unfortunately, the banking sector, particularly investment banking, has yet to engage to the extent that the Commission would expect, though there are some bright spots of practice from the likes of Barclays and J.P. Morgan.
62. The Higher Apprenticeship in Professional Services launched in April 2013 provides a new route to becoming a fully chartered accountant. It aims to deliver over 1,500 apprenticeships to university degree level in tax, assurance/audit and management consultancy by 2015. This is a good start, though it will need further scaling up to really achieve impact. Unfortunately, there is limited evidence of banking offering non-graduate entry, one of the exceptions being Barclays' welcome programme of apprenticeships.
63. The Commission believes there is scope within financial services to do much more. The journey there has barely begun. It needs to speed up.

Recommendations

64. Across the sectors and practices outlined above, the Commission commends firms and professions that have recognised social mobility as a strategic priority and have begun to implement change. However, much more is needed, from businesses and the Government alike. The Commission recommends the following steps.
65. First, business relationships with schools need to be more long term and strategic. The Commission encourages schools to appoint a business engagement advocate within the senior leadership team, and encourages businesses to develop local relationships that are more evenly spread throughout the country. These sustained relationships should start earlier, be sustained over time rather than one-off, and be multi-pronged (for example, mentoring and work experience together rather than either one on its own).
66. Second, it is time to put an end to informal unpaid internships. The Commission believes that firms should openly advertise internships and pay interns a wage, not just as a matter of legal compliance but because it will enhance their ability to identify and develop talent from a wider range of backgrounds.

67. Third, more employers need to change their recruitment and selection practices to remove inadvertent barriers to fairness. The Commission would like to see graduate employers in particular widening the net of universities from which they recruit, reduce crude use of UCAS points for screening out candidates, and using school- and university-blind application processes.
68. Fourth, opening up entry routes for non-graduates should become the norm across the professions. Greater use of apprenticeships is one means, but there are many others. Importantly, new entry routes should have clear career progression built in, so that non-graduates' future options are not later limited by artificial barriers.
69. Fifth, the UK Government should re-energise its engagement with the professions. It should raise the bar on expectations of signatories to the Social Mobility Business Compact and encourage the relevant Departments and agencies to ensure enforcement of National Minimum Wage guidelines. Both central and local government should also consider introducing social mobility requirements into the tendering practices of the Government Procurement Service so that its role as a purchaser of goods and services becomes a lever to make access fairer in those employers with which it spends public money.

Appendix 1: Child poverty in England, Scotland, Wales and Northern Ireland, and the English regions

While trends over time have been broadly similar, with considerable falls in child poverty across the whole of Great Britain, there is wide variation in rates of child poverty and recent trends across England, Wales, Scotland and Northern Ireland (see Figures A and B).

England has, overall, seen falling child poverty over the last 15 years, though progress stalled in the mid-2000s before picking up again after the recession:

- 18 per cent of children were in relative poverty before housing costs in the three years ending in 2011/12.
- 28 per cent of children were in relative poverty after housing costs in the three years ending in 2011/12.
- Child poverty has overall decreased significantly over time, though progress over the last 15 years was concentrated in the late 1990s, early 2000s and the period since the recent recession, with progress stalling for several years in the mid-2000s.

Scotland has relatively low child poverty rates compared to other parts of the United Kingdom – particularly after housing costs – and has seen a far more rapid decline in poverty over time in comparison with the other three countries.⁵⁰⁹

- 17 per cent of children were in relative poverty before housing costs in the three years ending in 2011/12 – the lowest rate in the United Kingdom.
- 22 per cent of children were in relative poverty after housing costs in the three years ending in 2011/12 – again, the lowest rate in the United Kingdom by a considerable margin.
- Child poverty has decreased more rapidly in Scotland than elsewhere: for example, in the three years ending in 1996/97 Scotland had poverty rates before housing costs as high as Wales.

Wales has relatively high child poverty rates compared to Scotland and England and, while there have been considerable decreases in the headline rate of child poverty over the last 15 years, trends over the past five years have been less favourable:

- 23 per cent of children were in relative poverty before housing costs in the three years ending in 2011/12 – the joint highest poverty rate before housing costs in the United Kingdom (with Northern Ireland).
- 33 per cent of children were in relative housing poverty after housing costs in the three years ending in 2011/12: far higher than in any other country in the United Kingdom and higher than every part of the country except London.

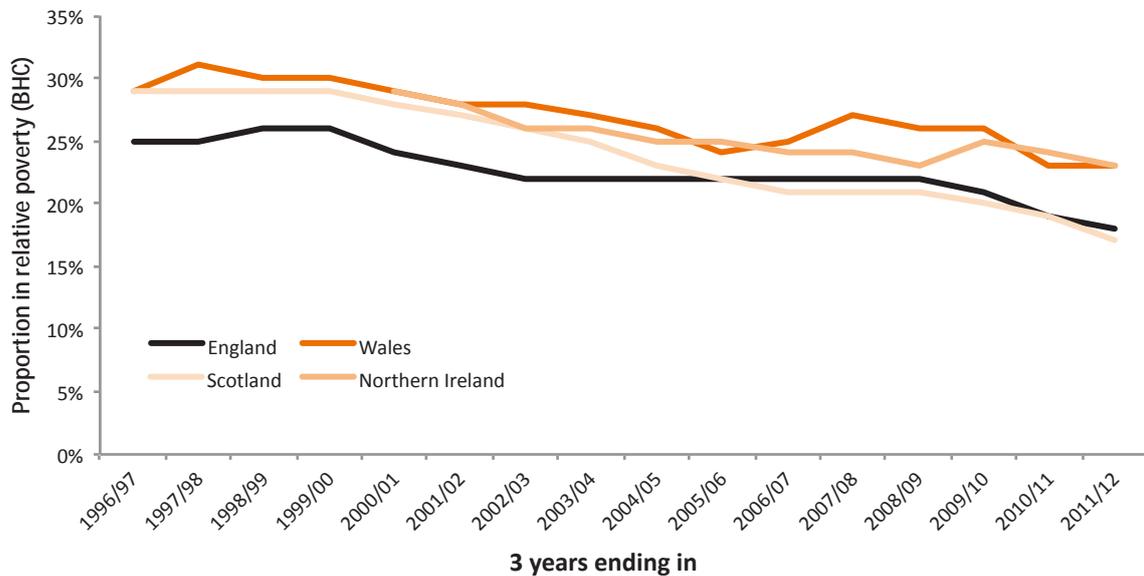
⁵⁰⁹ Note that all child poverty data in this section are combined figures over three years. This is in contrast to the annual figures used for Scotland and the United Kingdom cited in Chapter 3.

- While Wales has seen a similar decrease in child poverty before housing costs as England over the last 15 years there has been divergence with England and Scotland since 2005/06: poverty before housing costs has hardly changed in Wales since then and poverty after housing costs has increased

Northern Ireland has a child poverty rate as high as Wales when assessed before housing costs, but relatively low housing costs mean that it performs at about the United Kingdom average after housing costs. There have been large decreases in the headline rate of child poverty over time, though trends over the past five years have been less positive:

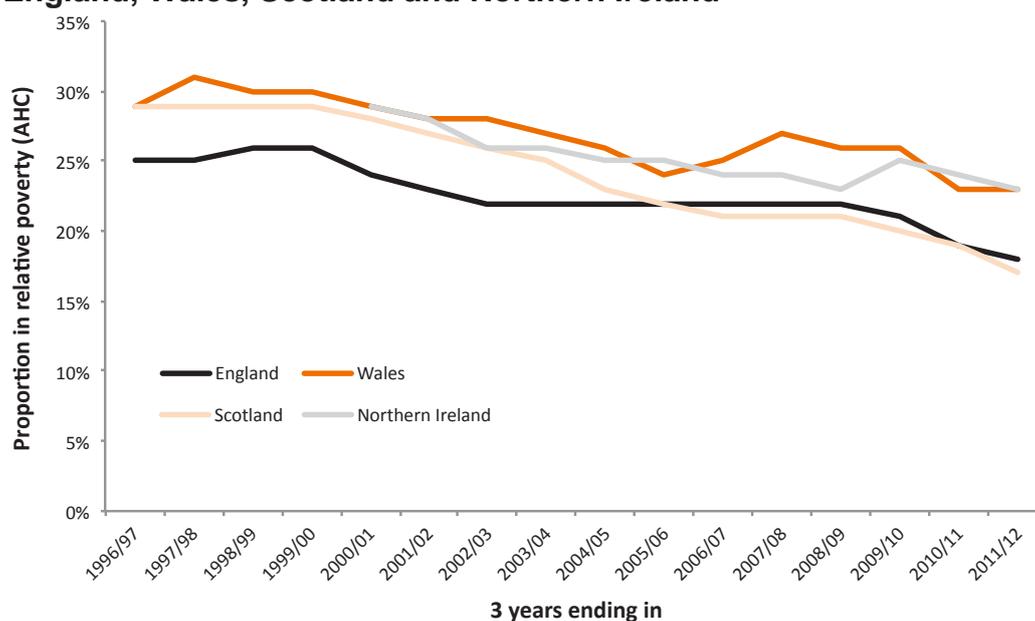
- 23 per cent of children were in relative poverty before housing costs in the three years ending in 2011/12 – the joint highest poverty rate before housing costs in the United Kingdom (with Wales).
- 27 per cent of children were in relative poverty after housing costs in the three years ending in 2011/12 – slightly lower than the United Kingdom average.
- There has been divergence with trends in England and Scotland since 2008/09, with relative poverty broadly static before housing costs and rising after housing costs.

Figure A – Proportion of children in relative poverty before housing costs in England, Wales, Scotland and Northern Ireland



DWP, Households Below Average Income (HBAI) Statistics 2011/12, 2013

Figure B – Proportion of children in relative poverty after housing costs in England, Wales, Scotland and Northern Ireland



Regional and local variation in poverty and trends over time

There are significant differences in child poverty between the different regions in England (see Figures C and D):

- Overall, child poverty tends to be high in the north and the west of England and low in the south and east of England. London is a special case, driven in part by its high housing costs.⁵¹⁰
- On a before housing costs basis, child poverty varies between 13 per cent in the South East and 23 per cent in both Yorkshire and the Humber and the West Midlands.
- On an after housing costs basis, child poverty varies between 21 per cent in the South East and 36 per cent in London.

The different regions of England have experienced very different trends in child poverty rates over time (see Figures C and D). For example:

- The North East has seen very large decreases in poverty over time, almost matching Scotland's performance. While poverty in the North East is still relatively high, it is no longer the worst-performing region;
- The West Midlands has seen the smallest decline in poverty of any English region: child poverty after housing costs is at virtually the same level now as it was in the three years ending 1996/97. As a result, it has moved from being about average to having among the highest rates of child poverty in England.
- Very little progress has been made in the East and the South East since the early 2000s: while child poverty is relatively low in these regions, they have largely missed out on the gains being made in England as a whole.

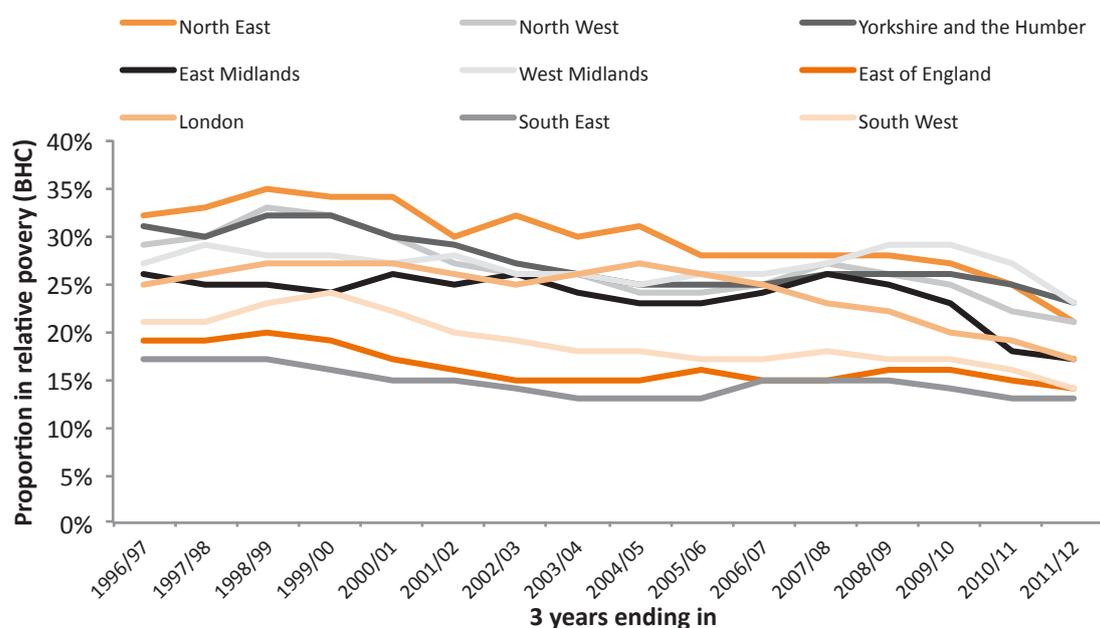
⁵¹⁰ The South East, South West, East and East Midlands all have below average rates of child poverty on both a before and an after housing costs basis; the North East, North West, Yorkshire and the Humber and the West Midlands all have above average rates of child poverty on both a before and an after housing costs basis. London has child poverty close to the England average before housing costs and the highest child poverty after housing costs.

There are wide differences in child poverty rates between different local authority areas (see Figure E): according to the HMRC local child poverty indicator⁵¹¹, the rate of child poverty varies from 6.3 per cent in the Ribble Valley (Lancashire) to 48.6 per cent in Tower Hamlets (London)⁵¹² and 42 out of 326 local authorities in England have less than 10 per cent of children in poverty against the HMRC measure. Differences are driven by a range of factors including the state of the local economy and patterns of residential segregation in conurbations and their wider metropolitan areas.

There are also big variations within local authority areas: children in poverty tend to be clustered in areas of low-cost private sector housing and in social housing estates. While in some highly deprived neighbourhoods almost every child lives in poverty, there are some highly advantaged neighbourhoods where no children are in poverty. Affluent areas often have significant pockets of deprivation, and even the most deprived local areas have some neighbourhoods where there is little child poverty (see Figure F). For example:

- Half of children in poverty in England against the HMRC local child poverty measure live in only 13 per cent of wards.
- Even in the Ribble Valley – the local authority with the lowest level of child poverty – the poverty rate reaches 18 per cent in one neighbourhood.
- Similarly, in Tower Hamlets – the local authority with the highest level of child poverty – the poverty rate is as low as 3 per cent in one neighbourhood.

Figure C – Proportion in relative child poverty before housing costs in the English regions – trends over time



⁵¹¹ HM Revenue and Customs *Local Child Poverty Measure: August 2010, 2012*

⁵¹² Excluding the Isles of Scilly due to its very small size

Figure D – Proportion in relative child poverty after housing costs in the English regions – trends over time

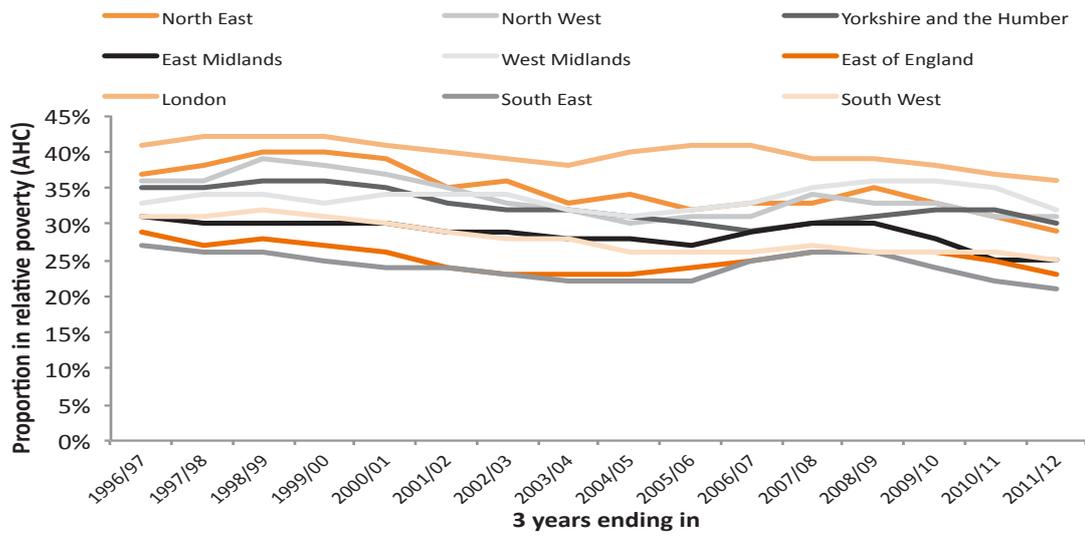


Figure E– Variation in child poverty rates at local authority level in England Map produced in analysis commissioned from Dr Alasdair Rae, University of Sheffield

Child Poverty in Great Britain

HMRC Child Poverty 2010

- 25.1% - 48.6% (64 areas)
- 20.1% - 25.0% (74 areas)
- 15.1% - 20.0% (92 areas)
- 10.1% - 15.0% (103 areas)
- 2.4% - 10.0% (47 areas)

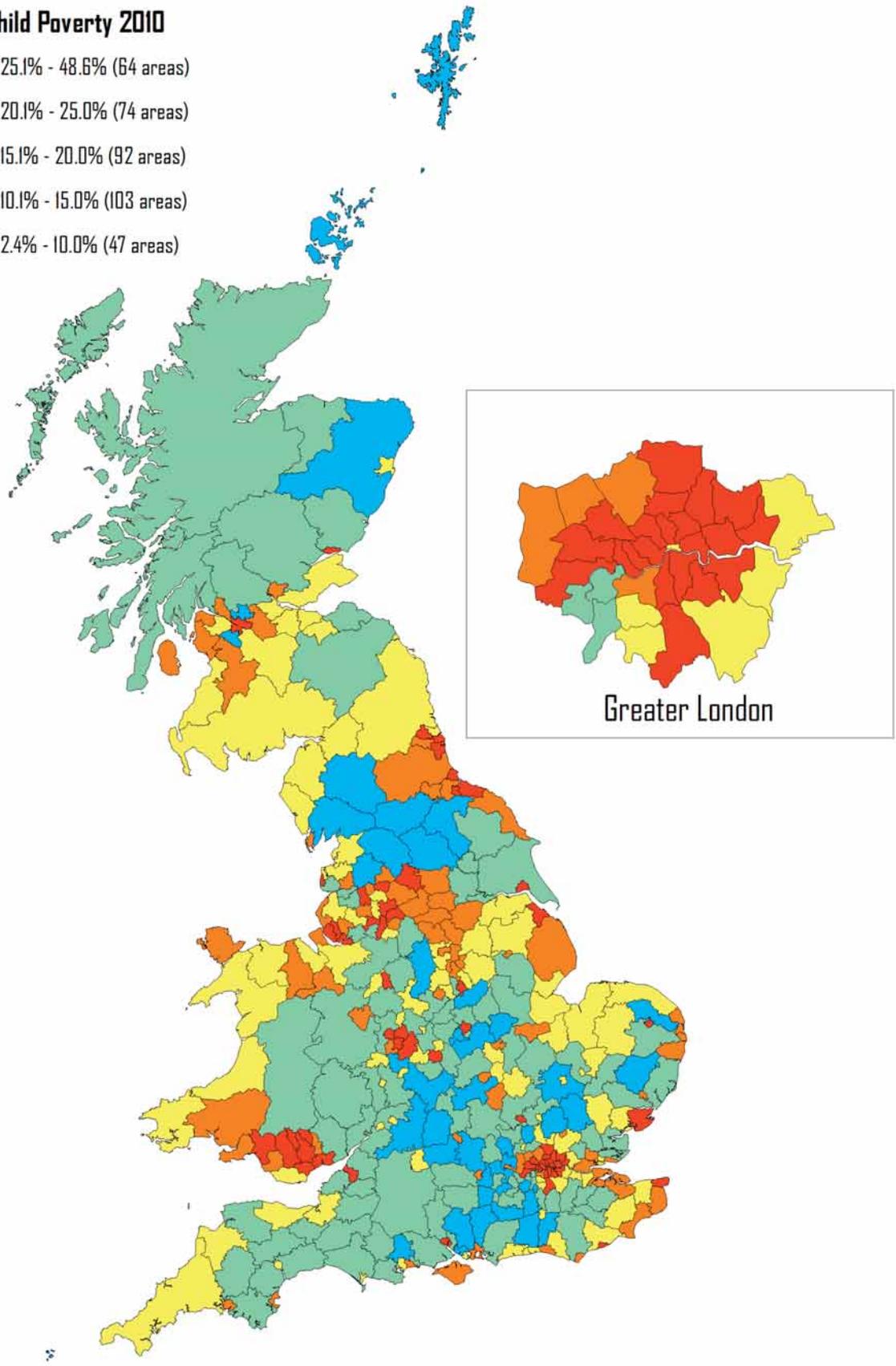
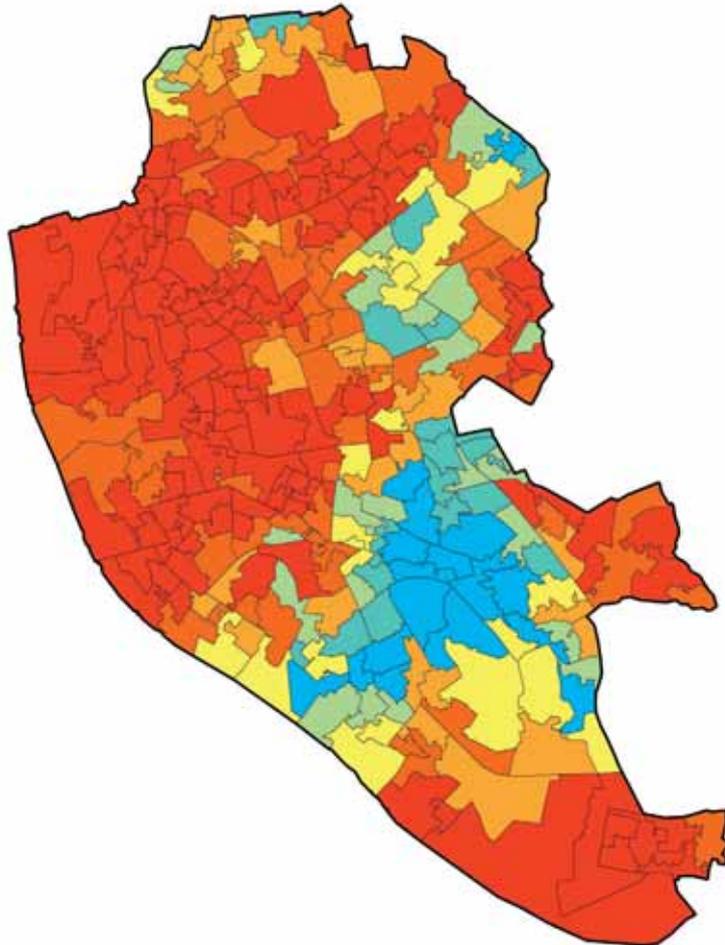


Figure F – Variation in child poverty rates at the neighbourhood level in Liverpool based on the HMRC local child poverty indicator 2010

Map produced in analysis commissioned from Dr Alasdair Rae, University of Sheffield



Liverpool



Source: HMRC Child Poverty Statistics

Appendix 2: Benefit and tax credit measures announced since May 2010 taking effect by 2014-15⁵¹³

Change	Saving in 2014/15
Budget 2010 (June 2010)	£11,040 million
Switch from RPI to CPI indexation for benefits, tax credits and public service pensions from 2011/12	£5,840 million
Disability Living Allowance: reform gateway from 2013/14	£1,075 million
Lone parent benefits: extend conditionality to those with children aged 5+ from October 2011	£180 million
Abolish Health in Pregnancy Grant	£150 million
Sure Start Maternity Grant: 1st child only from 2011/12	£75 million
Support for Mortgage Interest: set payments at the average mortgage rate from October 2010	£65 million
Saving Gateway: not introduce in July 2010	£115 million
Local Housing Allowance: set at the 30th percentile from 2011/12	£425 million
Index non/dependent deductions to Housing Benefit	£340 million
Social sector: removal of the spare room subsidy (often inaccurately referred to as the "bedroom tax")	£490 million
Switch to CPI indexation for Local Housing Allowance from 2013/14	£390 million
Reduce Housing Benefit awards by 10% for those on JSA for more than one year	£110 million
Capping the maximum rates for each property size and limiting at the 4-bed rate from 2011/12	£65 million
Additional bedroom for carers from 2011/12	£15 million
Additional discretionary housing payments from 2011/12	£40 million
Tax credits: Reduce second income threshold to £40,000 from 2011/12	£145 million
Tax Credits: Increase first and second withdrawal rate to 41% from 2011/12	£765 million
Child Tax Credit: taper the family element immediately after the child element from 2012/13	£480 million
Child Tax Credit: remove the baby element from 2011/12	£275 million
Working Tax Credit: remove the 50 plus element from 2012/13	£40 million
Child Tax Credit: Reverse the supplement for children aged one and two from 2012/13	£180 million
Reduce the income disregard from £25K to £10K in 2011/12 then to £5K from 2013/14	£420 million
Introduce an income disregard of £2,500 for falls in income from 2012/13	£585 million
New claims and changes of circumstance: reduce backdating from 3 months to 1 month from 2012/13	£330 million
Child Tax Credit: increase the child element by £150 in 2011/12 and £60 in 2012/13 above indexation	£1,995 million
Child Benefit: freeze rates for three years from 2011/12	£975 million
Basic State Pension: introduce triple guarantee from 2011/12	£450 million
Pension Credit Minimum Income Guarantee: matching basic State Pension cash increase in 2011/12	£535 million
Child Trust Fund: phased abolition of Government contribution from 2010/11	£560 million
Spending Review 2010 (October 2010)	£7,040 million

⁵¹³ HM Treasury *Budget 2010*, June 2010; HM Treasury *Spending Review 2010* 2010; HM Treasury *Budget 2011*, 2011; HM Treasury *Autumn Statement 2011*, 2011; HM Treasury *Budget 2012*, 2012; HM Treasury *Autumn Statement 2012*, 2012

Change	Saving in 2014/15
Contributory ESA: time limit for those in WRAG to one year from 2012/13	£2,010 million
Housing Benefit: increase age limit for shared room rate from 25 to 35 from January 2012	£215 million
Total household benefit payments capped on basis of average take-home pay for working households from Jan 2012 ("the benefit cap")	£270 million
Disability Living Allowance: remove mobility components for claimants in residential care from April 2013	£135 million
Savings Credit: freeze maximum award for four years from 2011/12	£330 million
Cold Weather Payments: increase rate permanently to £25 from November 2010	-£50 million
Council Tax Benefit: 10% reduction in expenditure and localisation	£490 million
Child Benefit: remove from families with a higher rate taxpayer from January 2013	£2,500 million
Working Tax Credit: freeze in the basic and 30 hour elements for 3 years from 2011/12	£625 million
Working Tax Credit: reduce payable costs through childcare element from 80% to 70% from 2011/12	£385 million
Child Tax Credit: increase the child element by £30 in 2011 and £50 in 2012	-£560 million
Budget 2011	-£35 million
Housing Benefit: not introduce deductions for long-term jobseekers	-£115 million
ESA: abolish National Insurance Concession	£15 million
Benefit Fraud: sanctions and debt recovery	£65 million
Autumn Statement 2011	£1,280 million
Housing Benefit Changes announced between Budget 2011 and Autumn Statement 2011	-£15 million
Child Tax Credit: remove over-indexation	£1,020 million
Working Tax Credit: freeze	£275 million
Budget 2012	-£740 million
Child Benefit: Threshold at £50,000 and taper to £60,000	-£630 million
Working Tax Credit: extent exemptions for Carers Allowance	-£5 million
DWP Fraud and Error Initiatives	-£80 million
Armed forces: housing, council tax relief and Families Welfare Grant	-£5 million
Previously announced Welfare Reform Bill amendments	-£20 million
Autumn Statement 2012	£2,310 million
Working Age discretionary benefits and tax credits: increase by 1% for three years from 2013/14	£1,430 million
Child Benefit: increase by 1% for two years from 2014/15	£175 million
Housing Benefit: increase LHA by 1% for two years from 2014/15	£105 million
Universal Credit: finalise disregards and increase 1% for two years from 2014/15	£170 million
Support for Mortgage Interest: extension	-£90 million
Tax credits: error and fraud	£315 million
Tax credits: recovering debt	£205 million
ALL WELFARE MEASURES SINCE MAY 2010	£20.9 billion
ALL WELFARE MEASURES SINCE MAY 2010 EXCLUDING CHANGES TO STATE PENSION, PENSION CREDIT AND COLD WEATHER PAYMENTS	£21.6 billion

Indicator summary

The UK Government tracks its progress in improving social mobility and reducing child poverty using 42 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 in the National Performance Framework. The Commission has selected 9 of the National Performance Framework indicators that we think are most relevant to the objectives of the Scottish Government's strategy. A further 5 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 9 indicators of progress identified by the Welsh Government in the strategy.

Child Poverty Indicators in UK Government strategy

Progress 2009/2010	Number of Indicators
Data moving in the right direction	10
Broadly constant trend	6
Data moving in the wrong direction	2
Cannot determine trend	4

Social Mobility Indicators in UK Government strategy

Progress 2009/2010	Numbers of indicators
Data moving in the right direction	5
Broadly constant trend	6
Data moving in the wrong direction	1
Cannot determine trend	8

Social Justice Indicators in UK Government strategy

Progress 2009/2010	Numbers of indicators
Data moving in the right direction	0
Broadly constant trend	1
Data moving in the wrong direction	1
Cannot determine trend	5

Child Poverty Indicators for Wales

Progress 2009/2010	Numbers of indicators
Data moving in the right direction	3
Broadly constant trend	3
Data moving in the wrong direction	2
Cannot determine trend	1

Child Poverty Indicators for Scotland

Progress 2009/2010	Numbers of indicators
Data moving in the right direction	6
Broadly constant trend	5
Data moving in the wrong direction	1
Cannot determine trend	2

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 trends since 2005-06.

It also shows the direction of movement of the most recent data by looking at trends since 2009-10. 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 the right direction

■ Data showing broadly a constant trend or no significant movement

▲ Data moving in the wrong direction

N/A Insufficient data is available to determine a trend or no trend assessment is possible as data is not comparable with previous years

Note: changes less than a percentage point marked as broadly constant trend or no significant movement.

Child Poverty Indicators

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10
Relative low income: proportion of children in households with less than 60 per cent of contemporary median equivalised income	UK		
Absolute low income: proportion of children in households with less than 60 per cent of median equivalised income (until 2010-11 data available, using 1998/99 – adjusted for prices)	UK		
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	N/A	N/A
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
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	N/A	N/A
Children in workless households: proportion of children in workless households	UK		
In-work poverty: proportion of children where at least one person works who are still in relative poverty	UK		
Proportion of 18-24 year olds: participating in part-time or full-time education or training	England		

Proportion of 18-24 year olds: not in full-time education or training who are not in employment	UK		
Low birth weight: gap between the most and least advantaged social classes	England and Wales		
Child Development: gap between children eligible for Free School Meals and others in school readiness up to 5 (new proposed indicator)	England	N/A	N/A
Attainment at age 11: the proportion of children achieving Level 4 in both English and maths at Key Stage 2 (age 11)	England		
Attainment at age 16: the proportion of children achieving A*- C in English and maths GCSE	England		
Attainment at age 19: the proportion achieving Level 3 qualifications through 2+ A-levels	England		
Attainment at age 19: the proportion achieving Level 3 qualifications through qualifications other than A-levels	England		
Attainment at age 19: the proportion achieving any Level 3 qualification	England		
Progression of pupils to higher education: gap between children eligible for Free School Meals and others	England		
Teenage pregnancy: Conception rate per 1,000 for 15-17 year olds	England and Wales		
Number of 10-17 year olds receiving first reprimand, warning or conviction	England and Wales		
The proportion of children living in relative poverty in families by: couples who are married/in a civil partnership	UK		

The proportion of children living in relative poverty in families by: couples who are cohabiting	UK	●	●
The proportion of children living in relative poverty in families by: lone parents	UK	●	●

Social Mobility Indicators

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10
Low birth weight: gap between most and least advantaged social classes	England and Wales	■	■
Early Child Development: a new metric based on Healthy Child Programme developmental review at age 2-2.5	No data	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	N/A	■
School readiness: phonics check. Proportion of year 1 children meeting the required standard in the phonics screening check, gap by free school meal eligibility	England	N/A	N/A
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	●	●
Attainment at 16: gap between children eligible for free school meal and others in the proportion of children achieving A*-C in English and maths	England	●	●

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	●
Attainment at age 19: the proportion achieving Level 3 qualifications through 2+ A-levels – gap by free school meal eligibility at age 15	England	■	▲
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	●	●
Attainment at age 19: the proportion achieving any Level 3 qualification - gap by free school meal eligibility at age 15	England	●	■
High attainment by school type: gap by school type in the proportion of children studying A-levels who get AAB in 3 facilitating subjects	England	N/A	■
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
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
Participation in higher education: gap in the proportion of children who enter higher education by FSM eligibility	England	●	■
Participation in higher education: gap between state and selective schools in the proportion of A-Level students going to the most selective universities	England	N/A	■

Graduate destinations: gap in the proportion of graduates in full-time employment 6 months after graduating who are in graduate jobs, by social background	England	▲	●
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
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
Second chances: Achievement of Level 2 qualifications by adults aged 19 and over	England	N/A	N/A
Second chances: Achievement of Level 3 qualifications by adults aged 19 and over	England	N/A	N/A

Social Justice Indicators

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10
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
Extent to which disadvantaged children achieve the same educational outcomes as more advantaged background peers	England	N/A	N/A
Proportion of youth offenders who go on to reoffend	England and Wales	▲	▲

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		
Improved outcomes for those in drug/alcohol treatment	England and Wales	N/A	N/A
Improved outcomes for ex-offenders	No data	N/A	N/A
The size of the social investment market	No data	N/A	N/A

*Data for this indicator is not available, instead a measurement will be used for the percentage of children not living with both of their parents by age of child.

Social Mobility and Child Poverty indicators specific to Wales

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10
Relative Poverty: Proportion of children living in households with less than 60 per cent of contemporary median household income, by region and country, United Kingdom	Wales		
Absolute Poverty: Proportion of children living in households with less than 60 per cent of 2010/11 median household income held constant in real terms, by region and country, United Kingdom	Wales		
Proportion of children in workless households	Wales		
Proportion of working-age adults with no qualifications	Wales		
Percentage of live births weighing less than 2,500 grams	Wales		

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	N/A	■
Rate of looked after children per 10,000 population aged under 18	Wales	▲	▲
Young people Not in Education, Employment or Training (19-24 years of age)	Wales	▲	■
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

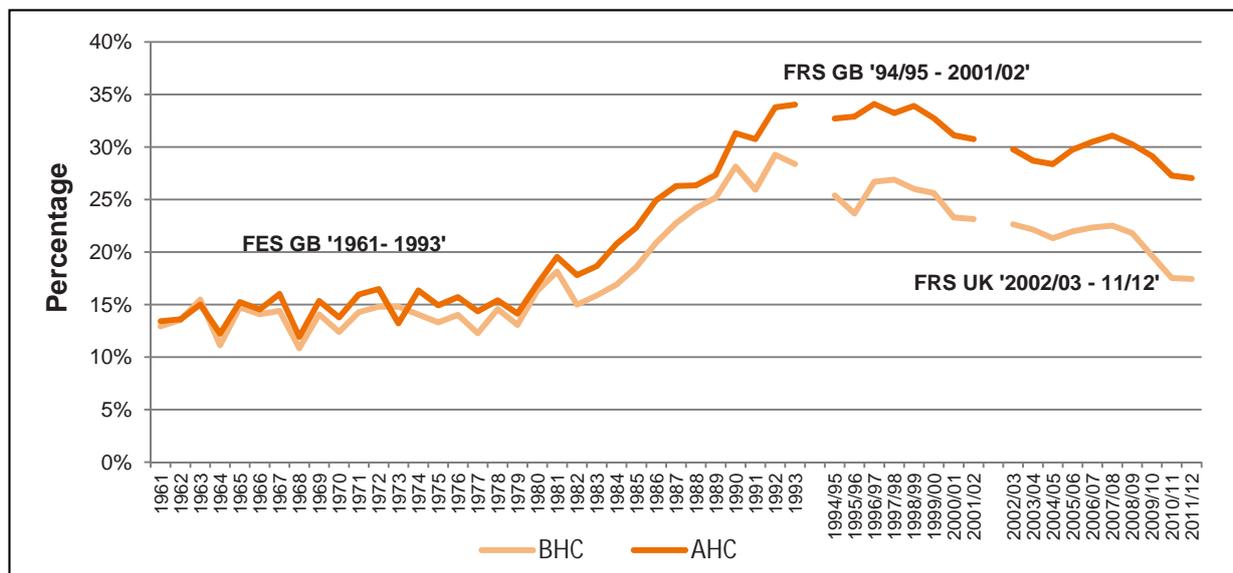
Social Mobility and Child Poverty indicators specific to Scotland

Indicator	Area of Coverage	Trend since 2005/06	Trend since 2009/10
Proportion of children living in absolute poverty (below 60% of inflation adjusted 2010/11 UK median income) in Scottish households	Scotland	●	●
Proportion of individuals living in private households with an equalised income less than 60% of the UK median before housing costs	Scotland	●	●
Percentage of children in combined material deprivation (based on a suite of questions in the Family Resources Survey) and low income (below 70% of UK median income)	Scotland	N/A	N/A
Proportion of total equalised income going to the bottom three income deciles	Scotland	■	●

Average tariff score of S4 pupils, by pupil deprivation	Scotland	●	●
Proportion of adults aged 16-64 with low or no qualifications (SCQF Level 4 or below)	Scotland	●	●
Proportion of school leavers who are in a positive destination approximately 9 months after leaving school	Scotland	N/A	●
Proportion of 16-19 year olds not in education, employment or training	Scotland	▲	■
Proportion of graduates in positive destinations 6 months after graduating	Scotland	▲	■
The proportion of new born babies with a weight appropriate for gestational age	Scotland	■	■
Proportion of children aged 2-15 years whose Body Mass Index lies within a healthy range (between the 5th and 85th percentile of the UK growth reference charts)	Scotland	N/A	■
Proportion of adults who assess their health as very good or good	Scotland	N/A	▲
Mental wellbeing derived from average score on the Warwick-Edinburgh Mental Well-being Scale (WEMWBS) of adults aged 16+ years	Scotland	N/A	■
The estimated number of people (aged 15-64) in Scotland who use opiates (including illicit and prescribed methadone) and/or benzodiazepines illicitly	Scotland	N/A	N/A

Child Poverty

Relative low income – proportion of children in households with equivalised income that is less than 60% of median income



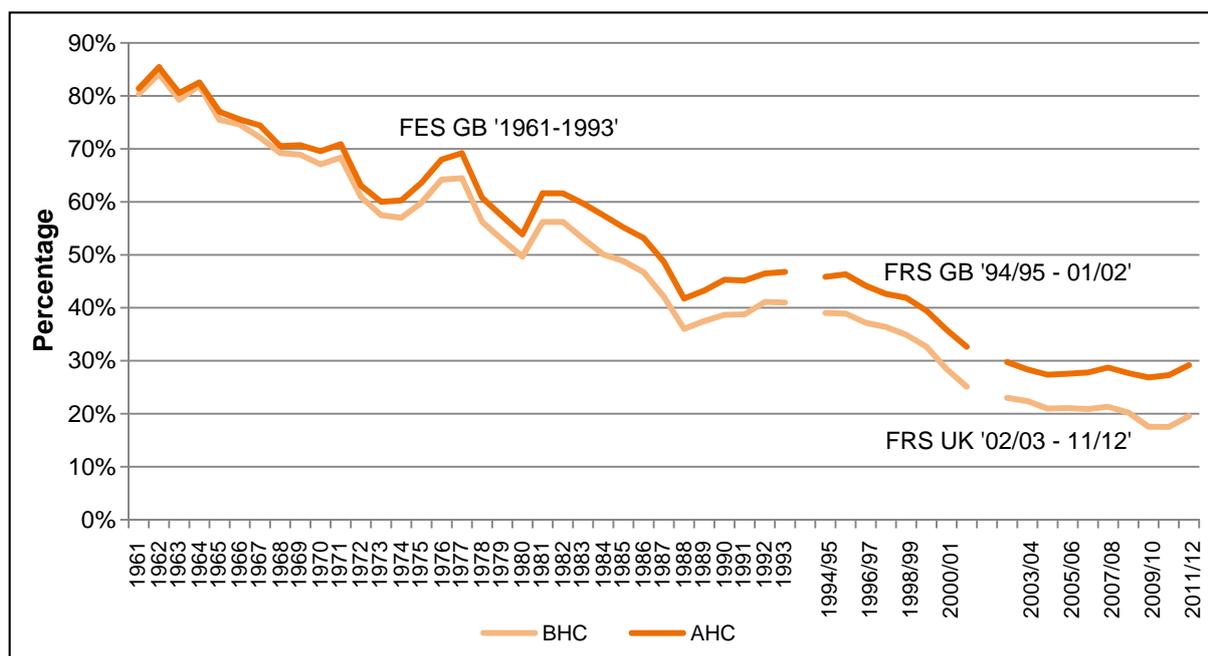
%	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12
BHC	22.6	22.1	21.3	22.0	22.3	22.5	21.8	19.7	17.5	17.4
AHC	29.8	28.7	28.4	29.8	30.5	31.1	30.3	29.1	27.3	27.0

Source: IFS, *Fiscal Facts: Poverty, inequality and living standards - data tables, 2013*

Relative low income before housing costs is one of the headline targets in the Child Poverty Act 2010. The target in the Act is to get the percentage of children living in relative poverty below 10 per cent by 2020 and beyond.

Over the long-term, the rate of relative poverty rose moderately over the 1980s until the mid-1990's before gradually decreasing from 1994/95 until the mid-2000s after which it rose again slightly. Since 2007-08 relative child poverty has fallen moderately. In 2011/2012, the rate before housing costs was 17.4 per cent, the lowest rate of child poverty since 1984. After housing costs, the rate is much higher but the trend is much the same. The current 27.0 per cent rate is the lowest it has been since 1988. However, this needs cautious interpretation: for example, while relative poverty was static in 2011-12, absolute poverty rose moderately meaning living standards for many poor families got worse but at about the same rate as living standards for families with average incomes.

Absolute low income – proportion of children in households with equivalised income that is less than 60% of median income in 2010-11



	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12
BHC	23.0	22.4	21.0	21.1	20.9	21.3	20.2	17.5	17.5	19.5
AHC	29.8	28.4	27.4	27.6	27.8	28.7	27.7	26.9	27.3	29.2

Source: IFS, *Fiscal Facts: Poverty, inequality and living standards – data tables*, 2013

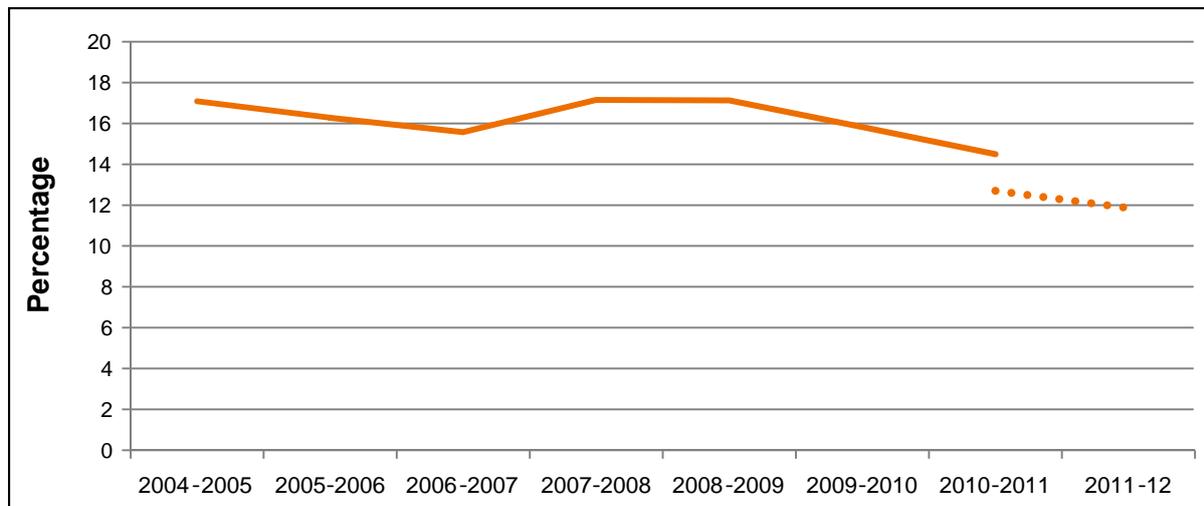
Absolute low income tracks the proportion of children living in households with incomes less than a 'fixed' poverty threshold: the relative poverty line in 2010-11. It is, therefore, a measure of what is happening to living standards of children in the poorest households. The Child Poverty Act target is to get the percentage of children living in absolute poverty below 5 per cent by 2020 and beyond.

Over the long term, the proportion of children living in absolute poverty has, overall, decreased moderately, though in some periods progress went into reverse or was static. It is worth noting that the 1980s, which saw a big rise in relative child poverty, saw significant falls in absolute child poverty: absolute living standards of the poorest households improved while inequality increased.

More recently, absolute poverty fell overall since 2007-08 and the poorest families were relatively protected from the impact of the recession on household incomes. However, absolute poverty increased significantly from 17.5 per cent in 2010-11 to 19.5 per cent in 2011-12, reversing many of the gains seen since the start of the recession.

Changes to tax credits and benefits since April 2012 will not be seen in these figures.

Low income and material deprivation – proportion of children who are in material deprivation and live in households with equivalised income that is less than 70% of median income



FAMILY RESOURCE SURVEY (UK)								
% BHC	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Old	17	16	16	17	17	16	14	-
New	-	-	-	-	-	-	13	12

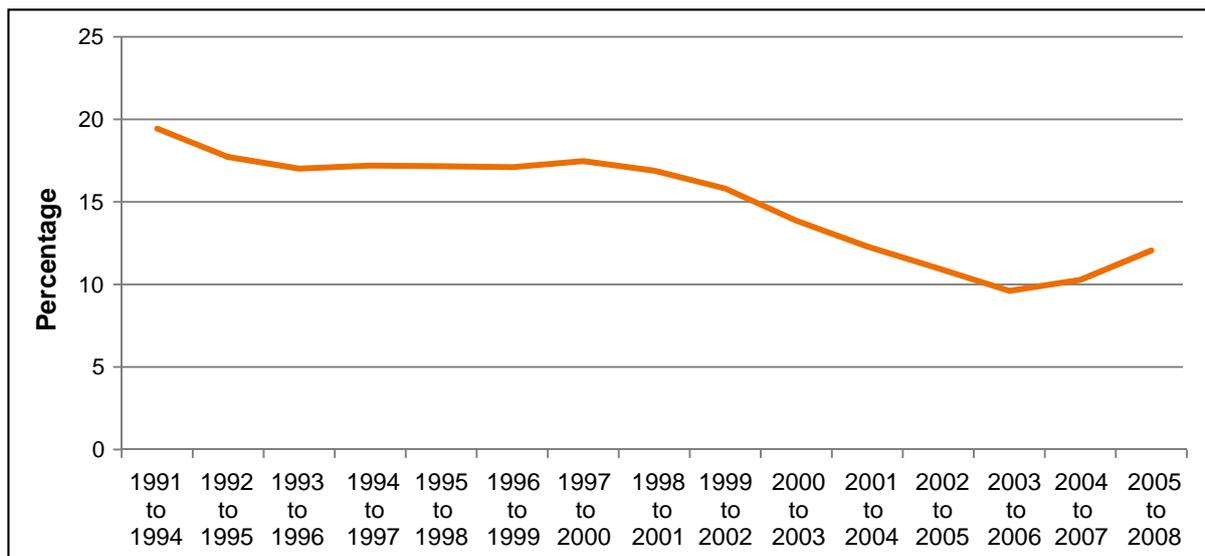
Notes: Data in graph and working may differ to table due to rounding. New questions about four additional material deprivation items for children were introduced into the 2010/11 FRS and from 2011/12 four questions from the original suite were removed. Figures from the old and new suite are not comparable.

This is a measure of the number of children in low income households at a slightly higher 70 per cent threshold who live without certain things deemed as necessities. The target in the Child Poverty Act 2010 is to get the proportion of children living in households with combined low income and material deprivation below 5 per cent by 2020 and beyond.

Looking at the period 2004/05 to 2010/11 the proportion of children in material deprivation and living in households below 70 per cent of median income fell marginally. There was a further fall between 2008/09 and 2010/11. This decline was primarily driven by a decrease in the total number of children in material deprivation, since the number with sufficiently low income to be included in the measure remained the same.

Looking at the most recent year, there is a small reduction in the proportion of children in material deprivation living in households with less than 70 per cent of median income (0.8 of a percentage point).

Persistent poverty – proportion of children in households where income is less than 60% for 3 of the last 4 years



(%) BHC	1991 - 94	1992 - 95	1993 - 96	1994 - 97	1995 - 98	1996 - 99	1997 - 00	1998 - 01	1999 - 02	2000 - 03	2001 - 04	2002 - 05	2003 - 06	2004 - 07	2005 - 08
Relative low income in three out of four years	19	18	17	17	17	17	17	17	16	14	12	11	10	10	12

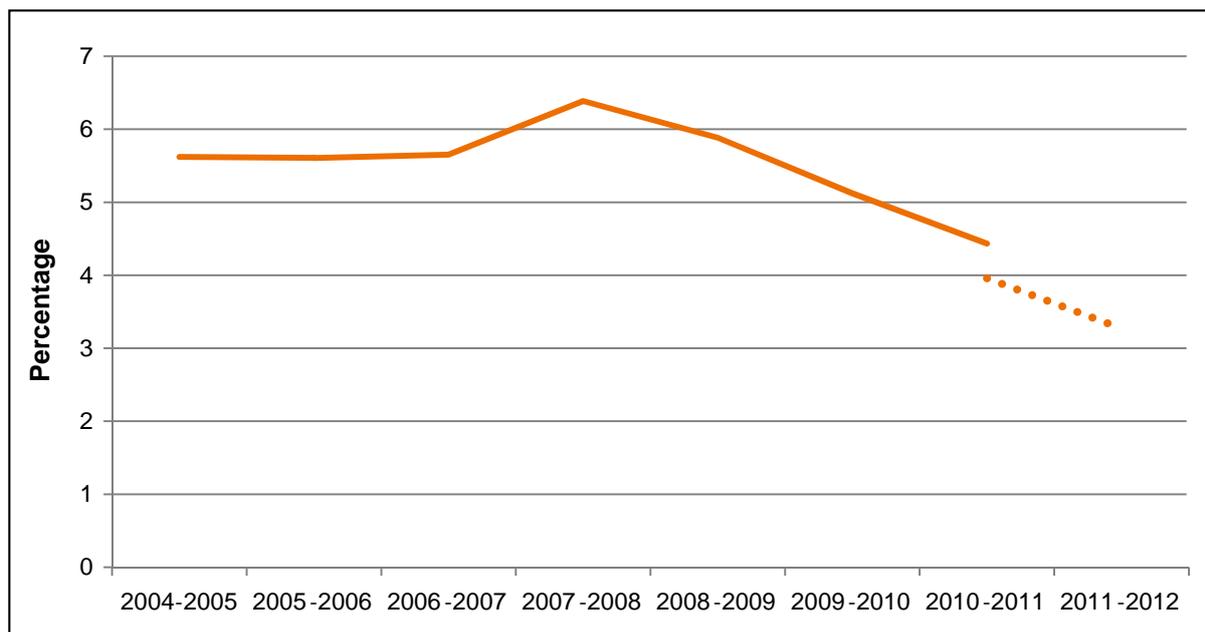
Source: DWP, *Households below average income (HBAI) – Table 7.1tr, 2013*

Persistent poverty measures the number of children living in relative income poverty in three out of the last four years. It measures the number of children affected by poverty over a long period of time, and is an important metric of poverty given the stronger impact on living standards and life chances that long-term poverty has. The Government has a statutory duty under the Child Poverty Act 2010 to set a target for this measure by 2015, once more survey data is available.

Persistent poverty trends show that there was limited progress over the 1990s followed by significant progress in the first part of the 2000s, with the proportion of children in persistent poverty falling from 17 per cent between 1998 and 2001 to 10 per cent between 2003 and 2006. The latest figures available shows an increase of two percentage points from 2004-2007 to 2005-2008.

No data against this measure have been published recently due to a change in how data is collected (the previous survey used was discontinued). The next update is planned for the end of 2013.

Severe poverty – proportion of children in material deprivation and living in households where income is < 50% of median income



BHC	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Old (%)	6	6	6	6	6	5	4	-
New (%)	-	-	-	-	-	-	4	3
Old (millions)	0.7	0.7	0.7	0.8	0.8	0.7	0.6	-
New (millions)							0.5	0.4

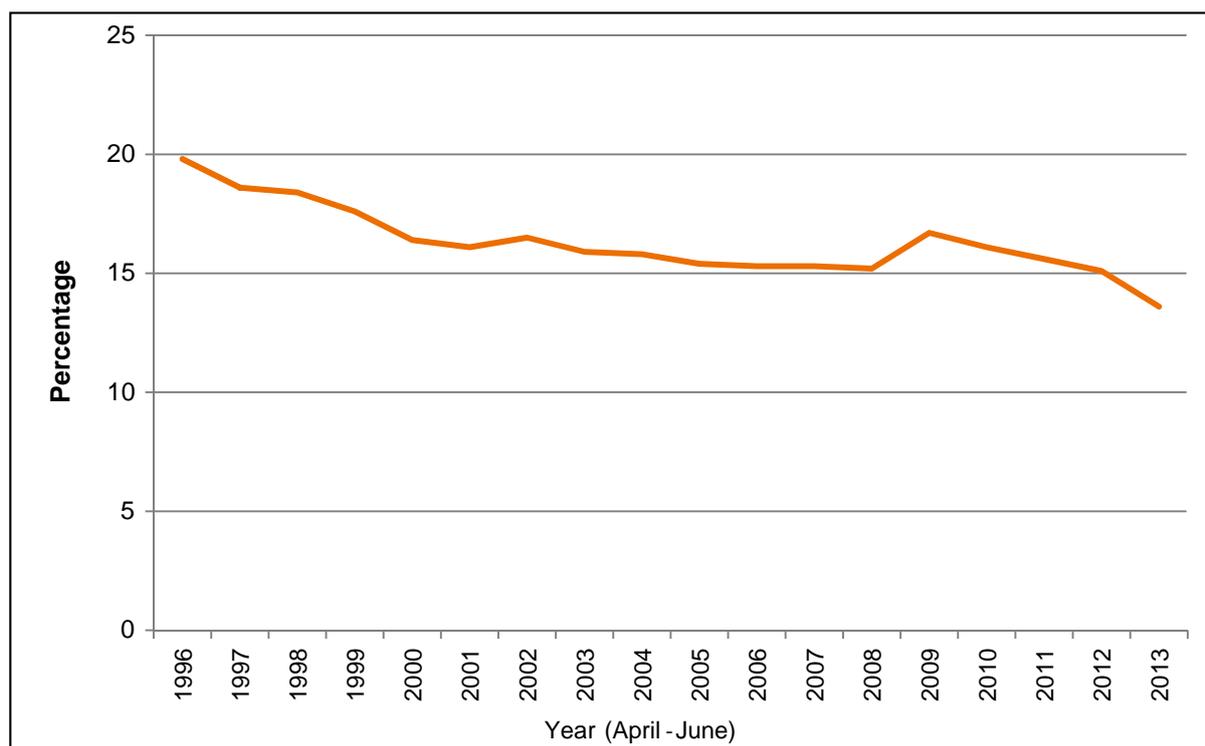
Source: DWP, *Households below average income (HBAI) – Table 4.5tr*, 2013
graph figures may differ to table due to rounding

Notes: New questions about four additional material deprivation items for children were introduced into the 2010/11 FRS and from 2011/12 four questions from the original suite were removed. Figures from the old and new suite are not comparable.

Severe poverty attempts to measure the numbers living in ‘deep’ poverty. It is a measure of the number of children in very low income households (where income is below 50 per cent of the median) and who live without certain items considered to be necessities. It is in the Child Poverty Strategy, not the Act, so there is no statutory target.

There was little change in the old metric between 2004-05 and 2008-09, but since 2008-09, there has been a two percentage point decrease in the number of children in poverty against this measure. This therefore means that in 2011-2012, 400,000 children remained in severe poverty.

Children in workless households



Percentage of children in workless households (UK)																	
Year (April-June)																	
1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
19.8	18.6	18.4	17.6	16.4	16.1	16.5	15.9	15.8	15.4	15.3	15.3	15.2	16.7	16.1	15.6	15.1	13.6

Source: ONS, *Working and workless households – Table K*, 2013

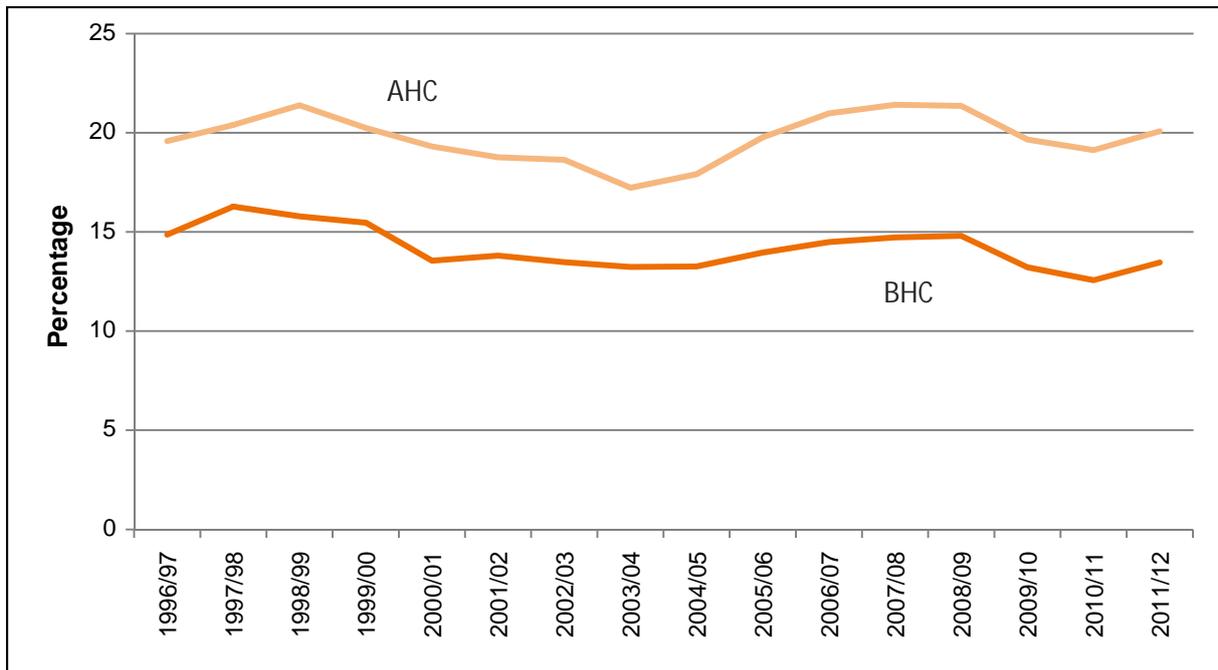
Graph figures may differ to table due to rounding

Workless households are at significantly higher risk of being in poverty, so this is a measure of progress in tackling one of the underlying drivers of poverty (though not all workless households are poor, and many working households are poor).

The data shows that in 2013 there were approximately 1.59 million children living in workless households, representing 13.6 per cent of all children in the UK, and a fall of 273,000 between 2010 and 2013 while the percentage was down 2.5 percentage points.

This is considerable progress and means that the proportion of children in workless households is as low as it has been since 1996.

In-work poverty - Percentage of children growing up in families where at least one person works but who are still in relative poverty



	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
BHC	15	16	16	15	14	14	13	13	13	14	14	15	15	13	13	13
AHC	20	20	21	20	19	19	19	17	18	20	21	21	21	20	19	20

Source: DWP, *Households below average income (HBAI) – Table 4.14ts*, 2013

Note: Table may not match exactly to graph due to rounding.

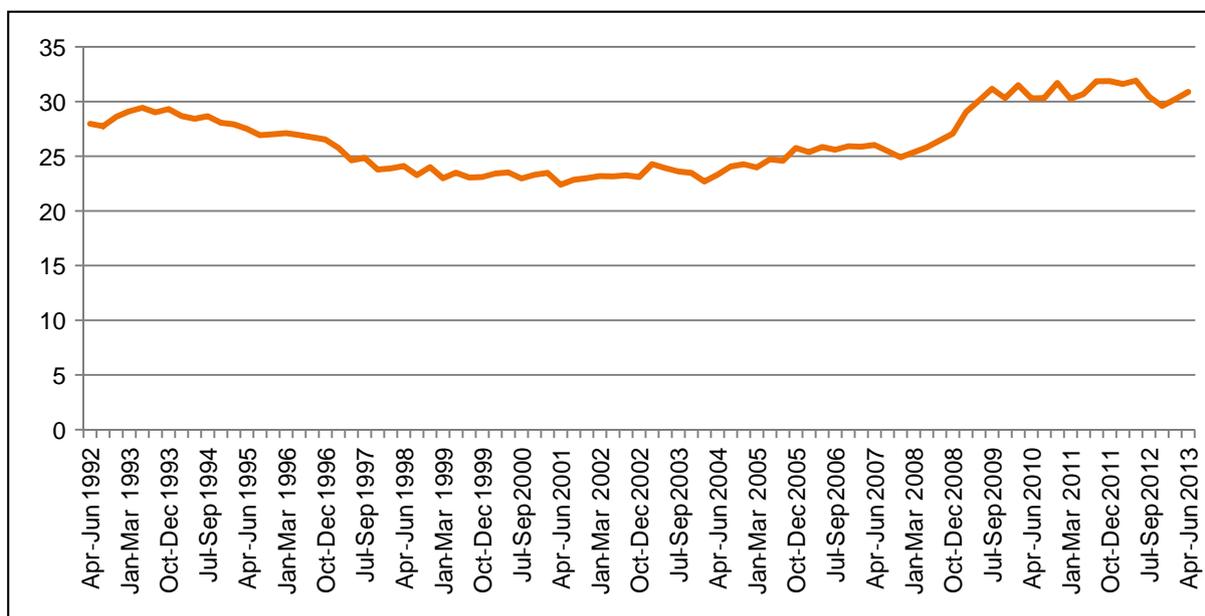
This is a measure of the proportion of children in families that are poor despite one or more adult working, which currently stands at 13 per cent before housing costs.

Since 1996/97 to 2011/2012 there has been relatively limited change in in-work poverty rates. The percentage has fluctuated between 13 and 16 per cent before housing costs and 17 and 21 per cent after housing costs.

Though not apparent from these data, the proportion of children in workless households who are living in poverty has decreased (between 1996/97 and 2011/12) while the proportion in households where at least one adult is in work who are in poverty has been stable. As such in-work poverty now accounts for a bigger proportion of overall child poverty. In 2011-12 two-thirds of poor children lived in households where someone worked.

Transition to the labour market

Proportion of 18-24 year olds not in full-time education who are inactive or unemployed



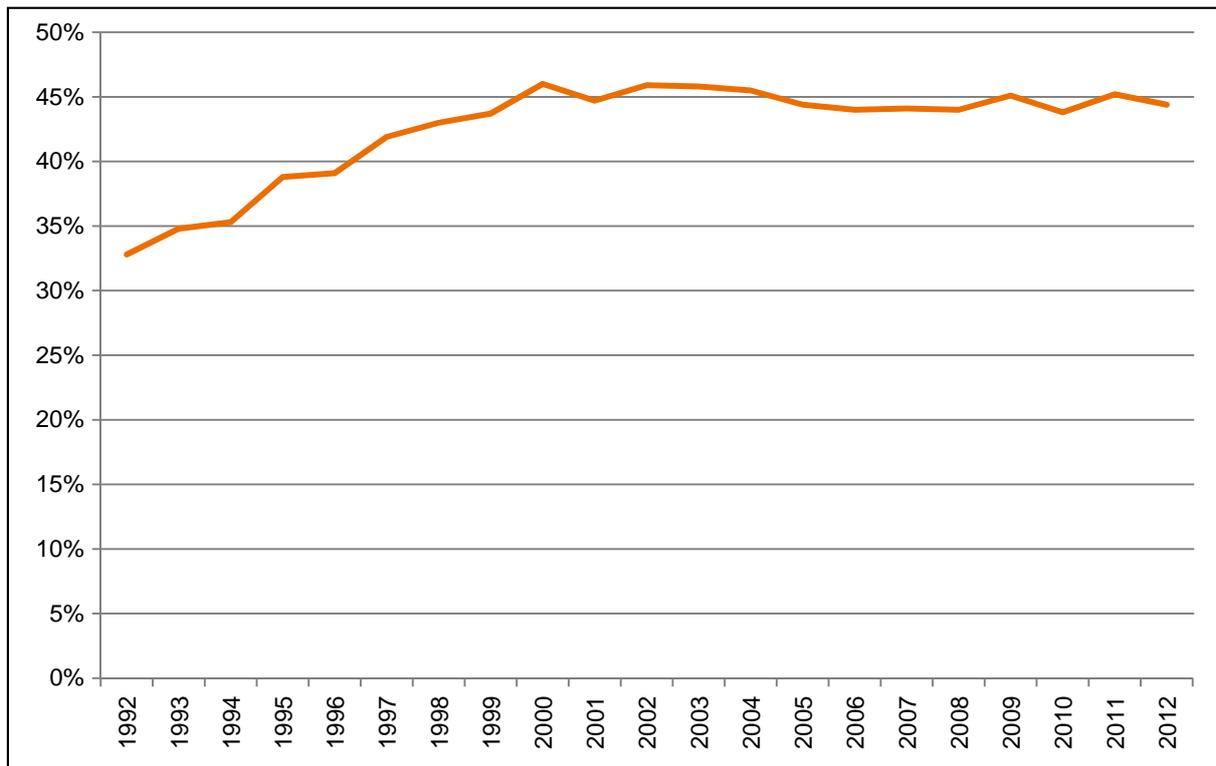
2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
23.3%	24.7%	25.8%	26.0%	25.8%	30.1%	30.3%	30.7%	31.9%	30.9%

Source: *Labour Market Statistics*, Office for National Statistics (2013). Data in this table reports figures for the second quarter of each calendar year.

This is a measure of labour market and educational inactivity – capturing the percentage of young people not in full-time education who are not in work. It includes those who are inactive and may not want to work, such as mothers with young children, carers and part-time students, as well as those who are not in full-time education who want a job. It excludes those unemployed young people who are looking for work if they are in full-time education.

Caution is required in interpreting trends in this indicator over time as they are affected by the more than doubling of participation rates in full-time education of young adults seen over the last two decades. For example, as a proportion of all 18-24 year olds (rather than just those not in full-time education), the proportion not in full-time education or employment is at the same level in 2013 as it was at the end of 1996.

Proportion of 18-24 year olds participating in part-time or full time education or training



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
% of 18-24 Population	44.7	45.9	45.8	45.5	44.4	44.0	44.1	44.0	45.1	43.8	45.2	44.4

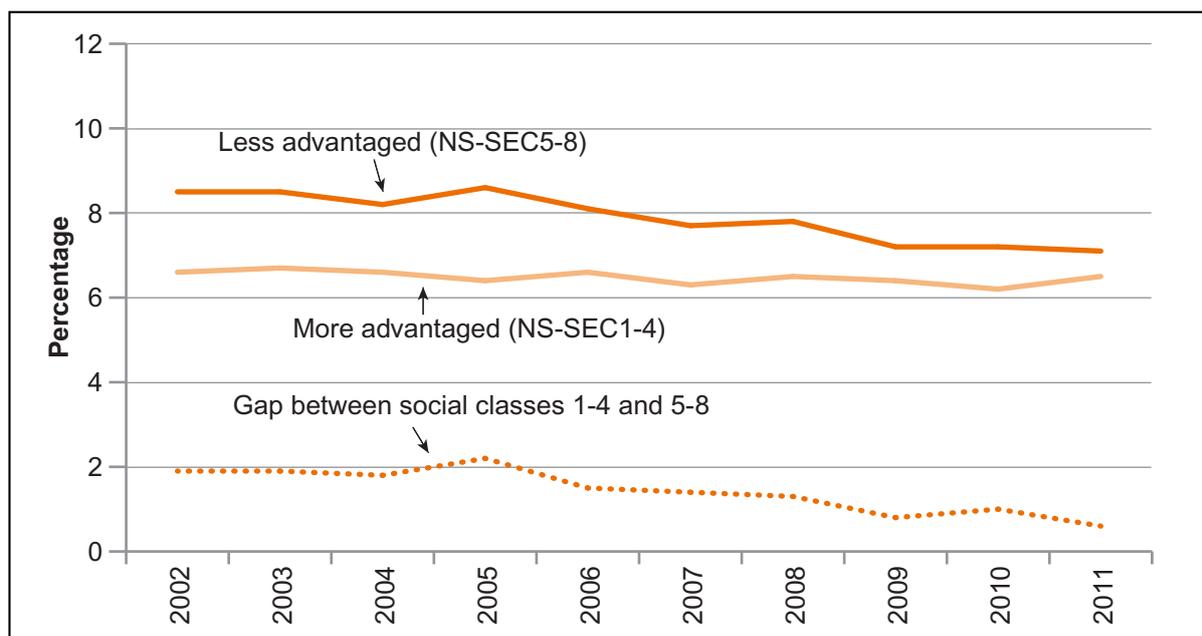
Source: BIS, *Unpublished data: 18-24 year olds participating in education or training (1992-2012), 2013*

This is a measure of educational activity.

Since 1992 there has been a general increase in the participation rate, which rose from 32.8 per cent in 1992 to 46.0 per cent in 2000. The statistically significant changes in the percentage of 18-24 year olds participating in education occurred from 1992 to 1993 (2.0 percentage points), 1994 to 1995 (3.4 percentage points), 1996 to 1997 (2.8 percentage points) and 1999 to 2000 (2.3 percentage points).

In 2012 the percentage of 18-24 year olds participating in education or training was 44.4 per cent, which is a decrease of 0.9 of a percentage point when compared to the year previous, but 0.4 of a percentage point higher than 2008.

Low birth weight – gap between social classes 1-4 and 5-8



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
More advantaged groups (NS-SEC 1-4)	6.6	6.7	6.6	6.4	6.6	6.3	6.5	6.4	6.2	6.5
Less advantaged groups (NS-SEC 5-8)	8.5	8.5	8.2	8.6	8.1	7.7	7.8	7.2	7.2	7.1
Gap	1.9	1.9	1.8	2.2	1.5	1.4	1.3	0.8	1.0	0.6

Source: ONS, *Childhood, infant and perinatal mortality in England and Wales (annual data for 2002-2011)*

This is a measure of the proportion of live births of a low birth weight (<2500 grams) - a risk factor for later poor health and low attainment, and one with a marked social gradient. The measure of social class used here is father's occupation (using NS-SEC classifications) comparing the four more advantaged occupational groups with the four less advantaged occupational groups.

In 2011, the percentage of children who were born with a low birth weight remained higher for the less advantaged than the more advantaged (0.6 percentage points difference) and has been flat for less advantaged groups since 2009. However the gap between the social classes has been decreasing gradually over the longer-term.

Classification by the social class of the father may be problematic since those where no details are known about the father are not included at all – this applies to around 10 per cent of all births, with these babies being more likely to be from less advantaged backgrounds (e.g. sole registered births).

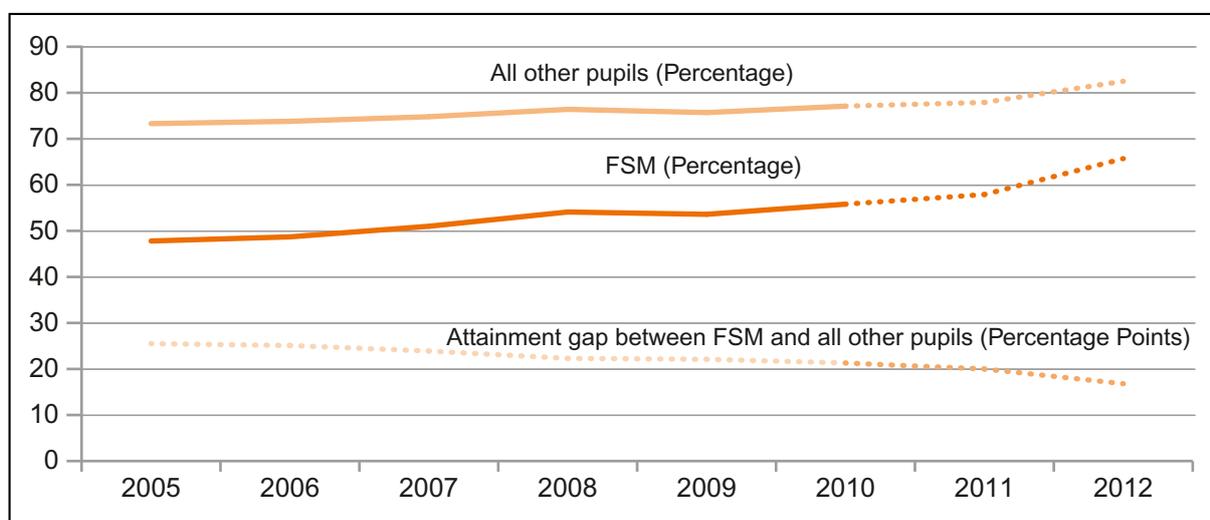
Most of the Government's other indicators for the early childhood period are not yet in place.

Child Development; gap between children eligible for Free School Meals and others in school readiness up to 5

The 2011 Strategy outlined that an indicator would be developed looking at gaps in school readiness for children aged up to 5 between children from different social backgrounds following consideration of the Tickell Review. The Tickell Review hadn't been published when the 2011 Strategy was written. The intention was to explore whether the review could be used to develop a measure for Early Years. Around the same time Frank Field's report indicated that leaving assessments until children enter school was too late. The Tickell review therefore proposed introducing a health visitor check at 2 years old. As the health visitor check for 2 year olds is currently under development the definition of this measure is still being considered.

Attainment in schools and in Further Education

Attainment at 11 – proportion of children achieving Level 4 in both English and Maths ('basics') at end of Key Stage 2 by free school meal eligibility



Note that 2012 data at key stage 2 is not comparable to earlier years due to changes in testing methods in English: it is estimated about half of the decrease in the gap between 2011 and 2012 was due to the switch from reading and writing tests in 2011 to reading tests and writing teacher assessments in 2012.

	2005	2006	2007	2008	2009	2010	2011	2012
Free school meals	47.8	48.7	51.0	54.1	53.6	55.8	57.9	65.7
All other pupils	73.3	73.8	74.8	76.4	75.7	77.1	77.9	82.5
Gap	25.5	25.1	23.9	22.3	22.1	21.3	20.0	16.8
Relative chance	1.5	1.5	1.5	1.4	1.4	1.4	1.3	1.3

Source: DfE, *Unpublished data: percentage of pupils achieving Level 4 or above in English and maths (2005-2012)*, 2013

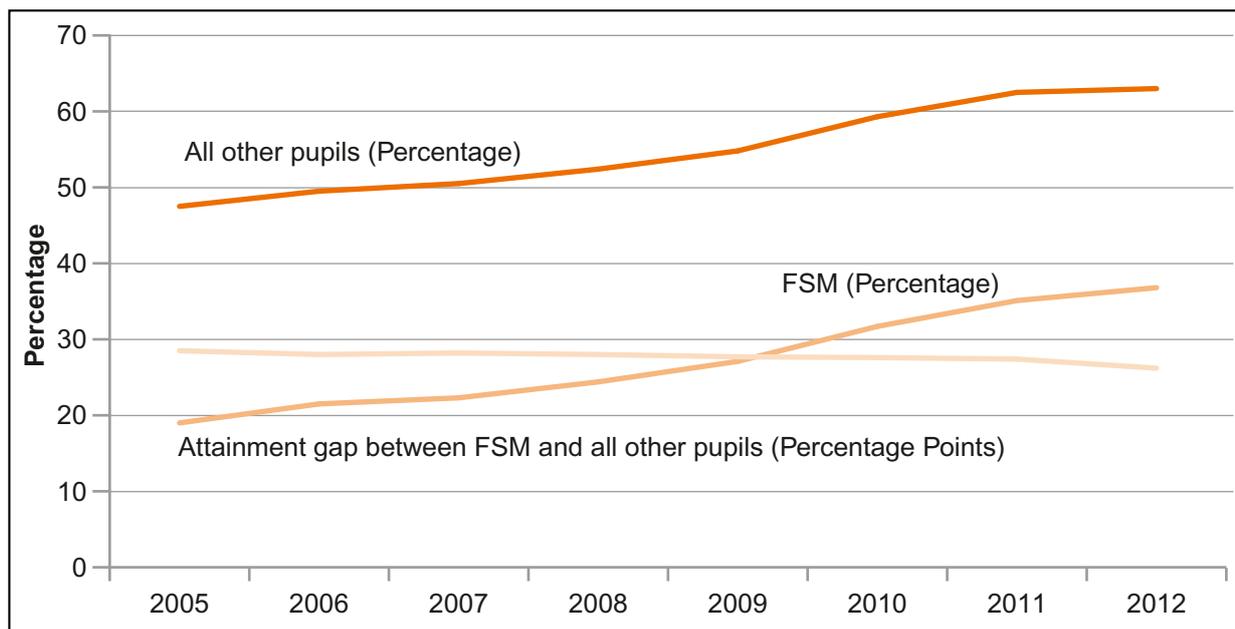
This is a measure of attainment and of the gap by social background in the attainment of children in English schools at the age of 11.

The trend is of rising attainment for both children on free school meals (FSM) and those not on free school meals, as well as considerably closing of the gap between them, with small improvements in most years since this indicator has been reported. Note: in terms of trend, limited weight can be attached to the big improvements between 2011 and 2012 because of changes in testing methods in English. The data for 2012 are not comparable to earlier years.

The 2012 data show that two-thirds of FSM children hit the benchmark compared with more than four-fifths of non-FSM children. The gap is 16.8 percentage points or – put another way - in 2012, pupils not eligible for free school meals were 26 per cent more likely to achieve the level 4 threshold than those who were eligible for free school meals.

In interpreting these data, it is notable that the Minister for Schools has criticised the Level 4 benchmark as set too low, since achieving it does not leave students on course for 5 good GCSEs.

Attainment at 16 – proportion of children achieving A*-C in English and maths, by free school meal eligibility



	2005	2006	2007	2008	2009	2010	2011	2012
All other pupils	47.5	49.5	50.5	52.4	54.8	59.3	62.5	63.0
FSM	19.0	21.5	22.3	24.4	27.1	31.7	35.1	36.8
Attainment gap	28.5	28.0	28.2	28.0	27.7	27.6	27.4	26.2
Relative Chance	2.5	2.3	2.3	2.1	2.0	1.9	1.8	1.7

Source: DfE, *Unpublished data: percentage of pupils achieving A*-C in English and maths GCSEs (2005-2012)*, 2013

Note that 2011 and 2012 data includes English and Maths iGCSEs as well as GCSEs.

This is a measure of attainment and the gaps by social background in attainment of children in English schools at the age of 16.

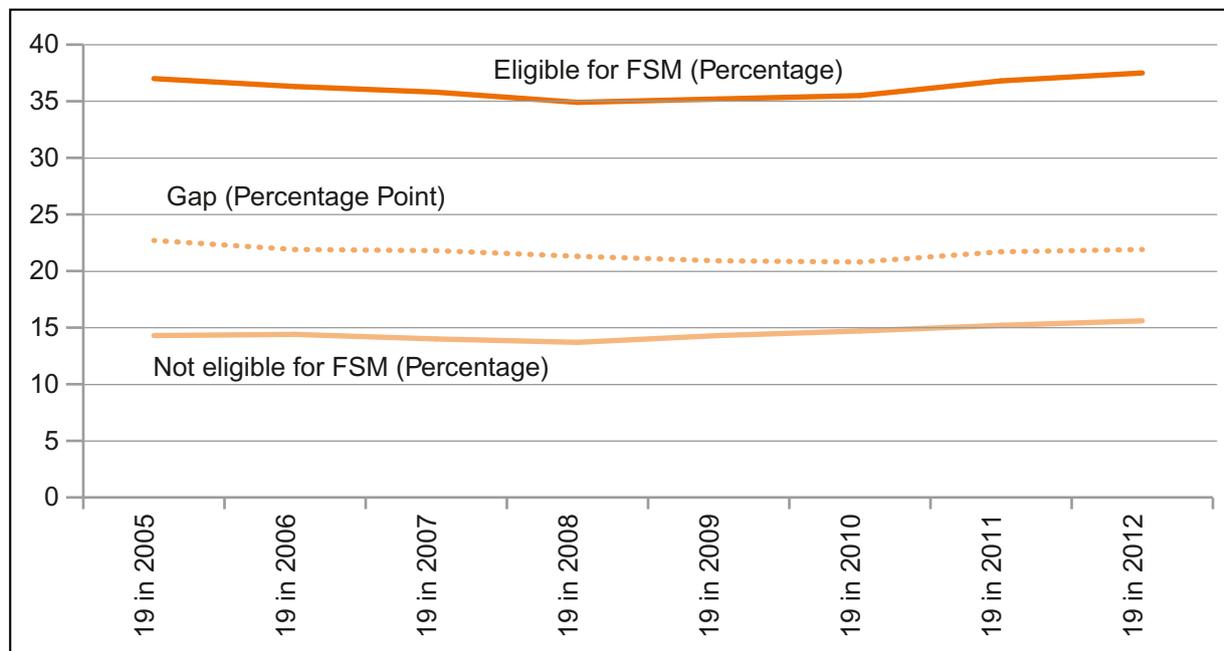
The trend is of rising attainment for both children on free school meals (FSM) and those not on free school meals, with big improvements from 2005 to 2012 – almost twice as many children eligible for free school meals achieved good GCSEs in English and maths in 2012 compared to in 2005.

However, there was arguably limited progress in closing of the gap between them: a 1.8 percentage point reduction from 2008 to 2012 and a 2.3 percentage point decrease from 2005, though the relative chances of poorer children achieving at this level did improve.

In 2012, nearly two thirds of children not eligible for free school meals got A-C in English and maths (63 per cent) versus a little over a third (36.8 per cent) of those on FSM. Those not eligible for free school meals were 70 per cent more likely to hit the benchmark.

Attainment at 19 by Free School Meals at 15 - Proportion of children in maintained schools at age 15 who achieve level 3 qualifications (at least 2 A-Levels or equivalent) by age 19, by free school meal eligibility at age 15

Level 3 at 19 through 2+ A-levels/ International Baccalaureate



	2005	2006	2007	2008	2009	2010	2011	2012
Eligible for FSM	14.3	14.4	14.0	13.7	14.3	14.7	15.2	15.6
Not eligible for FSM	37.0	36.3	35.8	34.9	35.2	35.5	36.8	37.5
Gap	22.7	21.9	21.8	21.3	20.9	20.8	21.7	21.9

Source: DfE, *Attainment by young people in England measured using matched administrative data by age 10 in 2012, 2013*

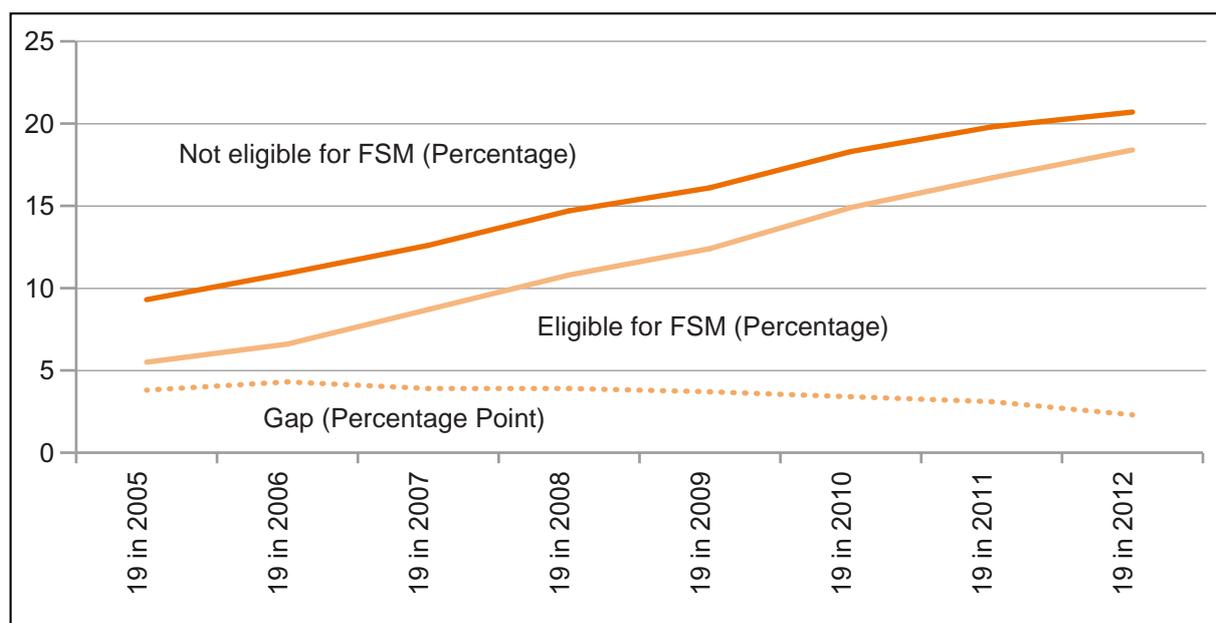
This is a measure of attainment and social gaps in attainment at the age of 19 using 2 A-Levels as the benchmark of children in English maintained schools who were at maintained schools at age 15.

The trend is one of limited change. The proportion of young people eligible for free school meals (FSM) and those not achieving two A-levels by the age of 19 has been broadly static over time, with, for example, fewer than 1 in 6 children eligible for free school meals achieving at this level.

And the gap between FSM and the rest at 19 in Level 3 shows no significant improvement over the seven year period we have data for. The attainment gap between FSM pupils and others for Level 3 at 19 obtaining 2 plus A-levels or International Baccalaureate ranged from 22.7 percentage points in 2005, to 20.8 percentage points in 2010 and then increased slightly in 2012 to 21.9 percentage points. This was a reduction of 0.8 of a percentage point for the seven year period, and looking at the two years of data available since 2010 the gap has worsened by 1.1 percentage points.

Other pupils remain more than twice as likely to get 2 A-Levels as FSM students.

Level 3 at 19 through qualifications other than A-levels



19 in..	2005	2006	2007	2008	2009	2010	2011	2012
Eligible for FSM	5.5	6.6	8.7	10.8	12.4	14.9	16.7	18.4
Not eligible for FSM	9.3	10.9	12.6	14.7	16.1	18.3	19.8	20.7
Gap	3.8	4.3	3.9	3.9	3.7	3.4	3.1	2.3

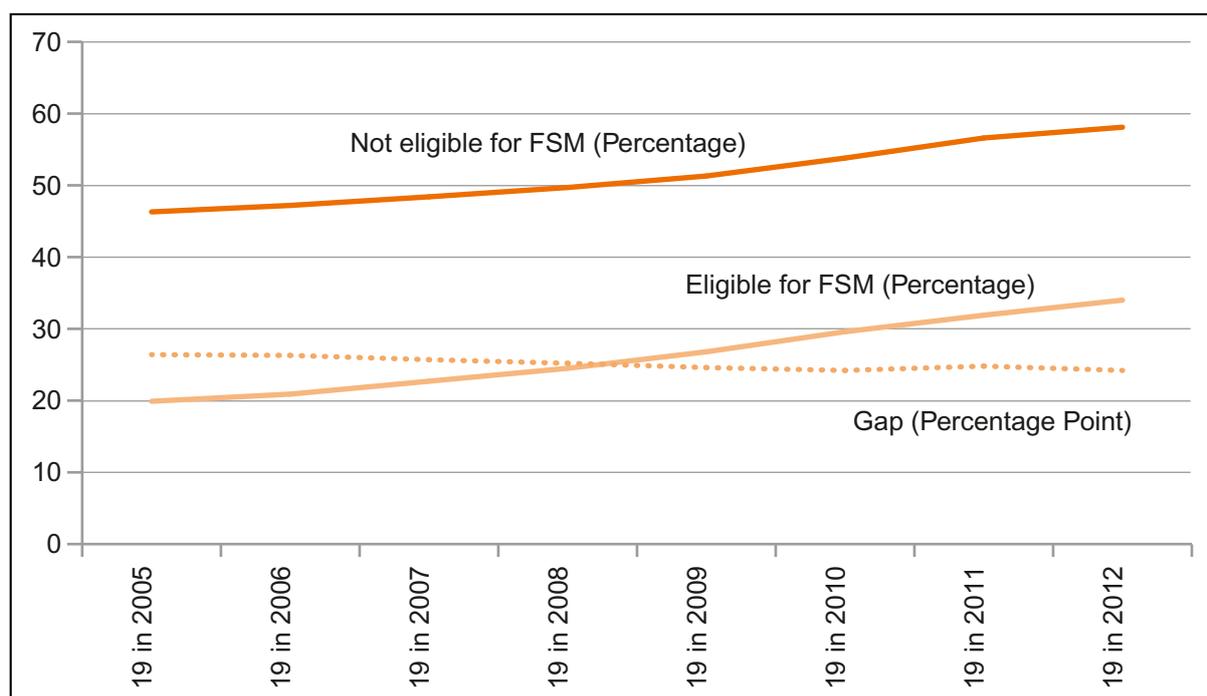
Source: DfE, *Attainment by young people in England measured using matched administrative data by age 10 in 2012, 2013*

This is a measure of attainment and social gaps in attainment of children in English schools at the age of 19 using other Level 3 qualifications as the benchmark (i.e. A-Level equivalents).

The trend is one of improvement. The proportion of children in maintained schools at age 15 who achieve Level 3 through qualifications other than A-levels increased at a steady rate for all children. The proportions increased from 5.5 per cent for free school meal (FSM) students and 9.3 per cent for students ineligible for FSM in 2005 to 18.4 per cent for FSM students and 20.7 per cent for students ineligible for FSM - this is an improvement of 12.9 percentage points for FSM and 11.4 percentage points for non FSM students. In relative terms, since 2008 there has been a 41 per cent improvement in the proportion of pupils ineligible for FSM obtaining Level 3 through other qualifications, compared to a 70 per cent improvement for FSM pupils.

The gap – already relatively modest - has fluctuated but also narrowed somewhat. In 2012 it was at a seven year low (2.3 percentage points), though there has only been a 1.5 percentage point decrease since 2005.

Any Level 3 qualification by the age of 19



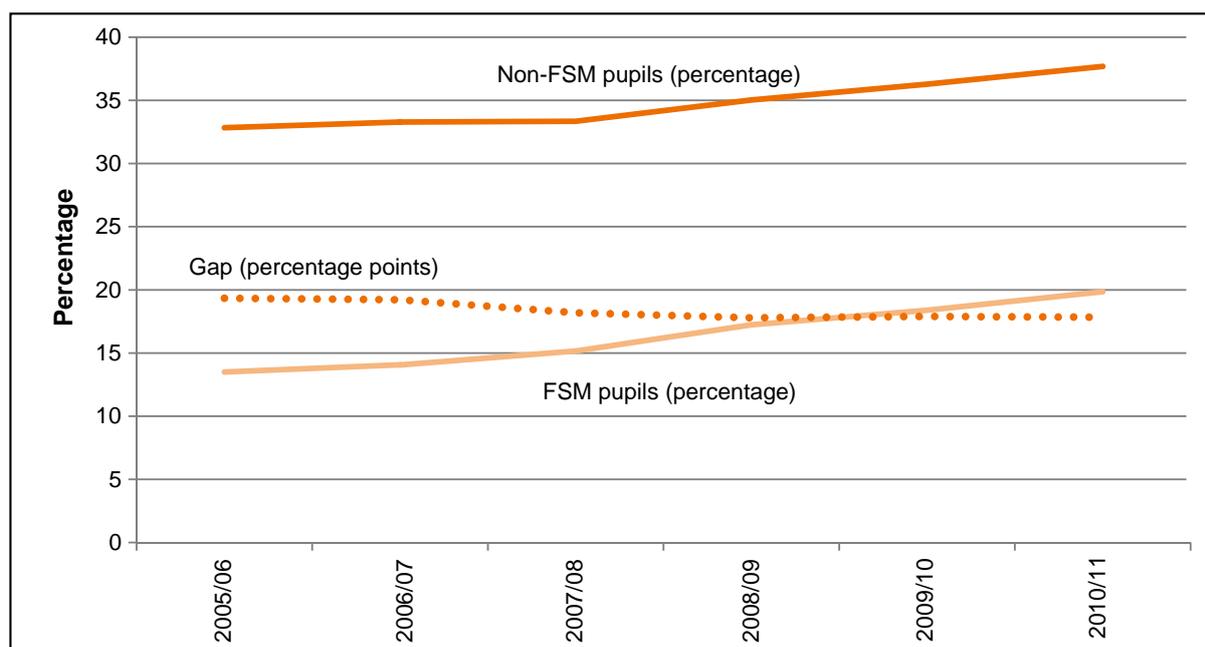
19 in..	2005	2006	2007	2008	2009	2010	2011	2012
Eligible for FSM	19.9	20.9	22.7	24.5	26.8	29.6	31.9	34.0
Not eligible for FSM	46.3	47.2	48.4	49.7	51.3	53.8	56.6	58.1
Gap	26.4	26.3	25.7	25.2	24.6	24.2	24.8	24.2

Source: DfE, *Attainment by young people in England measured using matched administrative data by age 10 in 2012, 2013*

This is a measure of attainment and social gaps in attainment of children in English schools at the age of 19 using any Level 3 qualifications as the benchmark – so it combines the previous two indicators.

The trend is positive. Since 2008 there has been a 39 per cent improvement in the achievement of free school meals (FSM) students achieving any Level 3 at 19, this is compared to a 17 per cent improvement for students ineligible for FSM. Most of the improvement is due to increasing numbers of children eligible for free school meals achieving Level 3 qualifications other than A-levels.

Progression of pupils aged 15 to higher education at 19



Estimated % who entered higher education at 19	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
FSM	13.5	14.1	15.2	17.2	18.4	19.9
Non-FSM	32.8	33.3	33.3	35.0	36.3	37.7
Gap	19.3	19.2	18.2	17.8	17.9	17.8
All	30.0	30.6	30.8	32.6	33.8	35.2

Source: BIS, Department for Business, Innovation and Skills, Widening Participation in Higher Education 2013, Ref BIS/13/P155

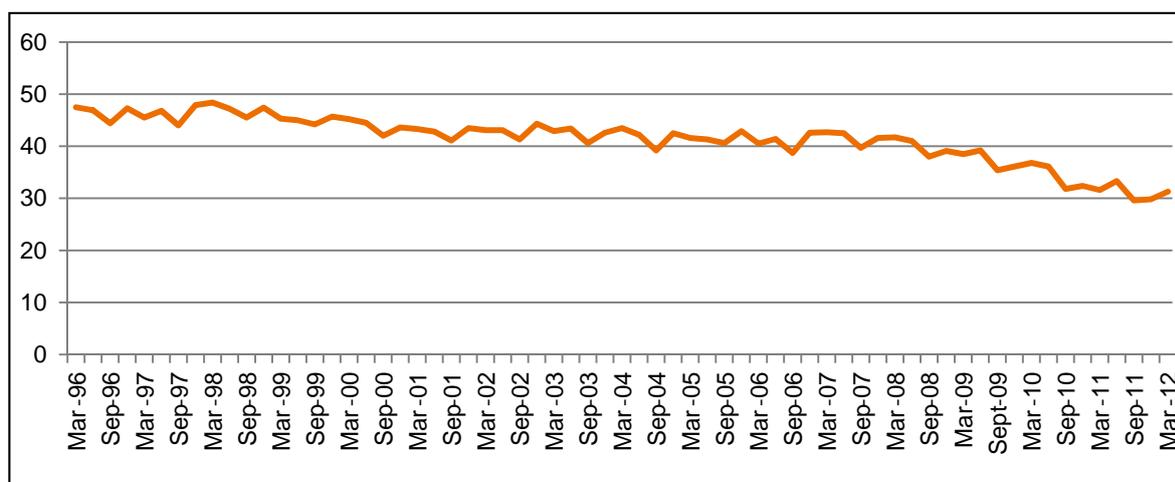
This is a measure of progression to higher education, broken down by social background.

The trend is one of progress. The proportion of pupils aged 15 going to higher education by the age of 19 increased between 2005/06 to 2010/11, with FSM students improving by 6.4 percentage points compared to non-FSM students who improved by 4.9 percentage points.

However, there has been little narrowing of the absolute gap as the proportion of non-FSM pupils aged 15 who have entered higher education by age 19 has continued to rise, though the relative chances improved. Young people eligible for free school meals are still only half as likely to progress to university as others.

An issue with this indicator is that it has an extremely long time lag. For example – any impact of the 2012-13 reforms to the higher education funding system on 18 year old applicants will not show up in this indicator until 2013-14 data is available in the summer of 2016.

Conception rate per 1,000 for 15-17 year olds in England and Wales (under 18 at conception)



Quarterly	Sept-09 ^a	Dec-09 ^a	Mar-10 ^a	Jun-10 ^a	Sep-10 ^a	Dec-10 ^a	Mar-11	Jun-11	Sept-11 ^b	Dec-11 ^b	Mar-12 ^b
Rates (conceptions per thousand women in age-group)	35.4	36.1	36.8	36.1	31.8	32.4	31.6	33.3	29.6	29.8	31.3

Source: ONS (2013), Vital Statistics: Population and Health Reference Tables (May 2013 Update): Quarterly Conceptions Data
 Notes: Rates for September 2011, December 2011 and March 2012 have been calculated using the mid-2011 population estimates and the 2010-based population projections for 2012.

Figure for March 1996 – March 2009 would not fit on page.

a- Rates for 2002-2010 have been calculated using mid-year population estimates revised to take account of the 2011 Census and therefore may differ from previously published rates.

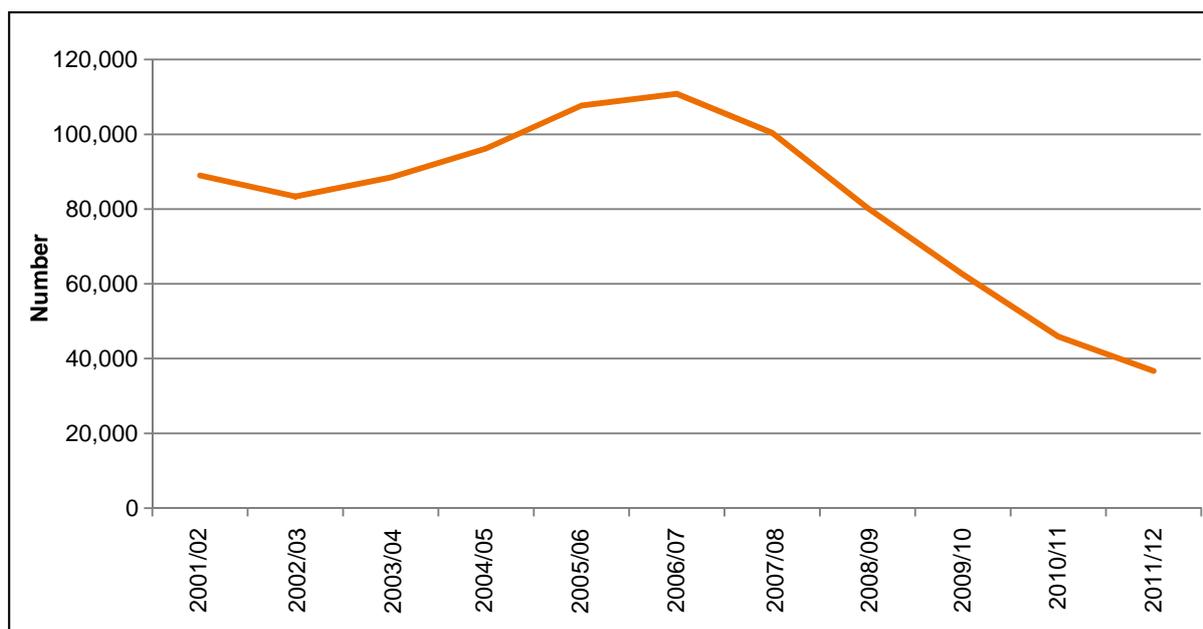
b- Rates for September 2011, December 2011 and March 2012 have been calculated using the mid-2011 population estimates and the 2010-based population projections for 2012.

This is a measure of teenage pregnancy, though with no social breakdown. The conception rate is higher for 15-17 year olds from disadvantaged backgrounds than from those from advantaged.

Rates are only available up to March 2012. Therefore it is not possible to assess performance over the past 18 months.

The trend in teenage conception rate per 1,000 for 15-17 year olds has fluctuated over the last 17 years shown in the above graph; however the overall trend has been downwards and there has been considerable acceleration of this downward trend since 2007.

Number of young people 10-17 year olds receiving a first reprimand



Financial Year	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
England and Wales	88,984	83,374	88,454	96,199	107,695	110,826	100,393	80,329	62,555	45,910	36,677

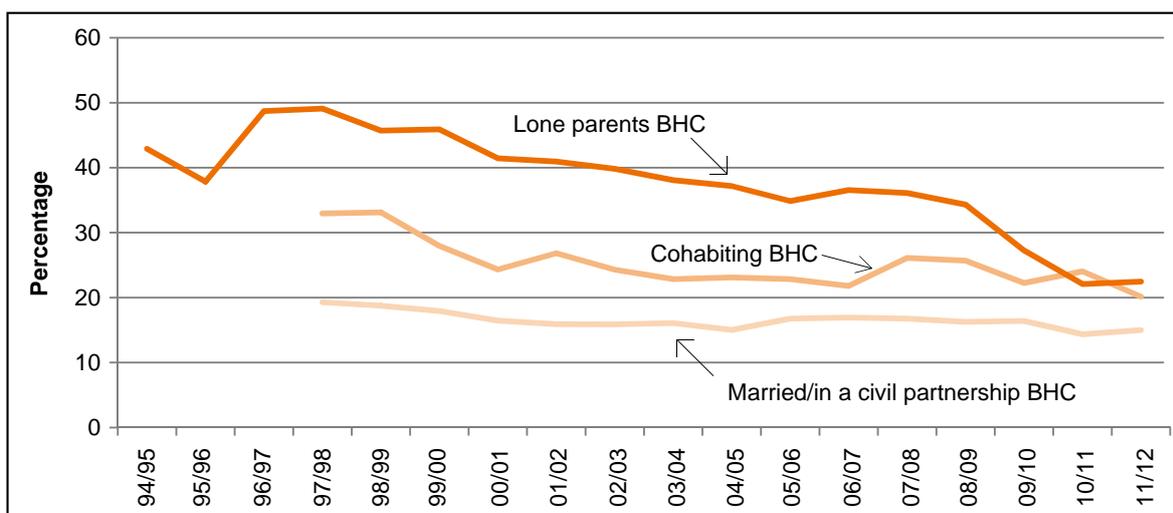
Source: Ministry of Justice (2013), Youth Justice Statistics Table 2.1

This is a measure of children and young people's engagement with the criminal justice system, though there is no metric of social background.

There have been considerable falls in this indicator since 2006/7, after numbers peaked at 110,826. The number of first time entrants has fallen by over 50 per cent from 2001/02 to 2011/12. However, the driver of these changes is unclear: some of the change may be due to policy changes in how young people are dealt with by the criminal justice system rather than underlying changes in behaviour.

In 2011/12, there were 36,677 first time entrants to the Youth Justice System. The number of first time entrants fell by 20 per cent compared to the previous year.

Family structure - The proportion of children living in relative poverty in families: – married; cohabiting; lone parents (BHC)



	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12
BHC																		
Couples who are married/in a civil partnership	..	..	..	19	19	18	16	16	16	16	15	17	17	17	16	16	14	15
Couples who are cohabiting	..	..	..	33	33	28	24	27	24	23	23	23	22	26	26	22	24	20
Lone parents	43	38	49	49	46	46	41	41	40	38	37	35	37	36	34	27	22	22
AHC*																		
Couples who are married/in a civil partnership	..	..	..	23	23	22	21	21	20	20	19	22	22	22	22	22	20	21
Couples who are cohabiting	..	..	..	39	42	36	32	32	31	30	30	29	31	36	36	34	34	30
Lone parents	62	61	67	64	64	62	58	58	55	52	52	50	52	52	50	46	41	43

HBAI, Table 4.14ts

Notes: Figures are for the United Kingdom from 2002/03 onwards. Earlier years are for Great Britain only
 No economic status data is available for 1994/95 and 1995/96 as the relevant information was not collected in the Family Resources Survey for these years. Marital status information is only available on a consistent basis from 1997/98.
 Changes to tax credits and benefits since April 2012 will not be seen in these figures.

This is a measure of children in relative poverty by different family type.

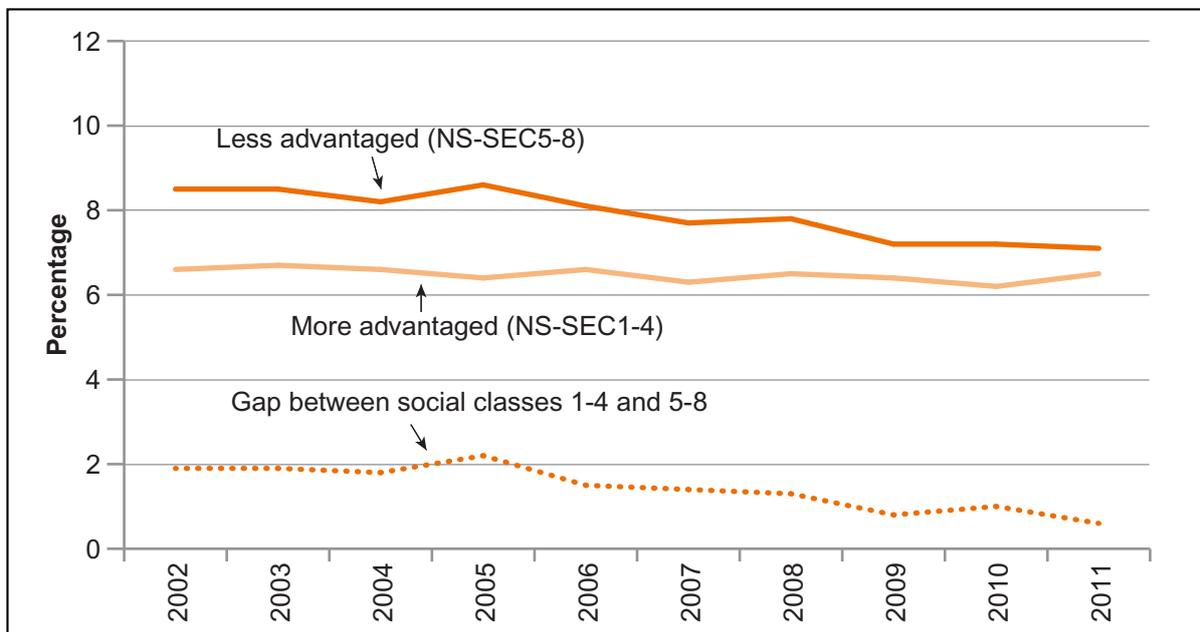
It shows that children of lone parents are at a slightly higher risk of poverty than children of cohabiters who are in turn at higher risk than those of married couples, though it offers no insight into causation.

On trends, poverty for children in families where couples are married has been broadly stable at between 15 and 17 per cent for a decade. The rates for cohabiting couples have fluctuated but have come down somewhat. The big change is poverty among lone parents, which has more than halved. In 1997/1998 the proportion of children living in relative poverty in lone parent families was just over 49 per cent, this risk reduced to around 22 per cent by 2010/2011.

The other notable feature of poverty by family type is the difference that housing costs make – to the level, but not the trend. AHC child poverty for children living in families who are married or in a civil partnership increases by more than a quarter to 21 per cent; lone parent poverty nearly doubles to 43 per cent.

Social Mobility

Low birth weight – gap between social classes 1-4 and 5-8



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
More advantaged groups (NS-SEC 1-4)	6.6	6.7	6.6	6.4	6.6	6.3	6.5	6.4	6.2	6.5
Less advantaged groups (NS-SEC 5-8)	8.5	8.5	8.2	8.6	8.1	7.7	7.8	7.2	7.2	7.1
Gap	1.9	1.9	1.8	2.2	1.5	1.4	1.3	0.8	1.0	0.6

Source: ONS, *Childhood, infant and perinatal mortality in England and Wales (annual data for 2002-2011)*

This is a measure of the proportion of live births of a low birth weight (<2500 grams) - a risk factor for later poor health and low attainment, and one with a marked social gradient. The measure of social class used here is father's occupation (using NS-SEC classifications) comparing the four more advantaged occupational groups with the four less advantaged occupational groups.

In 2011, the percentage of children who were born with a low birth weight remained higher for the less advantaged than the more advantaged (0.6 percentage points difference) and has been flat for less advantaged groups since 2009. However the gap between the social classes has been decreasing gradually over the longer-term.

Classification by the social class of the father may be problematic since those where no details are known about the father are not included at all – this applies to around 10 per cent of all births, with these babies being more likely to be from less advantaged backgrounds (e.g. sole registered births).

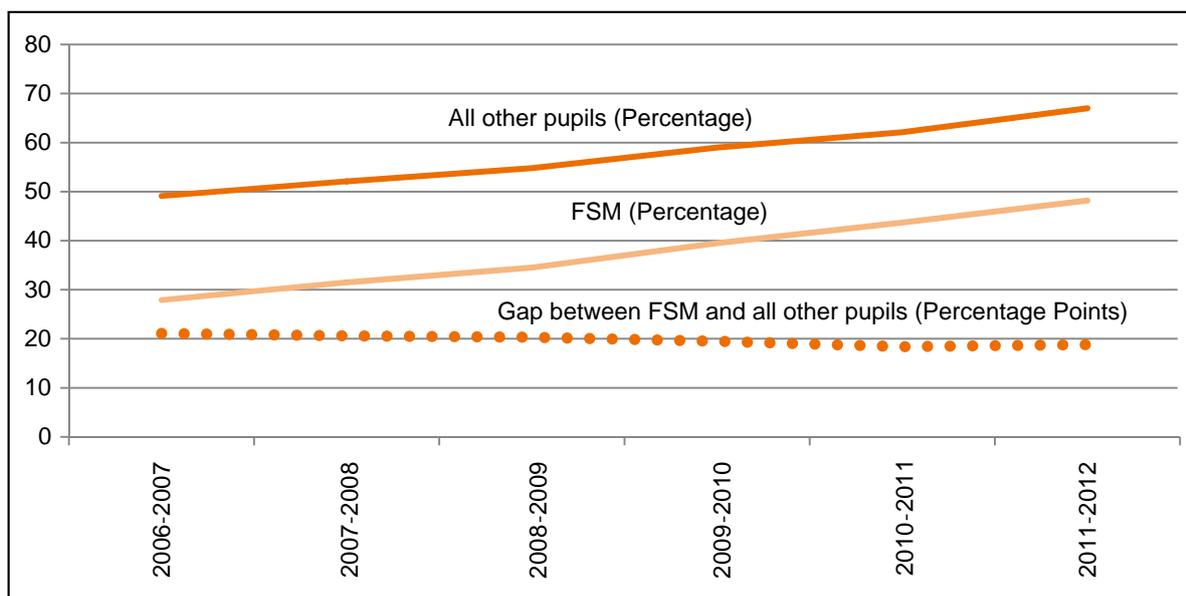
Most of the Government's other indicators for the early childhood period are not yet in place.

Early child development, by social background

This indicator features in the Child Poverty Strategy, the Social Mobility Strategy and the Public Health Outcomes Framework. However, it is not yet available - a new metric based on the Healthy Child Programme developmental review at age 2 - 2½ years is being developed.

Development and testing of the new indicator will take around three years as new data collection mechanisms are required. The aim is for the indicator to be ready for baseline setting in 2014-15 and wider implementation from 2015.

School readiness - proportion of children achieving a 'good level of development' in Early Years Foundation Stage, by FSM eligibility



	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Free school meals	27.9	31.5	34.5	39.5	43.7	48.2
All other pupils	49.1	52.1	54.8	59.0	62.1	67.0
Gap	21.1	20.6	20.3	19.5	18.4	18.8

Sources:

1) Department for Education, Early Years Foundation Stage Profile by Pupil Characteristics in England: Academic Year 2011 to 2012, SFR 30/2012

2) Department for Children, School and Families, DCSF: Early Years Foundation Stage Profile Attainment by Pupil Characteristics, England 2008/09, SFR03/2010

This is a measure of children's development and social gaps in development. The Early Years Foundation Stage Profile (EYFSP) is a statutory assessment of each child's development and learning for children in the final year of the Foundation Stage – the end of the academic year when they turn 5. Local Authorities must submit data for all children who turn 5 that academic year in either maintained schools or still receiving the Government's free childcare offer.

The trend in school readiness has been positive with figures for both free school meals (FSM) pupils and other pupils increasing steadily since 2006-07 – up by nearly 20 percentage points for FSM children and more than 17 percentage points for other pupils.

However, absolute gaps remain stubborn falling only 2.3 percentage points over the period, though there was some improvement in the relative chances of poorer children achieving a good level of development. And large gaps remain: children not eligible for FSM are still 39 per cent more likely to achieve a good level of development than poorer children.

There will be a structural break in the trend in future years to reflect the revised framework for the EYFS published March 2012 and implemented in September 2012. In the pilot of the new EYFS (for all children), far fewer children – only 41 per cent – met the standard.¹

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/190639/DFE-RR291.pdf

School readiness - Proportion of Year 1 children meeting the expected standard in the phonics screening check, by free school meal eligibility

The phonics screening check was administered for the first time in June 2012, and there is therefore only one data point available to measure performance against this indicator.

	2011/12	2012/13
Pupils eligible for free school meals	44%	56%
All other pupils	61%	72%
The gap	17%	17%

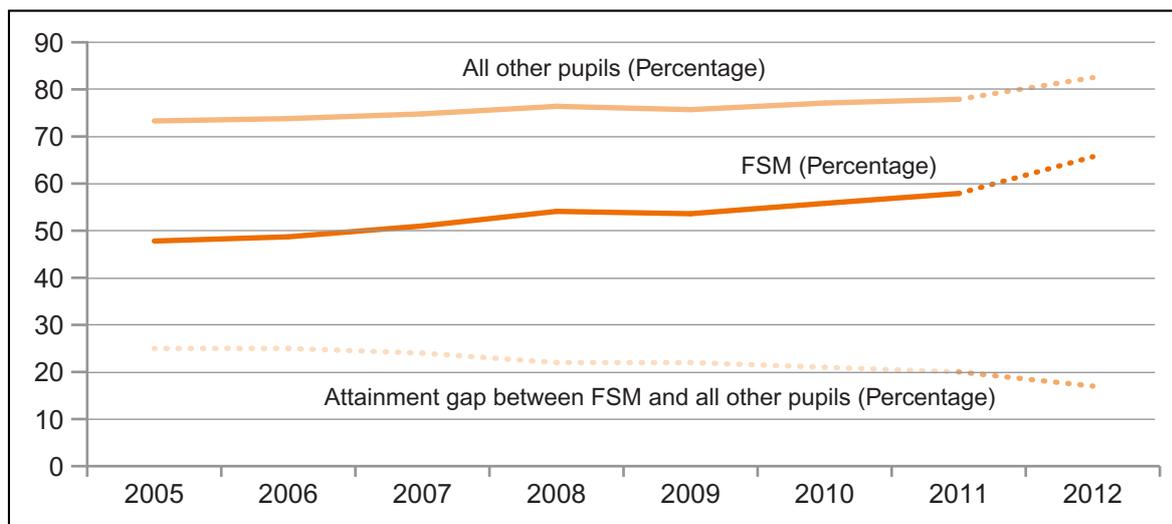
Sources:

1) Department for Education, Phonics Screening Check and National Curriculum Assessment at Key Stage 1 in England 2011/12, SFR 21/2012

2) Department for Education, Phonics Screening Check and National Curriculum Assessment at Key Stage 1 in England 2012/13, SFR 37/2013

The phonics screening check was administered for the first time in 2012 and most recent data shows a 12 percentage point increase between 2012 and 2013 data points for pupils eligible for free school meals. As this was accompanied by a similar increase for all other pupils, the gap between free school meal pupils and the rest has remained at 17 percentage points.

Attainment at 11 – proportion of children achieving Level 4 in both English and maths ('basics') at end of Key Stage 2 by Free School Meal eligibility



Note that 2012 data at key stage 2 is not comparable to earlier years due to changes in testing methods in English: it is estimated about half of the decrease in the gap between 2011 and 2012 was due to the switch from reading and writing tests in 2011 to reading tests and writing teacher assessments in 2012.

	2005	2006	2007	2008	2009	2010	2011	2012
Free school meals	47.8	48.7	51.0	54.1	53.6	55.8	57.9	65.7
All other pupils	73.3	73.8	74.8	76.4	75.7	77.1	77.9	82.5
Gap	25.5	25.1	23.8	22.3	22.1	21.3	20.0	16.8
Relative chance	1.5	1.5	1.5	1.4	1.4	1.4	1.3	1.3

Source: DfE, *Unpublished data: percentage of pupils achieving Level 4 or above in English and maths (2005-2012), 2013*

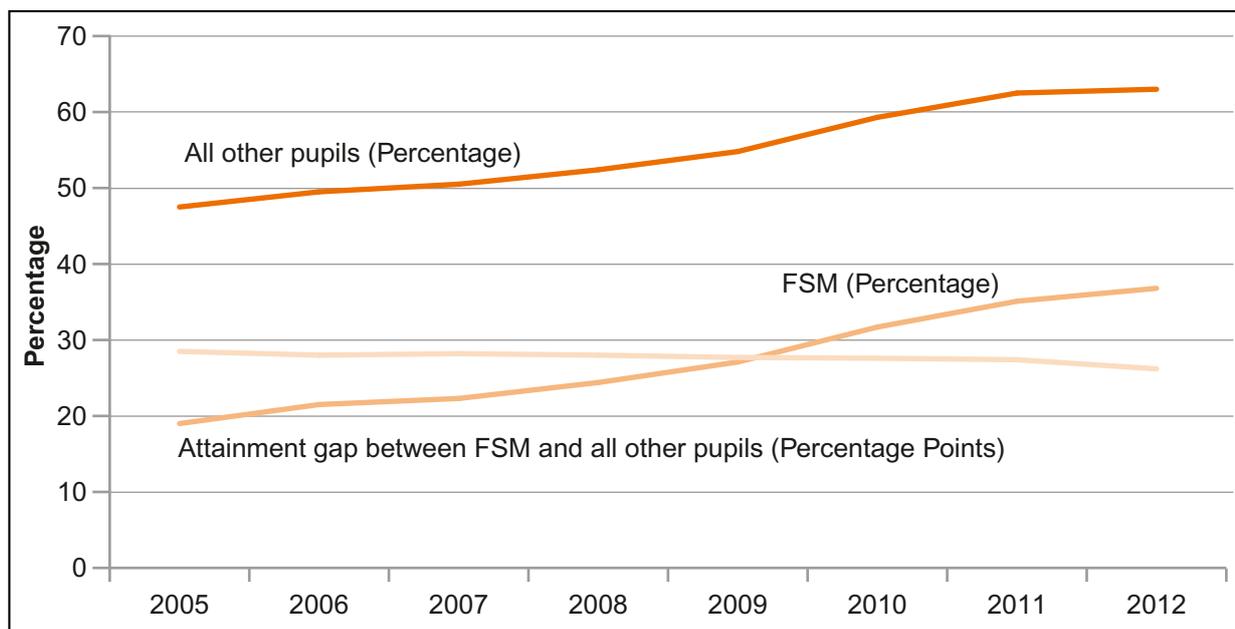
This indicator is shared with the Child Poverty Strategy. It is a measure of attainment and of the gap by social background in the attainment of children in English schools at the age of 11.

The trend is of rising attainment for both children on free school meals (FSM) and those not on free school meals, as well as considerably closing of the gap between them, with small improvements in most years since this indicator has been reported. Note: in terms of trend, limited weight can be attached to the big improvements between 2011 and 2012 because of changes in testing methods in English. The data are not comparable.

The 2012 data show that two-thirds of FSM children hit the benchmark compared with more than four-fifths of non-FSM children. The gap is 17.0 percentage points or – put another way – in 2012 pupils not eligible for free school meals were 26 per cent more likely to achieve the level 4 threshold than those who were eligible for Free School Meals.

In interpreting these data, it is notable that the Minister for Schools has criticised the Level 4 benchmark as set too low, since achieving it does not leave students on course for 5 good GCSEs.

Attainment at 16 – proportion of children achieving A*-C in English and maths, by free school meal eligibility



	2005	2006	2007	2008	2009	2010	2011	2012
All other pupils	47.5	49.5	50.5	52.4	54.8	59.3	62.5	63.0
FSM	19.0	21.5	22.3	24.4	27.1	31.7	35.1	36.8
Attainment gap	28.5	28.0	28.2	28.0	27.7	27.6	27.4	26.2
Relative Chance	2.5	2.3	2.3	2.1	2.0	1.9	1.8	1.7

Source: DfE, *Unpublished data: percentage of pupils achieving A*-C in English and maths GCSEs (2005-2012), 2013*

Note that 2011 and 2012 data includes English and maths iGCSEs as well as GCSEs.

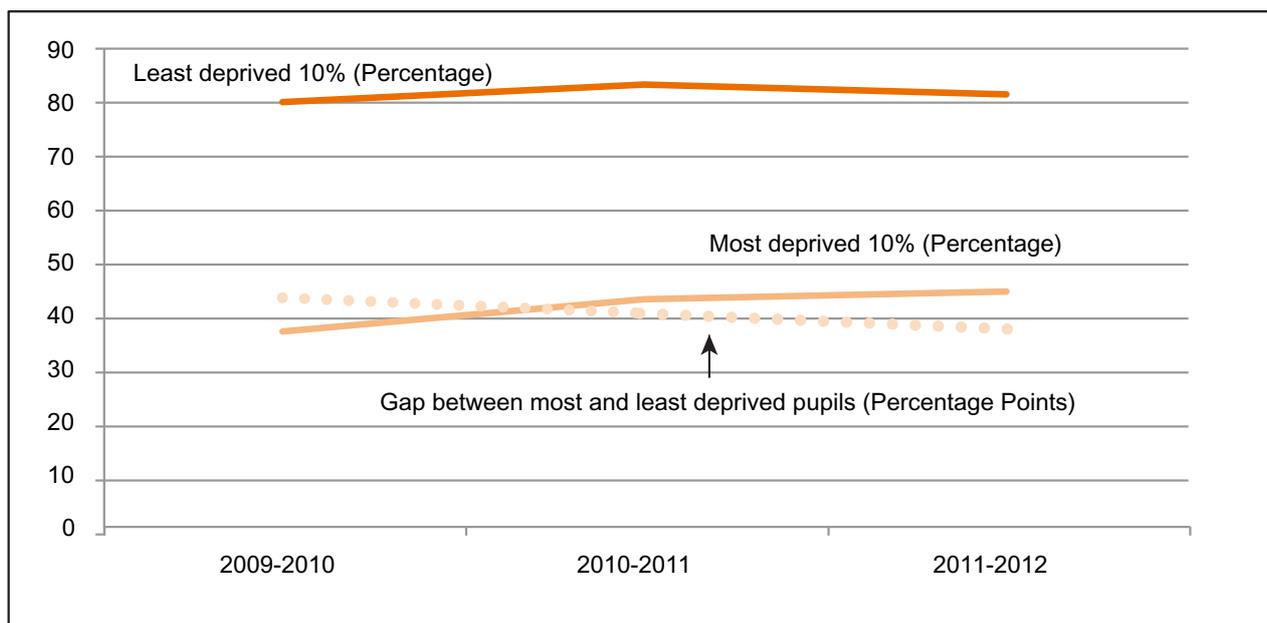
This indicator is shared with the Child Poverty Strategy. It is a measure of attainment and the gaps in attainment by social background of English children at the age of 16.

The trend is of rising attainment for both children on free school meals (FSM) and those not on free school meals, with big improvements from 2005 to 2012 – almost twice as many children eligible for free school meals achieved good GCSEs in English and maths in 2012 compared to in 2005

However, there was arguably limited progress in closing of the gap between them: a 1.8 percentage point reduction from 2008 to 2012 and a 2.3 percentage point decrease from 2005, though the relative chances of poorer children achieving at this level did improve.

In 2012, nearly two thirds of children not eligible for free school meals got A*-C in English and Maths (63 per cent) versus a little over a third (36.8 per cent) of those on FSM. Those not eligible for free school meals were 7 per cent more likely to hit the benchmark.

Attainment at 16 – proportion of children achieving A*-C in English and maths by 10% most advantaged and least advantaged schools



	2009-2010	2010-2011	2011-2012
Most deprived 10%	36.9	42.9	44.2
Least deprived 10%	80.0	83.3	81.5
Gap	43.1	40.3	37.3

Sources:

1) HM Government, Social Mobility Indicators – Number 7.

<https://www.gov.uk/government/publications/social-mobility-indicators/social-mobility-indicators>

2) Department for Education, GCSE and Equivalent Attainment by Pupil Characteristics in England 2011 to 2012, SRF04/2013

This is a measure of the gap in performance of schools with different levels of deprivation.

Given that data is only available for the last three years, it is difficult to interpret trends over time.

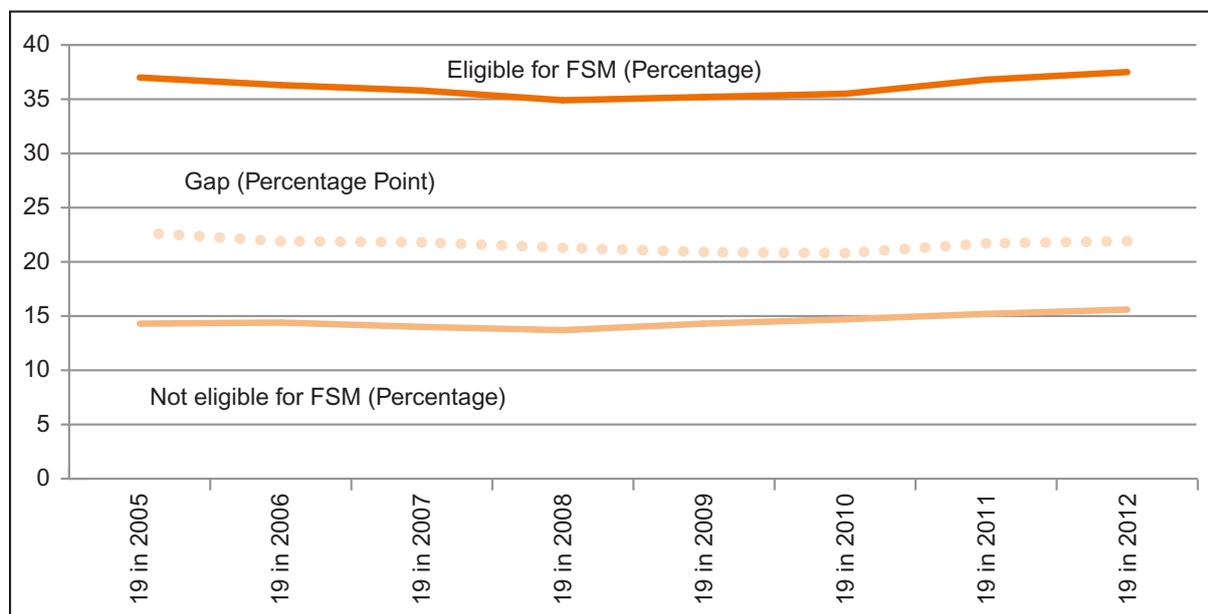
Looking at what data is available; we can see that performance of the most deprived 10 per cent of schools has been improving significantly from a low base while the least deprived 10 per cent has moved up and down, though overall slightly improving. The net effect is that since 2009/2010 the gap in the proportion of children achieving A*-C in English and maths between the most and least deprived schools has narrowed by 5.8 percentage points.

However there still remain stark inequalities with less than half of students at the most deprived 10 per cent of schools getting 5A*-C at GCSE in English and maths compared with more than four fifths at the least deprived 10 per cent.

Caution is required interpreting the data as the identity of the top 10 per cent and the least 10 per cent deprived schools changes every year. Therefore it is unclear if changes are due to this compositional effect or 'real' changes.

Attainment at 19 by Free School Meals at 15 - Proportion of children in maintained schools at age 15 who achieve level 3 qualifications (at least 2 A-Levels or equivalent) by age 19, by free school meal eligibility at age 15

Level 3 at 19 through 2+ A-levels/ International Baccalaureate



	2005	2006	2007	2008	2009	2010	2011	2012
Eligible for FSM	14.3	14.4	14.0	13.7	14.3	14.7	15.2	15.6
Not eligible for FSM	37.0	36.3	35.8	34.9	35.2	35.5	36.8	37.5
Gap	22.7	21.9	21.8	21.3	20.9	20.8	21.7	21.9

Source: DfE, *Attainment by young people in England measured using matched administrative data by age 10 in 2012, 2013*

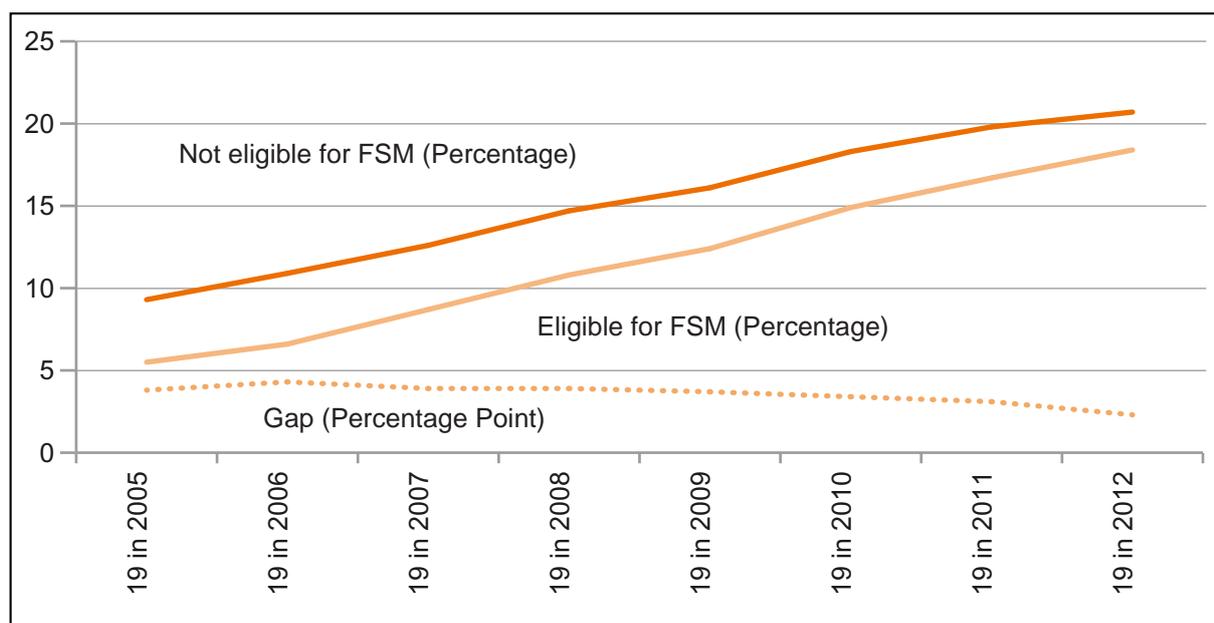
This indicator is shared with the Child Poverty Strategy. This is a measure of attainment and social gaps in attainment at the age of 19 using 2 A-Levels as the benchmark of children in English maintained schools who were at maintained schools at age 15.

The trend is one of limited change. The proportion of young people eligible for free school meals (FSM) and those not achieving two A-levels by the age of 19 has been broadly static over time, with, for example, fewer than 1 in 6 children eligible for free school meals achieving at this level.

And the gap between FSM and the rest at 19 in Level 3 shows no significant improvement over the seven year period we have data for. The attainment gap between FSM pupils and others for Level 3 at 19 obtaining 2 plus A' levels or International Baccalaureate ranged from 22.7 percentage points in 2005, to 20.8 percentage points in 2010 and then increased slightly in 2012 to 21.9 percentage points. This was a reduction of 0.8 of a percentage point for the seven year period, and looking at the two years of data available since 2010 the gap has worsened by 1.1 percentage points.

Other pupils remain more than twice as likely to get 2 A-Levels as FSM students.

Level 3 at 19 through other qualifications



19 in..	2005	2006	2007	2008	2009	2010	2011	2012
Eligible for FSM	5.5	6.6	8.7	10.8	12.4	14.9	16.7	18.4
Not eligible for FSM	9.3	10.9	12.6	14.7	16.1	18.3	19.8	20.7
Gap	3.8	4.3	3.9	3.9	3.7	3.4	3.1	2.3

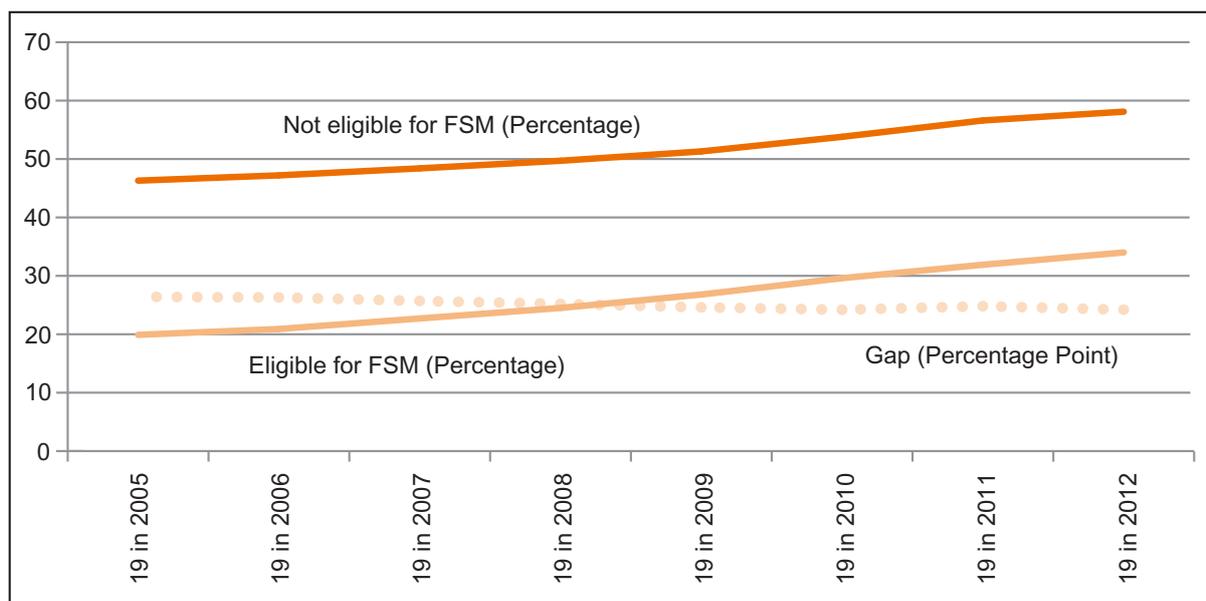
Source: DfE, *Attainment by young people in England measured using matched administrative data by age 10 in 2012, 2013*

This indicator is shared with the Child Poverty Strategy. It is a measure of attainment and social gaps in attainment of children in English schools at the age of 19 using other Level 3 qualifications as the benchmark (i.e. A-Level equivalents). [BS17]

The trend is one of improvement. The proportion of children in maintained schools at age 15 who achieve Level 3 qualifications through routes other than A-levels increased at a steady rate for all children. The proportions increased from 5.5 per cent for free school meal (FSM) students and 9.3 per cent for students ineligible for FSM in 2005 to 18.4 per cent for FSM students and 20.7 per cent for students ineligible for FSM. This is an improvement of 12.9 percentage points for FSM and 11.4 percentage points for non-FSM students. In relative terms, since 2008 there has been a 41 per cent improvement in the proportion of pupils ineligible for FSM obtaining Level 3 through other qualifications, compared to a 70 per cent improvement for FSM pupils.

The gap – already relatively modest - has fluctuated but also narrowed somewhat. In 2012 it was at a seven year low (2.3 percentage points), though there has only been a 1.5 percentage point decrease since 2005.

Any level 3 qualification by the age of 19



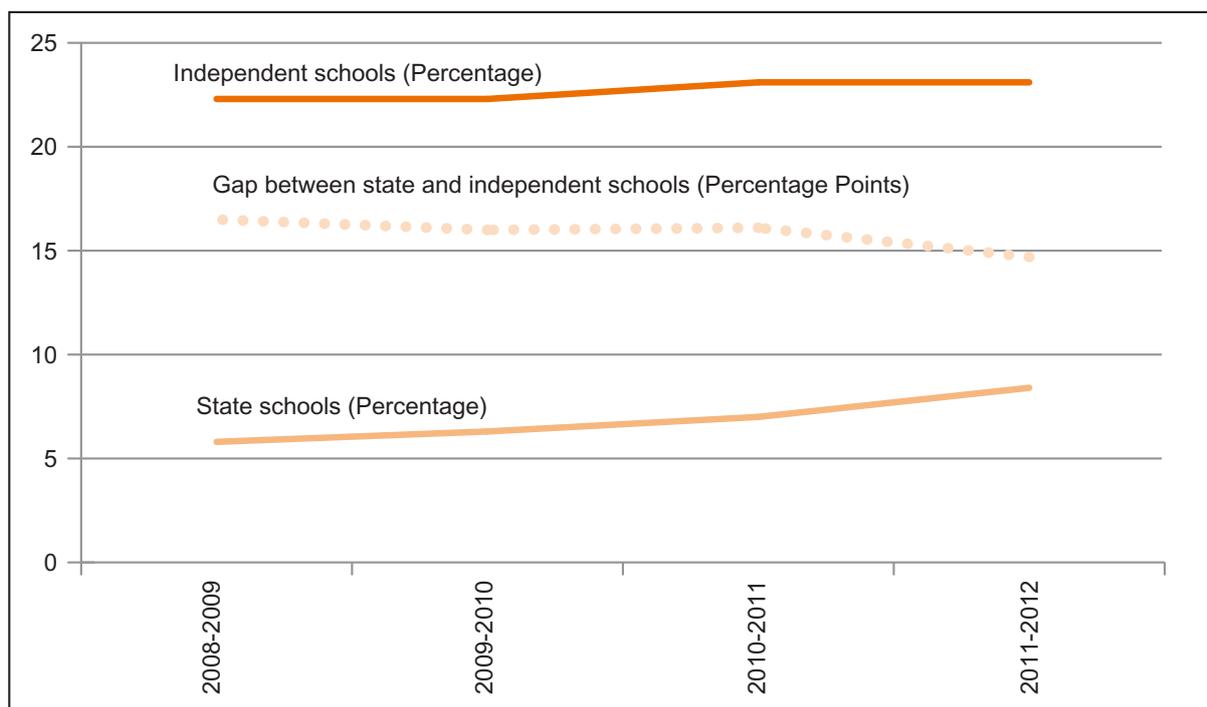
19 in..	2005	2006	2007	2008	2009	2010	2011	2012
Eligible for FSM	19.9	20.9	22.7	24.5	26.8	29.6	31.9	34.0
Not eligible for FSM	46.3	47.2	48.4	49.7	51.3	53.8	56.6	58.1
Gap	26.4	26.3	25.7	25.2	24.6	24.2	24.8	24.2

Source: DfE, *Attainment by young people in England measured using matched administrative data by age 10 in 2012, 2013*

This indicator is shared with the Child Poverty Strategy. It is a measure of attainment and social gaps in attainment of children in English schools at the age of 19 [BS18] using any Level 3 qualifications as the benchmark – so it combines the previous two indicators.

The trend is positive. Since 2008 there has been a 39 per cent improvement in the achievement of free school meals (FSM) students achieving any Level 3 at 19, this is compared to a 17 per cent improvement for students ineligible for FSM. Most of the improvement is due to increasing numbers of children eligible for free school meals achieving Level 3 qualifications other than A-levels.

High attainment by school type – proportion of children studying A-levels in facilitating subjects at 17 who get AAB by school type



	2008-2009	2009-2010	2010-2011	2011-2012
State Schools	5.8	6.3	7.0	8.6
Independent Schools	22.3	22.3	23.1	23.7
Gap	16.5	16.0	16.1	15.1

Sources:

1) HM Government, Social Mobility Indicators – Number 9.

<https://www.gov.uk/government/publications/social-mobility-indicators/social-mobility-indicators>

2) Department for Education, Revised A level and equivalent results in England: Academic Year 2011 to 2012, SFR05/2013

This is a measure that seeks to track the proportion of students by school type achieving grades in the “right” subjects at a high enough level to access the most selective universities. Unlike previous measures it is not comparing the bottom (FSM) and the rest but (imperfect) proxies of the middle (state schools as a whole) and the top (independent schools).

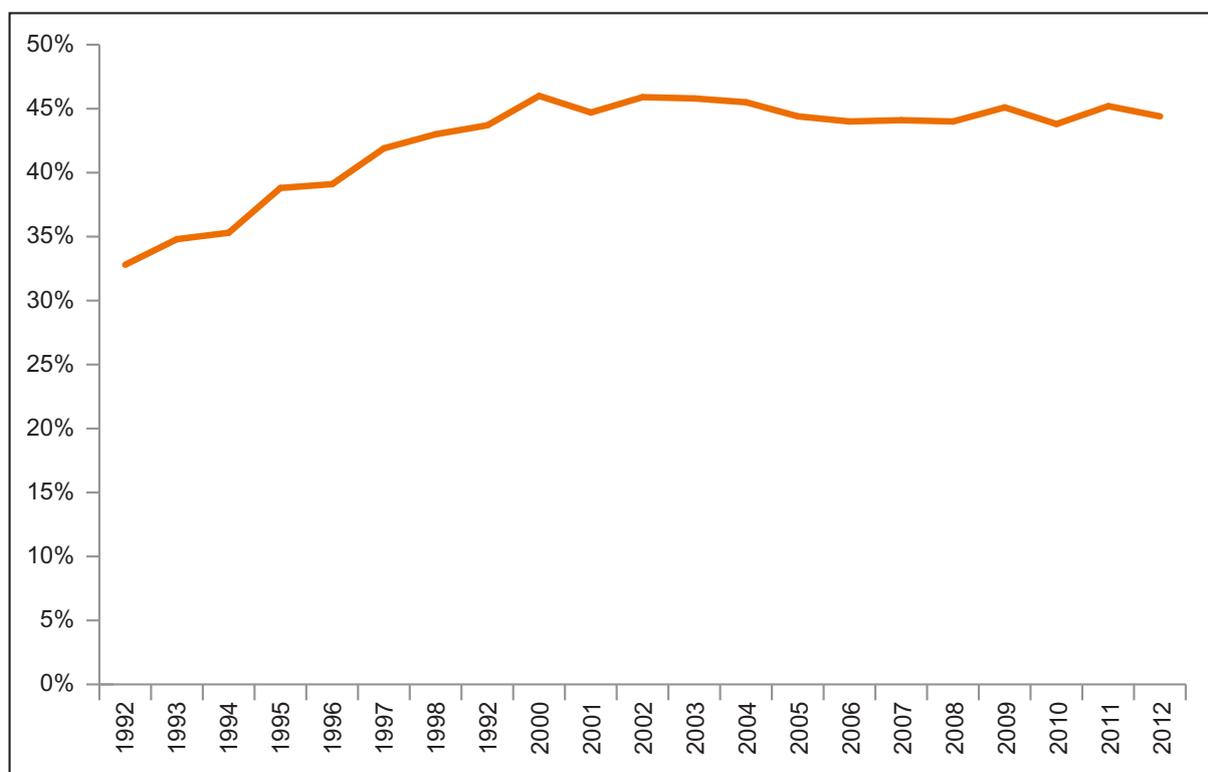
What it suggests is a stark difference in state and independent school outcomes. Only 8.6 per cent of state school children who are studying A-Levels in three facilitating subjects achieved AAB in 2011-12 – compared with approaching a quarter of students at independent schools.

The trend is positive: the proportion of children studying A-levels in facilitating subjects at 17 who get AAB and attended state schools has improved over the past three years by 2.8 percentage points and the gap has narrowed, but there remains a long way to go.

The Commission notes that 3 facilitating subjects are not actually required to access the most selective universities, as the Russell Group itself has pointed out. The Government should change this indicator to ensure it is consistent with the advice given by the Russell Group of universities in *Informed Choices*. <http://russellgroup.org/InformedChoices-latest.pdf>

18-24 participation in education by social background – proportion of 18-24 year olds in education by social class (father’s job)

There is no reliable data available to measure this indicator by social class, however we have included analysis here not by social class to allow some measure of progress for this indicator.



Unpublished data provided to the Commission by the Department for Business, Innovation and Skills

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
% of 18-24 Population	44.7	45.9	45.8	45.5	44.4	44.0	44.1	44.0	45.1	43.8	45.2	44.4

This is a measure of educational activity.

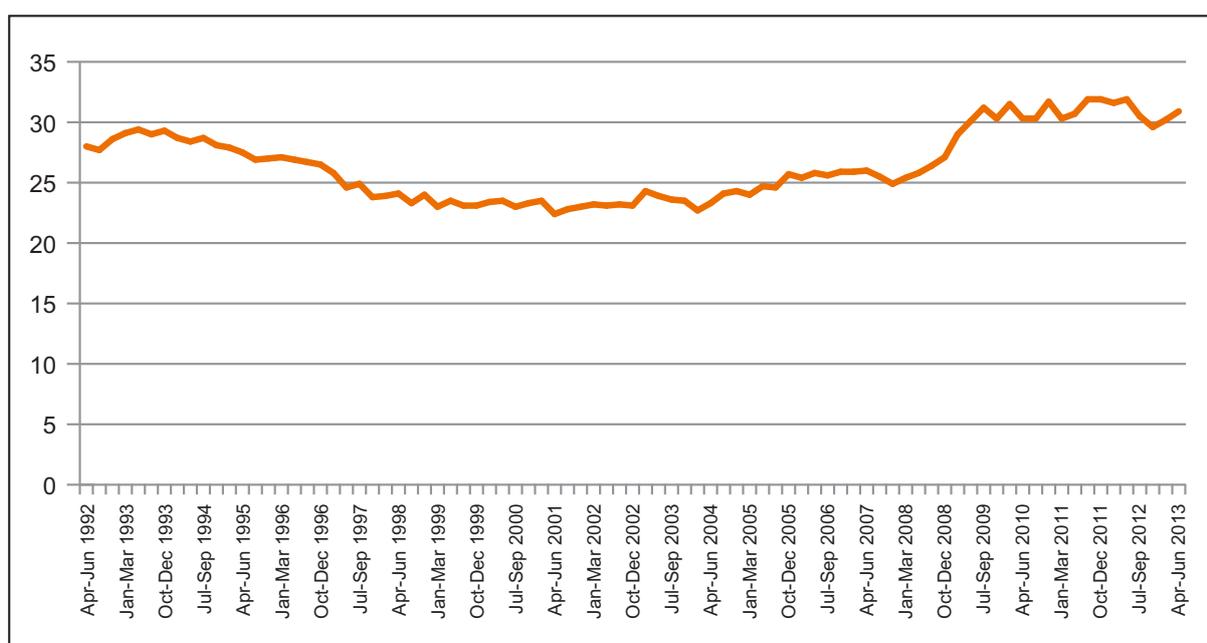
Since 1992 there has been a general increase in the participation rate, which has fluctuated from 32.8 per cent in 1992 to 46.0 per cent in 2000. The statistically significant changes in the percentage of 18-24 year olds participating in education occurred from 1992 to 1993 (2.0 percentage points), 1994 to 1995 (3.4 percentage points), 1996 to 1997 (2.8 percentage points) and 1999 to 2000 (2.3 percentage points).

In 2012 the percentage of 18-24 year olds participating in education of training was 44.4 per cent, which is a decrease of 0.9 of a percentage point when compared to the year previous, but 0.4 of a percentage point higher than 2008.

18-24 participation in employment by social background – Proportion of 18-24 year olds not in full-time education who are inactive or unemployed, by social background defined using father’s occupational group.

There is no reliable data available to measure this indicator by social class, however we have included analysis here not by social class to allow some measure of progress for this indicator.

Percentage of 18-24 year olds not in full-time education or training who are not in employment



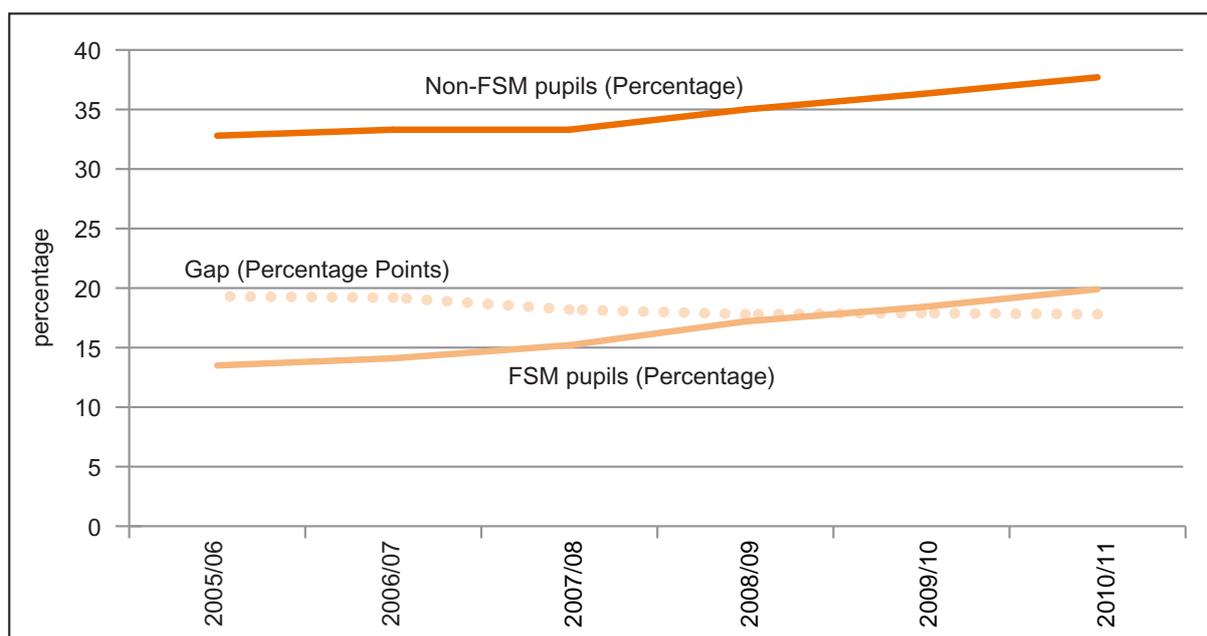
2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
23.3%	24.7%	25.8%	26.0%	25.8%	30.1%	30.3%	30.7%	31.9%	30.9%

Source: *Labour Market Statistics*, Office for National Statistics (2013). Data in this table reports figures for the second quarter of each calendar year.

This is a measure of labour market and educational inactivity – capturing the percentage of young people not in full-time education who are not in work. It includes those who are inactive and may not want to work such as mothers with young children, carers and part-time students, as well as those who are not in full-time education who want a job. It excludes those unemployed young people who are looking for work if they are in full-time education.

Caution is required in interpreting trends in this indicator over time as they are affected by the more than doubling of participation rates in full-time education of young adults seen over the last two decades. For example, as a proportion of all 18-24 year olds (rather than just those not in full-time education), the proportion not in full-time education or employment is at the same level in 2013 as it was in early 1997.

Higher Education by Free School Meal eligibility – proportion of children who enter Higher Education by FSM eligibility, and gap



Estimated % who entered Higher Education at 19	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
FSM	13.5	14.1	15.2	17.2	18.4	19.9
Non-FSM	32.8	33.3	33.3	35.0	36.3	37.7
Gap	19.3	19.2	18.2	17.8	17.9	17.8
All	30.0	30.6	30.8	32.6	33.8	35.2

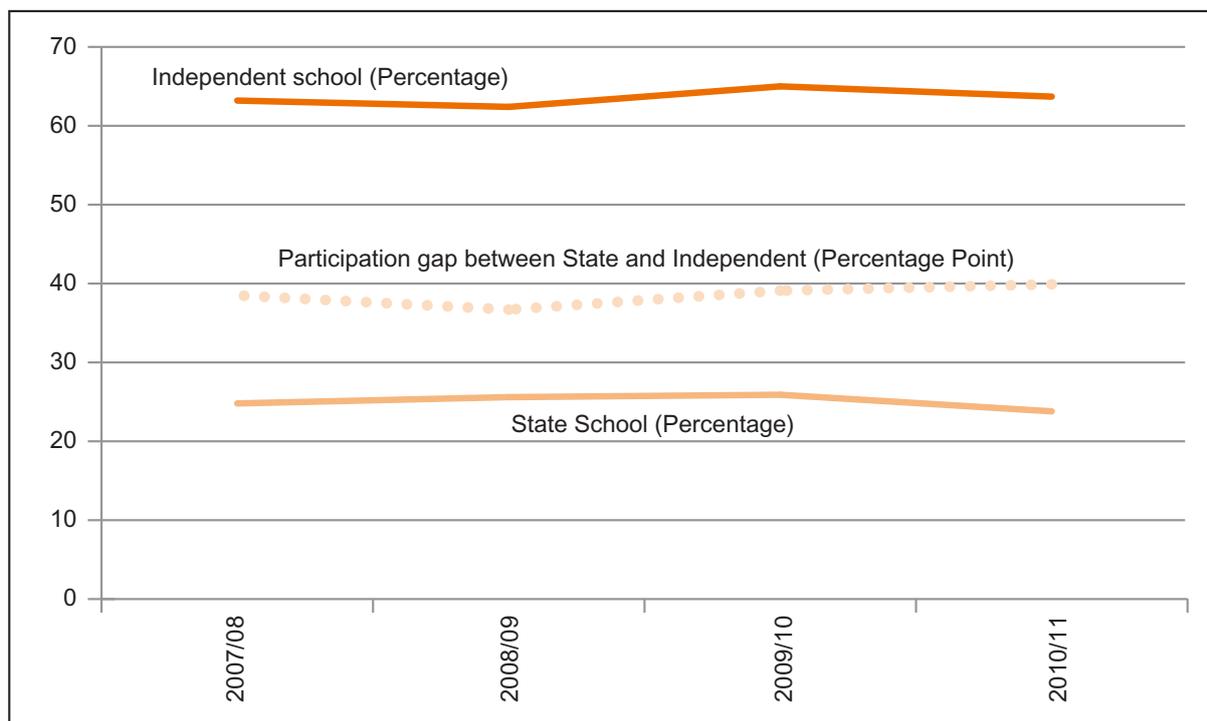
Source: BIS, Department for Business, Innovation and Skills, Widening Participation in Higher Education 2013, Ref BIS/13/P155

This is a measure of progression to higher education, broken down by social background. The trend is one of progress. The proportion of pupils aged 15 going to higher education by the age of 19 increased between 2005/06 to 2010/11, with FSM students improving by 6.4 percentage points compared to non-FSM students who improved by 4.9 percentage points.

However, there has been little narrowing of the absolute gap as the proportion of non-FSM pupils aged 15 who have entered higher education by age 19 has continued to rise, though the relative chances improved. Young people eligible for free school meals are still only half as likely to progress to university as others.

An issue with this indicator is that it has an extremely long time lag. For example – any impact of the 2012-13 reforms to the higher education funding system on 18 year old applicants will not show up in this indicator until 2013-14 data is available in the summer of 2016.

HE participation in the most selective institutions by school type – proportion of A-Level students going to most selective universities by type of school



Progressed to HE by age 19 in:	2007/08	2008/09	2009/10	2010/11
State	24.8	25.6	25.9	23.8
Independent	63.2	62.4	65.0	63.7
Gap	38.5	36.7	39.1	39.9

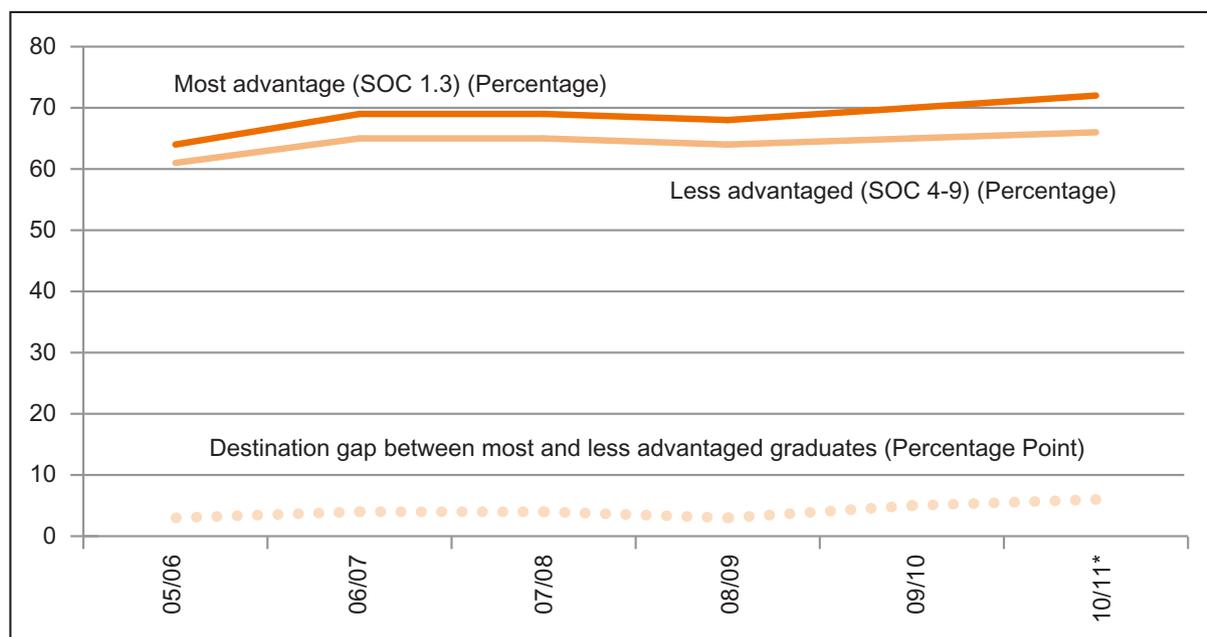
Source: BIS, Department for Business, Innovation and Skills, Widening Participation in Higher Education 2013, Ref BIS/13/P155

This is a measure of access to the most selective institutions by school type - arguably seeking to compare access of the middle ('state school') with the top ('independent school').

For 2010/11, less than a quarter (23.8 per cent) of A-Level students going to state schools went on to the most selective universities compared with nearly two-thirds (63.7 per cent) of A-Level students who attended independent schools. This is a gap of 39.9 percentage points.

Since 2007/08, the trend shows little progress with the gap widening 1.4 percentage points over this period.

Higher Education – graduate destinations; proportion of graduates in employment six months after graduating who are in graduate jobs by social background



	05-06	06/07	07-08	08-09	09-10	10-11*	11-12
Most advantaged groups (SOC 1-3)	64	69	69	68	70	72	71
Less advantaged groups (SOC 4-9)	61	65	65	64	65	66	67
Gap	3	4	4	3	5	6	4

*A change in the UCAS question on occupation in 2008-09 means that 2010/11 figures are not comparable to earlier years.

NB – The source publication states that a change to the UCAS question on occupation means 2010/11 data may not be comparable to earlier years

Source:

1) Department for Business, Innovation and Skills, Widening Participation in Higher Education 2012

2) Department for Business, Innovation and Skills, Widening Participation in Higher Education 2013, Ref BIS/13/P155

This is a measure of the prospects of graduates from advantaged backgrounds compared with those from disadvantaged, using parental occupation as the key measure.

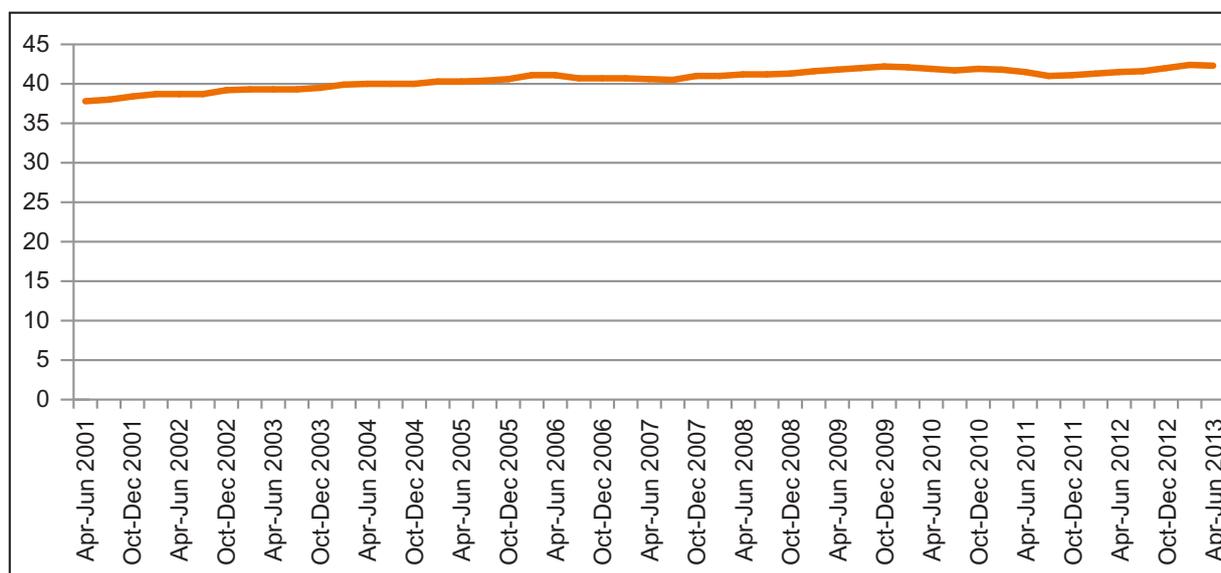
It shows that those from advantaged backgrounds are more likely to be in graduate employment six months after graduating, with the gap widening from three percentage points in 2005-2006 to five percentage points in 2009-2010.

The figure in 2009-10 for less advantaged graduates (65 per cent) was just above the figures for the most advantaged graduates four years previously.

Note: this indicator excludes all graduates who don't enter full-time employment within six months of graduation so is likely to underplay social differences (those from less well-off backgrounds are more likely to be unemployed). New analysis for the Commission profiled in this Report's chapter on the professions suggests that gaps are even more apparent after three years.

Access to the professions – proportion of the working age population in higher-level occupations by social background

Proportion of working age population in higher-level occupations (defined here as NS-SEC (1-2)).



	2009		2010				2011				2012				2013	
Quarter	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun												
%	42.0	42.2	42.1	41.9	41.7	41.9	41.8	41.5	41.0	41.1	41.3	41.5	41.6	42.0	42.4	42.3

Notes: (1) The total of the working age population used to create the above percentage includes people who did not state their occupation and full-time students in paid employment (who are not assigned to any of the NS-SEC).

(2) In Jan-Mar 2011 the occupation classification used in the Labour Force Survey changed from SOC 2000 to SOC 2010. The NS-SEC classification is partially derived from SOC as a result there may be some inconsistencies with data before this period.

(3) NS-SEC (1-2) occupations are: Higher managerial and professional; and Lower managerial and professional.

****This is just high-level occupation it is not broken down by social background****

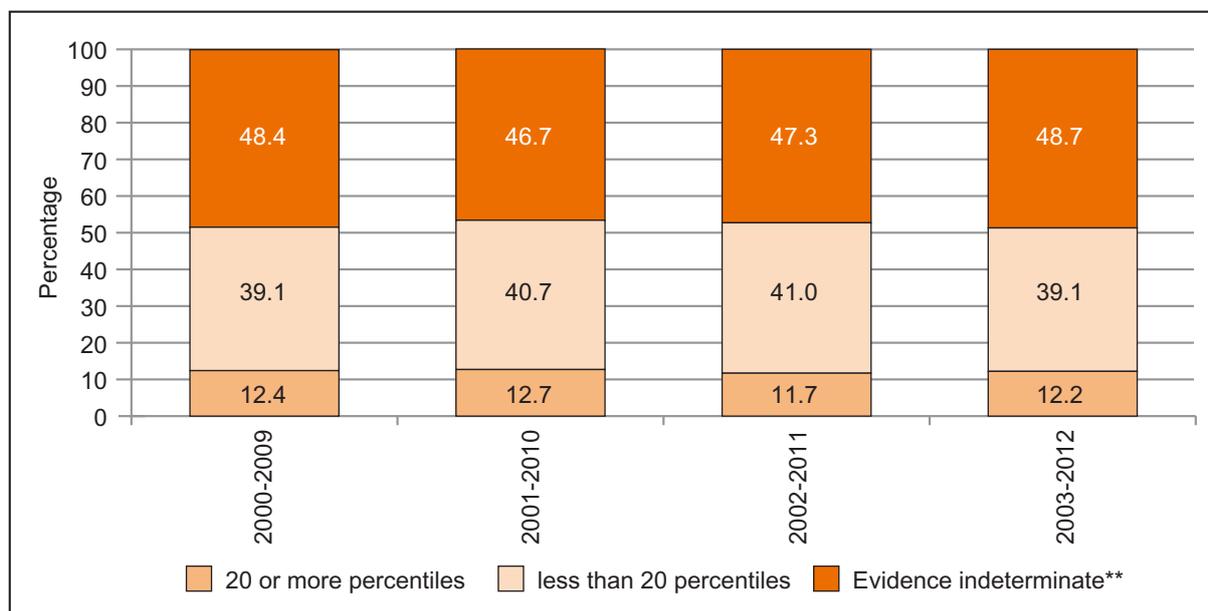
Source: Labour Force Survey EMP11: Employment by Socio-Economic Classification, 2013

This is a measure offering insight into the degree to which people from disadvantaged or more advantaged backgrounds end up in higher level jobs.

However, robust data with an appropriate time series do not currently exist by social background. So it is not possible to measure the Government's performance against the above social mobility indicator, and will not be until an additional question is added to the Labour Force Survey.

Looking at changes in the overall proportion of people by occupational group over time, the proportion of the working age population that are in higher-level occupations, has been slowly increasing over the past 12 years.

Progression in 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 (defined as being 20 percentiles or higher in the earnings distribution at age 34-39)



Movement along the earnings distribution*	2000-2009	2001-2010	2002-2011	2003-2012
Experiencing wage progression	12.4	12.7	11.7	12.2
Not experiencing wage progression	39.1	40.7	41.0	39.1
Progression unknown**	48.4	46.7	47.3	48.7

Source: Department for Work and Pensions, Business Plan Transformation Measures, Number 6 – <https://www.gov.uk/government/publications/dwp-business-plan-transparency-measures/dwp-business-plan-transparency-measures>

* Figures rounded to the nearest 10

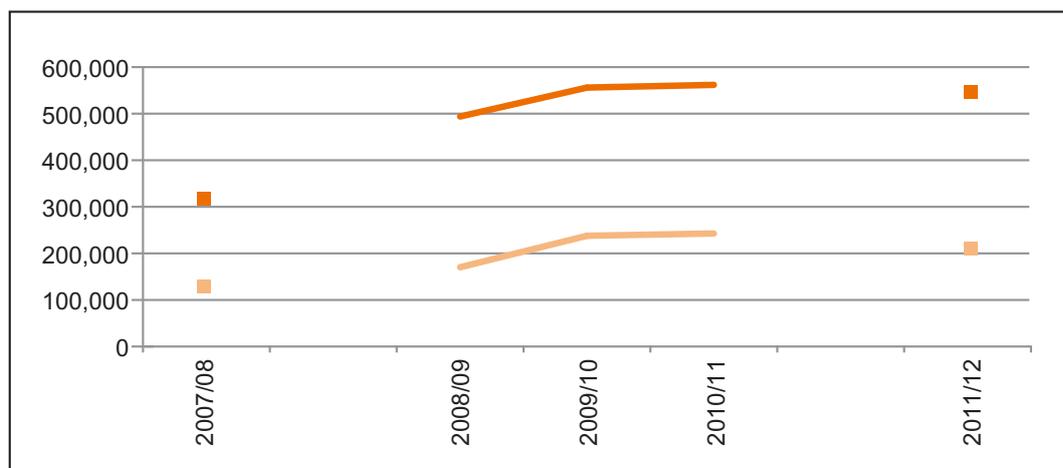
** The evidence indeterminate group are those who were aged 25-30 and in the bottom quintile in 2003 but had dropped out of the Annual Survey of Hours and Earnings by 2012. This could be for a variety of reasons including a switch to self-employment, temporary

This indicator is, we understand, intended as a measure of relative ‘intragenerational’ or career social mobility – the extent to which someone can improve their earnings or occupation within their working life.

What it suggests is that – of the (approximately) half of earners for whom data is available for – about a quarter experienced some relative wage progression over the last decade, which means that the majority (three quarters) have experienced no long range relative wage progression over the previous ten years (enough to move them up the income ladder relative to others from the bottom fifth, by twenty percentiles or more).

However, this indicator is complex and makes accurate interpretation of any improvement in wage progression difficult. Furthermore, a high proportion of the lowest earners are unaccounted for within the dataset so its accuracy is uncertain. The Commission recommends that the Government replaces the indicator with a better measure of earnings progression with more complete data and which is easier to interpret.

Second chances - Achievement of Level 2 and Level 3 qualifications by adults aged 19 and over



		2007/08	2008/09	2009/10		2010/11		2011/12	
	Level	Full Year	Full Year	Full Year	% change 08/09 to 09/10	Full Year	% change 09/10 to 10/11	Full Year	% change 10/11 to 11/12
Achievement of which	Full Level 2	320,300	493,900	556,000	12.6%	561,800	1.0%	546,600	-2.7%
	Full Level 3	134,400	170,200	237,800	39.7%	242,700	2.1%	216,200	-10.9%

Notes:

1) These tables include Apprenticeships, Workplace Learning, Community Learning and Education and Training provision taken at General Further Education Colleges (including Tertiary), Sixth Form Colleges, Special Colleges (Agricultural and Horticultural Colleges and Art and Design Colleges), Specialist Colleges and External Institutions.

2) Figures for 2008/09 onwards are not directly comparable to earlier years as the introduction of demand led funding has changed how data is collected and how funded learners are defined from 2008/09 onwards. Apprenticeship success rates are not affected by demand led funding. <http://www.thedataservice.org.uk/datadictionary/businessdefinitions/Demand+Led+Funding.htm>

3) Figures for 2011/12 onwards are not directly comparable to earlier years as a Single Individualised Learner Record (ILR) data collection system has been introduced. Small technical changes have been made in the way learners from more than one provision type are counted, leading to a removal of duplicate learners and a reduction in overall learner numbers of approximately 2 per cent. http://www.thedataservice.org.uk/NR/rdonlyres/C05DCDD5-67EE-4AD0-88B9-BEBC8F7F3300/0/SILR_Effects_SFR_Learners_June12.pdf

This indicator is intended as a measure of adults' second chances, recording progress in over-19s achieving Level 2 and Level 3 qualifications

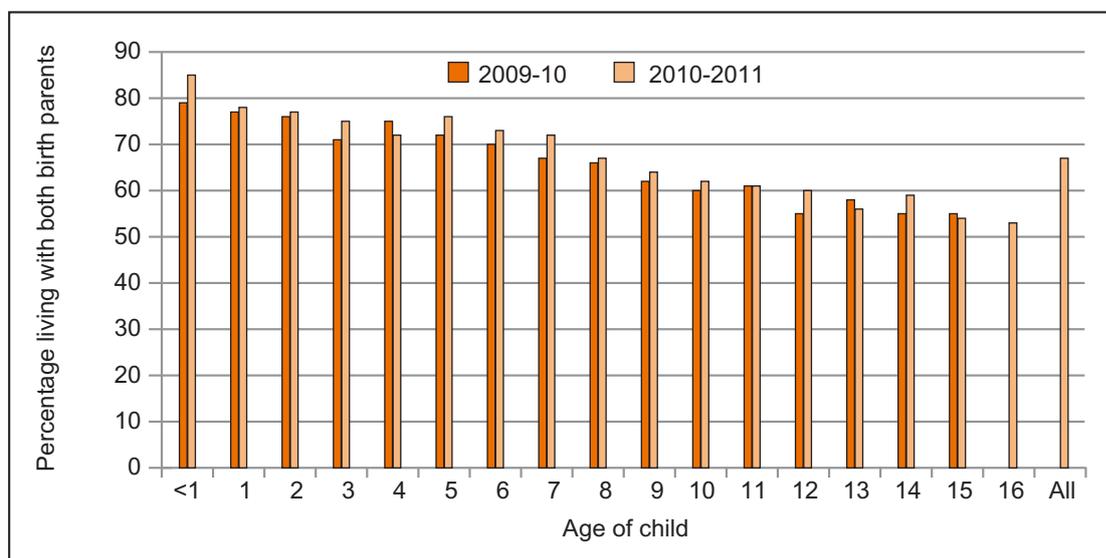
Changes in data collection methods mean that it is not possible to assess performance against this indicator.

More broadly, evidence suggests that the value of achieving Level 2 and Level 3 qualifications post-19 is sensitive to the nature of the qualification and the age of the learner.

As the Wolf Review demonstrated, lots of Level 2 vocational qualifications have negative wage returns. So this is a crude measure. The Commission recommends that the Government revises this indicator so it looks only at those qualifications which are likely to have a significant return in the labour market.

Social Justice

Proportion of children who have a stable family free from breakdown, and the proportion of such families reporting a good quality relationship - Data for this indicator is not available, instead a measurement is used for the percentage of children not living with both of their parents by age of child



Age	2009-10			2010-11		
	Living with both birth parents	Not living with both birth parents	Unweighted base	Living with both birth parents	Not living with both birth parents	Unweighted base
<1	79	21	1191	85	15	74
1	77	23	1110	78	22	883
2	76	24	1198	77	23	883
3	71	29	1178	75	25	920
4	75	25	1109	72	28	893
5	72	28	1082	76	24	860
6	70	30	1031	73	27	855
7	67	33	1017	72	28	809
8	66	34	1091	67	33	808
9	62	38	997	64	36	854
10	60	40	1115	62	38	812
11	61	39	1102	61	39	870
12	55	45	1049	60	40	885
13	58	42	1118	56	44	833
14	55	45	1061	59	41	890
15	55	45	1136	54	46	860
16	..	..	..	53	47	931
All	..	..	..	67	33	14587

Sources:

- 1) Department for Work and Pensions, Ad Hoc Statistical Analysis 2012, Quarter 4: Percentage of Children Living with Both Birth Parents, 2012
- 2) Department for Work and Pensions, Ad Hoc Statistical Analysis 2013, Quarter 2: Percentage of Children Living with Both Birth Parents, 2013

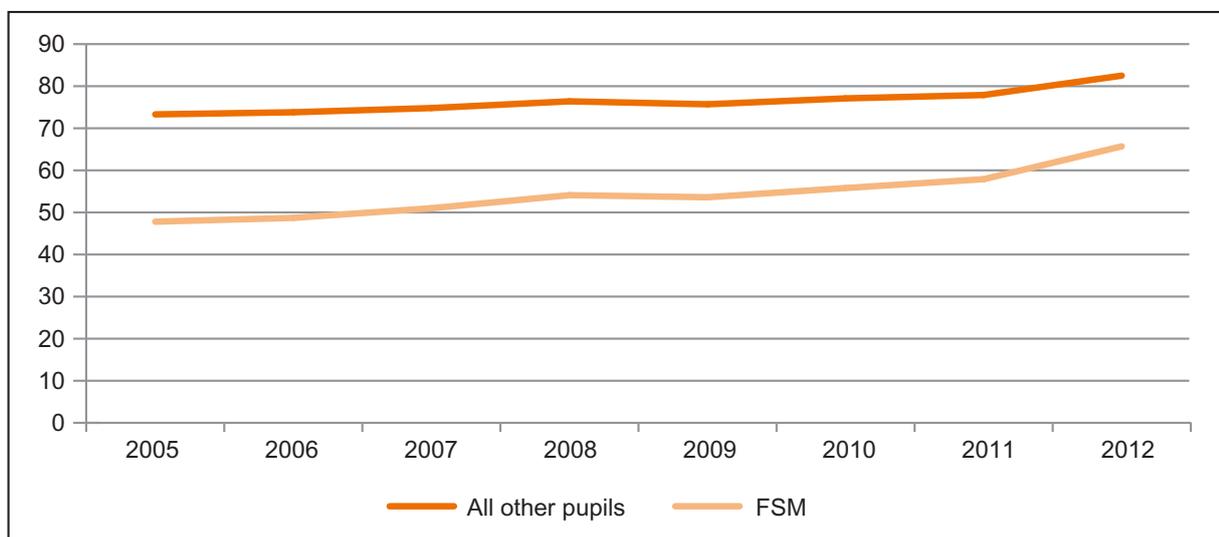
This is a measure of family stability and relationship quality.

As there are only two years of data for the alternative measure, and it is unclear whether the years are comparable, trend analysis of the measure is not possible.

The data is compiled by DWP using Understanding Society data wave 1 and 2.

The extent to which children from disadvantaged households achieve the same educational outcomes as their more advantaged peers (in development)

a) Key stage 2: Percentage of pupils achieving level 4 or above in English and maths



	2005	2006	2007	2008	2009	2010	2011	2012
All other pupils	73.3	73.8	74.8	76.4	75.7	77.1	77.9	82.5
FSM	47.8	48.7	51.0	54.1	53.6	55.8	57.9	65.7
Attainment gap	25.5	25.1	23.9	22.3	22.1	21.3	20.0	16.8

Note that 2012 data at Key Stage 2 is not comparable to earlier years due to changes in testing methods in English: it is estimated about half of the decrease in the gap between 2011 and 2012 was due to the switch from reading and writing tests in 2011 to reading tests and writing teacher assessments in 2012.

Source: DfE, *Unpublished data: percentage of pupils achieving Level 4 or above in English and maths (2005-2012)*, 2013

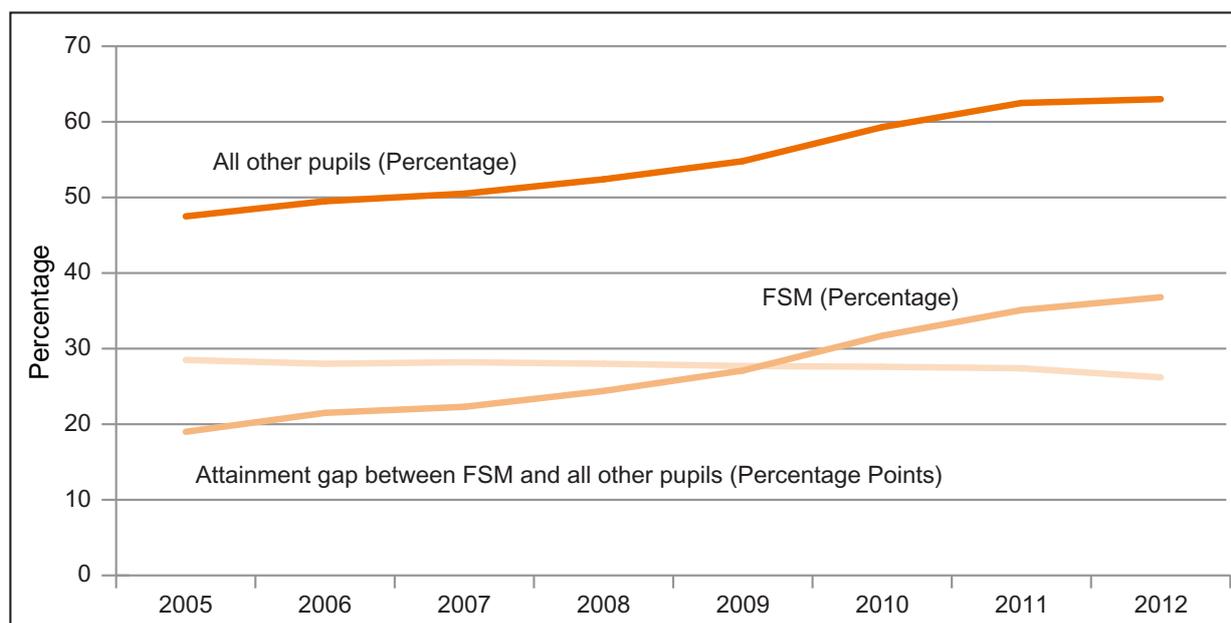
This is a measure of attainment and of the gap by social background in the attainment of children in English schools at the age of 11.

The trend is of rising attainment for both children on free school meals (FSM) and those not on free school meals, as well as considerably closing of the gap between them, with small improvements in most years since this indicator has been reported. Note: in terms of trend, limited weight can be attached to the big improvements between 2011 and 2012 because of changes in testing methods in English. The data for 2012 are not comparable to earlier years.

The 2012 data show that two-thirds of FSM children hit the benchmark compared with more than four-fifths of non-FSM children. The gap is 16.8 percentage points or – put another way - in 2012, pupils not eligible for free school meals were 26 per cent more likely to achieve the level 4 threshold than those who were eligible for free school meals.

In interpreting these data, it is notable that the Minister for Schools has criticised the Level 4 benchmark as set too low, since achieving it does not leave students on course for 5 good GCSEs.

b) Attainment at 16 – proportion of children achieving A*-C in English and maths, by free school meal eligibility



	2005	2006	2007	2008	2009	2010	2011	2012
All other pupils	47.5	49.5	50.5	52.4	54.8	59.3	62.5	63.0
FSM	19.0	21.5	22.3	24.4	27.1	31.7	35.1	36.8
Attainment gap	28.5	28.0	28.2	28.0	27.7	27.6	27.4	26.2
Relative Chance	2.5	2.3	2.3	2.1	2.0	1.9	1.8	1.7

Note that 2011 and 2012 data includes English and maths iGCSEs as well as GCSEs.

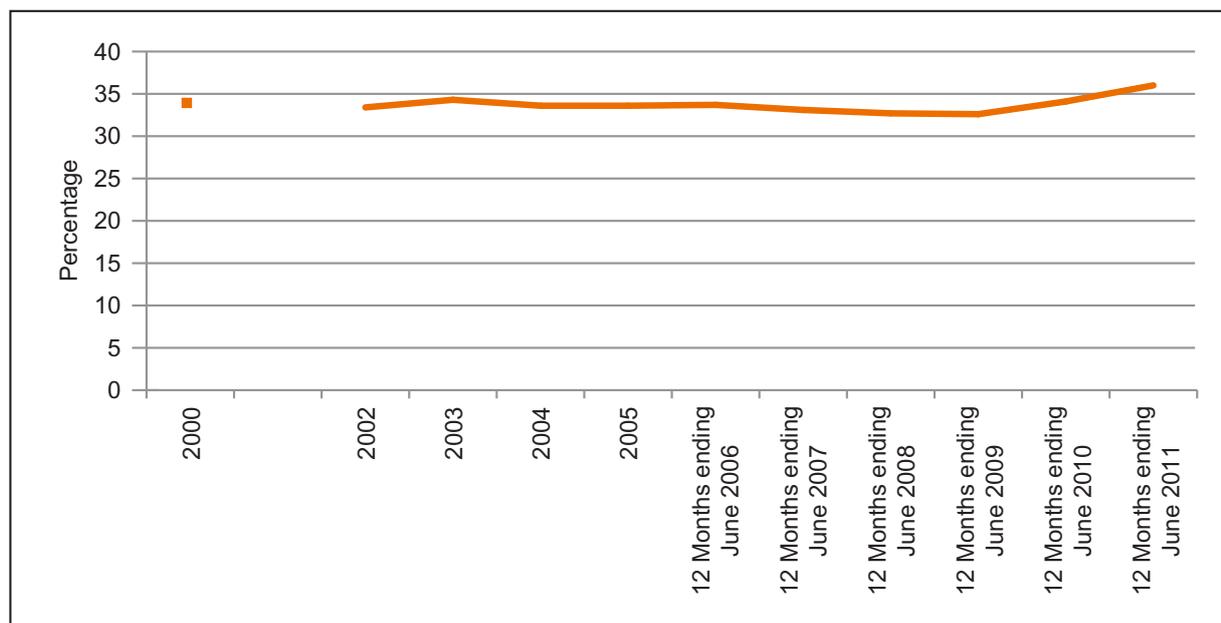
This is a measure of attainment and social gaps in attainment of children in English schools at the age of 16.

The trend is of rising attainment for both children on free school meals (FSM) and those not on free school meals, with big improvements from 2008 to 2012 (a 50.8 per cent rate of improvement for FSM children).

However, there was limited progress in closing of the gap between them: a 1.8 percentage point reduction from 2008 to 2012 and a 2.3 percentage point decrease from 2005, though the relative chances of poorer children achieving at this level did improve.

In 2012, nearly two thirds of other pupils got A-C in English and maths (63.0 per cent) versus a little over a third (36.8 per cent) of those on FSM. Those not eligible for free school meals were 70 per cent more likely to hit the benchmark.

Percentage of young offenders who go on to reoffend



Calendar Year	12 months ending...											
	2000		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
Proportion of offenders who re-offend (%)	33.7		33.4	34.3	33.6	33.6	33.7	33.1	32.7	32.6	34.1	36.0

*2011 data is for Financial Year 2010/11.

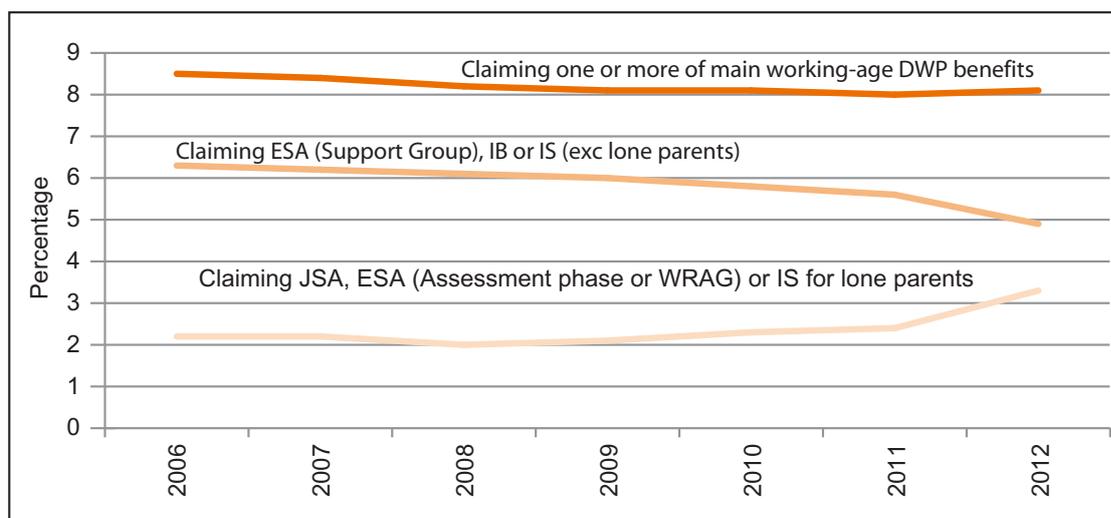
Data is not available for 2001 due to a problem with archived data on Court Orders

Source: Ministry of Justice <https://www.gov.uk/government/publications/proven-re-offending--2>
Department for Work and Pensions, Social Justice Outcomes Framework April 2013, 2013

This measures the proportion of young people who are convicted of a further offence which results in a reprimand, warning, caution or conviction in a one year follow up period.

In June 2011 the re-offending rate for young people was 36.0 per cent. The youth re-offending rate has fluctuated around 33 per cent from 2002 to 2009. However since June 2009 the rate has been gradually increasing – from 32.6 in June 2009 to 36.0 in June 2011 (a 3.4 percentage point increase).

Proportion of benefit claimants who have received working-age benefits for at least 3 out of 4 past years, with a focus on those capable of work



	Claimants in receipt of one or more of the main working-age DWP benefits as at 31 March (1) for a total period of at least three out of the preceding four years as a per cent of the population	Claiming ESA (Support Group), IB or IS (excluding lone parents), on 31 March of the relevant year for a total period of at least three out of the preceding four years as a per cent of the population	Claiming JSA, ESA (Assessment phase or WRAG) or IS for lone parents, on 31 March of the relevant year for a total period of at least three out of the preceding four years as a per cent of the population
2006	8.5	6.3	2.2
2007	8.4	6.2	2.2
2008	8.2	6.1	2.0
2009	8.1	6.0	2.1
2010	8.1	5.8	2.3
2011	8.0	5.6	2.4
2012	8.1	4.9	3.3

Source: benefit data is from the National Benefits Database September 2012, GB. Population estimates are from the Labour Force Survey, Q1 of the relevant year. Figures exclude those who would have been under 18 years old on 1 April 2008 or aged 60 or over on 31 March 2012.

Department for Work and Pensions, Ad Hoc Statistical Analysis 2013, Quarter 2: Duration of Working Age Benefits, 2013.

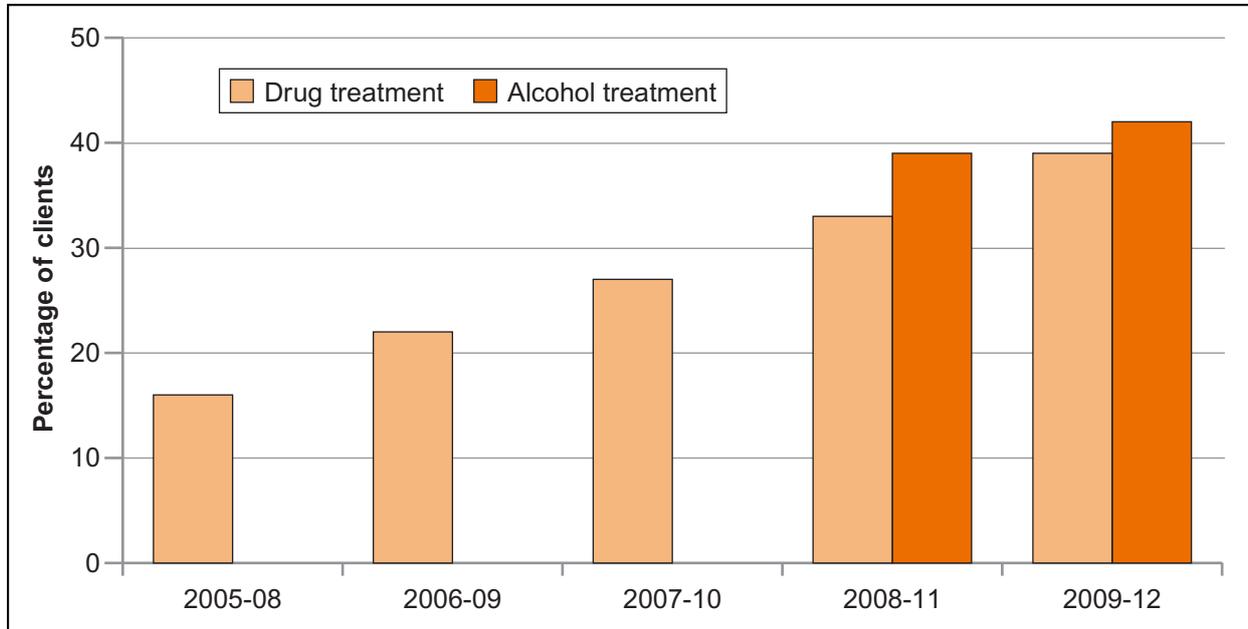
(1) The main working age benefits include Jobseeker's Allowance, Incapacity Benefit / Severe Disablement Allowance, Employment and Support Allowance, Income Support. Figures include some people working less than 16 hours and on one of the benefits listed.

This is a measure of the proportion of long-term benefit claimants, with a focus on those who are work capable.

Looking at 2012 across the three measures we can see that: 8.1 per cent of benefit claimants were in receipt of one or more of the main working-age DWP benefits.

The trend in the proportion of claimants who have received one or more of the main working age benefits for at least three out of the past four years has generally been declining, although this overall decrease has been modest.

Improved outcomes for those in drug/ alcohol treatment - Of those who have entered drug or alcohol treatment in the past three years: the proportion who have exited successfully and not returned during that time; the proportion who were in employment on the date that period ended; the proportion who had not been convicted with a criminal offence by the date that period ended; the proportion who achieved all three of the above.



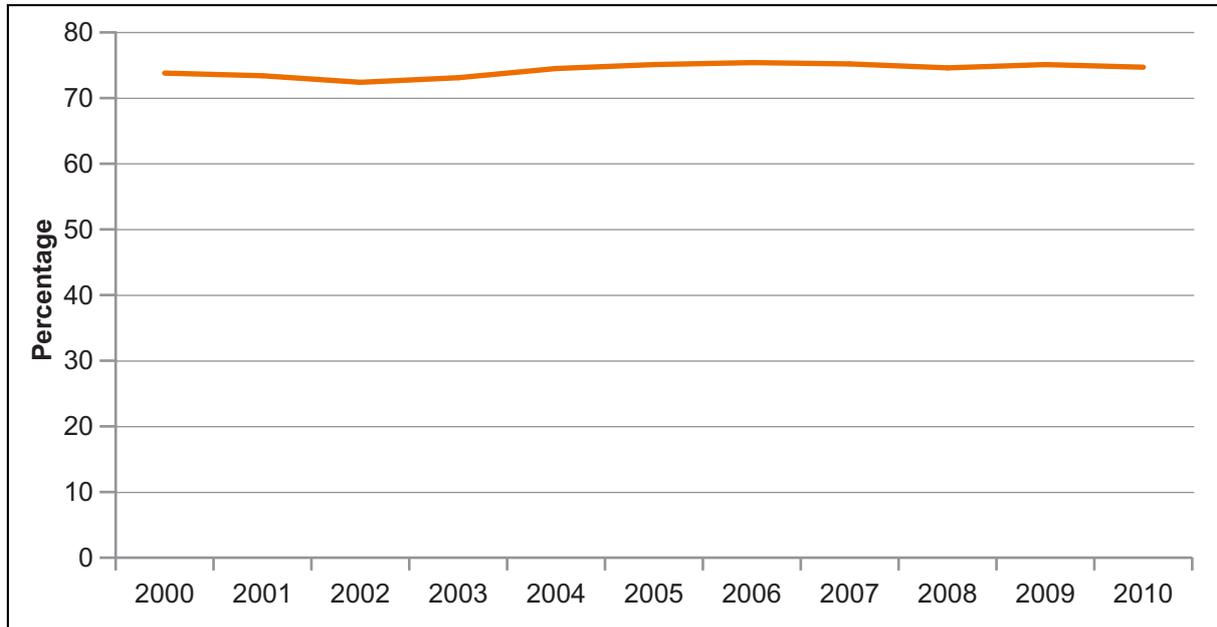
Percentage of those entering treatment over the period who had successfully exited treatment and not returned by the end of the period					
	2005-2008	2006-2009	2007-2010	2008-2011	2009-2012
Drug treatment	16	22	27	33	39
Alcohol treatment				39	42

Source: Data provided to the Commission by the Department for Work and Pensions underpinning Figure 5 in HM Government, *Social Justice Outcomes Framework April 2013*, 2013

The proportion of those presenting for drug treatment in the past three years who have successfully exited treatment and not returned in the period has been rising over the last five years, from 16 per cent in 2005-08 to 39 per cent in 2009-2012. Time series data for outcomes for those presenting for alcohol treatment is not available; in the 2009-2012, 42 per cent who entered treatment successfully exited.

The other sub-indicators cannot yet be reported

Improved outcomes for ex-offenders - The proportion of ex-offenders who do not re-offend within 12 months and the proportion who are in work 12 months later.



Proportion of adults who do not reoffend in a 12 month follow up period										
	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010
Per cent	73.8	72.4	73.1	74.5	75.1	75.4	75.2	74.6	75.1	74.7

Source: HM Government, *Social Justice Outcomes Framework April 2013*, 2013

The proportion of offenders who do not reoffend during a 12 month follow up period was broadly static between 2000 and 2010

Data cannot yet be reported against outcomes for the work or the benefit receipt sub-indicators

The size of the social investment market

Only one year of data exists for this indicator therefore it is not possible to assess performance against this measure

In 2011, an estimated £165 million of social investments were made.

Child Poverty and other Indicators for Wales

Relative Poverty- Percentage of children living in households with less than 60 per cent of equivalised median household income, Wales



Percentage of children in relative income poverty																
	94/95-96/97	95/96-97/98	96/97-98/99	97/98-99/00	98/99-00/01	99/00-01/02	00/01-02/03	01/02-03/04	02/03-04/05	03/04-05/06	04/05-06/07	05/06-07/08	06/07-08/09	07/08-09/10	08/09-10/11	09/10-11/12
Before Housing Costs	29	31	30	30	29	28	28	27	26	24	25	27	26	26	23	23
After Housing Costs	36	37	36	36	35	34	34	32	31	28	29	32	32	33	31	33

Source: Households Below Average Income Survey, Department for Work and Pensions, 2013

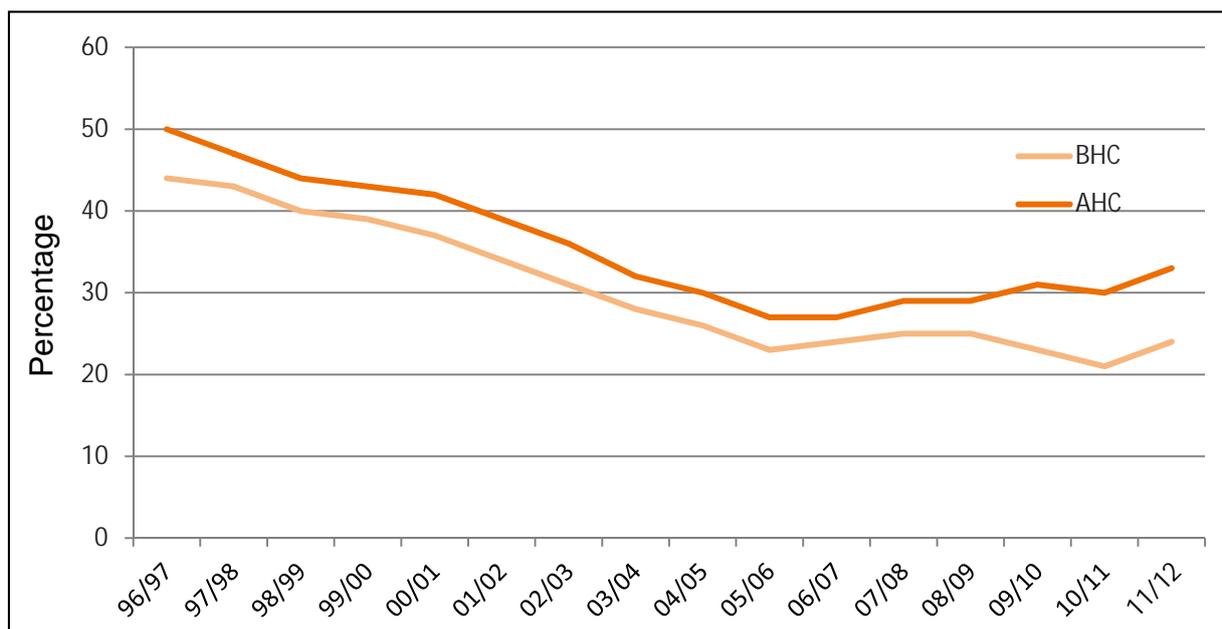
The proportion of children in Wales who are in relative poverty before housing costs has – overall – decreased over the past 15 years, from 31 per cent of children in the 3 years ending in 1997-98 to 23 per cent in the 3 years ending in 2011-12.

After increasing in the three years ending 1997-98, the rate of relative child poverty gradually fell, reaching 24 per cent in the 3 years ending in 2005-06, before increasing to 27 per cent over the next two years. It then decreased back to 23 per cent in the 3 years ending in 2010/11, where it remained in 2011-12.

Comparing Wales to the rest of the United Kingdom, Wales has the joint highest rate of relative poverty of any area of the country before housing costs and has the second highest rate of relative poverty after housing costs. There has also been no closing of the gap between the rates of child poverty in Wales and England over the last 15 years, while the gap with Scotland has widened significantly.

The proportion of children in relative poverty after housing costs in Wales gradually decreased from the three years ending 1997-98 until the three years ending 2005-06. Since then, the proportion has again increased, though the current proportion (around a third) is lower than at the end of the 1990s.

Absolute Poverty: Percentage of children living in households with less than 60 per cent of 2010/11 equivalised median household income, Wales



Percentage of children																
	94/95-96/97	95/96-97/98	96/97-98/99	97/98-99/00	98/99-00/01	99/00-01/02	00/01-02/03	01/02-03/04	02/03-04/05	03/04-05/06	04/05-06/07	05/06-07/08	06/07-08/09	07/08-09/10	08/09-10/11	09/10-11/12
Before Housing Costs	44	43	40	39	37	34	31	28	26	23	24	25	25	23	21	24
After Housing Costs	50	47	44	43	42	39	36	32	30	27	27	29	29	31	30	33

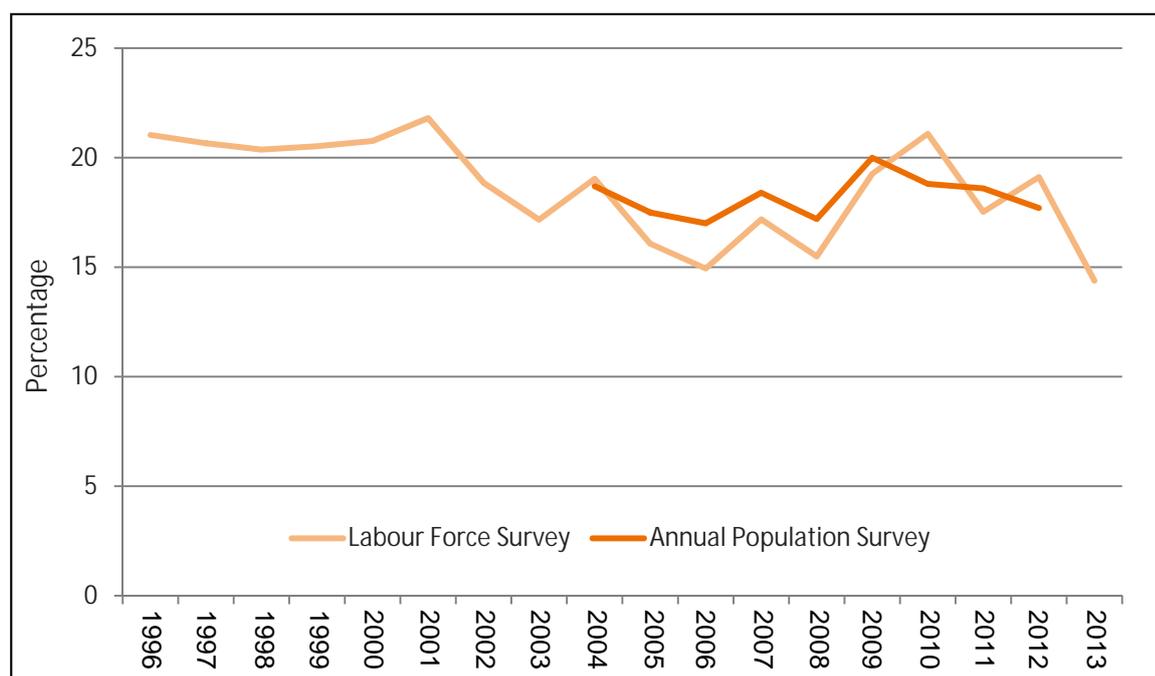
Source: Households Below Average Income Survey, Department for Work and Pensions, 2013

The proportion of children in Wales who are in absolute poverty before housing costs has – overall – decreased over the past 15 years, from 44 per cent of children in the 3 years ending in 1996-97 to 24 per cent in the 3 years ending in 2011-12.

The rate of absolute child poverty fell rapidly until reaching 23 per cent in the 3 years ending in 2005-06 before increasing to reach 25 per cent in the 3 years ending in 2007-08. It then decreased significantly in the aftermath of recession, reaching 21 per cent in the 3 years ending in 2009-10 before a sharp increase in the most recent year to 24 per cent.

It is also notable that the proportion of children in absolute poverty after housing costs in Wales has increased considerably since 2005-06 and is now higher than it was in the 3-years ending 2003-04.

Percentage of children in workless households



Percentage of children living in workless households									
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Labour Force Survey (ONS)	16.1	14.9	17.2	15.5	19.3	21.1	17.5	19.1	14.4
Annual Population Survey (SW)	17.5	17.0	18.4	17.2	20.0	18.8	18.6	17.7	

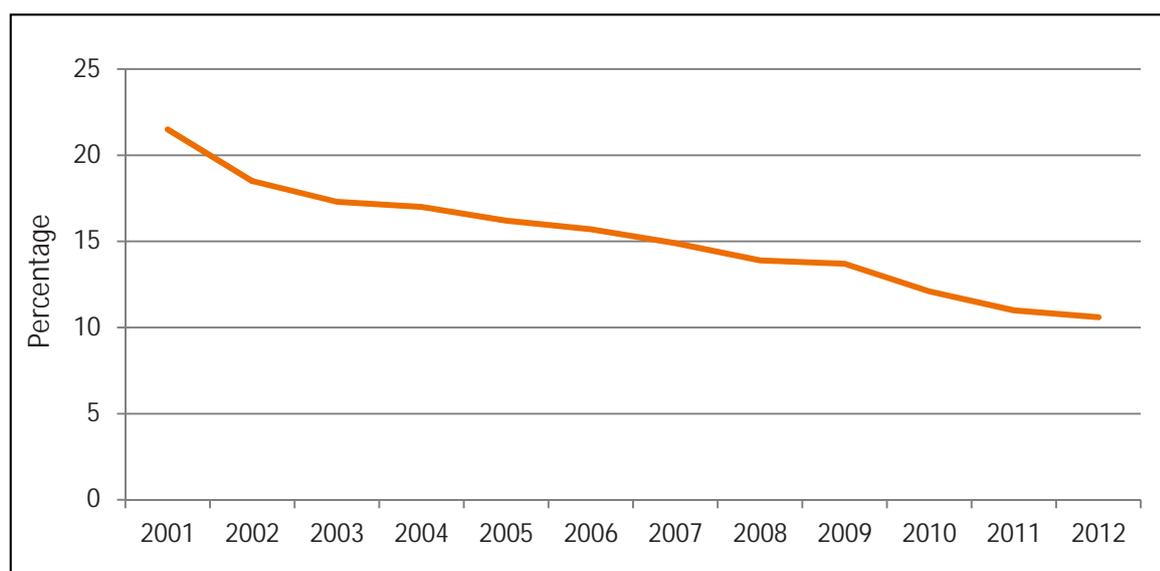
Source: Working and Workless Households, Office for National Statistics (2013); Labour Market Statistics for Households, Statistics for Wales (2013). Commentary below is based on the Labour Force Survey measure reported by the Office for National Statistics, which provides a more timely, but less statistically robust estimate. Overall trends since 2004 are similar when looking at the Annual Population Survey measure.

The proportion of children living in Wales who are in workless households has decreased over the past 17 years, from 21.0 per cent in 1996 to 14.4 per cent in 2013.

The proportion of children in workless households was broadly flat between 1997 and 2001 and then decreased significantly to reach 14.9 per cent in 2006. A sharp increase was seen over the recession, climbing from 15.5 per cent in 2008 to 21.1 per cent in 2010. Since then the proportion of children in workless households has fallen to 14.4 per cent in 2013 – the lowest point since data began to be collected in 1996.

Comparing Wales to elsewhere in the United Kingdom, the proportion of children in workless households in 2013 was slightly higher in Wales than Scotland (12.0 per cent) and England (13.6 per cent), though it was lower than it was in Northern Ireland (16.7 per cent). The proportion of children in workless households in Wales is also lower than in many regions of England: the North East, North West, West Midlands and Inner London all had higher rates of children in workless households than Wales in 2013. Overall, trends over time in Wales have been broadly similar to elsewhere in the United Kingdom.

Percentage of working age adults with no qualifications



Percentage of working age adults with no qualifications ¹											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
21.5	18.5	17.3	17.0	16.2	15.7	14.9	13.9	13.7	12.1	11.0	10.6

Source: Highest qualification levels of working age adults by gender, age and qualification, Statistic Wales (2013)

The proportion of working age adults with no qualifications has been steadily decreasing over time from 21.5 per cent in 2001 to 10.6 per cent in 2012.

The qualifications attained by working-age adults in Wales have improved significantly over time at all levels:

- 75 per cent of working age adults in Wales in 2012 held at least level 2 (GCSE equivalent) qualifications: this compares to 60 per cent in 2001.
- 54 per cent of working age adults in Wales in 2012 held at least level 3 (A-level equivalent) qualifications: this compares to 40 per cent in 2001.
- 33 per cent of working age adults in Wales in 2012 held at least degree-level qualifications: this compares to 22 per cent in 2001.

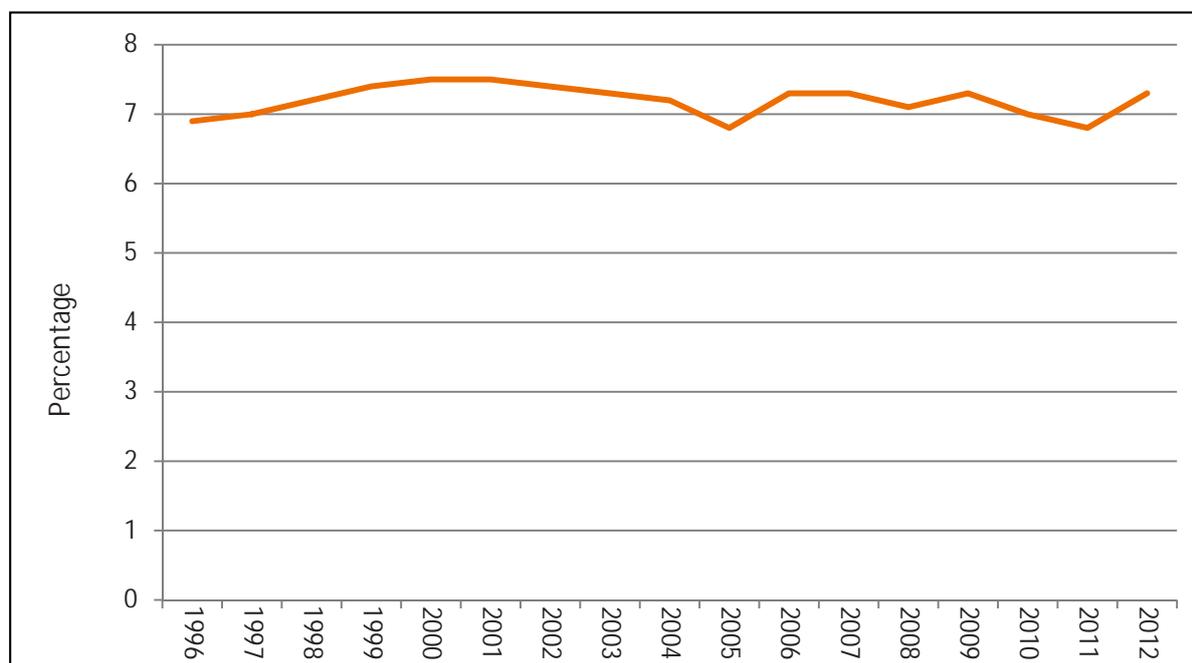
Compared to the rest of the United Kingdom, working age adults in Wales are more likely to have no qualifications and less likely to have higher level qualifications than adults in England and Scotland. For example, looking at all adults aged 16-64 (a slightly different definition than the one used by Wales for its indicator)²:

- 11.4 per cent in Wales had no qualifications compared to 9.9 per cent in the UK as a whole.
- 30.3 per cent in Wales had degree-level qualifications compared to 34.2 per cent in the UK as a whole.

¹ Working age adults in this table refers to males aged 18-64 and females aged 18-59.

² Annual Population Survey, Office for National Statistics, 2012

Percentage of live births with low birth weight (defined as weighing less than 2,500 grams)



Live births with unstated weights have been excluded

Percentage of live births weighing less than 2,500 grams																
1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
6.9	7.0	7.2	7.4	7.5	7.5	7.4	7.3	7.2	6.8	7.3	7.3	7.1	7.3	7.0	6.8	7.3

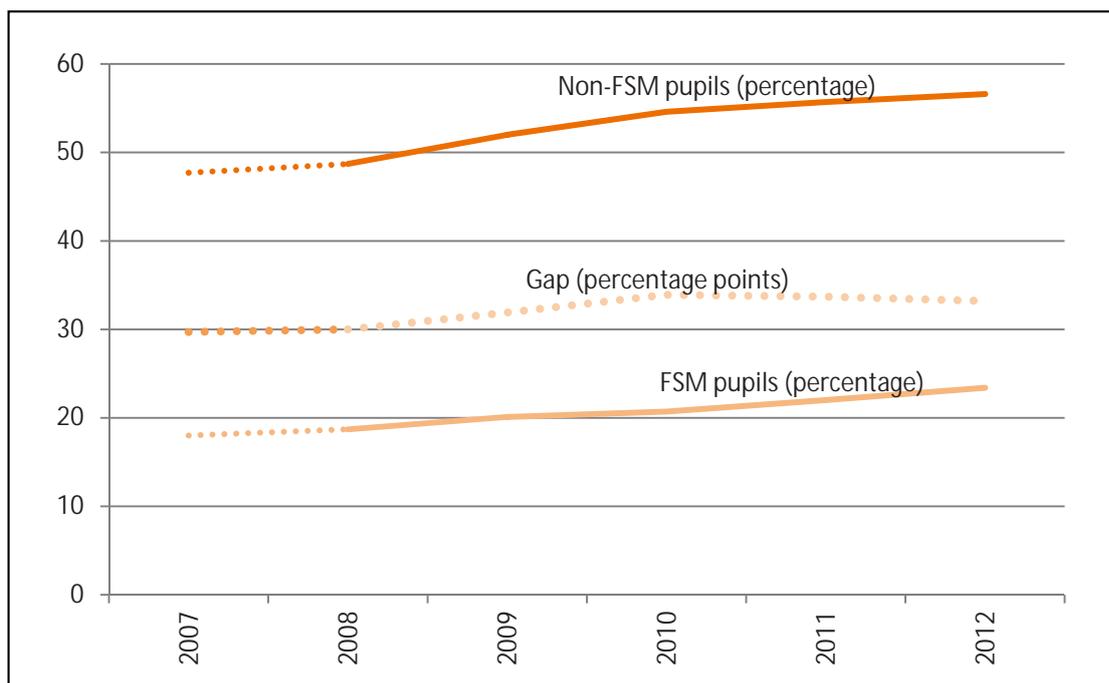
Source: *Births and Infant Mortality*, Statistics Wales (2013); *Characteristics of Birth 1 England and Wales*, Office for National Statistics, (2013)

There has been no clear trend over time in the percentage of live births weighing less than 2,500 grams with the proportion of babies born with low birth weight being slightly higher in 2011 than it was in 1996.

Over the last five years, the proportion of babies born with low birth weight has been broadly static at around 7.0 per cent.

In 2012, the proportion of children with low birth weight is similar in Wales (7.3 per cent) to England (7.0 per cent).

Percentage of pupils eligible for free schools meals who achieve 5 GCSEs at A*-C including English / Welsh and Maths³



	2007	2008	2009	2010	2011	2012
FSM pupils	18.0	18.7	20.1	20.7	22.0	23.4
Non-FSM pupils	47.7	48.7	52.0	54.6	55.7	56.6
Gap	29.7	30	31.9	33.9	33.7	33.2

Source: *Achievement and entitlement to Free School Meals in Wales (2013)*

The proportion of children eligible for free school meals who achieve five good GCSEs including English/Welsh and maths has increased from 18.0 per cent to 23.4 per cent over the last five years. However, this means that over three quarters of poor children in Wales still do not achieve at this threshold.

There is also still a considerable gap between children eligible for free school meals and other children, with non-FSM pupils being twice as likely as poorer children to achieve 5 good GCSEs including English/Welsh and maths. The gap has also, overall, increased somewhat over time, from 29.7 percentage points in 2007 to 33.2 percentage points in 2012, though has reduced slightly since its peak in 2010.

³ The data used for this indicator is 'Level 2 Threshold including English / Welsh and Maths'.

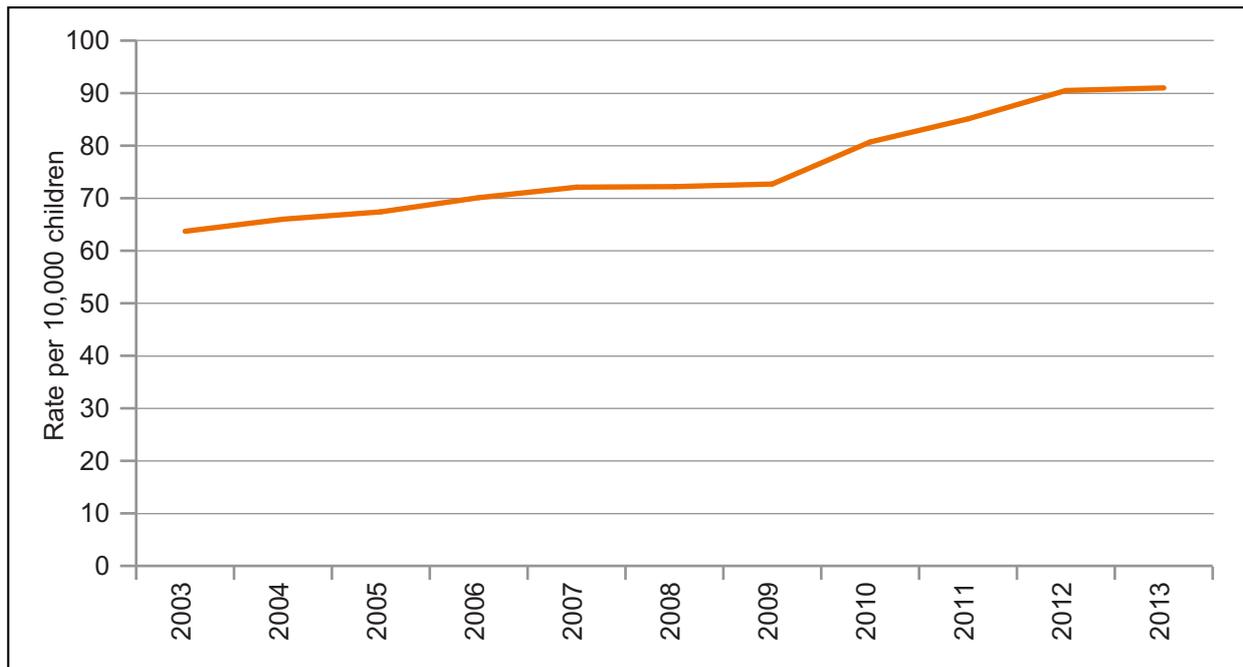
Data produced by England are based on pupils at the end of Key Stage 4, whereas the Welsh Government produce data on the basis of pupils aged 15. Although the statistics are calculated on a slightly different basis the differences resulting from this are likely to be small.

Indicators showing threshold equivalencies were published (as provisional indicators) for the first time in 2007 and are now the headline indicators of performance in secondary schools. Thresholds represent a volume, or 'size', of qualifications at a specific level on the National Qualifications Framework (NQF). The Level 2 threshold – is a volume of qualifications at Level 2 equivalent to the volume of 5 GCSEs at grade A*-C. Where the Level 2 threshold includes English/Welsh and Maths these subjects have to be GCSE grades A*-C.

Far fewer children eligible for free school meals in Wales achieve at this threshold than in every region of England and the “disadvantage gap” is somewhat wider: overall, 36.7 per cent of children in England who are eligible for free school meals attain five good GCSEs including English and maths and 29.9 per cent of children achieve at this level in the worst performing region of England.

Wales has a lower proportion of children eligible for Free School Meals achieving 5A*-C GCSE including English/ Welsh and maths than 145 of 150 top tier English local authorities that data is available for.

Looked after children per 10,000 population aged under 18



Figures may differ to those published by the Welsh Government due to rounding i.e. the published data for the number of children looked after has been rounded to the nearest five.

Rate of looked after children per 10,000 population aged under 18										
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
63.7	66.0	67.4	70.1	72.1	72.2	72.7	80.7	85.1	90.5	91.0

Data provided to the Commission by the Welsh Government (2013)

The proportion of children under the age of 18 in Wales who are looked after by local authorities has increased by 43 per cent since 2003, from 64 per 10,000 in 2003 to 91 per 10,000 in 2013.

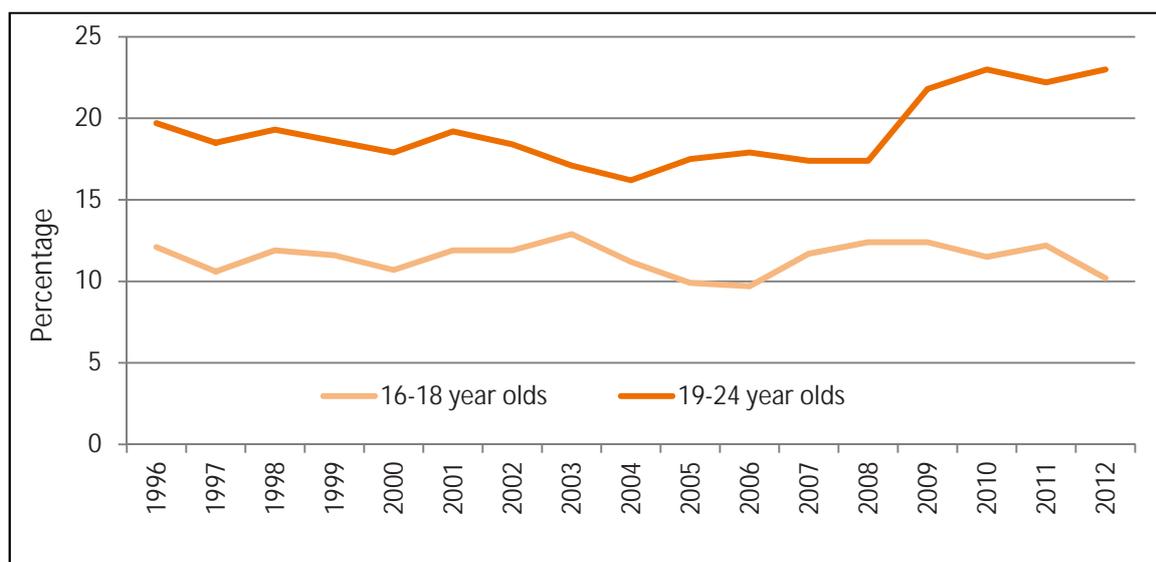
The proportion of children in Wales who are looked after by local authorities is almost 60 per cent higher than in England, where 59 per 10,000 were looked after in 2012.

Number of children living in low income households reaching health, social and cognitive development milestones when entering formal education

The Welsh Government is developing this indicator as part of the development of a common assessment tool for Health Visitors in the All Wales Health Child Programme and is currently unable to measure performance.

A standardised approach to measuring social and cognitive development will be in place by March 2014, allowing this measure to begin to be reported against.

Percentage of young people not in education, employment of training (NEET)



Percentage of young people not in education, employment or training (NEET)									
	2004	2005	2006	2007	2008	2009	2010	2011	2012
16-18 years old	11.2	9.9	9.7	11.7	12.4	12.4	11.5	12.2	10.2
19-24 years old	16.2	17.5	17.9	17.4	17.4	21.8	23.0	22.2	23.0

Source: 'Participation of Young People in Education and the Labour Market' Statistics Wales (2013)

The percentage of young people in Wales who are not in education, employment or training (NEET) has fluctuated over the last 16 years.

For 16-18 year olds, the proportion NEET was broadly static in the late 1990s and early 2000s, fluctuating between 10.6 per cent and 12.9 per cent. It then decreased to reach 9.7 per cent in 2006 and then rose to hit a high of 12.4 per cent in 2009. Since then, it has decreased to 10.2 per cent in 2012.

For 19-24 year olds, the proportion NEET gradually decreased from 19.7 per cent in 1996 to 16.2 per cent in 2004. It was then broadly static between 2004 and 2008 before increasing significantly during the recession, from 17.4 per cent in 2008 to 23.0 per cent in 2010 – the highest since records began in 1996. Since 2010, it has been broadly unchanged, decreasing in 2011 before increasing again in 2012.

It is not possible to compare directly the rate of NEET in Wales with elsewhere in the United Kingdom as no comparable estimates are published by the Office for National Statistics.⁴ However, the data that is available suggests that youth unemployment in Wales is slightly higher than in the UK as a whole: in the second quarter of 2013, an estimated 20.3 per cent of 18-24 year olds were unemployed compared to 19.0 per cent in whole of the UK.⁵⁶

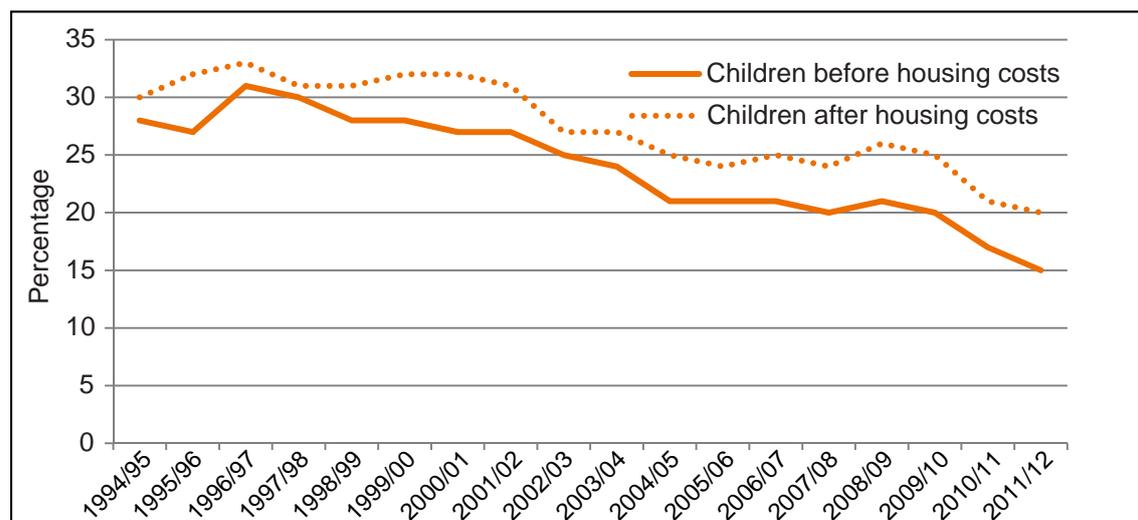
⁴ See *UK Estimate of Young People Not in Education, Employment or Training* Office for National Statistics (2013)

⁵ See *Regional Labour Market Statistics Table X02* Office for National Statistics (2013) and *Labour Market Statistics* Office for National Statistics (2013)

⁶ Annual Population Survey year ending 30th June 2013

Child Poverty and other Indicators for Scotland

Proportion of children living in relative poverty (below 60 per cent of the UK median income) in Scottish households



Proportion of children living in private households with an equivalised income of less than 60 per cent of the UK median before housing costs

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
BHC	28	27	31	30	28	28	27	27	25	24	21	21	21	20	21	20	17	15
AHC	30	32	33	31	31	32	32	31	27	27	25	24	25	24	26	25	21	20

Source: HBAI dataset, DWP, 2013

Note this will not match data published by DWP on HBAI results, which gives a 3-year average to allow for comparison between all regions.

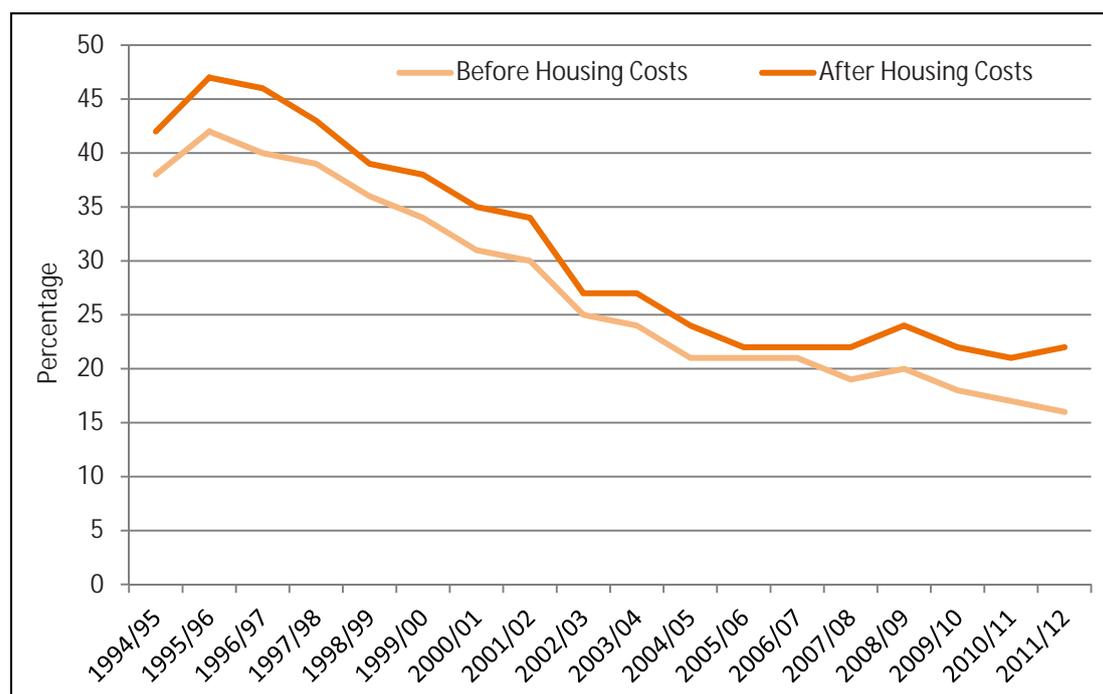
Relative low income is one of the headline targets in the Child Poverty Act. The Scottish National Indicators looking at relative poverty measures the proportion of all individuals in relative poverty. However, given the Commission's focus is on child poverty we have looked only at the proportion of children living in relative poverty.

The proportion of children in Scotland living in relative poverty before housing costs has decreased over the last 17 years from 28 per cent in 1994/95 to 15 per cent in 2011/12. This equates to 160,000 fewer children living in relative poverty in 2011/12 than in 1994/95.

Progress over time has been uneven: relative poverty before housing costs fell considerably from 31 per cent of children in 1996/97 to 21 per cent in 2004/05. It was then broadly static until 2009/10, before falling to 15 per cent of children over the last two years

Comparing Scotland to the rest of the United Kingdom, Scotland has a lower level of relative poverty before housing costs than England, Wales or Northern Ireland and a considerably lower level of relative poverty after housing costs. Also, progress in Scotland has been more rapid than elsewhere in the United Kingdom, particularly when looking at poverty after housing costs.

Proportion of children living in absolute poverty (below 60 per cent of inflation adjusted 2010/11 UK median income) in Scottish households



Proportion of children living in absolute poverty (below 60 per cent of inflation adjusted 2010/11 UK median income) in Scottish households: 1994/95 to 2011/12																		
	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
BHC	38	42	40	39	36	34	31	30	25	24	21	21	21	19	20	18	17	16
AHC	42	47	46	43	39	38	35	34	27	27	24	22	22	22	24	22	21	22

Source: Scottish Government, Poverty and Income Inequality in Scotland, 2013

The proportion of children in Scotland living in absolute poverty before housing costs has decreased over the last 17 years from 38 per cent in 1994/95 to 16 per cent in 2011/12. Progress over time has, overall, been steady, with absolute poverty decreasing in most years. This equates to 260,000 fewer children living in absolute poverty (BHC) in 2011/12 than in 1994/95.

In comparison to the rest of the United Kingdom, Scotland has a lower level of absolute poverty before housing costs than England, Wales or Northern Ireland and a considerably lower level of poverty after housing costs. Also, progress in Scotland has been more rapid than elsewhere in the United Kingdom, particularly when looking at poverty after housing costs.

Proportion of children in combined Material Deprivation (households with less than 70% of equivalised median income and in Material Deprivation) in Scottish households



Percentage of children in combined Material Deprivation (based on a suite of questions in the Family Resources Survey) and low income (below 70% of UK median income)								
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Percentage (old indicator)	16.4	12.9	15.9	15.3	16.1	14.7	13.0	
Percentage (new indicator)							11.9	8.2

Source: Family Resources Survey (2013)

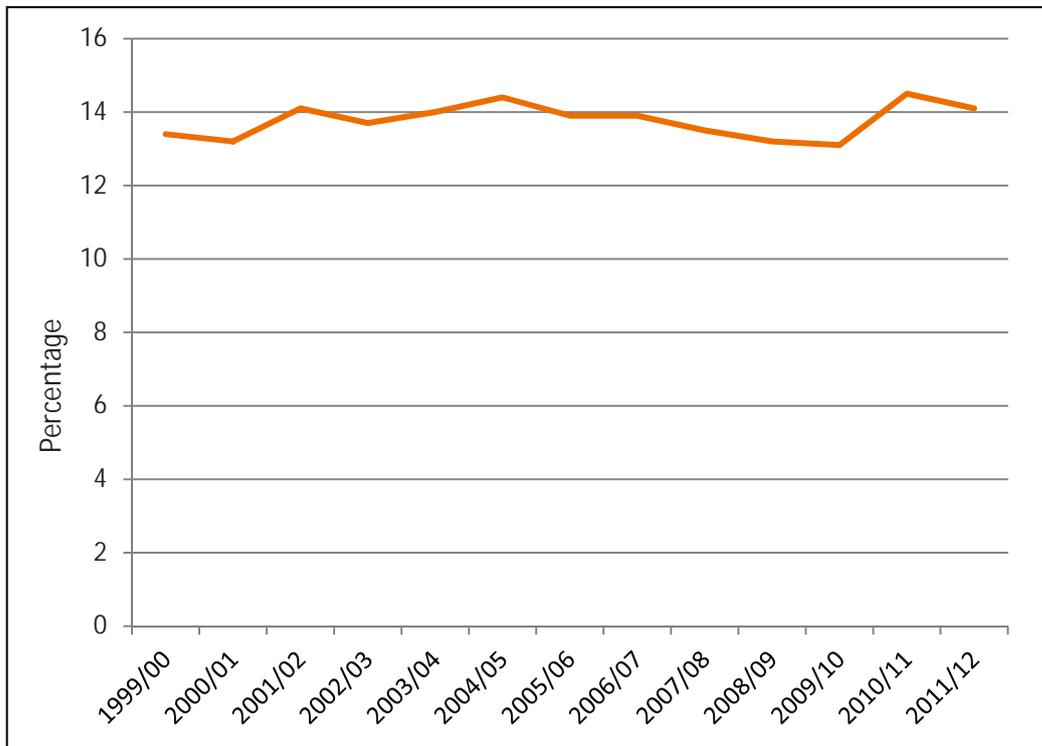
Notes: New questions about four additional Material Deprivation items for children were introduced into the 2010/11 FRS and from 2011/12 four questions from the original suite were removed. Figures from the old and new suite are not comparable.

The proportion of children in Scotland living in low income and Material Deprivation (based on the Child Poverty Act 2010 measure) has decreased over time, from 16.4 per cent in 2004/05 to 13.0 per cent in 2010/11 on the old measure and from 11.9 per cent in 2010/11 to 8.2 per cent in 2011/12 against the new measure.

There was no clear trend over time between 2004/05 and 2008/09, with declines in low income and Material Deprivation beginning since 2008/09.

Compared to the rest of the UK, historically Scotland has been at or just below the UK average; though in 2011/12 the rate of Material Deprivation has fallen by almost a third in Scotland while falling only slightly in the rest of the UK. It is unclear why this is the case and whether these differences are statistically significant.

Proportion of total equivalised income going to the bottom three income deciles



Proportion of total equivalised income going to the bottom three income deciles												
1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
13.4	13.2	14.1	13.7	14.0	14.4	13.9	13.9	13.5	13.2	13.1	14.5	14.1

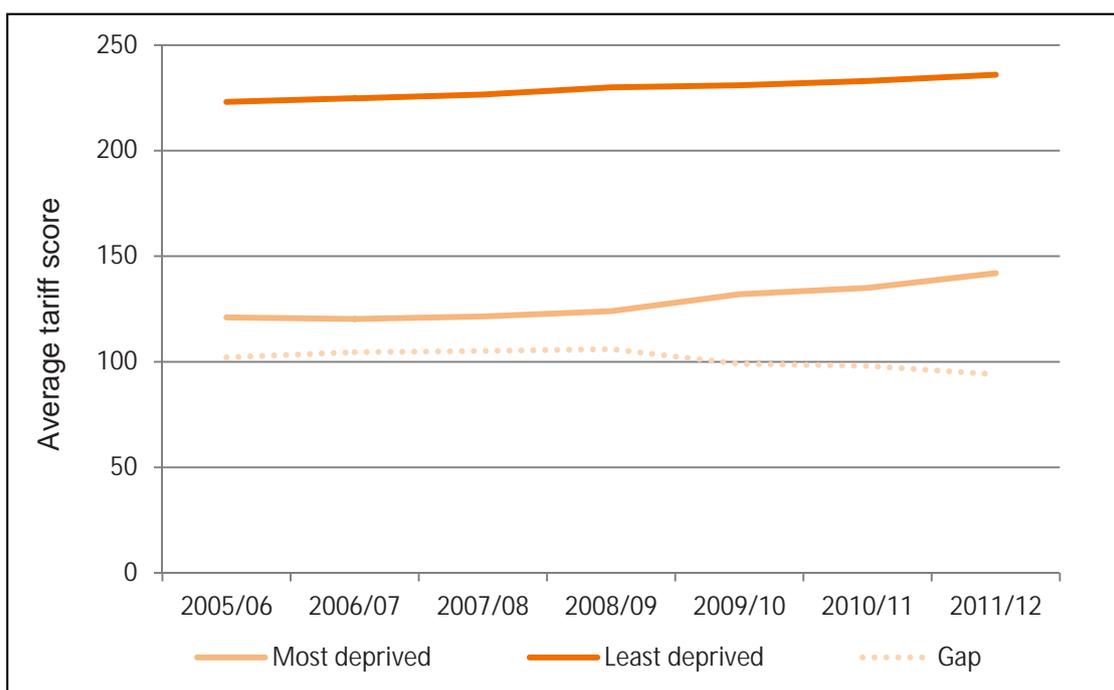
Source: Department for Work and Pension's Family Resources Survey, Households Below Average Income datasets (2013)

The proportion of household income in Scotland going to the bottom three income deciles has fluctuated between 13.1 per cent and 14.5 per cent between 1999/00 and 2011/12.

It increased in the early 2000s from 13.2 per cent in 2000/01 to 14.4 per cent in 2004/05, before falling to a low of 13.1 per cent in 2009/10. It then rose considerably during 2010/11 to 14.5 per cent before falling back slightly in the most recent year.

Over this period, total household income in Scotland has increased each year.

Average tariff score of S4 pupils, by deprivation



Average tariff score of S4 pupils, by deprivation, 2011/12							
Deprivation	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Most deprived	121	120	121	124	132	135	142
Least deprived	223	225	227	230	231	233	236
Gap	102	105	105	106	99	98	94

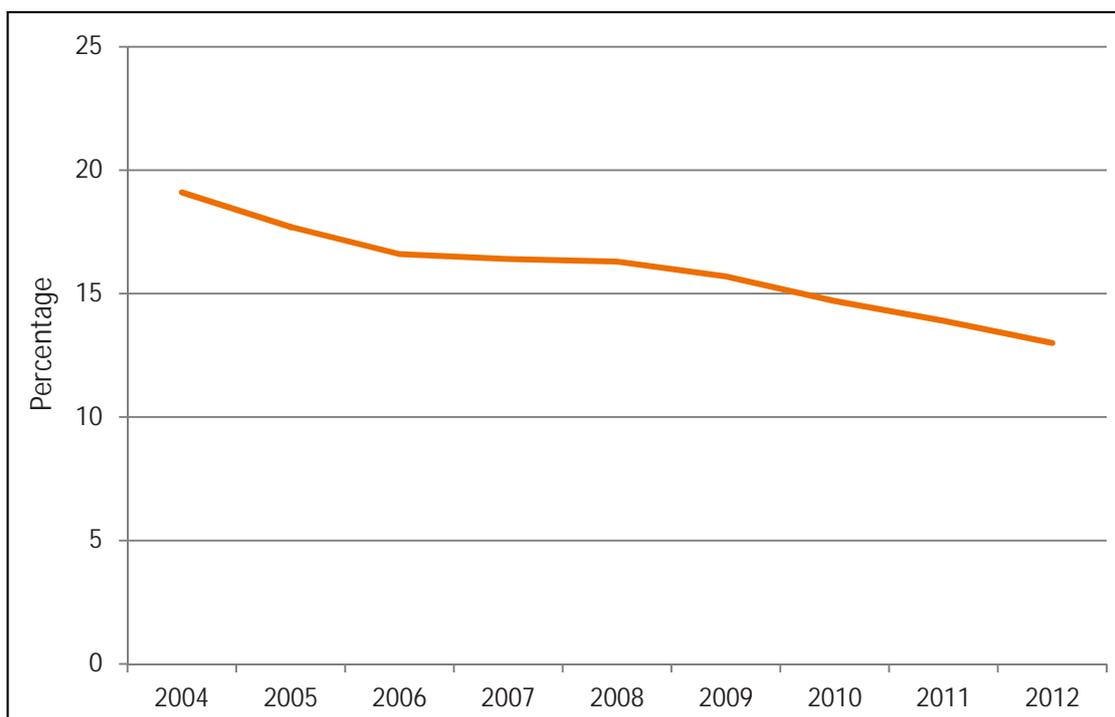
Source: Scottish Government, Attainment and Leaver Destinations Supplementary Data 2011/12, 2013

The average tariff score of S4 pupils (16 year olds) from the most and least deprived areas has increased since 2005/06, indicating a rise in overall attainment. Increases have been greater for the pupils who live in the 10 per cent most deprived areas than for pupils who live in the 10 per cent least deprived areas since 2009/10.

Since 2005/06, the average tariff score of young people in the most deprived areas has increased by 21 points or 17 per cent, from 121 to 142, while that for young people from the least deprived areas has increased by 13 points or 6 per cent, from 223 to 236. As a result, the gap has closed by 8 tariff points or by almost 8 per cent.

However, children from the most deprived areas still, on average, only achieve an S4 tariff score that is 60 per cent of that achieved by those in the least deprived areas.

Proportion of adults aged 16-64 with low or no qualifications (SCQF level 4 or below)



Proportion of adults aged 16-64 with low or no qualifications (SCQF level 4 or below)								
2004	2005	2006	2007	2008	2009	2010	2011	2012
19.1	17.7	16.6	16.4	16.3	15.7	14.7	13.9	13.0

Source: Annual Population Survey, Office for National Statistics, 2013

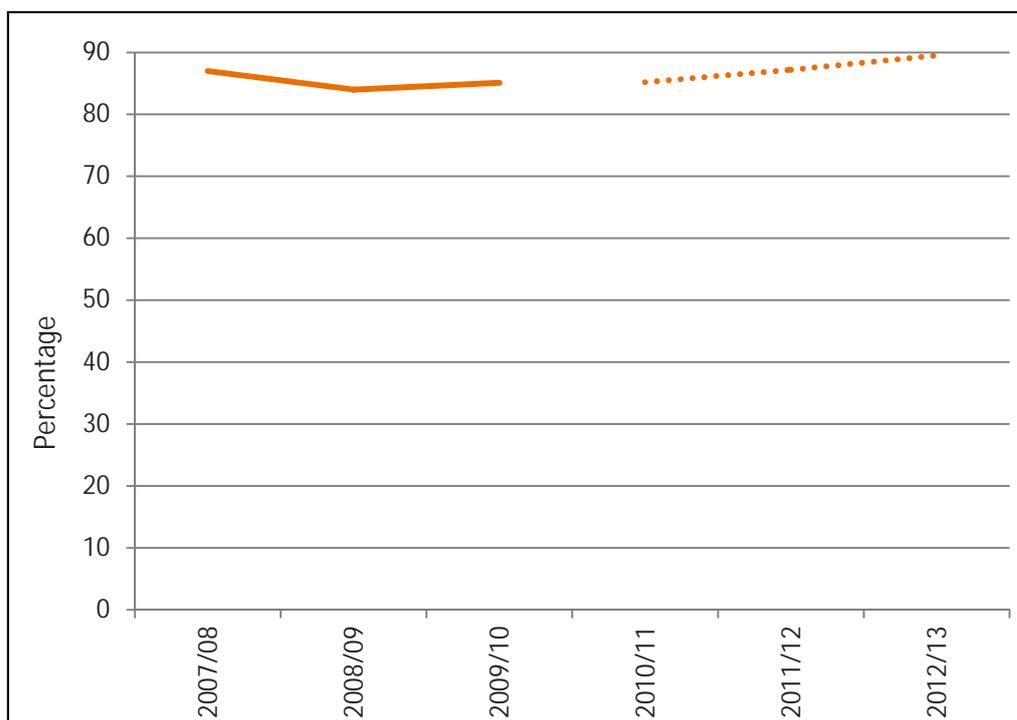
The proportion of working age adults with low or no qualifications in Scotland has declined by just over a third from 19.1 per cent in 2004 to 13.0 per cent in 2012.

Compared to the rest of the United Kingdom, working age adults in Scotland are more likely to have higher level qualifications than adults in the rest of the UK, and less likely to have no qualifications compared to adults in Wales (Scotland had a higher percentage of working age adults with no qualifications than England).

Looking at all adults aged 16-64 (a slightly different definition than the one used by Scotland for its national indicator):

- 10.7 per cent in Scotland had no qualifications compared to 9.9 per cent in the UK as a whole.
- 38.5 per cent in Scotland had degree-level qualifications compared to 34.2 per cent in the UK as a whole.

Proportion of school leavers in a positive destination nine months after leaving school



Source: Skills Development Scotland (2013)

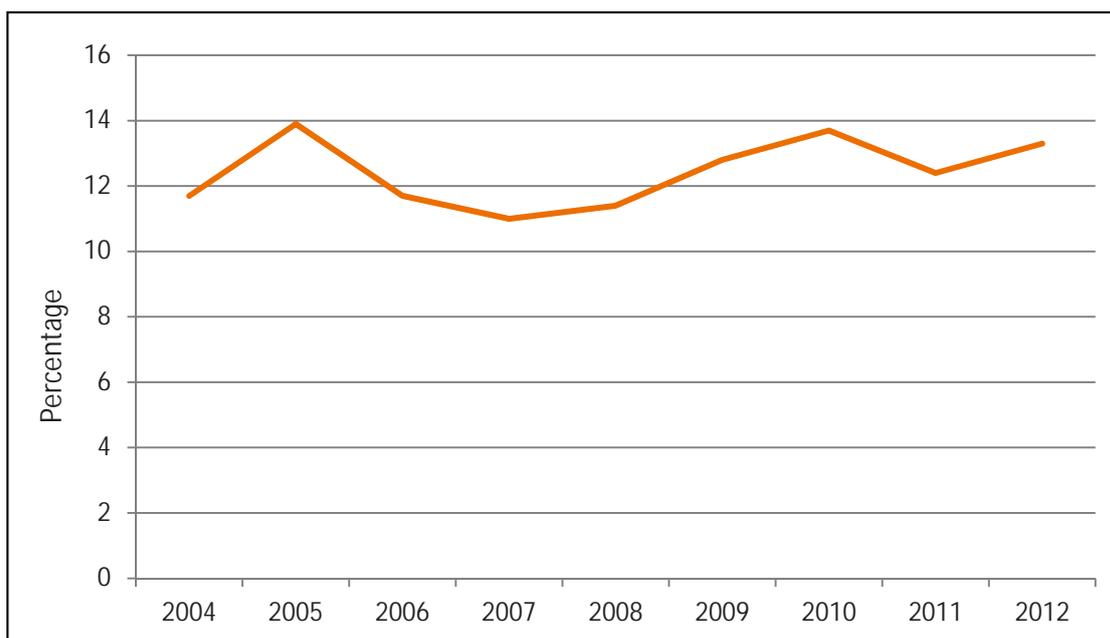
Proportion of school leavers who are in a positive destination approximately nine months after leaving school ¹					
2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
87.0	84.0	85.1	85.2	87.2	89.5

The proportion of young people (aged 16+) who are in a positive destination nine months after leaving school decreased between 2007/08 and 2009/10 (from 87.0 per cent to 85.1 per cent). Between 2010/11 and 2012/13 the proportion in a positive destination has risen (from 85.2 per cent to 89.5 per cent). However due to changes in [BS23] the definition of positive destinations in 2010/11 it is not possible to compare the pre and post 2010/11 data.

In 2012/13 14 per cent fewer school leavers from the most deprived areas were in positive destinations (81.6 per cent compared to 95.2 per cent in the least deprived areas).

¹ Positive destinations include Higher Education, Further Education, Training, Employment and Voluntary Work, as defined in the Scottish Budget Spending Review 2007 <http://www.scotland.gov.uk/Publications/2007/11/30090722/18>. Data from 2010/11 is not comparable to earlier data as the definition of positive destinations changed with the inclusion of new Activity Agreements as a positive destination

Percentage of 16-19 year olds not in education, employment or training



Proportion of 16-19 year olds not in education, employment or training (NEET), Scotland, 2004-2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Percentage	11.7	13.9	11.7	11.0	11.4	12.8	13.7	12.4	13.3

Source: More Choices More Chances Dataset, Annual Population Survey, 2013

The proportion of 16-19 year olds who are not in education, employment or training (NEET) has fluctuated between 11 per cent and almost 14 per cent over the last 8 years, with the rate falling from 13.9 per cent in 2005 to 11.0 per cent in 2007, before rising during recession to a peak of 13.7 per cent in 2010. Since then there is no clear trend: with the proportion of young people NEET decreasing in 2011 and then increasing again in 2012.

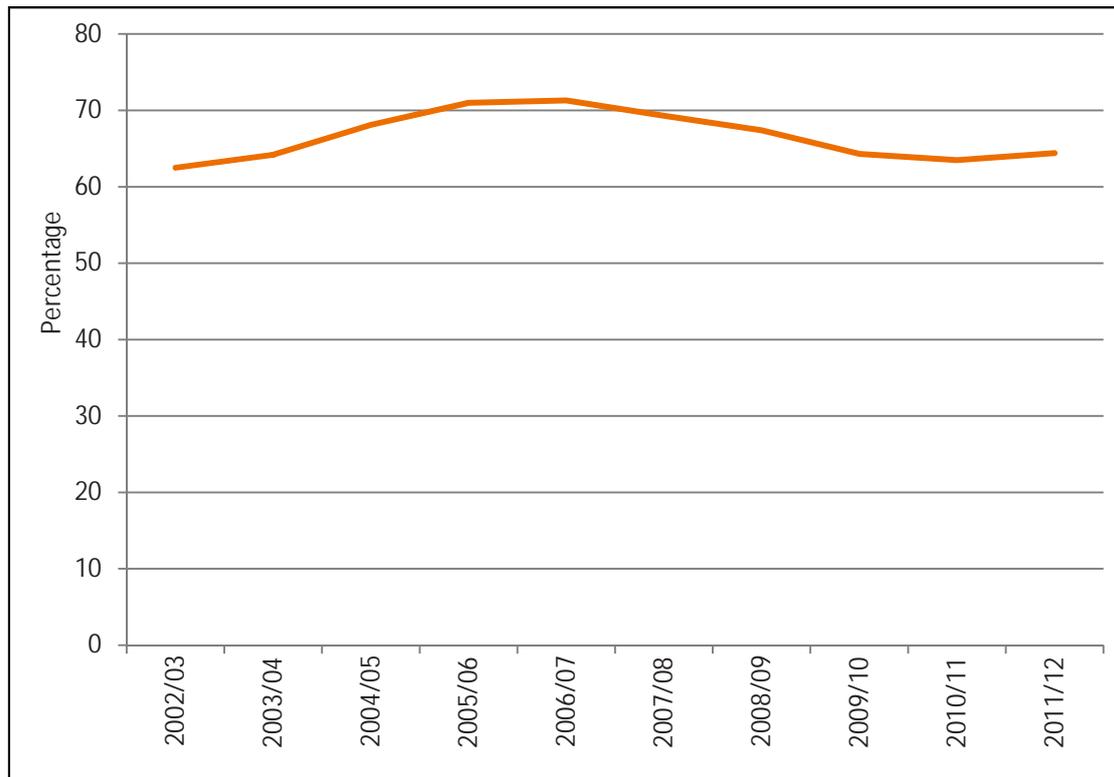
The Scottish Government publish NEET estimates as part of their Annual Local Area Labour Markets publication (they are not part of the National Indicator set). The official measure of NEET is based on those aged 16 to 19 and does not cover young people aged over 19 (e.g. 19-24 year olds).

It is not possible to directly compare the rate of NEET in Scotland with elsewhere in the United Kingdom as no comparable estimates are published by the Office for National Statistics.² However, the data that is available suggests that youth unemployment in Scotland is slightly lower than in the UK as a whole and in Wales: in the second quarter of 2013, an estimated 17.1 per cent of 18-24 year olds were unemployed in Scotland compared to 19.2 per cent in whole of the UK and 20.4 per cent in Wales.³

² ONS (2013) UK Estimate of Young People Not in Education, Employment or Training. ONS.

³ ONS (2013) Regional Labour Market Statistics and Labour Market Statistics, Sept 2013.

Percentage of graduates in positive destinations six months after graduating



Percentage of graduates in positive destinations six months after graduating										
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Employed in Professional and managerial level occupations in Scotland (SOC1-3)	50.1	50.3	55.4	58.1	58.1	55.2	50.9	49.8	49.8	50.6
Further Study or Training anywhere in the world	12.4	14.0	12.8	12.9	13.2	14.1	16.5	14.0	13.7	13.7
Other destination	37.5	35.8	31.9	29.0	28.7	30.7	32.6	35.7	36.5	35.6
Positive destinations	62.5	64.2	68.1	71.0	71.3	69.3	67.4	64.3	63.5	64.4

Source: Higher Education Statistics Agency (HESA), 2013

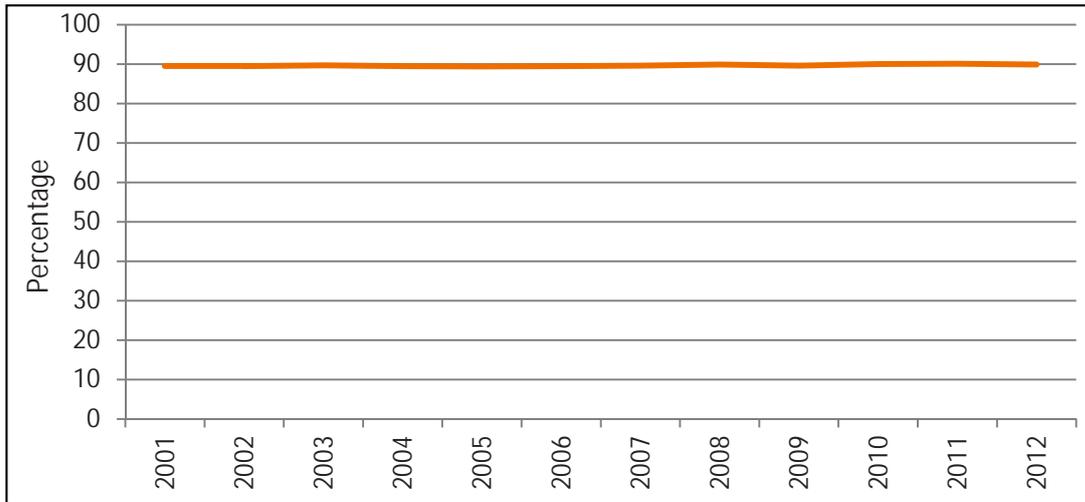
Notes: 'Positive destinations include 'Managerial and Professional' level jobs in Scotland (as defined by the Standard Occupational Classification (SOC)) or continued study, 6 months after graduation.

The proportion of Scottish graduates from Scottish Higher Education Institutions in positive destinations six months after graduating increased gradually from 62.5 per cent in 2002/03 to reach 71.3 per cent in 2006/07. Between 2006/07 and 2010/11 there was a moderate decrease in the proportion of students in positive destinations,

mainly driven by a large decrease in the proportion of students employed in professional and managerial level occupations in Scotland (which fell from 58.1 per cent in 2006/07 to 48.9 per cent in 2010/11), a change likely associated with the recession.

The proportion of Scottish graduates in positive destinations six months after graduation increased slightly between 2011 and 2012 (by almost 1 percentage point) driven by a rise in the proportion of students in employed professional and managerial level occupations in Scotland and a fall in those in 'other destinations'.

The proportion of newborn babies with a weight appropriate for gestational age

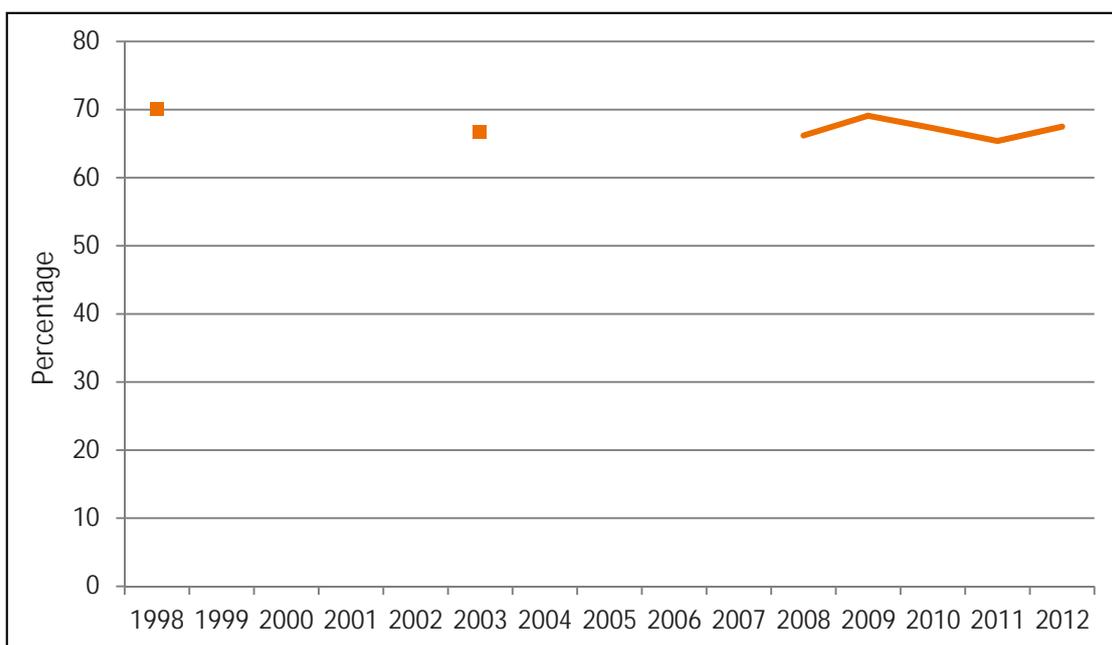


The proportion of newborn babies with a weight appropriate for gestational age												
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
%	89.5	89.5	89.7	89.5	89.4	89.5	89.6	89.9	89.6	90.0	90.1	89.9

Source: Scottish Morbidity Record 02, Information Services Division

The proportion of babies with a weight appropriate for gestational age has been broadly static at 89-90 per cent over the past decade.

Percentage of children whose Body Mass Index (BMI) lies within a healthy range



Percentage of children aged 2-15 years whose Body Mass Index lies within a healthy range															
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Proportion of healthy weight children	70.1					66.7					66.2	69.1	67.3	65.4	67.5

Source: Scottish Health Survey, 2013

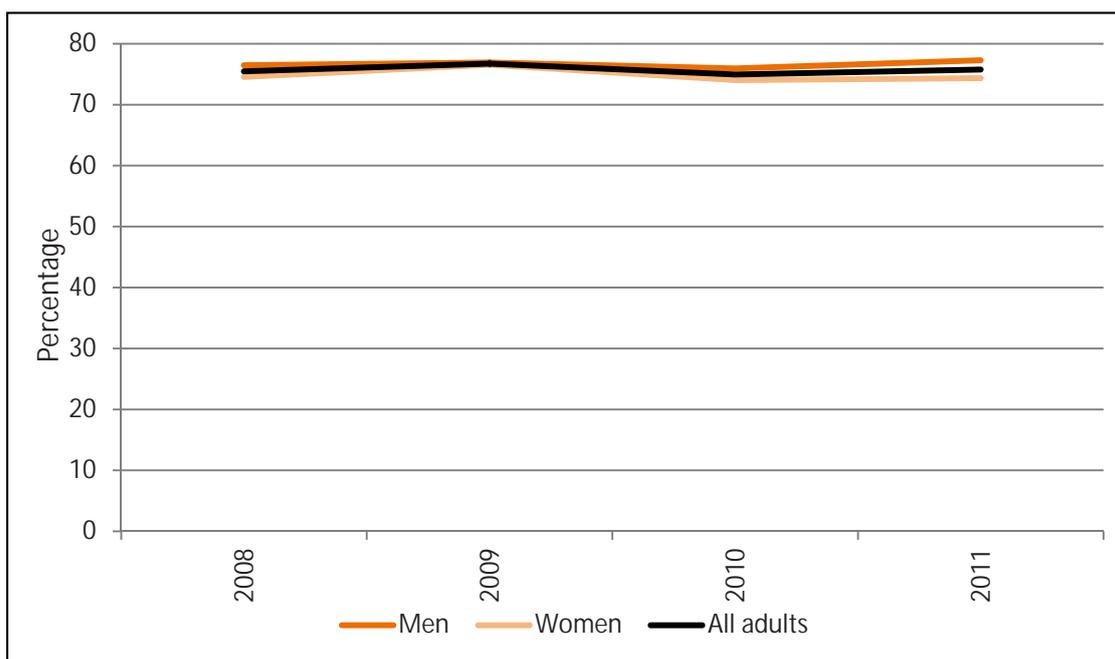
The proportion of children in Scotland with a healthy body weight (as defined by this indicator) has decreased from 70.1 per cent in 1998 to 67.5 per cent in 2012. This has been driven by a rise in the proportion of children who are overweight.

There is an association between deprivation and the proportion of children with a healthy body weight. In 2008/09 and 2010/11 a considerably lower proportion of children in the most deprived quintiles were of a healthy body weight; a difference of 8.3 percentage points and 5.2 percentage points respectively in the proportions of children with a healthy BMI between the most and least deprived quintiles.⁴

⁴ Scottish Health Survey (2013)

<http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/healthyweight>.

Percentage of adults who assess their health as good or very good



Percentage of adults who assess their health as very good or good					
	2008	2009	2010	2011	2012
Men	76.5	76.9	75.9	77.3	74.9
Women	74.6	76.6	74.0	74.3	73.1
All adults	75.5	76.7	75.0	75.8	74.0

Source: Scottish Health Survey (2013)

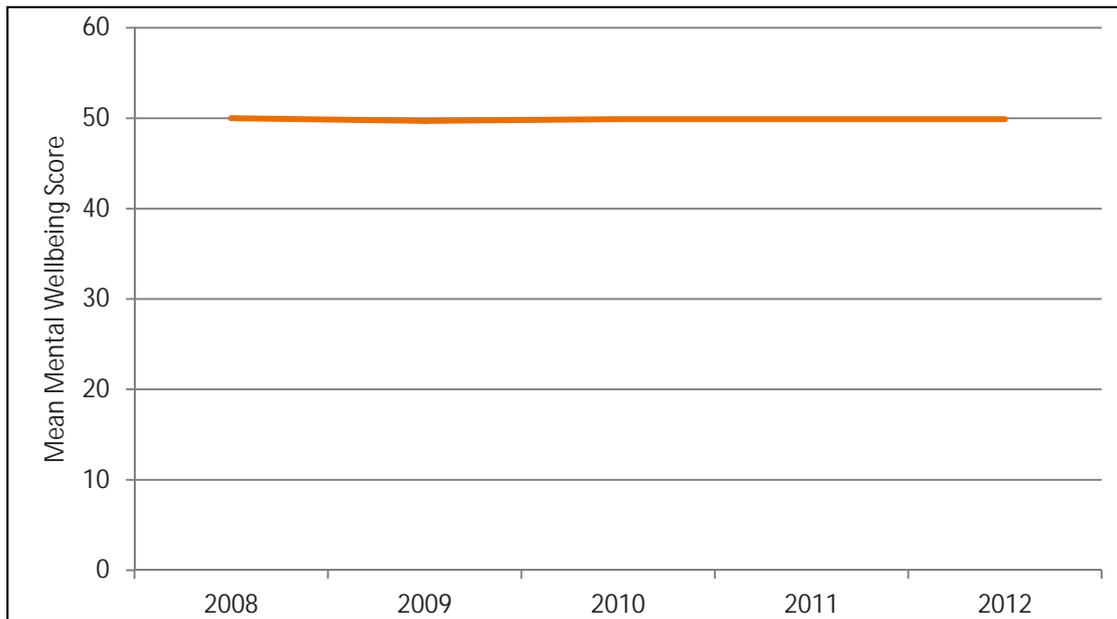
There has been little change over time in the proportion of adults who assess their health as good or very good, being broadly constant at about three quarters of the population. There has, however, been a recent decrease of almost 2 percentage points between 2011 and 2012.

Between 2008 and 2012 a lower proportion of adults in the most deprived quintile reported good or very good health (an average of 61 per cent) compared to adults in the least deprived quintile (an average of 87 per cent). The gap between quintiles fluctuated around 25 percentage points between 2008 and 2011 but widened in 2012 (to a 29 percentage point difference).⁵

⁵ Scottish Health Survey (2013)

<http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/generalhealth>

Improve mental well-being



Mental wellbeing derived from average score on the Warwick-Edinburgh Mental Well-being Scale (WEMWBS) of adults aged 16+ years					
	2008	2009	2010	2011	2012
Mean score	50.0	49.7	49.9	49.9	49.9

Source: Scottish Health Survey (2013)

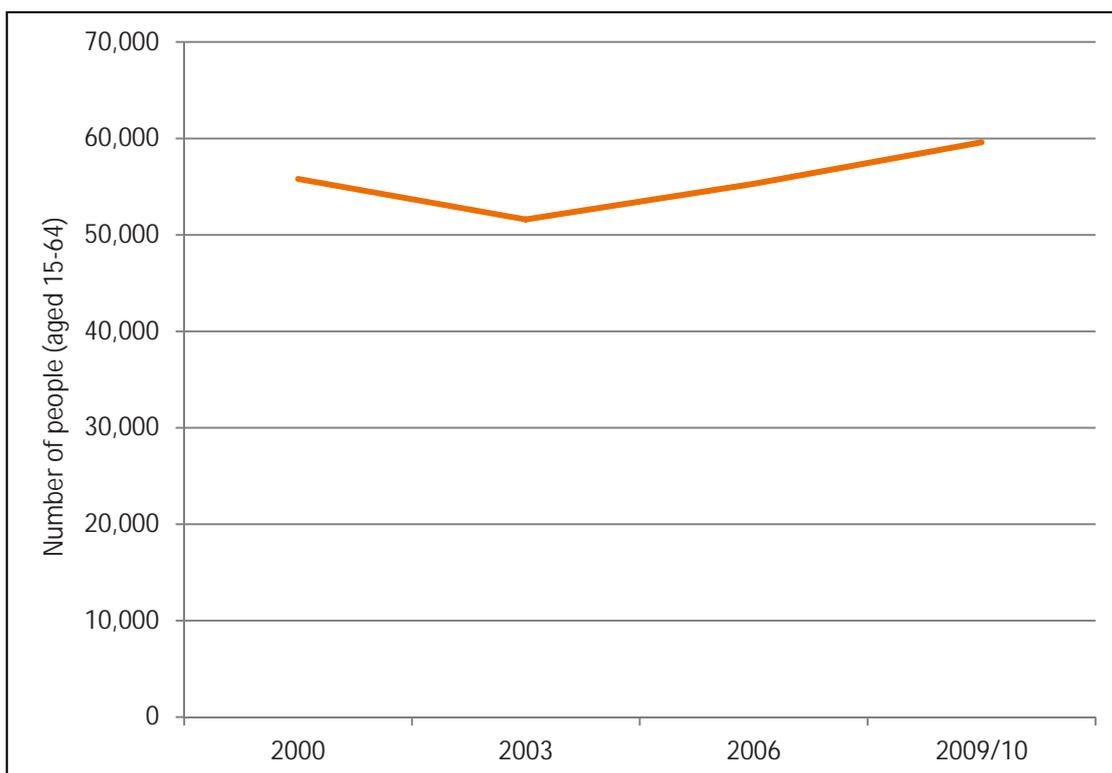
The average mental well-being of adults in Scotland has been constant over time.

Mean wellbeing score rises incrementally as deprivation decreases, indicating adults in the most deprived areas are more likely to experience lower mental well-being than those in less deprived areas. The difference in score between adults from the most and least deprived quintiles has remained fairly constant over time (fluctuating around a difference of 4 points in the mean score) but rose slightly between 2011 and 2012 (from a difference of 4.0 to 4.9).⁶

⁶ Scottish Health Survey (2013)

<http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/wellbeing>.

Number of adults with problem drug use



The estimated number of people (aged 15-64) in Scotland who use opiates (including illicit and prescribed methadone) and/or benzodiazepines illicitly

	2000	2003	2006	2009/10
Number of individuals	55,800	51,600	55,300	59,600

Source: Estimating the National and Local Prevalence of Problem Drug Misuse in Scotland; Centre for Drug Misuse Research, University of Glasgow Scottish Centre for Infection and Environmental Health (2012)

After an 8 per cent fall between 2000 and 2003, there have been an increasing number of adults in Scotland with problem drug use according to this indicator, with a 15.5 per cent increase in the number of adults using opiates or benzodiazepines between 2003 and 2010.

The trend has been steadily increasing since it dipped in 2003, with an average annual change of 2.3 per cent between 2003 and 2006 and 2.5 per cent between 2006 and 2009/10.⁷

⁷ Centre for Drug Misuse Research (2012) Estimating the National and Local Prevalence of Problem Drug Misuse in Scotland. University of Glasgow: Centre for Drug Misuse Research <http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/drugs>.

