



Social Mobility
Commission

State of the Nation 2016: Social Mobility in Great Britain

2016

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About the Commission

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

The Commission board comprises:

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

The functions of the Commission include:

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

The Commission is supported by a secretariat comprising: Paul Johnston, Jodie Smith, Kirsty Walker, Sarah Waite, Kiran Gill, Alivia Kratke, Rachael Millar and Gene Ward.



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Foreword and Executive Summary

Britain has a deep social mobility problem. In this annual report we present compelling new evidence that for this generation of young people in particular, it is getting worse not better. Low levels of social mobility are impeding the progress of not only the poorest in our society. We identify four fundamental barriers that are holding back a whole tranche of low- and middle-income families and communities in England: an unfair education system, a two-tier labour market, an imbalanced economy and an unaffordable housing market. Taking down these barriers will require a new, long-term approach. It will also mean challenging some long-held assumptions that have held sway for too long in public policy. There are no easy fixes when it comes to cracking Britain's social mobility problem. Change will take time. The next decade should be one of deep-seated social reform. In this, our fourth annual report, we propose an ambitious programme of change which we hope the new government will capture in a ten-year programme of social reform.

The case for change

Successive governments have put social mobility higher and higher on the public policy agenda. So too have employers, universities, schools and councils. Their efforts are welcome and have paid some dividends. Absolute rates of child poverty have halved since 1997. There are fewer children in workless households than at any time in two decades. Employment is at record levels and educational inequalities, though wide, are slowly narrowing. More working-class youngsters are benefiting from higher education than at any point in history. Indeed, disadvantaged young people are 30 per cent more likely to enter university in 2015 than just five years ago, and 65 per cent more likely than ten years ago.

Social progress can be measured in each of these steps. All of them have been hard-won. But a more fundamental change has overshadowed what has been achieved. The 20th-century expectation that each generation would be better off than the preceding one is no longer being met. People born in the 1960s, 1970s and early 1980s have lower incomes than their predecessors had at the same age. Those born in the 1980s are the first post-war cohort not to start their working years with higher incomes than their immediate predecessors. Home ownership, the aspiration of successive generations of ordinary people, is in sharp decline, among the young especially. Most shocking of all, today only one in eight children from low-income backgrounds is likely to become a high income earner as an adult.

The four barriers to progress

The global financial crisis was a watershed moment. In its wake, stagnating incomes and earnings have become the norm for a large proportion of adults in our country. In real terms, earnings are still 5 per cent below their 2008 peak. But deep-seated structural changes in the labour market over many years had already created the conditions for a widening inequality in the nation. Britain's flexible workforce gives us global economic advantage, but a two-tier labour market is now exacting too high a social price. Commission research suggests that barely one in ten low-paid workers at the start of the last decade had escaped low pay by the end. Without concerted action, it is highly likely that the growing divide between the social prospects of those with skills and those without will widen in the future as technological change threatens to de-skill growing numbers of today's jobs.

The education system is not doing nearly enough to anticipate these changes. Despite some success in narrowing the gap in education attainment between poorer children and their better-off classmates, the deep-seated social gradient in how well children do in school has not been flattened. From the early years through to universities, there is an entrenched and unbroken correlation between social class and educational success. Repeated attempts to reform the education system have not produced a big enough social mobility dividend.

Britain's social mobility problem has a profound spatial dimension as well as a social one. Many regions have fallen further and further behind London and the South East. More than half the adults in Wales, the North East, Yorkshire and the Humber, the West Midlands and Northern Ireland have less than £100 in savings. Limited education and employment opportunities in many urban and rural communities – not just those in the north – are forcing aspirational youngsters to move out in order to get on. These 'left behind' parts of Britain are becoming socially hollowed out.

The gap between the housing haves and have-nots is accentuating this social and wealth divide. People who own their homes have average non-pension wealth of £307,000, compared to less than £20,000 for social and private tenant households. Closing that gap requires more people to get onto the housing ladder, but the reverse is happening. Home-ownership rates among the under-44s have fallen by 17 per cent in the last decade as their household incomes have grown at only half the rate of their housing costs.

Our country has reached an inflection point. The rungs on the social mobility ladder are growing further apart. It is becoming harder for this generation of struggling families to move up. Across our country's local economies, education system, and labour and housing markets there are major market failures. New forms of government action are needed to address them. Employers and educators will need to act differently too. The approaches of the past, although they have brought some progress, are no longer fit for purpose. We are in a different world.

The need for a new approach

Low levels of social mobility infringe Britain's implicit social contract: that those who work hard will have a fair chance to get on. That is why social mobility, all too often seen as an issue for a minority in our country, is an issue for the majority. The social divisions we face in Britain impact many more people and places than either the bottom decile in society or the few thousand youngsters who miss out on a top university. Whole tracts of Britain feel left behind. Whole communities feel the benefits of globalisation have passed them by. Whole sections of society feel they do not get a chance to succeed.

The history of our continent tells us that when the majority feel they are losing unfairly while a minority gain unfairly, things can turn ugly. Across the world, political populism, of Right and Left, is on the march. Attitudes both to wealth and poverty are changing fast. So too, public attitudes towards immigration – and not necessarily for the better. The public mood is

sour and decision-makers have been far too slow to respond. By and large they have failed to recognise how the global financial crisis has given birth to a new public consensus – one where untrammelled wealth for a few at the top, growing insecurity for many in the middle, and stalled life chances for those at the bottom is no longer a viable social proposition for Britain.

The growing sense that we have become an us and them society – where a few unfairly hoard power and wealth – is deeply corrosive of our cohesion as a nation. The EU Referendum in June this year exposed deep divides that go well beyond the box that people crossed. Public concern – even anger – about issues of identity, immigration and inequality found a voice on 23rd June and a target to aim at. In our previous annual reports we warned that without a dramatic change in approach to how we tackle issues of poverty and mobility, Britain would become a permanently divided nation. The chickens have now come home to roost. Of the 65 parts of the country we identified as being social mobility coldspots – those with the poorest education and employment prospects – only three areas voted to remain in the EU.

It is very welcome that the new Prime Minister has made it her mission to heal the profound social and economic fissures the EU Referendum laid bare. Making Britain feel one again will need a new way of approaching social mobility. Broadly, there have been two traditional schools of thought – one has focused on improving life chances for the very poorest families, and the other on lifting bright children into top schools and universities. Each has had its own specific policy agenda. Both are important and should continue. But a broader approach to social reform is needed. One which focuses on people who are not in extreme poverty but are usually in work. These treadmill families are running harder and harder but simply standing still. Those struggling to make the sort of progress that previous generations did are a majority not a minority in Britain. Their interests should be at the heart of a new government-wide drive to open up opportunities for their aspirations to be met.

Tinkering with change will not do the trick. There are fundamental reforms needed to Britain's education system, local economies, and housing and labour markets. It is not just that new policies are needed. New ways of thinking are needed too. Some of the assumptions that have guided much social policy in previous decades are redundant and now need to be replaced.

In our education system, for example, it has long been assumed that better-off children will naturally excel while their poorer classmates will naturally fall behind. All too often this assumption has become a self-fulfilling prophecy. Little has been done to stop the drift of the best schools and teachers into better-off communities and away from poorer ones. The consequence is a deeply divided schools system that is denying too many youngsters the educational opportunities they need to succeed in an increasingly skills-hungry labour market. And while higher education has enjoyed relentless focus and growing resources, vocational education has been starved of both. It is time to change the assumption that Britain can succeed economically or socially with such a divided education system.

The assumptions underpinning much of labour market policy for the last few decades have also proved wrong. The theory has been that if enough people could be got off welfare and into work, progress would follow. This assumption ignored the new reality of millions of low-paid workers being trapped on the wrong side of a bifurcated labour market with little likelihood of escape. They have jobs but don't have careers. As a result, they are struggling to get by despite being in work. If this fundamental divide is to be overcome, employers and government will need to agree a new deal on workforce proficiency, productivity and progression to make it possible to move millions of people from low pay to living pay. A more active labour market policy is needed.

The same is true in housing policy where the assumption has been that the market will match supply with demand. But that free-market approach to building new homes is failing.

Not enough are being built, with the consequence that owner-occupation – one of the foundations for higher levels of social mobility – is in free-fall among the young. Meanwhile, a hands-off approach to the privately rented sector has condemned a generation of young families to growing insecurity and unaffordability. Government needs to shed itself of outdated inhibitions about intervening to address these market failures.

So too when it comes to our country's approach to regional economic policy. It has long been assumed that Britain can get by with economic growth that is exclusive not inclusive. Over decades, a quiet new assumption has come to underpin public policy thinking: that people from weaker economic areas who wanted to get on would have to move out. The consequences of a generation getting on their bikes can be seen in the socially hollowed out towns, cities and counties of 'left-behind' Britain. The impact is felt too in the increasingly unaffordable London housing market. A less divided Britain will require a more redistributive approach to spreading education and employment prospects across our country.

The advent of a new government with a new agenda should make it possible for new thinking and the adoption of a longer-term, more ambitious approach. Over a ten-year period significant change could be achieved. That is what we propose in this report. We call for our country's education system to be overhauled by redistributing resources and teachers to the areas and schools that need them most. We propose a new deal with employers so that work pays and people get more chances to build a career rather than just having a job. We say that a new economic plan is needed to rebalance growth in our country so that fewer people have to leave the towns, cities and counties of 'left-behind' Britain in order to get on in life. And we argue that home ownership should be reignited as an opportunity for young families by government directly intervening in the housing market to ensure a million more affordable homes are built.

Our proposals for change

Our recommendations are not aimed exclusively at government but also at employers and educators, local councils and communities. We hope they form the basis for a ten-year programme of social reform.

Parenting and the early years

The early years of a child's life have a lasting impact. What happens in the home and how parents interact with their children is crucial to their development. But there is a social class gradient when it comes to formative experiences such as parents reading and playing with their kids. Families where both parents are highly educated spend on average 110 minutes a day on educational activities with their young children, compared to just 71 minutes where parents have low levels of education. In the 1970s parents were spending only 20–30 minutes doing that, but then, unlike now, there were no significant differences between income groups.

Today, family life is under strain, particularly for parents on low incomes. They are often struggling to cope with multiple jobs and unsociable hours, so they face both time and resource constraints in providing their children with the range of experiences they need to develop. Yet parents receive little effective state support to enable them to do so.

We recommend that the Government introduces a new parental support package at key transition points in family life, including a guarantee of help for parents if their child's 2 to 2½-year check shows them falling behind.

It is welcome that the 40 per cent most disadvantaged two to four-year-olds now receive 15 hours a week of free early years education. That is set to increase to 30 hours a week for children aged three and four with parents in work. The Government will be spending around £6 billion a year on supporting parents with the cost of childcare, but neither resources nor efforts are focused on narrowing the social gap in child development. The proportion of

children who reach a good level of development at age five is lower in the 30 per cent most deprived areas than it is in the areas with middle levels of deprivation, and lower in those areas than it is in the 30 per cent least deprived areas. In the last decade, 500,000 poorer children were not school-ready by the age of five. Those children are hamstrung from the start of school life and most never recover.

We recommend that the Government should set a clear objective for early years services that by 2025 every child is school-ready at five and the child development gap has been closed, with a new strategy to increase the availability of high-quality childcare to low-income families.

High-quality childcare can make a big difference, especially for poorer kids, but there is a stark social gradient in the availability of good and outstanding provision between the most deprived areas to the least. The way the childcare market works is squeezing out disadvantaged children from the highest-quality settings as many childcare providers increasingly rely on funding from more advantaged parents who typically purchase more childcare hours than those paid for by the Government. This is creating a situation whereby poorer children are twice as likely to access low-quality childcare provision as their more advantaged counterparts.

We recommend a radical redistribution of resources within the education budget to get more investment and better-quality services to the children who need them most.

Currently, the Early Years Pupil Premium – which gives childcare providers additional funding to help three- and four-year-olds from low-income families – is worth £302 per child a year. This is much less than the £1,320 for each eligible primary school child and £935 for each eligible secondary school pupil.

Given the importance of closing the gap in the years before children start school, we recommend doubling the Early Years Pupil Premium to £604 per child per year and extending it to include disadvantaged two-year-olds that are eligible for 15 hours of free early education.

We estimate that this would cost £163 million per year. It could be funded via a redistribution of funding from the primary pupil premium budget or from within the Department for Education's overall £60 billion budget. This doubling in funding for the Early Years Pupil Premium will help childcare services to ensure that within a decade all five-year-olds are ready to hit the ground running when they start school.

Schools

Despite a welcome focus on improving attainment in schools, especially for the poorest children, the broader link between family income and educational outcomes has not been broken. The attainment gap between the poorest children – those eligible for free school meals (FSM) – and all other children has narrowed over the last ten years, but the gap remains stubbornly large and increases throughout school. Just 5 per cent of children eligible for FSM gain five A GCSE grades. The income gap is larger than either the ethnicity gap or the gender gap in schools.

We recommend that the Government sets a new ambition that within a decade schools should have narrowed the attainment gap at GCSE level between poorer children and their better-off classmates so that the rest of the country levels up to what London is already achieving.

The socioeconomic gap in attainment is being compounded by deep geographical divides in standards across the country. A child living in England's most disadvantaged areas is 27 times more likely to go to an inadequate school than a child in the most advantaged. The widely acknowledged success of London schools has mainly been driven by improvements in results for poorer children. In 2015, children in London eligible for FSM were 52 per cent more

likely to get five good GCSEs than their peers in other parts of England. Meanwhile, ten local authorities now account for one in five of the country's children who are in failing schools: Blackpool, Knowsley, Northumberland, Doncaster, Reading, Stoke-on-Trent, Oldham, Bradford, Telford and Wrekin, and Central Bedfordshire. A new approach is needed in those parts of the country where educational disadvantage is most concentrated, building on the recent Government decision to create Opportunity Areas.

We recommend that all schools in the ten lowest performing local authorities should take part in area-wide programmes so that by 2020 none of those schools are Ofsted-rated as inadequate and all are progressing to good. Over time these area-wide programmes should be extended to cover all under-performing schools.

The Commission believes that the commitment shown by the previous and current governments to ensuring a high expectations, high standards school education for all children will benefit social mobility, but public policy has so far failed to successfully address the educational divide. Successive governments have focused on reforming school structures, with mixed results. While many of the early academies delivered good improvement, including for the poorest children, other academies are delivering some of the worst results. Despite this evidence, the current Government has a desire for all schools to become academies and is now proposing to create new grammar schools. The focus on grammar schools, like the drive for all schools to become academies, is, at best, a distraction and, at worst, a risk to efforts aimed at narrowing the significant social and geographical divides that bedevil England's school system. The Commission is not clear how the creation of new grammar schools will make a significant positive contribution to improving social mobility.

We recommend that the Government rethinks its plans for more grammar schools and for more academies.

The Commission hopes that the Government will move on from an over-reliance on structural reform to a new and relentless focus on improving teacher quality and fairly distributing teachers to the schools that most need them. The Government's failure to take responsibility for delivering a high-quality and fairly distributed teaching workforce continues to be the most significant weakness in its approach to schools. For poor children, the difference between a good and poor teacher is equivalent to one year of learning. But schools in poorer areas are more likely to have more unqualified teachers, less likely to have teachers with an academic degree in a relevant subject and they have higher turnover. Across the country, teacher recruitment is faltering, with the Government missing its targets for trainees. The way teacher training is currently structured is not working.

We recommend that in place of the increasingly school-based training system the Government should introduce a new national system for marketing, application, screening and recruiting to initial teacher training.

There is also a need to improve teachers' pay. Starting salaries in teaching are lower than those in other professional occupations and teachers' earnings are falling further behind in almost every region.

We recommend that the Government ends the pay freeze for teachers and aims for new teachers outside of London to earn at least £25,000 by 2020. In addition, we recommend that high-quality teachers are paid more to work in schools which most need them and receive special housing incentives to go to areas with supply problems.

There should also be a new drive to extend quality careers advice and work experience to the children who need them most. Careers advice in schools, when done well, frequently and at the right age can add up to £2,000 a year to someone's future earnings. There is evidence that disadvantaged young people can benefit the most from work experiences, but are least likely to receive them. While the Government's current hands-off approach to extra-

curricular activities gives schools the freedom to deliver what is best for their students, it too often means that the best schools ensure their students receive high-quality advice and have access to good employers and universities, while the weakest schools, where students most need these added extras, provide very little.

We recommend a change in approach: that the Government repurposes the National Citizen Service to deliver an opportunity fund so that all children between ages 14 and 18 can have a quality work experience or extra-curricular activity.

Post-16 education

Education in our country is improving, but the post-16 choices available to young people are not fairly distributed, either geographically or socially. Our post-16 education system is still stuck in the past. The academic education route, especially in selective universities, is still closed to many young people from low- or modest-income backgrounds. Meanwhile, the vocational route – which is the destination for most low-income youngsters – has not evolved to match national skills demand, with many courses simply leading to low-paid work in low-skilled sectors of the economy. Major reform is long overdue and the Government’s Skills Plan is a welcome first step.

Young people from low-income homes with similar GCSEs to their better-off classmates are one third more likely to drop out of education at 16 and 30 per cent less likely to study A levels that could get them into a top university. The complexity of the post-16 education and training system makes it particularly difficult for lower-income youngsters to translate their attainment at school into qualifications that are well rewarded in the labour market. There are nearly 16,000 qualifications available to 16- to 19-year-olds, but zero transparency on which produce the best outcomes. Nor is there a single point of entry for youngsters going onto further education, unlike those going into higher education.

We recommend that a single UCAS-style portal should be developed to include vocational training alongside higher education options, and to show the outcomes associated with different qualifications.

We recommend that the Government builds destinations data more firmly into accountability frameworks for schools and so encourage them to take responsibility for the choices of all pupils, including those who move down non-academic routes aged 16.

Outcomes will also be improved by making sure school sixth forms have a key role in the implementation of the Government’s Skills Plan, which aims to simplify the post-16 education and training system. But if the struggling further education (FE) sector is left to deliver these reforms alone, a two-tier system will continue, with youngsters from struggling families losing out. Our research has found that youngsters from lower-income families who attend a school sixth form make better qualification choices and attain higher outcomes. But in 20 areas of the country there is no such sixth form provision.

We recommend that the Government encourages sixth-form provision in areas where it is lacking and give schools a central role in supporting FE colleges to deliver the improvements envisaged in the Skills Plan. It should also use the opportunity of the Skills Plan to improve 16–18 participation, with a view to reducing the number of young people not in education, employment or training at that age to zero by 2022.

Meanwhile, apprenticeship numbers are growing but the focus so far has been on quantity not quality: 97 per cent of 19- to 24-year-olds who start apprenticeships do so at qualification levels which are the same as their previous level of study. The proportion of young people completing the apprenticeships that they start has been falling since 2010 and most are in low-skill sectors with little chance for progression.

We recommend that low-quality apprenticeships which do not lead to careers with progression be prohibited from using the trademarked term and no longer be advertised on the government website.

Apprenticeship policy has diverted crucial funding from second chance education in the struggling FE sector. Half of all FE colleges are in financial deficit as their budgets have been raided to pay for increased apprenticeship funding. The number of students in government-funded adult further education fell by more than one-third over the last four years. Many FE colleges are struggling to fulfil the competing demands they face. Further education is in need of a radical overhaul.

We recommend that the Government urgently undertakes a fundamental review of the role and funding of further education colleges.

Over recent decades, widening access to university has been a British success story, but the benefits have not been distributed fairly. For every one child from a treadmill family (those in the bottom two income quintiles) who goes to university, seven do not. Young people from affluent backgrounds are 3.6 times more likely to attend Russell Group universities than poorer ones. This is not just about low attainment. Pupils on FSM who gain the high GCSE grades to get into a Russell Group university are still almost 7 percentage points less likely to get a place than their better-off classmates.

We recommend that a new social mobility league table be published annually to highlight which universities are doing most to widen access, improve retention and ensure good career progression for their students.

Universities can also play a new role in helping the towns and cities of 'left-behind' Britain to catch up. In too many areas across the country, poor access to local higher education means aspiring young people have to move out to get on. This exodus of the next generation of middle-class youngsters exacerbates the national divide between those parts of England that are pulling ahead and those that are falling behind.

We recommend that the new providers the Government wants to enter the higher education market have incentives to open in the places with least supply, and existing prestigious universities should, as part of their Widening Access Agreements, forge partnerships with FE colleges where there is currently no university to provide local communities with higher education.

Jobs, careers and earnings

Britain has reached an inflection point. The British economy is performing well in terms of employment with a record 75 per cent of the working-age population in work. But it is doing less well in terms of the quality of those jobs. We have a higher proportion of people in low-paid employment than other comparable nations and, overall, a higher incidence of low skills. Most of the UK's low-paid workers are women, and those working part time due to child-caring responsibilities are particularly vulnerable. Worse still, only one in ten (mainly women) low-paid workers in 2001 had managed to escape low pay by 2011. The welcome introduction of the National Living Wage is helping eradicate extreme low pay, but it is not the same as a real living wage. The campaign for the latter continues and has recently set new benchmarks for hourly wages – £9.75 for workers in London and £8.45 for those outside – that are sufficient for workers and their families to live on. Nearly 3,000 employers are signed up to the Living Wage and social progress depends on more doing so in future.

We recommend that more businesses become Living Wage employers.

We have called in previous reports for government to end the policy of reducing state support for people who are in work whilst maintaining support for people who are retired, in particular wealthy pensioners. We reiterate that call but believe that more is needed. The time has come to break the vicious cycle of low skills leading to low pay in low-quality jobs through a more

active labour market policy on the part of both government and employers. What this calls for is a new concordant – a new deal – between government and businesses. Over recent years employers have been on the receiving end of a barrage of government regulation and legislation. The National Living Wage and the apprenticeship levy are the most visible. Individually they are welcome measures. Collectively, however, they risk overwhelming some businesses – often in low-paying sectors like retail and care – with large costs. This piecemeal approach needs to give way to a new partnership one.

We recommend a new deal between government and employers to define businesses’ social obligations in return for the help they will get from welfare, training and education policy.

There are too few progression opportunities for workers in the bottom half of the labour market. The UK’s low-pay problem is partly a skills problem. Just 18 per cent of the working population has a post-secondary non-degree qualification, compared to 59 per cent in Germany. In contrast to other developed countries, Britain has no comprehensive vocational education and training programme offer for low-paid workers with low or no qualifications who want a second chance later in life. There is also no public funding available for adults over the age of 24 to take intermediate Level 3 (post-GCSE) courses or above. This inhibits social mobility. Poorly qualified adults need the opportunity to improve their career prospects and realise their ambitions.

We recommend that the Government modifies its employment policy to switch the emphasis from welfare-to-work programmes to new policies that move people from low pay to living pay through the acquisition of new skills and opportunities to progress. It should introduce a Second Chance Career Fund to help older workers at risk from technological change to retrain ahead of possible redundancy and it should write off advanced learner loans for part-time workers taking career-enhancing Level 3 qualifications. That will help address some of the skills problems that contribute to endemic low pay.

But Britain also has a structural labour market problem with fewer intermediate jobs than comparable countries for low-paid workers to aspire to and get promoted into – 700,000 better-paid, intermediate-skilled jobs have gone in a decade. Technological change in the future is threatening to make that situation worse not better. If current trends continue, nine million low-skilled people could be chasing four million jobs with a shortage of three million workers to fill 15 million high-skilled jobs by 2022.

We recommend that all large employers develop strategies to provide their low-skilled workforces with opportunities for career progression.

Professional employment is growing but the potential it contains for a social mobility dividend is hindered by talent being recruited from too narrow a social pool. The number of managerial, professional and associate professional jobs, typically graduate entry-level jobs, has increased by over 2.3 million in the last ten years. Two million more high-skilled jobs in occupations at the top of the labour market are forecast for 2024, but despite efforts to change the social make-up of the professions, only four per cent of doctors, six per cent of barristers and 11 per cent of journalists are from working-class origins. This is not helped by the fact that internships have become a new rung on the professional career ladder and many of them are unpaid, making them inaccessible to youngsters from struggling family backgrounds.

We recommend that the Government introduces a legal ban on unpaid internships.

There are stark geographical divides in the labour market. In 40 local authority areas one-third of all employee jobs are paid below the Living Wage. In London, the number of top-end occupational jobs has increased by 700,000 in the last ten years and in the South East by 290,000 in the last ten years, but in the East region it has only increased by 120,000, and in the North East by just under 56,000. The lack of professional job opportunities for locally

born graduates is causing a brain drain which is hollowing out the towns, cities and counties of 'left-behind Britain'. A new, more inclusive economic policy is needed if the widening geography of economic disadvantage in Britain is to be tackled. Opportunities to access good-quality jobs need to be more evenly spread out across the UK and that means moving beyond regional devolution to targeted action in those towns and counties that have fallen furthest behind.

We recommend that the Government works with large employers, local councils and Local Enterprise Partnerships (LEPs) to bring new, high-quality job opportunities backed by financial incentives to the country's social mobility coldspots. In particular, it should assign some of the remaining Local Growth Fund to LEPs within the worst ten social mobility coldspots to formulate ten-year plans for creating higher-skilled and quality jobs.

Housing

Traditionally, housing has been a marker of social progress. In the last 30 years our country's tenure structure has changed markedly. The number of home owners has fallen over the last decade, while the number of tenants has risen. The social rented sector which once housed 30 per cent of households – three times as many as the private rented sector – now serves only 17 per cent. In recent years, renting privately has become the norm for young families who can't afford to buy, but their housing costs are higher than the costs faced by home owners.

Owning a home is out of reach for more and more young people. In the last ten years, the number of under-25-year-old home owners has more than halved. As wages have fallen, house prices have risen. Today's young generation is more reliant than ever on their parents for help to buy their first home: three times as many buyers used inherited funds to do so in 2014/15 than in 1994/95.

The Government has rightly recognised the growing problem people face in getting onto the housing ladder by introducing new help-to-buy schemes. Unfortunately, high house prices put these programmes beyond the reach of almost all average earners.

We recommend that the Government modifies its Starter Home initiative to focus it on households with around average incomes and ensure that when the original beneficiaries sell their homes the discount is passed on to the next low-income purchasers.

Enabling millions more working families to achieve their aspiration of home ownership, will also require more radical action on housing supply. The Government's commitment to increasing the number of homes that are built each year is welcome, but its current target of 200,000 new homes a year is nowhere near sufficient to change the situation. The house-building market is dominated by a small number of firms who have incentives to limit supply and inflate prices. That market failure must be addressed if home ownership is once again to be within reach of today's generation of young people.

We recommend that the Government intervenes more actively in the house-building market and sets a target of three million homes to be built by 2026, with the public sector playing a role in commissioning or supporting one-third of these homes.

We recommend that the Government enables this step change in house-building by dramatically expanding the sale of public sector land for new homes and by allowing targeted house-building on Green Belt land, including around London.

Reform of the private rented sector is long overdue. Today, short-term tenancies are the norm. They work for single, young people who are flexible and mobile, but for young families they create instability.

We recommend that the Government signals that over a ten-year period longer tenancies will become more of the norm than the current short-hold tenancies in the private rented sector, and provide positive tax incentives to encourage landlords to offer them.

Existing social tenants have secure tenancies and low rents, but in some areas they struggle to find work or increase their earnings.

We recommend that the Government complements the Heseltine Panel's proposals on redeveloping the worst estates with a matching £140 million fund to improve the opportunities social tenants have to get a job.

Conclusion

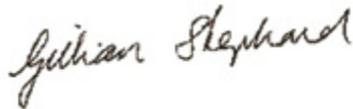
Fundamental reforms are needed in our country's education system, labour market and local economies to address Britain's social mobility problem. We advocate a far bigger and broader approach than previous governments have considered. It cannot all be done from Whitehall. It will need the Prime Minister to take personal charge of forging a new national coalition with employers, universities, colleges, schools, councils and communities behind one core purpose: the creation of a more level playing field of opportunity in Britain.

Higher social mobility – the breaking of the link between a person's class or income and the class or income of their parents – can be a rallying point to prove that modern capitalist economies can create better, fairer and more inclusive societies.

That is why in our view it should be the holy grail of public policy, the priority for Government and the cause which unites the nation to action.



The Rt. Hon. Alan Milburn
Chair



The Rt. Hon. Baroness Gillian Shephard
Deputy Chair

Parenting and the Early Years

- The early years of a child's life have a lasting impact, but there are stark social class differences in how ready children are for school: in the last decade 500,000 poorer children were not school-ready by age five.
- What happens in the home is key to child development, but support for parents is weak and provision patchy, even though most want better advice.
- The Government's increased investment in the early years is welcome, but there is not enough high-quality provision: poorer children, who stand to gain most from high-quality childcare, are least likely to receive it.
- The cost of childcare for a family with two young children is more than the average mortgage: struggling families are priced out of the best provision and new childcare reforms could make this worse, not better.

As part of a ten-year programme of social reform, the Government should:

- Introduce a new parental support package, including a guarantee of help if a child's 2 to 2½-year check shows that they are falling behind.
- Set a clear objective for early years services that by 2025 every child is school-ready at five and the child development gap has been closed, with a new strategy to increase the availability of high-quality childcare to low-income families.
- Double the Early Years Pupil Premium from £302 to £604 a year for each child and extend its cover to disadvantaged two-year-olds.

Schools

- Despite a welcome focus on improving attainment in schools, the link between social demography and educational destiny has not been broken: over the last five years 1.2 million 16-year-olds – disproportionately from low-income homes – have left school without five good GCSEs.
- Just 5 per cent of children eligible for free school meals gain 5 A grades at GCSE. The income gap is larger than either the ethnicity gap or the gender gap in schools.
- A child living in one of England's most disadvantaged areas is 27 times more likely to go to an inadequate school than a child living in one of the least disadvantaged. Ten local authorities account for one in five of England's children in failing schools.
- Poor careers advice and work experience mean that even with the same GCSE results, one-third more poorer children drop out of post-16 education than their better-off classmates.

As part of a ten-year programme of social reform, the Government should:

- Have as its core objective the ambition, within the next decade, of narrowing the attainment gap at GCSE between poorer children and their better-off classmates by two-thirds, bringing the rest of the country to the level achieved in London today.
- Rethink its plans for grammar schools, and for more academies.
- Mandate all schools in the ten lowest performing local authorities to take part in area-wide programmes, so that by 2020 none of those schools are Ofsted-rated inadequate and all are progressing to good.
- Reform the training and distribution of teachers across the country and create new incentives – including better starting pay – to get more of the highest-quality teachers into the schools that need them most.
- Require independent schools and universities to provide high-quality careers advice, support with university applications and to share their business networks with state schools.
- Repurpose the National Citizen Service to deliver an opportunity fund so that all children between the ages of 14 and 18 can have a quality work experience or extra-curricular activity.

Post-16 Education and Training

- Low-income youngsters are one-third more likely to drop out of education at 16 than better-off peers with similar GCSEs, and are 30 per cent less likely to take the A levels needed to study at a top university.
- Poorer students in areas with school sixth forms do better, but in 20 places in the country there is no access to school sixth forms, and in them poorer youngsters are 18 per cent less likely to take Level 3 qualifications.
- Funding is being diverted from second chance education in further education (FE) colleges to apprenticeships, which are often of low quality, in low-skill sectors and not linked to the country's skill gaps.
- Despite recent progress, for every child who goes to university from a family in the bottom two income quintiles, seven do not.
- Youngsters cannot access higher education (HE) locally in many parts of the country, exacerbating the gap between those parts of England that are pulling ahead and those that are falling behind.

As part of a ten-year programme of social reform, we recommend that:

- The Government should create a single, UCAS-style portal that includes vocational training alongside HE options and shows the outcomes associated with different qualifications.
- The Government should build destinations data into accountability frameworks for schools, encouraging them to take responsibility for the choices of all pupils, including those who take technical routes at 16.
- The Government should encourage sixth-form provision in areas where it is lacking and give schools a central role in supporting FE colleges to deliver the Skills Plan. It should aim to reduce the number of 16- to 18-year-olds who are not in education, employment or training to zero by 2022.
- The Institute of Apprenticeships should impose robust quality criteria for apprenticeships and not allow schemes that do not meet these criteria to be called apprenticeships.
- The Government should make social mobility reputational for universities, by publishing an annual social mobility league table.
- The Government should work with universities to ensure HE can be accessed locally in all parts of the country. The 90 areas with no HE provision should be assessed and there should be locally accessible provision everywhere by 2025.

Jobs, Careers and Earnings

- Millions of hard-working families have experienced a 5 per cent real-terms average fall in wages since 2008 and young workers have seen a 15 per cent decline in hourly pay.
- Only one in ten low-paid workers – who are mainly women – escape low pay and in 40 local authorities in England a third of all employees are not paid the voluntary Living Wage.
- 700,000 better-paid, intermediate-skilled jobs have gone in a decade and a regional brain drain is occurring, with more graduates move from areas with few professional jobs to those with more.
- If current trends continue, nine million low-skilled people could be chasing four million jobs, with a shortage of three million workers to fill 15 million high-skilled jobs by 2022.
- Despite efforts in recent years to change the social make-up of the professions, only 4 per cent of doctors, 6 per cent of barristers and 11 per cent of journalists are from working-class origins.

As part of a ten-year programme of social reform, we recommend that:

- A new deal between government and employers should be agreed to define businesses' social obligations and the support they will get from welfare, training and education policy.
- All large employers should develop strategies to provide their low-skilled workforces with opportunities for career progression.
- The Government should focus on moving people from low pay to living pay through a Second Chance Career Fund to help older workers retrain and by writing off advanced learner loans for part-time workers taking career-enhancing Level 3 qualifications.
- The Government should work with large employers, local councils and Local Enterprise Partnerships (LEPs) to bring new, high-quality job opportunities backed by financial incentives to the country's social mobility coldspots.
- The Government should support LEPs in social mobility coldspots to implement plans to tackle local skills gaps and attract better jobs to the area.
- The Government should introduce a legal ban on unpaid internships.

Housing and Social Mobility

- Home ownership rates among under-44s have fallen 17 per cent in the last decade as their housing costs have grown twice as fast as their incomes.
- Nearly one million more households with children rent privately than ten years ago, but they face higher housing costs than those who own their own homes.
- The gap between the housing haves and have-nots is accentuating the wealth divide: people who own their homes have an average wealth of £307,000, compared with less than £20,000 for social and private tenant households.
- Government schemes to help people get on the housing ladder are welcome, but high house prices mean homes are beyond the reach of almost all average earners.

As part of a ten-year programme of social reform, the Government should:

- Commit to a target of three million homes being built over the next decade with one-third – or a million homes – being commissioned by the public sector.
- Expand the sale of public sector land for new homes and allow targeted house-building on Green Belt land.
- Modify its Starter Home initiative to focus on households with average incomes and ensure these homes when sold are available at the same discount to other low-income households.
- Introduce tax incentives to encourage longer private sector tenancies.
- Complement the Heseltine Panel's plans to redevelop the worst estates with a matching £140 million fund to improve the opportunities social tenants have to get work.

Overview: Britain's Social Mobility Problem

- Britain has a deep social mobility problem: the poorest find it hardest to progress, but so do families with an annual income of around £22,500.
- In real terms, earnings are still 5 per cent below their 2008 peak and housing costs are rising faster than earnings.
- People born in the 1960s, 1970s and early 1980s have lower incomes than their predecessors did at the same age.
- The 20th-century expectation that each generation would be better off than the one preceding is no longer being met.
- There is a new geography of disadvantage, with many towns and rural areas – not just in the north – being left behind the affluent south-east.

Social mobility is about an individual's ability to build a good life for themselves, regardless of their background. The more social mobility there is, the less someone's destination in life depends on where they start out. Over recent years there has been growing concern in our country – and across many developed nations – that the link between demography and destiny is not weakening, but strengthening. Britain has a social mobility problem. Today only one in eight children from low-income backgrounds goes on to become a high-income earner as an adult.¹

Low levels of social mobility infringe our nation's implicit social contract: that those who work hard will have a fair chance to succeed. That is why social mobility is not just about the prospects of those at the very bottom of society. Nor is it just about opening up the top levels of society so they are no longer hermetically sealed. Social mobility is about fairness at every level of society; it is about whether your background holds you back, whatever your social position. Too often seen as being about only a minority in our country, social mobility is an issue for the majority. Social mobility looks at outcomes across the course of an individual's life, so measuring it on a year-to-year basis is difficult. It is possible to get some sense of Britain's social mobility problem using information from the 1970 British Cohort Study (BCS70). Table O1 looks at men over a window of their adult lives from age 26 to 42, and compares the income quintile they were born into with the earnings quintile they had reached as adults. Quintiles divide the population into five equal groups, with the bottom quintile being the group with the lowest value – in our example, this means having the lowest household income. The top quintile contains the 20 per cent of households with the highest income.

In a perfectly socially mobile society, the individuals born in each quintile would end up evenly distributed across the five quintiles as adults. As an example, of the 20 per cent in the bottom quintile at the start you would expect 4 per cent to be in the bottom quintile, 4 per cent in the second quintile, 4 per cent in the third, and so on. However, this does not happen. In reality, more of the bottom quintile stayed in the bottom 20 per cent for earnings (6.33 per

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

cent rather than 4 per cent) and fewer reach the top (2.27 per cent). Interestingly, the second quintile find it almost as hard to get to the top as the bottom quintile, and even those from middle-income families in childhood (the third quintile) face a significant challenge in getting into the top 20 per cent of earners. Conversely, those born into the most affluent fifth of families (the top quintile) have a very strong chance of staying there, and very little likelihood of falling into the bottom 40 per cent. This evidence suggests that British society is too static and that social mobility is low.

Table O1: 1970 British Cohort Survey – average male earnings, ages 26 to 42, including spells out of work*

		Destination average earnings quintile				
		1	2	3	4	5
Origin average family income quintile	1	6.33	4.68	4.04	2.71	2.27
	2	5.29	4.66	3.78	3.87	2.37
	3	3.99	4.15	4.62	4.41	3.04
	4	2.53	3.9	4.04	4.55	4.87
	5	1.88	2.6	3.55	4.45	7.44

* The percentages that deviate most strongly from 4 per cent are highlighted.

The comparable BCS70 data for women is not yet available, but there is data from the Labour Force Survey (LFS), which captures earnings for those aged 29–36 in 2015. This measure excludes those not currently in work, but does allow a comparison by gender. The LFS data for men shows a broadly similar picture to that in the BCS70. The data does show more social fluidity for those from the poorest families, but this is likely to reflect the absence of those who are not currently in work. Overall it does not suggest major differences between men and women, but since more women in this age group are not in work, this conclusion is somewhat tentative.

Table O2: Labour Force Survey – men aged 26 to 36*

		Destination earnings quintile				
		1	2	3	4	5
Origin occupation level earnings quintile	1	5.23	4.92	3.33	2.98	2.09
	2	4.03	4.84	3.68	3.64	2.6
	3	3.37	4.81	3.99	4.5	3.8
	4	2.79	3.22	4.88	4.57	5.27
	5	2.13	2.83	4.15	4.77	7.56

* The percentages that deviate most strongly from 4 per cent are highlighted.

Table O3: Labour Force Survey – women aged 26 to 36*

		Destination earnings quintile				
		1	2	3	4	5
Origin occupation level earnings quintile	1	5.28	4.48	3.74	2.66	2.31
	2	4.16	4.9	4.37	2.83	2.87
	3	3.67	4.37	3.85	4.34	3.95
	4	2.59	4.23	3.71	5.11	5.14
	5	2.27	2.76	3.88	5.6	6.93

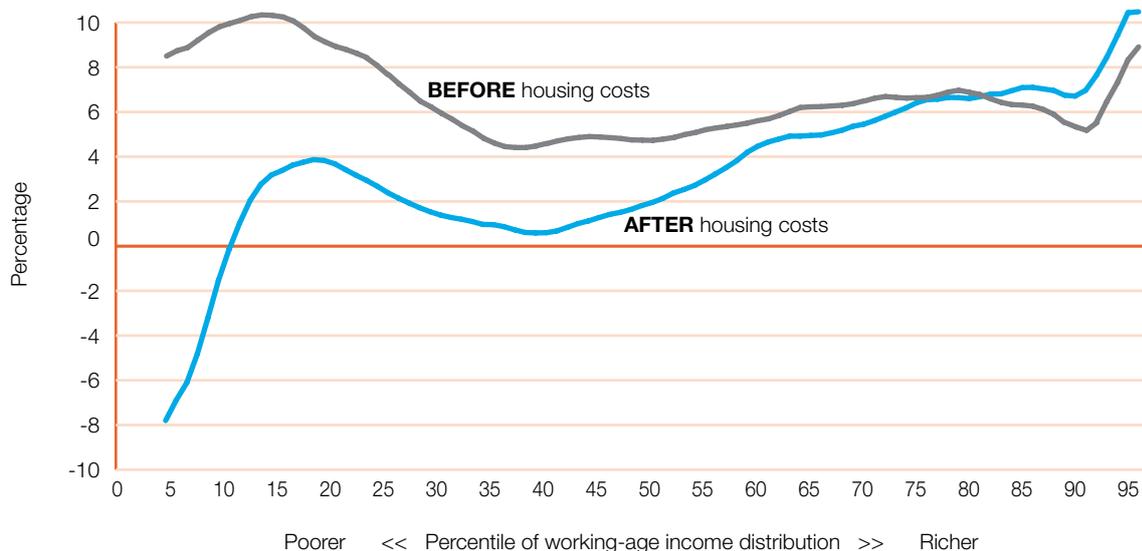
* The percentages that deviate most strongly from 4 per cent are highlighted.

The data tells a story. Britain has a social mobility problem, and it is widespread. The poorest are hit hardest, but those in the second quintile – with a household income of around £22,500 a year² – also face significant barriers to their social progress. The problem is wide-ranging, and the solutions need to be too.

The story of the last decade

Social mobility matters regardless of the state of the economy, but lack of opportunity has the biggest impact when times are difficult. In the wake of the financial crisis and the subsequent recession, employment held up relatively well (and has now hit a near record high), but wages have been largely stagnant. In real terms, earnings are still 5 per cent below their 2008 peak. When rising housing costs are taken into account, the picture looks even worse. It also becomes clear that, while the bottom 20 per cent of working-age households have been hit the worst, the next 40 per cent of households (i.e. those in the 20th to 60th percentiles) have also had a particularly hard time.

Figure O1: Total growth in real disposable household income in the UK, 2002/03 to 2014/15*



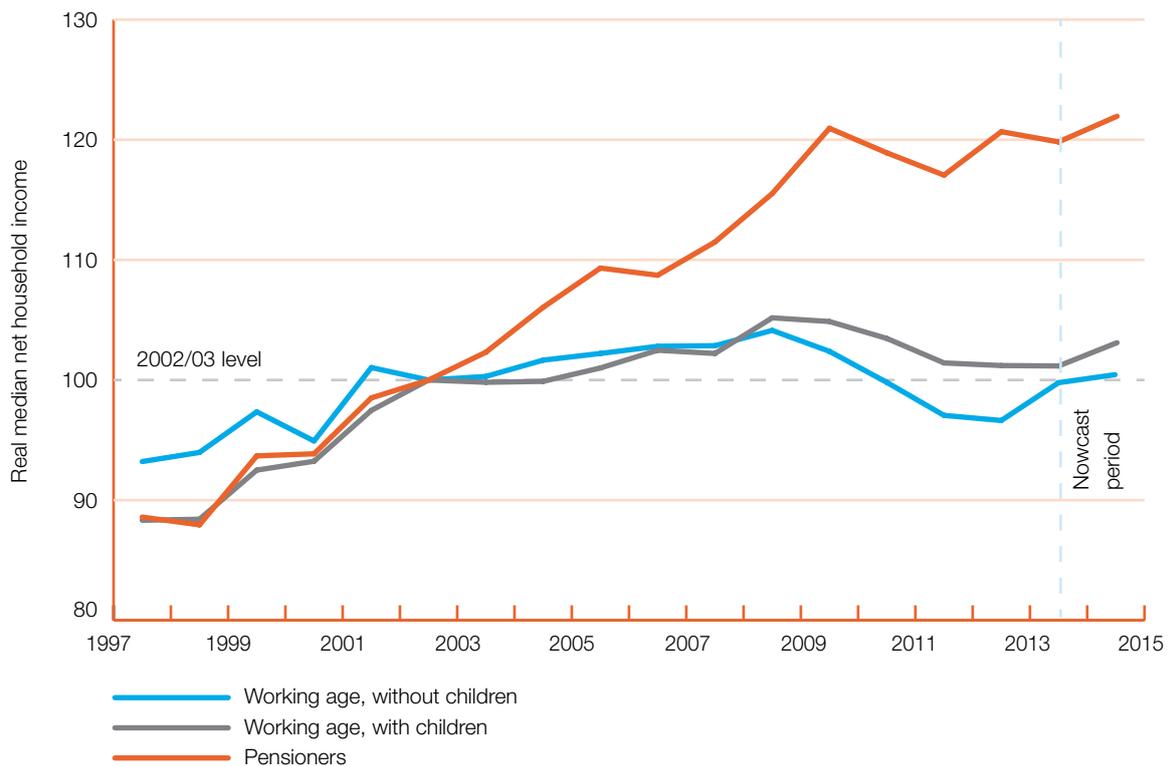
Source: Data provided by the Resolution Foundation

* Modified consumer price index adjusted. Smoothed data.

Some have done better than others. As the Resolution Foundation found, pensioner households have fared much better than working-age households (illustrated by Figure O2). There is a new inequality in Britain: between the old and the young. Government policy – especially the triple lock which protects pensioner incomes – is exacerbating this divide.

2 Office for National Statistics, Statistical Bulletin: Household Disposable Income and Inequality: Financial Year Ending 2015, February 2016, www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2015#trends-in-household-incomes

Figure O2: Median net weekly household income*



Source: Data provided by the Resolution Foundation

* Before housing costs; inflation-adjusted using RPIJ (Retail Price Index - Jevons). The 'Nowcast period' uses published data to produce an estimate that brings the data up to date.

How have different generations fared?

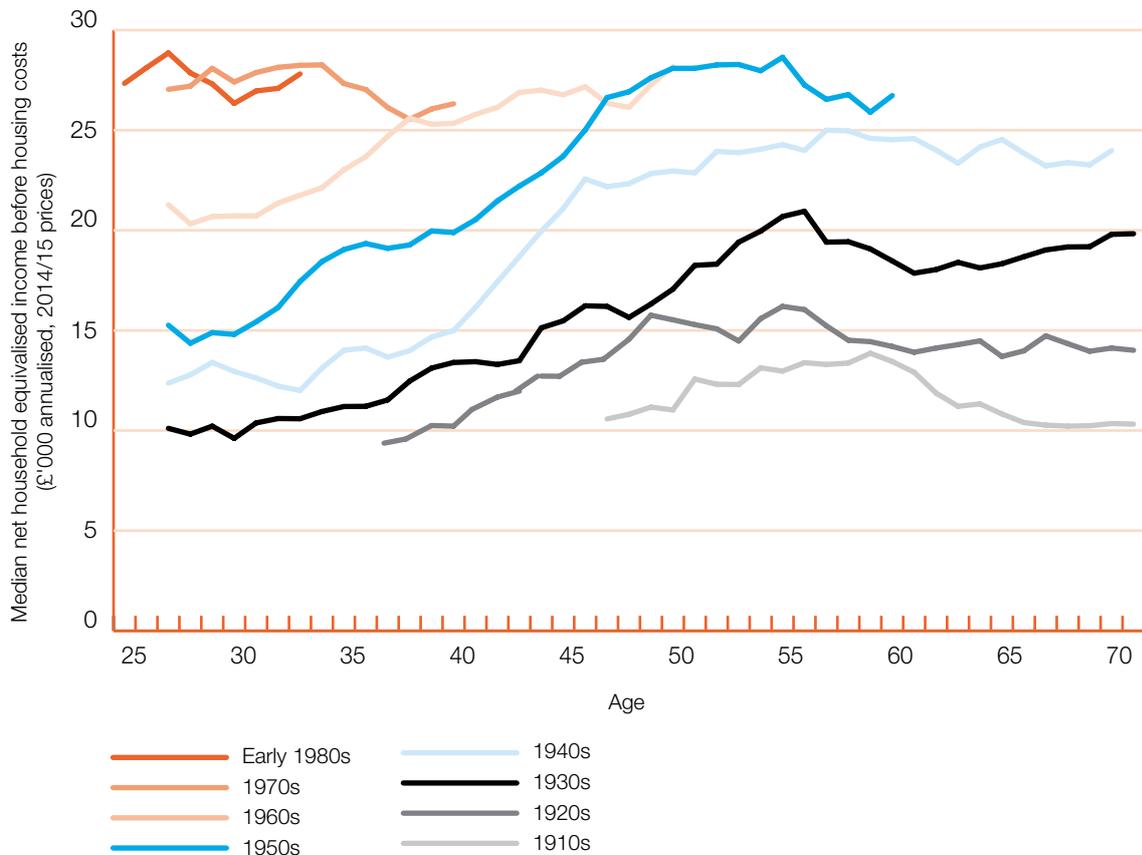
It is natural for parents to want their children to have better opportunities than they had. The 20th-century expectation was that each generation would be better off than the one preceding it, but this social mobility aspiration is no longer being met. Having been met in each of the first five decades of the last century, this expectation has been dashed in subsequent generations (see Figure O3). People born in the 1960s, 1970s and early 1980s (currently in the middle of their working-age lives) do not have higher incomes than previous cohorts did at the same age. As the Institute for Fiscal Studies (IFS) explains:

*this partly reflects the impact of the Great Recession [of 2008–09] on the incomes of working-age households, but it is also the result of the period of sluggish income growth that preceded the recession (from the early 2000s onwards) and the weakness of the recovery in incomes over the past few years.*³

Real median income for those aged 25 to 55 grew by only 2 per cent in total between 2004/05 and 2014/15, compared with 26 per cent between 1994/95 and 2004/05. One consequence of this is that those born in the 1980s are the first post-war cohort not to start their working years with higher incomes than their immediate predecessors had at the same age.

3 Cribb, J., Hood, A. and Joyce, R. *The Economic Circumstances of Different Generations: The Latest Picture*, Institute for Fiscal Studies, 2016. www.ifs.org.uk/uploads/publications/bns/bn187.pdf

Figure O3: Median net household equivalised income before housing costs are deducted, by age, for people born in different decades



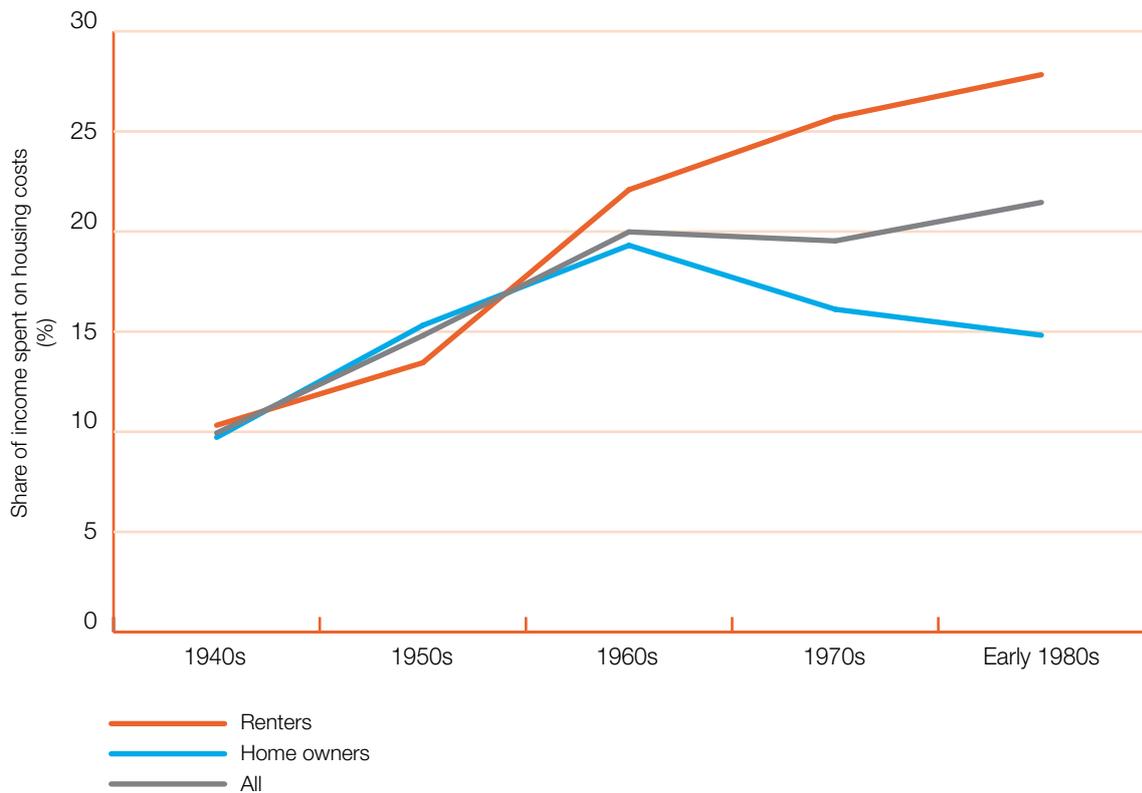
Source: Cribb, J., Hood, A. and Joyce, R., *The Economic Circumstances of Different Generations: The Latest Picture*, Institute for Fiscal Studies, 2016, www.ifs.org.uk/uploads/publications/bns/bn187.pdf

There is also a stark wealth difference between the generations. By their early 30s, those born in the early 1980s only had an average net household wealth (including housing, savings and private pensions) of £27,000 per adult. This is about half of the average wealth holdings of the 1970s cohort at around the same age (£53,000).⁴

Housing plays a big role in the intergenerational story, with later generations finding it harder to become home owners and spending more of their income on housing costs. As demonstrated by the IFS (Figure O4), the percentage of income that people between the ages of 26 and 30 spend on housing has risen for all recent generations, but those born in the 1980s are now spending more than 20 per cent of their income on housing, compared with the 10 per cent that was being spent at that point in their lives by people born in the 1940s. The situation is particularly bad for those born in the 1980s who have not made it into home ownership, but are spending well over a quarter of their income on renting.

4 Ibid.

Figure O4: Average housing costs as a share of income between the ages of 26 and 30, for those born in different decades

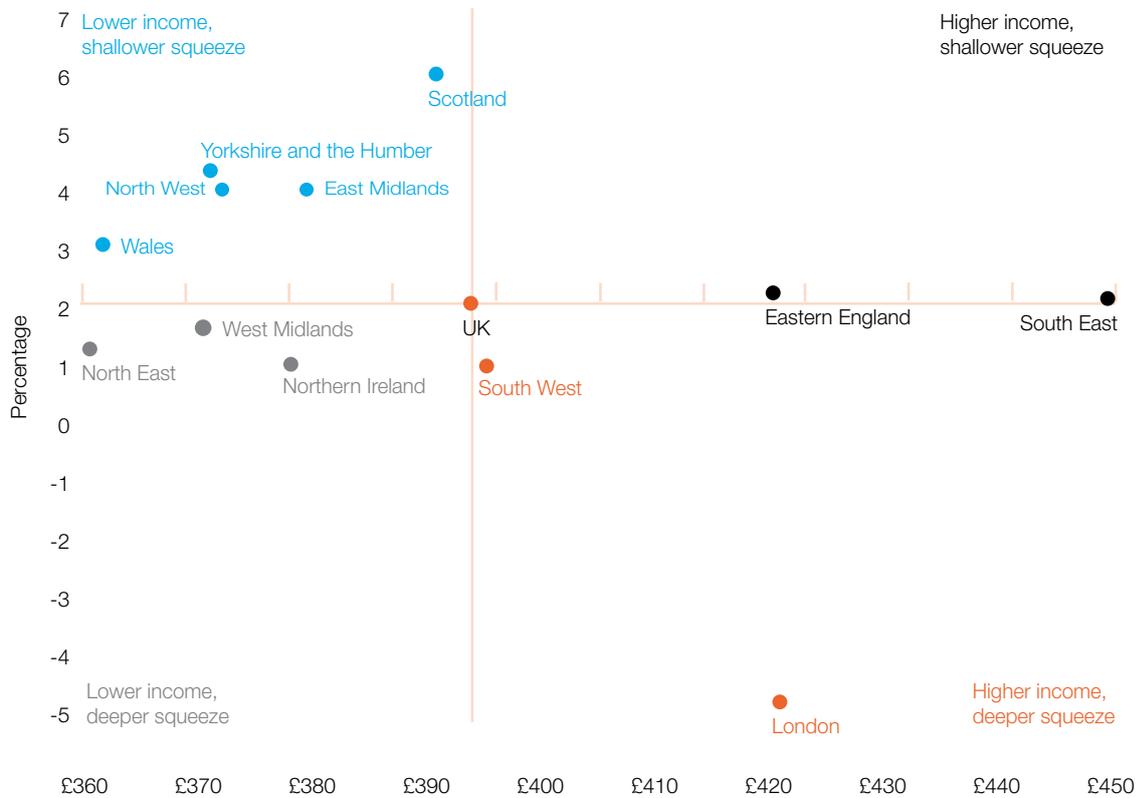


Source: Cribb, J., Hood, A. and Joyce, R., *The Economic Circumstances of Different Generations: The Latest Picture*, Institute for Fiscal Studies, 2016, www.ifs.org.uk/uploads/publications/bns/bn187.pdf

How have different regions fared?

The 2008 financial crisis, and the period of slow growth that followed it, hit household incomes in all parts of the country, with the area with the highest income – London – being hit the hardest. Other high-income regions also faced a deeper squeeze, but there were some regions – the North East, Northern Ireland and the West Midlands – which had low average household incomes and saw below-average income growth over the period (Figure O5).

Figure O5: Cumulative change in median household income and income growth in the UK, after housing costs, 2006–08 to 2013–15

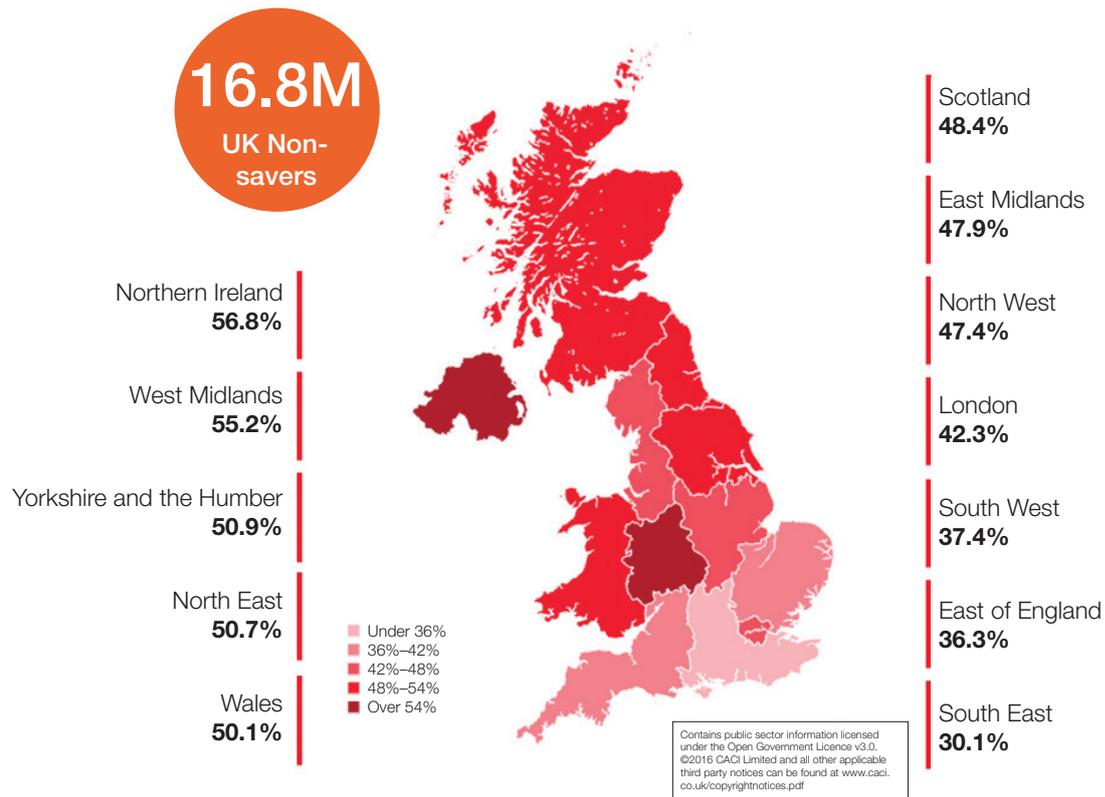


Source: Data provided by the Resolution Foundation

* Inflation-adjusted using RPIJ (Retail Price Index – Jevons).

The squeeze on incomes manifests itself in various ways. A recent survey by The Money Advice Service analysed levels of savings in different parts of the country. It found that more than half the adults in Wales (50.1 per cent), the North East (50.7 per cent), Yorkshire and the Humber (50.9 per cent), the West Midlands (55.2 per cent) and Northern Ireland (56.8 per cent) had less than £100 saved (Figure O6). This contrasts with the South East of England where the number was less than one in three.

Figure O6: Working population savers with less than £100, by region



Source: The Money Advice Service, *Closing the Savings Gap*, September 2016

The economic differences between the regions are also evident in marked differences in the prevalence of low pay. As Table O4 illustrates, 26 per cent of workers in the East Midlands earn less than two-thirds of the median hourly pay, compared with 11 per cent in London. Similarly, 28 per cent of workers in the East Midlands earn below the Living Wage, compared with a much smaller proportion of 13 per cent in London.

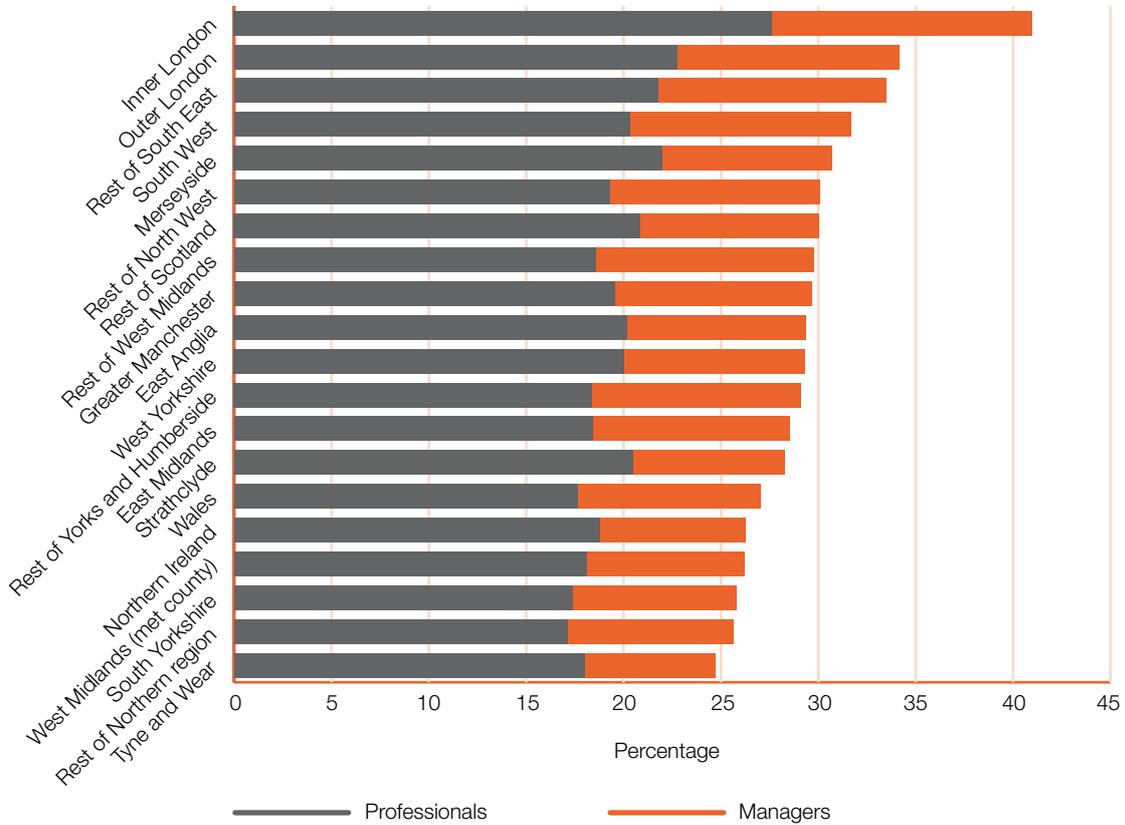
Table O4: Regional differences in low pay in April 2015

	Below 2/3 median hourly pay			Below Living Wage		
	Number (000s)	% in group below threshold	% of all below threshold	Number (000s)	% in group below threshold	% of all below threshold
All employees	5,690	21%	100%	6,270	23%	100%
Region						
East Midlands	515	26%	9%	565	28%	9%
West Midlands	575	24%	10%	630	26%	10%
Wales	305	25%	5%	335	27%	5%
Yorkshire and the Humber	555	25%	10%	605	27%	10%
North West	720	24%	13%	790	26%	13%
North East	250	23%	4%	275	26%	4%
South West	555	23%	10%	610	26%	10%
East of England	570	22%	10%	635	24%	10%
Scotland	470	19%	8%	515	21%	8%
South East	700	18%	12%	775	20%	12%
London	470	11%	8%	530	13%	8%

Source: Data provided by the Resolution Foundation

These pay differences are accompanied by differences in opportunities. While managerial and professional jobs account for more than 40 per cent of employment in Inner London, they account for less than 25 per cent in Tyne and Wear.

Figure O7: Share of jobs that are managerial or professional, by UK region, 2015/16

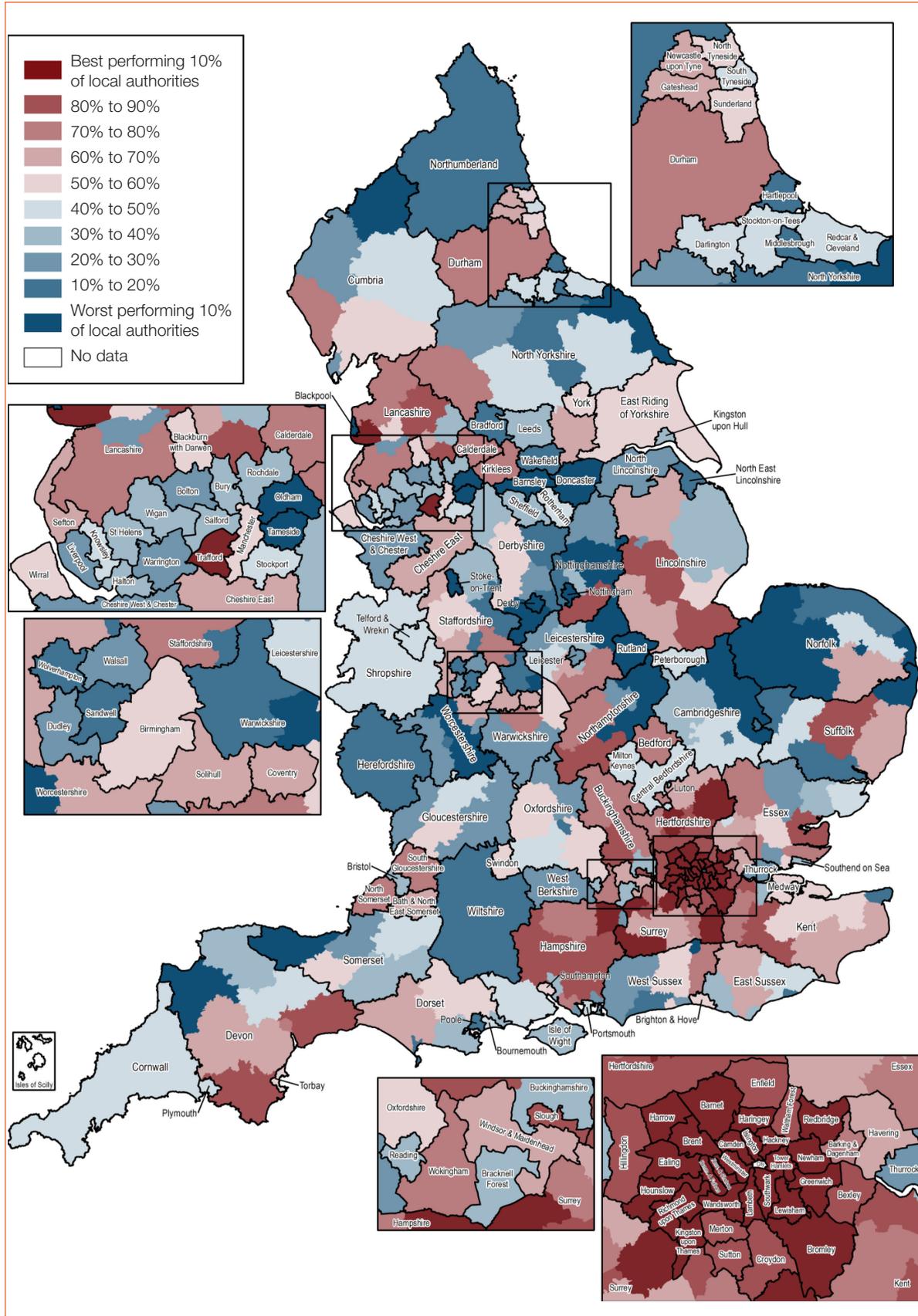


Source: Office for National Statistics, Labour Force Survey 2016; data provided by the Resolution Foundation

The geographical divide goes beyond a crude north–south divide. The Commission’s Social Mobility Index⁵ explores the impact of where a young person grows up on their chances of doing well as an adult. It shows that there is a new geography of disadvantage, with coastal areas such as Blackpool, Great Yarmouth and Minehead, and older industrial towns such as Mansfield and Stoke, facing high levels of disadvantage. London and its commuter belt fare well, but outside London there are social mobility coldspots in every part of the country.

5 Social Mobility and Child Poverty Commission, *The Social Mobility Index*, 2016
www.gov.uk/government/uploads/system/uploads/attachment_data/file/496103/Social_Mobility_Index.pdf

Figure O8: Map of performance of local authorities against Social Mobility Index



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

Conclusion

For this generation of young people in particular, the social mobility problem in Britain is getting worse, not better. The global financial crisis was a watershed moment. It led to stagnating incomes and earnings for a large proportion of adults in our country. But deep-seated structural changes in the labour market over many decades had already created the conditions for widening inequality in the nation.

The gap between older people and younger has widened. So too has the geographical gap with many regions – not just those in the north – falling behind London and the south east.

Most worryingly of all, the 20th-century expectation that the next generation would advance more than the last has given way to a new 21st-century reality where today's generation of the young have fewer opportunities to progress than their parents' generation. That has profound implications for our cohesion as a nation.

Chapter 1: Parenting and the Early Years

- The early years of a child's life have a lasting impact, but there are stark social class differences in how ready children are for school: in the last decade 500,000 poorer children were not school-ready by age five.
- What happens in the home is key to child development, but support for parents is weak and provision patchy, even though most want better advice.
- The Government's increased investment in the early years is welcome, but there is not enough high-quality provision: poorer children, who stand to gain most from high-quality childcare, are least likely to receive it.
- The cost of childcare for a family with two young children is more than the average mortgage: struggling families are priced out of the best provision and new childcare reforms could make this worse, not better.

As part of a ten-year programme of social reform, the Government should:

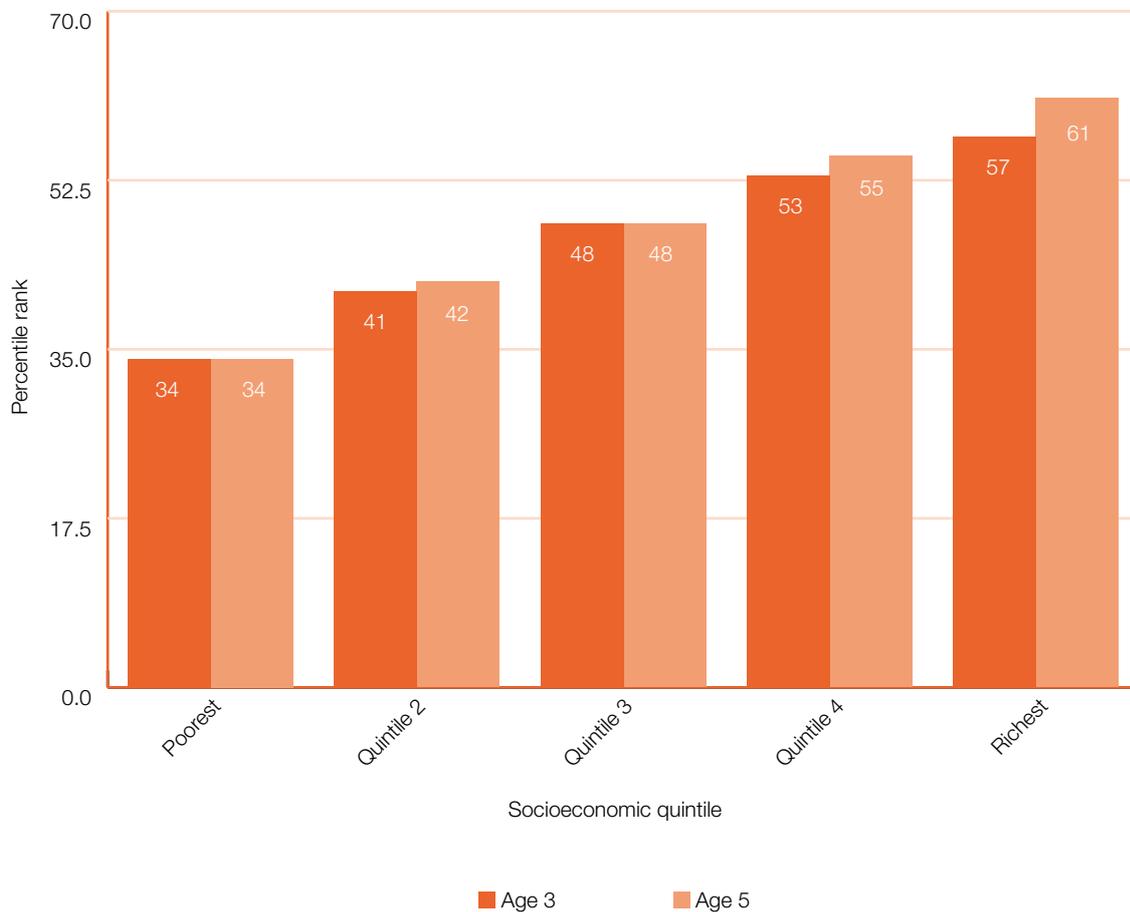
- Introduce a new parental support package, including a guarantee of help if a child's 2 to 2½-year check shows that they are falling behind.
- Set a clear objective for early years services that by 2025 every child is school-ready at five and the child development gap has been closed, with a new strategy to increase the availability of high-quality childcare to low-income families.
- Double the Early Years Pupil Premium from £302 to £604 a year for each child and extend its cover to disadvantaged two-year-olds.

1.1 Introduction

The early years of a child’s life have a lasting impact on their prospects for social mobility. At the age of five, around half of the gap in outcomes can be explained by children’s prior ability at age three. From this point onwards, prior attainment continues to account for the majority of the gap in results at each stage of the schools system.¹ By the time that students receive their GCSE results, around 32 per cent of the variation in performance can be predicted on the basis of indicators observed at or before age five.²

It is deeply concerning that the social class gradient in child development among three-year-olds remains so stark. Several studies have now established that cognitive outcomes among toddlers vary dramatically according to their parents’ socioeconomic group.³ By the age of five, this gap has widened further (Figure 1.1). A similar pattern exists for children’s social and emotional outcomes in the early years.⁴

Figure 1.1: Cognitive outcomes of children at ages three and five by their socioeconomic background, sampled from the UK cohort of the Millennium Cohort Study



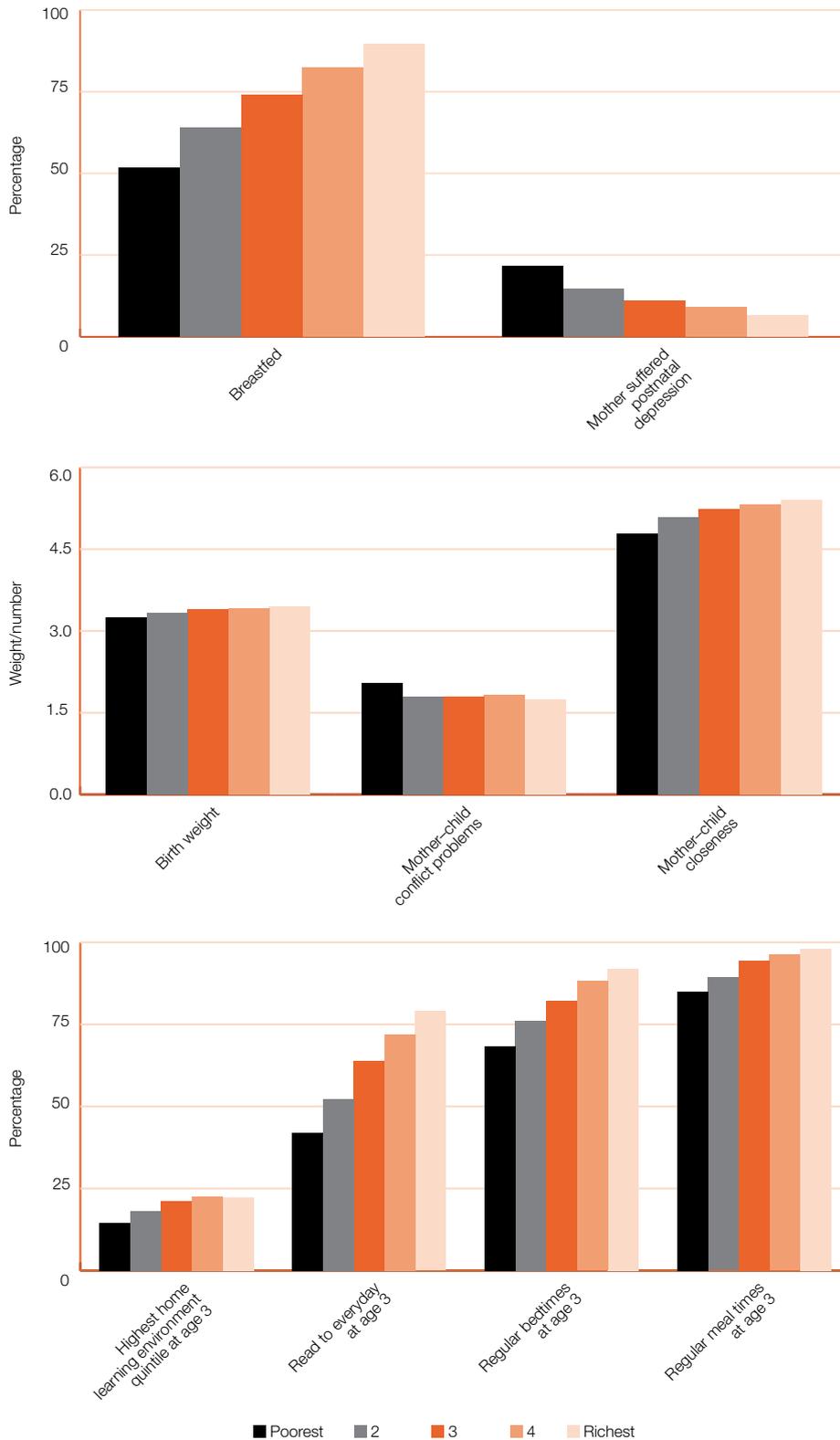
Source: Goodman, A. and Gregg, P., *Poorer Children’s Educational Attainment: How Important are Attitudes and Behaviour?*, 2010

Note: The cognitive outcomes used at both ages are the BAS Naming Vocabulary, which are both expressed as percentiles of age-normalised scores. Due to discontinuities in the age-normalised score, the average percentile is not 50.5 in either case

1 Goodman, A. and Gregg, P., *Poorer Children’s Educational Attainment: How Important are Attitudes and Behaviour?*, 2010
 2 Washbrook, E., *Early Environments and Child Outcomes: An Analysis Commission for the Independent Review on Poverty and Life Chances*, 2010
 3 Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I., Taggart, B. and Elliot, K., *The Effective Provision of Pre-school Education (EPPE) Project: Findings from the Pre-school Period*, 2004; Goodman, A. and Gregg, P., op. cit; Washbrook, E., op. cit.
 4 Dearden, L., Sibieta, L. and Sylva, K., *The Socio-economic Gradient in Early Child Outcomes: Evidence from the Millennium Cohort Study*, 2010

Gradients underpin all aspects of childhood, such as whether the mother suffered from depression, the interactions between family members and the formative educational activities carried out by parents, including reading to children (Figure 1.2).

Figure 1.2: Differences in the early childhood environment by socioeconomic background, sampled from the UK cohort of the Millennium Cohort Study⁵



Source: Goodman, A. and Gregg, P., *Poorer Children's Educational Attainment: How Important are Attitudes and Behaviour?*, 2010

⁵ For more details on how each of the charts was calculated, see Dearden, L., Sibieta, L. and Sylva, K., op. cit.

The period between birth and age three is a key leverage point for social mobility, but there are substantial barriers to identifying and supporting families that could benefit from help during this time. Solutions to this problem have sometimes been avoided for fear of governments being seen to interfere in parents' decisions on how to bring up their children. There is also a stigma surrounding parenting interventions, whereby parents are afraid that they will be labelled 'bad parents' if they access support. This cycle has to be broken if social mobility is to be advanced.

Excellent nurseries and childcare provision can help to break the cycle of disadvantage. Five-year-olds who have had high-quality childcare for two to three years are nearly eight months ahead in their literacy development than their peers who have not.⁶ The frequency and quality of attending childcare provision has been positively linked to later GCSE grades, as well as to levels of self-regulation, prosocial behaviour and hyperactivity, with the impacts most pronounced among disadvantaged children.⁷ However, the evidence strongly suggests that early childhood education will only narrow the gaps for poorer children if they attend settings that are of high quality.⁸ Low-quality childcare may even have a negative effective on outcomes, reinforcing deficits in language or cognitive development.⁹

The childcare market in England is failing to provide high-quality childcare for all. Some 195,000 children still take up their government-funded childcare place in settings that have been rated 'less than good' by Ofsted.¹⁰ Moreover, the more prosperous an area, the more likely it is that good and outstanding childcare options are available. In the most deprived areas, double the percentage of children are in childcare provision that is not good enough, compared with the most prosperous areas.¹¹ This lottery means that the poorer children who stand to gain the most from high-quality early years provision, are the ones least likely to receive it. Overall, less than half of children who take up free early education entitlement have access to a qualified teacher or graduate-level early years professional,¹² despite the fact that research shows that this makes a substantial difference to the quality of childcare that children receive.¹³

The consequence of disadvantaged children not having access to high-quality early years education is evident in the persistent gap in outcomes at age five. The Early Years Foundation Stage Profile (EYFSP) is the Government's measure to assess whether five-year-olds have reached the appropriate level of development for their age.¹⁴ In order to have reached a good level of development by the age of five, children will have achieved at least the expected level in a range of early learning goals, such as listening and attention, speaking, moving and handling, managing feelings and behaviour, and reading. Within these early learning goals, children at this age are expected to be able to listen attentively, express themselves effectively, read, write and understand simple sentences and count reliably with numbers from 1 to 20.¹⁵

As Figure 1.3 shows, the poorest five-year-olds are 18 percentage points behind their peers in reaching a good level of development in reception class. This gap has hardly changed over time. Barely half of children known to be eligible for free school meals (FSM) have reached a good level of development by the age of five, compared with almost 70 per cent of their wealthier peers.

6 Taggart, B., Sylva, K., Melhuish, E., Sammons, P. and Siraj, I., *Effective Pre-school, Primary and Secondary Education Project (EPPSE 3-16+)*, 2015

7 Ibid.

8 Ibid. Blanden, J., Del Bono, E., Hansen, K., McNally, S. and Rabe, B., *Evaluating a Demand-side Approach to Expanding Free Preschool Education*, 2014; Department for Children, Schools and Families, *Early Education Pilot for Two Year Old Children Evaluation*, 2009; Department for Education, *The Early Education Pilot for 2-year-old Children: Age 5 Follow Up*, 2013; Nuffield Foundation, *Quality and Inequality: Do Three- and Four-year-olds in Deprived Areas Experience Lower Quality Early Years Provision?*, 2014

9 Melhuish, E., *A Literature Review of the Impact of Early Years Provision on Young Children, with Emphasis Given to Children from Disadvantaged Backgrounds*, 2004

10 This figure only includes private, voluntary and independent (PVI) settings. Department for Education, *Education Provision: Children Under 5 Years of Age*, January 2016, 2016

11 Ofsted, 'Ofsted calls for unspent millions to benefit two-year-olds', press release, 14 July 2016, www.gov.uk/government/news/ofsted-calls-for-unspent-millions-to-benefit-two-year-olds

12 Department for Education, 2009, op. cit.

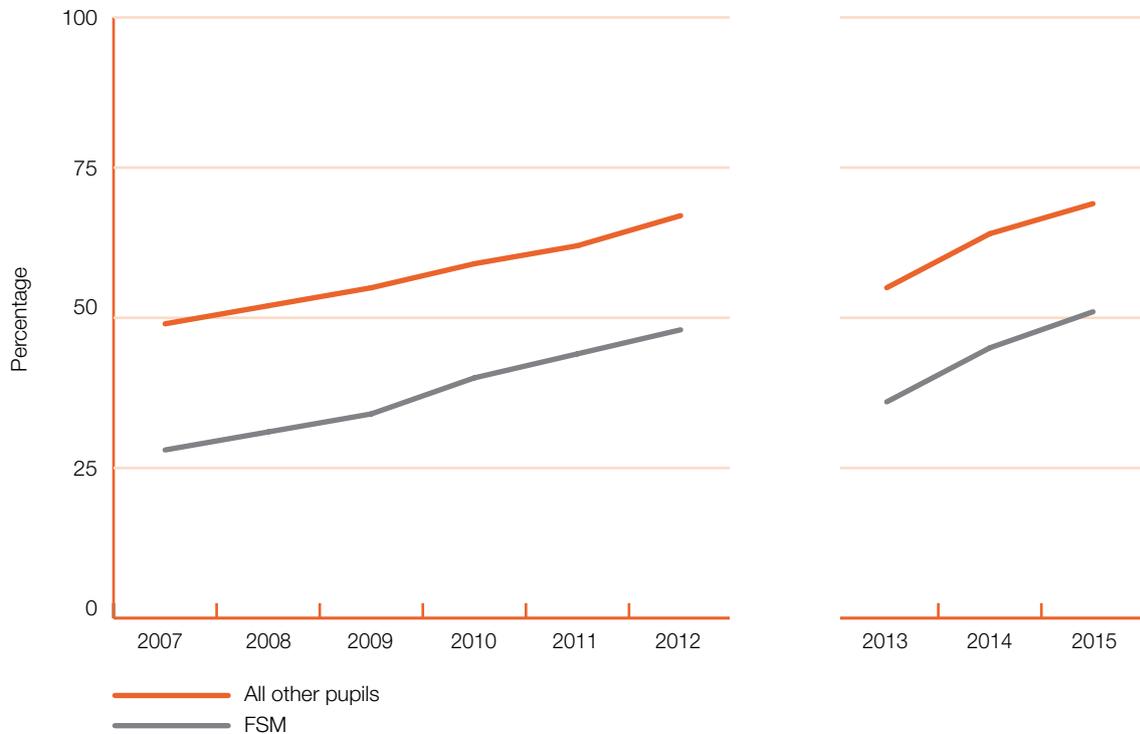
13 Department for Education, *Evaluation of the Graduate Leader Fund Final Report*, 2011

14 The EYFSP is completed at the end of reception class in the school year when the children turn five. Department for Education, *Early Years Foundation Stage*, updated 25 October 2016, www.gov.uk/early-years-foundation-stage

15 Department for Education, *Statutory Framework for the Early Years Foundation Stage*, 2014

Between 2007 and 2015, more than 500,000 poorer five-year-olds did not reach a good level of development.¹⁶ Low-income children are being let down by the early years education system.

Figure 1.3: Percentage of children reaching a good level of development at the age of five since 2007

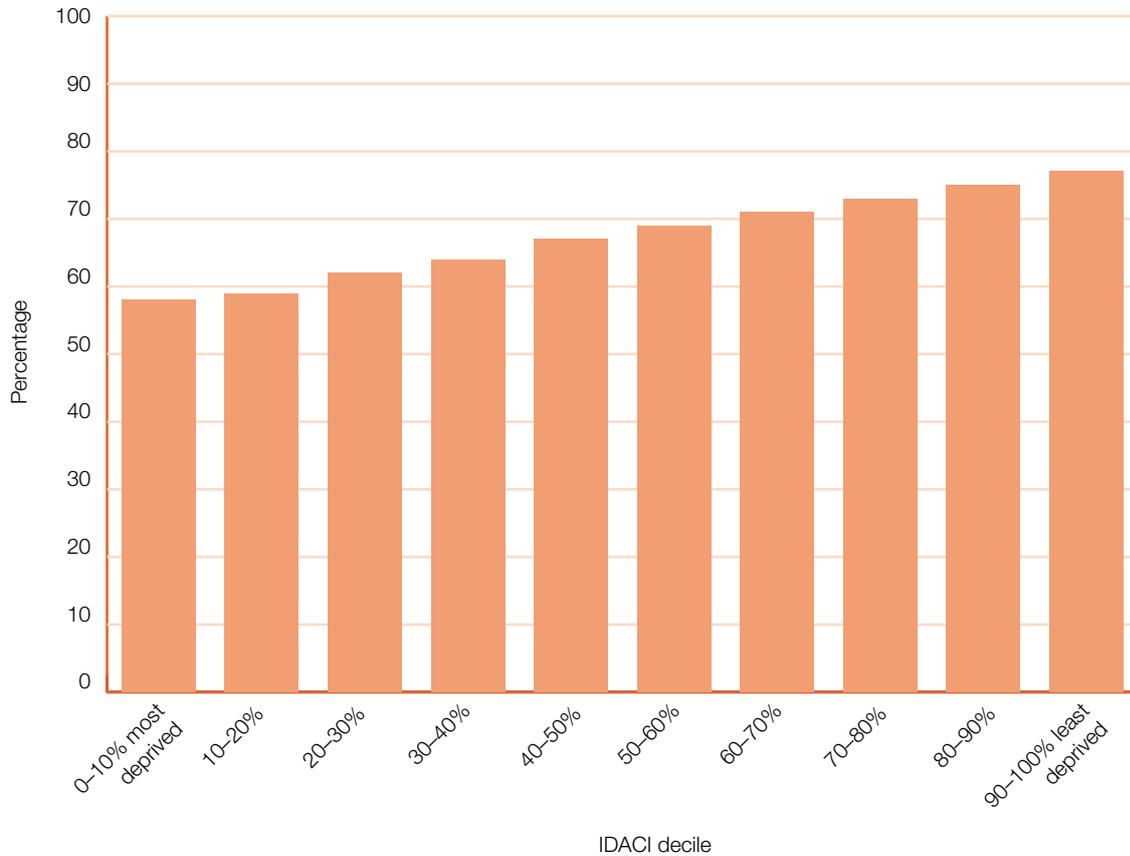


Source: Department for Education, *Early Years Foundation Stage Profile Results: 2007 to 2015*, 2015

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

The social gradient in outcomes at age five affects all children across the income distribution, not just the very poorest (see Figure 1.4). One way of getting a broader picture is to plot the EYFSP results against the Income Deprivation Affecting Children Index (IDACI). The proportion of children who reach a good level of development in the 30 per cent most deprived areas is lower than for those who live in the areas with middle levels of deprivation, which is in turn lower than for those who live in the three most advantaged decile areas. The early years system is failing to level the playing field so that a child's development does not depend on the social class or income group into which they are born.

Figure 1.4: Percentage of children reaching a good level of development at age five, by area of deprivation

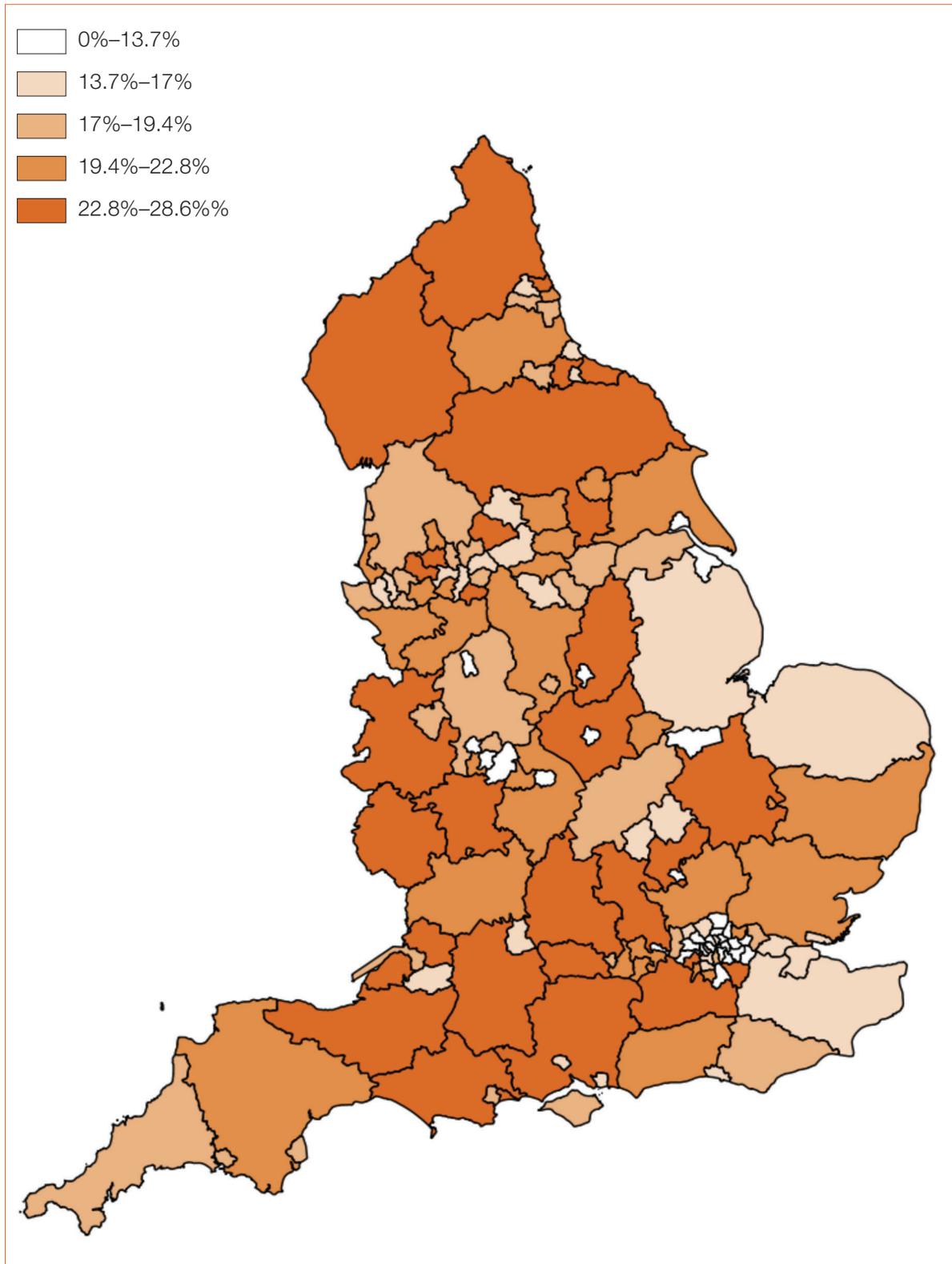


Source: Department for Education, *Early Years Foundation Stage Profile Results: 2014 to 2015*, 2015

There is also significant regional variation in the EYFSP results (see Figure 1.5). In some parts of the country, particularly in London, the development gap between children known to be eligible for FSM and their better-off peers falls to less than 10 percentage points. In Hackney, one of the most deprived boroughs in the country, the gap has been eradicated altogether, suggesting that with the right approach the link between background and development can be broken. Yet in many other areas, such as Wigan, Calderdale and West Berkshire, the gap is more than 25 percentage points.¹⁷

¹⁷ Department for Education, *Early Years Foundation Stage Profile Results: 2014 to 2015*, 2015

Figure 1.5: Free school meals gap in the proportion of children reaching a good level of development across local authorities



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Source: Bespoke analysis by Education Datalab for the Social Mobility Commission using the National Pupil Database, EYFSP results 2014/15

Currently, childcare policy is caught between the objectives of supporting child development – with a particular focus on narrowing the gap in the early years – and facilitating parental employment, particularly for mothers.¹⁸ It fails to deliver well on either. Not only is childcare quality variable but access for families is uncertain, and costs to parents are prohibitively high in many cases.¹⁹ The Government intends to increase public investment in childcare overall to £6 billion a year by 2020, with the principal aim of supporting parents with the cost of childcare.²⁰ This extra funding, driven mostly by an additional 15 hours per week of free childcare for working parents of three- and four-year-olds (which will be rolled out across the country in 2017)²¹ and the introduction of Tax-Free Childcare (which will top up the amount that working families spend on childcare by 20 per cent, up to the value of £2,000 of support per child per year), is welcome.²² Nonetheless, there is evidence that these new policies will disproportionately benefit families on higher incomes, rather than those that are just managing.²³

In our last annual report, the Commission called for a more strategic approach.²⁴ We believe that the primary aim of early years policy should be improving social mobility. Childcare is the Government's principal policy lever in the early years for narrowing the gap in child outcomes before they arrive at school – but the Government is losing sight of this as an objective. Unless this is rectified, the considerable extra public spending on childcare this parliament will fail to have the impact that is needed on the development gaps that arise before children start school.

1.2 Strategic assessment

Problem 1: What happens in the home is a key factor in child development, but support for parents is weak and provision patchy, even though most are keen to have advice and help when their children are young

For all adults, becoming a parent is a major life transition. While it is a special time, it can be fraught and stressful, leaving many parents feeling overwhelmed. Parents on low incomes have additional pressures with which to contend. Having a child has a big impact on a family's budget, and for families that are struggling to get by, the practical and emotional impact can be very significant. Research has identified that two-fifths of the 'just managing' households that the Government has said it will focus on are families with children.²⁵

There is a link between the quality of the home lives that children experience, and their intellectual and social development. Factors such as family income and structure, the qualifications that parents hold and the frequency of educational activities that occur in the home, all have been shown to impact on children's outcomes.²⁶ Sadly, the data available tells a story of a stark social gradient across the breadth of childhood. From parents' mental health to how frequently children are read to, children growing up in households with low or even modest incomes tend to experience less advantageous home lives than their better-off peers.

At age three, children from poorer backgrounds appear to have fallen behind in terms of cognitive outcomes, social skills and whether they experience behavioural issues.²⁷ While there are many,

18 House of Lords Select Committee on Affordable Childcare, *Report of Session 2014–15*, 2015

19 Family and Childcare Trust, *2016 Childcare Survey*, 2016

20 The increase in the maximum proportion of childcare costs that can be claimed through Working Tax Credit (from 70 per cent up to 85 per cent, once this is replaced by Universal Credit) is included in this £6 billion. In 2016, it was announced that the full roll out of Universal Credit will be delayed until 2022 (see Hansard, *Welfare Reform: Written Statement*, HCWS96, 2016)

21 Department for Education, 'Department for Education's settlement at the Spending Review 2015', press release, 25 November 2015, www.gov.uk/government/news/department-for-educations-settlement-at-the-spending-review-2015

22 HM Treasury, 'Tax-Free Childcare: 10 things parents should know', press release, 18 March 2016, www.gov.uk/government/news/tax-free-childcare-10-things-parents-should-know

23 CentreForum, *Widening the Gap? The Impact of the 30-hour Entitlement on Early Years Education and Childcare*, 2016

24 Social Mobility Commission, *State of the Nation 2015*, 2015

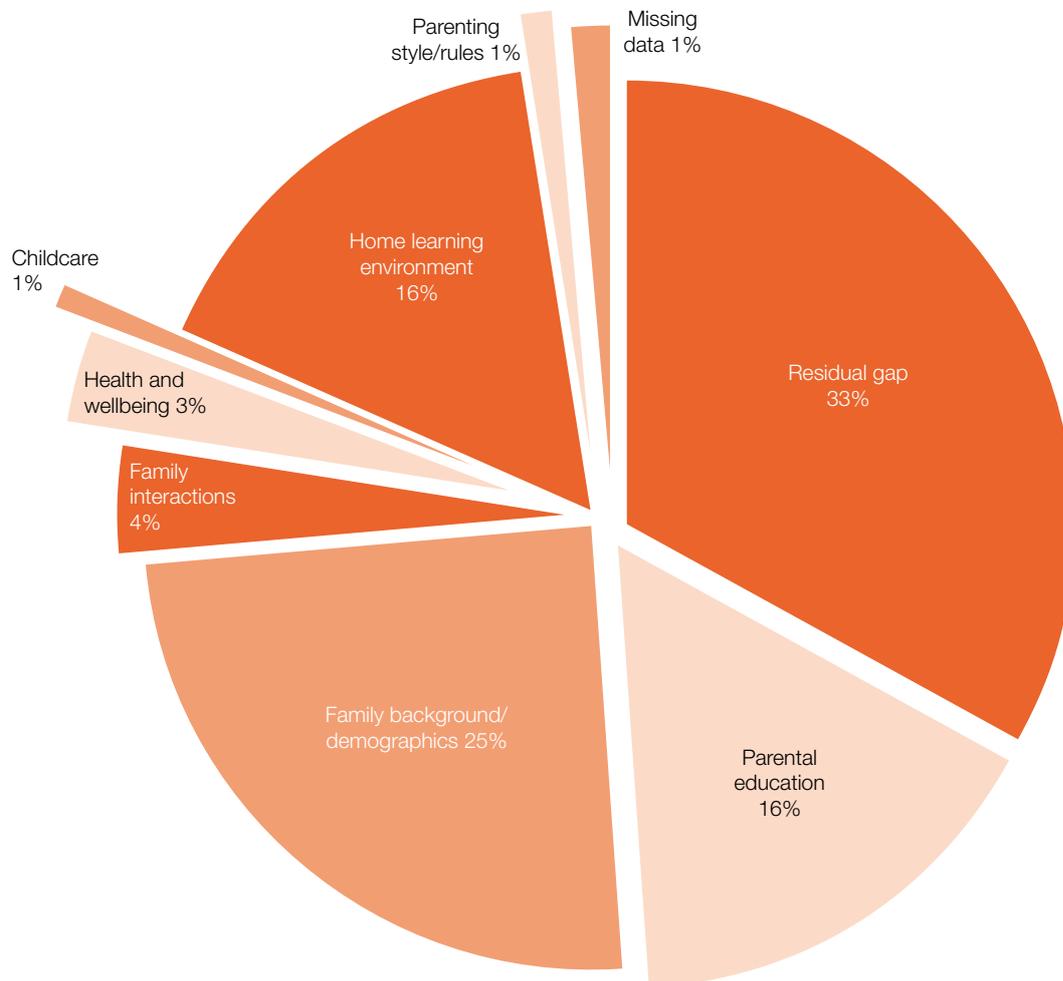
25 Resolution Foundation, *Hanging On: The Stresses and Strains of Britain's 'Just Managing' Families*, 2016

26 Goodman, A. and Gregg, P., op. cit.

27 Ibid.; Dearden, L., Sibiet, L. and Sylva, K., op. cit.

multilayered components that underpin this gap, studies now point to a set of factors that go some way to explaining the variation in cognitive outcomes at this age (Figure 1.6).

Figure 1.6: Explaining the gap between the poorest and richest at age three, sampled from the UK cohort of the Millennium Cohort Study²⁸



Source: Goodman, A. and Gregg, P., *Poorer Children's Educational Attainment: How Important are Attitudes and Behaviour?*, 2010

Much of the gap is down to factors such as the level of parents' education and their family background; but research attributes around a quarter to factors that are shaped by parents' behaviour in the home. Family interactions, parenting style, rules, health and wellbeing are all issues that play a role. Of these factors, the one that goes the furthest to explaining the difference in cognitive outcomes at the age of three has been termed the 'home learning environment'. This relates to the educational activities that parents engage in with their children. These include such things as reading with children, teaching nursery rhymes, the alphabet and numbers, visits to libraries and other educational trips.

Researchers believe that these activities have a positive effect on cognitive, social and emotional development – particularly in the first few years of a child's life.²⁹ Unfortunately, children in families in the bottom two quintiles of the income distribution are much less likely to experience these activities than children from better-off families.³⁰

Worryingly, there is now evidence that the socioeconomic gap in the amount of time that

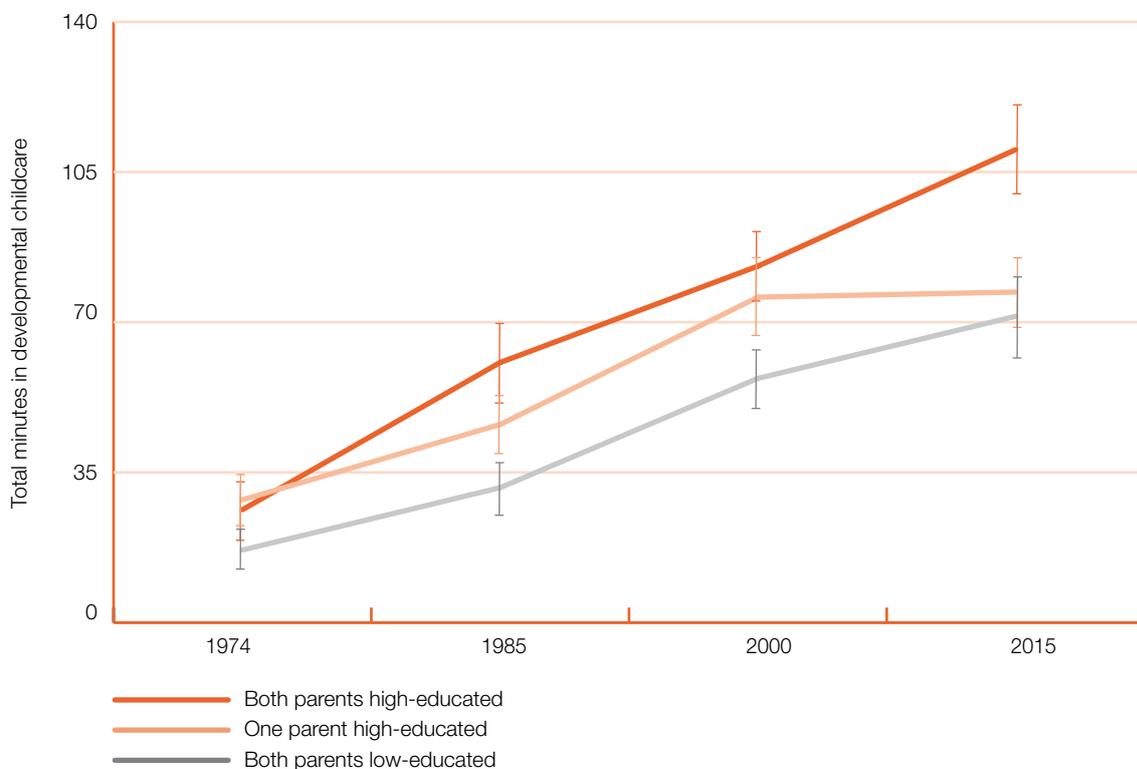
²⁸ For more details on how the relative contributions of each set of factors are calculated, see Dearden, L., Sibietta, L. and Sylva, K., *op. cit.*

²⁹ Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I., Taggart, B. and Elliot, K., *op. cit.*; Goodman, A. and Gregg, P., *op. cit.*

³⁰ Goodman, A. and Gregg, P., *op. cit.*

parents spend on educational activities at home with their children in the early years is widening. This year, the Commission published a report examining changes since 1975 in the frequency with which parents carry out development activities with their children.³¹ The story was not all bad. The amount of time spent on these activities has increased for all groups of parents overall; and socioeconomic gaps in some developmental activities – such as the frequency with which mothers read to their children – have all but closed. Despite these improvements, a striking difference has emerged over the past 40 years between those parents who are highly educated (and likely to have higher incomes), and those who are educated to a low level. Families where both parents are highly educated now spend on average around 110 minutes a day on educational activities with their young children. Families where both parents have a low level of education tend to spend around 71 minutes a day. This compares with around 20 to 30 minutes a day in the 1970s when there was no significant difference between the groups of parents (Figure 1.7).

Figure 1.7: Time that parents spent on developmental childcare with children aged under five between 1975 and 2015, by parental education



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

Note: British Time Use Studies, 1974–75, 1983–85, 2000–01, 2014–15, Britain, based on the early release version of 2015 data by the Centre for Time Use Research, University of Oxford. (See Altintas, E., *Are British Parents Investing Less Time in Their Children?*, 2016, Centre for Social Investigation, for the revised version with final release data)

A whole host of factors have been shown to be connected to parents’ ability to provide a positive environment for learning at home, including:

- the materials and resources at their disposal
- their own cognitive ability and level of education
- the frequency of transitions or adjustments in family structures.³²

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

32 Joseph Rowntree Foundation, *Does Money Affect Children’s Outcomes? A Systematic Review*, 2013; Goodman, A. and Gregg, P., op. cit.; Department for Children, Schools and Families, *Impact of Family Breakdown on Children’s Well-being*, 2009

Having a low or even modest income can add to the emotional strain that adults experience as they become parents. Adults on low pay are more likely to be in insecure jobs and working unsociable hours, increasing stress levels and reducing the amount of time available for education-related activities with their children.³³ Also, it can make it harder for secure attachment to develop in families, something that research has linked to behavioural issues among children.³⁴

In addition, living in insecure housing has been linked to family stress.³⁵ A decline in job security among routine and semi-routine workers, and a rise in the proportion of children from low- and middle-income families in private rented accommodation over the past 20 years, are likely to have implications for families' level of financial security and stress.³⁶ Although capturing the strain of parenthood on families is extremely difficult, evidence shows a social gradient. For example, the poorest families are most at risk of developing mental health issues such as postnatal depression during the early stages of family life.³⁷

Quantifying the impact of the home learning environment on child outcomes is a matter of debate, but there does seem to be a consensus that the time in a child's life where it has the most influence is in the early years.³⁸ One study goes so far as to suggest that the quality and frequency of parent-child interactions, and the educational activities carried out in the home at age three, continue to have a positive effect on young people's attainment more than a decade later.³⁹ Consequently, a fundamental consideration for early years policy has to be about getting the right support and guidance to those parents who are finding it difficult to provide this environment for their children.

Despite the conventional wisdom that parents fear interference from the 'nanny state', in reality, many say that they welcome advice in the early years of their child's life. A survey by the Commission found that just 5 per cent of parents did not feel they required any advice in their first six months as a parent.⁴⁰ The same survey found that one in four parents would have liked more advice, but could not afford to pay for it. Across all backgrounds, the majority of parents (69 per cent) reported that they had spent some money on antenatal preparation, including labour and parenting advice. However, middle-class parents were twice as likely to spend £100 to £500. This may reflect the rising popularity of National Childbirth Trust (NCT) courses among middle-class parents, with such courses costing as much as £300.⁴¹ Three times as many parents included in the middle-class, social grade ABC1 group, said that they had attended NCT classes than parents in the C2DE group.⁴² Meanwhile, there are reports that the provision of free NHS classes is becoming increasingly patchy.⁴³

33 Migration Advisory Committee, *Low Skilled Sectors of the UK Economy: Social Care and Retail Sectors*, 2014

34 Oates, J., (Ed.), *Attachment Relationships: Quality of Care for Young Children*, 2007

35 Shelter, *People Living in Bad Housing: Numbers and Health Impacts*, 2013

36 Institute for Fiscal Studies, *Living Standards, Poverty and Inequality in the UK: 2016*, 2016

37 Joseph Rowntree Foundation, *The Costs of Child Poverty for Individuals and Society*, 2008; Centre for Social Justice, *Mental Health: Poverty, Ethnicity and Family Breakdown*, 2011

38 Goodman, A. and Gregg, P., op. cit.; Taggart, B., Sylva, K., Melhuish, E., Sammons, P. and Siraj, I., op. cit.

39 Taggart, B., Sylva, K., Melhuish, E., Sammons, P. and Siraj, I., op. cit.

40 Social Mobility Commission, *Parents' Experiences of Early Years Services*, 2016

41 Bennett, C., 'The National Childbirth Trust is now run by a man. Time for deep breaths', *The Guardian*, 3 January 2016, www.theguardian.com/commentisfree/2016/jan/03/nct-male-ceo-wrong-national-childbirth-trust-appointment

42 Social Mobility Commission, 2016, op. cit.

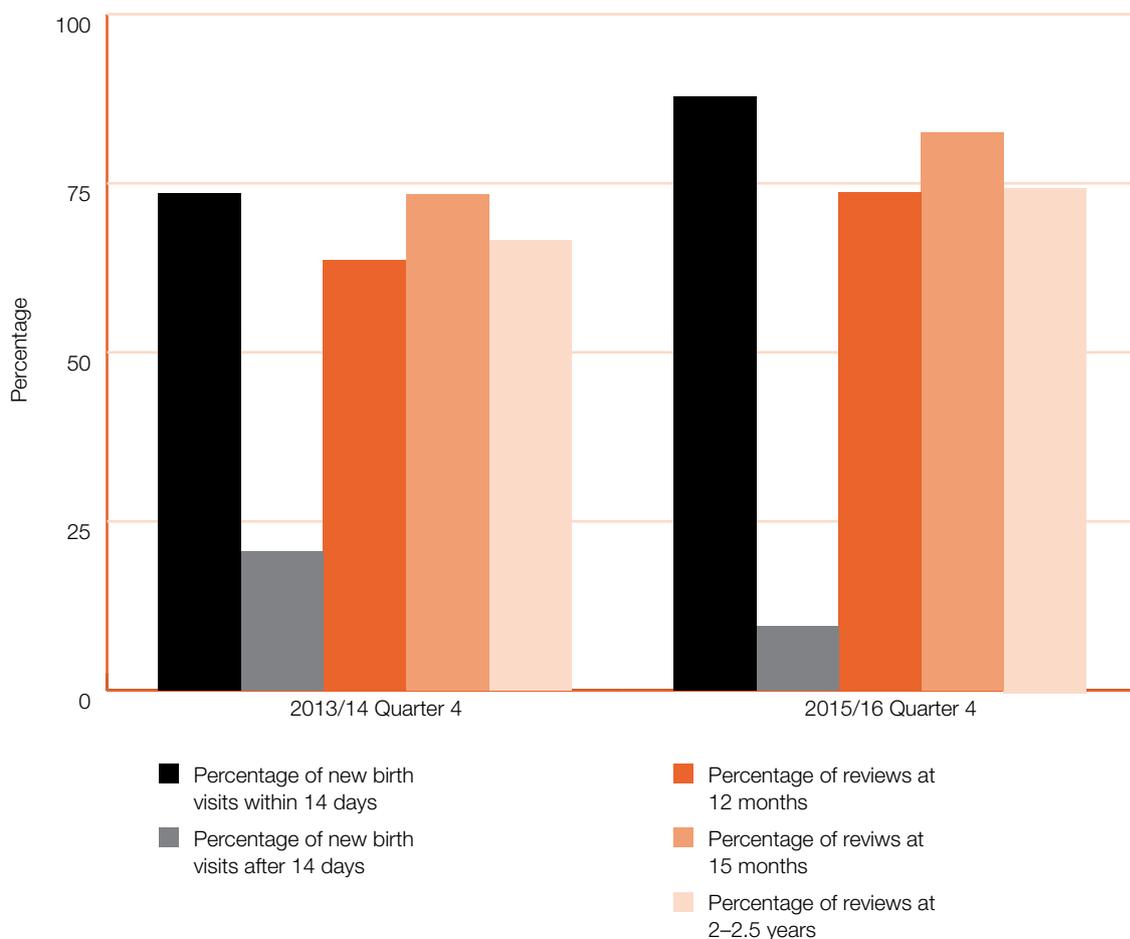
43 Rock, L., 'Antenatal care goes two-tier as NCT classes boom and NHS classes are cut back. But who's suffering most?', *The Guardian*, 28 August 2011, www.theguardian.com/commentisfree/2011/aug/28/child-birth-classes-motherhood

A key part of the Government’s approach to supporting parenting in the early years is the health visitor programme. These practitioners are responsible for delivering the health and development reviews in the early stages of a child’s life, of which there currently five are mandatory:

- an antenatal, health-promoting visit
- a new baby review
- the 6–8-week assessment
- the 1-year assessment
- the 2 to 2½-year review⁴⁴

While the proportion of children that receive the reviews is increasing, it remains the case that almost one in five children have not received the 12-month review by age 15 months, and one in four do not receive a 2 to 2½-year review (Figure 1.8). These reviews present a rare and valuable opportunity for professionals to assess the health and educational needs of a child in an intimate environment, and to put in place early support. The fact that one-quarter of two-year-olds still do not access this opportunity is concerning.

Figure 1.8: Proportion of health visitor delivery checks completed in England

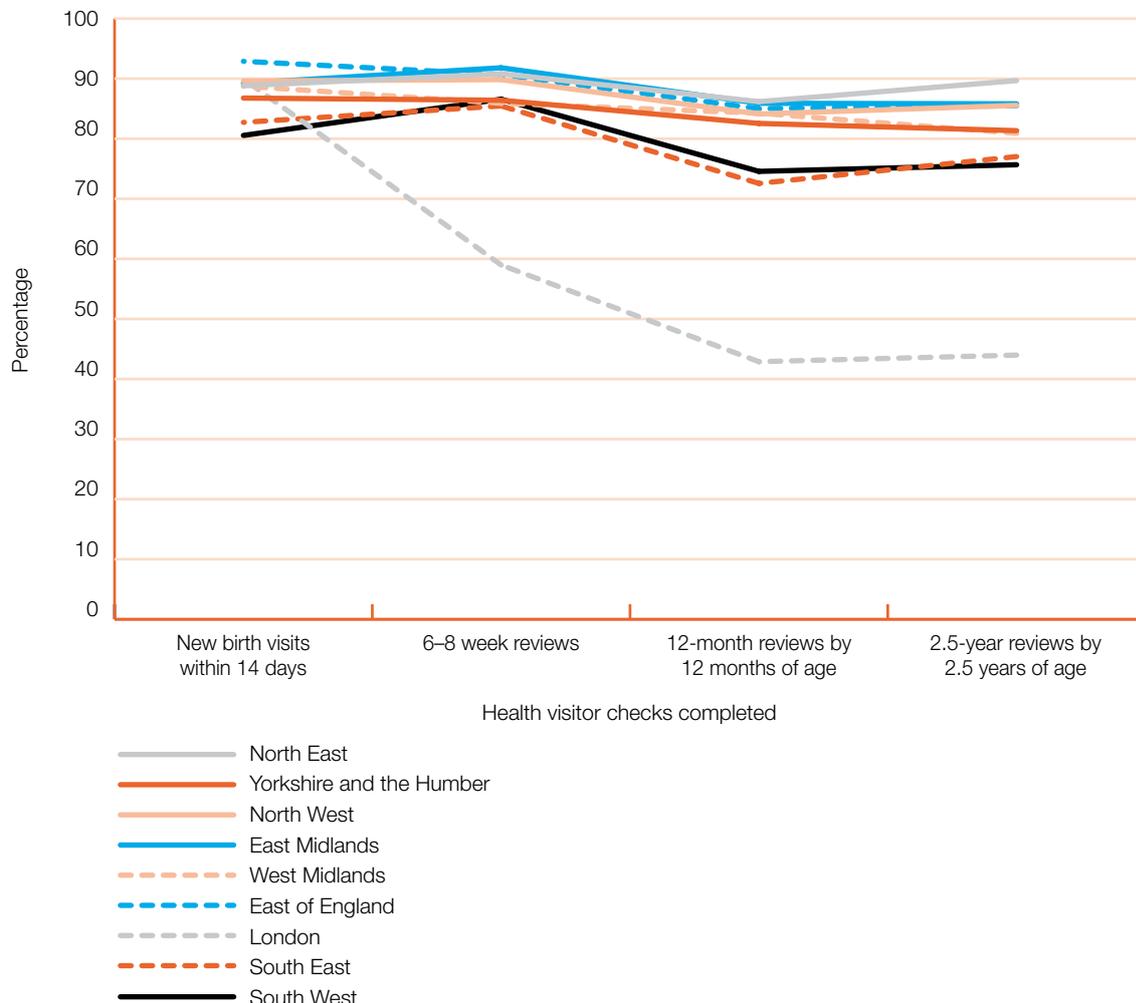


Source: National Child and Maternal Health Intelligence Network, *Health Visitor Service Delivery Metrics, Quarter 4 of 2015 to 2016*, 2016

44 Department of Health, *Universal Health Visitor Reviews*, 2015

London in particular is struggling to complete a high level of health visitor checks: fewer than half of the children who live in this region have had a 12-month review or 2 to 2½-year review at that age (Figure 1.9). It is not possible to break down the data by family background, but the Commission is concerned that many of the parents and children who are missing out will be the most vulnerable.

Figure 1.9: Proportion of health visitor checks completed by region, Quarter 4 of 2015/16



Source: National Child and Maternal Health Intelligence Network, *Health Visitor Service Delivery Metrics, Quarter 4 of 2015 to 2016*, 2016

Beyond the health visiting programme, parents can access services that are available at their local children's centre. However, in many areas these services are being reduced, and there is significant variation in what is available. While the majority of centres continue to operate despite the reductions to funding over the last parliament,⁴⁵ a significant proportion reduced their services. In a national evaluation, almost three-quarters of centre managers said that service delivery had been affected already by cuts in 2011–12, and some 80 per cent expected further reductions in 2012–13.⁴⁶ More recently, in 2015 more than 60 per cent of children's centre managers surveyed reported that they are cutting back on services, in order to be able to continue to operate on a reduced budget.⁴⁷ Some centres have retained services but have introduced charges, whereas previously the services had been free.⁴⁸

45 In 2010, there were 3,615 designated Sure Start centres in England. As of December 2015, 2,605 main centres remained, alongside 731 further sites that offer access to early childhood services; Hansard, Col. 680W, 18 December 2013; House of Commons Briefing Paper, *Early Intervention*, 2016

46 London School of Economics (LSE), *The Coalition's Record on the Under Fives, 2010–2015*, 2015

47 Morton, K., 'Budget cuts result in fewer hours and reduced services at children's centres', *Nursery World*, 2 November 2015, www.nurseryworld.co.uk/nursery-world/news/1154549/budget-cuts-result-in-fewer-hours-and-reduced-services-at-children-s-centres

48 4Children, *Children's Centre Census 2013: A National Overview of Developments in Children's Centres*, 2013

Despite this being a crucial period for families, there is still too little support for parents in the earliest stage of their child's life. With the socioeconomic gap in outcomes emerging early, providing support to parents at this point could reap dividends for social mobility later on in life.

Problem 2: The childcare market in England is failing to deliver enough high-quality early years provision, particularly in the most deprived areas. Poorer children, who stand to gain the most from high-quality childcare, are the least likely to receive it

The childcare market is very fragmented. It consists of a vast number of individual nurseries, with a pronounced disparity in quality and supply of places across different areas.⁴⁹ Early years settings can belong to the state, such as schools-based provision in the form of nursery classes in (predominantly) primary schools or maintained nursery schools, or to the private, voluntary and independent (PVI) sector. The type and quality of childcare available to parents locally, as well as the prices they pay, are something of a lottery. Between local authorities, the proportion of childcare that has been rated inadequate or requires improvement ranges from just over 5 per cent in Cornwall to almost one-third in Newham.⁵⁰

Overall, the proportion of providers rewarded with a good or outstanding judgement has risen sharply over the past few years. Currently, 86 per cent of early years settings are considered to be at least good, compared with 63 per cent in 2009.⁵¹ It is good news that the childcare sector has improved so rapidly over this period.⁵² Nonetheless, despite the overall improvement, a closer examination by area of deprivation demonstrates that there continues to be a social gradient in the distribution of quality among early years settings (Figure 1.10).

There is a smaller proportion of good and outstanding childcare providers available to families living in the 30 per cent most deprived areas, and a larger share of providers that require improvement or are inadequate, than for families living in the 30 per cent most advantaged areas. While relatively few settings are rated as inadequate across all areas, the proportion that are not at least good is still much higher in the most deprived areas compared to the wealthiest. In the most deprived decile, 22 per cent of childcare settings are inadequate or require improvement, compared to 14 per cent in the middle decile, and 11 per cent in the most advantaged.

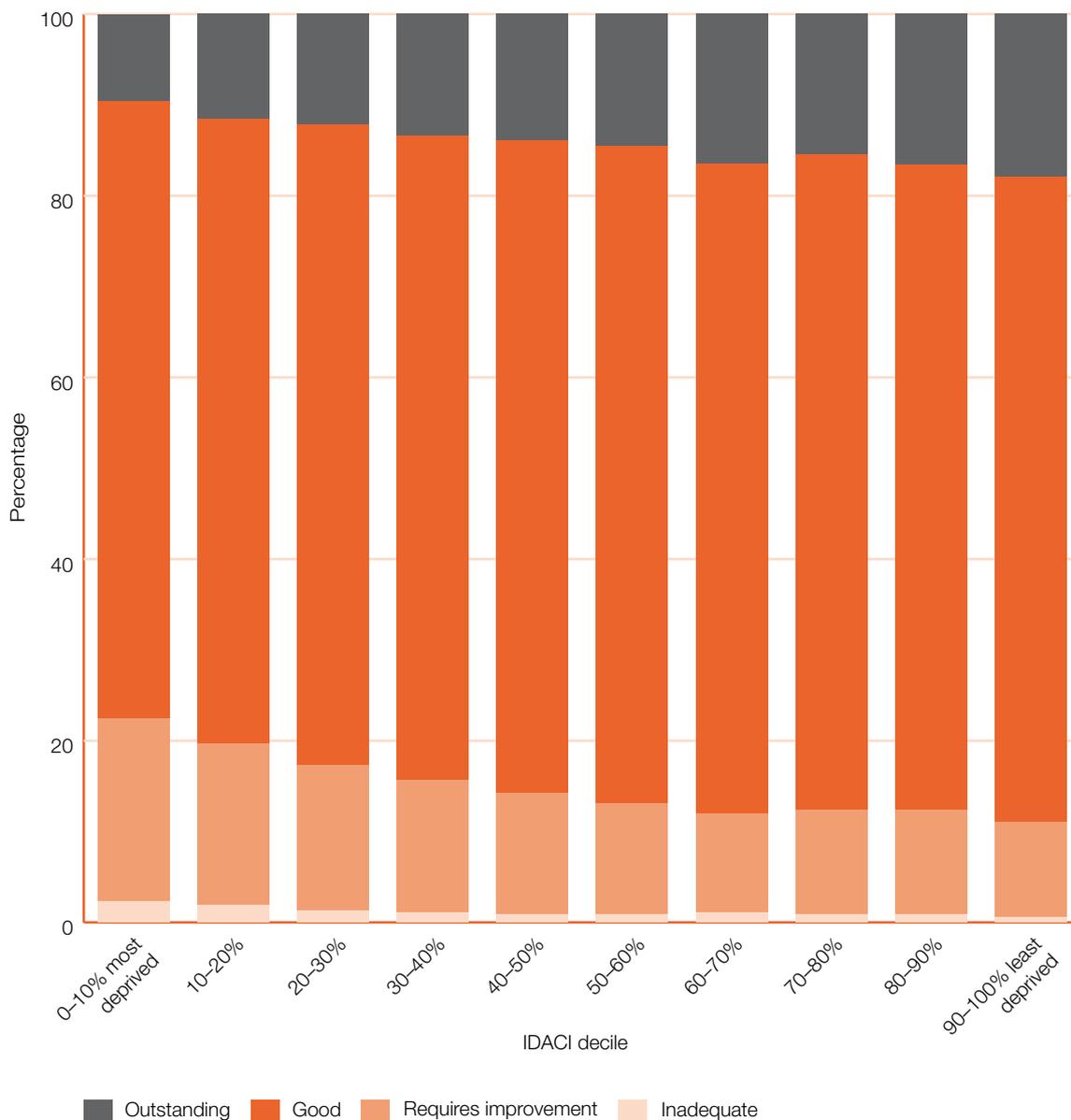
49 Department for Education, *Review of Childcare Costs: The Analytical Report*, 2015

50 In the Isles of Scilly and City of London no childcare provision has been rated inadequate, or requires improvement, although there are very few providers overall. Ofsted, FOI: Early Years Data Set as at 31 March 2016, 2016, www.gov.uk/government/statistical-data-sets/foi-early-years-dataset-as-at-31-march-2016

51 Ofsted, Childcare Providers and Inspections as at 31 March 2016; Ofsted, *Early Years Annual Report*, 2015

52 It is worth bearing in mind that since November 2013 nurseries that require improvement are inspected more frequently than they used to be. Over the past four years (from 31 March 2012 to 31 March 2016), 6,782 childminders and childcare providers (excluding school-based childcare) have not been re-inspected (around 11 per cent of inspected settings overall). Ofsted, op. cit.

Figure 1.10: Proportion of childcare providers by Ofsted rating and area of deprivation, 2016

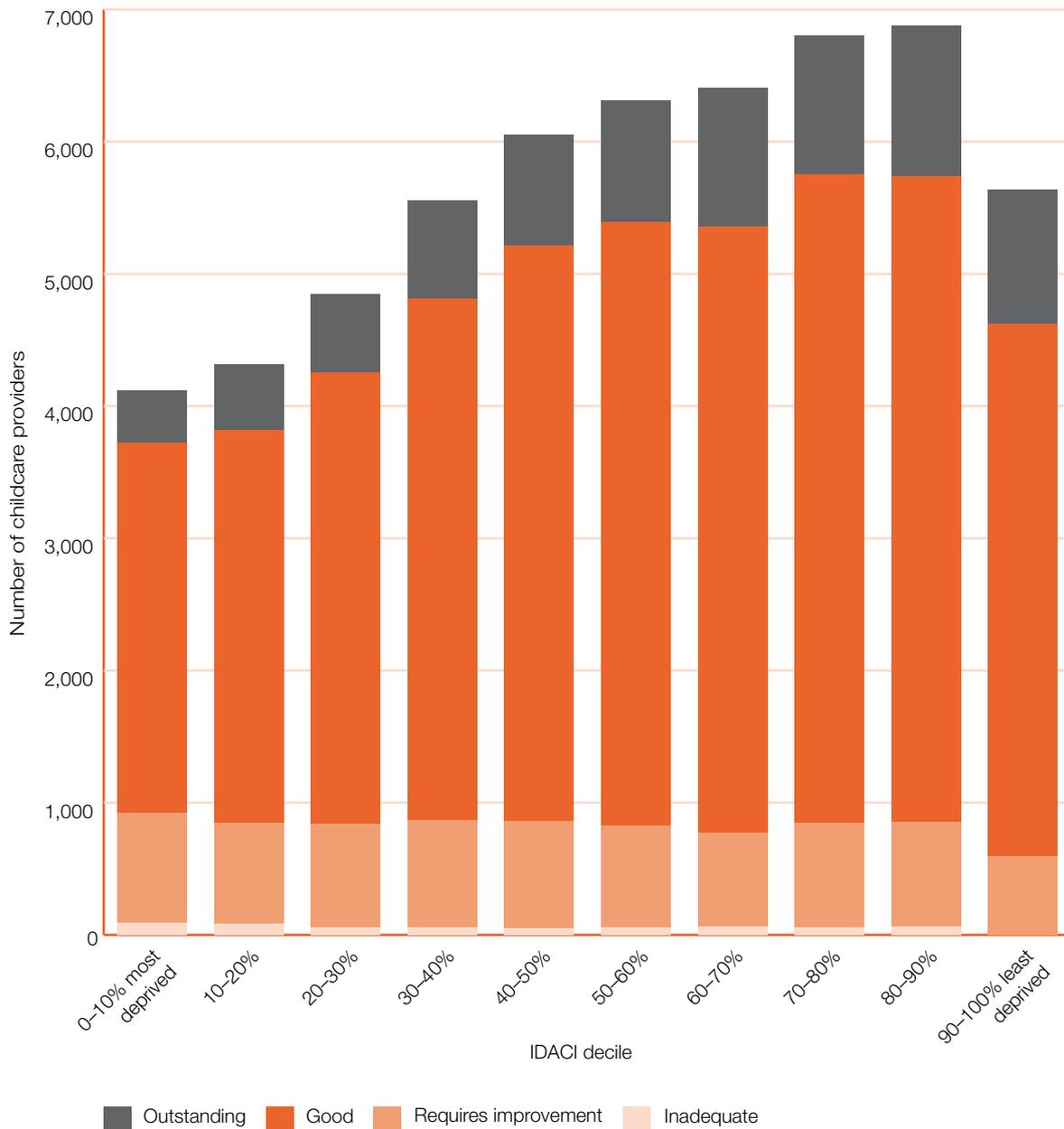


Source: Ofsted, FOI: Early Years Data Set as at 31 March 2016

Note: This does not include maintained nursery schools (of which there are just 406, although they are often located in deprived areas),⁵³ or nursery classes based in schools (for which the data can only be broken down by IDACI quintile, but reveals a similar pattern). The IDACI score used by Ofsted for this data set is 2010. Only settings rated outstanding to inadequate (1-4) by Ofsted were included

The social gradient exists not only in the quality of childcare available, but in the availability of childcare overall (see Figure 1.11). With the exception of the very least deprived decile, the number of early years settings increases as areas become more advantaged. At the same time, the number of inadequate and requires improvement settings falls by one-third from the most deprived decile to the least.

Figure 1.11: Number of childcare providers by Ofsted rating and area of deprivation, 2016



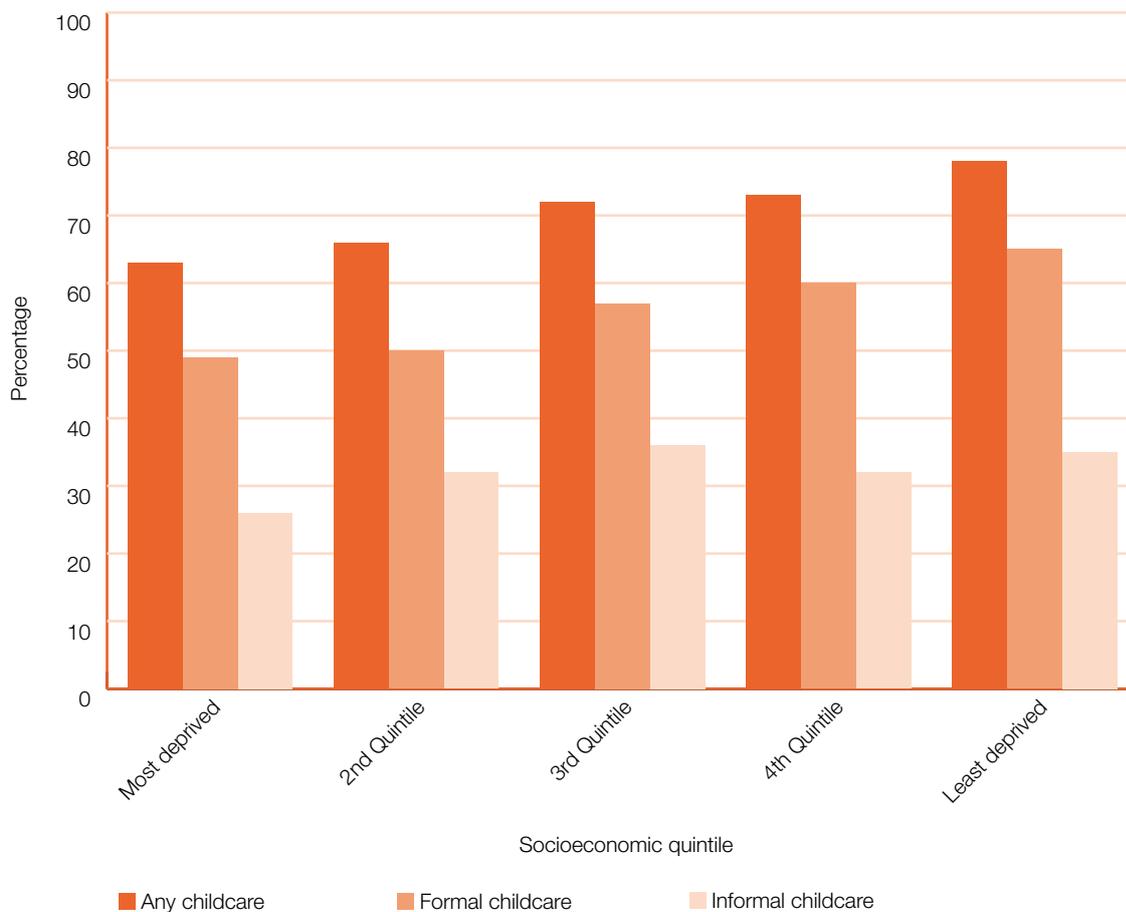
Source: Ofsted, FOI: Early Years Data Set as at 31 March 2016

Note: This does not include maintained nursery schools (of which there are just 406, although they are often located in deprived areas), or nursery classes based in schools (for which the data can only be broken down by IDACI quintile, but reveals a similar pattern). The IDACI score used by Ofsted for this data set is 2010. Only settings rated outstanding to inadequate (1-4) by Ofsted were included.

Some of this variation reflects the fact that there is less demand among families in deprived areas for childcare. The Department for Education’s survey of childcare patterns indicates that families living in the two most deprived quintiles are less likely to use childcare than families in the least deprived quintiles (Figure 1.12). There are various potential reasons for this, including cost. In these areas, there are a higher proportion of unemployed parents who would be able to look after their children at home. In addition, preference may play a role. While they form a small proportion of the parents surveyed, 73 per cent of those who did not use any childcare in the past year for their pre-school-age children said that this was because they would rather look after their children themselves.⁵⁴

54 Department for Education, *Childcare and Early Years Survey of Parents: 2014 to 2015, 2016*

Figure 1.12: Proportion of families using childcare by area of deprivation, 2014/15



Source: Department for Education, *Childcare and Early Years Survey of Parents: 2014 to 2015*, 2016

Note: Base: All children (6,198). Formal childcare and informal childcare does not sum to any childcare, as some families may use both types

However, there is some evidence that low take-up among families living in deprived communities is partly a reflection of the limited childcare options that they have. Overall, 56 per cent of local authorities report sufficient childcare for three- and four-year-olds, and this falls to just under half for children aged two and under. Just 43 per cent of local authorities in England report sufficient childcare for parents who work full-time, and 7 per cent for those who work atypical hours.⁵⁵ Research commissioned by the Department for Education in 2010 found that disadvantaged parents were more likely to mention lack of availability of places locally and other constraints than parents who were more advantaged.⁵⁶ This is supported by a recent survey of parents, which found that 53 per cent of mothers say they would work, or work more hours, if they could find or afford the childcare.⁵⁷ The Family and Childcare Trust has argued that patchy provision can be attributed to reliance on the market within childcare policy. A combination of a market-based approach and a lack of incentives around driving up quality has helped create a system where weak demand leads to weak provision, and strong demand leads to greater provision.⁵⁸ The situation can become circular: if there is little high-quality provision available, parents will be less likely to use childcare.

⁵⁵ Family and Childcare Trust, op. cit.

⁵⁶ Department for Education, *Towards Universal Early Years Provision: Analysis of Take-up by Disadvantaged Families from Recent Annual Childcare Surveys*, 2010

⁵⁷ Department for Education, *Childcare and Early Years Survey of Parents: 2014 to 2015*, 2016

⁵⁸ House of Lords Select Committee on Affordable Childcare, op. cit.

Quality in the maintained sector of early years provision is often higher than in the PVI sector.⁵⁹ Of the 406 maintained nursery schools in the country, 60 per cent have been rated by Ofsted as outstanding, compared with 17 per cent of other nursery providers and 13 per cent of childminders, and a further 39 per cent have been rated as good.⁶⁰ While it is not quite the same standard of maintained nursery schools, Ofsted has also found that the performance of provision that is based in schools, for example, nursery classes, is strong. Of those that have been awarded a separate judgement for early years provision, 25 per cent have been rated as outstanding, and 64 per cent as good.

This disparity in quality between the maintained and PVI sectors is attributed generally to differences in resourcing and the qualifications of staff between the types of childcare provision.⁶¹ Maintained nursery schools and nursery classes in schools have stricter regulations over their teaching workforce than PVI providers, and must have a headteacher as well as a qualified teacher for every class.⁶² In contrast, just 41 per cent of PVI settings employ a qualified teacher or graduate-level early years professional.⁶³ This has implications for child development. An evaluation of the 2007–11 Graduate Leader Fund indicates that children benefit from being looked after by specialist graduates in early years care.⁶⁴

One positive point is that maintained nursery schools tend to be located in inner-city and often deprived areas. Some 60 per cent of maintained nursery schools are located in the 30 per cent most deprived areas. A recent study has suggested that maintained nursery settings located in disadvantaged areas offer a level of quality to three- and four-year-olds that is comparable, or in some cases higher, than settings serving more advantaged areas.⁶⁵ In addition, it is encouraging that three- and four-year-olds living in more deprived areas have been shown to be more likely to have access to better qualified staff, largely because in these areas these groups of children are more likely to attend maintained settings.⁶⁶

Conversely, PVI settings located in deprived areas tend to offer quality that is lower than in more advantaged areas. The gap in quality appears to be largest in relation to the support provided to children for language and communication development.⁶⁷ Poorer families using these types of settings are getting a worse deal than their peers. Meanwhile, nine in ten of the most disadvantaged two-year-olds access their free entitlement in a PVI setting (Figure 1.13). Recent analysis suggests that just under 30 per cent of three- and four-year-olds living in the most deprived areas take up their funded childcare place in the PVI sector.⁶⁸

Overall, just over one in five of all free entitlement places are offered in nursery classes and maintained nursery schools. Legislation to allow schools to take two-year-olds without having to register separately on the Early Years register came into effect in May 2015.⁶⁹ Since then, then number of two-year-olds taking up a funded childcare place in nursery classes in primary schools has increased from 3,430 to 8,950, although this still only represents fewer than 3 per cent of the total number of free entitlement places in this type of setting.⁷⁰ Where two-year-olds do occupy places in these types of settings, they tend to be from better-off families.⁷¹

59 Nuffield Foundation, op. cit.

60 Department for Education, *Government Consultation: An Early Years National Funding Formula*, 2016

61 Gambaro, L., Stewart, K. and Waldfogel, J., *A Question of Quality: Do Children from Disadvantaged Backgrounds Receive Lower Quality Early Childhood Education and Care?* 2015; Nuffield Foundation, op. cit.; Reed, J. and Morgan, S., *Early Learning and Childcare: Delivering for Disadvantaged Children in England*, 2016; Stewart, K. and Gambaro, L., 'Government plans will reallocate nursery funding from poorer to richer children – and no one seems to notice', London School of Economics, 29 September 2016, <http://blogs.lse.ac.uk/politicsandpolicy/government-plans-put-nursery-schools-at-risk>

62 British Association for Early Childhood Education, *Maintained Nursery Schools: The State of Play Report*, 2015

63 Department for Education, *Education Provision: Children under 5 Years of Age*, January 2016, 2016

64 Department for Education, *Evaluation of the Graduate Leader Fund: Final Report*, 2011

65 Nuffield Foundation, op. cit.

66 Gambaro, L., Stewart, K. and Waldfogel, J., op. cit.

67 Nuffield Foundation, op. cit.

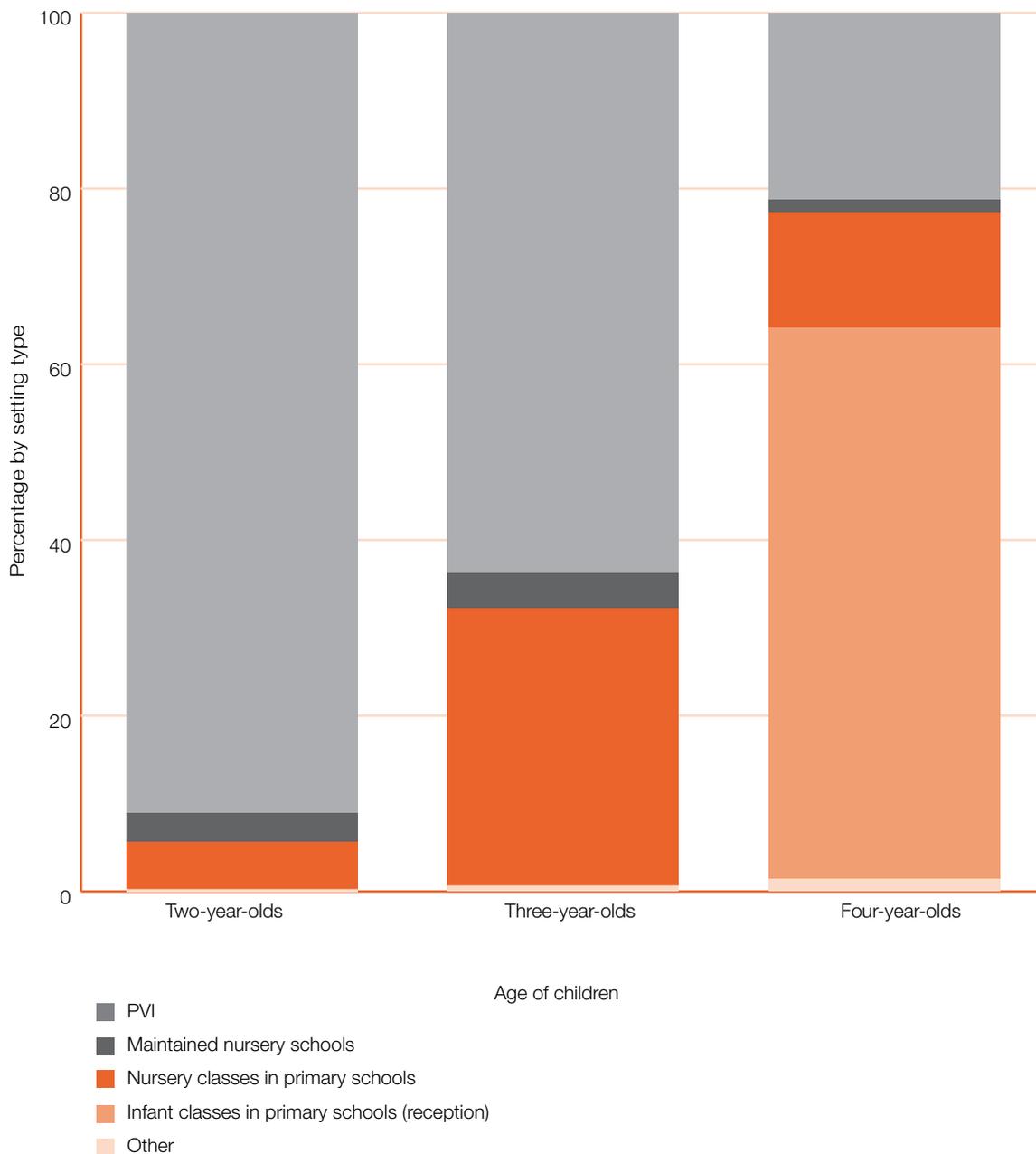
68 Ibid.

69 Small Business, Enterprise and Employment Act 2015

70 Department for Education, *Education Provision: Children under 5 Years of Age*, January 2016, 2016

71 Ofsted, *Early Years Annual Report*, 2015

Figure 1.13: Proportion of children accessing free childcare entitlement by type of setting, 2016



Source: Department for Education, *Education Provision: Children Under 5 Years of Age, January 2016*, 2016

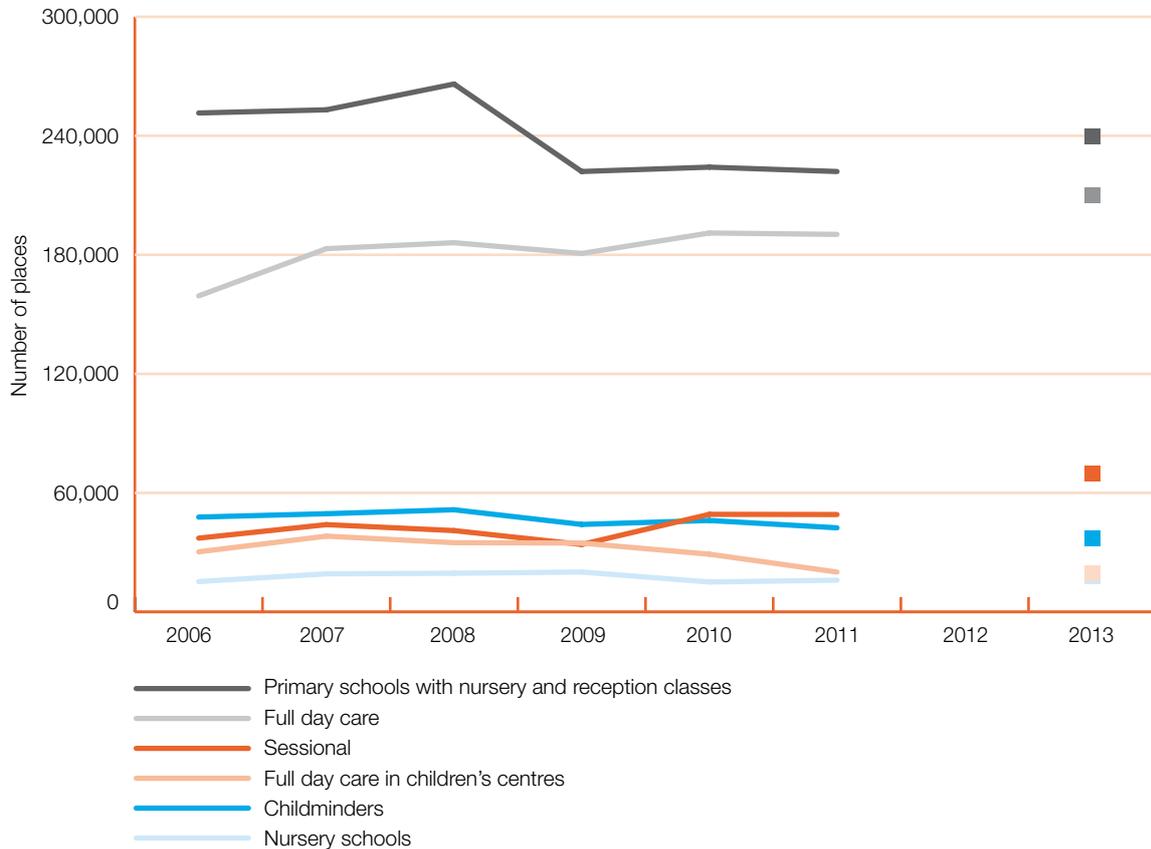
The focus and investment on childcare policy over the past decade has brought with it some extra capacity in the sector, but this has lagged behind the rising birth rate. The Government estimates that 280,000 additional childcare places were created between 2006 and 2013,⁷² but the number of children aged zero to four in England rose by more than 450,000 during this time.⁷³ Despite the increase in places overall, it has been estimated that the number of childcare places offered by some types of providers in the 30 per cent most deprived areas has fallen (see Figure 1.14).

⁷² Department for Education, *Childcare and Early Years Providers Survey: 2013, 2014*

⁷³ Office for National Statistics, *Population Estimates for UK, England and Wales, Scotland and Northern Ireland, 2016*

Meanwhile, there has been a reduction in the number of maintained nursery schools, which typically are considered the highest quality. Since 2006, the number of maintained nursery schools has fallen by 50, continuing a long-term decline that has seen their numbers fall by one-third over the past 30 years.⁷⁴ There has been criticism that reductions in local authority funding are putting the viability of the remaining 406 under threat.⁷⁵

Figure 1.14: Number of childcare places in the 30 per cent most deprived areas since 2006



Source: Department for Education, *Childcare and Early Years Providers Survey: 2013, 2014*

Note: Data for 2012 was not collected. 'Sessional' refers to care for children that covers less than a continuous period of four hours in any day

Achieving equity in access to high-quality childcare across the country is pivotal to improving social mobility; but across the country, children from different socioeconomic backgrounds face unequal access to childcare provision and to high-quality early years provision. Parents living in deprived areas do not get a fair deal in the childcare options on offer. This, in part, explains the failure of childcare policy in recent years to make the necessary inroads into reducing inequalities in the early years.

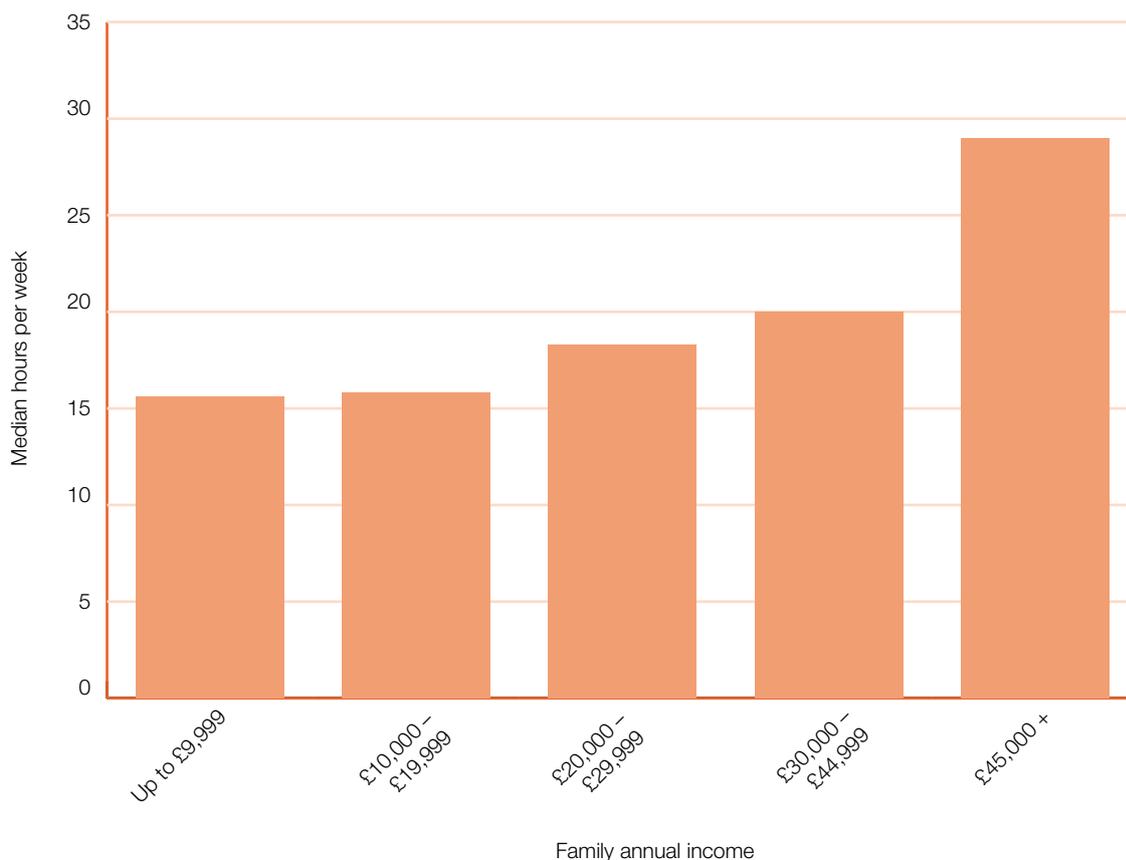
74 Department for Education, *Schools, Pupils and Their Characteristics: January 2016*, 2016; British Association for Early Childhood Education, op. cit.

75 British Association for Early Childhood Education, *Maintained Nursery Schools: Hubs for Quality in the Early Years*, 2014

Problem 3: Less well-off families are being priced out of the best provision, and there is a risk that new childcare reforms will make this worse, not better

Many childcare providers have extremely tight margins,⁷⁶ and this means that they look to cross-subsidisation – relying on funding from parents who purchase more childcare hours beyond the free entitlement – to stay afloat.⁷⁷ Unsurprisingly, the families using more hours tend to be more advantaged (Figure 1.15).

Figure 1.15: Median hours of childcare used per week in England, by family annual income 2014/15



Source: Department for Education, *Childcare and Early Years Providers Survey: 2013, 2014*

In addition, childcare providers have been found to increase their fees to parents outside of the free entitlement for the extra hours they purchase.⁷⁸ This makes hours outside of the Government's free entitlement harder for all parents to afford, but particularly for those families on low incomes who may be struggling to get by. The cost of childcare has risen dramatically over the past decade (see Figure 1.16), far outstripping inflation.

The Department for Education suggests that the average market price paid for nursery provision for children older than two has risen by 69 per cent over the past ten years, compared with a 28 per cent rise in Consumer Price Inflation (CPI). The UK now has much higher childcare costs compared to other countries: families in England pay more for childcare

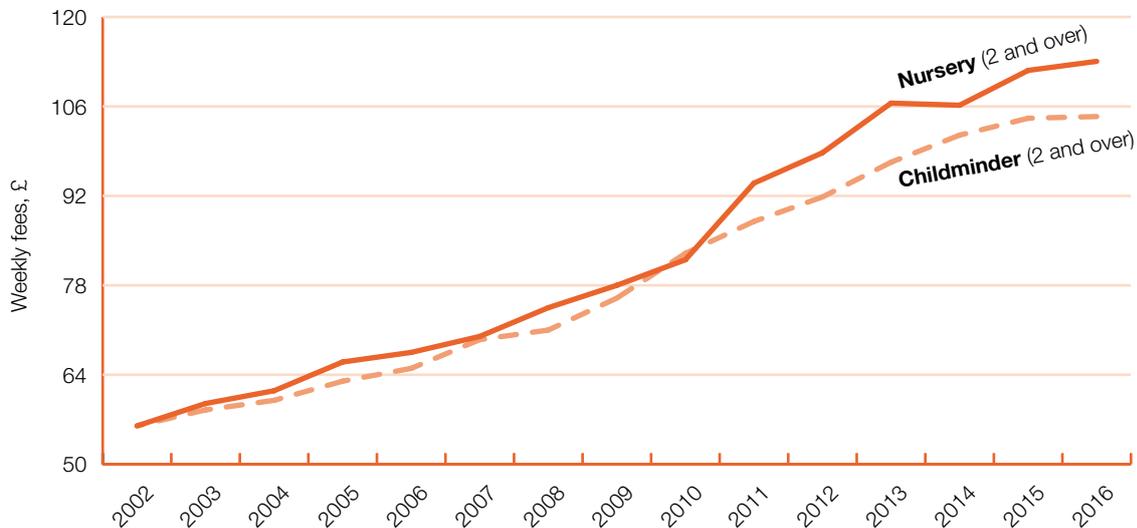
76 Consultancy analysis conducted for a PVI provider suggested that 50 children was the minimum needed for providers to be both profitable and employ qualified staff (see House of Lords Select Committee on Affordable Childcare, *op. cit.* However, some 63 per cent of providers on the Early Years Register have fewer than 50 childcare places (see Ofsted, *FOI: op. cit.*) and fewer than half of settings report turning a profit (see House of Lords Select Committee on *Affordable Childcare*, *op. cit.*)

77 Paull, G., *Can Government Intervention in Childcare be Justified?*, 2014

78 *Ibid.*

than in any other country in Europe, except for Switzerland. The cost of part-time childcare for a family with two children both aged under five is now more than the average mortgage.⁷⁹

Figure 1.16: Typical weekly childcare fees for a full-time nursery or childminding place since 2005



Source: Department for Education, *Review of Childcare Costs: The Analytical Report, 2015*. Updated to include data for 2016

Since more advantaged families play a crucial role in the financial security of providers, it is hardly surprising that they are sought after: this has helped encourage poor practice among providers when it comes to deciding which children can attend. Despite official guidance warning against it, there are reports of childcare providers asking parents to pay top-up or holding fees, or being made to buy additional hours, as a condition of taking up a free place.⁸⁰ A survey conducted in 2010 found that 23 per cent of parents reported that they had been asked to pay for some of the free entitlement, and a further 12 per cent were unsure whether they had been charged top-up fees.⁸¹ In addition, childcare settings are allowed to charge parents to go on waiting lists or ask for deposits to secure a place. A report by Citizens Advice in 2014 found that 40 per cent of childcare providers required a deposit of up to £150, and 24 per cent charged retainer fees to parents so that they could reserve a place.⁸² Some settings have been found to charge up to £600 for a deposit, and such payments are not always refundable.⁸³ Around one in four settings are charging for extras such as lunch or activities, and almost all providers ask for fees to be paid up front. These practices are likely to put low-income families at a further disadvantage when it comes to securing a childcare place, particularly with the most sought-after providers.

A recent report by the London School of Economics and Political Science (LSE), which examined early years funding, confirmed this situation, with one local authority early years manager saying: 'We are getting more and more settings trying to charge top ups, registration fees, deposits, ways of charging for extras from the parent or making families take on extra hours that they don't necessarily want.'⁸⁴ The report also revealed variation among local authorities in how or whether they tackled this problem. One authority had produced a guide for parents regarding their rights, which had resulted in almost 130 cases being referred

79 Family and Childcare Trust, *Election Fact Sheet: Childcare in England, 2015*

80 Fitzpatrick, K., 'The great daycare rip-off: Parents reveal how nurseries are demanding deposits just to secure a place for toddlers', *Daily Mail*, 13 November 2015, www.dailymail.co.uk/femail/article-3276015/FEMAIL-investigation-reveals-parents-forced-pay-hundreds-hidden-fees-just-secure-place-toddler.html

81 Family and Childcare Trust, 'Daycare Trust survey reveals widespread charging of top-up fees for free nursery places', press release, 14 September 2010

82 Citizens Advice, *The Practicalities of Childcare: An Overlooked Part of the Puzzle*, 2014

83 Fitzpatrick, K., op. cit.

84 Noden, P. and West, A., *The Early Years Single Funding Formula: National Policy and Local Implementation*, 2016

to the compliance manager in the previous year. In contrast, while the finance manager was aware of similar issues in another local authority, they took the view that it was not up to the local authority to intervene on additional charges, saying:

*What we can't control is a provider that chooses to be quite creative about how they charge effectively a top up fee... if parents want to pay x amount for the lunch hour, which was disproportionately higher than the cost of that hour, that's a private matter.*⁸⁵

When it came to providers charging parents higher fees for hours purchased beyond the free entitlement, one local authority did not see this as an issue and felt that the onus was on parents to find alternative childcare if they were not happy with what they were being offered.⁸⁶

The research strongly suggests that the childcare system will be able to make dramatic inroads in narrowing the gap in children's outcomes, only if children from poorer families have access to high-quality early years education.⁸⁷ However, the way that the childcare market is functioning has created a situation whereby children in deprived areas are twice as likely to be in childcare provision that is not good enough, compared with the most prosperous areas.⁸⁸ Furthermore, structural and financial restrictions constrain the ability of PVI settings, particularly those located in deprived areas, to improve. Providers serving disadvantaged communities are less able to cross-subsidise their funding with additional hours purchased by parents, as low-income families tend to be less likely to buy extra time beyond the free early years entitlement.⁸⁹ Often, providers in these areas are more likely to be operating to tight margins,⁹⁰ and their ability to hire highly qualified staff or upskill their existing workforce is limited as a result. This is also one of the reasons why childminders and nursery staff are among the lowest-paid groups in the UK labour market.⁹¹

The extension of free childcare to 30 hours per week will alleviate cost pressures for many parents, but it is likely that this policy – taken together with the Government's plans to introduce Tax-Free Childcare and increased support for childcare through Universal Credit – will benefit disproportionately families on higher incomes than those that are struggling to get by. A report by CentreForum found that a two-parent family on the National Living Wage and earning £19,000 a year will receive 20 per cent less childcare subsidy for a child aged three or four, than a two-parent family with annual earnings of £100,000.⁹²

Furthermore, these forms of childcare support will not be available to families where parents in the household earn below a weekly minimum equivalent to 16 hours at the National Minimum Wage.⁹³ This means that the poorest three- and four-year-olds will not be eligible for the extension (as well as the 40 per cent most disadvantaged two-year-olds, who are eligible only for 15 hours of free childcare at that age). Troublingly, there are indications that this could see these groups of disadvantaged children further squeezed out of access to childcare, as eligible three- and four-year-olds will take up twice the number of hours with a provider. An independent feasibility study of the policy, commissioned by HM Revenue & Customs (HMRC), found that constraints on the total hours that can be delivered, such as limited space to expand, could lead to some providers reducing the number of 15-hour places they offer, in order to offer 30-hour places instead.⁹⁴ The original focus of the early education entitlement was on delivering a quality childcare offer to improve children's outcomes,

85 Ibid.

86 Ibid.

87 Taggart, B., Sylva, K., Melhuish, E., Sammons, P. and Siraj, I., op. cit.; Blanden, J., Del Bono, E., Hansen, K., McNally, S. and Rabe, B., op. cit.; Department for Education, *The Early Education Pilot for 2-year-old Children: Age 5 Follow Up*, 2013

88 Ofsted, 'Ofsted calls for unspent millions to benefit two-year-olds', op. cit.

89 Paull, G., op. cit.

90 Reed, J., 'Put disadvantaged children at heart of early years policy – or risk widening the gap at 5', *Ark Online*, 20 June 2016, <http://arkonline.org/blog/put-disadvantaged-children-heart-early-years-policy-%E2%80%93-or-risk-widening-gap-5>

91 Niemietz, K., *Comment: What Kind of Childcare Policy?* 2014; Low Pay Commission, *National Minimum Wage Report*, 2014

92 CentreForum, *Widening the Gap? The Impact of the 30-hour Entitlement on Early Years Education and Childcare*, 2016

93 Ibid.

94 HM Revenue & Customs, *Feasibility Study into Evaluating the Labour and Childcare Market Impacts of Tax-Free Childcare and the Free Early Education Entitlement*, 2016

particularly for the most disadvantaged. The dawn of the new childcare reforms, which are overwhelmingly focused on facilitating parental employment, may well squeeze out the very families who the original policy was designed to help.

Moreover, the extension of free childcare to 30 hours will reduce opportunities for providers to cross-subsidise funding by charging parents more for non-entitlement hours. It might be thought that this would level the playing field between more and less advantaged parents, but it is likely to lead to a further increase in the market rate of childcare outside of the free entitlement. The HMRC-commissioned feasibility study reported that prices could rise to a level that offsets the intended impacts on parental employment.⁹⁵ Alongside this, there is an increased risk that providers will adopt inappropriate admissions practices – such as charging parents to go on waiting lists, or asking for deposits – to make up for the loss in cross-subsidies. This can make it much harder for low to middle-income families to secure a childcare place. While there is a code of practice for providers, enforcement is weak.

That the poorest children could be squeezed out of access to the best-quality childcare is of particular concern. Often, the school-based settings that tend to be highest quality already make a loss due to their accompanying higher costs. If providers decide that for settings such as theirs, the easiest and most financially secure option will be to switch to offering places for 30 hours, the poorest children who are only eligible for 15 hours of free childcare will miss out.⁹⁶ There is a real risk that disadvantaged two-year-olds, and those three- and four-year-olds from families on very low incomes, will be further pushed out of access to settings such as these.

1.3 How are these problems being addressed?

Support for parents

The new Government has yet to set out any concrete plans for supporting parenting or improving early learning in the home. In January this year, the then Prime Minister David Cameron announced that the Government would launch a vouchers-based scheme for universal parenting classes, as part of the planned Life Chances strategy.⁹⁷ This follows a pilot for a similar scheme that occurred as part of the Coalition Government's approach to parenting in 2012.⁹⁸ The pilot was criticised for a lack of take-up among parents.⁹⁹ The number of eligible parents in the trial areas for the pilot was 55,200, but participation was far lower at just 1,819 – less than 4 per cent of the eligible population.¹⁰⁰ The Life Chances strategy, which included a key ambition to better support parents and family life, was due to be published before the parliamentary summer recess. Following the change of government, it is not clear now how this will be taken forward.¹⁰¹ Further information on the universal parenting classes scheme has not yet been published.

One way that the Government is providing support for parenting is by encouraging parents-to-be and new mums and dads to sign up to a digital service to receive emails, videos and texts offering advice based on the stage of the pregnancy or age of the child.¹⁰² In addition, the Department for Education, with 4Children, published a *What to Expect, When?* handbook

95 Ibid.

96 Reed, J. and Morgan, S., op. cit.

97 Prime Minister's Office, Prime Minister's Speech on Life Chances, 11 January 2016, www.gov.uk/government/speeches/prime-ministers-speech-on-life-chances

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

99 Peck, S., 'David Cameron's "parenting classes" flop, as barely any parents show up', *The Telegraph*, 4 April 2014, www.telegraph.co.uk/women/mother-tongue/10745128/David-Camerons-parenting-classes-flop-as-barely-any-parents-show-up.html

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

101 Brown, J., 'Government affirms commitment to life chances strategy', *Children and Young People Now*, 22 July 2016, www.cypnow.co.uk/cyp/news/1158365/government-affirms-commitment-to-life-chances-strategy

102 Department of Health, 'Digital service launched for new parents', press release, 18 May 2012, www.gov.uk/government/news/digital-service-launched-for-new-parents

in 2015, for parents to check their children's development in the first five years and how best to support them.¹⁰³ The Government also announced in January 2016 that it would double funding for relationship support to £70 million over the next five years.¹⁰⁴

A key element of the Government's approach to supporting parenting is the health visitor programme and children's centres. In order to reduce duplication for parents, the Government combined the health and development review (delivered by health visitors) with the Early Years Foundation Stage Progress Check at age two (delivered by early years practitioners in a child's early years setting) into one integrated review at ages two to two-and-a-half.¹⁰⁵ The Government also expects that, as a minimum, every children's centre should have access to a named health visitor.¹⁰⁶

Sure Start children's centres have been a central institution for delivering parenting support since their creation. They are often the mechanism for delivering the parenting programmes that local authorities commission in their areas. However, the Sure Start programme has been deeply affected by the reduction in local authority funding, with outturn spending in 2014–15 some 41 per cent less in real terms than in 2010–11, with further planned reductions in spending for 2015–16.¹⁰⁷ While there were 3,615 designated Sure Start children's centres open in 2010,¹⁰⁸ by the end of 2015 this had fallen to 2,605 main centres, alongside 731 former centres that now offer access to early childhood services. In the three years prior, a total of 259 children's centres closed outright.¹⁰⁹

From October 2015, public health commissioning responsibilities for children aged zero to five were devolved from NHS England to local authorities. The Government believes that this is an opportunity for local authorities to join up the services they commission for all children, as they already hold the responsibility for children aged five to 19. As a result of this devolution, the five mandated health checks will remain mandatory only until March 2017. Currently, the Department for Health and Public Health England are undertaking a review of these new arrangements, and will report back to Government later this year.¹¹⁰ The Family Nurse Partnership, an intensive programme of home visits for first-time teenage parents, is among the programmes for which commissioning responsibility has been devolved.¹¹¹ While the evidence on this programme from the USA has been positive, a recent evaluation of its application in England has indicated that the expected improved health outcomes have not yet been realised.¹¹²

Availability of quality childcare in deprived areas

Within the increased investment for the free entitlement, the Government has allocated £50 million of capital funding to build up capacity and create additional childcare places.¹¹³ It announced in April this year that it would target the funding towards those areas where there is greatest need for additional places, and invite local authorities to bid for the funding. In addition, it was announced that childcare would be included in the Cabinet Office's Cutting Red Tape Review, in order to consider whether bureaucracy surrounding encouraging new providers into the sector or existing providers to expand, could be reduced.¹¹⁴

The Government's approach to advancing childcare quality has included an intention to improve qualifications among the early years workforce. A review was conducted of the Early

103 Department for Education and 4Children, *Foundation Years: What to Expect, When? A Parents' Guide*, 2015

104 Prime Minister's Office, 'PM: Families are the key to ending poverty', press release, 10 January 2016, www.gov.uk/government/news/pm-families-are-the-key-to-ending-poverty

105 Department for Education, *Implementation Study: Integrated Review at 2–2½ Years – Integrating the Early Years Foundation Stage Progress Check and the Healthy Child Programme Health and Development Review*, 2014

106 Department for Education, *Sure Start Children's Centres Statutory Guidance*, 2013

107 House of Commons Briefing Paper, op. cit.

108 Hansard, Col. 680W, 18 December 2013

109 House of Commons Briefing Paper, op. cit.

110 Department of Health, *Services for Children aged 0 to 5: Transfer to Local Authorities*, 2015

111 Ibid.

112 Department of Health, *The Building Blocks Trial: Evaluating the Family Nurse Partnership Programme in England*, 2014

113 Department for Education, *Childcare Bill: Policy Statement*, 2015

114 Department for Education, 'Next steps for delivering landmark childcare offer unveiled', press release, 3 April 2016, www.gov.uk/government/news/next-steps-for-delivering-landmark-childcare-offer-unveiled

Years Professional Status standards,¹¹⁵ which were subsequently replaced by the Early Years Teacher Status (EYTS) in September 2013.¹¹⁶ The intention was that the new qualification would be equivalent to Qualified Teacher Status (QTS), with the same entry requirements, including passing the skills tests, as trainee primary school teachers. However, a significant difference is that there is no national pay scale for EYTS, and those who qualify do not gain QTS.¹¹⁷ Consequently, staff with EYTS are often paid less, and have fewer opportunities for progression than their school counterparts.¹¹⁸

Alongside this, the Government introduced the Level 3 Early Years Educator qualifications from September 2014. At the same time, it raised the bar for entry to Level 3 early years qualifications to include GCSE grade C or above in English and maths.¹¹⁹ However, since this requirement was introduced, there have been concerns that it has created challenges for recruitment. The number of trainees starting a Level 3 qualification in the sector has fallen by 32 per cent¹²⁰ and a survey of further education providers revealed that around three-quarters of colleges have seen a decline.¹²¹ As a result, ministers recently launched a consultation seeking views on whether to amend the GCSE requirement.¹²² Additionally, the Department for Education is in the process of developing a workforce strategy that will review both career progression routes in the early years sector, and examine ways to improve quality.¹²³

Incentives to support disadvantaged children and families

The Government introduced the Early Years Pupil Premium (EYPP) in 2015. This provides additional funding to childcare providers for disadvantaged three- and four-year-olds, if they receive the free early education entitlement.¹²⁴ The national rate for EYPP in 2015–16 is £302.10 for each eligible child that takes up their full-funded entitlement of 570 hours (reduced pro rata for those taking up less than their full entitlement – the equivalent of 53p per child per hour of childcare).¹²⁵ The total value of the EYPP budget in 2015–16 was £50 million.¹²⁶

In order for the extension of the free entitlement to be implemented successfully, childcare providers will need to be persuaded to switch from parent-funded hours to government-funded hours. However, market rates in childcare currently exceed the hourly funding level allocated by the Government for free entitlement. To encourage providers to offer the 30-hours policy, the Government plans to implement an early years national funding formula to distribute funding more fairly and effectively across local areas.¹²⁷ Within this reform, the Government has pledged to uplift the universal base funding rate to childcare providers from £4.56 to £4.83 per hour for three- and four-year-olds,¹²⁸ and from £5.09 to £5.39 per hour for two-year-olds.¹²⁹ The essence of the reform is redistributing funds from some local authorities and types of childcare provider to others. Presently, it is local authorities in areas of higher deprivation that typically spend more across all types of childcare provision;¹³⁰ and it is school-

115 Department for Education, *Review of the Early Years Professional Status Standards*, 2012

116 Department for Education, *Teachers' Standards (Early Years) from September 2013*, 2013

117 Department for Education, *More Great Childcare*, 2013

118 Scott, S., 'Early years teacher shortage as courses face closure', *Schools Week*, 29 January 2016, <http://schoolsweek.co.uk/early-years-teacher-shortage-as-courses-face-closure>

119 Department for Education, *More Great Childcare*, op. cit.

120 From 15,280 in 2013/14 to 9,600 in the data available to date for 2015/16. Skills Funding Agency, *Apprenticeships by Framework, Level and Age: Starts 2002/03 to 2015/16 reported to date*, 2016

121 Professional Association for Childcare and Early Years, 'PACEY research confirms early years recruitment crisis', press release, 11 July 2016, www.pacey.org.uk/news-and-views/news/archive/2016-news/july-2016/pacey-research-confirms-early-years-recruitment-cr

122 Department for Education, *Sam Gyimah: Vision for Early Years Workforce and Millie's Mark*, 2016

123 Department for Education, *Sam Gyimah: We are in a Golden Age of Childcare*, 2015

124 Department for Education, *2010 to 2015 Government Policy: Childcare and Early Education, Appendix 6: Early Years Pupil Premium*, 2015

125 Department for Education, *Early Years Pupil Premium: Guide for Local Authorities*, 2015

126 Department for Education, *2010 to 2015 Government Policy*, op. cit.

127 Department for Education, *Government Consultation: An Early Years National Funding Formula*, 2016

128 Excluding the EYPP spend (around 5p per hour per eligible child)

129 Department for Education, *Government Consultation*, op. cit.

130 Noden P. and West, A., op. cit.

based childcare, which is generally considered the highest quality, that traditionally receives higher rates of funding from local authorities for the accompanying higher staffing costs.¹³¹

While it is expected that the majority of local authorities will gain through the funding formula, some of the currently higher-funded local authorities would see a reduction. To offer some protection to areas and providers that are set to lose out, the Government has proposed transitional arrangements so that no local authority would lose more than 5 per cent in their hourly funding rate in any year. Overall, it is expected that local authorities would not see more than a 10 per cent fall in their childcare funding by the time that the reform is fully implemented in 2020.¹³²

The Government also plans to require local authorities to fund all settings with a single base rate, rather than different rates, for different types of childcare provision. In the first year of implementation, local authorities will be required to pass on 93 per cent of central government funding to providers, rising to 95 per cent thereafter. This is intended to reduce excessive central spending and maximise funding to childcare providers.¹³³ In addition, the formula would top up funding according to an additional needs factor of children in the local area, including a weighting for the proportion of children eligible for FSM, and an area costs adjustment to reflect variations in local costs. At the moment, local authorities have the freedom to apply a quality supplement of additional funding in their local funding formula, in order to incentivise providers to improve their quality. The Government has said that it is minded to remove this in the national funding formula.¹³⁴

Given that traditionally, maintained nursery schools – the majority of which are located in deprived communities – have received higher rates of funding from local authorities to pay for higher structural and workforce costs, there has been some concern that their quality and viability will be negatively affected by the proposed early years national funding formula.¹³⁵ The consultation plans include a commitment from the Government to provide supplementary funding of £55 million for these settings for at least two years, to support their transition to the fair funding formula.¹³⁶

While there is still some way to go until the Government achieves maximum take-up of the disadvantaged two-year-old offer, the number of families that secure a place has increased each year since the policy's introduction in 2013 (see Figure 1.17). To date, 68 per cent of the two-year-olds eligible for a free childcare place receive one (although 80,000 eligible children do not).¹³⁷

131 The average hourly payment to PVI providers was £3.96 in 2014–15, compared to £4.08 for nursery class provision and £7.13 for maintained nursery school provision (see Noden, P. and West, A., op. cit.)

132 Department for Education, *Government Consultation: An Early Years National Funding Formula*, 2016

133 Ibid.

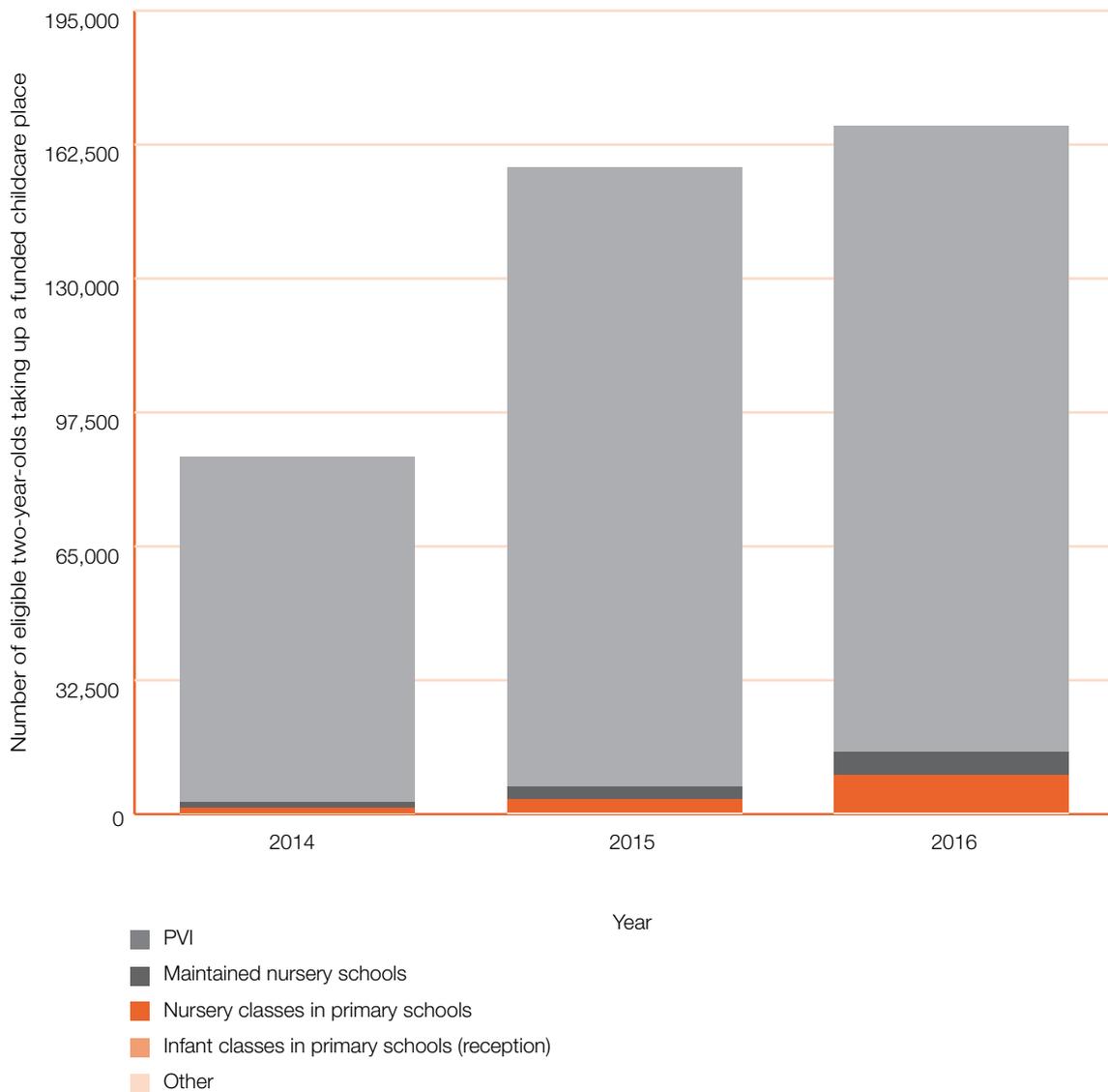
134 Ibid.

135 National Union of Head Teachers, 'New government funding proposals will force nursery schools to close, warns NAHT', press release, 21 September 2016, www.naht.org.uk/welcome/news-and-media/key-topics/funding/new-government-funding-proposals-will-force-nursery-schools-to-close

136 Department for Education, *Government Consultation*, op. cit.

137 Ofsted, *Helping Disadvantaged Young Children: How Good are Local Authorities and Early Years Providers?*, 2016

Figure 1.17: Number of eligible two-year-olds taking up a free childcare place, by type of childcare provider



Source: Department for Education, *Education Provision: Children Under 5 Years of Age, January 2016*, 2016

In order to make sourcing support for childcare more user-friendly for parents, the Government is developing a joint online application system for both the Tax-Free Childcare and 30 hours-free childcare offers. This is in line with a recommendation in the Commission’s last annual report, and is welcome. In September, the Government announced a trial for the joint service would be run ahead of the introduction of Tax-Free Childcare in early 2017.¹³⁸

¹³⁸ Hansard, *Delivering the New Childcare Offer: Trial of the Joint Childcare Service*, Written Statement, HCWS160, 2016

Scotland and Wales

At present, all three- and four-year-olds in Scotland are entitled to 600 hours per year (or 16 hours per week) of free early education. Disadvantaged two-year-olds – about 27 per cent of that age group – are also eligible for this childcare offer.¹³⁹ The Scottish Government plans to increase the entitlement to 1,140 hours (30 hours per week) for all these groups of children by 2020 – including the poorest three- and four-year-olds and disadvantaged two-year-olds that are set to be excluded from the offer in England.¹⁴⁰ In addition, the Scottish Government has pledged that every nursery in the poorest neighbourhoods in Scotland would have an extra qualified teacher or childcare graduate by 2018.¹⁴¹

Recently, the Scottish Government announced plans to reform the way the childcare system is funded in Scotland. Currently, most of Scotland's childcare provision is concentrated in the state sector and local authorities decide what childcare places are offered to parents. This new reform would mean parents will be able to choose any nursery or childminder for their child's free place and ask the local authority to fund it, as long as the provider meets agreed standards.¹⁴²

In Wales, all three-year-olds and four-year-olds are currently entitled to ten hours per week of free early years education.¹⁴³ In addition, Wales has the Flying Start programme, which aims to provide intensive support services for children aged zero to three and their parents, targeted at those families who live in deprived areas. A range of parenting programmes are delivered through this programme, as well as 12.5 hours free childcare per week for two- and three-year-olds in Flying Start areas.¹⁴⁴

Recently, the Welsh Government announced it would increase the free childcare entitlement to 30 hours per week for three- and four-year-olds with parents in work. This offer will be available for 48 weeks per year, in comparison to England where the 30-hours offer will be available for 38 weeks or the equivalent number of hours across more weeks per year.¹⁴⁵ In 2014, the Welsh Government published a ten-year plan for the development of the early years workforce. As part of this plan, reforms include improving professional development for early years staff and attracting high-quality entrants to the sector.¹⁴⁶

1.4 How should more progress be made?

Support for parents

We know that the way in which parents interact with their children is vital for their development, and yet the level of support that parents themselves get is extremely patchy. In the years preceding school, there is a lack of support available to help parents balance work and family life, and to enable all parents to provide the best environment for early learning at home. The Government should identify the key points during this period that could act as a gateway for parents to access support, if they should want or need it. An obvious candidate is the 2 to 2½-year review, which is around the time that the Government's free childcare entitlement offer begins. As mentioned previously, one in four children still do not receive their

139 Joseph Rowntree Foundation, *Creating an Anti-poverty Childcare System*, 2016

140 Scottish Government, *Increasing the Hours of Free Early Learning and Child Care Provision*, 2015

141 Scottish Government, 'Priorities speech - Taking Scotland Forward', press release, 25 May 2016, <http://news.gov.scot/speeches-and-briefings/priorities-speech-taking-scotland-forward>

142 Parkes, J., 'Scotland consults on childcare funding reforms', *Nursery World*, 18 October 2016, www.nurseryworld.co.uk/nursery-world/news/1159277/scotland-consults-on-childcare-funding-reforms

143 Joseph Rowntree Foundation, 2016, op. cit.

144 Welsh Government, *Flying Start*, last updated 30 September 2016

145 Welsh Government, *Taking Wales Forward 2016-2021*, 2016

146 Welsh Government, *Written Statement - 10 Year Early Years, Childcare and Play Workforce Plan*, last updated 9 March 2016

review. For those that do, it is the responsibility of the practitioner who carries out the review to identify if the child or parent needs any support. Currently, there is no central record of which families are referred to a programme. It is up to local areas to identify the best way to conduct the review, which means that some will be joint assessments involving health visitors and early years practitioners, alongside the family, and others will be carried out by one practitioner, with the information shared before or after.

In a recent survey of early years provision for disadvantaged children, Ofsted has identified that where provision is strongest, there is a joined-up service between education and health professionals. However, one-third of the local authorities that Ofsted visited did not have a coordinated, strategic approach to tackling the issues that disadvantaged children and their families face.¹⁴⁷ At present, the 2 to 2½-year review represents a missed opportunity in providing support to help families with the transition to childcare and to spot early development needs. The Government should act to rectify this, and support all local authorities to deliver closer collaboration between health and education practitioners.

The 2 to 2½-year review: local authority case studies

A 2015 study by the National Children's Bureau has examined how two local authorities deliver the integrated 2 to 2½-year review:¹⁴⁸

- Islington, with the joint meeting model, in which early years and health practitioners come together to deliver the review in one meeting with the parent and child
- Warwickshire, with the separate meetings model, in which early years and health practitioners carry out their own parts of the review in separate meetings with the parent and child, and then share the information with each other

In Islington, the Integrated Review meetings are carried out in early years settings. Children who are not accessing any services such as childcare at this time are given a universal health check at their home. Islington has devised its own review form to capture information on the child's development from three perspectives: the child's early years practitioner, the health practitioner and the parent.

Brief pre-meetings between the practitioners have been introduced to ensure both are clear on their individual roles in the process and to decide who will lead the meeting. In addition, training sessions are delivered so that early years and health practitioners can learn about each other's roles and share best practice, such as on resolving differences of opinion.

The joint meeting model in Islington has been viewed as successful in developing a greater shared understanding of practitioner roles, as well as stronger relationships between health visitors and early years settings. Practitioners report a greater awareness of what an assessment of the whole child involves and a growing willingness to discuss any concerns about a child. However, some health visitors have found that it is difficult and time-consuming to engage PVI settings. Parents report positive experiences of the meeting, that they feel centrally involved in the process, and that the review can prompt them to attend to issues that they may not have prioritised previously, such as children's sleep patterns or making dental visits.

In Warwickshire, the separate meetings model was chosen due to cost and time restraints. The reviews are carried out either at the children's centre or health clinic that the health practitioner is attached to, or at the child's home.

It was identified that this model works best where both practitioners are proactive in developing a relationship. In reality, this has been tough as early years settings tend not to have a named link health practitioner, and there are constraints around sharing

¹⁴⁷ Ofsted, *Unknown Children – Destined For Disadvantage?*, 2016

¹⁴⁸ National Children's Bureau, *The Integrated Review: Follow-up Report on Practice in Two Local Authority Areas*, 2015

data and identifying two-year-olds and the early years settings they attend. Early years practitioners report that they have no direct contact with health practitioners either before or after the review meeting and rely on verbal feedback from parents to find out about the meeting. While parents generally report that they find the process a positive experience, in situations where the opinion of the practitioners does not match, parents can be left feeling confused and anxious.

Both local authorities face a key challenge in not being able to share information electronically between early years and health because of data protection and data sharing protocols. However, the joint meeting model in Islington helped practitioners to partially overcome this obstacle. Instead in Warwickshire, the reliance was on parents to pass on paper-based information between early years and health practitioners.

Health visitors are a key point of contact for parents in the antenatal period and the first two years following the birth of their child, and it is welcome that the Government has increased the size of the health visiting workforce. By 2015, an additional 3,837 health visitors had been recruited¹⁴⁹ – 91 per cent of the 4,200 target the Coalition Government set itself in its 2011 social mobility strategy.¹⁵⁰ Nonetheless, the support available to parents through the health visiting programme is still too limited and varied. There is evidence that the rise in health visitor numbers overall is masking shortages in the number of practitioners in parts of the country, which is leading to less than comprehensive coverage, particularly in London.¹⁵¹ The health visitor programme has untapped potential to go further as a mechanism for parental support, but it is imperative that the Government and local authorities act quickly to close this gap in provision in the programme. In addition, the Government should review whether early intervention funding is providing adequate funding for local authorities to protect and deliver fundamental services for supporting parents via Sure Start children's centres.

While the Government should consider how it can get support to parents with a particular focus on the home learning environment, it should not be forgotten that other factors also go some way to explaining the gap in child outcomes at the age of three. For example, the level of education that parents have reached also has significant influence.¹⁵² The Department for Education's expanded remit presents a renewed opportunity for the Government to consider innovative and holistic approaches to improving adult education and increasing parents' skill levels, with a view to improving child development. In the short term the Government should review the research in this field, and commission and evaluate trials of relevant programmes to examine the case for intervention.

Availability of quality childcare in deprived areas

Currently, the childcare market is not functioning to prioritise the improvement of quality, particularly for disadvantaged children. For example, the number of maintained nursery schools has been allowed to fall, despite generally being considered to be the highest quality provision, often located in disadvantaged areas.¹⁵³ Much of the estimated expansion in childcare places in recent years has been a response of providers to the extension of the free entitlement offer from 12.5 hours to 15 hours for three- and four-year-olds, and to disadvantaged two-year-olds.¹⁵⁴ The Government believes that the extension to 30 hours provides an opportunity for further growth in the childcare market.¹⁵⁵ So far, however, it

149 NHS Digital, *NHS Workforce Statistics – September 2015, Provisional Statistics*, 2015

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

151 Ford, S., 'Official figures confirm health visitor target missed', *Nursing Times*, 2 July 2015, www.nursingtimes.net/roles/district-and-community-nurses/official-figures-confirm-health-visitor-target-missed/5087395.article

152 Goodman, A. and Gregg, P., op. cit.

153 Nuffield Foundation, op. cit.

154 Department for Education, *Government Consultation: Childcare Free Entitlement: Delivery Model*, 2016

155 Ibid.

has only allocated £50 million of capital funding to facilitate the creation of around 45,000 places,¹⁵⁶ and it is unlikely that deprived neighbourhoods, where demand is currently weaker, will see much of this money. Consequently, the funding is unlikely to deliver a significant increase in high-quality childcare in the areas where provision is weakest and where parents have limited options for outstanding pre-school education.

The Department for Education estimates that the additional 15 hours will be accessible by 42 per cent of three- and four-year-olds – assuming no behavioural change from parents.¹⁵⁷ This suggests significant deadweight for a policy designed to help more parents into work, or to work more hours. If the extension to 30 hours does generate significant behavioural change from parents, the Government will have to act quickly to ensure that there is enough capacity and funding in the childcare system to offer high-quality childcare places to the families that require them. If evaluation of the pilot of the 30-hours offer indicates that this is a possibility, the Government must commit to supporting providers to deliver the places required, without risking quality or considering pausing the roll-out of the full policy.

It is welcome that the Government has pledged to protect funding for maintained nursery schools for at least two years, but it is unclear what happens beyond this point. Without protection after two years, the quality of these settings could be threatened, as they no longer may be able to afford highly qualified staff. Some could try to make up for the loss of funding by contracting out to a voluntary provider, avoiding the requirement to have a qualified teacher altogether.¹⁵⁸

The Government should go further to guarantee the viability and quality of maintained nursery schools. Furthermore, it should increase the availability of nursery classes based in schools in disadvantaged areas. These settings have the advantage of access to a workforce of highly qualified professionals, and are more able to plan for the transition of children to school from childcare. More school-led provision – or closer collaboration between schools and childcare providers – would encourage higher expectations of children at age five, and a smoother transition at this key point in a child's life. A long-term priority for the Government should be to build a more school-led and collaborative childcare system, particularly in deprived communities.

Recognising that quality in the early years is important, the Government has attempted to raise standards through reforms to workforce regulations. Sadly, its efforts so far have been largely unsuccessful. Despite worthwhile attempts to introduce a higher status qualification for professionals in the early years that is more aligned with the teaching profession, the decision to exclude early years teachers from receiving QTS has meant that it has not proven to be a popular choice for graduates. Many potential applicants prefer the primary QTS course, specialising in the three to seven age group, which does not close doors to working in maintained schools as a qualified teacher.¹⁵⁹ There are also larger bursaries and loans available during study. No attempt has been made to align the pay and conditions of early years teachers with those in schools, undoubtedly because that would require additional funding due to the tight margins under which most providers operate.

Without the parity of progression and status, the reform has struggled. At least 18 accredited Early Years Initial Teacher Training providers cancelled their courses for September 2016.¹⁶⁰ At the same time, while the English and maths GCSE requirements for Level 3 staff are well intentioned, they have made it harder to recruit staff. Around four in ten 16-year-olds do not attain at least a grade C in English and maths at GCSE, and just 35 per cent of white British girls who are eligible for FSM – the socioeconomic group that forms the majority of the childcare workforce at present – achieved this level last year.¹⁶¹

156 House of Commons Briefing Paper, *Children: Introduction of 30 Hours of Free Childcare (England)*, 2016

157 Department for Education, *Review of Childcare Costs: The Analytical Report*, 2015

158 Stewart, K. and Gambaro, L., 'Government plans will reallocate nursery funding from poorer to richer children – and no one seems to notice', op. cit.

159 Crown, H., 'Providers cut EYT courses due to low demand', *Nursery World*, 2 May 2016, www.nurseryworld.co.uk/nursery-world/news/1157040/providers-cut-eyt-courses-due-to-low-demand

160 Ibid.

161 Department for Education, *Revised GCSE and Equivalent Results in England: 2014 to 2015*, 2016

The Commission believes that the English and maths requirement is a positive reform for social mobility, provided there is a more concerted effort to raise the bar in literacy and numeracy skills among those young people who choose to work in early years professions. In the long-term, the reform could lead to a lift in standards in English and maths among disadvantaged young women. In addition, it could prove to be a step towards better alignment between the childcare and school systems, which could lead to greater fluidity between their workforces. Through its consultation on the GCSE English and maths requirement, the Government should consider how to implement a more joined-up approach within its early years workforce strategy, to raising the bar in literacy and numeracy. Again, the expanded remit of the Department for Education, which now includes adult skills, presents an opportunity here. Moreover, the Government should consider how to support post-16 education institutions, particularly further education colleges, with the resit requirement for those young people who did not get a grade C in English and maths at the end of Year 11. It could support the expansion of Teach First into further education, to ensure that there are more specialist English and maths teachers working with young people who are resitting these exams. It also should consider funding secondments for English and maths specialists not in teaching, to support the delivery of resits in colleges.

Incentives to support disadvantaged children and families

The Government must consider the levers available to mitigate the unintended consequences of the extension of free childcare. The introduction of the EYPP is a welcome move, but it is considerably less than its schools equivalent, at £302.10 per eligible three- and four-year-old, compared to £1,320 for eligible primary school children.¹⁶² This means that disadvantaged four-year-olds in school reception classes will be eligible for more than £1,000 more in Pupil Premium funding than disadvantaged four-year-olds in other childcare settings.

Alongside reviewing these discrepancies, the Government should consider how it can use the EYPP to give disadvantaged children more purchasing power in the childcare market, and prevent the 30-hours policy from having a negative impact on early years equity objectives. Furthermore, the Government should review the code of practice for childcare providers. It is noteworthy that there is a much stricter approach to enforcement in relation to school admissions and charging policies.

The principle of moving towards an early years national funding formula to eradicate historic and unjustifiable discrepancies in the distribution of funding is a sensible reform. However, independent analysis of the Department for Education's proposed funding base rate suggests that the cost of delivering childcare for PVI providers has been underestimated, leaving an annual shortfall of £467.40 per three- and four-year-olds taking up 30 hours of free childcare, and £233.70 for those taking up 15 hours. In addition, the analysis suggests that if there were full take-up of the two-year-old offer, PVI providers would face an annual shortfall of £456 per child.¹⁶³ There is some concern that the proposed funding base rate does not sufficiently take into account the increase in the National Minimum Wage from April 2017, which will affect the vast majority of childcare providers.¹⁶⁴

Furthermore, while the majority of local authorities will see an overall increase in their funding rate for the free entitlement, analysis of the plans that are currently out for consultation suggest that 62 local authorities will see a reduction in either their overall funding rate, the average rate paid to PVI providers, or the average rate paid for maintained nursery class provision.¹⁶⁵ These areas include roughly equal numbers of the Commission's recognised social mobility coldspots and hotspots, alongside many areas which are neither.¹⁶⁶ There is

¹⁶² Department for Education, *Pupil Premium 2015 to 2016: Conditions of Grant*, 2016

¹⁶³ Ceeda analysis produced for the Pre-School Learning Alliance. Hansard, *Written evidence submitted by the Pre-school Learning Alliance to the Childcare Bill (CB 08)*, 2015

¹⁶⁴ Ibid.

¹⁶⁵ Noden, P. and West, A., op. cit.

¹⁶⁶ The 62 local authorities that will see some form of reduction in funding cover 155 local authority districts that have been ranked in the Social Mobility Index. Of the 155 districts, 27 are identified as social mobility hotspots, 29 as coldspots and 99 as neither. Social Mobility Commission, *The Social Mobility Index*, 2016

significant variation in the distribution of childcare funding within local authorities and between different types of childcare provision, meaning that there will be considerable variation as to how local areas and settings are affected.¹⁶⁷ Any loss of funding either through the 30-hours policy or funding formula reform to providers in disadvantaged areas will pose a risk to their viability, or take these settings further away from being able to improve quality.

At the same time, the Government has stated that it is minded to remove the quality supplement that local authorities can use as a lever to incentivise providers to improve quality. The rationale that quality should be assumed across all settings is understandable. If the Government decides to match that assumption with funding that allows all providers to employ qualified teachers, the Commission would welcome this. However, in reality, the decision to remove the quality supplement will prevent local authorities from maintaining their own funds to prioritise improving quality, and could lead to a race to the bottom in quality of childcare.

As a result of the requirement to pass 95 per cent of central funding directly to providers, some local authorities may lose funding overall, while providers within the local authority will gain. Although this may encourage more providers to offer the Government's 30-hours policy, there will be no obligation on the providers to spend this money on improving quality – and local authority professional development services that aim to do so, and are paid for out of retained funds, may be lost.

It is worth noting that even after this substantial reform there will still be an inherent unfairness in early years funding. The Government's decision to include an area costs adjustment to reflect local costs means that many providers will receive additional funding in areas where property costs are high. While this sounds sensible, the childcare market is a mixture of private and maintained settings, some of which have very different needs when it comes to day-to-day building costs. Rather than allowing local authorities to have different base rates for different types of provision, the move towards a single base rate means that the funding formula will not distinguish between these. Consequently, schools-based provision with lower property costs in advantaged areas where the housing market is booming, such as Kensington and Chelsea, will be substantially better off than their PVI counterparts in their area or, indeed, elsewhere. The reality is that the funding reform will create a significant degree of transfer in funding across local authorities, within local authorities and between different types of provider. The Government must proceed carefully, and make sure that its proposed funding reforms do not unleash considerable instability in the early years sector.

In the longer term, the Government should review its childcare funding streams and assess the most effective way of meeting its objective for childcare policy. The Government should consider relevant examples from how other countries distribute childcare funding to support reducing inequalities in the early years. For example, in Norway which, like England, utilises a mixed-market approach to childcare with public and private providers, an income-related cap on parental fees is set by Parliament annually: in 2014/15, this cap was set at around £216 per month.¹⁶⁸ Municipalities in Norway are obliged to offer subsidies for poorer families, with devolved responsibility for setting the cap for low-income families. In Norway nationally, just 20 per cent of childcare funding is met by parental contributions,¹⁶⁹ and the approach has been successful in increasing the use of childcare by low-income families. The Government should consider whether the English childcare system could be simplified into one funding stream that caps parental contributions, with lower maximum fees for poorer families.¹⁷⁰

167 Hourly funding rates allocated by central to local government range from as little as £3.24 to £9.17 per hour, with the average payment for PVI provision ranging from £3.24 to £5.23 per hour, and £2.64 to £5.62 per hour for nursery class provision. Much of this disparity is attributed to historic local decision-making, rather than current costs of childcare or characteristics of children living in the area (see Noden, P. and West, A., op. cit.)

168 Joseph Rowntree Foundation, op. cit.

169 Ibid.

170 Ellingsaeter, A., 'Towards universal quality early childhood education and care: The Norwegian model', in Gambaro, L., et al (Eds.), *An Equal Start? Providing Quality Early Education and Care for Disadvantaged Children*, 2014, 53–76

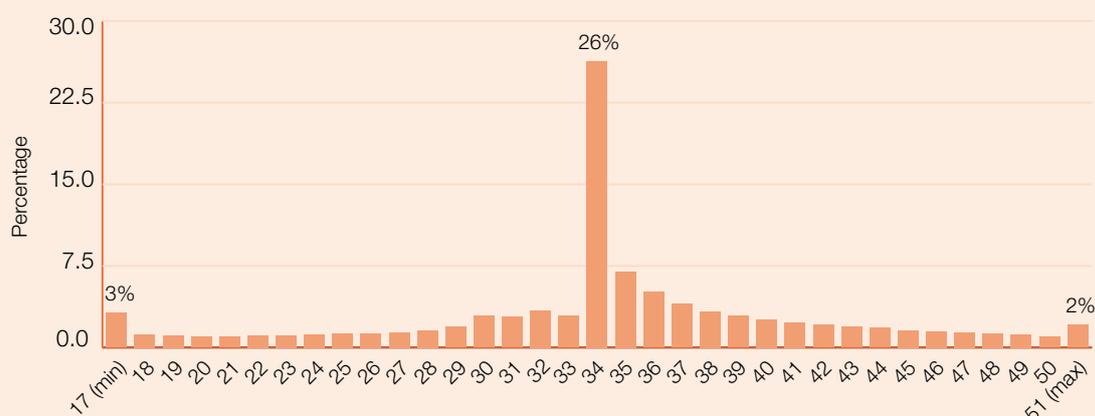
Measuring school-readiness

Regular, robust data of child outcomes in the early years is very limited. Last year's annual report highlighted the striking lack of consensus about what the term school-readiness actually means. There is no nationally agreed definition and in its absence, measurement of the level of development children have reached in the early years is limited to the EYFSP. This measurement, however, was designed to be carried out after children have been in school for a year, adding to the confusion around what is meant by 'school-readiness'.

The Government had planned to scrap the EYFSP as a mandatory measure from September 2016 and introduce a baseline assessment in the first few weeks of reception class.¹⁷¹ This would enable the Government to calculate how much progress children have made during primary school, rather than just attainment at the end of Key Stage 2. Following a comparability study of the different options for the baseline assessment, it was announced that this would not be introduced as an accountability measure this year. Instead, primary schools could opt in to use the assessment if they wish, and the Government has announced that the EYFSP will continue to be mandatory in both the 2016/17 and 2017/18 academic years.¹⁷²

It is understandable that the Government has decided to retain the EYFSP as a mandatory assessment for 2016/17, but in its current form this measure is flawed. The latest results demonstrate that there is a dramatic spike in the proportion of children reaching the expected level score of 34, and that the score either side of this mark is not as evenly distributed as might be expected (Figure 1.18). A score of 34 has become increasingly common year-on-year, while the difference between the proportion of children achieving scores just above or below has become more stark. Between 2014 and 2015, only one local authority, Shropshire, recorded a fall (of 2 per cent) in the proportion of children eligible for FSM reaching a good level of development by the age of five in the EYFSP. On the other hand, many local authorities have recorded substantial increases from one year to the next, such as Bath and North East Somerset, which saw the proportion of children eligible for FSM achieving this level jump by 21 per cent in one year.¹⁷³

Figure 1.18: Distribution of points in the Early Years Foundation Stage Profile, 2016



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

Assessment of young children's development is vital, both for helping schools and parents to understand the areas in which children might need extra help, and for the Government to understand which groups of children in the country are at risk of

171 Scott, S., 'Government u-turn on early years foundation stage profile after baseline scrapped', *Schools Week*, 11 August 2016, <http://schoolsweek.co.uk/government-u-turn-on-early-years-foundation-stage-profile-after-baseline-scrapped>

172 Ibid.; Hansard, *Primary Education: Written Statement*, HCWS203, 2016

173 Department for Education, *Early Years Foundation Stage Profile*, 2015

falling behind. Any loss of faith in assessment data in the early years is likely to make it harder to identify which children may have gaps in their development, and reduce efforts to ensure that all children fulfil their potential to a guessing game. Recently, the Government announced that early next year it will consult on primary assessment and the implications for accountability, including the best starting point to measure the progress that children make in primary school, and the role and operation of teacher assessment.¹⁷⁴ This is welcome. It is imperative that this consultation process includes consideration of what an accurate and fair indicator for school-readiness looks like. The Commission recommends that the Government reviews whether the EYFSP is such a measure and, if not, replace it or reform it with the appropriate moderation to ensure it is accurate.

1.5 Conclusion and recommendations

There is too little support available to parents in the earliest years of their child's life, and the accessibility of what is available is extremely varied and patchy. If social mobility is to be improved, the Government needs to put an end to the stark variation in provision, and guarantee parents that wherever they live, they can access the support that they need for their child.

Over time, the Government has become a major purchaser in the childcare market, but parents who are struggling to get by are not getting a fair deal. There is enormous variety in the affordability, accessibility and quality of childcare available to families, from one part of the country to another. There is also a stark social gradient in the availability of good and outstanding childcare provision. Consequently, where the most disadvantaged families take up their free childcare entitlement, they are more likely than their wealthier counterparts to secure childcare places that are not of high enough quality to provide the care needed to narrow gaps and ensure that children start school with a good level of development.

This is particularly concerning, given the evidence that low-quality childcare can have a negative impact on cognitive development for some children. The Government should set out a strategy for how to address this, increasing the availability of high-quality childcare for disadvantaged parents, and encouraging formal collaboration between high-performing schools and early years providers in deprived neighbourhoods.

All of the 40 per cent most disadvantaged two-, three- and four-year-olds are now eligible for 15 hours of free early years education. This is set to increase to 30 hours for three- and four-year-olds with parents in work. The extra investment and focus on childcare policy is welcome, and reflects the growing recognition of the importance of the early years for social mobility. There is, however, a very genuine risk that this policy could squeeze disadvantaged children further out of the highest quality settings. The Government must consider urgently how to mitigate the unintended consequences of its policy.

If the Government puts reducing inequalities in the early years at the heart of its social mobility agenda, the consequences could be transformational. It could eliminate (or at least reduce) the attainment gap that is apparent at age three, and grows bigger as children move through the education system. It could achieve this by ensuring that support for parents is more readily available and accessible while their children are younger than three, and by getting early years services focused on ensuring that all children are school-ready at age five. This approach should form a core part of a ten-year programme of social reform.

¹⁷⁴ Hansard, *Primary Education: Written Statement, HCWS203*, 2016

As part of a ten-year programme of social reform, we recommend the following:

Recommendation 1: The Government should introduce a package of support for parents at key transition points in family life. Parents should be given a guarantee that they will receive appropriate support if their child's 2 to 2½-year check shows them falling behind

The Government should aim for all parents who want it to have access to the support they need to provide an environment at home that fosters their child's development. Many first-time parents are eager for more advice in the first weeks and months after their baby is born, and this is a chance both to provide more information about the importance of early learning, and to signpost parents to resources that might help. Returning to work after having a child can be a demanding experience, as the dynamics of how family life and work interact shift fundamentally. It is also striking that follow-up to the 2 to 2½-year review is patchy, uncoordinated and inconsistent. Some areas are better than others at bringing together health visitors and early years practitioners to collate a joined-up assessment of a child's development. The proportion of children that receive their review is still far too low, and in most cases little information is collected – on both the subsequent support offered to parents, and the impact that these services have on child development or family life. Finally, disadvantaged families often find it difficult to navigate the local childcare and schools systems.

The Government should introduce a package of support for parents at the key transition points in the early years of family life, to enable all parents to provide the best environment for early learning at home. These include becoming a parent, returning to work, accessing childcare and their child's transition to school. In particular, the 2 to 2½-year review is a pivotal opportunity to offer support that should not be missed by the Government. To ensure that this is an effective identification point for children that may be behind in their cognitive or social and emotional development, the Government should require that wherever possible, all 2 to 2½-year reviews are fully integrated. Local authorities should adopt the joint-meeting model, involving health visitors, early years practitioners and parents, for all children who attend childcare at this age. The Commission suggests the following as an example of a universal package of support that could be transformational for parents and children:

Becoming a parent

- The Government should enable the NHS to offer parenting classes for first-time parents in the first few weeks after birth, alongside revived NHS antenatal classes.

Returning to work

- The Government should form an agreement with employers, whereby they are expected to include a returner's package of support for parents in their maternity and paternity leave policies.
- It would be up to employers to determine what this package looks like. For example, they could run a programme on balancing work and family life.

Accessing childcare

- The Government should introduce a parental guarantee that wherever you live in the country, if your child is behind in their cognitive or social and emotional development in the early years, you will be able to access an evidence-based programme¹⁷⁵ to help them catch up. The 2 to 2½-year check is a key identification point.
- The Government should place a new duty on local authorities to signpost parents who are disadvantaged, or struggling to get by, to the best local childcare provision.

175 For an assessment of programmes and evidence see Early Intervention Foundation, op. cit.

Transition to school

- The Government should work with local authorities to equip parents that are disadvantaged or struggling to get by with the tools they need to navigate the local schools system.
- This includes placing a new duty on local authorities to distribute school choice information, including school performance and admissions criteria and odds, to parents in low-income neighbourhoods.¹⁷⁶

The Government should act to increase the evidence base in relation to early years, building on the excellent work that the Early Intervention Foundation recently has done assessing the evidence, costs and outcome of the 75 programmes aimed at improving child outcomes through positive parent–child interactions in the early years.¹⁷⁷

Recommendation 2: The Government should set a clear objective for early years services that by 2025 every child is school-ready at five and the child development gap has been closed, with a new strategy to increase the availability of high-quality childcare to low-income families

There is a lack of clarity about whether the Government’s main childcare objective is to support child development or to enable parents, particularly mothers, to enter employment. The Commission is clear that quality of provision is vitally important. It is a false economy to invest in early education to a level insufficient to improve child outcomes and reduce inequalities. The Government should prioritise the objective of getting every child school-ready by the age of five through reducing inequalities in the early years, and should review whether the current funding rates enable providers to provide the level of care needed to achieve this objective.

Excluding from the data those children with a special educational need (SEN), the local authorities with the highest proportion of children reaching a good level of development (84 per cent) are Lewisham and Greenwich. The Commission’s view is that by 2020 all local authorities should have reached this standard. In Hackney, the gap in development at this age has now been eliminated. There is no reason why that cannot happen in other local authorities. By 2025, all children in every local authority should have reached a good level of development at five, including all children eligible for FSM.¹⁷⁸

In order to achieve this objective, the Government should develop a new strategy to increase the availability of high-quality childcare for lower-income parents. This should include more school-based provision and formal collaboration between high-performing schools and early years providers. Currently, the Government requires that where the need for a new school has been identified, proposals must be sought to establish a free school – known as the free school presumption.¹⁷⁹ In the short term, the Government should amend the free school presumption to include a new requirement that each new primary free school proposal should include nursery provision – unless the application can provide evidence that there is already sufficient, high-quality provision in the local area, and that additional provision could destabilise existing provision. The expectation should be that this early years provision would be school-led, although exemptions would be permitted if the team behind the proposal were unable to ensure high-quality provision. In this circumstance, regional schools commissioners should support proposers to find local early years expertise to form part of their application. In addition, the Government should make more information available publicly for potential

¹⁷⁶ A study in the USA has shown that this approach can increase the fraction of low-income families in choosing higher-performing schools. See Hastings, J. and Weinstein, J., *Information, School Choice, and Academic Achievement*, 2008

¹⁷⁷ Early Intervention Foundation, *Foundations for Life*, 2016

¹⁷⁸ This does not include children with special educational needs. Department for Education, *Early Years Foundation Stage Profile Results: 2014 to 2015*, 2015

¹⁷⁹ Department for Education, *Establishing a New School: Free School Presumption*, 2015

childcare providers on local hotspots that are most in need of additional high-quality childcare places.

Multi-academy trusts with a primary phase should be encouraged and incentivised to include nursery provision in their family of schools. All inadequate nurseries should be required to enter into a formal collaboration with a high-performing multi-academy trust, or lose their free entitlement funding. There should be a new duty on local authorities to broker collaboration between primary schools, childcare providers and children's centres in local areas.

Recommendation 3: The Government should mitigate the unintended consequences of the new childcare reforms by increasing the Early Years Pupil Premium, so that it doubles from £302 to £604 a year for each child and covers disadvantaged two-year-olds

While additional support to parents with the cost of childcare is welcome, the Government has not built in mitigation to protect disadvantaged two-year-olds and poor three- and four-year-olds who are eligible for 15 hours per week, from being squeezed out of the highest-quality settings. The EYPP is an excellent lever to use to readdress the balance, and give disadvantaged families more capital in the childcare market.

Currently, the EYPP is worth £302.10 per eligible three- and four-year-old, compared with £1,320 for each eligible primary school child, and £935 per eligible secondary school student. The Commission recommends doubling the value of the EYPP to £604.20 per child per year and extending its cover to include those disadvantaged two-year-olds who are eligible for the 15 hours free childcare entitlement.

We estimate this uplift would cost £163 million a year. Given the importance of closing the gap in the years before children start school, and the considerable imbalance in the distribution of funding between the phases of education, this money could be redistributed from the primary Pupil Premium to the EYPP, phasing its introduction so no disadvantaged child loses out.¹⁸⁰ The original premise for a Pupil Premium rate that was higher in primary schools than secondary schools was that early intervention was crucial and this would enable more targeted interventions to support disadvantaged pupils to be secondary-ready.¹⁸¹ It is also in the interests of primary schools that more disadvantaged children receive high-quality care in the early years so that they are primary-ready. In addition, this would narrow the gap in the amount of Pupil Premium funding that follows disadvantaged four-year-olds between childcare settings and reception classes, although there would still be a sizeable discrepancy. It could mean a distribution of Pupil Premium funding along the following lines:



Doubling the value of the EYPP would mean that childcare providers receive an additional £604.20 per child per year for every disadvantaged child that attends their setting. The Commission recognises that this would mean that a larger group of disadvantaged two-year-olds would be eligible for the Pupil Premium than at any other age; however, this is in line with

¹⁸⁰ Alternatively, the additional money could come from within the Department for Education's overall £59.6 billion budget. Department for Education, 'Department for Education's settlement at the Spending Review 2015', press release, 13 October 2015, www.gov.uk/government/statistics/early-years-foundation-stage-profile-results-2014-to-2015

¹⁸¹ Hansard, *Statement on the Pupil Premium*, 17 July 2013, c1100

the Government's intention to move towards a wider measure for low-income families than FSM eligibility.

This reform will help to ensure that the hours that disadvantaged children are funded for are not seen as less financially viable among high-quality, school-based childcare providers. Alongside this substantial redistribution, there must follow strict accountability from Ofsted on how early years providers are spending this money, in order to narrow the gap in child development before children start school. An additional £604.20 per child per year could be enough for many settings to employ one or more qualified teacher or graduate-level early years professional to work with the disadvantaged children that attend. If settings cannot demonstrate that they are using this money specifically to improve child development among children who are eligible, they should receive an inadequate rating from Ofsted.

The Commission is very concerned about some of the practices adopted by childcare providers in their admissions processes, such as charging parents to go on waiting lists or seeking deposits to secure a place. These would be unacceptable in a schools context, and are equally unacceptable in the early years sector. The Government should introduce a new, tougher Nurseries Admissions Code to guarantee parents that its free childcare policies are genuinely free at the point of use for families. The Nurseries Admissions Code should give all childcare providers the freedom to prioritise children eligible for EYPP.

It would be a travesty if funding reforms mean that over time we lose more of the remaining high-quality, maintained nursery schools. It is welcome that the Government has pledged to protect funding for maintained nursery schools for at least two years, but it must go further. As the Government announced with rural schools in its schools funding formula, it should introduce a triple lock to guarantee that no maintained nursery school would be forced to shut its doors due to lack of adequate funding. Moreover, it should retain the quality supplement for local authorities to incentivise providers to improve, so as to avoid a race to the bottom in childcare quality.

Chapter 2: Schools

- Despite a welcome focus on improving attainment in schools, the link between social demography and educational destiny has not been broken: over the last five years 1.2 million 16-year-olds – disproportionately from low-income homes – have left school without five good GCSEs.
- Just 5 per cent of children eligible for free school meals gain 5 A grades at GCSE. The income gap is larger than either the ethnicity gap or the gender gap in schools.
- A child living in one of England’s most disadvantaged areas is 27 times more likely to go to an inadequate school than a child living in one of the least disadvantaged. Ten local authorities account for one in five of England’s children in failing schools.
- Poor careers advice and work experience mean that even with the same GCSE results, one-third more poorer children drop out of post-16 education than their better-off classmates.

As part of a ten-year programme of social reform, the Government should:

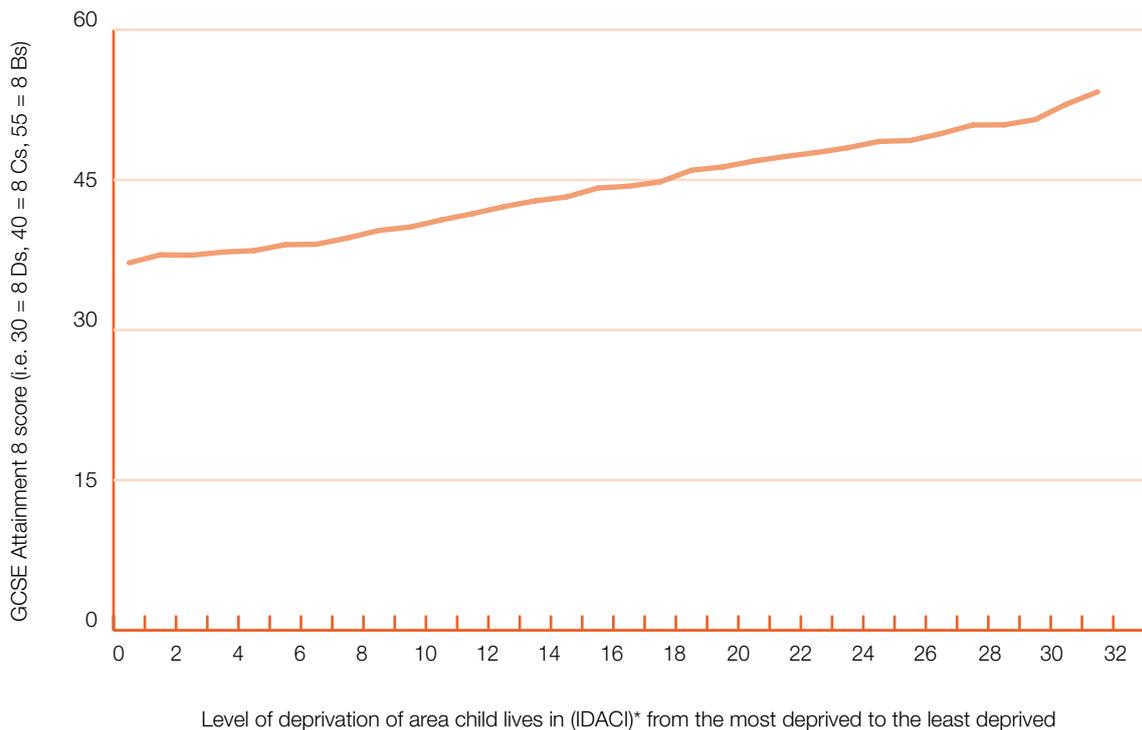
- Have as its core objective the ambition, within the next decade, of narrowing the attainment gap at GCSE between poorer children and their better-off classmates by two-thirds, bringing the rest of the country to the level achieved in London today.
- Rethink its plans for grammar schools, and for more academies.
- Mandate all schools in the ten lowest performing local authorities to take part in area-wide programmes, so that by 2020 none of those schools are Ofsted-rated inadequate and all are progressing to good.
- Reform the training and distribution of teachers across the country and create new incentives – including better starting pay – to get more of the highest-quality teachers into the schools that need them most.
- Require independent schools and universities to provide high-quality careers advice, support with university applications and to share their business networks with state schools.
- Repurpose the National Citizen Service to deliver an opportunity fund so that all children between the ages of 14 and 18 can have a quality work experience or extra-curricular activity.

2.1 Why schools matter

For the vast majority of children in England, attainment at school is strongly related to family background. Family social class affects how well-equipped children are to learn when they start school, their progress in school and their attainment at key testing points, particularly at the end of secondary education.

The social class effect is not just felt by the poorest children. The link between family background and how well children do in school is evident from the top to the bottom of the income scale. There is a clear and strong attainment/deprivation gradient, with steady increases in attainment as area deprivation reduces (as illustrated in Figure 2.1). The group at the bottom of the distribution has received significant public policy attention over recent decades. The Pupil Premium, for example, provides extra funding for children who have been eligible for free school meals (FSM) in the last six years. Arguably, however, this welcome focus on the needs of the very poorest children in our country has not been matched by a broader intention to break the link between social demography and educational destiny in our schools across income groups. If the Government is to realise its objective of improving opportunities across society, the needs of children in a broad swathe of low- to middle-income groups need to assume greater significance in public policymaking.

Figure 2.1: GCSE scores in 2015 – Attainment 8 by deprivation of area of children’s residence



Source: Bespoke analysis for the Social Mobility Commission using the National Pupil Database, GCSE attainment 2014/15

* IDACI: Income Deprivation Affecting Children Index

The strong link between attainment and deprivation is further compounded by the role that geography plays in determining the wider opportunities and quality of education to which children have access. Children who happen to grow up in a social mobility coldspot area have their potential capped by the lack of opportunities available there. Comparing the outcomes and opportunities of children growing up in different areas of England exposes a divided nation where a child’s future is compromised before they have a chance to prove what they are capable of. The Commission’s Social Mobility Index, published earlier this year, showed many London boroughs pulling away from the rest of the country.

In London, children from poorer families have access to higher quality early years education and higher quality state schools. Children from poorer families in London do better in school; are less likely to be not in education, employment or training (NEET) after school; are more likely to go to university, particularly a selective one; and are more likely to earn more when they enter the labour market.

In the outer London borough of Redbridge, over nine in ten poor children attend a primary and a secondary school which is good or outstanding. Just 8 per cent of 17 year olds are NEET one year after their GCSEs and 49 per cent go to university by the age of 19 (10 per cent go to one of the most selective institutions). In contrast, in Corby in Northamptonshire, just four in ten poor children attend a good primary or secondary school, 20 per cent are NEET following their GCSEs and just 15 per cent go to university (only 3 per cent go to one of the most selective institutions).¹

There are just 90 miles between Redbridge and Corby, but there is a whole world of difference between them for poor children. Background and geography overly determine outcomes and opportunity in today's education system. The complexity of these divides means that in some parts of the country, schools are poor quality for children from all backgrounds, while in others, even where the poorest children get into good schools, they still fare badly.

Current data collection means that the only robust measure of children's background matched to their attainment is their eligibility for FSM. Eligibility is determined by parents' receipt of particular benefits, which in 2015 accounted for 16 per cent of 11 year olds.² It is the measure that we use here as a good indicator of the extremes of educational inequality in England today.

Primary school measures

Attainment measures at primary school show that from the phonics test in Year 1 to the Key Stage 2 test in Year 6, the chance of a child not eligible for FSM reaching a set of credible standards, compared to a child eligible for FSM is considerably larger at the end of primary school (38 per cent more likely) than in earlier tests (Table 2.1). Here we use higher standards at both Key Stage 1 and Key Stage 2 than the headline measures set out by the Government in 2015 statistics to demonstrate a more stretching and credible level.

1 Social Mobility Commission, *The Social Mobility Index*, January 2016, www.gov.uk/government/publications/social-mobility-index

2 Department for Education, *National Curriculum Assessments at Key Stage 2 in England, 2015*, December 2015, www.gov.uk/government/uploads/system/uploads/attachment_data/file/483897/SFR47_2015_text.pdf

Table 2.1: Primary school assessments undertaken in 2015, per cent reaching standards by FSM status (phonics test, Key Stage 1 and Key Stage 2)

	% FSM reaching standard	% non-FSM reaching standard	Non-FSM % more likely to reach standard
Phonics test: per cent reaching expected standard of phonics decoding	65	79	22
Key Stage 1: per cent reaching Level 2b in reading	69.4	85.0	22
Key Stage 1: per cent reaching Level 2b in maths	69.0	84.5	22
Key Stage 2: per cent reaching Level 4b in reading, writing and maths	52	72	38

Source: Bespoke analysis for the Social Mobility Commission using the National Pupil Database, Phonics, KS1 and KS2 attainment 2014/15 and Department for Education, *National Curriculum Assessments: Key Stage 2, 2015 (revised)*, 10 December 2015, www.gov.uk/government/statistics/national-curriculum-assessments-at-key-stage-2-2015-revised

Changes in the attainment gap over time act as a proxy of social mobility, giving us an indication of the chances of children from different backgrounds progressing. Because of the assessment and accountability changes for the 2015/16 school year and beyond, this year is the last time that we can track the Key Stage 2 measure in this way. At Key Stage 2, we can track this data over time using the proportion of children reaching Level 4. This is lower than the level now preferred by the Government (Level 4b), but still provides an important snapshot of what has happened over time. There were significant changes made to the tests at Key Stage 2 in 2012 and 2013, so these periods are not directly comparable. However, the data is still useful and shows us that the gap has narrowed over time. Non-FSM children were 47 per cent more likely to reach Level 4 in 2006/07, which reduced to 26 per cent in 2014/15. This is welcome progress.³

Secondary school

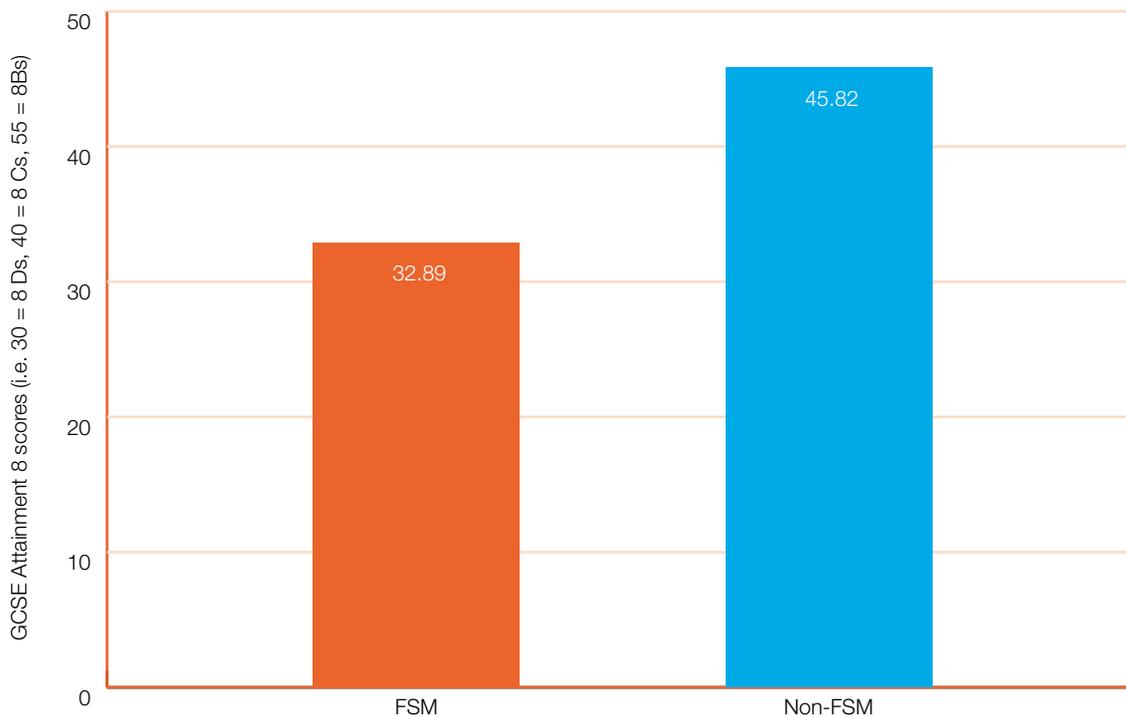
At GCSE, 33.3 per cent of children eligible for FSM gained five A*–C grades, including English and maths, in 2015, compared with 61.2 per cent of other children.⁴ At this stage of education, non-FSM children are 85 per cent more likely to reach this standard, a considerably larger gap than at the end of primary school. Despite a decade of attention, a very large gap remains on this high-profile measure. In addition, examination of other measures reveals a wider set of problems.

Analysis carried out for this report using one of the new GCSE performance measures shows that non-FSM children gained 39 per cent more points in the Attainment 8 measure in 2014/15 than FSM children. Attainment 8 looks at attainment at GCSE across eight subjects, including English and maths (which are double weighted), three other English Baccalaureate (EBacc) subjects and three additional GCSEs on a qualifying list.

3 Department for Education, *National Curriculum Assessments: Key Stage 2, 2015 (revised)*, May 2016, www.gov.uk/government/statistics/national-curriculum-assessments-at-key-stage-2-2015-revised

4 Department for Education, *Revised GCSE and Equivalent Results in England: 2014 to 2015*, January 2016, www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2014-to-2015

Figure 2.2: Attainment 8 scores achieved in 2014/15, by FSM status (30 = 8 D grades, 40 = 8 C grades, 55 = 8 B grades)



Source: Bespoke analysis for the Social Mobility Commission using the National Pupil Database, GCSE attainment 2014/15. Attainment 8 based on 2016/17 scoring system 2014/15

Despite the ongoing policy and accountability focus on the EBacc set of subjects and the Government's stated aim of 90 per cent of children to be undertaking them, in 2015, just 21.2 per cent of children eligible for FSM were entered for the full suite of five eligible subjects. For other children, the proportion entered for five eligible subjects was 41.5 per cent; almost twice the proportion of FSM children, but also significantly lower than the Government's target.⁵ Considerably less children achieved the EBacc standard, gaining at least C grades in an EBacc set of subjects; 9.9 per cent of children eligible for FSM, compared with 26.6 per cent of other children.⁶

Looking beyond the C grade threshold at GCSE exposes further challenges. Just 5 per cent of children eligible for FSM gained at least five A grades, including at least a C in English and maths, compared with 17.5 per cent of other children (Figure 2.3).⁷ This large difference at top grades sets the conditions for the lack of social diversity in top jobs and universities, and exposes the flaws with the C grade threshold measure.

At the other end of the spectrum, we observe a problem for low attaining children: 63.7 per cent of FSM-eligible students reached the very low attainment threshold of at least five E grades including English and maths, compared with 86.2 per cent of other children (Figure 2.3).⁸ This means that 36.3 per cent of children eligible for FSM and 13.8 per cent of other children complete their compulsory education without even a set of very low grade qualifications. Shamefully, over the last five years, almost 1.2 million 16 year olds have left school without five good GCSEs.⁹

5 Department for Education, *Revised GCSE and Equivalent Results in England: 2014 to 2015*, January 2016, www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2014-to-2015

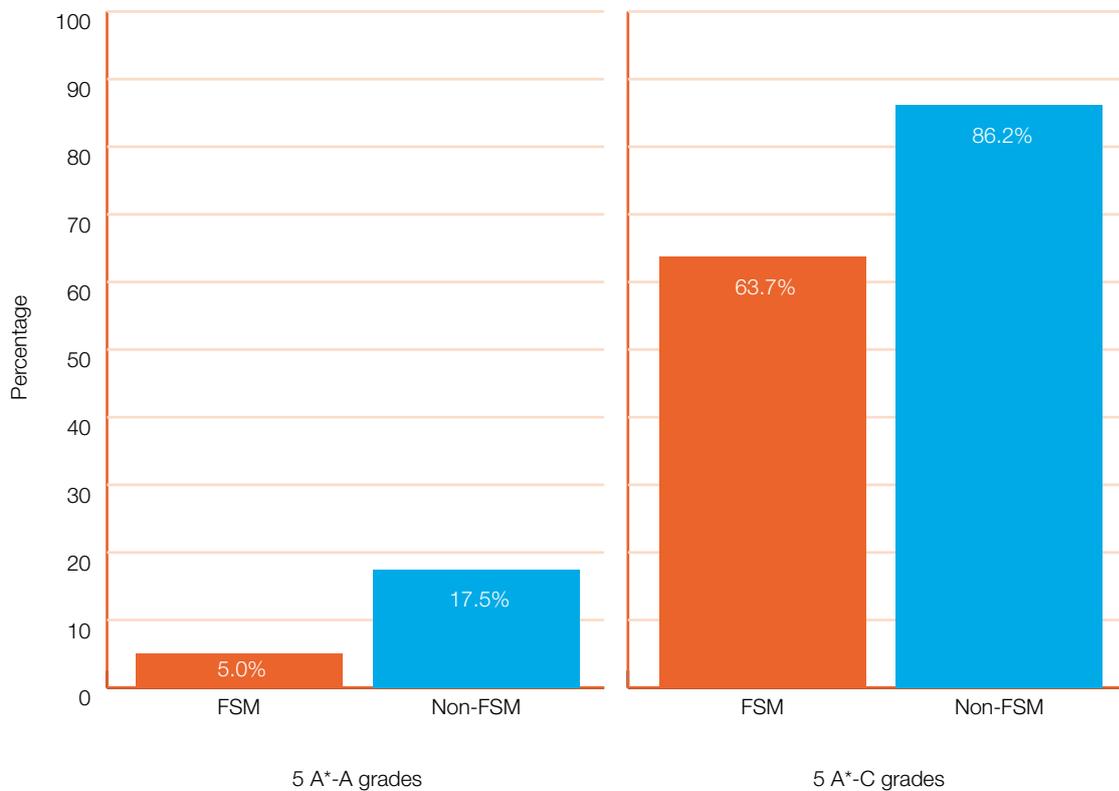
6 Ibid.

7 Bespoke analysis for the Social Mobility Commission using the National Pupil Database, GCSE attainment 2014/15

8 Ibid.

9 Department for Education, *Revised GCSE and Equivalent Results in England: 2014 to 2015*, January 2016, www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2014-to-2015 and *GCSE and Equivalent Attainment by Pupil Characteristics: 2014*, February 2015, www.gov.uk/government/statistics/gcse-and-equivalent-attainment-by-pupil-characteristics-2014

Figure 2.3: Percentage of children gaining five A*–A grades including English and maths to a C at GCSE, and percentage gaining five A*–E grades including English and maths to an E, 2014/15, by FSM status



Source: Bespoke analysis for the Social Mobility Commission using the National Pupil Database, GCSE attainment 2014/15

The gap between children eligible for FSM and their peers is larger at GCSE than at the end of primary school, and progress in narrowing that gap has been significantly slower. Standards have risen overall, albeit from a low base, and the gap has narrowed, but remains stubbornly large. Non-FSM eligible children were 130 per cent more likely to gain five good GCSEs in 2006/07, which reduced to 84 per cent more likely in 2014/15.¹⁰ There were multiple methodological changes made to GCSEs in 2013/14, when there were restrictions made to the qualifications that counted in performance measures. This, alongside further changes in 2014/15, mean that these periods are not directly comparable in terms of qualifications and standards. But, importantly, this data does show us that despite the change in the Government’s expectations, gaps are still large and reducing these gaps is proving to be a significant challenge. The data tells a story of clear and entrenched divides in the secondary phase of education.

Progress

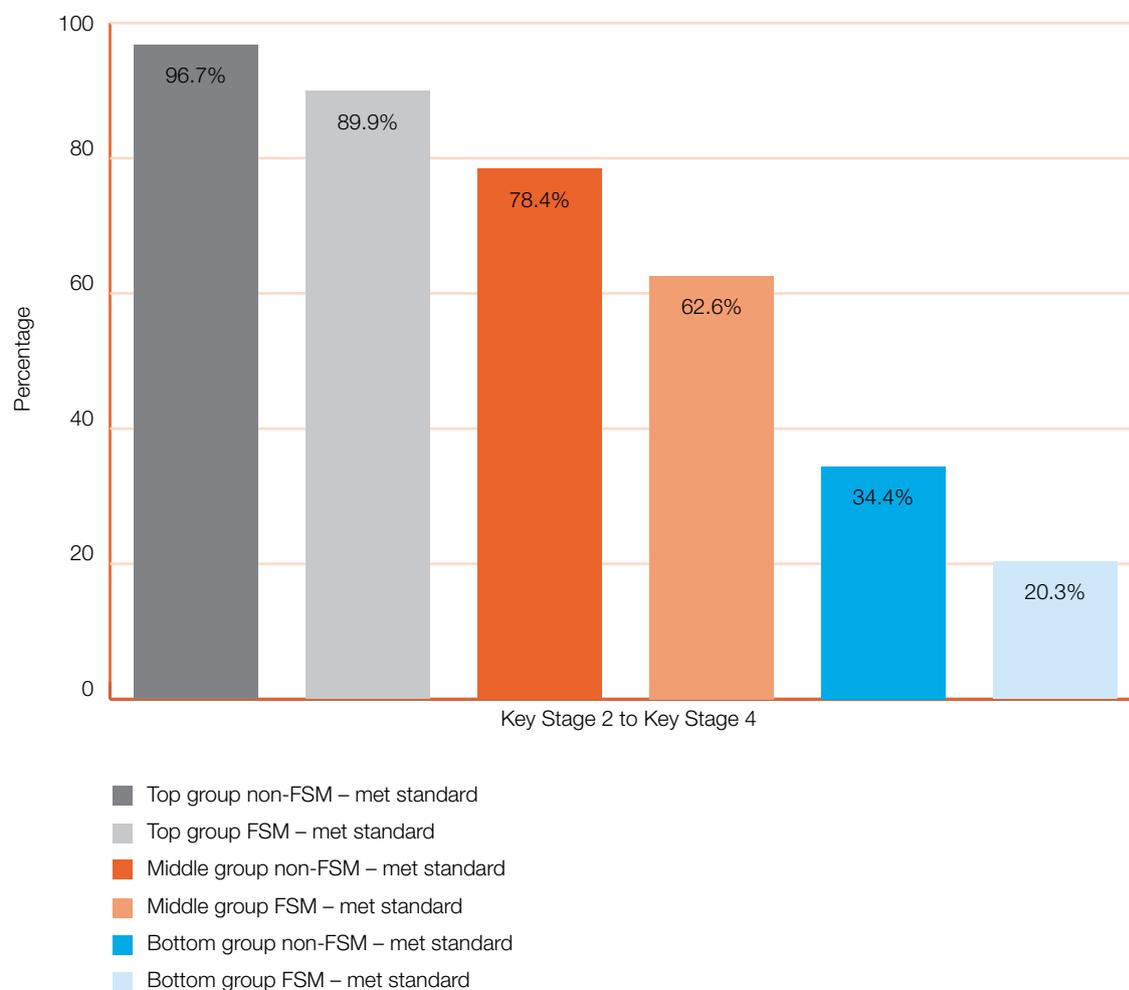
Other than raw attainment, another important proxy for social mobility is the progress made by children from different backgrounds throughout school. If all children are to fulfil their potential in school, even accounting for the development gap when children enter reception class, there needs to be parity of progress. We have shown above that the attainment gap widens considerably throughout school, resulting in a large gap at the end of secondary school. New analysis for this report, which looks at progress made by low, medium and high attainers to a particular standard, exposes particularly large progress gaps between the end of the primary phase of education and the end of secondary (GCSE).

Low attaining non-FSM children (as measured at age 11 at Key Stage 2) were 70 per cent

¹⁰ Department for Education, *Revised GCSE and Equivalent Results in England: 2014 to 2015*, January 2016, www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2014-to-2015

more likely to gain a C grade in maths GCSE than their similarly low attaining FSM-eligible peers in 2015 (Figure 2.4).¹¹ Non-FSM middle attainers were 25 per cent more likely and high attainers 8 per cent more likely to gain a GCSE grade C in maths. The gap for high attainers is understated here as we only examine performance to a C grade, which we would expect the vast majority of high attainers from any background to achieve.

Figure 2.4: Progress between Key Stage 2 and Key Stage 4 – percentage of low, middle and top Key Stage 2 bands gaining A*–C in maths GCSE, by FSM status, 2014/15



Source: Bespoke analysis for the Social Mobility Commission using the National Pupil Database, 2014/15

Gender and ethnicity

The attainment gap between boys and girls, and across different ethnic groups, is much discussed; and in 2015, white British boys eligible for FSM remained the worst performing major ethnic group of the FSM population at GCSE level. Nonetheless, it is important that the discussion remains grounded in the fact that the income gap, using FSM status, is considerably larger than either the ethnicity gap or the gender gap.

While white British girls eligible for FSM do better than their male counterparts, the gap between them and non-FSM white British girls is still large and troubling, with non-FSM white British girls 107 per cent more likely to gain five good GCSEs.¹² For white British boys, the non-FSM group were 135 per cent more likely to gain five good GCSEs in 2015, compared with their FSM peers.¹³ The gap between girls and boys within the FSM-eligible group is

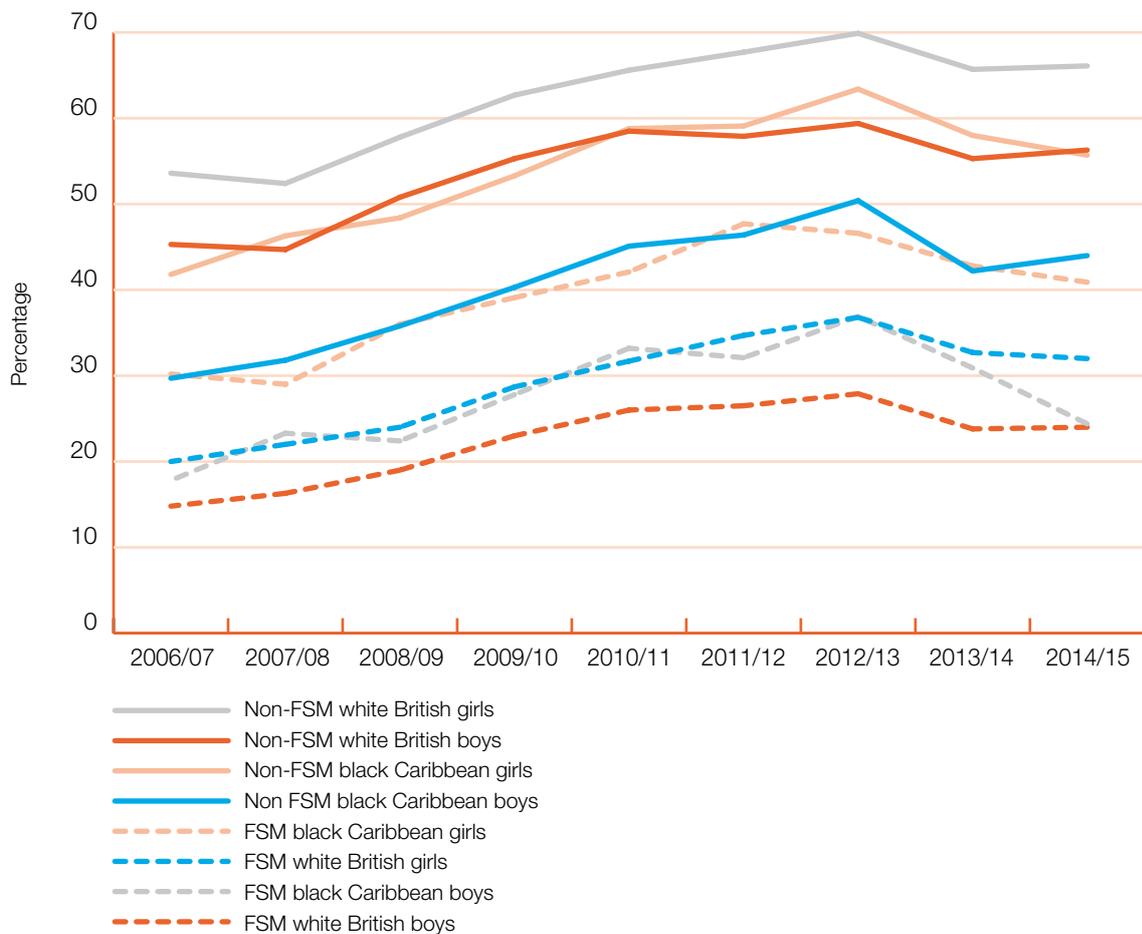
¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

important, but far smaller, with FSM girls 33 per cent more likely to gain five good GCSEs than boys.¹⁴ White British boys eligible for FSM have been at the forefront of discussions over recent years; and the 24 per cent gaining 5 good GCSEs in 2015 marks them out as a reason for concern.¹⁵ Figure 2.5 highlights that the trends and gaps discussed here are long-term issues, although there are some troubling features. It is alarming, for example, that black Caribbean FSM boys saw a 6.5 percentage point drop on the GCSE measure between 2014 and 2015 (Figure 2.5). But this data shows that the socioeconomic gap for boys and girls is of a far greater magnitude than the gender gap. The conclusion from this analysis is that efforts to target one particular group will fail to address the wider educational inequalities that exist in the schools system.

Figure 2.5: Proportion of white British and black Caribbean children gaining five A*–C grades in English and maths, 2006/07 to 2014/15, by FSM status*



* There were multiple methodological changes made at GCSE level in 2013/14 when there were restrictions made to the qualifications that counted and further changes in 2014/15, which means that these years are not directly comparable to the previous period.

Source: Department for Education, *Revised GCSE and Equivalent Results in England: 2014 to 2015*, January 2016, www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2014-to-2015. Department for Children, Schools and Families, *Achievements at GCSE and equivalent for pupils at the end of Key Stage 4 by Pupil Characteristics, 2009/10 (with data back to 2005/06)*, 2010

Public policy has so far failed to address these deep social mobility divides. It is likely to be further compounded this parliament by a tougher funding landscape and teacher recruitment challenges. For some years, the headline answer of successive governments has been to address problems of geographical division, attainment gaps and failing schools by changing the structure of schools. This has not proved to be a silver bullet. While some academies are now delivering some of the best results, including for the poorest children, other academies

14 Ibid.
15 Ibid.

are also delivering some of the worst.¹⁶ The Government has now proposed a new direction on school structure, with its recent proposals that additional selective school places are part of the answer to poor school quality and the attainment gap. There is no evidence that reforming school structures by itself, either by requiring or encouraging more schools to become academies or by introducing new grammar schools, will provide an answer to England's entrenched social mobility problem. Worse still, more selection in state schools could make the situation worse, not better.

What we have learnt from school reforms is that a school culture which responds to the circumstances of its pupils, has high expectations, is staffed by great teachers, and instils a wide range of skills and experiences, is one that is most likely to deliver on social mobility. Schools up and down the country, irrelevant of structure, are capable of delivering this kind of educational experience. In focusing on the importance of school structure, and rebalancing resources and policy focus to that end, the Government risks taking its eye off what really matters. Without fairer access to high-quality teaching, the Government's wider efforts will continue to have limited success. The top priority must be to ensure that teaching is an attractive profession to top candidates and that the best teachers go to the schools that need them the most. This is where the Government should focus its efforts.

2.2 Strategic assessment

The most significant problem facing England's schools today is that, for the majority of children, who their parents are and where they live has a big impact on how well they will do at school and in the labour market. The attainment gap between the poorest children – those eligible for FSM – and all other children has narrowed over the last ten years. But the gap remains stubbornly large and increases throughout school, resulting in a very large gap at the end of secondary school.

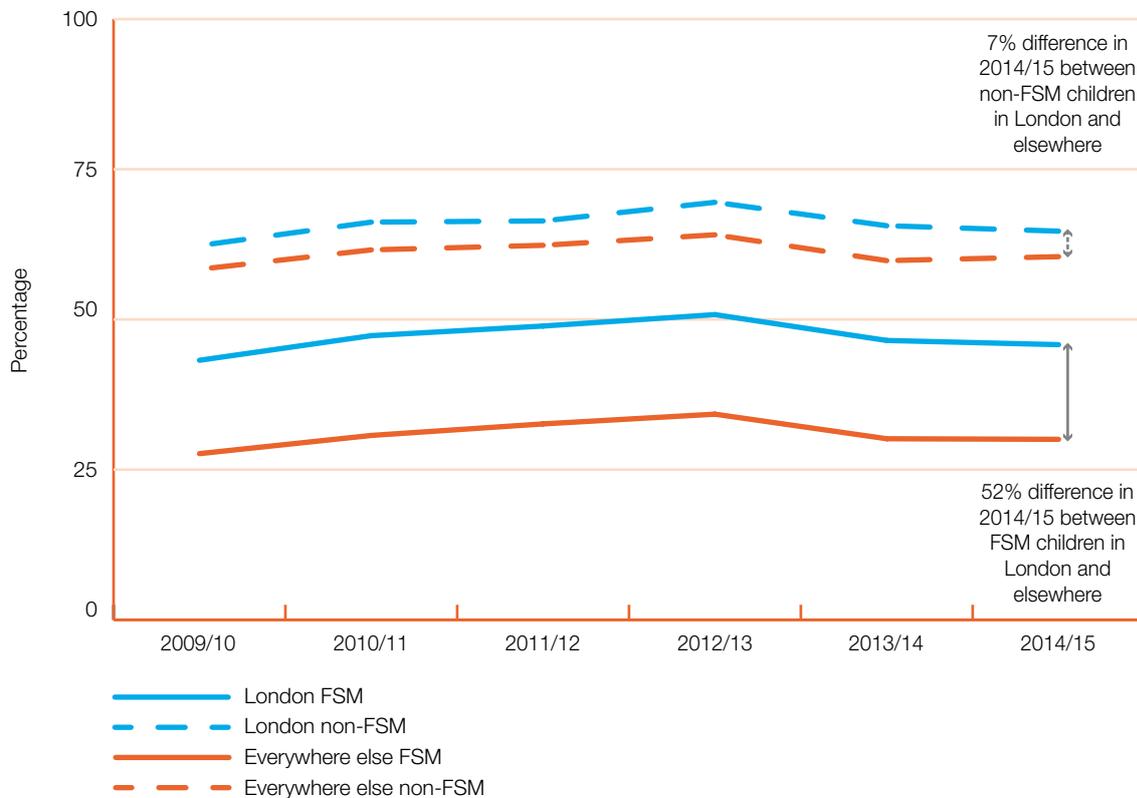
Problem 1: There is a deep geographical divide in educational standards in the country which is threatening progress with social mobility

The widely-acknowledged success of London schools has mainly been driven by improvements in lifting the attainment of the poorest children. FSM-eligible children in London were 52 per cent more likely to get five good GCSEs in 2015 than FSM-eligible children in other parts of the country.¹⁷ In contrast, non-FSM-eligible London children were just 7 per cent more likely than their peers outside of the capital to reach this bar (Figure 2.6).

¹⁶ The Sutton Trust, *Chain Effects 2016*, July 2016, www.suttontrust.com/researcharchive/chaineffects2016/

¹⁷ Department for Education, *Revised GCSE and Equivalent Results in England: 2014 to 2015*, January 2016, www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2014-to-2015

Figure 2.6: Gap between London and the average of other English regions in gaining five A*–C grades at GCSE (including English and maths), 2009/10 to 2014/15, by FSM status*



* There were multiple methodological changes made at GCSE level in 2013/14 when there were restrictions made to the qualifications that counted and further changes in 2014/15, which means that these years are not directly comparable to the previous period.

Source: Department for Education, *Revised GCSE and Equivalent Results in England: 2014 to 2015*, January 2016; Department for Children, Schools and Families, *Achievements at GCSE and equivalent for pupils at the end of Key Stage 4 by Pupil Characteristics, 2009/10* (with data back to 2005/06), 2010

School quality by region

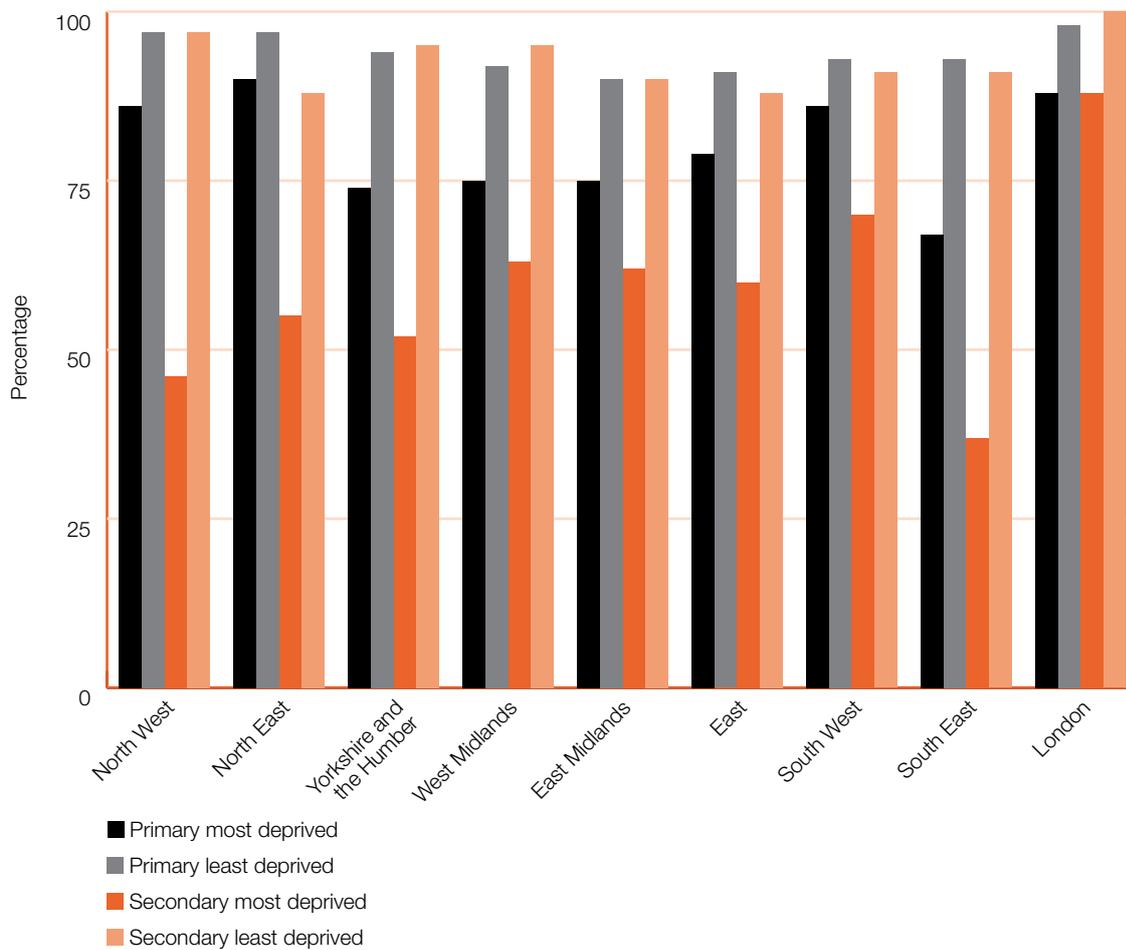
Overall, 86 per cent of primary school children in England are in schools rated either good or outstanding by Ofsted, but there is a gap in primary school quality in every region according to how disadvantaged the location of the school is (Figure 2.7). The smallest quality gap exists between the poorest and wealthiest areas in the South West and the North East, where children in wealthier areas are 8 per cent more likely to go to a good primary school than those living in poorer areas. In Yorkshire and the Humber, children in the wealthiest areas are 27 per cent more likely to go to a school which is at least good; and 39 per cent in the South East.¹⁸

A lower proportion of secondary school children are in schools rated at least good by Ofsted than primary schools – 79 per cent.¹⁹ The gap between areas and the quality gap by deprivation are also larger for secondary schools (Figure 2.7). Children in the wealthiest areas of the South East are two and a half times more likely to go to a school rated good or outstanding by Ofsted than a child living in the poorest areas, and over two times in the North West. The secondary school quality gap between the poorest and wealthiest areas in London is minimal, with children in the poorest areas 10 per cent less likely to go to a good school than children in the wealthiest.

18 Ofsted Data View, as at 31 March 2016, October 2016, <https://public.tableau.com/profile/ofsted#!/vizhome/Dataview/Viewregionalperformancevertime>

19 Ibid.

Figure 2.7: Percentage of children in schools rated good or outstanding by Ofsted, by most and least disadvantaged areas, by region, as at 31 March 2016



Source: Ofsted Data View, as at 31 March 2016, October 2016, <https://public.tableau.com/profile/ofsted#!/vizhome/Dataview/Viewregionalperformancevertime>

Overall, school quality, measured in terms of Ofsted assessments, is improving. On 31 March 2016, 83 per cent of children were in schools rated good or outstanding, compared with 68 per cent at 31 August 2011: a 22 per cent increase.²⁰ This is welcome progress, but, on the other side of the spectrum, reducing the number of inadequate schools has happened more slowly. On 31 March 2016, in England there were 150,906 children in schools rated inadequate; a 16 per cent reduction from 2011.²¹ Furthermore, the worst schools are not evenly distributed across the country. A child living in one of the most disadvantaged areas is 27 times more likely to be in an inadequate school than a child living in one of the most advantaged.

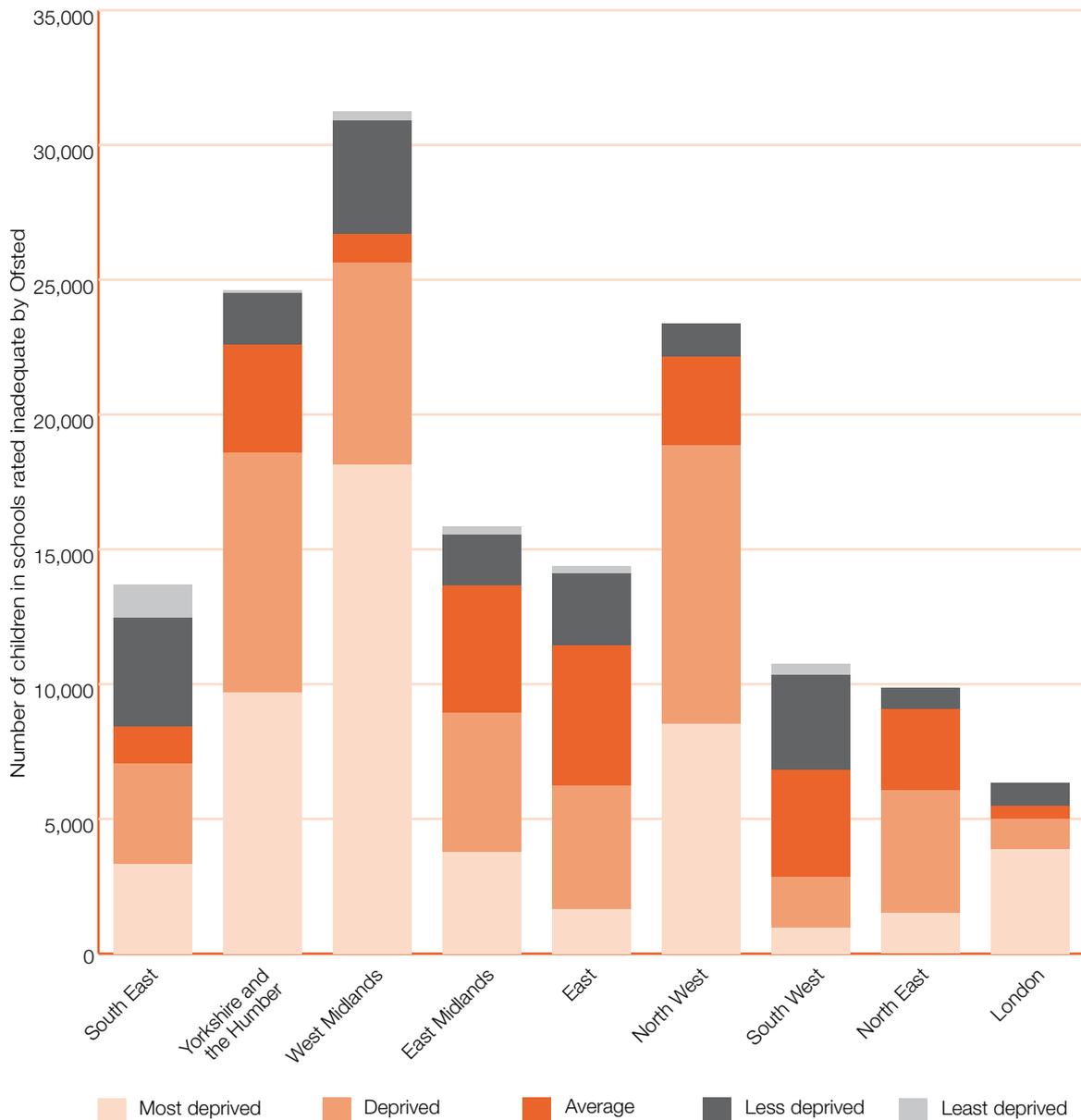
In the West Midlands, more children are in inadequate schools than in any other region (Figure 2.8); over 31,000 children. More than 35 per cent of children in inadequate schools across the entire country are located in the West Midlands. There are 58 times more children living in one of the most disadvantaged areas of the West Midlands who are in a failing school than in the most advantaged areas, and some local authorities in the region face particular problems. Across England, 2 per cent of children are in inadequate schools. In Stoke-on-Trent, it is 9 per cent of children; and 8 per cent in Telford and Wrekin. In these two areas, the picture becomes even more troubling when comparing the most and least disadvantaged areas. In the most disadvantaged areas of Telford and Wrekin, 14 per cent of children attend

²⁰ Ibid.

²¹ Ibid.

inadequate schools. It is 12 per cent in Stoke-on-Trent. In contrast, not a single child in the most advantaged areas of Telford and Wrekin attends a school which is rated by Ofsted as inadequate or requiring improvement; indeed, in the most advantaged areas of this borough, 64 per cent of children are in outstanding schools – significantly above the national average. The contrast between living in a disadvantaged and an advantaged neighbourhood in Telford and Wrekin is particularly stark.²²

Figure 2.8: Number of children in schools rated inadequate by Ofsted, by area disadvantage and region, as at 31 March 2016



Source: Ofsted Data View, as at 31 March 2016, October 2016, <https://public.tableau.com/profile/ofsted#!/vizhome/Dataview/Viewregionalperformancevertime>

In addition, our analysis of Ofsted data shows that over a fifth of the children in failing schools in England live in just ten local authority areas (Table 2.2).

22 Ibid.

Table 2.2: Ten local authority areas with the largest proportion of children in schools rated inadequate by Ofsted, as at 31 March 2016

Area	% learners in an inadequate school	No. learners in an inadequate school
Blackpool	19%	3,263
Knowsley	12%	2,264
Northumberland	10%	4,569
Doncaster	10%	4,539
Reading	10%	2,000
Stoke on Trent	9%	3,316
Oldham	9%	3,264
Bradford	8%	7,360
Telford and Wrekin	8%	2,209
Central Bedfordshire	7%	2,970

Source: Ofsted Data View, as at 31 March 2016, October 2016, <https://public.tableau.com/profile/ofsted#!/vizhome/Dataview/Viewregionalperformancevertime>

Attainment by region

The attainment of FSM-eligible children remains shockingly poor in many parts of the country. In 2015, every region of the country had a local authority where less than a quarter of poor children obtained five good GCSEs (with the exception of London).²³

Table 2.3: Local authority areas where less than 25 per cent of FSM-eligible children achieved five A*–C grades at GCSE, including English and maths, by region, 2015²⁴

Region	Local authority area	Per cent of children achieving five A*–C grades at GCSE, including English and maths
North East	Darlington	24.7
North West	Knowsley	20.5
	Blackpool	22.7
Yorkshire and the Humber	Barnsley	22.6
	York	24.2
East Midlands	Derby	23.6
	Nottingham	23.6
West Midlands	Shropshire	22.8
East of England	Bedford	21.4
	Cambridgeshire	23.4
	Peterborough	24.7
South East	Reading	23.8
	Bracknell Forest	24.1
South West	Bristol	24.7

Source: Department for Education, Revised GCSE and Equivalent Results in England: 2014 to 2015, January 2016

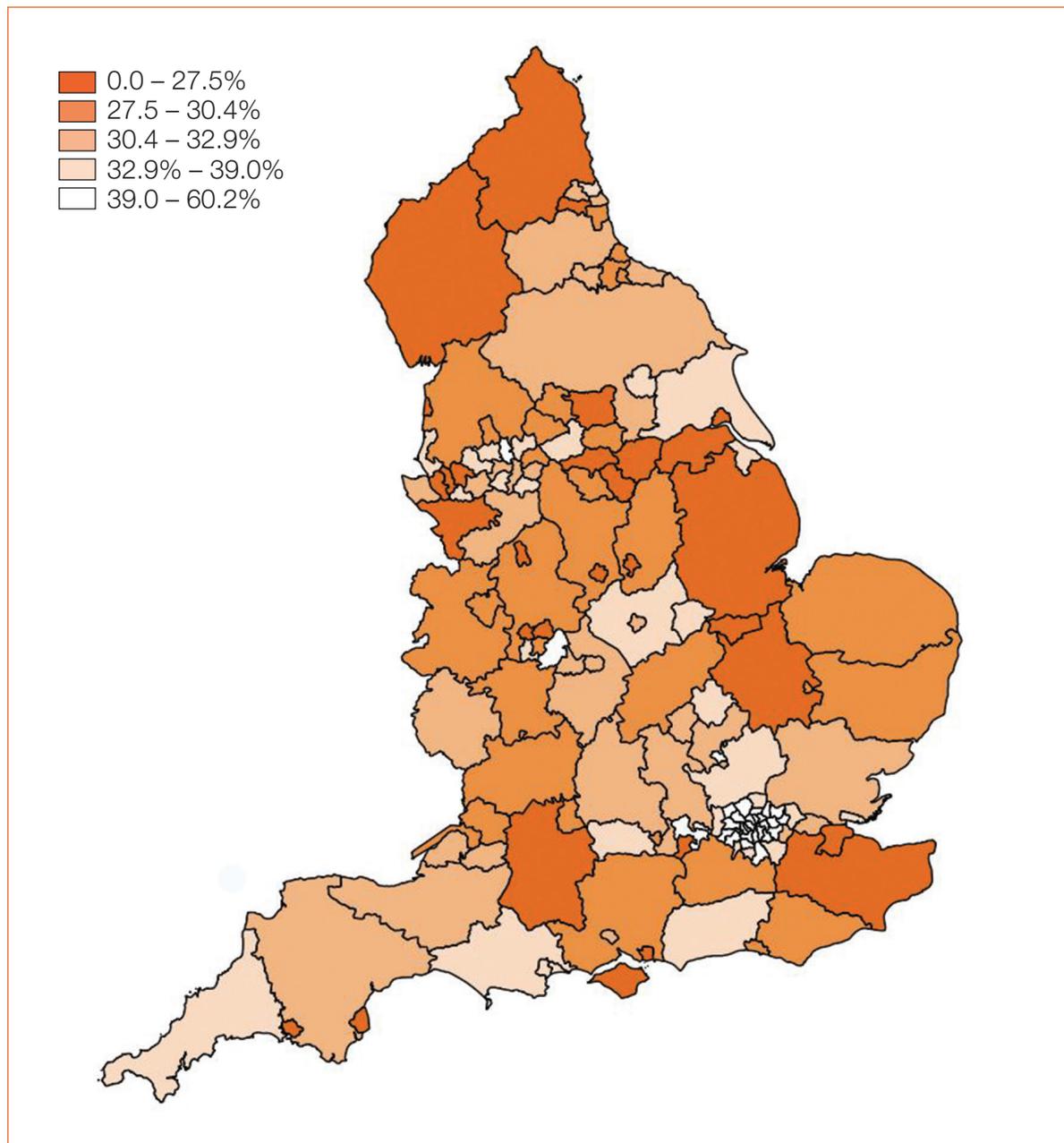
Figure 2.9 shows the wide distribution of the dark orange coloured areas where attainment for FSM-eligible children is the lowest. The small pockets where attainment is higher are shown in the lightest shades. Those better performing areas include various areas of London, as well

²³ Department for Education, *Revised GCSE and Equivalent Results in England: 2014 to 2015*, January 2016, www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2014-to-2015

²⁴ Ibid.

as Luton, Halton, Bath and North East Somerset, Birmingham, Windsor and Maidenhead, Newcastle, and Slough.

Figure 2.9: Proportion of FSM-eligible children gaining five A*–C grades at GCSE, including English and maths, by local authority area, 2014/15



Source: Bespoke analysis by Education Datalab for the Social Mobility Commission using the National Pupil Database, GCSE Attainment 2014/15

The London picture

The London regional average for the percentage of FSM-eligible children gaining five good GCSEs (45.8 per cent in 2015) is 50 per cent higher than the other eight regions combined.²⁵ Children from all backgrounds, but particularly the poorest, simply do better in schools in our capital city. There has been much discussion about the reasons why this happens, with some claims that the demographic differences between London and elsewhere means that it is ethnicity that has driven the ‘London effect’²⁶ and others that school quality and the London Challenge, implemented from the early 2000s, is the reason. On balance though, the most

²⁵ Ibid.

²⁶ The Centre for Market and Public Organisation, *Understanding the Success of London’s Schools*, October 2014, www.bristol.ac.uk/media-library/sites/compo/migrated/documents/wp333.pdf

recent evidence suggests that the reasons for London's success are varied.²⁷ The ethnic make-up of London schools very definitely explains some of its better performance for poorer children, but it does not explain all of it. A report for the Commission, published in 2014, found that while the London effect was likely to have started earlier than previously thought (before the 2000s) and primary schools had been an important driver, it still concluded that London schools, including its secondary schools, are an important contributor to London's very different results.²⁸

Significantly, London schools have also pulled away from other areas on more challenging measures. New analysis for this report lays bare the regional divide at the top and the bottom of the attainment distribution. FSM-eligible children in London are almost three and a half times more likely to gain at least five A or A* grades in their GCSEs compared with FSM-eligible children in the East Midlands (Table 2.4).

Table 2.4: Percentage of children gaining five A*–A grades, including English and maths to a C, at GCSE, 2014/15, by FSM status and region

	% of FSM children achieving five A*–A GCSEs (including English and maths to a C)	% non-FSM children achieving five A*–A GCSEs (including English and maths to a C)
London	9.6	22.3
West Midlands	4.7	15.3
South East	4.2	20.0
East of England	4.1	17.3
North West	3.9	16.7
South West	3.6	17.4
North East	3.4	14.4
Yorkshire and the Humber	2.9	14.7
East Midlands	2.8	14.7

Source: Bespoke analysis for the Social Mobility Commission using the National Pupil Database, GCSE Attainment 2014/15

There is a similarly large gap between London and elsewhere on a low attainment measure. In London, a quarter of FSM-eligible children failed to gain five E grades in their GCSEs in 2015, compared with over four in ten FSM-eligible children in the East Midlands, Yorkshire and the Humber, the South East and the North East (Table 2.5). The scale of this problem highlights the need for action to help children at the bottom of the attainment distribution, as well as those at the top.

27 Blanden, J., et al., *Understanding the Improved Performance of Disadvantaged Pupils in London*, September 2015, <http://sticerd.lse.ac.uk/dps/case/spcc/wp21.pdf>

28 Social Mobility Commission, *Attainment Gaps and Social Mobility in London Schools*, June 2014, www.gov.uk/government/publications/attainment-gaps-and-social-mobility-in-london-schools

Table 2.5: Percentage of children failing to gain five A*–E grades, including English and maths, at GCSE, 2014/15, by FSM status and region

	% FSM children failing to achieve five A–E grades at GCSE (including English and maths)	% non-FSM children failing to achieve five A–E grades at GCSE (including English and Maths)
East Midlands	41.9	15.2
Yorkshire and the Humber	41.8	15.4
South East	41.3	13.2
North East	40.1	14.9
South West	38.7	13.6
North West	38.5	14.0
East of England	37.7	13.5
West Midlands	36.0	14.7
London	24.3	11.7

Source: Bespoke analysis for the Social Mobility Commission using the National Pupil Database, 2014/15

It is important to note that London is not getting it right everywhere and results for the poorest children vary significantly across the city. London is home to boroughs such as Tower Hamlets (where 60 per cent of FSM children gain five good GCSEs), Southwark (54.4 per cent), and Kensington and Chelsea (59.2); all near to or above the national average for all children (57.3 per cent). It is also home to boroughs falling significantly behind their neighbours according to the proportion of FSM children gaining five good GCSEs. These include: Lewisham (34.7 per cent), Bexley (35.9 per cent), Kingston Upon Thames (35.8 per cent) and Richmond Upon Thames (35 per cent).²⁹ In these latter two areas, the vast majority of learners are in good or outstanding schools; 96 per cent and 93 per cent respectively.³⁰

There are high and low performing schools for poorer children in each region of England, but London is home to 40 per cent of the country's best performing schools for FSM children (Table 2.6) and just 1 per cent of the lowest performing. The highest concentration of schools where FSM children perform badly is in the South East (with 22 per cent of the lowest performers).

29 Department for Education, *Revised GCSE and Equivalent Results in England: 2014 to 2015*, January 2016, www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2014-to-2015

30 Ofsted Data View, as at 31 March 2016, October 2016, <https://public.tableau.com/profile/ofsted#!/vizhome/Dataview/Viewregionalperformancevertime>

Table 2.6: Highest and lowest performing schools for FSM eligible children, by region, on five A*–C grades, including English and maths measure, and areas where less than two in ten achieved and more than six in ten achieved, 2014/15

Region	Number of schools where more than six in ten FSM children gain five A*–C grades in GCSEs (including English and maths)	% of schools where more than six in ten FSM children gain five A*–C grades in GCSEs (including English and maths)	Number of schools where less than two in ten FSM children gain five A*–C grades in GCSEs (including English and maths)	% of schools where less than two in ten FSM children gain five A*–C grades in GCSEs (including English and maths)
East Midlands	13	6%	34	17%
East of England	25	12%	17	9%
London	83	40%	2	1%
North East	8	4%	11	6%
North West	24	12%	27	14%
South East	14	7%	43	22%
South West	10	5%	26	13%
West Midlands	19	9%	19	10%
Yorkshire and the Humber	12	6%	21	11%
Total	208	7%	200	7%

Source: Analysis using Department for Education Performance Tables – 2014/15 GCSE Attainment, www.gov.uk/school-performance-tables (excluding selective and special schools)

Problem 2: The current approach to teacher training and recruitment means that the schools that most need high-quality teachers are those which most struggle to recruit them

Access to high-quality teaching is a powerful enabler of social mobility. Good teaching has the power to improve the lives of all children and narrow gaps in attainment. For poor pupils, the difference between a good and poor teacher is equivalent to one year of learning.³¹ But the incentives in the system direct teachers towards schools in leafier areas and where schools are already good. Despite evidence that investing in high-quality teaching reaps a high social mobility dividend, there continues to be a problem recruiting teachers, particularly to the schools that most need them. This problem is most stark in secondary schools, where, there are the greatest social mobility concerns.

In 2015, just 82 per cent of the target number of training places for secondary school teaching was reached.³² In addition, 10,000 more teachers left the profession for reasons other than retirement in 2014 than in 2011.³³ The need for more specialist teachers has become even greater following the Government's new focus on EBacc subjects. In 2015, there were large teaching recruitment deficits for some subjects, with just 71 per cent of the target number of physics teachers recruited and 70 per cent of computing teachers. In contrast, the overall recruitment numbers reflect overshooting the target number for subjects

31 The Sutton Trust, *Improving the Impact on Pupil Achievement in the UK – Interim Findings*, September 2011, www.suttontrust.com/wp-content/uploads/2011/09/2teachers-impact-report-final.pdf

32 Department for Education, *Initial Teacher Training: Trainee number census – 2015 to 2016*, November 2015, www.gov.uk/government/statistics/initial-teacher-training-trainee-number-census-2015-to-2016

33 Department for Education, *School Workforce in England: November 2015*, June 2016, www.gov.uk/government/statistics/school-workforce-in-england-november-2015

like history and English.³⁴ Gaining an accurate picture of schools' recruitment struggles is challenging, because there is limited information made available. But what we do know creates cause for concern:

- there are weak incentives to get teachers to where they are needed – schools which are struggling are those which most struggle to recruit and retain teachers
- there is little evidence that teachers are a mobile profession between geographical areas, so getting geographic allocations right at the point at which teachers enter the profession is important
- teacher starting pay is falling behind that of other professions, and the wider reward package is not reflecting the demands on the workforce
- a numbers problem is likely to lead to a quality problem, and there are signs of vacancy filling being prioritised over quality

Incentives to teach in struggling areas and schools

A survey for the Commission in 2014 found that just 15 per cent of teachers would actively seek out a school that was more challenging than their current school, and over half said that the pressure of working in a weaker school was a significant deterrent.³⁵ This is supported by research that found that when choosing new schools, teachers favour schools where there are large numbers of high-achieving, non-minority, non-low income students.³⁶ This bears out other evidence which shows that, in the most disadvantaged areas, teachers tend to be less experienced and turnover is higher.³⁷ It is this evidence which questions the direction of travel of the Government's most significant reform to teacher training in recent years. An increasingly school-led system for teacher training, through the Government's School Direct and Teaching Schools programmes, means that the best schools are those which are being equipped with the tools to attract the best candidates. The problem is the impact this has on weaker schools, those which have the greatest need for high quality teachers.

There is evidence that while there is significant churn in the teacher labour market, teachers are not particularly mobile between geographical areas. Teacher training, for the majority, is a postgraduate training option and the evidence suggests that teachers tend to remain in the vicinity of the location where they trained.³⁸ Unfortunately, little detailed data on teacher mobility between areas has been published by the Government. However, analysis conducted for Teach First published this year shows that Teach First teachers who continued in the profession were most likely to stay in the region in which they trained.³⁹ There have been various schemes which rely on the premise that teachers will move to areas where there is particular need, including Teach First and the National Teaching Service (NTS) which was announced last year. Teach First is doing a great job, but only contributes a small proportion of the total number of trainee teachers each year (less than 5 per cent) and there have been reports of the NTS having significant problems in recruiting, so the premise of geographic mobility for teachers is not well embedded in the system.⁴⁰

There is debate about the extent to which pay attracts people to the profession and might attract teachers to move to more challenging schools. Teachers often cite other reasons

34 Department for Education, *Initial Teacher Training: Trainee number census – 2015 to 2016*, November 2015, www.gov.uk/government/statistics/initial-teacher-training-trainee-number-census-2015-to-2016

35 Social Mobility and Child Poverty Commission, *Cracking the Code*, September 2014

36 LKMCo, *Why Teach?*, October 2015, <http://whyteach.lkmc.org/wp-content/uploads/2015/10/Embargoed-until-Friday-23-October-2015-Why-Teach.pdf>

37 The Centre for Market and Public Organisation, *The Teacher Labour Market, Teacher Turnover and Disadvantaged Schools: New Evidence for England*, June 2012, www.bristol.ac.uk/media-library/sites/cmpo/migrated/documents/wp294.pdf

38 National Audit Office, *Training New Teachers*, February 2016, www.nao.org.uk/wp-content/uploads/2016/02/Training-new-teachers.pdf

39 Education Datalab, *The Careers of Teach First Ambassadors who Remain in Teaching*, July 2016, <http://educationdatalab.org.uk/wp-content/uploads/2016/07/The-careers-of-Teach-First-Ambassadors-who-remain-in-teaching-FINAL.pdf>

40 Scott, S., 'Government teacher recruitment schemes delayed again – fuelling further teacher shortage concerns', *Schools Week*, May 2016, <http://schoolsweek.co.uk/your-scheme-has-been-delayed-%c2%ad-again/>

for entering the profession.⁴¹ Evidence from graduate recruitment organisations suggests that training and progression rank higher than pay as key considerations for candidates.⁴² But while pay may not be the most significant factor in determining whether people opt to join the teaching profession, there is evidence that low teacher pay may be a reason some choose to leave it. It has been suggested that this is most likely to be the case for men for whom teaching can mean a loss in lifetime earnings, compared with alternative careers which require similar qualifications.⁴³

There is also evidence that the starting pay of teachers in England – currently £22,467 in the majority of the country, and up to £28,098 in inner London⁴⁴ – is not sufficient to attract the best candidates. In 2016, the School Teachers Review Body (STRB), tasked with making recommendations on teacher pay to the Government, highlighted that starting salaries in teaching are lower than those in other professional occupations in all regions except for inner London. It also found that teachers' earnings have undergone deterioration in almost every region compared with other professional occupations since their last report in 2015.⁴⁵

Geographic variations

The number of training places in different parts of the country does not adequately reflect need. It appears that some areas are over training teachers, so have an excess of supply, and other areas are under training. In 2015/16, 547 trainees were recruited for every 100,000 pupils in the North West, compared with 294 in the East of England.⁴⁶ In addition, there are three English regions – the North East, North West and South West – that have large numbers of newly-qualified teachers who do not join a state-sector school immediately after they have passed their training period.⁴⁷

Survey data shows that school leaders in the North West and the North East were the regions least likely to report that they had failed to recruit the number of newly qualified teachers (NQTs) that they had hoped to appoint – one per cent in the North West and none in the North East. This compares to 18 per cent of leaders in outer London and 15 per cent in the South East and East of England.⁴⁸ School leaders also reported varying levels of problems recruiting more experienced teachers: 38 per cent of leaders in outer London said that they failed to recruit main pay scale positions and 48 per cent failed to recruit to middle leadership roles. This compares to areas reporting less of a problem, including 11 per cent of leaders in the North West and South West who failed to recruit to main pay scale positions, and 23 per cent who failed to recruit to middle leader roles in the West Midlands.⁴⁹

Outer London had the highest vacancy rate for primary school teachers in 2015 (16 per cent reporting a vacancy at the time the Government's workforce survey was taken) and also for secondary school teachers (30.4 per cent).⁵⁰ However, there are various reasons why London is a very different case to other areas, including lower teacher/pupil ratios and the increased

41 LKMCo, 2015, op. cit.

42 Prospects, *Great Expectations: Findings from Real Prospects 2010*, www.hecsu.ac.uk/assets/assets/documents/Great_Expectations_GMT_2010.pdf

43 Hutchings, M., *What Impact Does the Wider Economic Situation Have on Teachers' Career Decisions? A Literature Review*, June 2011, www.gov.uk/government/uploads/system/uploads/attachment_data/file/181566/DFE-RR136.pdf

44 Department for Education, *School Teachers' Pay and Conditions Document 2016 and Guidance on School Teachers' Pay and Conditions*, September 2016 www.gov.uk/government/uploads/system/uploads/attachment_data/file/550286/STPCD_2016_guidance.pdf

45 School Teachers' Review Body, *School Teachers' Review Body 26th Report: 2016*, July 2016, www.gov.uk/government/publications/school-teachers-review-body-26th-report-2016

46 National Audit Office, *Training New Teachers*, February 2016, www.nao.org.uk/wp-content/uploads/2016/02/Training-new-teachers.pdf

47 House of Commons: Sub-Committee on Education, Skills and the Economy, *Careers Education, Information, Advice and Guidance*, July 2016, www.publications.parliament.uk/pa/cm201617/cmselect/cmese/205/205.pdf

48 National Association of Headteachers, *The NAHT School Recruitment Survey 2015*, December 2015

49 Ibid.

50 Department for Education, *School Workforce in England: November 2015*, June 2016. www.gov.uk/government/statistics/school-workforce-in-england-november-2015

turnover in the capital.⁵¹ The Government's vacancy rate figures also suggest problems in the East of England, with the North West and North East facing less significant problems.⁵²

Teacher quality

The Commission is concerned that recruitment problems, particularly where they are concentrated in key subject areas could have a knock-on effect on the quality of teaching. A recent study found that schools in poorer areas are more likely to have more unqualified teachers, less likely to have teachers with an academic degree in a relevant subject, and have higher turnover.⁵³ This evidence of a quality problem is supported by surveys of school leaders. A survey of senior leaders for the National Association of Head Teachers found the most common reason for schools failing to recruit was poor quality of applicants.⁵⁴

We have no robust measures of teacher quality in England, so rely on a range of proxies to measure the quality of entrants to the profession, as well as the quality of those already teaching. The Government often makes claims of increasing quality by using the higher degree classifications of new entrants to the profession as a proxy for teacher quality. The Government is right that there has been a notable leap in the proportion of new teachers with a 2:1 degree since 2010/11,⁵⁵ which should be welcomed. This is likely to have a status-raising effect, but there is little evidence that teachers with higher degree classifications make better teachers.⁵⁶

Looking at the data on recruitment to initial teacher training and schools' workforce in detail suggests that there may be a quality problem in our schools. The Government's own statistics show that one in four secondary school maths teachers and one in five English teachers do not have relevant post-A-level qualifications,⁵⁷ suggesting that the teaching of specific lessons is being undertaken by individuals who lack specialist knowledge.

In addition, there is evidence that it was easier to get a place on a teacher training course in 2015 than 2014. There were 6 per cent fewer applicants to teacher training courses in 2015 (47,100) compared with 50,300 in 2014. Despite there being fewer people to choose from, there was an increase of seven per cent in the number of acceptances to training places.⁵⁸

All of this evidence taken together suggests that the Government must not be complacent about quality, numbers or the distribution of teachers. The system for recruiting, retaining and deploying teachers in England could be working better to serve the weakest schools and areas of the country where standards are low. The system could be considerably better aligned to the Government's social mobility ambitions than it is today.

Problem 3: Disadvantaged children leave school with lower educational qualifications and have less of the non-academic skills and knowledge that determine success in the labour market

It is well documented that people from more affluent backgrounds are better able to translate success at school into success in the workplace. Children assessed as low ability at age five from wealthy families earn 35 per cent more in the labour market than children from

51 Department for Education, *Schools Workforce in England, 2010 to 2015: Trends and Geographical Comparisons*, September 2016, www.gov.uk/government/statistics/local-analysis-of-teacher-workforce-2010-to-2015

52 Department for Education, *School Workforce in England: November 2015*, June 2016. www.gov.uk/government/statistics/school-workforce-in-england-november-2015

53 Ibid.

54 National Association of Headteachers, op. cit.

55 Department for Education, *Initial Teacher Training: Trainee number census – 2015 to 2016*, November 2015, www.gov.uk/government/statistics/initial-teacher-training-trainee-number-census-2015-to-2016

56 Allen, R., and Burgess, S., *Reforming Teacher Training to Find the Best Teachers*, Centre for Market and Public Organisation, www.bristol.ac.uk/media-library/sites/cmop/migrated/documents/reformingteachertraining.pdf

57 Department for Education, *School Workforce in England: November 2015*, June 2016. www.gov.uk/government/statistics/school-workforce-in-england-november-2015

58 National Audit Office, *Training New Teachers*, February 2016, www.nao.org.uk/wp-content/uploads/2016/02/Training-new-teachers.pdf

poor families assessed as high ability.⁵⁹ Leaving aside financial support for private tutoring, better educated, wealthier parents can help their children in numerous ways. They provide their children with advice and knowledge to navigate the education system, from ensuring attendance at higher-quality schools to understanding the differences between different institutions and courses and the impact of elite universities on CVs. They also open doors to the world of work through networks, internships, work experience and building the wider skills necessary to impress employers. Finally, they give their children access to extra-curricular activities which build skills and experiences beyond compulsory education.

The fact that some children are more likely to lack these vital experiences and opportunities has failed to get the traction that it should do with policymakers. But if the Government is serious about raising its social mobility aspirations, it needs to prioritise the wider experiences and advice that can help to place children from all backgrounds on a level footing. The large gaps that emerge when comparing children with similar choices and prior attainment exposes the importance of choice; and how sub-optimal choices made at a young age can cap future options. Forthcoming research for the Commission has found that compared with non-FSM pupils living in the same neighbourhood and with similar GCSE attainment, FSM pupils are:⁶⁰

- 34 per cent more likely to drop out of post-16 education
- 26 per cent less likely to stay on in a school sixth form, sixth-form college or independent school
- attending less selective universities that are closer to home
- almost a third less likely to study for Level 3 academic qualifications, 29 per cent less likely to study two or more facilitating A levels, and 25 per cent less likely to study one or more science, engineering or maths A-level
- less likely to attend university (19 per cent), particularly a Russell Group institution (47 per cent less likely) and to study a science, engineering or maths degree (22 per cent)

More action must be taken to understand how and why these choice differences emerge and how to counter them.

A recent survey of 16-year-old students by Kings College London (KCL) looked at both careers advice and work experience, and found some significant gaps in access and quality according to family background.⁶¹ The survey found that students from less advantaged social backgrounds not only receive significantly less careers education, but they also reported being less satisfied with the careers education that they did receive. The survey found that wealthier students, who were found to have higher social capital, were nearly one and a half times more likely to receive careers education compared with students with lower social capital, who were significantly more likely to be from poorer families. Students who planned to study A levels were over one and a half times more likely to have had careers education than students planning on entering work at age 16, with students intending to start a career in beauty being among the least likely to receive relevant careers education.⁶²

KCL found that less than half of 16 year olds had had any form of work experience. Students in the North East, the North West and Yorkshire were more likely to have had a form of work experience, with students in the South West the least likely. Students aspiring to careers in science and the law were found to be least likely to have had relevant work experience. KCL also found a gap according to the ability-based sets that children are placed in within their

59 Social Mobility and Child Poverty Commission, 'New research exposes the "glass floor" in British society', Press Release, 26 July 2015, www.gov.uk/government/news/new-research-exposes-the-glass-floor-in-british-society

60 Forthcoming research for the Social Mobility Commission, *Post 16 Choices*, Education Datalab

61 Kings College London, *Aspires 2 Project Spotlight: Year 11 Students' Views of Careers Education and Work Experience*, February 2016, www.kcl.ac.uk/sspp/departments/education/research/aspires/ASPIRES-2-Project-Spotlight---Year-11-Students-Views-on-Careers-Education-and-Work-Experience.pdf

62 Ibid.

school, with students in lower sets less likely to report having had work experience.⁶³

The Government's accountability, testing and curricular reforms aspire to ensure that the vast majority of children have access to a high-expectations-driven curriculum where the study of high-value subjects is strongly incentivised. But a recent report on careers education, information, advice and guidance by the parliamentary Sub-Committee on Education, Skills and the Economy said that: 'Too many young people are leaving education without the tools to help them consider their future options or how their skills and experiences fit with opportunities in the job market.'⁶⁴ Too often, parents who themselves struggled in education are not in a good position to support their children's choices, whether it be of post-16 institutions and courses, or of university or training options.⁶⁵ At the same time, better-off parents are ensuring that their children navigate the system in a way that delivers at least what their educational results might justify and sometimes more.⁶⁶ These kinds of choices, made in the school years, open and close doors to future careers.

These findings echo many of the Commission's conclusions from our *Cracking the Code* report from 2014,⁶⁷ where we looked at the importance of advice and guidance in enabling social mobility. It remains the case that the variability of provision and weak accountability is letting down the children who most need informed advice. Careers advice in schools, when done well, frequently and at the right age, has been found to add up to £2,000 a year to individuals' future earnings.⁶⁸ It helps children to make good choices, develop the skills that they need to open doors and maximise their potential. The National Careers Service and the Careers and Enterprise Company, set up in the wake of the reforms to careers advice, have some helpful tools. But there are no guarantees that any child will receive a particular quality or frequency of advice and no penalties for schools that fail to provide any meaningful advice or guidance at all.

For too long, those that make good choices in the education system have been the children of parents who are familiar with the system, having successfully navigated it themselves. There has been some progress, with the Russell Group's guidance on facilitating subjects; efforts from UCAS to expose the differences in entry by different qualification types; and UK Commission for Employment and Skills data looking at gaps in skilled employment. But there is much more to do to ensure that information is available to all children at different points in their schooling so they can make informed decisions about their future. The coming years will see a wealth of new information with huge potential to serve this purpose, including using the Longitudinal Education Outcomes (LEO) data which will be able to show the return that students can expect from different degree courses and institutions. The Government has a great opportunity to develop a new approach to education and careers advice to ensure that all children benefit.

Ensuring that young people from all backgrounds are prepared for the world of work is an important feature of any education system that seeks to ensure that all children can fulfil their potential. There is evidence that disadvantaged young people can benefit the most from work experiences,⁶⁹ but are least likely to have the networks that can unlock work experience from a wide set of professional and skilled careers.⁷⁰ Amid growing evidence of skills shortages – particularly in the regions – there is a growing need to ensure that children are provided with

63 Ibid.

64 House of Commons: Sub-Committee on Education, Skills and the Economy, *Careers Education, Information, Advice and Guidance*, July 2016, www.publications.parliament.uk/pa/cm201617/cmselect/cmese/205/205.pdf

65 Social Mobility and Child Poverty Commission, *Cracking the Code: How Schools can Improve Social Mobility*, October 2014, www.gov.uk/government/publications/cracking-the-code-how-schools-can-improve-social-mobility

66 Francis, B. and Wong, B., 'What is preventing social mobility? A review of the evidence', Leicester: ASCL, 2013, www.ascl.org.uk/download.0621F643-3196-4A73-BFEA9F2ABB3C1383.html

67 Social Mobility and Child Poverty Commission, op.cit.

68 Coughlan, S., 'Careers talks "boost future earnings" – research', BBC, May 2016, www.bbc.co.uk/news/education-36312068

69 Staff, J., Mortimer, J.T., Social Class Background and the 'School to Work' Transition, *New Dir Child Adolesc Dev*, vol. 119, 55–69, 2008.

70 Francis, B. and Wong, B., 2013, op. cit.

high-quality work experience, and information and advice to make informed choices about their careers. There also needs to be a more effective match between the demand and supply of skills by focusing on individuals who can fill the gap.

The way in which children spend their time when not in school is not only important to their wellbeing and self-esteem, it can also contribute to their chances of accessing future opportunities.⁷¹ But there is evidence that family income has a strong effect on participation. One study found that 43 per cent of children whose mother had a postgraduate degree had music lessons, compared with just 6 per cent of children whose mother had no qualifications. At the age of 11, 85 per cent of children whose mother had an undergraduate degree participated in organised sport outside of school, compared with 56 per cent of children whose mother had no formal qualifications.⁷²

A study undertaken for the Commission found that children from higher professional families are twice as likely to be doing sporting activities three times or more a week than children from the bottom four social class groups.⁷³ Wealthier children in the top two social classes are also more likely to participate in cultural activities such as going to sporting events, plays and galleries. The study also found that 70 per cent of parents with children at private schools pay for extra-curricular classes for their children, compared with 57 per cent of state school parents. The study concluded that lack of involvement in extra-curricular activities was potentially detrimental as it is associated with reduced social wellbeing, lower perceived ability and less positive behaviours.⁷⁴

2.3 How are these problems being addressed?

There have been major changes to the Government's policy and approach over recent years.

Changes to funding

Funding, or distribution of funding, is an important policy tool at the Government's discretion. This parliament will see the first real-terms cut in school spending of at least 7 per cent.⁷⁵ Alongside this real-terms cut, schools are also affected by changes to National Insurance contributions, the National Living Wage and the Apprenticeships Levy, which are increasing their cost base. The 2015 Spending Review also set out plans to reduce the education services grant (ESG), which local authorities use for school improvement services or gets passed directly to academies to cover these services, by £600 million.⁷⁶

In addition, schools are increasingly uncertain about the effect of the new schools funding formula, now expected in 2018, which will address historical large and unexplainable differences in funding. This is an important reform which will create winners and losers, so it will be a challenge for the Government to manage appropriately.

The Prime Minister has pledged to continue to fund the Pupil Premium, which accounts for £2.5 billion of spending per year, and is distributed to schools in a way that signals a clear allocation to eligible students (around a fifth of students, including those who have been eligible for FSM at any point over the last six years).

71 Social Mobility Commission, *The Childhood Origins of Social Mobility*, June 2016, www.gov.uk/government/publications/the-childhood-origins-of-social-mobility

72 Tanner, E., Callanan, M., *Out of School Activities and the Education Gap*, NatCen, February 2015, www.natcen.ac.uk/our-research/research/out-of-school-activities/

73 Social Mobility Commission, op. cit.

74 Ibid.

75 Institute for Fiscal Studies, *Long-run Trends in School Spending in England*, April 2016, www.ifs.org.uk/uploads/publications/comms/R115.pdf

76 Department for Education, press release, 'Department for Education's settlement at the Spending Review 2015', 25 November 2015, www.gov.uk/government/news/department-for-education-settlement-at-the-spending-review-2015

Improving standards across the system

The 2016 white paper, *Educational Excellence Everywhere*, set out proposals for a school-led system where all schools must become academies by 2022, with an assumption that small schools will become part of a multi-academy trust. The white paper also included plans for local authorities to be given control of coordinating some elements of the admissions system, including in-year admissions and appeals.⁷⁷ In May this year, these proposals were amended so that the conversion of all schools in an area would only be triggered if a council was considered to be underperforming or if it was no longer financially viable for the schools to be maintained by the council.⁷⁸

The Bill to enable these changes had been announced in the 2016 Queen's Speech.⁷⁹ However, in October the new Secretary of State announced that her focus was on building capacity in the system and encouraging schools to convert to academy status voluntarily, with no legislation required for this in the current parliamentary session. In effect, this has cancelled indefinitely the plans included in the *Educational Excellence Everywhere* white paper. At the same time, the Secretary of State re-iterated the Government's ambition for all schools to benefit from the freedom and autonomy that academy status brings.⁸⁰

The Government also continues to work towards its target of delivering 500 new free schools in this parliament.⁸¹ While the creation of these schools will of course affect the students that attend them, the overall numbers of free schools and attendees remain relatively small.

In addition to wider structural reforms, the accountability and exam reforms begun under the previous government have started to bed in. The new Progress 8 and Attainment 8 measures at GCSE aim to capture both attainment and progress in eight subjects (including a set of core subjects) through secondary school, and seek to compare the attainment of pupils that started school at the same level. This year, the Government scrapped its plans for a reception baseline assessment, which was set to be undertaken by three different testing approaches, selected by individual schools, as well as cancelling plans to introduce statutory re-sits of the maths and reading Key Stage 2 tests in Year 7.

The bar for testing will be raised, most importantly at both Key Stage 2 and GCSE, where, from 2017, the new numerical equivalent to a C grade will sit between a current C and B grade. The Government has also set out its expectation that 90 per cent of students will study English, maths, science, either history or geography, and a language at GCSE (the compulsory EBacc). Schools that do not conform will not be eligible for an outstanding Ofsted rating.

In October, the new Secretary of State announced that to bring greater stability following the roll-out of the assessment changes described above, there will be no new national tests or assessments introduced before the 2018-19 academic year. Early next year there will be a consultation on primary assessment and the implications for accountability.⁸² In addition, the Government announced in September 2016 a consultation which could have significant implications for education in England, including the potential to revoke the School Standards and Framework Act of 1998, which banned the creation of new all-selective schools. The green paper, *Schools that Work for Everyone*, proposes that:⁸³

77 Department for Education, *Educational Excellence Everywhere*, March 2016, www.gov.uk/government/publications/educational-excellence-everywhere

78 Schools Week, 'Government u-turns on forced academisation plan', 6 May 2016, <http://schoolsweek.co.uk/government-u-turns-on-forced-academisation-plan/>

79 Cabinet Office, Queen's Speech 2016, 18 May 2016

80 Hansard, Technical and Further Education: Written statement – HCWS223

81 Department for Education, *Free Schools: Open schools and successful applications*, last updated September 2016, www.gov.uk/government/publications/free-schools-open-schools-and-successful-applications

82 Hansard, Primary Education: Written statement – HCWS203, 19 October 2016

83 Department for Education, *Schools That Work For Everyone*, September 2016, www.gov.uk/government/consultations/schools-that-work-for-everyone

- current selective schools will be able to expand if they make efforts to ensure good quality non-selective places in the local area
- new selective schools can be established
- multi-academy trusts be encouraged to set up selective schools to stream their most able students
- independent schools with the capacity will need to offer fully-funded bursaries, sponsor academies or set up free schools
- smaller independent schools provide other support to the state system, including support to state school teachers, more access to facilities for state schools and sixth form scholarships
- universities charging top fees must sponsor a free school or academy the 50 per cent cap on faith-based admissions in free schools is removed

Teachers

The Government has continued to back a more market-based approach to teacher training, with increasing numbers of places being offered through School Direct, the school-based Initial Teacher Training programme, with the stated aim of improving quality.

Bursaries and scholarships continue to be offered to trainee teachers on fee-paying (student rather than salaried) routes, with rates depending on subject specialism, school phase and degree classification. In addition, the National Teaching Service (NTS) was launched in 2015 with the aim of placing high performing teachers and leaders in schools in areas struggling to recruit. The original plan was for 1,500 participants by 2020. There is some evidence that the NTS has struggled to recruit even the small numbers for its pilot phase.⁸⁴

Wider support

The Government launched its proposals for new Opportunity Areas in October 2016, in the first instance focusing on six social mobility coldspots. The areas were determined using the Government's white paper analysis identifying schools coldspots, with data from the Commission's Social Mobility Index. The Government's intention is for the programme, which comes with funding attached to it, to develop local partnerships with providers, including schools and businesses, to ensure that more children can reach their potential. The package includes a £75 million teaching and leadership innovation fund, focused on supporting teachers and leaders in challenging areas, as well as proposals to provide better advice and opportunities through work with, among others, the Careers and Enterprise Company and the National Citizen Service.⁸⁵

In addition, the 2015 Spending Review announced plans to increase participation in the National Citizen Service, so that 60 per cent of 16 year olds could partake by 2021.⁸⁶ This is in addition to new plans announced in the Queen's Speech in 2016 to place the National Citizen Service (NCS) on a statutory footing, with the Government setting out plans to 'expand the National Citizen Service by encouraging thousands more young people to take advantage of the skills building programmes offered' and 'benefit from a £1.2 billion cash injection'.⁸⁷

84 Scott, S., 'Government teacher recruitment schemes delayed again – fuelling further teacher shortage concerns', *Schools Week*, May 2016, <http://schoolsweek.co.uk/your-scheme-has-been-delayed-%c2%ad-again/>

85 Department for Education, *Social Mobility Package Unveiled by Education Secretary*, October 2016, www.gov.uk/government/news/social-mobility-package-unveiled-by-education-secretary

86 HM Government, *Spending Review and Autumn Statement 2015*, November 2015

87 House of Lords Library, National Citizen Service Bill: Briefing for Lords Stages, October 2016, <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/LLN-2016-0052>

The NCS is a voluntary programme open to 15- to 17-year-olds. It was introduced by the Coalition Government to encourage personal and social development, leadership, teamwork and communication. It is run in school holidays and includes an induction phase, a team-based activity that usually takes place away from home, and work on a social action project.⁸⁸ There were nearly 58,000 participants in the 2014 programmes and the average cost for that year was £1,538.⁸⁹ The November 2015 Spending Review and Autumn Statement said that the Cabinet Office settlement included funding to expand the NCS to deliver up to 300,000 places by 2019/20. This proposal would increase funding four-fold between 2015/16 and 2019/20 to around £400 million.⁹⁰

Finally, the Budget in 2016 announced up to £285 million per year from a new soft drinks levy to be distributed to schools to extend the school day, as well as funding for PE in schools and for breakfast clubs.⁹¹

2.4 How should more progress be made?

The commitments made by the Prime Minister and the Secretary of State for Education to deliver real improvements in social mobility are very welcome, but achieving progress will require a sustained effort to tackling the current unequal access to high-quality education. The broad ambition driving school reform over the last and this parliament has been positive. The schools system has benefited from demands for high expectations. The Government's approach has set the conditions for, and already developed a minority of, high-performing schools that demonstrate the very best of what English schools can do. In those schools disadvantaged children are now far exceeding the national average for all children. The Commission particularly welcomes the previous and this Government's continued support for accountability reform. The shift from a threshold-focused accountability system and the new focus on progress, as well as the incentives at secondary school level to encourage the study of a set of core, high-value subjects have the potential to reap a significant social mobility premium. The challenge for the Government is to give those reforms the support and the conditions that they need to have impact.

The Commission's primary concern about the current approach is the assumption that structure and school type are at least as important as what goes on within the classroom. The Government's failure to take responsibility for delivering a high-quality and fairly distributed teaching workforce continues to be the most significant weakness in its approach to schools.

The Government's continuing support for the academy school model, and its more recent proposals for new and expanded grammar schools, are unlikely to deliver its ambitions and risk damaging the outcomes of the poorest children. The focus on grammar schools, like the drive for all schools to become academies, is, at best, a distraction, and, at worst, a risk to efforts aimed at narrowing the significant social and geographical divides that bedevil England's school system. In particular, the Commission is not clear how the creation of new grammar schools will make a significant positive contribution to improving social mobility. That is not to say that for those who currently attend a grammar school, there is no positive effect. Those that go to grammar schools achieve around a third of a grade more per subject than similar children not in grammar schools. For FSM pupils, the effect is greater, at half a grade more per subject.⁹² Grammar schools have also closed the gap on the five A*-C attainment measure, with a gap of 4.3 percentage points in selective schools, compared with 25.9 in

88 House of Commons Library, National Citizen Service, May 2016, <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06364>

89 Ibid.

90 HM Treasury, *Spending Review and Autumn Statement 2015*, November 2015

91 HM Treasury, *Budget 2016*, March 2016, www.gov.uk/government/publications/budget-2016-documents/budget-2016

92 Education Policy Institute, *Grammar Schools and Social Mobility*, September 2016, <http://epi.org.uk/report/grammar-schools-social-mobility/>

non-selective schools.⁹³ This data has been central to the Government's narrative about the success of selective education. But researchers who looked at how non-selective schools would perform with a similarly high attaining group found that the non-selective school gap reduced from 25.9 percentage points to 7.⁹⁴

The Commission's greatest concern is that the positive gains for the few that attend a grammar school are outweighed by the negative effects for the majority of children in selective areas that go to other schools. In selective areas, those children that go to grammar schools make 0.4 of a grade more progress in each subject, compared with similar students elsewhere. But for those children in other schools, essentially secondary moderns in selective areas, they make 0.2 of a grade less progress than similar students elsewhere.⁹⁵ As Sir Michael Wilshaw has put it: 'A grammar school in every town, as some are calling for, would also mean three secondary moderns in every town – a consequence rarely mentioned...'.⁹⁶

A recent study has found that 2.5 per cent of pupils in selective schools are eligible for FSM, compared with 13.2 per cent across all state-funded secondary schools.⁹⁷ High-attaining disadvantaged children are less likely to get into grammar schools than similarly attaining peers. A report for the Sutton Trust based on Key Stage 2 scores suggested grammar schools are enrolling significantly less academically able children from disadvantaged backgrounds than they should be. In selective local authorities, 66 per cent of non-FSM children who achieved a high score (Level 5) in both English and maths at Key Stage 2 went to a grammar school, compared with 40 per cent of similarly high achieving FSM children.⁹⁸ In addition, today's grammar schools contain four times more pupils who have previously attended an independent school as are from a low income family.⁹⁹

93 Ibid.

94 Ibid.

95 Education Datalab, *Grammar Schools; Four Key Research Points*, September 2016, <http://educationdatalab.org.uk/2016/09/grammar-schools-four-key-research-points/>

96 Weale, S., 'Ofsted Chief warns May over "retrograde step" over grammar schools', *The Guardian*, September 2016, www.theguardian.com/education/2016/sep/05/michael-wilshaw-ofsted-chief-grammar-schools-theresa-may-poorer-children

97 Education Policy Institute, op. cit.

98 The Sutton Trust, *Poor Grammar: Entry into Grammar Schools for Disadvantaged Pupils in England*, November 2013, www.suttontrust.com/wp-content/uploads/2013/11/poorgrammarreport-2.pdf

99 Ibid.

Schools in Kent

- Kent has the largest number of children that attend grammar schools in the country. Of the 98 secondary schools in Kent, 32 are grammar schools.¹⁰⁰
- Just 2.8 per cent of children attending grammar schools in Kent are eligible for FSM, compared with 13.4 per cent in non-selective Kent secondary schools.¹⁰¹
- Overall, the Kent education system significantly underperforms as a local authority. FSM-eligible children in Kent achieve far worse results than the national average – just 27.1 per cent achieve five good GCSEs in Kent, while the national figure is 33.3 per cent (and 45.8 per cent in London).¹⁰²
- Meanwhile, children who are not disadvantaged in Kent do no better at GCSE than elsewhere at GCSE, with just below the England total gaining five good GCSEs.¹⁰³
- Of the 100 secondary schools in Kent, 28 are rated outstanding by Ofsted. Just four of those schools are non-grammars.¹⁰⁴
- Most recent destinations data shows that in 2015, just 3 per cent of FSM children in Kent who studied an A level or equivalent course went on to a Russell Group university and 11 per cent to a top-third higher education institution, compared with 12 per cent and 22 per cent of non-FSM children, respectively.¹⁰⁵

In a school system which already has a deep problem with getting the best teachers into the schools that most need them, a policy which creates a new generation of elite local educational institutions is likely to make things worse, not better. The best teachers are likely to be attracted to those schools. One important reason for educational inequality across selective systems globally is the sorting of more effective teachers to the schools with the highest ability students.¹⁰⁶ For all of these reasons it is perhaps unsurprising that the Organisation for Economic Co-operation and Development has concluded that: ‘Countries with selective education systems, on average, perform less well than countries with more comprehensive education systems’.¹⁰⁷

In an attempt to mitigate some of these negative effects of selection, the Government has stated its commitment to introduce a different type of grammar school than those that currently exist. It has argued that its proposals are not a return to the 11-plus and that the new generation of grammar schools will have to work closely with other local non-selective schools.¹⁰⁸ We are unpersuaded, however, that proposals for new selective schools address the core problems we have identified in England’s school system – namely the correlation between family background and educational attainment, the geographical divide among schools, the failure to get the best teachers into the schools that need them most, and the fact that poorer children not only tend to leave school with lower qualifications, but do so ill-equipped for the world of work.

The Education Policy Institute’s (EPI) recent study on selective schools found that bright children perform no better in grammar schools than they would in one of the best state

100 Kent County Council, *Grammar Schools and Social Mobility*, 2016

101 Ibid.

102 Department for Education, *Revised GCSE and equivalent results in England: 2014 to 2015*, 2016

103 Ibid.

104 Ofsted, *Maintained schools and academies inspections and outcomes as at 31 March 2016*, 2016

105 Department for Education, *Destinations of KS4 and KS5 pupils: 2015 (provisional)*, 2016

106 Burgess, S., Dickson, M., Macmillan, L., *Selective Schooling Systems Increase Inequality*, Institute of Education University of London, May 2014, <http://repec.ioe.ac.uk/REPEc/pdf/qsswp1409.pdf>

107 Organisation for Economic Co-operation and Development, *School Factors Related to Quality and Equity*, 2005, www.oecd.org/education/school/programme-for-international-student-assessment-pisa/34668095.pdf

108 Greening, J., Speech to Conservative Party Conference 2016, October 2016, <http://press.conservatives.com/post/151337985150/greening-speech-to-conservative-party-conference>

comprehensive schools (the top 25 per cent based on value-added progress measures and not just the elite few).¹⁰⁹ The EPI not only found that there were five times as many high-quality non-selective schools as there are grammar schools, but also that this sub-set of excellent comprehensive schools were also far more representative of society than grammar schools. This set of schools had an average of 12.6 per cent of children being FSM-eligible, compared with 13.2 per cent nationally and 2.5 per cent in grammar schools.¹¹⁰

Below we suggest how the Government could adopt a different approach to dealing with the three core problems we have identified in England's school system.

Narrowing the educational attainment gap between schools, areas and pupils

There are large geographical divides in school quality and in attainment across England, particularly for the poorest children. New evidence on the Coalition Government's Academies programme¹¹¹ suggests that it is very unlikely that it has had a notable impact on bringing London standards to the rest of the country. There is some evidence that the Pupil Premium has had a positive effect on the attainment gap, but is not definitive, because it cannot definitely say what would have happened to attainment had it not been introduced. It is too early to tell what impact the new accountability regime will have, although the Commission is hopeful that it will address some of the problematic consequences of the previous regime.¹¹²

The Government's acceptance that opportunity is not evenly distributed in society is important and signals its determination to narrow the gap between areas and between children from different backgrounds. There is much for the Government to do. The Commission is of the view that the most important actions that the Government can take to narrow these gaps are to:

- focus first and foremost on ensuring a high-quality teaching workforce which is distributed more evenly across the system, because evidence suggests that high-quality teaching is good for all children, but can provide the most benefit for the most disadvantaged
- use funding and associated accountability measures to ensure that the poorest children continue to receive additional focus
- ensure that school quality and wider opportunities are more fairly distributed across the country and between the poorest and wealthiest areas – the Government's Opportunity Areas approach is a positive step here, but the Government's approach must be wider and more ambitious, addressing areas where there are multiple problems and clusters of school failure
- continue to focus on ensuring that all children have access to a high-quality academic education to the age of 16

Getting more good teachers into schools that need them most

The current system for the recruitment, retention and distribution of teachers has significant consequences for social mobility. As it stands, the system draws teachers to schools in desirable areas, ones that are already performing well and where the student population is more likely to be advantaged. In addition, recent reports from the National Audit Office (NAO), the Education Select Committee and the School Teachers Review Body have confirmed what

109 Education Policy Institute, *Grammar Schools and Social Mobility*, September 2016, <http://epi.org.uk/report/grammar-schools-social-mobility>

110 Ibid.

111 Silva, O., *The Impact of Academies*, London School of Economics, <http://www.suttontrust.com/wp-content/uploads/2016/07/Impact-of-Autonomous-Schools-EPI-LSE-V3-Final-4.pdf>

112 Burgess S., *Threshold Measures in School Accountability: Asking the right question*, September 2013, <https://cmpo.wordpress.com/tag/school-league-tables/>

we have suspected, that the Government's model for recruiting teachers neglects regional and local need, and is training too many teachers in some areas and not enough in others. This comes amid increasing evidence that the teaching workforce is not geographically mobile and we do not know which (if any) incentives provide value for money to move teachers into the schools which most need them.

The NAO recently commented that:

*the Department [for Education] does not use its teacher supply model to estimate how many teachers are required locally or regionally and largely relies on the school system to resolve problems. It has initiatives to address particular issues, such as its plan to create a National Teaching Service to work in underperforming schools. However, the Department has a weak understanding of the extent of local teacher supply shortages and whether they are being resolved locally.*¹¹³

The Commission finds this lack of focus on local and regional need entirely inadequate and the Government must urgently seek to address it.

The Commission is concerned that while there is solid evidence that good quality teaching can particularly benefit poorer children, the Government has failed to grip the most important element of the education system, which is to ensure that the system provides the number and quality of teachers to the schools that need them. The Commission is concerned that problems with teacher recruitment will lead to quality issues. Teaching is a challenging and rewarding career option, but it is still not a sufficiently high status one. It is the Commission's view that the Government must look carefully at its approach to teacher recruitment and deployment in particular and consider how it can work towards a system where teaching is more desirable to potential candidates and where they are not heavily incentivised to work in the most effective schools and most desirable areas.

In particular, the Government needs to ensure that new teachers' reward packages are sufficiently competitive to attract the best candidates. Eight in ten teacher training places last year required applicants to pay tuition fees of up to around £9,000, just as for any undergraduate course in England.¹¹⁴ Students are compensated by full tuition-fee loans and other student finance, as well as through various subsidies in the form of scholarships and tax-free bursaries, which vary according to subject specialism and degree classification. The Government does provide high value bursaries in shortage subjects, for example, a secondary school physics trainee with a first-class degree or PhD might receive a bursary of £30,000¹¹⁵ in addition to their student finance. However, the Commission is concerned that the use of bursaries is supported by limited evidence and their value for money has been questioned by the NAO and the Education Select Committee in recent months.¹¹⁶

A year of fees and further debt does not stack up well compared with starting a graduate position with a firm which will pay a salary from day one. The Institute for Fiscal Studies (IFS) evidence that, under the new student finance system, the average teacher will never pay off the borrowing accrued for fees and living costs for their initial teacher training year makes a compelling case.¹¹⁷ The IFS found that the combination of unpaid loans and subsidies mean that the cost to the state of fee-paying teacher training options (for shortage subjects) were as much as 50 per cent higher than for salaried training routes.¹¹⁸

113 National Audit Office, *Training New Teachers*, February 2016, www.nao.org.uk/report/training-new-teachers

114 ITT figures: 2,781 of 32,156 teachers based on census in 2014/15 were on School Direct salaried. Teach First had c.1,600 that year. Department for Education, Initial teacher training census for the academic year 2014 to 2015, 27 November 2014

115 Get Into Teaching, Bursaries and Funding, <https://getintoteaching.education.gov.uk/bursaries-and-funding>

116 National Audit Office, op. cit.

117 Institute for Fiscal Studies, *The Costs and Benefits of Different Initial Teacher Training Routes*, IFS report R100, November 2014

118 Ibid.

Equipping more children for the world of work

The Government has deliberately moved away from providing the kind of support and activities beyond the academic curriculum that had been developed in the 2000s. The Coalition Government oversaw significant changes to funding for extra-curricular activities, and careers advice and guidance, with the scrapping of the Connexions service. In addition, the Wolf Review proposal to end mandatory work experience in Key Stage 4 and include it in study programmes at Key Stage 5 has led to significant variation in work experience offerings.¹¹⁹

The Government's policy approach has been to encourage schools to provide advice and guidance and extra-curricular activities beyond the school day, but not to mandate or provide ring-fenced funding for them. The one remaining area where schools continue to have a duty, careers advice and guidance, has weak accountability associated with it and the Government has yet to publish its promised careers strategy. While the Government's hands-off approach gives schools the freedom to deliver what is best for their students, it too often means that the best schools ensure their students receive high-quality advice and have access to good employers and universities, while the weakest schools, where students most need these added extras, provide very little.

The introduction of the new funding in the 2016 Budget for the extended school day and extra-curricular activities is an opportunity to ensure that children who would not otherwise have access to activities have the opportunity to take part. The Government should use that funding to narrow the non-academic gap between students from different backgrounds. While there is good evidence that careers advice and guidance, early exposure to employment and extra-curricular activities are important drivers to long-term outcomes and can reinforce academic skills, the evidence on what works in delivering them is patchy. Any future efforts to invest in these areas must include investment in robust, gold standard evaluation.

The Government's continued investment in the NCS is an important recognition that experiences beyond school and social mixing help to prepare children for life. The Commission believes these are the right principles, but the NCS may not be the right way to deliver them. The extent of expansion proposed first in the 2015 Spending Review, and confirmed and extended in the Queen's Speech of 2016, do not reflect the strength of evidence for the programme, particularly when there are such significant wider gaps in the support given to young people. When there is little careers advice to speak of, quality work experience is a rarity and children from different backgrounds and in different parts of the country are being prepared for the world beyond school in such different ways, the spending on NCS appears to be both excessive and unproven.

2.5 Conclusion and recommendations

The new Secretary of State for Education has made clear her ambitions to improve social mobility. The opportunity to take a fresh and systematic look at education policy through the lens of an extended Department for Education presents an exciting opportunity and the Commission welcomes the Government's commitment to make this a priority. The school system has a central role to play in creating a level playing field for young people. As the dramatic improvement in London schools shows, the choice is not between encouraging excellence and improving equity. The two aims can and should go hand-in-hand.

The Commission believes that the commitment shown by the previous and current Government to ensuring a high expectations, high standards school education for all children

¹¹⁹ House of Commons: Sub-Committee on Education, Skills and the Economy, *Careers Education, Information, Advice and Guidance*, July 2016, www.publications.parliament.uk/pa/cm201617/cmselect/cmese/205/205.pdf

will benefit social mobility. We do not believe, however, that proposals for more selective schools will help. Instead they are a distraction. As they stand, these proposals will not address the fundamental problems that divide our school system and may well create further divisions. The Commission hopes that the Government will move on from an over-reliance on structural reform to a new focus on improving teacher quality and fairly distributing teachers to the schools that most need them. To that end, we hope the Government will re-think its ambitions for school structures, including the plan for more grammar schools, and refocus the purpose of Regional Schools Commissioners (RSCs) to bring about school improvement.

As a core part of a ten-year programme of social reform, the Government should develop an integrated approach to embedding social mobility objectives in early years, schools, further education and higher education policy. This programme of reform should have as its core objective the ambition of narrowing the attainment gap at GCSE between poorer children and their better-off classmates by two-thirds by 2027, bringing the rest of the country to the level achieved in London today.

As part of a ten-year programme of social reform, we recommend that:

Recommendation 1: The Government should re-think its plan for more grammar schools and more academies, and instead focus on improving schools in the worst performing areas of the country. Starting with the ten areas with the most inadequate schools, it should mandate all schools there to take part in area-wide schools challenge programmes, with the aim that by 2020 no pupil should be in a school rated as inadequate and all should be demonstrating progress towards being rated as good

One shameful feature of the great divide in school standards is the concentration of school failure. Over one-fifth of the children in failing schools in England live in ten local authority areas (Blackpool, Knowsley, Northumberland, Doncaster, Reading, Stoke-on-Trent, Oldham, Bradford, Telford and Wrekin, and Central Bedfordshire). The extent of failure in these areas is unacceptable, but improving 49 inadequate schools across ten areas should be a manageable number for the Government to grip. To address this, the Government should:

- Set up area-wide school improvement boards which will run until at least 2020 in each of these ten areas (or relevant parts of them), chaired by a nationally appointed, credible school improvement lead. Headteachers from all schools across the area should partake, irrelevant of Ofsted judgement, with a view to the board enabling collaboration, accountability, challenge and support. Each board should include two or more high-calibre headteachers from outside of the local authority area.
- Empower Regional Schools Commissioners to broker a formal collaboration agreement between each of the 49 inadequate schools and an outstanding or good school in the local area or in a neighbouring local authority. The outstanding or good school would be expected to support the inadequate school to improve, receiving recognition (and reward) for supporting their success.
- Allocate each area a school improvement budget, which will be managed by the area-wide school improvement board. Currently, Regional Schools Commissioners award one-off payments of up to £100,000 to multi-academy trusts to support them to take on failing schools, via a sponsor capacity fund. In exceptional cases, the amount given can be higher.¹²⁰ We recommend that this money is repurposed towards improving the inadequate schools in these ten areas and in the Government's Opportunity Areas.
- Focus its future contracts with providers of teaching and leadership training, including Teach First, on areas of greatest need, including these ten areas.

¹²⁰ Department for Education, Sponsor capacity fund, updated 26 May 2016, www.gov.uk/guidance/sponsor-capacity-fund

- Urgently look to change the remit and objectives of the Regional Schools Commissioners from the current focus on academies and opportunities for academy conversion, to a relentless focus on addressing concentrations of school failure, with the ten areas listed above (and Opportunity Areas) as their urgent priorities.

Recommendation 2: The Government should fundamentally reform the process which recruits and distributes new teachers across the country

The school-led approach to teacher training is not working to get the quality and numbers of teachers into the schools that need them most. The Government should introduce a new national system which acts as a front end for school led initial teacher training programmes and which provides central marketing, applications, screening and first stage recruitment processes (initial interviews). A system along these lines would provide economies of scale and would mean that teaching could better compete with other top professions in presenting a high quality marketing offer. The provider of this service could work with school partners to develop a process matching schools to candidates, heavily involving the schools themselves and ensuring a fair distribution of quality candidates.

Recommendation 3: The Government should introduce new incentives to ensure that more of the highest-quality teachers are in the schools that need them most

The incentives in the current system for recruiting and retaining teachers are not social mobility friendly. The Government should set out a long-term plan for reforming the offer to new and current teachers, to address the current recruitment, retention and deployment problems that is disadvantaging the weakest schools. This should include:

- a pay rise for teachers – the Government should give the School Teachers Review Board the remit to end the pay freeze for teachers with a 2–3 per cent overall increase and a suggestion that increases are weighted towards new entrants; the Government should focus on the lower end of the pay band, aiming for new teachers outside of London to earn at least £25,000 by 2020
- offering student loan relief to teachers going to work in areas with the weakest schools and guaranteeing all teachers who paid tuition fees that their fee amount will be deducted from their student loan total when they have worked in a state school for five years
- new incentives for teachers to work in challenging schools and areas including:
 - testing and fully funding from national resources a system of varied pay which gives substantial pay boosts (of over £5,000 per year) to teachers moving into areas with the weakest schools, weighted according to seniority and with higher pay for teachers going into weaker schools
 - housing incentives to get teachers to go to areas with supply problems, such as a new, more generous Help to Buy scheme on offer only to teachers who move into and teach in a low supply area
 - testing of a set of non-financial incentives such as opportunities for world-class training, and secondments to other schools and businesses

Recommendation 4: The Government should repurpose the National Citizen Service to deliver an opportunity fund so that all children between ages 14 and 18 can have a quality work experience and access to an extra-curricular activity

By 2019/20, the Government will be spending £400 million a year on the NCS, a four-fold increase from the funding levels in 2015/16. This money could be better used to set up and rigorously evaluate a programme which guarantees all children a high quality work experience placement in Year 12 and choices from a menu of other opportunities:

- a core offer of a funded work experience-plus week in Year 12 where each student has the option to travel and stay away from home for a week, in order to gain experience of at least one employer and receive high-quality advice about future career options; and other options to include:
- weekly funding during Years 10 and 11 for an extra-curricular activity
- access to a mentoring programme

This programme could be delivered within the current funding levels for NCS (£1,500 per child) and could be contracted out to appropriate organisations in much the same way as the NCS is at present. A fund allocated to each child would be weighted towards children either eligible for FSM or whose parents are eligible for tax credits and Universal Credit.

Recommendation 5: The Government should require independent schools and universities to provide high-quality careers advice, support with university applications and share their business networks with state schools – starting in Opportunity Areas

The Secretary of State for Education has rightly asserted her support for all children receiving ‘the right advice at the right time’.¹²¹ But current policy fails to give any guarantee on the quality or regularity of careers advice, particularly for those children that most need advice to translate their achievements in school into opportunities. The Government’s Opportunity Areas present a means by which to test and deliver new models of advice, with the children who most need it. The Government should:

- Re-think its proposals in the recent green paper for independent schools and higher education institutions to set up or sponsor schools, in exchange for maintaining the benefits of charitable status or the ability to charge higher tuition fees. As a condition of these benefits, those institutions should instead focus their energies and resources on providing high-quality careers advice, support with university applications, early experiences of higher education and links into business networks for children in state schools. Opportunity Areas provide the Government with an excellent means by which to test how these new relationships and requirements could work.
- Use Opportunity Areas to fund and test a range of programmes already on offer from charities and social enterprises providing careers advice, support with university applications and wider opportunities, using high-quality evaluation techniques to test what works.

¹²¹ Greening, J., Speech to Conservative Party Conference 2016, October 2016, <http://press.conservatives.com/post/151337985150/greening-speech-to-conservative-party-conference>

Chapter 3: Post-16 Education and Training

- Low-income youngsters are one-third more likely to drop out of education at 16 than better-off peers with similar GCSEs, and are 30 per cent less likely to take the A levels needed to study at a top university.
- Poorer students in areas with school sixth forms do better, but in 20 places in the country there is no access to school sixth forms, and in them poorer youngsters are 18 per cent less likely to take Level 3 qualifications.
- Funding is being diverted from second chance education in further education (FE) colleges to apprenticeships, which are often of low quality, in low-skill sectors and not linked to the country's skill gaps.
- Despite recent progress, for every child who goes to university from a family in the bottom two income quintiles, seven do not.
- Youngsters cannot access higher education (HE) locally in many parts of the country, exacerbating the gap between those parts of England that are pulling ahead and those that are falling behind.

As part of a ten-year programme of social reform, we recommend that:

- The Government should create a single, UCAS-style portal that includes vocational training alongside HE options and shows the outcomes associated with different qualifications.
- The Government should build destinations data into accountability frameworks for schools, encouraging them to take responsibility for the choices of all pupils, including those who take technical routes at 16.
- The Government should encourage sixth-form provision in areas where it is lacking and give schools a central role in supporting FE colleges to deliver the Skills Plan. It should aim to reduce the number of 16- to 18-year-olds who are not in education, employment or training to zero by 2022.
- The Institute of Apprenticeships should impose robust quality criteria for apprenticeships and not allow schemes that do not meet these criteria to be called apprenticeships.
- The Government should make social mobility reputational for universities, by publishing an annual social mobility league table.
- The Government should work with universities to ensure HE can be accessed locally in all parts of the country. The 90 areas with no HE provision should be assessed and there should be locally accessible provision everywhere by 2025.

3.1 Why post-16 education and training matters

When the post-war education system was designed, it was essentially a two-route system. Those deemed to be academically gifted – a tiny minority – would go to grammar schools, then university and end up in the country's slim layer of professional jobs. The less academic majority would leave secondary modern school at 15 to take a job in the manufacturing sector of the economy, and probably stay in that sector for the rest of their lives.

The Britain of today is a very different country. Young people now face much more complex educational options, and are likely to change jobs (and perhaps sectors) many times during their lives. This makes having the right skills vitally important. Today, higher-level skills are no longer the preserve of a tiny elite. In 1950, less than 4 per cent of the population went to university; in 2016, the proportion is more than 40 per cent.^{1,2} The revolution that is taking place in information and communication technology (ICT) is increasing the productivity of high-skilled jobs in knowledge-intensive sectors, just as innovations created higher levels of productivity in manufacturing in the post-war era.³ In our knowledge-based economy, these high-skill sectors are predicted to see the biggest growth in coming years.⁴

Economic changes have created challenges as well as opportunities. The decline of industry has led to fewer well-paid manufacturing jobs. Growth in the service sector has protected many people from unemployment, but also locked many into a lifetime of low pay.⁵ In this context, it is crucial that young people get the best qualifications they can to make a good start in the labour market, and then have opportunities to upskill, retrain and access higher skills throughout their lifetime.

But our education system is stuck in the past. The academic route through higher education (HE) is not always developing skills that will be valuable in the labour market, and is still closed for too many young people from low-income backgrounds. Meanwhile, the vocational route through further education (FE) which serves the majority is underfunded, sometimes poorly organised and often not orientated towards high-potential sectors, or those with skills gaps.

The number of young people who continue in education after 16 has risen dramatically over the last 15 years, but poorer young people are less likely than their peers to access the qualifications that give the best returns. A two-tier system still operates in too many parts of the country, with the majority accessing post-16 study in underfunded FE colleges. In these areas, students who have been least successful in school end up in the largest post-16 institutions, with less scope for support and guidance in navigating the many qualification options facing them.

By the age of 18, the majority do not go to university and the alternative routes available are often poorly funded, lower quality and likely to yield lower labour market returns. Many choose vocational options in the belief that they will lead to careers in a skilled industry; but the reality is that the majority of apprenticeships on offer to young people are low-skill qualifications in lower-pay sectors where there is little opportunity for progression. The higher yield apprenticeships – as with higher yield academic routes – are more likely to be taken up by more affluent young people with the social capital and academic credentials to navigate the system and secure the best positions. Even when young people from low-income backgrounds do go to university, they are less likely to navigate the choices on offer and secure the degrees with the best employment returns.

Prior attainment is an important part of the problem. For the reasons discussed in Chapter 2, poorer young people typically reach the age of 16 with lower levels of educational attainment

1 House of Commons Library, *Education: Historical Statistics*, 2012

2 Department for Education, *Higher Education Participation Rate*, 2016

3 Autor, D. H., Levy, F. and Murnane, R. J. 'The skill content of recent technological change: an empirical exploration', *Quarterly Journal of Economics*, vol. 118, no. 4, 1279–1333, 2003

4 UK Commission for Employment and Skills, *Employer Skills Survey 2015: Skills in the Labour Market*

5 Wren, A. (Ed.), *The Political Economy of the Service Transition*, 2013

than their more affluent peers – but it is not just about attainment. Young people from lower-income households lack the connections and support that allows better-off young people to navigate the highly complex post-16 education and training system. Accounting for attainment, poorer young people are still almost 30 per cent less likely to enrol in A levels, and nearly one-third more likely to drop out of learning at 16, compared to other children. Without better quality data on outcomes, more school accountability for this data and better careers advice in schools, poorer young people are likely to continue to lose out.

Geography exacerbates these suboptimal outcomes. Young people growing up in London and other large cities not only have better attainment by age 16, but are also less likely to be segregated into a two-tier system. Rather than choosing between a sixth form or FE college, with high attainers going to the former and others going to the latter, these young people are more likely to choose from a third set of institutions – school sixth forms – that tend to serve a broader range of abilities. In areas with school sixth forms, more low and middle attainers make the most of their GCSE attainment by choosing higher-yield post-16 qualifications. But in 20 areas in England, youngsters have no opportunity to attend school sixth form at all. Moreover, urban centres offer more HE options for young people, while in 12 areas of the country there is no HE access at all; meaning that aspirant young people must leave where they are from in order to get up the skills ladder.

3.2 Strategic assessment

Problem 1: Children from low-income backgrounds are less likely than their peers to enrol in the post-16 qualifications that will benefit them most, and a regional divide means that this is worse in non-urban areas

The gap between the attainment of young people from low-income backgrounds and that of their more affluent peers grows throughout their time at school, leading to significant differences at the crucial age of 16. But at that point a further factor plays a role. The great crossroads of educational choice at 16 determines future life chances: it can set young people on a highway to high-skill, high-pay sectors; lead them down a narrower path to employment with limited progression; or lock them into lower-paid sectors.

Less affluent young people are less likely to translate what they have achieved at school into qualifications that will serve them well in the labour market. Making the right choices is hard for young people if they lack information, support and advice – and there is a double disadvantage facing those whose only local choice is an underfunded FE college.

A level subject choice

A level subject choice is crucial in shaping access to the most prestigious universities, and it is these universities that offer the highest labour market returns. Recent analysis of graduate earnings has revealed that degrees from Oxbridge can lead to 42 per cent higher starting salaries than degrees from the least prestigious universities.⁶ There are also substantial differences in the returns from different degree subjects. Three years out of university, a medicine graduate can be earning £21,000 a year more than graduates of the lowest-paid degree subject.⁷ The creative arts have been found to give no wage premium over non-graduates in the majority of cases.⁸

These differences underline the importance that A level subject choice can have on a young person's future earnings. Yet young people from lower income backgrounds are much less

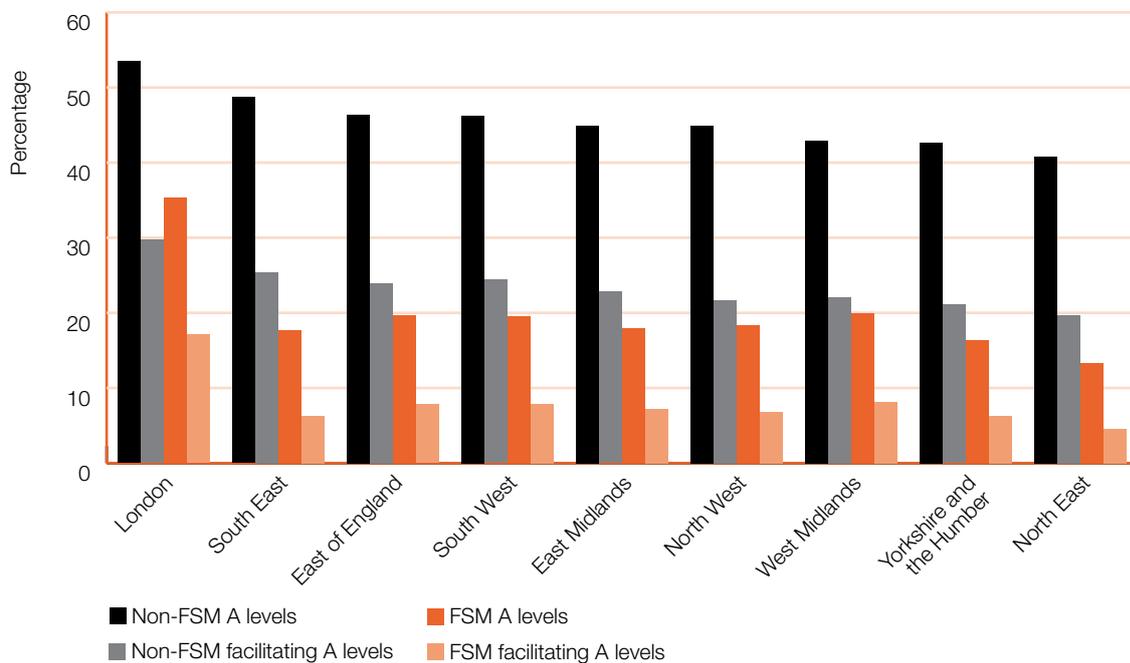
6 Sutton Trust, *Earning by Degrees*, 2014

7 Institute for Fiscal Studies, *How English Domiciled Graduate Earnings Vary with Gender, Institution Attended, Subject and Socio-economic Background*, 2016

8 Ibid.

likely to take A levels in core facilitating subjects (English, maths, the sciences, geography, history and languages), or to specialise in science, engineering and maths (SEM)-related A levels, which open the door to the highest-yield degrees such as medicine and economics. Figure 3.1 shows that nationally, those students who are not eligible for free school meals (FSM) are more than two-and-a-half times more likely to access facilitating A levels, compared to those who are FSM-eligible. Figure 3.2 shows that these more affluent learners are also 2.2 times more likely to access SEM A levels than their FSM-eligible peers. Much of this is explained by prior attainment: young people from low-income homes are less likely to have done well at GCSE; but it is also explained by the subjects that young people study before A levels. Just 9.9 per cent of children eligible for FSM studied core academic GCSE subjects (and achieved grade C or above), compared to 21.2 per cent of other children, restricting the courses they could take on to A level.⁹

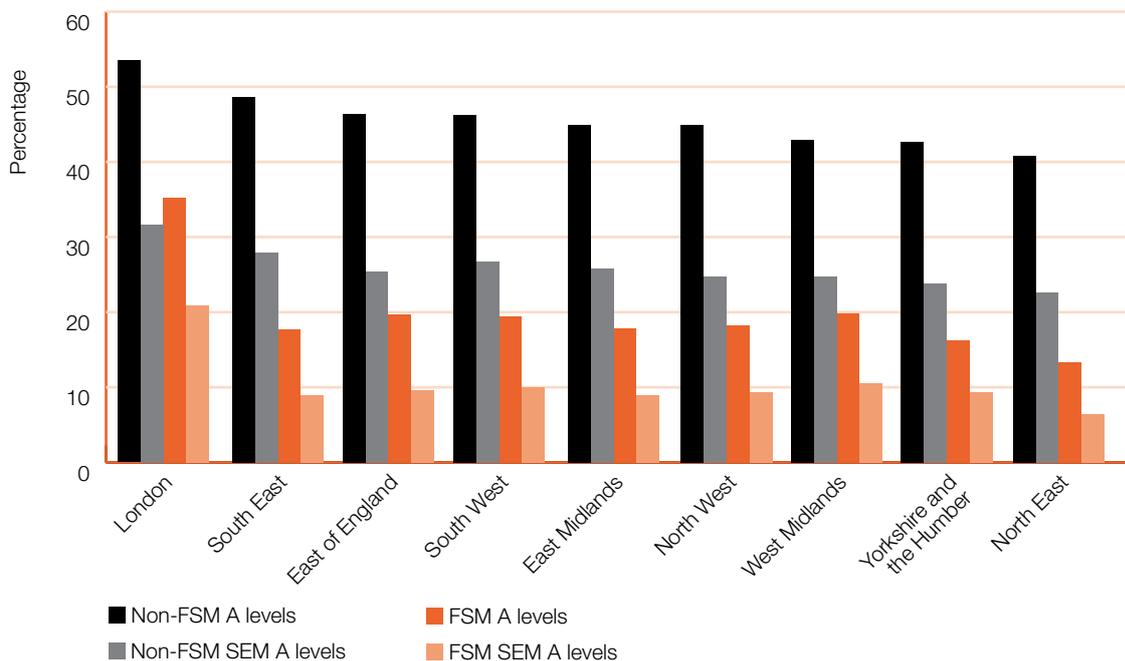
Figure 3.1: Proportion of Year 12 students enrolled in A levels and facilitating A levels, by free school meal status



Source: Linked National Pupil Database linked to Individualised Learner Record (NPD-ILR) data tracking the 2010 school leaver cohort, analysed by Education Datalab for the Social Mobility Commission, 2015

⁹ Department for Education. *The Influence of the School in the Decision to Participate in Learning Post-16*. Research Report No. 538., 2004; Department for Education, *Revised GCSE and Equivalent Results in England: 2014 to 2015, 2016*

Figure 3.2: Proportion of Year 12 students enrolled in A levels and SEM A-levels, by free school meal status



Source: Linked NPD-ILR data tracking the 2010 school leaver cohort, analysed by Education Datalab for the Social Mobility Commission, 2015

The likelihood of studying facilitating A levels varies significantly with geography. FSM-eligible students in London are more than twice as likely to access facilitating A levels compared to similar students in any other region of the country. In London, one in five FSM-eligible students will enrol in at least one SEM A level, but in every other region this stands at fewer than one in ten. This is partially because of the success of London schools in achieving high GCSE scores with poorer young people; but some of this is explained by the institutions in which young people enrol at age 16, as will be explored below.

Qualification choice: BTEC or A level

In principle, BTECs are equivalent to A levels, but they do not offer the same opportunities. Gaining this Level 3 qualification does have higher labour market returns than not doing so, and they can be a route to HE – particularly among young people in low participation areas.¹⁰ However, recent analysis reveals that those with BTECs are most likely to access lower tariff university courses, which lead to lower wages.¹¹ In addition, students with BTECs are more likely to drop out of university, and more likely to get lower grades.¹² Therefore, it is concerning that between 2014/15 and 2015/16, BTEC enrolment rose while A-level enrolment fell.¹³

Young people from low-income homes are more likely to enrol in BTECs than other young people. This is explained partly by prior attainment, with poorer young people less likely to get the grades to access academic Level 3 qualifications. However, this pattern is also seen when prior attainment is taken into account.

Figure 3.3 presents the proportions of young people in different routes post-16. It shows that middle GCSE attainers are less likely to access A levels if they are FSM-eligible. Among the high-attaining group at GCSE, young people from lower-income backgrounds are 1.42

¹⁰ UCAS, *End of Cycle Report 2015*, 2016; analysis from Social Market Foundation, *Passports to Progress*, 2016

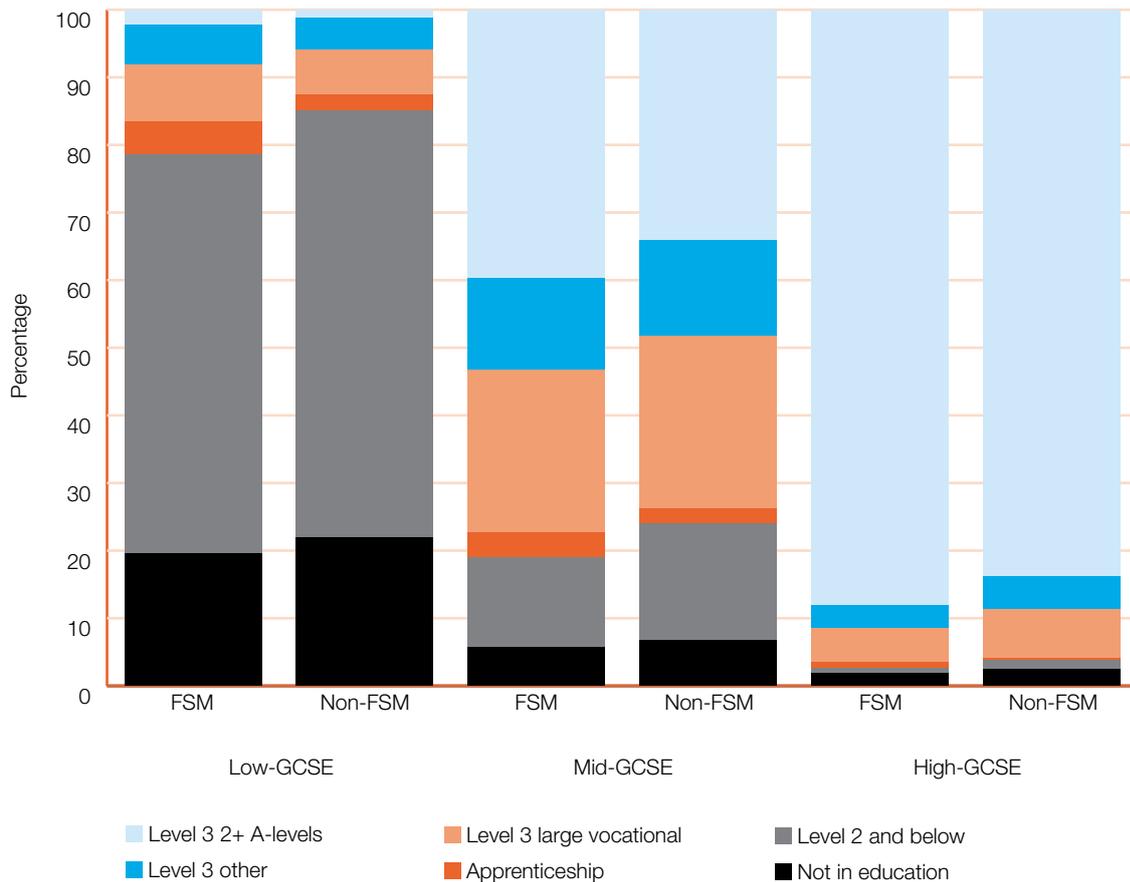
¹¹ Social Market Foundation, *Passports to Progress*, 2016

¹² Department for Business, Innovation & Skills, *Progression of College Students in England to Higher Education*, 2015

¹³ Department for Education, *A level and Other 16–18 Results in England (Provisional)*, 2016

times more likely to access Level 3 large vocational courses, and 1.43 times more likely to access mixed Level 3 courses compared to their non-FSM peers. This points to a gap in information, advice and guidance, with poorer young people less aware of the lower returns to these qualifications. At the moment, poor careers information, advice and guidance means that bright but poor youngsters are choosing BTECs over A levels, and so worsening their prospects.

Figure 3.3: Post-16 course choices of high, mid and low prior attainers at GCSE, by free school meal status



Source: Linked NPD-ILR data tracking the 2010 school leaver cohort, analysed by Education Datalab for the Social Mobility Commission, 2015

Post-16 institutions

The types of subjects and qualifications that young people enrol in are linked to the type of institutions available in their local area. In 2014/15 nearly 40 per cent of young people nationally attended a school sixth form at 16; a further 38 per cent attended a FE college; and 13 per cent attended a sixth-form college (with the remaining young people in the cohort attending independent or specialist provision, or leaving education altogether).¹⁴ These different institutions produce very different outcomes. Students attending schools with sixth forms are more likely to choose academic subjects for post-16 study.¹⁵ Sixth-form colleges have been found to add the most value to higher achieving students taking A levels, while FE colleges add the least.¹⁶ Students attending FE colleges are also less likely to go to university, with those that do attend being less likely to gain acceptance to a highly selective university.¹⁷ This is partly a function of the segregation by GCSE scores at age 16, with FE colleges likely

14 Department for Education, *Provisional Destinations of Key Stage 4 and Key Stage 5 Students in State-funded Institutions, England 2014/15*, 2016

15 Thomson, D., 'What you study after your GCSEs depends on where you live', *Education Datalab*, 19 August 2015

16 Centre for the Economics of Education, *Post-16 Educational Choices and Institutional Value Added at Key Stage 5*, 2011

17 *Ibid.*

to take the lowest attaining students, and sixth-form colleges the highest. This means that FE colleges cater disproportionately to students from lower-income homes, because they are more likely to have done poorly at age 16.

New research for the Commission (to be published shortly) shows that in urban areas such as London, there are many more school sixth forms.¹⁸ While children in London typically have a choice of 12 institutions in their local area, those in the South West and North East have fewer than seven to choose from – which can lead to high levels of segregation by attainment. In 20 areas of the country there are no options for young people to attend school sixth forms at all, as seen in the box below. In these areas, only high GCSE attainers can get into selective sixth-form colleges, leaving middle and lower attainers with only FE colleges from which to choose. By being born in an area with less school sixth-form provision, young people in these areas are 18 per cent less likely to take a Level 3 qualification if they are FSM-eligible, and 13 per cent less likely if they are not FSM-eligible.¹⁹ Young people in these areas are also less likely to enrol on Level 2 qualifications or to make ambitious university applications. This pattern is exacerbated for typically underperforming groups, such as white British young people.²⁰

18 Social Mobility and Child Poverty Commission, *Social and Ethnic Inequalities in Choice Available and Choice Made at Age 16*, publication pending

19 Ibid.

20 Ibid.

Areas with no school sixth forms

There is a great deal of variation in the post-16 institutional landscape across England. This can be shaped by demographic factors such as population (rural communities will have fewer institutions available), or local deprivation levels (more affluent areas are likely to have greater provision of academic post-16 study).

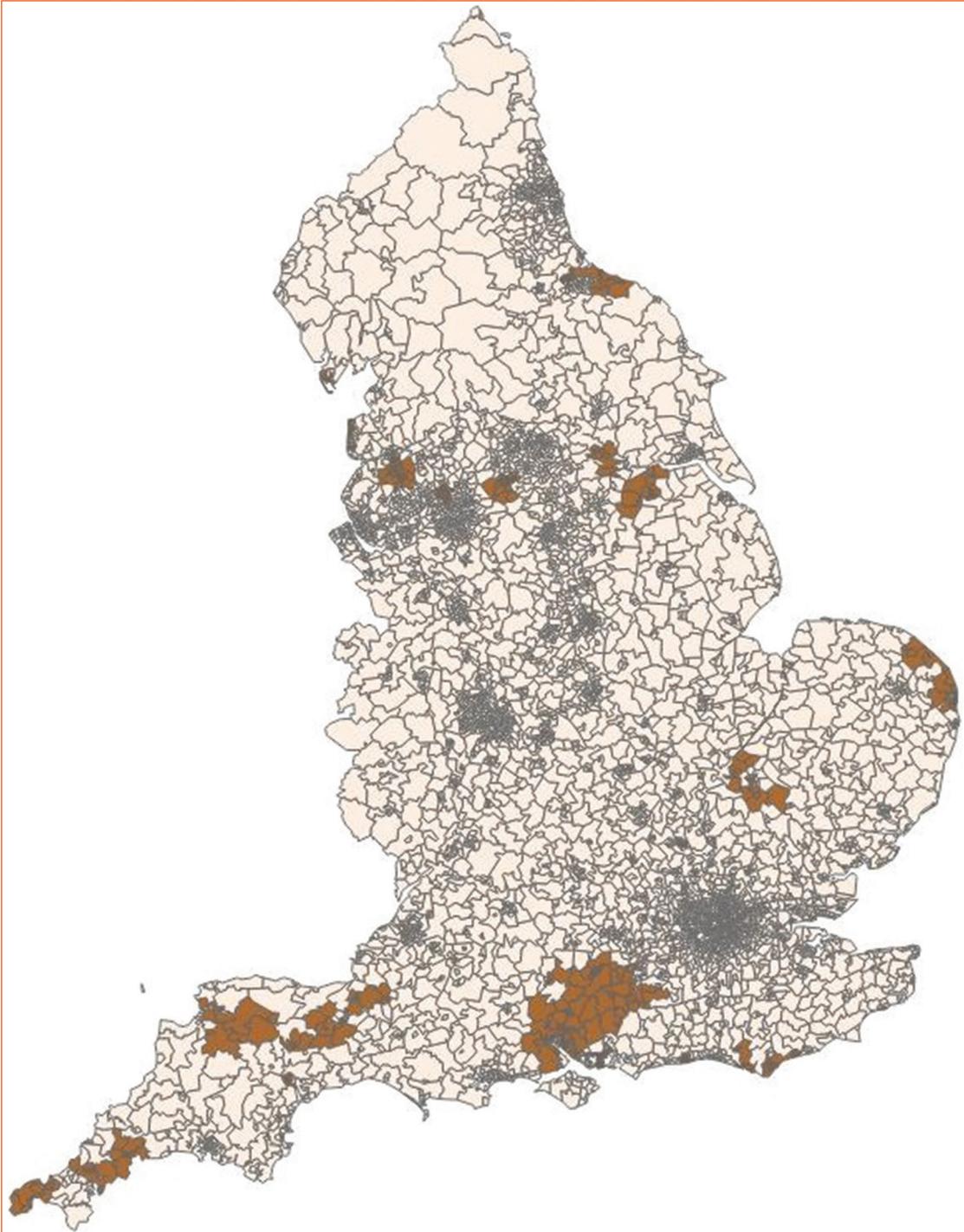
However, there are 20 places in England where we believe current demographic trends have not determined the institutional mix. New research for the Commission has simulated the institution choices available to each young person in England, according to their home postcode. It found that in 20 places in the country, there is almost no opportunity for students to attend school sixth forms because they do not exist in the commutable local area.

Each of the ‘no sixth form’ places in the study was identified where five or more small areas of geography – known as Middle Super Output Areas – adjacent within a local authority area (or across two local authorities in the case of Chorley South Ribble or Redcar Stockton) had numbers attending school sixth forms close to zero. These places are mapped out below, where it can be seen that they are distributed across the country without any obvious shared characteristics. The differences in provision arose through local authorities deciding to reorganise all post-16 provision into larger sixth-form and FE colleges from the 1960s onwards. The poorer outcomes in these areas has worrying implications for the Government’s Area Reviews, which are leading to fewer, and larger, post 16 institutions (discussed later in this chapter).

The areas are:

- Barrow-in-Furness
- Blackpool
- Bury
- Cambridge
- Chorley and South Ribble
- Devon
- Eastbourne
- Exeter
- Great Yarmouth
- Hampshire
- Kirklees
- Lewes
- Luton
- Mid-Cornwall
- North Lincolnshire
- Portsmouth
- Redcar and Stockton
- Selby
- West Cornwall
- Worthing

Figure 3.4: Middle Super Output Areas with no school sixth forms



Source: Linked NPD-ILR data tracking the 2010 school leaver cohort. Bespoke analysis by Education Datalab for the Social Mobility Commission, 2015

Areas without school sixth forms generate worse outcomes for a variety of reasons. School sixth forms tend to be small and so offer a relatively restricted curriculum that is more academic and conducive to university participation. In addition, students who continue on to post-16 education in the same school rather than changing to another institution may benefit from the established relationships and familiar setting of their secondary school, when it comes to making optimal choices – particularly those students at risk of underperforming. In areas without school sixth forms, middle and lower attainers are likely to attend FE colleges,

where courses are more likely to be vocational.²¹ FE colleges are also larger institutions where students may be less likely to benefit from the advice and support of lower student–teacher ratios.²² Finally, FE has faced chronic underfunding, with an impact on quality in the sector (as discussed in more detail later in this chapter).

But it is not just about access to institutions. Commission research into post-16 choices found that compared to non-FSM students living in the same neighbourhood and with similar GCSE attainment, FSM-students are still 34 per cent more likely to drop out of post-16 education; almost one-third less likely to study for Level 3 academic qualifications; 29 per cent less likely to study two or more facilitating A levels; and 25 per cent less likely to study one or more SEM A levels.²³ This points to a need for schools to raise aspirations and guide choices – particularly for poorer young people – to ensure that they access the best possible post-16 qualifications with the GCSE attainment they have. Meanwhile, data transparency on returns to different choices should help inform teachers, young people and families of the opportunities which different qualifications open up or close down.

Level 2 qualifications

Roughly four in ten young people will have fallen behind their peers at age 16 and not achieved five good GCSEs including English and maths, known as Level 2 qualifications.²⁴ In recent years, more young people have enrolled to retake Level 2s post-16, following the introduction of conditional funding, whereby 16- to 19-year-old study is only funded for young people without Level 2 to study English and maths, on the condition that they are also enrolled in maths and English courses. Of school leavers without these qualifications, 16 per cent enrolled to retake them in 2011/12, which had increased to 29 per cent in 2014/15.²⁵

However, success in these retakes has increased less rapidly than enrolment. In 2014/15, 13 per cent of the group without GCSEs were successful in retaking their English qualifications – just under half of those enrolled, up from 8 per cent in 2011/12. In maths, only 7 per cent of the cohort without GCSEs went on to get them second time round, and this proportion has remained stable over the period.

Poorer young people are more likely to drop out of education entirely at age 16. Nationally, disadvantaged young people are 2.25 times more likely to drop out, compared to their peers.²⁶ This pattern of low participation exists, regardless of prior attainment, as seen in Figure 3.3 (page 92), where FSM students with high GCSE grades were seen to be 1.33 times more likely not to be in education, than similar attaining non-FSM peers.

The proportion of young people that leave school at 16 without Level 2 qualifications is particularly worrying. Those in the labour market with Level 2 GCSEs (including English and maths) earn on average £283,000 (men) and £232,000 (women) more during their lifetime, compared to those without qualifications.²⁷ Not being in education post-16 is not only a predictor of low social mobility, but also high social exclusion. Young people who are not in education, employment or training (NEET) post-16 are more likely to become long-term NEET post-19.²⁸

The extent to which young people participate in education after the age of 16 varies across

21 Social Mobility and Child Poverty Commission, *Social and Ethnic Inequalities in Choice Available and Choice Made at Age 16*, publication pending

22 Ibid.

23 Linked NPD-ILR data tracking the choices of 2010 school leavers, in Social Mobility and Child Poverty Commission, *Social and Ethnic Inequalities in Choice Available and Choice Made at Age 16*, publication pending

24 Department for Education, Revised GCSE and Equivalent Results in England, 2014 to 2015, 2016

25 Department for Education, Level 1 and Level 2 Attainment in English and Mathematics by students aged 16-19: Academic Year 2014/15, 2016

26 Department for Education, Percentage of the 2012/13 Key Stage 4 Cohort Going to or Remaining in Education or Employment: Statistical First Release Destinations of Key Stage 4 and Key Stage 5 students in state-funded and independent institutions, England 2013/14, 2016

27 Department for Education, *The Economic Value of Key Intermediate Qualifications: Estimating the Returns and Lifetime Productivity Gains to GCSEs, A Levels and Apprenticeships* 2014

28 House of Commons Library, *NEET: Young People Not in Education, Employment or Training*, 2016

the country, with those from low-income backgrounds missing out the most. There are six local authorities (three in London, two in the South East and one in Yorkshire and the Humber) where 93 per cent of disadvantaged young people stay on in education, compared to the national average of 88 per cent. However, many parts of the country fall well below this figure.²⁹ Table 3.1 shows that in 16 local authorities, more than 15 per cent of disadvantaged young people did not participate in education beyond age 16. In Nottingham, one in five young people were in this position.

Table 3.1: Ten lowest performing local authorities in disadvantaged participation in education post-16, 2014/15

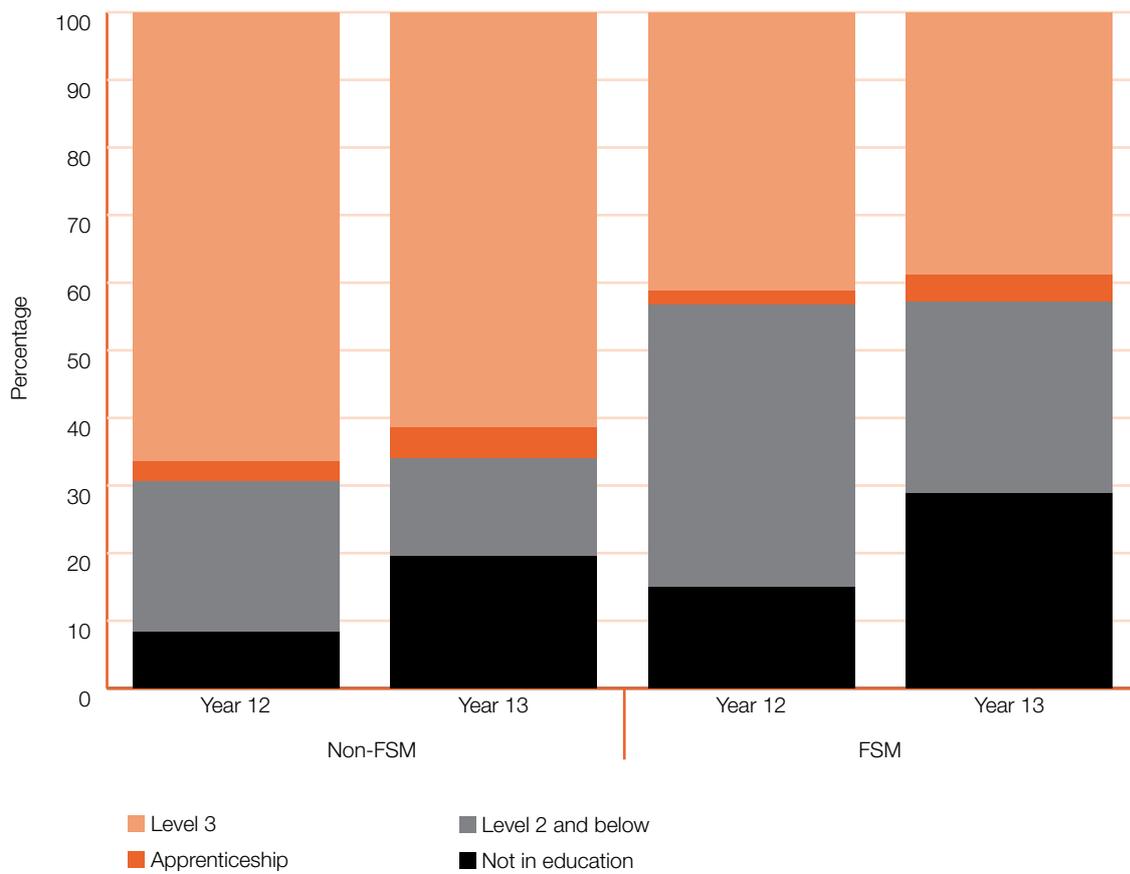
Local authority rank	Local authority	Percentage of disadvantaged young people participating in education post-16	Percentage point difference, free school meal/non-free school meal
150	Nottingham	80	-12
149	Blackpool	82	-12
	North East Lincolnshire	82	-13
	Southampton	82	-12
146	Wakefield	83	-13
	Telford and Wrekin	83	-13
144	North Tyneside	84	-10
	Northumberland	84	-11
	Bradford	84	-10
	Doncaster	84	-11
	Derby	84	-12
	Rutland	84	-8
	Bradford	84	-12
	Bournemouth	84	-11
	City of Bristol	84	-11
	Richmond upon Thames	84	-10
	Average	88	-8
1	Redbridge	93	-4
	Brent	93	-3
	Tower Hamlets	93	-1
	Slough	93	-4
	Buckinghamshire	93	-5
	Calderdale	93	-3

Source: Department for Education, Destinations of Key Stage 4 and Key Stage 5 pupils: 2015 (provisional), 2016

Yet the picture on post-16 dropout may be even worse than it first appears in official figures. Currently, government data only tracks young people for six months of their post-16 route. Research for the Commission tracked the cohort of students who finished Year 11 in 2010 to see which of them participated in education at any point in Year 12 and at any point in Year 13. The results are shown in Figure 3.5.

²⁹ Department for Education, Destinations of Key Stage 4 and Key Stage 5 Pupils: 2015 (provisional), 2016

Figure 3.5: Course enrolments in Year 12 and Year 13



Source: Linked NPD-ILR data analysed by Education Datalab for the Social Mobility Commission, 2015

There is a positive story: more young people participate in education across the year compared to those who recorded as participating at the beginning of the year (due partly to mid-year admission for apprentices and other non-traditional courses, and partly to inaccuracies in data recorded in the Individualised Learner Records). However, there is a substantial drop of almost 10 percentage points in the proportion participating in Year 12 versus Year 13, with implications for the number of young people who complete a Level 3 qualification. By Year 13, almost 15 per cent of non-FSM-eligible young people nationally are not participating in education, and almost 30 per cent of FSM-eligible young people: one in three.

Problem 2: Funding is being diverted from second chance FE to apprenticeships. But apprenticeships are often low quality and in low-skill sectors, poorly matched to the country’s skill gaps

Further education

For the roughly three in five of the country’s young people who do not go to HE after their BTEC or A-level study, there is no clearly chartered alternative route into employment. Some enter the workforce straightaway; others do so via a vocational course, while others still retake academic qualifications such as GCSEs and A levels. Historically, FE has played a large role in providing these vocational and second chance options, as new linked data allows us to see.

Of the 1.9 million young people who left school in 2001/02 to 2003/04, 70 per cent had participated in FE by 2013/14.³⁰ But the situation is changing. In recent years, the number

³⁰ Thomson, D., ‘Why aren’t we talking about further education and social mobility?’, *Education Datalab*, 13 November 2015

of people participating in FE has declined.³¹ Between 2012/13 and 2014/15, FE and participation in government-funded adult FE fell by 20.3 per cent, from 3,280,600 funded learners to 2,613,700.³²

The more affluent a young person's background, the less likely they are to study in FE:³³ almost half of FE learners come from the poorest two-fifths of the population.³⁴ As class and school attainment are closely correlated, these young people are likely to have achieved less well at secondary school. However, longitudinal analysis of those without Level 2 qualifications in 2002 found that 27 per cent of those young people went on to get these qualifications; 19 per cent obtained Level 3 qualifications; and 12 per cent completed HE courses in the ten years after first finishing school.³⁵ This second chance schooling improves labour market outcomes for those who achieve a range of qualifications, compared to those who do not upskill themselves through further study.³⁶ Moreover, there is evidence that for those with improved qualification levels, there is a knock-on improvement for their own children's attainment – with the potential to break cyclical disadvantage.³⁷

Many FE colleges do a good job in providing this cohort of youngsters with good quality vocational education. But there has been chronic underfunding of the FE sector, contributing to concerns about declining quality of provision. Ofsted has attributed some of the recent decline in quality to a sharp decrease in funding streams over this parliament.³⁸ Since 2010/11, the adult skills budget has been reduced significantly – funding for the FE and skills sector fell by 45 per cent by 2014/15.³⁹ Over the same period, adult apprenticeships funding increased by 58 per cent.⁴⁰ The number of Government-funded adult learners declined by over a third in the last four years.⁴¹ This divide in funding is projected to increase even further. Between 2015/16 and 2019/20 there are plans for the 19+ apprenticeships budget to increase by 92 per cent.⁴² Apprenticeships have a potential role to play in boosting social mobility, but their expansion has had a significant adverse impact on the FE sector.

Quality of apprenticeships

The Government sees apprenticeships as the main alternative to university, but there are a number of reasons why this route is not yet boosting social mobility.

Overall, a focus on quantity of apprenticeships has been at the expense of quality. One indication of this is the proportion of young people completing apprenticeships, which has been declining since 2010.⁴³ Traditionally, apprenticeships were seen as something for young people, but the recent expansion has not been focused on them: the majority of new apprenticeships have been taken up by those aged 24 and over. Often these are existing employees, and it seems likely that many employers are rebadging current training programmes as apprenticeships, rather than providing new qualifications to aid upward mobility.⁴⁴

31 Skills Funding Agency and Department for Business Innovation & Skills, Further Education and Skills: Learner Participation, Outcomes and Level of Highest Qualification Held, September 2016

32 Skills Funding Agency and Department for Education, Further Education and Skills: Statistical First Release, October 2016, 25 October 2016

33 Centre for Employment Research, *Further Education: Social Mobility, Skills and Second Chances*, 2015

34 Policy Exchange, *The Skills We Need, and Why We Don't Have Them: How Apprenticeships Should be reformed to Make the UK Compete on the Global Stage*, 2016

35 Centre for Employment Research, 2015, op. cit.

36 *ibid.*

37 Jerrim, J. and Macmillan, L., 'Income mobility, intergenerational mobility and the Great Gatsby curve: Is education the key?', *Social Forces*, 2015

38 Ofsted, *Annual Report 2014/15*, 2015

39 House of Commons Library, *Adult Further Education Funding in England since 2010*, House of Commons Briefing Paper Number 7708, September 2016

40 *Ibid.*

41 Skills Funding Agency, *Statistical First Release Further Education and Skills: Learner Participation, Outcomes and Level of Highest Qualification Held*, 2016

42 Department for Business Innovation & Skills, *Skills Funding Letter 2016-17*, December 2015

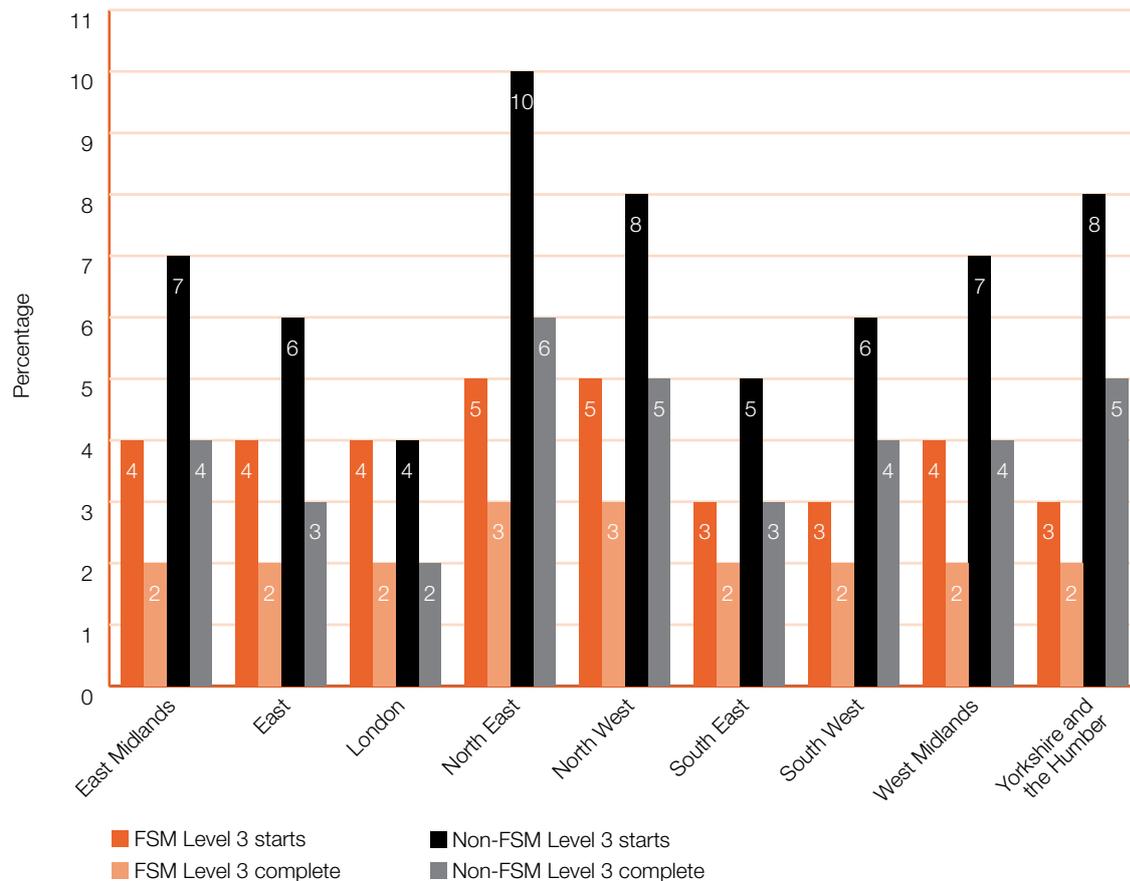
43 Social Mobility and Child Poverty Commission, *Apprenticeships, Young People and Social Mobility*, 2016

44 Department for Business, Innovation & Skills, *Apprenticeship Pay Survey 2014*, 2015

Where young people do start apprenticeships, these do not always take their skills to a higher level. Almost all (97 per cent) of 19- to 24-year-olds starting apprenticeships do so at qualification levels which are the same as their previous level of study:⁴⁵ this means that their qualification will not necessarily increase future employment prospects. Surprisingly, apprenticeships are not open to all. Currently, there are no restrictions on the entry requirements that an employer can set for their apprenticeship, and in order to hire the best candidate, there have been instances of employers requiring applicants to have five GCSEs at grade C and above, including maths and English.⁴⁶ It is not clear how widespread a phenomenon this is, but it risks excluding young people without Level 2 qualifications from getting the vital qualifications they need to access work.

There is stark inequality of access to higher skill apprenticeship opportunities. Figure 3.6 compares access to Level 3 apprenticeships four years after leaving school for those who were FSM-eligible when at school, and for other young people. In the North East and the South West, FSM-eligible young people were only half as likely to have started a Level 3+ apprenticeship by 2014 as their non-FSM peers, and half as likely to complete that apprenticeship. In Yorkshire and the Humber, the gap was even wider, with non-FSM eligible young people 2.66 times more likely to start a Level 3 apprenticeship, and 2.5 times more likely to complete it than their poorer peers.

Figure 3.6: Proportion of the 2010 school leaver cohort starting Level 3+ apprenticeship in years 2010-2014, by FSM status



Source: Linked NPD-ILR data analysed by Education Datalab for the Social Mobility Commission, 2015

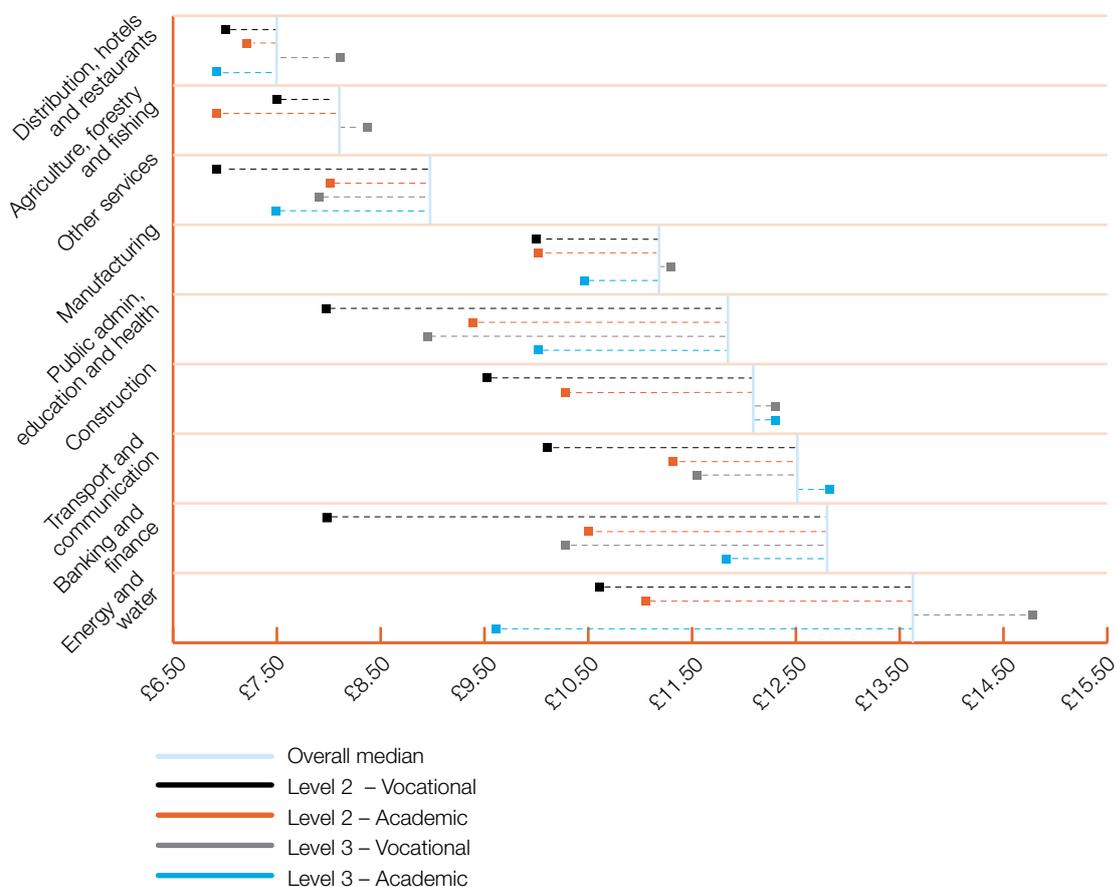
45 Social Mobility and Child Poverty Commission, op. cit.

46 Cooney, R., 'Apprentice hopefuls face GCSE barrier', *FE Week*, 6 September 2013

Varying returns to apprenticeships

Some apprenticeships yield low or no wage increases on completion.⁴⁷ A construction apprenticeship is estimated to yield a 32 per cent premium compared to those who fail the apprenticeship; while a secretarial subject apprenticeship is estimated to yield only a 7 per cent uplift in the same circumstances.⁴⁸ Figure 3.7 illustrates the hourly pay range for those with different qualifications across a range of sectors. It reveals that in some sectors, the median wage for those with primarily vocational qualifications is lower for those with primarily academic qualifications at the same level, or even the level below. This throws into question whether increasing apprenticeship funding at the expense of second chance classroom learning is likely to help or hinder young people in accessing higher earnings in all sectors of the economy.

Figure 3.7: Median hourly pay range by industrial sector and highest qualification level, 2015



Source: Data provided by the Resolution Foundation

Another problematic issue in relation to apprenticeships is the sectors that they are in: predominantly lower-pay, lower-skill sectors that are not best matched to national skills demands. Skilled trades offer some of the highest non-graduate wage premiums, and trades such as carpentry, mechanics and electricians are facing significant national skills shortages, but most apprenticeships on offer are not in these sectors.⁴⁹ The ten most popular apprenticeships in 2014/15 were disproportionately in low-skill industries such as health and social care, catering, retail and customer service. These sectors were singled out in the government's Apprenticeship Pay Survey as offering least pay progression during the training period,⁵⁰ and have been identified in Commission research as having endemic poor pay.⁵¹

47 National Audit Office, *Delivering Value through the Apprenticeship Programme*, 2016

48 Ibid.

49 UK Commission for Employment and Skills, *Employer Skills Survey 2015: Skills in the Labour Market*

50 Department for Business, Innovation & Skills, *Apprenticeship Pay Survey 2014*, BIS Research Paper No. 207, December 2014

51 Social Mobility and Child Poverty Commission, *Escape Plan*, 2014

Problem 3: Universities have sought to widen participation but with varying degrees of commitment and of success, and there are some parts of the country where access to HE is still far too limited

A university degree unlocks the doors to the professions: law, health, education, journalism and the like. HE is increasingly an entry bar for associate professional occupations too, such as paramedics, police officers, IT technicians, as well as administrative and secretarial occupations such as personal assistants.⁵² Labour market projections estimate 1.5 million more professional and managerial roles in the economy by 2024, allowing greater numbers to access higher wages.⁵³

It is estimated that nearly half of young people today will have accessed some HE by the time that they are 30, with the majority achieving a full degree.⁵⁴ But the benefits of this expansion have not been distributed equally. Among families in the bottom two income quintiles, for every child who goes to university, seven do not.⁵⁵ A steep socioeconomic gradient in access means that being born into a wealthy family is still a high predictor of accessing the most prestigious universities, gatekeepers to the highest paying jobs. While a private school student has a 1 in 20 chance of entering Oxbridge, a student from a poor background still has odds closer to 1 in 1,500.⁵⁶

Choosing the right degree

Degrees vary considerably in their worth across subjects and institutions. Degree subjects such as medicine and economics lead to some of the highest salaries in the economy, but others have lower yield: for one subject, creative arts, the majority of graduates earn no more than non-graduates in the early stages of their careers.⁵⁷

Commission research tracked 2010 school leavers progressing to university in 2012, 2013 and 2014, shown in Figures 3.8 and 3.9. In progression to the high-yield Russell Group universities, other young people were 3.6 times more likely to attend than those who were FSM-eligible at school. At Oxford and Cambridge, the UK's most elite HE institutions, FSM pupils were six times less likely to attend than other children.

52 UK Commission for Employment and Skills, *Working Futures 2014–2024*, 2016

53 UK CES, *Working Futures 2014–2024*, 2016

54 Department for Education, *Participation Rates in Higher Education*, Statistical First Release 45/2016, 2016

55 Department for Business, Innovation & Skills, *Socio-economic, Ethnic and Gender Differences in HE Participation*, BIS Research Paper No. 186, 2015

56 Department for Education, *Destinations of Key Stage 4 and Key Stage 5 students*, 2012/13 SFR01/2015, 2015;

Department for Education, *Provisional Destinations of Key Stage 4 and Key Stage 5 Students in State-funded Institutions, England, 2014/15*, SFR 47/2016, 2016

57 Institute for Fiscal Studies, *How English Domiciled Graduate Earnings Vary with Gender, Institution Attended, Subject and Socio-Economic Background*, 2016

Figure 3.8: Proportion of the 2010 school leaver cohort progressing to any Level 6 courses, Russell Group and Oxbridge in 2012-2014, by free school meal status

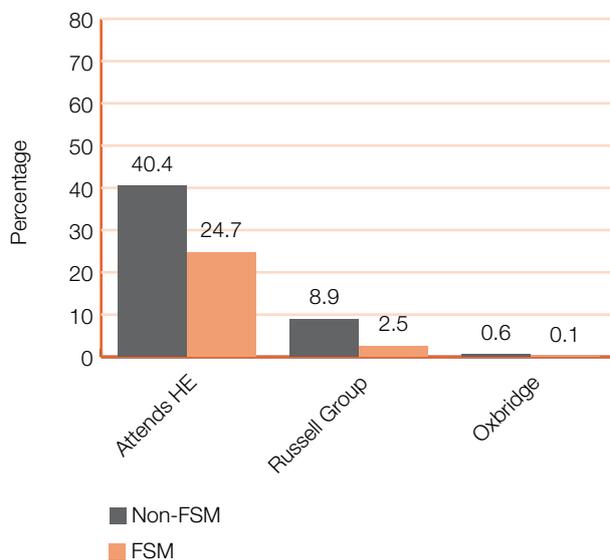
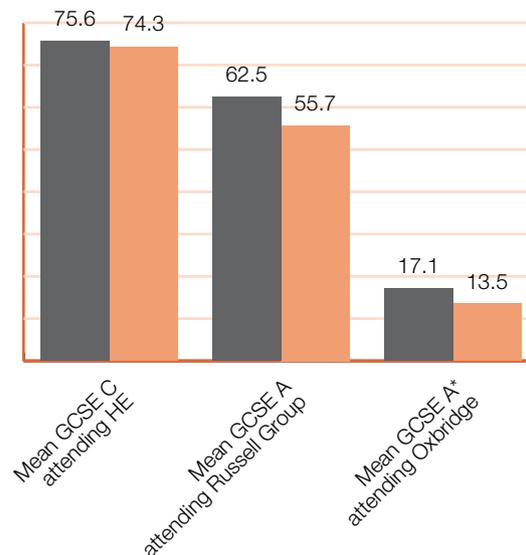


Figure 3.9: Proportion of eligible attainment cohorts (average C grade, A grade and A* grade at GCSE) progressing to any Level 6 courses, Russell Group and Oxbridge (2012-14), by free school meal status



Source: Linked NPD-ILR-HESA data analysed by Education Datalab for the Social Mobility Commission, 2015

As with access to different post-16 qualifications, a domino effect of low attainment at primary and then secondary school means that poorer youngsters have fallen behind their peers by 18. However, even when young people from low-income backgrounds do achieve well, they are still less likely to access prestigious universities. Figure 3.9 shows that among those with the GCSE grades to access Russell Group universities, there is a 6.8 percentage point gap in progression rates between FSM and non-FSM eligible groups. As explored in Chapter 2, poorer young people are much less likely to attain GCSEs at grade A*. However, among those whose excellent GCSE grades should have opened the doors to Oxbridge, there was a smaller – but nonetheless significant – 3.6 percentage point gap existed between FSM-eligible young people and other young people. This suggests barriers beyond attainment to poorer students accessing prestigious universities.

Social and cultural factors may influence poorer young people's choice of university. Middle-class parents are more likely to have a degree themselves, and therefore are likely to have a greater understanding of HE. They are also more likely to have networks with professionals beyond their own sector, who can fill in information gaps about different courses and institutions.⁵⁸ These social networks and personal experiences contribute to the aspirations which adults give to young people. Yet for those in their first generation choosing to go to university, there is a bewildering array of choice, and no information on quality in terms of graduate outcomes.

Widening participation in elite universities

Some prestigious universities have made great efforts to become more accessible to poorer young people, but not all have done equally well. Table 3.2 shows the progress made in the proportion of less advantaged and state school students attending universities between 2010/2011 and 2014/15. At Oxford and Cambridge, there were increases in the proportion

⁵⁸ Royal Society for the Encouragement of Arts, Manufactures and Commerce, *Not Enough Capital? Exploring Education and Employment Progression in Further Education*, 2011

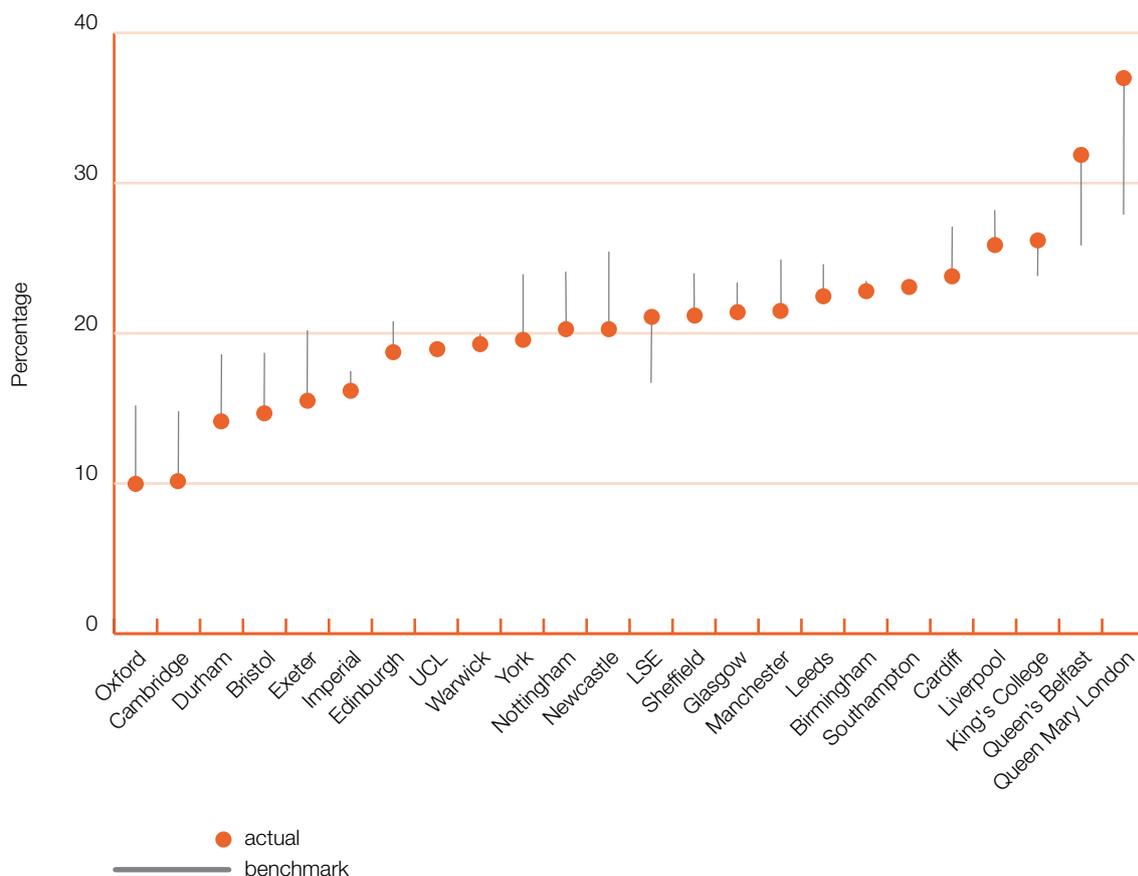
of state school students, but each university accepted a slightly smaller proportion of less advantaged students in 2014 compared to 2010. The Higher Education Statistics Agency (HESA) monitors the proportion of less advantaged students attending university and provides benchmarks, showing the proportion that each institution should be reaching, given the tariffs of the courses they offer. Last year, 16 out of the 23 Russell Group universities underperformed these benchmarks, as shown in Figure 3.10. Only King's College London and the London School of Economics (LSE) were over performing their benchmarks for these students – so there is a long way to go.

Table 3.2: Russell Group institutions making most and least progress in the proportion of students from less advantaged backgrounds (NS-SEC 4-7) and low participation backgrounds (POLAR3), between 2010–11 and 2014–15

Most progress			
Rank	University	Percentage point change in proportion of those from less advantaged backgrounds	Percentage point change in proportion of those from low participation backgrounds
1.	Cardiff	+4.1	+2.1
2.	Sheffield	+3.4	+2.3
3.	Southampton	+3.9	+1.5
4.	Leeds	+4.1	+1.2
5.	King's College London	+3.6	+1.7
6.	Liverpool	+3.9	+1.2
7.	Queen Mary University of London	+4.5	0
Least progress			
18.	Exeter	+0.7	+0.8
19.	Glasgow	+0.3	0
20.	Queen's University Belfast	+0.9	+0.1
21.	Cambridge	-0.1	+0.4
22.	Imperial College London	+0.7	-0.6
23.	Durham	+0.7	-1.2
24.	Oxford	-1	+0.3

Source: HESA, *Widening Participation of Under-Represented Groups*, multiple years' data

Figure 3.10: Proportion of entrants from less advantaged social backgrounds (NS-SEC 4–7) and HESA benchmark by Russell Group, 2014–15



Note: The circle shows the current proportion of less advantaged entrants to the institution, the tail is the distance from the HESA benchmark. A circle with a line below it shows a university doing better than its benchmark. A circle with a line above it shows a university not meeting its benchmarks.

Source: HESA, *Widening Participation of Under-Represented Groups*, 2016

Poorer young people are not only less likely to go to university, they are also much more likely to drop out of university or get a lower degree class than their wealthier peers.⁵⁹ In some universities, drop-out rates for young people from low-participation backgrounds is particularly high: nearly one in four of these young people do not complete their degree at Bolton University (as seen in Table 3.3). Recent Institute for Fiscal Studies (IFS) analysis of the relationship between class and degree dropout and classification showed that there is much more for universities to do to enable poorer students to succeed. Its analysis found that nearly 50 per cent of the difference between socioeconomic groups was due to social class, rather than prior attainment or other factors correlated with poor university performance.⁶⁰

⁵⁹ Institute for Fiscal Studies, *Socio-economic Differences in University Outcomes in the UK: Drop-out, Degree Completion and Degree Class*, 2014

⁶⁰ *Ibid.*

Table 3.3: Ten universities with the highest rates of dropout following year of entry among students from low POLAR3 backgrounds, 2013/14

	Higher education institution	% dropout from POLAR3 backgrounds	% dropout from other backgrounds	Percentage point difference
1	University of Bolton	23.2	8.1	10.6
2	University College Birmingham	17.7	7.9	9.0
3	Queen Mary, University of London	12.1	6.9	3.5
4	Leeds College of Art	11.1	6.5	7.2
5	University of Worcester	11.6	6.3	7.4
6	University of Durham	7.1	5.8	2.3
7	University of Chester	14.1	5.7	6.7
8	Queen's University, Belfast	8.8	5.6	3.2
9	University of Suffolk	17.7	5.6	7.8
10	University of Essex	12.1	5.3	5.9

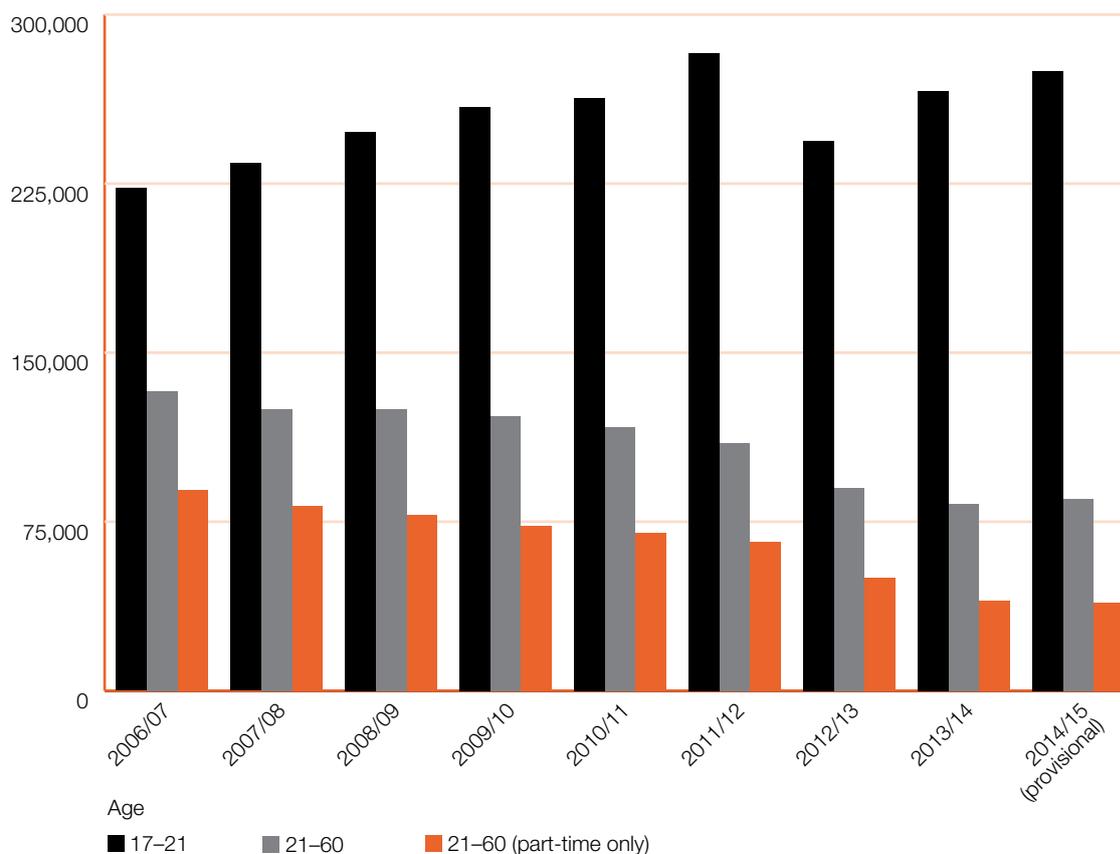
Source: HESA, Widening Participation of Under-Represented Groups, UKPIs: Non-continuation 2013/14, 2016

These are important issues to tackle, but if universities are going to contribute to transforming social mobility in this country, they need to embrace a broader, more ambitious social role. For example, they need to look at increasing both access to and availability of part-time study for those who want to access HE while working or fulfilling caring responsibilities. Students from less advantaged backgrounds are more likely to be part-time and/or mature students, as they have had less opportunity to study earlier in life or need the flexibility of earning alongside studying.

Adult and part-time study is also important in helping an older workforce likely to work longer and across different sectors across their career, to reskill or upskill – as pointed out by the recent report on social mobility by Universities UK.⁶¹ However, the last ten years have seen a significant drop in both part-time and mature student participation in the HE sector. This is not only a huge loss of human potential, but also a loss to the economy.

61 Universities UK, *Working in Partnership: Enabling Social Mobility in Higher Education*, October 2016

Figure 3.11: Young, adult and adult part-time initial participation in higher education 2006/07 to 2014/15

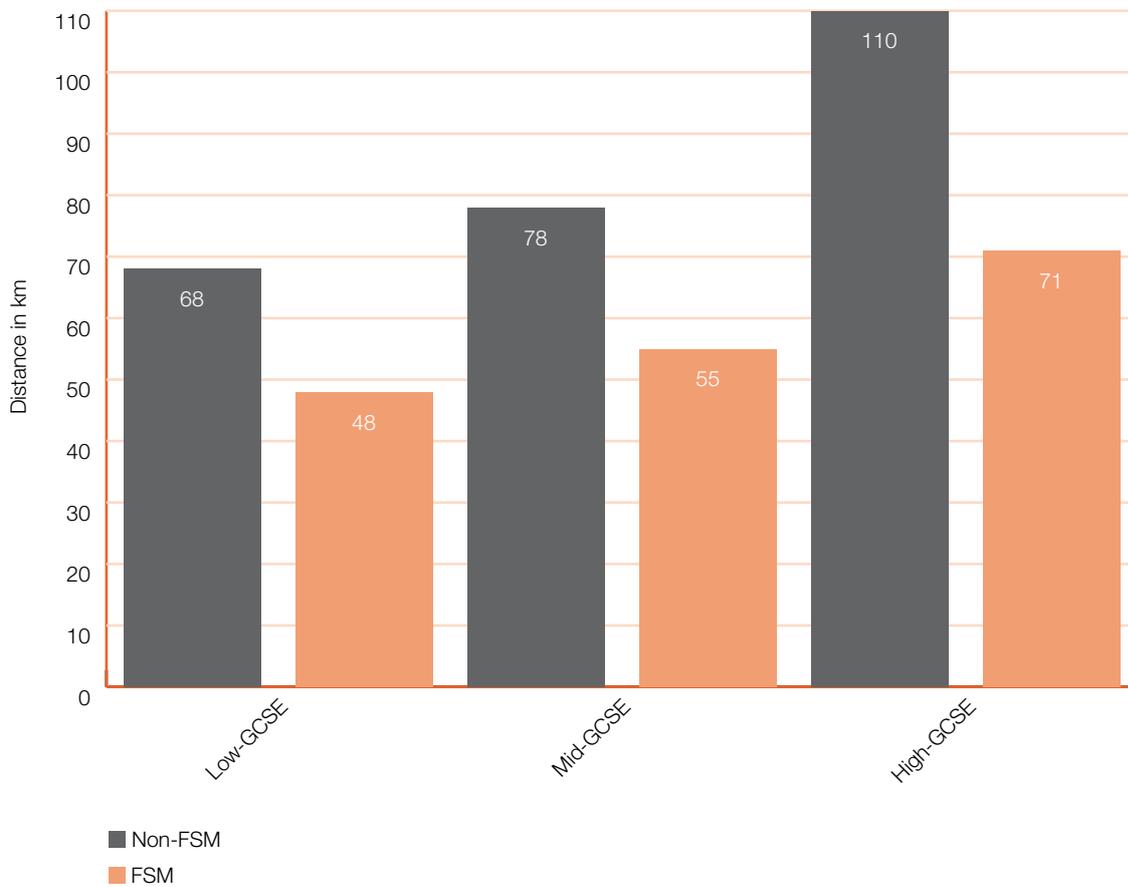


Source: Department for Education, Participation Rates in Higher Education: 2006 to 2015, September 2016

Higher education coldspots

As Figure 3.12 shows, poorer young people across the country are much more likely to access HE closer to home. This may be to do with a reluctance to take on a maintenance loan to fund accommodation, cultural issues or attitudes to risk, more caring responsibilities at home or the need to keep a local job while studying. However, this puts poorer young people at a disadvantage when finding a qualification which matches their potential. Worryingly, the higher young people's attainment, the more this pattern is pronounced; high-attaining youngsters from low-income families only travel an average of 71km to attend university, whereas their more affluent peers travel on average 110km. For those growing up in regions of the country with far fewer elite universities, poorer children are much less likely to translate high attainment into a high-yield degree by travelling to one of the UK's more prestigious institutions. In the East of England and the South West, which each have only one Russell Group university, progression rates for FSM-eligible children with good GCSEs are the lowest in the country.

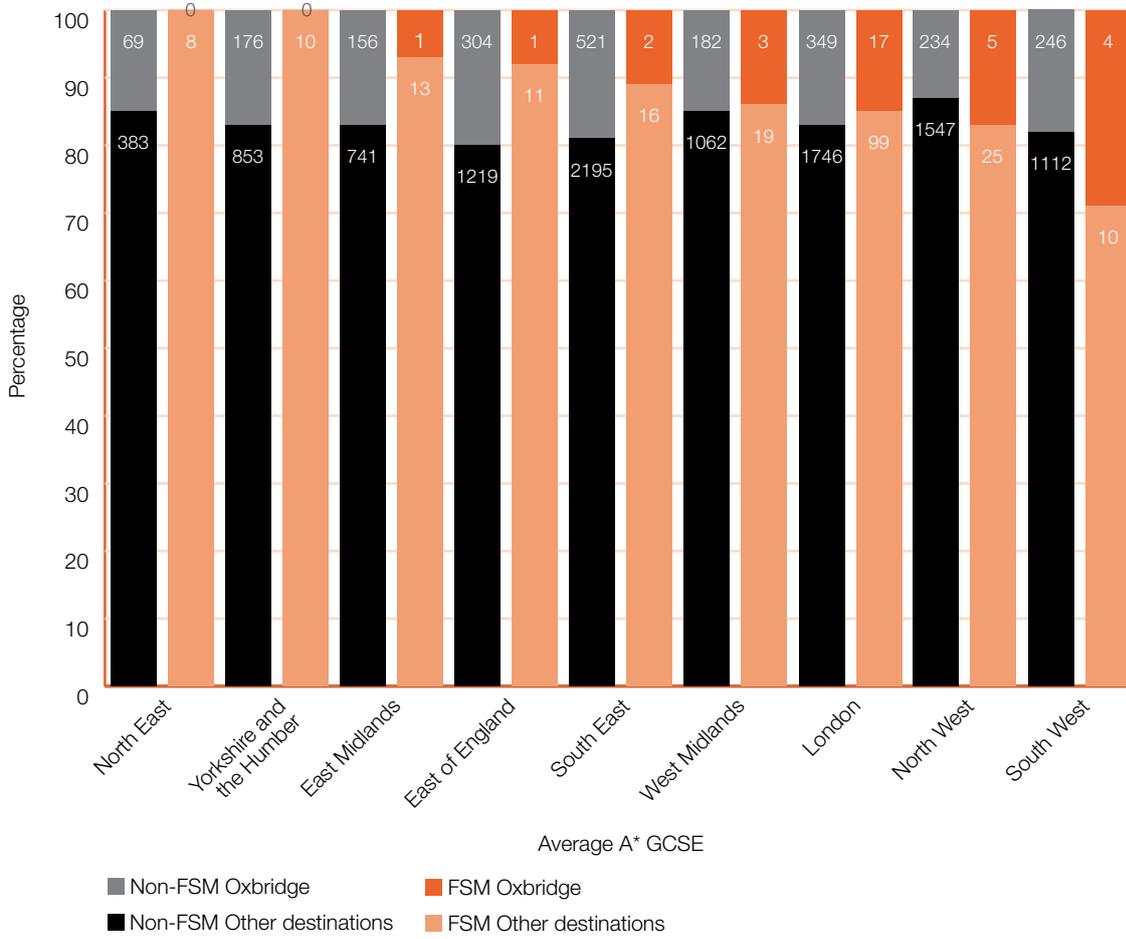
Figure 3.12: Average distance (km) travelled by young people to study Level 6+ courses among low, mid and high GCSE attainers, by free school meal status (2010 school leaver cohort)



Source: Linked NPD-ILR-HESA data analysed by Education Datalab for the Social Mobility Commission, 2015

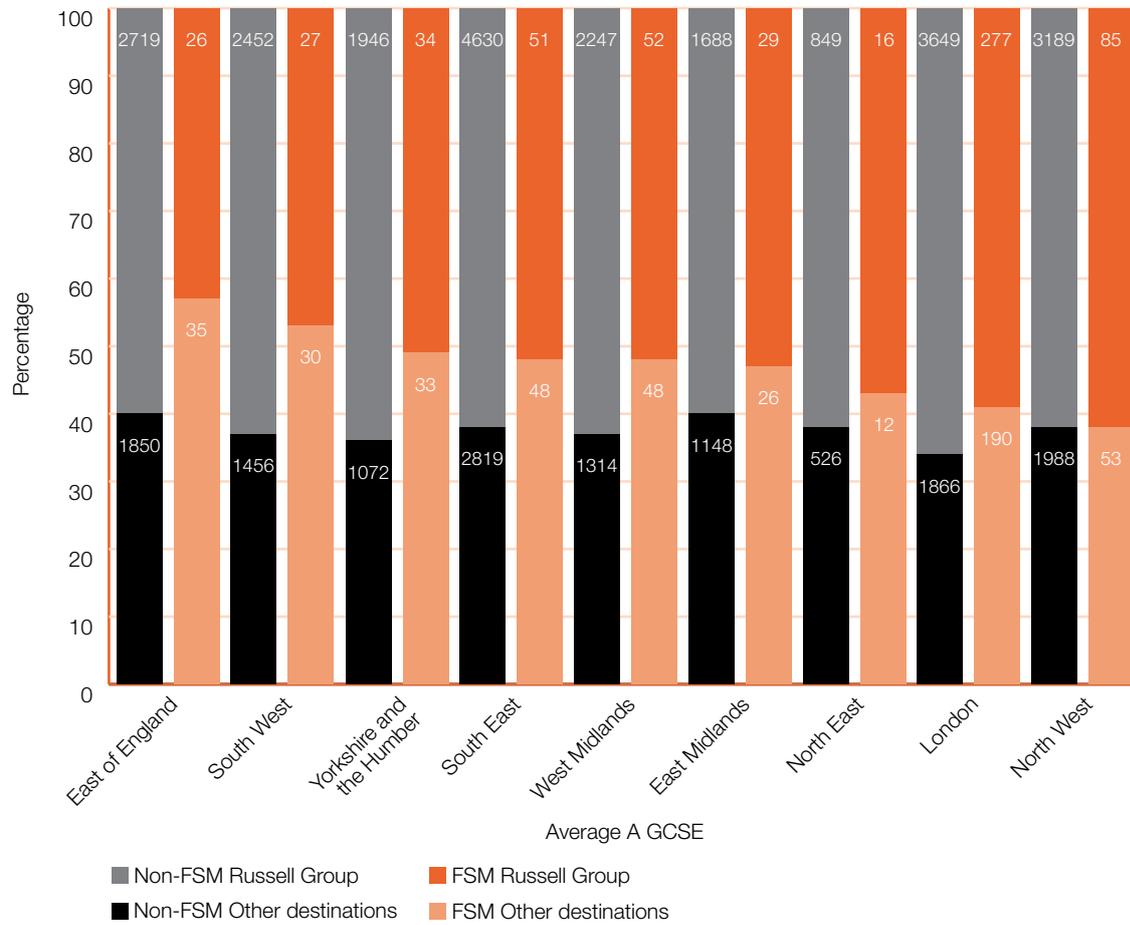
Figure 3.13 shows that across 2012, 2013 and 2014, none of the 2010 school leaver cohort who were FSM-eligible went to Oxbridge from the North East, compared to 15.3 per cent of other students with similar attainment. Only one FSM-eligible student from Yorkshire and the Humber went to Oxbridge from this cohort (though this student did not average an A* at GCSE, so does not appear in the data below), compared to 222 non-FSM counterparts. In the East Midlands and the East of England, young people were 2.5 and 2.4 times more likely to progress to Oxbridge if they were not FSM-eligible at school. Progression to the Russell Group among students with an average A grade at GCSE was also poor. Across the country, young people were more likely to access a Russell Group university if they were not FSM-eligible when at school. Figure 3.14 shows London, with its high density of Russell Group universities, racing ahead of the rest of the country in access for poorer youngsters. Those from young income households growing up in the capital are ten times more likely to go to Russell Group universities than their high attaining peers in the East Midlands and South West, 11 times more likely than their peers in the East of England, and 17 times more likely than a bright but poor youngster growing up in the North East.

Figure 3.13: Proportion and total numbers of 2010 cohort with average GCSE grades at A* progressing to Oxbridge 2012–14, by free school meal status



Source: Linked NPD-ILR-HESA data analysed by Education Datalab for the Social Mobility Commission, 2015

Figure 3.14: Proportion and total numbers of 2010 cohort with average GCSE grades at A progressing to Russell Group 2012-14, by free school meal status and region



Source: Linked NPD-ILR-HESA data analysed by Education Datalab for the Social Mobility Commission, 2015

In 2014/15, just 1 per cent of young people from state schools went to Oxford or Cambridge, and 11 per cent went to one of the UK's other most selective universities. Another 36 per cent went to less prestigious HE institutions and 14 per cent went to FE colleges.⁶² Some of these students studied traditional academic degrees, but many enrolled in other qualifications delivered in the HE sector, including technical education, and more vocationally orientated Higher National Certificates (HNCs) and Higher National Diplomas (HNDs). These types of courses are more likely to be attended by poorer young people with lower prior attainment, but still offer opportunities to access better-paid para-professional roles in the local economies such as paramedics, teaching assistants, legal secretaries and engineers.

62 Department for Education, *Destinations of Key Stage 4 and Key Stage 5 students 2014/15, 2016*

Expanding HE provision in FE colleges

In many parts of the country there is no access to university locally. In these places in particular, FE colleges play a crucial role in delivering HE diplomas, certificates and degrees.⁶³ Provision of HE in FE colleges widens participation and boosts social mobility across the country. FE colleges serve the most disadvantaged students, often those without a family history of HE.⁶⁴ HE provision in FE colleges is often flexible, serving adults working alongside their study.⁶⁵ But there are 90 local authority districts in England, where HE is not provided. This is concerning for the take up of HE, given that poorer youngsters are less likely to travel to study.

Figure 3.15 maps out the areas where there are no students, indicating no provision, not even through FE colleges. There are clusters of low provision in the South West, the East Midlands and the North East. These are also the areas with the lowest rates of entry into HE based on student domicile – with the North East having 27.8 per cent, the South West 27.6 per cent and the East Midlands 28.3 per cent. This compares to London, where there is a high concentration of provision, at 38.6 per cent.⁶⁶

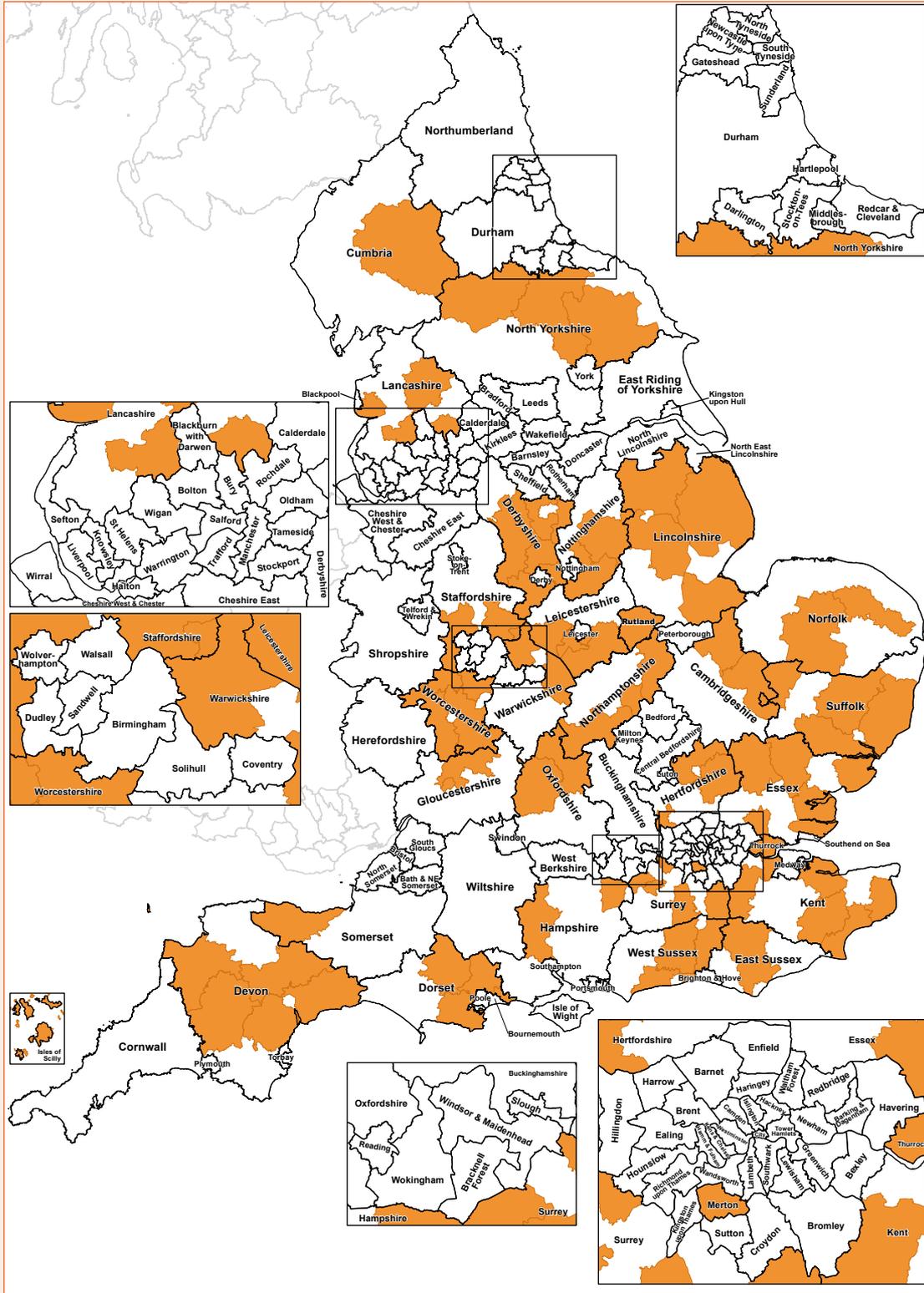
63 Higher Education Funding Council for England, *Supporting HE in FE Colleges: Policy, Practice and Prospects*, 2009

64 Department for Business, Innovation & Skills, *Progression of College Students in England to Higher Education*, research paper, September 2015

65 Learning and Skills Improvement Service and Mixed Economy Group, *Higher Education in Further Education Colleges*, 2013

66 UCAS, *End of Cycle Report*, underlying data for figure 17, 2015

Figure 3.15: Regional HE student data based on campus location, showing where there are no HE students in the local authority district*



Source: Data provided by the Higher Education Funding Council for England

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* Local authority districts shaded in orange have no HE students, based on campus location

In too many parts of the country there is no access to this type of HE institution. In places such as Devon and North Yorkshire, there are areas with no HE provision at all, and limited or no choices in the surrounding local areas. In these areas, aspirational young people have no choice but to get out if they want to get up the skills ladder. Since many young people stay in the area where they went to university, this can leave such areas emptied of their brightest young people.⁶⁷

Coventry University: life shaped learning and Scarborough satellite campus

Coventry University College was established in 2012 to create more flexible and accessible HE. In 2014, it opened a new Scarborough campus in an area where young people were cut off from HE, and has designed courses which are compatible with work and caring responsibilities.

The 'life shaped learning' model changed how traditional Coventry degree content was delivered, by developing new modules taught in blocks of four hours a day, five days a week. By arranging these modules in AM or PM slots and planning assessments within each module, students were better able to combine study with regular employment and caring responsibilities.

The university modified the academic year with rolling start dates, so that students could begin their studies in September, November, January, February or April, and finish the year within eight months of the start date. The flexible design meant that students with an unexpected change in their circumstances – sickness, job loss, pregnancy, the need to become a home carer – were able to stop attending university for a number of modules, and then resume studying when ready without jeopardising their grades, having to delay their studies for an entire year, or needing to drop out altogether.

In addition, changes to the three-year degree design were made to widen participation and maximise employment returns. Those who completed the first year of study were awarded an HNC; after the second year, an HND; and those who studied for all three years were accredited with a full honours degree. Many of the degrees on offer were aligned to the professions, meaning that students completing the first or second years were better able to access para-professional jobs. To allow local people without Level 3 qualifications to access their degrees, the institution began to offer Foundation years in the same model, bridging the gap between school education and HE.

In 2014 Coventry University announced its new campus in Scarborough. Scarborough is a HE coldspot where the nearest university is more than 40 miles away and there are very few HE courses available locally. The new courses on offer at Coventry University Scarborough (CU Scarborough) take content from Coventry and match it to demand for professionals and para-professionals in the local area. Courses on offer include accounting, early years education, engineering, policing, public health and law. Some of these are being developed bespoke, with both Coventry and Scarborough campus staff working together to adapt the content for local employers, including an innovative Applied Health course developed in partnership with the local NHS trust.

As well as addressing local skills gaps, the university intends to create jobs over the next few years – becoming an HE hub which attracts students from a wider area and stimulates the local economy to provide housing and services to the students that it attracts. CU Scarborough officially opened its doors in a new £14 million campus in September 2016 to a few hundred students; by 2020 it projects that more 2000 will be studying at the campus.

Further details can be found at www.coventry.ac.uk/scarborough

3.3 How are these problems being addressed?

The Government has built on the work of the Coalition Government, and sought to increase numbers progressing through the academic route by reforms to the curricula and an expansion in university places. It has sought to improve non-graduate prospects through apprenticeship policy, and wants to put employers in the driving seat in this policy area.

Post-16 choices

The Coalition Government's curricula reforms aimed to drive up access to academic skills and reduce the likelihood of students making suboptimal post-16 choices. The number of vocational qualifications recognised in school league tables was reduced, following the Wolf Report in 2011.⁶⁸ The EBacc measure (a school performance measure), recording the proportion of students enrolled in and achieving core academic GCSE subjects, was introduced at a similar time. From 2016, a minimum of 90 per cent of students beginning secondary school will be expected to enrol in these by the time that they reach their GCSEs.⁶⁹ In addition, the Government has reviewed GCSE and A-level content and assessment, raising their rigour for a knowledge-based economy.

The Government has acted to increase the numbers of young people leaving education qualified to at least Level 2 (five GCSEs at C or above). The incremental raising of the participation age, as well as conditional funding for 16–19 study programmes based on enrolment in Level 2 English and maths courses, has ensured that more students enrol in these crucial qualifications post-16.

Finally, the Government announced welcome plans this year to simplify the myriad of vocational qualifications post-16 into a new technical pathway. The Post-16 Skills Plan proposes 15 technical routes, each with one set of qualifications. The first two years of these routes are proposed to include a minimum of one day a week in college-based learning, with a core curriculum of transferable skills including English, maths and ICT. The technical routes are intended to mirror academic routes in allowing progression to higher skill levels, with each route containing a ladder of accreditation up to Levels 4 or 5. Implementation is set out as a staged process, due to be concluded by 2022, by which time an estimated 30 per cent of the cohort will take this route as an alternative to the academic route.⁷⁰

Routes to non-graduate work

The Government's flagship policy to boost non-academic training has been the apprenticeship programme, with a target of 3 million apprenticeship starts by 2020.⁷¹ Recent adjustments to the policy have sought more input from employers to drive up quality. Funding of the programme will be transferred to businesses through the Apprenticeship Levy, with the idea that this will empower them to act as customers. New apprenticeship standards and assessment plans are to be designed by employers, shaping the product that they want. In 2013, Trailblazer apprenticeships were launched, trialling this new process of employer-designed standards and assessments.⁷² The process of moving from less prescriptive frameworks to new apprenticeship standards is due to be completed by 2018, by which time a new employer-led Institute of Apprenticeships will be in place to regulate quality with a register of all apprenticeship providers.⁷³

68 Wolf, A., *Review of Vocational Education: The Wolf Report*, 2011

69 House of Commons Library, *English Baccalaureate*, 2016

70 Department for Business, Innovation & Skills and Department for Education, *Post-16 Skills Plan*, 2016; Department for Business, Innovation & Skills and Department for Education, *Technical Education Reform: Assessment of Equalities Impacts*, 2016

71 Department for Business, Innovation & Skills, *English Apprenticeships: Our 2020 Vision*, December 2015

72 Department for Business, Innovation & Skills, *The Future of Apprenticeships in England: Implementation Plan*, October 2013

73 Department for Business, Innovation & Skills, 2015, op. cit.

The Government has sought to transfer the model of empowering students as consumers into the FE and HE sectors. Advanced learner loans, introduced in 2013–14, were available initially for 24-year-olds to fund their study at Levels 3 and 4. A welcome expansion has seen these become available to young people aged 19+ for courses at Levels 3–6.⁷⁴ The income-contingent loans are written off if a learner continues to a higher level of study (and replaced with the loan for that higher-level study).⁷⁵

A 2015 consultation proposed maintenance loans for those studying technical and FE subjects, although the Government's recent response stated that it needed to 'consider the value for money case and fiscal position before taking any decision'.⁷⁶ The Commission is concerned at a possible faltering in this progressive step forward.

Area reviews have been in process since 2015, with local reviews attempting to match skills demands to local training provision and providers where necessary merging into larger more financially resilient organisations. The Further Education Commissioner has estimated that there will be more than 50 fewer FE colleges and academisation of a significant proportion of sixth-form colleges, equating to savings between £250 million and £500 million by the end of implementation.⁷⁷ This could will result in many more big post-16 institutions.

Widening participation in university

The Government has set a welcome target to double university participation from low participation areas. Data on areas where participation is lower than expected, given attainment at 16, is being used to inform a new Higher Education Funding Council for England (HEFCE)-funded initiative supporting collaborative action of HE providers. The National Collaborative Outreach Programme replaces the two-year National Networks For Collaborative Outreach, and features a stronger focus on outcomes for students from targeted wards.⁷⁸

The Government has sought to create a more competitive market in HE. The student numbers cap has been lifted in HE, and the Higher Education and Research Bill currently progressing through parliament will allow new providers to enter the HE market more easily, to prompt innovation in the design and delivery of degrees.⁷⁹ As with apprenticeships, there are plans for increased regulation, with a registry of all HE providers proposed. A risk-based regulatory framework will monitor indicators including:

- graduate employment
- progression to professional jobs and postgraduate study
- student retention, completion and recruitment
- degree outcomes
- National Student Survey results
- student entry requirements (UCAS tariff data)
- scores from a new Teaching Excellence Framework

74 Gov.uk, Advanced Learner Loan, www.gov.uk/advanced-learner-loan/eligibility

75 Skills Funding Agency, Advanced Learner Loans funding and performance – management rules for the 2016 to 2017 funding year (1 August 2016 to 31 July 2017), November 2016

76 Department for Education, *Further Education Maintenance Loans: A Summary of the Consultation Responses*, 2016

77 Department for Education, Letter to Chairs, Principals/CEOs of Corporations and Further Education Institutions from the FE Commissioner, 2016

78 Higher Education Funding Council of England, National Collaborative Outreach Programme, Invitation to Submit Proposals for Funding, 2016

79 Department for Business, Innovation & Skills, *Success in a Knowledge Economy*, 2016

Data to drive standards

An agenda of greater data transparency has been pursued by the Government in order to hold institutions better to account against their outcomes. In post-16 institutions, improved destinations data has enabled tracking of students' progression six months after Key Stages 4 and 5. An internal linked data project, the Longitudinal Educational Outcomes (LEO) study, creates scope for more long-term and detailed analysis of the labour market value of different qualifications. In the Higher Education and Research Bill, a transparency duty on universities is intended to make data on acceptance, retention and outcomes more freely available for researchers.

3.4 How should more progress be made?

Education in our country is improving, but the post-16 and post-18 choices available to young people are not fairly distributed either geographically or socially, and poorer youngsters in particular are not sufficiently guided in their choices. The advent of a new government, with a renewed determination to level the playing field, provides an opportunity to make more progress.

Post-16 qualifications

Subject choice

Children from low-income backgrounds are less likely to access the post-16 qualifications that would most benefit them. Part of this is due to poor prior attainment, and having chosen GCSEs that reduce their options when it comes to post-16 choices. GCSE reform could put more students in a better position to access facilitating and SEM A levels. The EBacc policy has stimulated curriculum change already in some schools, where the likelihood of students progressing to A levels has risen, particularly for disadvantaged groups, and the pupil premium attainment gap has narrowed compared to matched schools with similar intakes.⁸⁰ However, challenges in teacher recruitment and capacity for school improvement (outlined in Chapter 2) are a significant threat to more progress – particularly in lower performing areas of the country.

The Skills Plan

The Commission welcomes the intentions of the Government's new Skills Plan to simplify and standardise the myriad of non-academic qualifications on offer to young people. This new technical pathway proposes that the many different apprenticeships and vocational qualifications currently available be simplified into 15 routes, each with only one qualification. This clarity will help young people navigate a smaller range of choices. Currently, there are nearly 16,000 qualifications available to 16- to 19-year-olds, but zero transparency on which produce the best outcomes.⁸¹ The Commission welcomes the work of the LEO data set to establish the labour market returns of different Level 3 qualifications, and would like to see this data shared more widely so that young people and their families can use it to inform qualification choices. Having 15 technical routes with only one set of qualifications each would help simplify this data.

Compulsory college elements of the Skills Plan could see 16–19 NEETs become a thing of the past. The plan proposes that each of the 15 new technical routes will include classroom learning (encompassing English, maths and digital literacy skills), with even those learning via apprenticeships required to spend at least one day a week in college.⁸²

80 Sutton Trust, *Changing the Subject*, 2016

81 Department for Education, *Section 96 – Qualifications* lists just short of 16,000 qualifications: www.education.gov.uk/section96/download.shtml

82 Department for Education and Department for Business Innovation and Skills, *Post-16 Skills Plan*, 2016

Despite the raising of the participation age to 18, Commission research shows that almost one in five poorer young people are no longer in education or training by Year 13. In legislating for each of the 16–18 routes to include at least one day a week in college, the Government creates an opportunity to monitor attendance more effectively for all young people up to 18. Skills Plan reforms will see all young people in two-year programmes between 16 and 18; either academic or technical. The same accountability measures which reduce absence for pupils aged five to 16 could be extended to 18, ensuring that many more people leave compulsory state-funded education with better qualifications to access the labour market.

Post-16 institutions

One of the biggest challenges in implementing the Skills Plan will be the demands that it places on the FE sector. FE colleges are struggling to meet the requirements of study programmes, whereby young people without Level 2 qualifications must be enrolled in English and maths. Last year, Ofsted judged almost two-thirds of these new study programmes including English and maths as requires improvement or inadequate.⁸³

It is no wonder that quality is falling: FE is being asked to do more and more with less and less. FE colleges are key providers of apprenticeships and adult education – which includes vocational and second chance education – and recently have been taking on more 16- to 19-year-olds who are often on study programmes learning remedial maths and English. Yet they are doing so in a climate with less funding, and with increasingly relaxed staff requirements.⁸⁴ The Commission recommends that the Government undertakes a strategic review of the purpose of FE, its contribution to social mobility, and the financing that it will need to meet this purpose appropriately.

The Skills Plan could be an opportunity to help FE collaborate more closely with schools to drive up quality, while also specialising in vocational rather than academic delivery. An existing policy idea provides a potential template for this new relationship between schools and FE. In a response to poor-quality alternative provision for children excluded from school, the Government is looking to make schools responsible for students, even when they have excluded them. By keeping these students on-roll, schools would remain accountable for them and the quality of the education they receive offsite, effectively becoming commissioners of alternative provision. Similarly, if vocational or technical FE courses in some areas are poor, schools could be made responsible for ensuring enrolment on quality courses. If all young people were enrolled in a school sixth form as a home institution, those schools could commission from FE the vocational elements of the 15 technical routes, and could share teaching expertise to drive up quality more effectively – particularly in maths and English. This could mitigate the threat to the Skills Plan of poor-quality FE, and could drive up the numbers of young people attaining Level 2 by age 18. It could also help mitigate the negative effects of the area review in creating more large post-16 institutions, where Commission research shows young people under-perform compared to their matched counterparts in smaller institutions.⁸⁵

In 20 areas of the country there are no options for young people to attend school sixth forms at all, and these young people leave with worse outcomes than matched peers in similar areas with sixth forms.⁸⁶ It should be a priority to address this geographical gap in provision in order to drive up post-16 outcomes in these areas.

Destinations, accountability and careers advice

So far, Government policy has ignored the biggest priority for young people's choices: accurate careers information, advice and guidance. Ensuring that school sixth forms become

83 Ofsted, *Annual Report 2014/15*, 2015

84 Department for Business, Innovation and Skills, *Consultation on Revocation of the Further Education Workforce Regulations: Government Response*, 2012

85 Social Mobility and Child Poverty Commission, *Social and Ethnic Inequalities in Choice Available and Choice Made at Age 16*, publication pending

86 *Ibid.*

the home institution of more 16- to 18-year-olds by 2022 would provide an opportunity to centralise responsibility for careers advice in the school, held to account through a simple accountability measure: destinations data. Although schools and colleges have been tasked with delivering careers advice since 2010, there has been no dedicated funding, and they have not been meaningfully held to account.⁸⁷ And although destinations data has been published since 2010, it has only tracked students for six months, captured crude data on institutions attended rather than courses young people are enrolled in, and not been used to meaningfully hold schools to account.

Commission analysis in this report has shown how many young people do not choose the best post-16 qualification with the GCSE grades that they have, suggesting a lack of information and guidance. Destinations data, introduced in the last parliament, allowed us to see students' destinations for the first time, but nonetheless was limited in only capturing a crude measure of which institution young people had progressed to, only tracking young people for six months into their destination and relying on reported data, which had many missing entry points. The linked LEO data set is a heartening innovation, allowing better quality data collection and with the potential to allow more sophisticated tracking of the courses young people choose, their completion rate and their progression into higher education or the labour market. If LEO were used to strengthen destinations accountability, it could show whether the majority of a school's GCSE cohort progress to a post-16 course which matches, exceeds or is below their prior attainment at GCSE, and whether they successfully complete this course.

LEO data ought to be developed to measure the effectiveness of a school's career guidance, and to hold to account institutions where poorer children consistently make qualification choices below their ability. As well as holding schools to account, this would increase pressure on course and apprenticeship providers to offer courses that genuinely boost the skills and prospects of local young people. By making schools the discerning consumers of these courses, this could help drive out of the market those apprenticeships and FE courses with low completion rates. It could also incentivise greater partnership and sharing between FE and schools, crucial in driving up low Level 2 literacy and numeracy outcomes. However, until such an accountability change happens, those with the social and cultural capital will continue to navigate the system best, to the disadvantage of less affluent young people.

The Commission is concerned that without adequate careers advice and more capacity in school sixth forms, the Skills Plan will not deliver increased social mobility. This is because the Skills Plan proposes that young people dedicate themselves to either a technical or an academic pathway. Commission research has shown that in areas with no school sixth forms, where young people are asked to choose between an academic pathway in sixth-form college, or a vocational one in FE, far fewer middle and low attainers take Level 2 qualifications, Level 3 qualifications or make ambitious university applications. In particular, underperforming subgroups such as poorer children and white British boys are negatively affected.⁸⁸ Ensuring that there is less segregation by attainment, through more school sixth-form provision, and incentivising careers guidance and aspiration-building must be at the heart of the Skills Plan implementation if poorer young people are not to continue falling into routes which damage their social mobility.

87 Committee on Education, Skills and the Economy, *Careers Education, Information, Advice and Guidance*, 2016

88 Social Mobility and Child Poverty Commission, *Social and Ethnic Inequalities in Choice Available and Choice Made at Age 16*, publication pending

Post-18 education and training

Second chance education

FE is crucial in developing adult skills through second chance education. For adults in low-paid work, FE offers an opportunity to upskill and improve employability⁸⁹ The sector plays a crucial role in meeting the national demand for higher skills, helping more people access para-professional jobs through HE. But the financial health of the sector has been in decline since 2010, with almost half of FE colleges in deficit at the end of 2014/15.⁹⁰

The introduction of learner loans has lowered FE funding streams further and restricted access to second chance education. Whereas previously, funding for courses for people aged 19+ was provided directly to FE colleges by the Government, the introduction of learner loans for adult learners – and now also young people aged 19–24 – has meant that learners must understand and navigate a loans system before accessing this education. The change led to losses of 267,000 learners in a single year for the sector – the majority from the over-25 age group.⁹¹ The independent evaluation commissioned by the Government found that the majority of learners were not aware of advanced learner loans.⁹²

This reduction in adult learners has a significant implication for social mobility. The sector serves some of the most disadvantaged adults in the country: often vulnerable learners who were least able to navigate the qualifications system at 16 and 18, and who are much more likely to have learning difficulties than more affluent young people.⁹³ It is crucial for these potential learners locked out of the system, as well as the struggling FE sector, that effort is made to raise the profile of the loans and to help poorly paid people understand the income-contingent element of these low-risk loans. Meanwhile, aspects of loan delivery must be modified, to enable colleges to support vulnerable learners to access them.⁹⁴

Apprenticeships

Recent changes to apprenticeships are a positive step in driving up quality. It is right that all apprenticeship providers will become registered and assessments introduced, so that standards can be better regulated. The Commission is particularly pleased to see that providers with an inadequate Ofsted rating for apprenticeships will not be eligible to apply for the new register.⁹⁵ But, if the apprenticeship route is to lift people out of low pay, instead of locking them in, there must be an evaluation of which training adds value to young people and which does not need to be subsidised by the Government.

The new Institute for Apprenticeships should conduct a thorough review of the qualifications currently on offer. Similar to the Wolf Review of vocational education before it, a large number of low-quality qualifications should be removed from apprenticeship funding, allowing redeployment of resources in the adult skills budget.⁹⁶ It may be that some low-skill apprenticeships currently on offer in sectors such as retail or customer service lead to jobs better entered via traineeships, and that some adult apprenticeships taken up predominantly by existing employees ought to be rebadged as workplace training.

For those remaining apprenticeships, the Institute should consider mechanisms to ensure that training is matched more appropriately to young people's skills and promotes social mobility. This could include removing prior education requirements to Level 2 and 3 apprenticeships that weed out those with poor qualifications.

89 Centre for Employment Research, *Further Education: Social Mobility, Skills and Second Chances*, 2015

90 National Audit Office, *Overseeing Financial Sustainability in the Further Education Sector*, 2015

91 Ofsted, *Annual Report 2014/15*, 2015

92 Department for Business, Innovation & Skills, *Evaluation of 24+ Advanced Learning Loans*, 2016

93 Social Mobility and Child Poverty Commission, *Social and Ethnic Inequalities in Choice Available and Choice Made at Age 16*, publication pending

94 Department for Business, Innovation & Skills, op. cit.

95 Department for Education and The Rt Hon Robert Halfon MP, *New Apprenticeship Funding to Transform Investment in Skills*, 2016

96 Wolf, A., *Review of Vocational Education: The Wolf Report*, 2011

Higher education

Expanding the scope of widening participation

Universities should be at the heart of the social mobility agenda. The Government's targets and HEFCE's new National Collaborative Outreach Programme are promising steps. However, there must be higher standards set for universities, so that widening participation work is more effective and that those who are complacent are pushed to renew their efforts. The definition of widening participation must be extended beyond simply accessing a degree to encourage universities, to addressing higher drop-out rates and poorer labour market outcomes for their students from less advantaged backgrounds. The National Collaborative Outreach Programmes are likely to focus efforts on students in the GCSE and A-level years, despite evidence that targeting younger students can be more effective in shaping aspirations and outcomes.⁹⁷ Challenge ought to be matched with support in the form of improved evidence to guide the work of universities. The Commission endorses the recommendation of Universities UK's Social Mobility Advisory Group that an independent evidence and impact exchange ought to be established to support this.⁹⁸

The Government should consider introducing a data-led floor target for universities to charge higher fees, rather than access agreements which currently permit variable effort in widening participation from elite universities. The Commission welcomes the transparency duty on universities. This data on access, retention and labour market returns, alongside HEFCE institution-level targets for low-participation and less advantaged groups, should be used to create HE social mobility league tables.

Prioritising higher education coldspots

The Higher Education and Research Bill creates the potential for new innovative institutions to enter the higher education market, but the incentives are for new entrants to open in areas where numbers attending university are already high, undercutting less prestigious providers on cost and appealing to students from lower-income families. This risks reducing standards, rather than raising them.

Yet some parts of the country are woefully underserved in HE. New HE providers should be incentivised to open in the places with the least current provision, and to offer courses which fundamentally widen access, as with the Coventry University Scarborough Campus (see box, page 113). Relationships with prestigious universities and local employers could help transform local areas, addressing local skills gaps and keeping valuable human capital in the local economy. Many of the social mobility coldspots are also lacking HE provision in the entire local authority. As stated previously, 90 areas concentrated in the South West and the Midlands (see 'Expanding HE provision in FE colleges' box, page 111) have no provision. In these areas, young people are forced to move away to move up.

Closing the geographical gap in HE provision also could be a role for FE colleges. FE colleges have delivered HE courses for many years, sometimes through a franchising model whereby established universities certify their courses. Most parts of the country that do not have a local university do have a local college. The Higher Education and Research Bill could lead to more FE colleges gaining their own degree-awarding powers, giving them a lifeline with a new source of income, and proving that they can guarantee the right level of quality. Established universities should be given incentives to create collaborative relationships with FE providers that want to expand their HE provision. This could create a mechanism for more young people to access quality HE courses in the areas where they are most needed.

97 The Gatsby Charitable Foundation, *Good Career Guidance, 2014*; *Teach First, Careers Education in the Classroom, 2015*

98 Universities UK, *Working in Partnership: Enabling Social Mobility in Higher Education, October 2016*

3.5 Conclusion and recommendations

The choices that young people face at 16 and after are complex, and this disadvantages those from households who lack the financial and social capital to get the best out of the system. Much greater availability of information will make it easier for young people to see the outcomes associated with different choices. Even more importantly, destinations data should be built into accountability systems, so that schools and other educational providers take more responsibility for ensuring that every young person is on a path that is likely to deliver the best possible outcome for them.

The other key issue is ensuring that all available options are quality options that genuinely boost the skills of those who choose them, and provide the foundations for long-term success in the labour market. The Government's Skills Plan has the welcome objective of seeking to improve the quality of non-academic routes, but if an unreformed FE sector is left to deliver the technical routes, this could result in a two-tier system, with poorer children losing out.

The Government has focused on apprenticeships as the main alternative to university, and is taking action to improve the quality of apprenticeships for young people. However, more needs to be done to ensure that they are matched to national skills needs.

The Commission believes that universities have a key role to play in improving social mobility, and that while many institutions have done good work, the sector as a whole needs to raise the scale of its ambition.

As part of a ten-year programme of social reform, we recommend that:

Recommendation 1: The Government should create a single, UCAS-style portal that includes post-16 courses and post-18 vocational training alongside HE options, so that young people can make better choices about their post-school futures, informed by outcomes data

As students in both the FE and HE sectors use loans to fund their courses, it is vital that the labour market returns to students are transparent. At present, it is not clear to students which courses or institutions produce the best career outcomes. For FE students and those on apprenticeships there is no single point of entry, unlike HE students, who benefit from the UCAS portal and application system.

Over this parliament, a UCAS-style portal should be developed to cover all post-18 vocational courses and apprenticeships. It should include LEO (Longitudinal Educational Outcomes) data and average earnings outcomes for people who have taken the same course in the past.

The portal should be extended to cover all post-16 courses by the time that the Skills Plan is fully implemented in 2022. Again, LEO data should allow students to see which post-18 courses were most likely for students who made specific post-16 choices.

Recommendation 2: The Government should build destinations data more firmly into accountability frameworks for schools and so encourage them to take responsibility for the choices of all pupils, including those who move down non-academic routes aged 16

By 2020, sophisticated destinations data should be included in schools' and colleges' headline accountability measures, and should inform Ofsted gradings. This new destinations data should use LEO data to track whether the majority of students, and poorer students in particular, are progressing to courses which match their potential at GCSE, incentivising schools to guide aspirational and appropriate course choice. This accountability should incentivise schools to ensure that young people take qualifications for which they are

adequately prepared for, and which match their prior attainment; improving the accurate information, advice and guidance which they provide to young people. By 2020, schools in which poorer students make less ambitious choices with the same qualifications as their wealthier peers should be held to account.

The new destinations data should go beyond the current six-month destinations to track students for eight terms after they finish Year 11, as recommended by the Fair Education Alliance.⁹⁹ This would reveal whether young people had selected Key Stage 5 courses they could successfully complete and whether it led to a sustained HE or employment destination after Key Stage 5. Holding schools to account on these destinations would increase pressure on post-16 providers to offer courses that genuinely boost the skills and prospects of young local people, driving out of the market those which do not.

Recommendation 3: The Government should encourage sixth-form provision in areas where it is lacking and ensure schools and FE colleges work together to deliver the Skills Plan, so avoiding the risk of creating a two-tier system of academic and technical routes. The Government should also use the opportunity of the Skills Plan to improve 16–18 participation, with a view to reducing the number of young people not in education, employment or training at that age to zero by 2022

The Skills Plan will only boost social mobility if both technical and academic pathways are high quality, and young people choose the path that is best for them. If FE is left to deliver the technical pathway alone, poorer young people will continue to lose out in a two-tier post-16 system. One way of achieving this would be to select pathfinder areas in the next four years where sixth forms and FE colleges would work together to deliver the Skills Plan. In these selected areas, schools would hold the central register of young people aged 16–19 and would commission the technical elements of the routes from local FE colleges. The aim would be for mutually beneficial relationships to develop between the schools and the FE colleges, improving capacity in the latter.

By keeping all students on roll, schools would be incentivised to make a success of the collaboration, particularly in the delivery of maths and English to those on technical routes. This should increase the numbers of young people successfully gaining Level 2 qualifications by 18. A central register would allow ease of attendance monitoring. By the time that the Skills Plan is fully implemented, attendance sanctions and accountability currently used for children aged 5–16 should be extended to the age of 18, ensuring that all benefit from the Skills Plan and eliminating the number of young people who are not in education, employment or training at this age.

In the 20 areas of the country where there are no school sixth-form options, new school sixth forms should be opened by 2020 to improve outcomes for young people in these areas.

Recommendation 4: The Institute of Apprenticeships should impose robust quality criteria for apprenticeships and not allow schemes that do not meet these criteria to be called apprenticeships

The apprenticeship brand is being tarnished by too much low-quality provision in too many low-pay sectors. A review akin to the Wolf Report urgently needs to investigate apprenticeship quality and prioritise government funding in skilled sectors, with good prospects for progression. Low-quality apprenticeships that do not lead to careers with progression should be prohibited from using the trademarked term, and no longer be advertised on the Government website.

In addition, the Institute should consider mechanisms to ensure that training is matched appropriately to young people's skills, and accessed by those who need it most. This should

99 Fair Education Alliance, *Will We Ever Have a Fair Education for All? Report Card 2014*, 2014

include removing prior education requirements to Level 2 and 3 apprenticeships that weed out those with poor qualifications.

Recommendation 5: The Government should make social mobility reputational for universities, by publishing an annual social mobility league table ranking different institutions' performance

Social mobility should be at the heart of universities' work. A league table including data from the new transparency duty could help celebrate those who are doing well. The table should include retention and graduate progression, alongside access, and should focus on mature students as well as those from low-participation and low-income backgrounds. In addition, this league table could recognise the work that universities are doing to support regeneration through developing satellite campuses, or collaborating with FE providers in HE coldspots.

Poor performers in widening participation should be challenged to raise their game. Charging £9,000 fees should be subject to universities reaching a higher bar in access, retention and progression for low-income students than they do currently. A set of floor standards could raise this bar, linking higher fees to data on outcomes for young people from low-income and low-participation backgrounds.

Recommendation 6: The Government should work with universities to ensure that HE can be accessed locally in all parts of the country. The 90 areas with no HE provision should be assessed and there should be locally accessible provision everywhere by 2025

Expanded HE provision in underprovided areas should make access to higher skills fairer, and address professional and para-professional skills gaps in local economies in left-behind parts of the country. There are several ways that this could be achieved:

- Existing universities could establish satellite campuses in HE coldspots. As with the Coventry model, these partnerships could ensure that high-quality content is delivered flexibly, to meet local employment needs.
- The UK's most prestigious universities could be encouraged, as part of their Widening Access Agreements, to forge partnerships with FE providers in areas of low or no HE provision. Innovation in delivery and focus on para-professional qualifications should be used to radically widen access and boost social mobility.
- New entrants to HE could be incentivised into HE coldspots – for example, through loans to cover start-up costs.

By 2025, the Government should ensure that the 90 areas with no HE students all have accessible HE provision. This should start with a review of these 90 areas which considers the accessibility of HE provision based on factors including travel time and courses on offer to a range of different students and abilities. The South West, the East Midlands and the North East should be prioritised due to lower levels of HE take up and concentration of local authority districts with no HE students.

Chapter 4: Jobs, Careers and Earnings

- Millions of hard-working families have experienced a 5 per cent fall in real-terms average wages since 2008 and young workers have seen a 15 per cent decline in hourly pay.
- Only one in ten low-paid workers – who are mainly women – escape low pay and in 40 local authorities in England a third of all employees are not paid the voluntary Living Wage.
- 700,000 better-paid, intermediate-skilled jobs have gone in a decade and a regional brain drain is occurring, with more graduates moving from areas with few professional jobs to those with more.
- If current trends continue, nine million low-skilled people could be chasing four million jobs, with a shortage of three million workers to fill 15 million high-skilled jobs by 2022.
- Despite efforts in recent years to change the social make-up of the professions, only 4 per cent of doctors, 6 per cent of barristers and 11 per cent of journalists are from working-class origins.

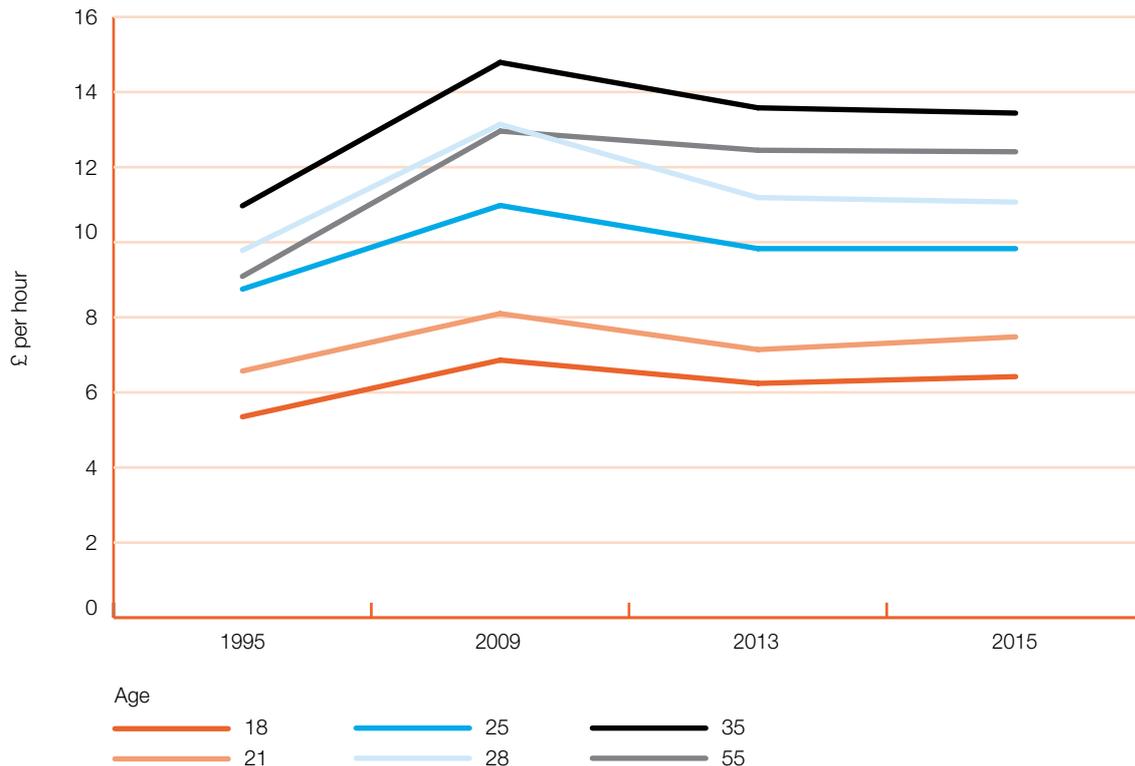
As part of a ten-year programme of social reform, we recommend that:

- A new deal between government and employers should be agreed to define businesses' social obligations and the support they will get from welfare, training and education policy.
- All large employers should develop strategies to provide their low-skilled workforces with opportunities for career progression.
- The Government should focus on moving people from low pay to living pay through a Second Chance Career Fund to help older workers retrain and by writing off advanced learner loans for part-time workers taking career-enhancing Level 3 qualifications.
- The Government should work with large employers, local councils and Local Enterprise Partnerships (LEPs) to bring new, high-quality job opportunities backed by financial incentives to the country's social mobility coldspots.
- The Government should support LEPs in social mobility coldspots to implement plans to tackle local skills gaps and attract better jobs to the area.
- The Government should introduce a legal ban on unpaid internships.

4.1 Introduction

Successive generations have grown up believing that hard work pays, but that promise is not being delivered to the millions of British workers who have gone for more than seven years without a pay rise. Pay in real terms has slightly picked up in 2016, growing by 2.3 per cent in April 2016.¹ But real weekly earnings are still down 5 per cent from their pre-financial crisis peak.² Young people have been hit hardest. The median hourly earnings of 28-year-olds dropped in real terms by 15 per cent between 2009 and 2015.³ By contrast, the earnings of 35-year-olds dropped by 9 per cent, while those of 55-year-olds fell by just 4 per cent.⁴

Figure 4.1: Real median hourly earnings by age⁵



Source: Office for National Statistics, Real median hourly earnings (excluding overtime) by age, 9 September 2016

Static pay means stalled aspiration. The current generation of workers is facing poorer career prospects and lower living standards than their parents. The impact has not just been on the poorest and most disadvantaged. Workers at the lower end of the UK’s earnings distribution scale have seen the smallest increases in gross annual pay since 2009.⁶ For those at the 30th percentile (average earnings of £15,444 in 2015 and £14,810 in 2009), gross annual pay increased by just 4.2 per cent. For those at the 20th percentile (average earnings of £11,545 in 2015 and £11,245 in 2009), it increased by just 2.6 per cent. In contrast, higher earning employees in the 40th through to the 90th percentile saw their gross annual pay increase by 6 per cent, with the poorest at the 10th percentile experiencing an 8 per cent rise due to changes in the legal minimum wage floor.

These trends reflect the UK’s endemic low pay problem: 20.4 per cent of all UK workers are in low pay (with earnings below two thirds of median earnings),⁷ compared with 16.6 per cent

1 Office for National Statistics (ONS), EARN01: Average Weekly Earnings, 19 October 2016
 2 ONS, EARN01: Average Weekly Earnings 19 October 2016. (Real average weekly earnings (Index numbers 2000=100) was 118 in April 2008 and 113.4 in August 2016)
 3 ONS, Real median hourly earnings (excluding overtime) by age, 9 September 2016
 4 Ibid.
 5 Ibid.
 6 ONS, Annual Survey of Hours and Earnings (ASHE) by age from 1999 to 2015 provisional, 15 September 2016
 7 Organisation for Economic Co-operation and Development (OECD), *Employment Outlook 2016*, Table O, Earnings dispersion and incidence of high and low pay

in Australia, 8.4 per cent in Finland and only 7.9 per cent in Denmark, countries associated with higher social mobility.⁸ Last year there were six million workers earning below the living wage, with 55 per cent of these workers being under 25.⁹ Low pay has become the norm for the young, and across communities in many towns and cities in the UK. Just under half of the 326 local authorities in England have more than one in four workers earning below the Living Wage. Twenty eight out of the 39 local authorities in the North West fell into this category, compared with just 16 out of 67 local authorities in the South East. In Boston, Bolsover, North Norfolk, West Somerset and Weymouth, workers paid below the Living Wage made up over 40 per cent of the workforce last year.¹⁰

For most of these workers, low pay is not a transitional experience. Research produced for the Commission suggests that only one in four workers will be able to escape low pay over the course of a ten-year period.¹¹ The overwhelming majority – mainly women – are stuck in a low-pay poverty trap. The bottom end of the labour market work is also becoming insecure. This year, 903,000 workers are on precarious zero-hour contracts (up by 156,000 on the previous year), including one in six care staff.¹²

The UK's low pay problem is partly a skills problem. Of the 5.6 million working-age adults earning below 60 per cent of median earnings, a quarter have no qualifications.¹³ But it is also a labour market problem. Britain has fewer intermediate jobs than comparable countries, so there are fewer jobs for low-paid workers to aspire to and get promoted into. Between 2002 and 2014, 135,000 skilled trade jobs – and over half a million administrative and secretarial occupational jobs – disappeared in the UK. The job market share for the latter occupations has shrunk from 30 per cent in 2002 to 21 per cent in 2014.¹⁴ This situation is forecast to get considerably worse with the World Economic Forum predicting more than five million jobs will be displaced across 15 developed economies by 2020¹⁵ as a direct result of robotics and new artificial intelligence technology. Roles that have traditionally occupied the middle of the skills hierarchy and earnings range are predicted to suffer the biggest decline by 2030.¹⁶

At the top end of the labour market, there has been a massive increase in the number of graduates available to employers, but the supply of graduates is far from being socially representative. This background-based discrepancy in outcomes is magnified in the jobs market, with many of the elite professions being even less representative than the most selective universities. For example, recent London School of Economics research using Labour Force Survey data showed that only 4 per cent of doctors had working-class origins (i.e. parents who were in routine or semi-routine occupations) and only 6 per cent of barristers, 11 per cent of journalists and 12 per cent of solicitors.¹⁷

Britain's labour market problems are reinforced by geographical imbalances. For example, there are big variations in pay. For those at the bottom of the labour market (10th percentile), average weekly pay this year is 55 per cent higher in London (£184) than it is in the South West (£119), 47 per cent higher than in the East (£125) and around 35 per cent higher than in the North West, the North East and the Midlands (£135–£137).¹⁸ Meanwhile, high pay and

8 Causa, O. and Johansson, Å., Intergenerational Social Mobility in OECD Countries, OECD, *Journal Economic Studies*, 2010

9 ONS, Jobs paid less than the living wage by age group, 2012 to 2015, 25 November 2015

10 ONS, ASHE 2014 to 2015 – Number and percentage of employee jobs with hourly pay below the living wage, by parliamentary constituency and local authority (place of work), UK, April 2014 and 2015, 25 November 2015

11 Social Mobility Commission, *Escape Plan*, November 2014

12 ONS, Number of people on zero-hours contracts, by selected Standard Occupational Classification (SOC) Codes, April to June, 2015 and 2016, 1 November 2016

13 Department for Work and Pensions, Households Below Average Income, June 2016, Table 5.6db: Composition of low-income groups of working-age adults by various family and household characteristics, United Kingdom

14 ONS, Number of jobs in London by industry, occupation and highest qualification, 2002 to 2010, 12 February 2016 and Number of jobs in London by industry, occupation, and highest qualification, 2011 to 2014, 4 January 2016

15 World Economic Forum, *The Future of Jobs Employment, Skills and Workforce Strategy for the Fourth Industrial Revolution*, January 2016

16 UK Commission for Employment and Skills, *The Future of Work: Jobs and Skills in 2030*, February 2014

17 Laurison, D. and Friedman, S., *Introducing the Class Ceiling: Social Mobility and Britain's Elite Occupations*, LSE Sociology Department, 2015

18 ONS, Region by Public and Private Sector – ASHE: Table 25, 26 October 2016

professional jobs are strongly concentrated around the capital. In London, the number of managerial, professional and associate occupational jobs has increased by 700,000 in the last ten years and, in the South East, by 290,000, in the North West by 176,000, in Yorkshire and Humber and the East Midlands by 150,000, 140,000 in the West Midlands, 120,000 in the East and by under 56,000 in the North East.¹⁹ These geographical factors have multiple negative effects on social mobility. They create social divisions between different parts of the country and mean that people in the less favoured areas have far fewer opportunities to aspire to. They encourage an attitude that, in these areas, getting on means getting out. They contribute to the lack of diversity in the best jobs, with a lack of social diversity being reinforced by a lack of geographical diversity.

4.2 Strategic assessment

Problem 1: There are too few progression opportunities for workers, especially women, in the bottom half of the labour market

Britain's low pay problem is concentrated in a few sectors. It also particularly affects women and part-time workers. The retail, hospitality and social care sectors account for over eight million jobs²⁰ (about a quarter of all employment in the UK economy), and these are the sectors that are associated with endemically low pay. For example, in the cleaning industry, which is dominated by female workers, nearly half of the workforce did not receive the equivalent of the new National Living Wage last year (see Table 4.1).

Table 4.1: Percentage of employees paid below the National Living Wage (2016: £7.20; adjusted to £6.83 for 2015)

Britain's low-pay industries	%
Retail	16.6
Hospitality	33.2
Social care	17.4
Employment agencies	19.1
Food processing	14.2
Leisure, travel and sport	15.4
Cleaning	41.9
Agriculture	11.3
Childcare	21.2
Textiles and clothing	20.3
Hairdressing	27.2

Source: Office for National Statistics, Annual Survey of Hours and Earnings (ASHE), Percentage of employees earning below £6.83, April 2015, UK

A recent report for the Commission found that workers in these industries have limited chances of improving their situation. Only a few manage to escape from low pay after ten years' work in catering (11 per cent), nursing homes (11 per cent) and pubs and bars (12 per cent).²¹ The limited progression opportunities are perhaps not surprising given these sectors have high staff turnover and employees are perceived as being interchangeable. Lord Wolfson, the chief executive of Next, put it starkly when he said, in relation to the adoption of the National Living Wage, that raising wages seems unnecessary when there

¹⁹ ONS, Nomis, Annual Population Survey – Workplace Analysis, 2005-2015

²⁰ UK Commission for Employment and Skills, *Data and Skills for Care, Size and Structure of the Adult Social Care Sector and Workforce in England*, 2016

²¹ Social Mobility Commission, *Escape Plan*, November 2014

are 'thirty applicants for every job advertised'.²² A matter of increasing concern is the high number of staff not even receiving this new legal minimum, with retail making up 22 per cent, accommodation and food services 16 per cent, and health and social care 13 per cent of the 362,000 jobs currently not complying with the National Living Wage and National Minimum Wage for those under 25.²³

There are some higher paid jobs available even in these low-paying sectors. For example, according to the National Careers Service website, the starting salary for a sales assistant is £11,000 and £22,000 for a sales manager.²⁴ Based on the UK's 2014 pre-tax income distribution,²⁵ this would move someone from being in the 6th percentile of earners to being a median earner. Similarly, a care assistant earns around £12,500 and a care home advocate £18,000. This would move them from the 13th percentile of earners to the 37th. However, for workers that aspire to these supervisory and managerial type roles, the internal promotion pathways and upskilling opportunities needed to progress within an organisation, are often not available. Instead, these better-paid roles tend to be taken by graduates, with more senior positions requiring higher-level qualifications in addition to work-based skills. This acts as a further barrier to those who do not possess the necessary qualifications (often just at Level 3; A level equivalent).

Most of the UK's low-paid workers are women. Early figures for 2016 suggest that of 306,000 workers aged over 25 who are paid below the National Living Wage (£7.20 for 2016), 64 per cent are women. Of the 184,000 part-time jobs that do not comply with the National Living Wage, three-quarters are held by women²⁶ and 31.5 per cent of all jobs held by women aged over 25 are paid below £9 per hour, compared with just 18.7 per cent for male jobs.²⁷ Low-wage work for women is worse outside of London where, for women aged between 35 and 64, there are twice as many female jobs earning below the Living Wage as male.²⁸ In London, there were 74,000 more female jobs than male earning below the Living Wage, but across the rest of the UK the difference was 1.2 million jobs.

22 Lord Wolfson of Aspley Guise, comments reported on 19 March 2015

23 ONS, Jobs paid below minimum wage by category, 26 October 2016

24 Data from the National Careers Service website: <https://nationalcareersservice.direct.gov.uk/job-profiles/home>

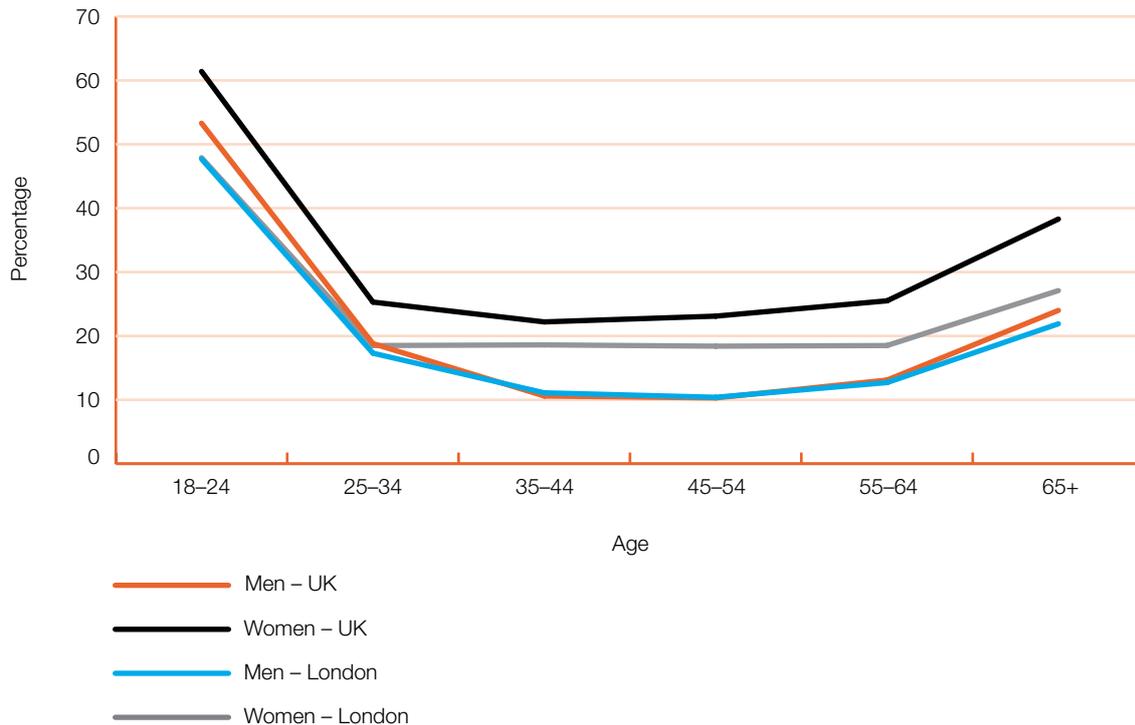
25 HM Revenue & Customs, National Statistics, Percentile points from 1 to 99 for total income before and after tax, 1 March 2016

26 ONS, Jobs paid below minimum wage by category, 26 October 2016

27 ONS, Distribution of low paid jobs by 10p bands, 26 October 2016

28 ONS, Jobs paid less than the living wage in London and the rest of the UK in 2014, by sex and age group, 26 October 2015

Figure 4.2: Percentage of male and female employees paid below the Living Wage in 2014



Source: Office for National Statistics, Jobs paid less than the living wage in London and the rest of the UK in 2014, by sex and age group, Annual Survey of Hours and Earnings (ASHE), Percentage of employees earning below £6.83, April 2015, UK

Some of this pay differential can be explained by the sectors of work in which women work. Women dominate employment within caring and leisure occupations, with over 1.9 million women employed in these sectors. That means that 13 per cent of the female workforce are in occupations characterised as having limited chances of getting into more skilled, better-paid work. The trend is similar in other low-progression, low-paid sectors. The vast majority of workers in the adult social care sector (82 per cent) are female and the average hourly pay for a care worker in 2015/16 was £7.35 per hour, just 15p above the National Living Wage.²⁹ The National Living Wage has had a huge positive impact on pay in the care sector, but nearly half the workforce (around 400,000 people) still earn below the new £8.45 voluntary living wage for outside London.³⁰

The number of part-time jobs has increased from 7 million in 2002 to 8.5 million,³¹ but this work is highly likely to be low paid, with a £4.76 difference between the median basic hourly wage for all full-time workers, compared with that of all part-time workers (£13.67 per hour compared with £8.91).³² The majority of these jobs are based in low-skilled roles, with 31 per cent in routine occupations.³³ To add to the problem, the Resolution Foundation suggests that there is an ongoing pay penalty as a result of working part time.³⁴ This particularly impacts women, who make up three in four part-time workers; although since 2010 the number of men working part time has increased significantly.

Women working part time due to child-caring responsibilities are especially impacted by a downward pay trajectory. This reflects the lack of flexible working opportunities for women and the fact that most part-time jobs are low paid. This lack of employment mobility for

29 Skills for Care, *The State of the Adult Social Care Sector and Workforce in England*, September 2016
 30 ONS, Care Workers (SOC) – ASHE, Table 26, 26 October 2016
 31 ONS, EMP12: Part-time and temporary workers by socio-economic classification, 17 August 2016
 32 ONS, All Employees – ASHE: Table 1, 26 October 2016
 33 ONS, EMP12: Part-time and temporary workers by socio-economic classification, 17 August 2016
 34 Social Mobility Commission, *Escape Plan*, November 2014

working mothers is a serious problem in the UK. A Resolution Foundation report undertaken for the Commission discovered that 26 per cent of non-graduates were young mums with lower qualifications (typically Level 2) and were at the greatest risk of getting stuck in low-paid work.³⁵ Women experience a significant pay penalty for spending years working part time, caring for a child aged three and under, and working in retail and services sectors.

The low pay problem at the bottom of the UK labour market contrasts sharply with the growth of higher-wage managerial and professional jobs at the top. These now make up 43 per cent of all employment, compared with 37 per cent 15 years ago.³⁶ The number of managerial, professional and associate professional jobs, typically graduate entry-level jobs, has increased by 2.3 million in the last ten years.³⁷ Over the same period, care, leisure and service sector jobs have also increased markedly, with over half a million more jobs since 2005, and now make up 10 per cent of all labour market employment.³⁸ At the very bottom of the labour market, there are nearly a quarter of a million more elementary occupational jobs than ten years ago.

This polarisation in the labour market is reflected in the distribution of skills and qualifications, as a comparison with Germany illustrates. A higher percentage of the working population have degrees in the UK than in Germany (44 per cent compared with 28 per cent),³⁹ but the UK lags behind in other qualifications. Just 18 per cent of the UK working population has a post-secondary non-degree qualification, compared with 59 per cent in Germany. And while secondary school education is the highest level of attainment for 21 per cent of people in the UK, in Germany this figure is just 10 per cent. Germany also has in-work vocational training routes for staff to upgrade to higher occupational functions through advanced certification (e.g. becoming a certified supervisor, foreman or master of a skilled trade). Productivity levels in Germany are 36 per cent higher than in the UK.⁴⁰

Based on past patterns of performance, the UK Commission for Employment and Skills (UK CES) has predicted that by 2020 the UK will fall to 28th out of 33 Organisation for Economic Co-operation and Development (OECD) countries for intermediate skills.⁴¹ This should be of concern, given that countries with good intermediate skills often have a larger pay gap between medium- and low-skilled workers. Medium-skilled workers in the Czech Republic (which is ranked top out of the 35 OECD nations for intermediate skills) earn nearly twice as much as low-skilled workers (1.91x), compared with an OECD average of 1.7.⁴²

35 Resolution Foundation, *Finding Your Routes Non-graduate Pathways in the UK's Labour Market*, May 2016

36 ONS, EMP11: Employment by socio-economic classification, 17 August 2016

37 ONS Nomis, Annual population survey – workplace analysis, 2005 to 2015

38 Ibid.

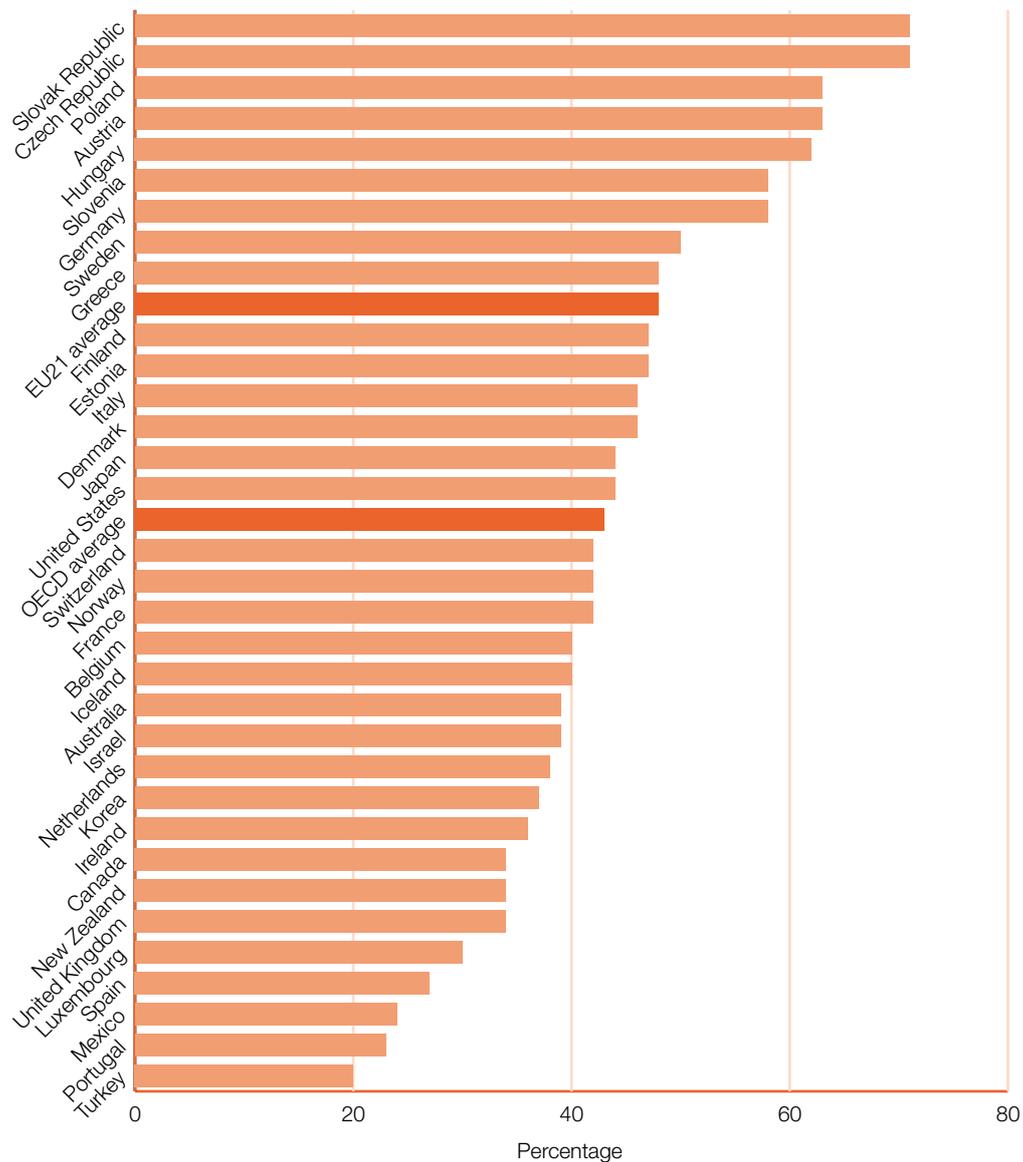
39 OECD, *Education at a Glance 2016*, Germany and United Kingdom Country Notes

40 ONS, An international comparison of productivity across the G7 nations, in terms of the level of and growth in GDP per hour and GDP per worker, 7 April 2016

41 UK CES, *UK Skills Levels and International Competitiveness 2014*, 22 October 2015

42 OECD Employment Outlook 2016, Table O, Earnings dispersion and incidence of high and low pay

Figure 4.3: Per cent of intermediate-skill jobs in EU countries, forecast for 2020



Source: UK CES, *UK Skills Levels and International Competitiveness 2014*, Figure 4: International skills projections 2020, October 2015

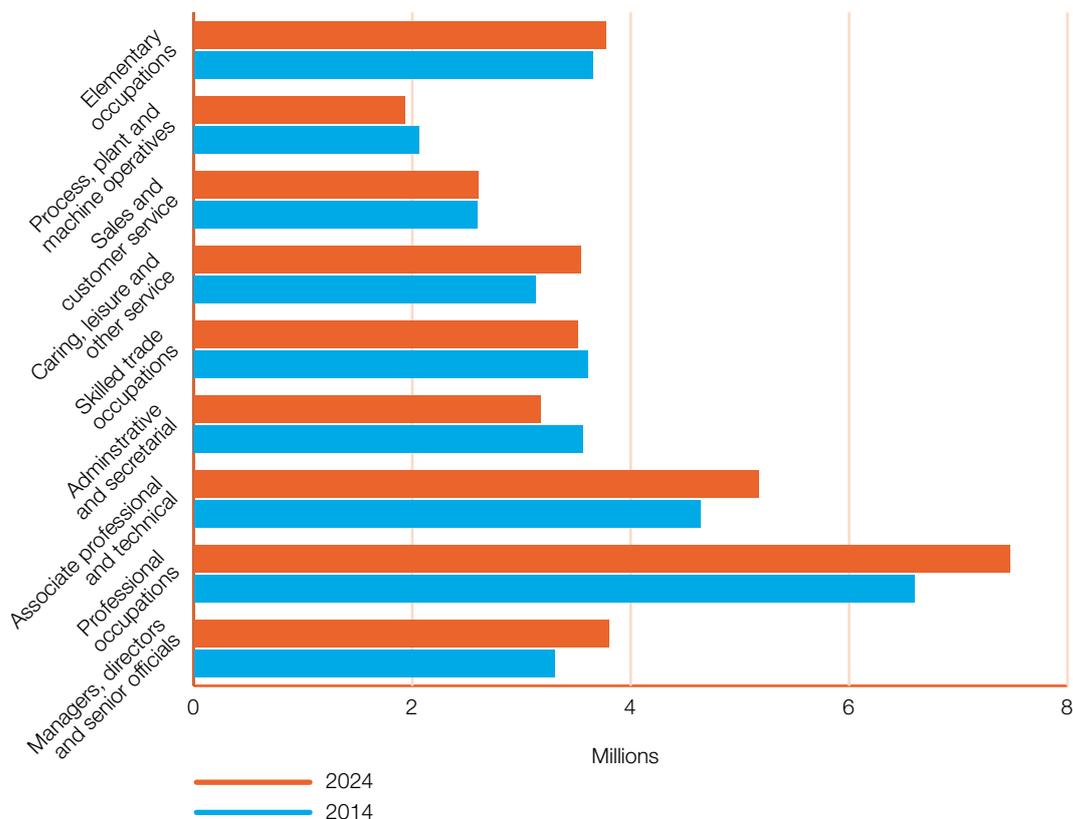
Job growth in the British economy has shifted more towards low-skilled jobs compared with other European countries. Oxford University research published last year found that for every ten middle-skilled jobs that disappeared in the UK between 1996 and 2008, about 4.5 of the replacement jobs were high-skilled and 5.5 were low-skilled.⁴³ In Ireland, the balance was about eight high-skilled to two low-skilled, while in France and Germany it was about seven to three.

The polarisation of the labour market is forecast to continue⁴⁴ with two million more high-skilled jobs in occupations at the top of the labour market forecast for 2024 and 119,000 more elementary occupational jobs.

43 Dr. Craig Holmes of Oxford University, *Why is the Decline of Routine Jobs Across Europe so Uneven?*, November 2014

44 UK CES, *Working Futures 2014 to 2024*, Main report, 6 April 2016

Figure 4.4: UK employment in SOC2010 (Standard Occupational Classification) categories – 2014 and 2024



Source: UK CES, *Working Futures 2014 to 2024*, Main report, 6 April 2016, Table 4.1: UK employment in SOC2010 occupational categories – major groups

By 2024, managers, directors, senior officials and professional occupations will make up just under half of all jobs in the employment market; currently it is 34 per cent. There will be an additional 1,875,000 managerial, professional and associate professional jobs. Meanwhile 389,000 administrative and secretarial jobs, 98,000 skilled trade jobs and 131,000 process, plant and machine operative roles will disappear from the labour market. For every one of these middle-skilled jobs that is displaced in the run up to 2024, it is forecast that there will be three new, highly-skilled professional ones. Only 119,000 low level skill elementary jobs will be created during this period, resulting in less job opportunities for the low skilled in the future.

The Local Government Association (LGA) has forecast that by 2022 there will be 9.2 million low-skilled people chasing 3.7 million jobs and a shortage of three million high-skilled workers to fill the estimated 14.8 million high-skilled jobs.⁴⁵ The Confederation of British Industry (CBI), in its 2015 annual education and skills survey, came to a similar conclusion, noting that: 'Most jobs created in the decade 2012-2022 are expected to be high-skilled ones'.⁴⁶ Yet, 55 per cent of employers surveyed are 'not confident of being able to recruit sufficient high-skilled employees in future'. There is already evidence of employers being unable to find the right skilled labour. The UK CES Employer Skills Survey 2015 found that there were almost 210,000 skill-shortage vacancies in 2015; up from 150,000 reported in 2013.⁴⁷

Less educated and lower-skilled workers will become even more vulnerable as the number of jobs available to them within the labour market shrinks. As seen from Table 4.2, it is predicted that by 2024 nearly 55 per cent of all jobs in the labour market will require higher education qualifications, with the job market share for those without a minimum Level 3 qualification predicted to fall to 26 per cent.

45 LGA, Written evidence for House of Lords Select Committee on Social Mobility, 2015-16 Session

46 CBI, *The Path Ahead, CBI/Accenture Employment Trends Survey 2015*, December 2015

47 UK Commission for Employment and Skills, *UK Employer Skills Survey 2015*, January 2015

Table 4.2: Changing qualification pattern of UK employment (2004, 2014 and 2024 jobs as a percentage of total)

Qualification level	2004 jobs (%)	2014 jobs (%)	2024 jobs (%)
Unqualified	10.1	5.2	2.0
Level 1	17.7	13.3	8.5
Level 2	21.3	19.8	17.1
Level 3	20.1	20.1	17.8
Level 4–6 (higher education including degree with honours)	24.7	32.1	42.6
Level 7–8 (post-graduate education)	6.0	9.5	11.9

Source: UK CES, *Working Futures 2014-2024 Evidence Report 100*, April 2016, Table 5.8

Problem 2: There are stark geographical divides in the labour market

Where you live defines your chances of securing a decent living. For example, there is a lot of low pay in large cities. Seventy per cent (213,000) of the 306,000 jobs for workers aged 25 and over that are not complying with the National Living Wage are in London.⁴⁸ In London last year, 16 per cent of workers were paid below the poverty threshold (earning less than 85 per cent of the London Living Wage), up from 12 per cent in 2013.⁴⁹ Sixty-eight per cent of Londoners working in accommodation and food service jobs (155,000 workers) were paid below the London Living Wage and over half of all retail staff (166,000 workers).⁵⁰ Manchester, Birmingham and Leeds city centres follow closely behind with 30,000 to 50,000 jobs in these cities paid below the National Living Wage last year.⁵¹ In three out of ten of Greater Manchester's local authorities, 30 per cent of all employee jobs were paid below the National Living Wage last year.⁵² In London, the high incidence of low pay for part-time men is particularly striking, with 58 per cent of part-time male workers earning less than the London Living Wage of £9.20 per hour last year, and half below the poverty threshold of £8.20.⁵³

In terms of overall pay levels, however, there is a significant pay gap between London and the South East, and the rest of the country. The average weekly pay of workers in Blackpool (£333) is half that of workers based in Southwark (£639). Half of the workforce in Eden, Cumbria, earn £8.97 an hour or less, whereas in Guildford, only the bottom tenth of the workforce earn under this amount with average hourly earnings £15.78.⁵⁴ In the East Midlands last year, despite full-time workers on average working 20 minutes more a week than those in the South East, pay was £82 less.⁵⁵ But geographical pay differences cannot be explained simply in terms of a north–south divide. This year, of the 41 local authorities with median hourly pay of below £10, a quarter were in the East Midlands and a quarter in the South West, with eight local authorities in the East. The lowest hourly pay averages in the country were Rossendale (£8.83) and Eden (£8.97) in the North, Weymouth and Portland (£8.93) and Torridge (£9.01) in the South West, Mansfield (£9.00) in the East Midlands and North Norfolk (£9.06) in the East.⁵⁶

48 ONS, Employee jobs in London paid less than £7.20 and £9.40 per hour in 2016, 10 November 2016

49 London Living Wage for 2015 was £9.40 per hour with poverty threshold set at <£8.20; ONS, Proportion of employee jobs in London paid less than the London Living Wage and the poverty threshold wage, 2 November 2015

50 ONS, Jobs paid less than the living wage in London in 2014 and 2015, by industry, 26 November 2015

51 ONS, Annual Survey of Hours and Earnings (ASHE) 2014 to 2015 – Number and percentage of employee jobs with hourly pay below the living wage, by parliamentary constituency and local authority (place of work), UK, April 2014 and 2015, 25 November 2015

52 The 2015 Living Wage rate was £7.85 in the UK (outside London). ONS, Jobs paid less than the living wage in Greater Manchester in 2014 and 2015, by local authority, 27 April 2016

53 ONS, Proportion of employee jobs in London paid less than the London Living Wage and the poverty threshold wage, 2 November 2015

54 ONS, Place of work by local authority – ASHE, Table 7, 26 October 2016

55 ONS Nomis, Annual Survey of Hours and Earnings, 2015

56 ONS, Place of work by local authority – ASHE, Table 7, 26 October 2016

Areas where low pay is most prevalent tend to be the worst parts of the country for social mobility. Last year there were 40 local authorities where at least a third of all jobs were paid below the Living Wage and over a third of these were classified as social mobility coldspots on the Commission's Social Mobility Index.^{57,58} For local authorities (highlighted in bold italics in the box below) with over 40 per cent of the workforce earning below the Living Wage last year, four out of the five are social mobility coldspots.

Local authorities with over a third of employees earning below the Living Wage in 2015

The numbers in brackets give the area's ranking according to the Social Mobility Index, with one being the worst out of the 326 English local authorities that were ranked. Local authorities without numbers alongside them do not feature in the index.

Local authorities with over 40 per cent of employees earning below the Living Wage are highlighted in bold italics.

- **North East** – Hartlepool (60) and Northumberland (63)
- **North West** – Allerdale, Blackpool (9), Eden and Pendle
- **Yorkshire and Humberside** – Richmondshire and Scarborough (13)
- **East Midlands** – ***Bolsover (51)***, ***Boston***, East Lindsey, Gedling, Mansfield (8), Melton (26), North East Derbyshire (57), North Kesteven, Oadby and Wigston, South Kesteven, West Lindsey
- **West Midlands** – Wyre Forest (20) and Staffordshire Moorlands
- **East** – Babergh (49), Breckland (19), King's Lynn and West Norfolk (32), ***North Norfolk (45)***, Waveney (7)
- **London** – Bexley, Enfield, Harrow, Merton, Newham, Sutton, Waltham Forest
- **South East** – Arun (54), Rother and Thanet (52)
- **South West** – Cornwall, Sedgemoor, Torridge (17), ***West Somerset (1)*** and ***Weymouth and Portland (38)***

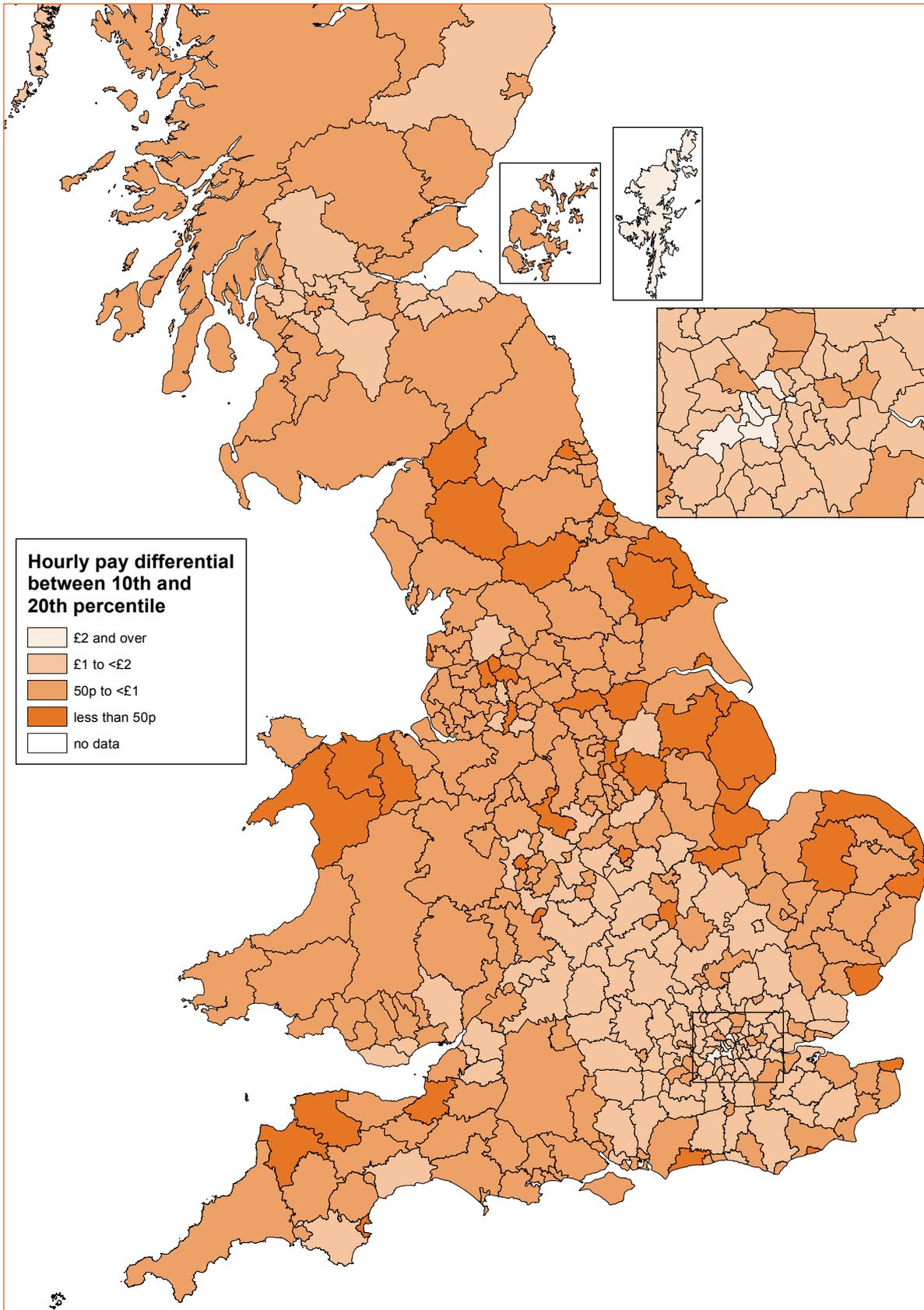
The introduction of a higher wage floor of £7.20 this year through National Living Wage has made a real difference to the lowest-paid workers by eradicating extreme low pay. There is already evidence, however, that this is leading to compression at the bottom of the pay distribution above the new £7.20 wage floor. In Rossendale, Lancashire, there is now only a one pence difference between the average hourly take-home pay for workers at the 10th percentile and workers at the 20th percentile. In Norfolk the pay difference between the 10th and 20th percentile is three pence, in Staffordshire Moorlands it is seven pence and in Rutland it is eight pence.⁵⁹

57 ONS, ASHE 2014 to 2015 – Number and percentage of employee jobs with hourly pay below the living wage, by parliamentary constituency and local authority (place of work), UK, April 2014 and 2015, 25 November 2015

58 Social Mobility Commission, *The Social Mobility Index*, January 2016

59 ONS, Place of Residence by Local Authority – ASHE: Table 8, 26 October 2016

Figure 4.5: Wage compression at the bottom of the pay distribution, 2016



Source: ONS, Place of residence by local authority – ASHE: Table 8, 26 October 2016

In Eden, Newark and Sherwood in Nottinghamshire, and in North Norfolk at least 40 per cent of the workforce are paid less than the new voluntary Living Wage outside of London of £8.45.

Regional differences in education and training

Areas that suffer from low pay also tend to be areas with lower levels of educational attainment. The social mobility coldspots of Boston, Bolsover, North Norfolk and Weymouth and Portland all have a workforce where fewer than one in seven has a degree, compared with over a third nationally.⁶⁰ Social mobility coldspot Great Yarmouth has the lowest percentage of employed people with an NVQ 4+ qualification (19 per cent compared with a 41 per cent UK average). In Sandwell, Bolsover and King's Lynn and West Norfolk (other social mobility spots) it is also around a fifth of employees. In Tendring, Harlow, Richmondshire and Barrow-in-Furness, where also only up to a fifth of employees have a NVQ 4+ level qualification, pay is below the UK hourly average.⁶¹

The demand for higher skills is intensifying, but last year the percentage of employees with no qualifications increased by nearly 1 per cent in the North East, rising to 5.6 per cent of the workforce.⁶² There were also increases in Yorkshire, the East, London and the South East. In some areas the educational attainment picture with regards to men is particularly troublingly. Last year a tenth of all male employees in the West Midlands had no qualifications. In Birmingham Yardley nearly a fifth of all employees had no qualifications (18.5 per cent); over a quarter of all male employees (26.2 per cent).⁶³

In regional labour markets dominated by low-wage work, employers are not doing enough to raise the skill levels of their workforce. In Coventry, Boston, Bolsover, Scarborough and South Lakeland in Cumbria, the proportion of individuals with an NVQ Level 3 or lower qualification reporting having received on-the-job training in the last three months has more than halved in ten years. In Bromsgrove it decreased from 26 per cent to 10 per cent.⁶⁴

Regional differences in the structure of the labour market

As a graduate, the chance of accessing a professional job is vastly better if you live near the capital. The number of professional jobs has increased in the last ten years by 360,000 in London and 160,000 in the South East. In the East Midlands there are 86,000 more professional jobs, 77,000 in Yorkshire and Humberside and 71,000 in the West Midlands. Whereas in the East there are 52,000 more jobs and in the North East just 31,000 more.⁶⁵ These variations are reflected again in the employment shares for professional and managerial jobs.

60 ONS Nomis, Annual Population Survey, 2015

61 ONS Nomis, Annual Population Survey 2015 and Annual Survey of Hours and Earnings (ASHE) 2015

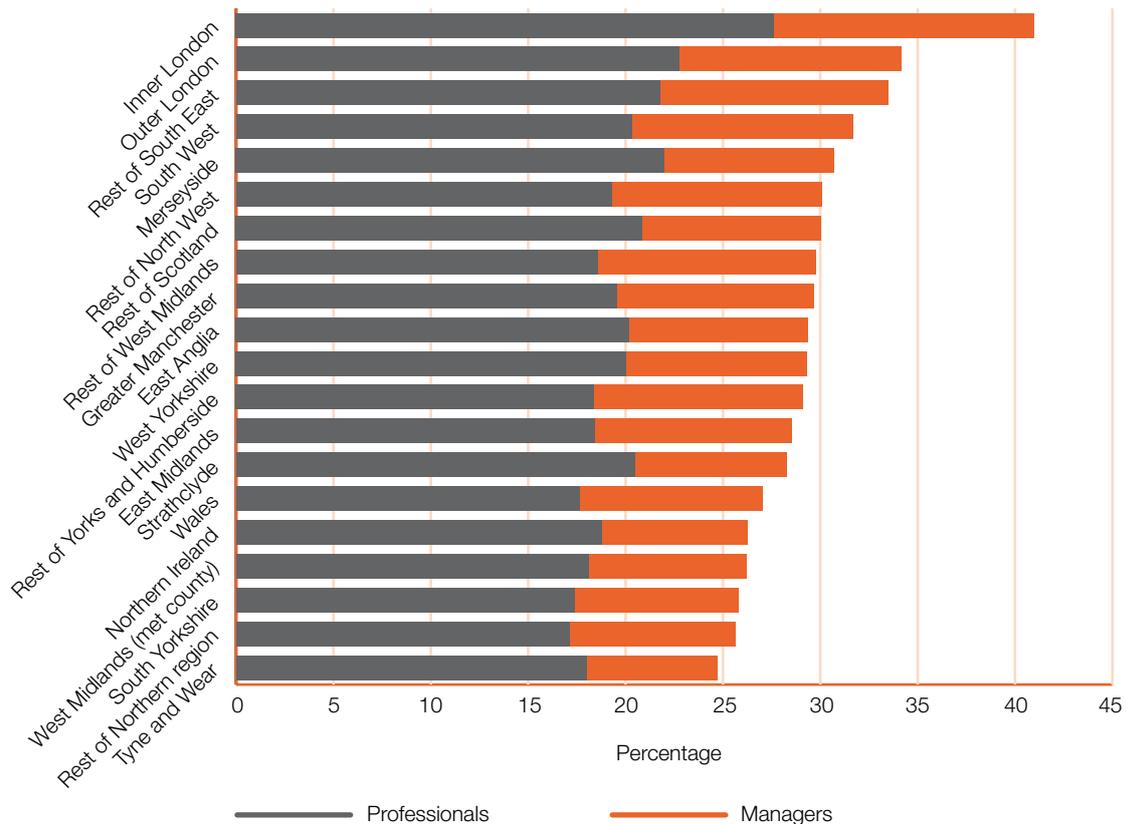
62 Ibid.

63 Ibid.

64 Ibid.

65 ONS, Nomis, Annual Population Survey -Workplace Analysis 2005-2015

Figure 4.6: Share of professional and managerial jobs, by UK region, 2015/16



Source: ONS, Labour Force Survey 2016; data provided by the Resolution Foundation

The North East has only a fifth of the professional occupation jobs that London has, and a third as many as the North West. It has the highest proportion of workers in the care, customer service, sales, leisure and elementary occupations.⁶⁶ In Burnley, Mansfield and West Bromwich there are more people employed in the lowest-skilled elementary occupations than in the top managerial or professional occupations.⁶⁷ Stark variations can even exist within short distances. Sutton Coldfield is eight miles from West Bromwich and has over 40 per cent employed in managerial and professional occupations compared with just 13 per cent in West Bromwich. In Sutton Coldfield just 3 per cent of workers do not have any formal qualifications, whereas in West Bromwich the figure is 23 per cent.⁶⁸

Business demography has a significant impact on the availability of good career opportunities. There are 11 times as many software companies, nine times as many communications companies, eight times as many high-tech financial services companies and five times as many aerospace and transport companies in the South East as there are in the North East.⁶⁹ In the 2011 census, the West Midlands and the East of England had similar population sizes of around 5.6–5.8 million, while the South West, and Yorkshire and Humberside both had populations of around 2.4 million. However, there are 930 more accountancy firms in the East of England than in the West Midlands and 700 more in the South West than Yorkshire and Humberside. Unsurprisingly, there are 7,000 more accountants in the East than the West Midlands, and over 2,000 more in the South West than Yorkshire.⁷⁰ Other professional occupations in the East and West Midlands follow a similar pattern with over 6,000 more financial managers and directors in the East than the West Midlands; nearly 5,000 more IT

66 ONS, Nomis, Annual Population Survey, 2015

67 Ibid.

68 Ibid.

69 ONS, Demographic analyses of the 'Knowledge Economy' by Region, 23 August 2016

70 ONS, Accountancy enterprises by age of business, Region, turnover and employment size, 2011 to 2015, 24 June 2016

and telecommunications directors; and over 8,000 more finance and investment analysts. The South West is also far more skewed towards professional occupations than Yorkshire, with over 7,000 more mechanical engineers and 6,000 more IT specialists.⁷¹

Work experience is becoming crucial to securing a graduate job, but work experience opportunities are not fairly distributed across the country. Last year a survey showed that 62 per cent of businesses in London had employed an intern, compared to 28 per cent of businesses in the Midlands, 39 per cent in the East and 33 per cent in the North.⁷² With around a third of graduate internships being unpaid,⁷³ graduates from outside London who are unable to stay with their parents while working in the capital often face significant cost barriers to participating in unpaid internships (and even paid internships) given the higher accommodation and living costs.

The lack of professional job opportunities for locally born graduates is leading to high levels of graduate flight as those with degrees relocate to big cities such as London, Manchester and Leeds in search of employment. Managerial, professional and associate professional jobs make up under a third of the employment in Sunderland, Knowsley, Lincolnshire, Barnsley, Sandwell and Wolverhampton, compared with over two-thirds of all employment in five London districts.⁷⁴ Around one in 20 workers are employed in banking, finance and insurance in Salford, Carlisle, Doncaster and Grimsby, compared with nearly one in three in Basildon, Hemel Hempstead and St Albans.⁷⁵ This geographical imbalance in professional job opportunities leads to severe levels of graduate flight, with the number of graduates working in these areas nearly always less than the number of graduates originally from these areas.

Table 4.3: 2014/15 graduate leavers and first jobs

Area	2014/15 graduates originally domiciled in the area	2014/15 graduates employed in the area six months after graduation	Number of 2014/15 graduates who live in domiciled area	Number employed in the area as a percentage ratio of those originally domiciled
Sunderland	705	635	-70	90%
Knowsley	400	335	-60	84%
Lincolnshire	1,975	1,395	-580	71%
Barnsley	460	265	-195	58%
Sandwell	730	440	-290	61%
Wolverhampton	730	635	-95	87%
Doncaster	665	480	-185	72%
City of London	15	3,880	3,865	22,829%
Manchester	1,200	3,725	2,525	310%
Leeds	2,040	3,425	1,385	168%

UK domiciled first-degree graduates from 2014/15 with known employment location in the UK (total: 182,905)

Source: Data provided to the Commission by the Higher Education Careers Service Unit

71 ONS, Occupation by region for the period January to December 2015, 14 April 2016

72 Association of Chartered Certified Accountants internships survey conducted with Intern Aware and YouGov, 19 March 2015

73 The Sutton Trust, *Internship of Indenture?*, November 2014

74 ONS, Nomis Annual Population Survey 2015

75 Ibid.

In social mobility coldspots, the number of 2014/15 graduates employed within these areas as a percentage of the number of 2014/15 graduates originally domiciled from that area is consistently less than 100 per cent:

- Somerset – 63 per cent (510 graduate leavers)
- Norfolk – 87 per cent (255 graduate leavers)
- Tameside – 48 per cent (305 graduate leavers)
- Rutland – 46 per cent (75 graduate leavers)
- Derbyshire – 51 per cent (950 graduate leavers)
- Doncaster – 72 per cent (185 graduate leavers)
- Barnsley – 58 per cent (195 graduate leavers)
- Northamptonshire – 73 per cent (540 graduate leavers)
- Oldham – 59 per cent (250 graduate leavers)
- Worcestershire – 74 per cent (430 graduate leavers)
- Lincolnshire – 71 per cent (580 graduate leavers)
- Staffordshire – 60 per cent (960 graduate leavers)
- Nottinghamshire – 55 per cent (925 graduate leavers)

This phenomenon is also striking in relation to Wales, where 30 per cent of Welsh domiciled graduates were employed in England six months after graduation.⁷⁶ This is perhaps not that remarkable when you consider that Wales has a higher unemployment rate than England, the lowest proportion of workers in professional jobs in the UK (17.4 per cent compared with 20 per cent in England), and median basic weekly pay last year was £57 below that of England (£440 to £497).⁷⁷

Problem 3: Professional employment is growing, but the potential it contains for a social mobility dividend is hindered by talent being recruited from too narrow a social pool

Despite some progress in some sectors and companies, Britain remains a deeply elitist nation where the chance of getting a well-paid job in a top profession is still strongly correlated with social background. Research consistently shows that children from working-class backgrounds – even if they are high attainers – are less likely to secure such jobs because they have less access to networks and knowledge to navigate the system than their more affluent peers. The proportion of those in elite occupations coming from non-professional or managerial backgrounds was only 4 per cent greater in 2014 than it was in 2005 (50 per cent versus 46 per cent).⁷⁸

Just over three years after graduating in 2010-11, those from the most disadvantaged backgrounds were 11 per cent less likely to be in professional employment than those from the most advantaged.⁷⁹ People whose parents worked in higher managerial and professional occupations make up only 14.7 per cent of the population, but 27.2 per cent of them end up

76 Higher Education Careers Service Unit Destinations of Leavers 2014/15, Table I Destinations of UK domiciled leavers in employment in the UK by region of domicile, region of institution and region of employment 2014/15

77 ONS Nomis, Annual Population Survey 2015 and Annual Survey of Hours and Earnings (ASHE) 2015

78 Laurison, D. and Friedman, S., *Introducing the Class Ceiling: Social Mobility and Britain's Elite Occupations*, LSE Sociology, 2015

79 Higher Education Funding Council for England, *Differences in employment outcomes, Comparison of 2008-09 and 2010-11 first degree graduates*, August 2016

in those occupations. Conversely, those with parents who worked in routine or semi-routine employment form 31.7 per cent of the population, but only 17 per cent of those who end up in top jobs.⁸⁰

Many professions and sectors have woken up to the issue of a lack of social diversity and are taking action to address the problem. It is particularly welcome that some accountancy and law firms have made social mobility a priority and introduced new recruitment processes such as looking beyond just high academic results, lowering or removing UCAS points for graduate entry, and introducing 'CV blind' interviews.

However, some sectors such as medicine have found it much harder to open up the profession to those from disadvantaged backgrounds. Others, like the Bar, risk becoming even more socially exclusive. In the arts and media, the dramatic rise in unpaid internships and the common practice of securing work experience through contacts is closing off these careers to all but the wealthiest and best connected.

Medicine

Medicine remains one of the most inaccessible professions, with 80 per cent of medical school applicants coming from around only 20 per cent of schools, the majority of which are independent or grammar schools.⁸¹ It is telling that there was not a single applicant for medical school from half of all the sixth forms in the country between 2009 and 2011.⁸²

Research published earlier this year of UK medical schools application data from 2009 to 2012 found that only 3.1 per cent of medical school places were awarded to applicants from the postcodes designated as being the most deprived in the UK, compared with 26.1 per cent of those from the least deprived.⁸³ Applications from postcodes within the top fifth in terms of socioeconomic status in the UK made up nearly half of all applicants received during this period. Over a quarter of successful applicants attended independent schools and four-fifths of successful applicants had parents working in higher managerial or administrative professions. The profession is only now waking up to the need to tackle this problem.

Law

Privately educated people still dominate the legal profession. The Solicitors Regulation Authority (SRA) 2015 diversity questionnaire⁸⁴ found that of the partners willing to disclose their school background, 30 per cent attended an independent school; for solicitors in general, the figure was 27.4 per cent.⁸⁵ Law firms have been required by the SRA to collect and publish socioeconomic data on educational background since 2013. This data reveals that new graduate intakes, particularly for the most prestigious 'magic circle' firms, continue to be highly unrepresentative. This year, Allen & Overy had the same proportion of privately educated trainee solicitors as it did partners (47 per cent), while at Slaughter & May the proportion of privately educated trainees (41.9 per cent) was only slightly lower than the proportion of privately educated partners (48.6 per cent).⁸⁶

Allen & Overy partner David Morley, founder of PRIME which provides legal work experience to young people from disadvantaged backgrounds, said on retiring earlier this year that it is harder for state-educated students to get into law now than it was 35 years ago, with 'work experience [being] the new job currency'.⁸⁷

80 Laurison, D. and Friedman, S., *Introducing the Class Ceiling: Social Mobility and Britain's Elite Occupations*, LSE Sociology, 2015

81 Dr Garrud, P., Medical Schools Council, *Selecting for Excellence: Help and Hindrance in Widening Participation: Commissioned Research Report*, 2014

82 British Medical Association, *The Right Mix: How the medical profession is diversifying its workforce*, 2015

83 Steven, K., Dowell, J., Jackson, C., Guthrie, B., 'Fair access to medicine? Retrospective analysis of UK medical schools application data 2009-2012 using three measures of socioeconomic status', *Bio Med Central*, January 2016

84 Solicitors Regulation Authority, Raw firm diversity data as at 31 October 2015

85 The Law Society, Diversity Profile Of The Solicitors' Profession 2015, October 2016 (annual telephone survey of 1,502 randomly selected individuals from private practice, in-house and government, conducted between May and August 2015)

86 Allen & Overy, Diversity Statistics, London 2016; Slaughter & May, Diversity – UK Statistics, 2015

87 "Work experience is the new job currency" Allen & Overy's Morley on driving social mobility in law', *Legal Week*, March 2016

The barriers to entry for those from less affluent backgrounds are even more acute at the Bar, with the new Chair of the Bar Council, Chantal-Aimée Doerries QC, warning that the ‘cost of qualifying as a barrister could approach £127,000’.⁸⁸ Course fees for the 2015-16 Bar Professional Training Course (BPTC) were as much as £18,520 and those who then undertake publicly funded work, such as criminal or family law, are likely to only earn the £12,000 minimum stipulated by the Bar Standards Board for a 12-month pupillage. Bursaries and scholarships are available but limited. Given the financial burden of pursuing a career as a barrister, it is easy to understand why bright young people from low-income backgrounds may decide to take their talents elsewhere

The situation at the Bar is particularly worrying since this remains the main route into the judiciary. A recent review into judicial diversity by Geoffrey Bindman QC and Karon Monaghan QC found that 71 per cent of the senior judiciary attended independent schools, with one in seven judges going to just five independent schools: Eton, Westminster, Radley, Charterhouse and St Paul’s Boys. Of the 12 Supreme Court judges, ten are privately educated.⁸⁹ The Bar continues to recruit narrowly, with analysis showing at least 35 chambers where three or more of their last five entrants had Oxbridge degrees.⁹⁰ A Bar Council report found that 35.2 per cent of trainee pupils attended fee paying schools, 28.4 per cent attended Oxbridge, and 35.8 per cent attending another Russell Group university.⁹¹

Civil Service

The Civil Service is currently undertaking a major initiative to boost social mobility, prompted by concerns raised by the Commission. In February 2016, a report into the socioeconomic diversity of its flagship graduate programme, the Fast Stream, concluded that it was ‘less diverse than the student population at the University of Oxford’.⁹² The then Minister for the Cabinet Office, Matt Hancock, responded by publishing an updated plan for increasing diversity and inclusion in the Civil Service. Early data suggests that progress is being made, particularly with the Fast Stream. The proportion of applications from candidates from lower socioeconomic backgrounds this year is 14.6 per cent, compared to 7.9 per cent in 2015.⁹³ This is welcome although there is still a long way to go.

Accountancy firms

Leading accountancy firms are not required to publish any socioeconomic data. So it is hard to get a clear picture, but the profession has recognised low rates of social mobility as being a serious issue and individual firms do publish some data. For example, in March Deloitte published the results of a survey of 1,000 UK partners and employees showing that 20 per cent attended an independent school, compared with 43 per cent attending a non-selective state school. Research for the Commission found that at leading accountancy firms, typically 40 to 50 per cent of applicants have been educated at a Russell Group university, and this rises to between 60 and 70 per cent as far as job offers are concerned.⁹⁴ There have been some welcome efforts across accountancy firms to address these issues by reforming recruitment processes.

Banking

The Commission recently published research on the social mobility barriers in the investment banking sector,⁹⁵ with a particular focus on how disadvantage was being entrenched for those from low socioeconomic backgrounds through outdated recruitment practices. The report, based on interviews with 52 current, aspirant and retired bankers and other key

88 Bowcott, O., ‘Qualifying as a barrister “may cost new students up to £127,000”’, *The Guardian*, February 2016

89 ‘Judicial Diversity: Accelerating Change’, Sir Geoffrey Bindman QC and Karon Monaghan QC, 6 November 2014

90 Legal Cheek, *The Chambers Most List 2016-17 Edition*

91 The Bar Council, *Bar Barometer Trends in the profile of the Bar*, June 2014

92 Cabinet Office, *Socio-economic Diversity in the Fast Stream: The Bridge report*, February 2016

93 The 2016 figures are at the midway point in the application window and the data has not been audited

94 Social Mobility and Child Poverty Commission, *A Qualitative Evaluation of Non-educational Barriers to the Elite Professions*, June 2015

95 Social Mobility Commission, *Socio-economic Diversity in Life Sciences and Investment Banking*, September 2016

stakeholders, showed the continued importance attached to soft skills inherently gained from the social and cultural capital that comes with having a more privileged background. In front-office, client-facing roles there are clear expectations around the need to wear expensive clothes and to speak and act in a polished way to fit in. One senior interviewee felt that being able to tell the difference between initiative and deference was something that could only be learned at dinner and drinks parties.

Media

The problem in the media and creative industries differs from the other professions insofar as the main cause of lack of diversity is the increasing reliance on unpaid work as a point of entry to the profession. A survey of 2,539 people working in all core areas of the cultural industries last year found 88 per cent of them had worked for free at some point in their careers, with those earning under £5,000 a year most likely to believe that it's not about what you know but who you know.⁹⁶ The National Council for the Training of Journalists (NCTJ) found in a recent survey that 83 per cent of new entrants to journalism had done an internship, of which 92 per cent were unpaid.⁹⁷ People from middle-class backgrounds now dominate the profession with 76 per cent of respondents having at least one parent working in a managerial or professional position.⁹⁸

The arts

Opportunities for young people from all walks of life to get into the arts are limited and may be becoming even more so. Research this year based on 402 survey responses from actors and 47 interviews found that 73 per cent of actors responding to the survey had middle-class origins and only 27 per cent working-class. Middle-class actors reported household earnings on average of around £46,100 a year. This compared with £28,700 for actors whose parents did 'intermediate' work and £37,000 for those from working-class backgrounds, whose parents did routine or semi-routine work.⁹⁹

Work experience

Work experience and internships have become the new 'must have' in the graduate labour market. Nearly half of the recruiters who took part in the Highfliers 2016 graduate labour market research survey stated that graduates who have had no previous work experience would have little or no chance of receiving a job offer from their organisation.¹⁰⁰ According to this same research, 32 per cent of new entrants are recruited by top graduate recruiters from internship programmes; in banking, it is as high as nearly 80 per cent of the graduate intake.

96 Panic Survey, www.createlondon.org/panic/survey

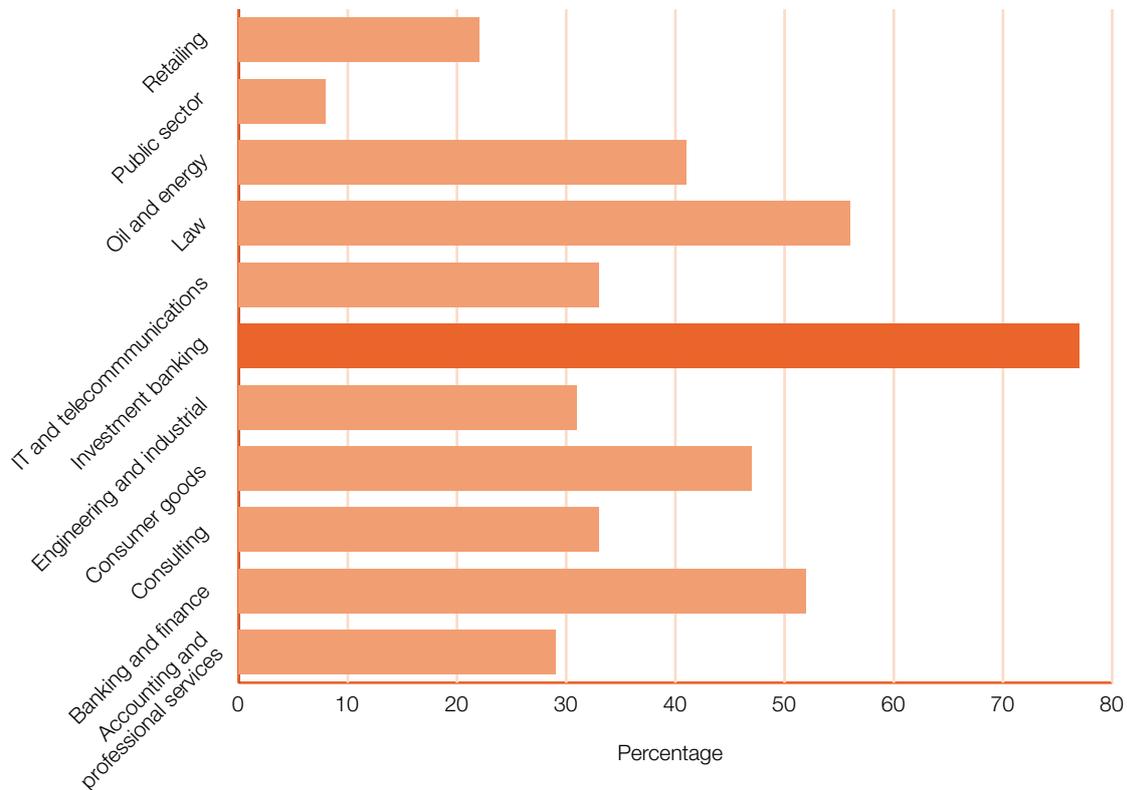
97 NCTJ, *Journalists at Work: Their view on training, recruitment and conditions*, February 2013

98 Panic Survey, www.createlondon.org/panic/survey

99 Friedman, S., O'Brian, D. and Laurison, D., *Like Skydiving without a Parachute': How Class Origin Shapes Occupational Trajectories in British Acting*, LSE Sociology, March 2016

100 High Fliers Research Limited, *The Graduate Market in 2016*, 18 January 2016

Figure 4.7: Percentage of vacancies likely to be filled by graduates who had already worked for the employer



Source: Social Mobility Commission, *Socio-Economic Diversity in Life Sciences and Investment Banking*, September 2016. Figure 3.4

The Government has estimated that there are up to 70,000 interns in the UK at any one time, with potentially up to a third of these unpaid.¹⁰¹ Unless these opportunities are awarded through a fair application process and adequately paid they only serve to give yet another boost to those from affluent backgrounds.

4.3 How are these problems being addressed?

The Prime Minister Theresa May has promised a new industrial policy which will rebalance the economy to spread prosperity equally around Britain. She has said that addressing the productivity gap between London and the South East and the rest of the country will be a key economic priority. There will be targeted state intervention based on ‘identifying the industries that are of strategic value to our economy and supporting and promoting them through policies on trade, tax, infrastructure, skills, training, and research and development’.¹⁰²

Regional devolution deals are likely to be part of the proposed solution. A second devolution deal with the West Midlands Combined Authority is being worked on which incorporates skills. This builds on the five existing deals which promise to devolve the adult education budget to combined authorities in 2018.

The Government remains committed to building a higher wage, lower welfare, low tax economy. To achieve this goal, it has: introduced a National Living Wage for all people aged 25 and over; confirmed plans to make £12 billion per year of welfare savings by 2020 by freezing most working-age benefit and tax credit rates in cash terms until March

101 The Sutton Trust, *Internship or Indenture?*, November 2014

102 Prime Minister’s speech to Conservative Party Conference, 5 October 2016

2020; introduced an Apprenticeship Levy in April 2017 on large UK employers to fund the three million new apprenticeship starts planned for this parliament; and introduced in-work conditionality within Universal Credit with benefit payments to claimants who are in work, but on low earnings, conditional on them taking active steps to increase their pay or hours.

Greater expectations are being placed on working tax credit claimants. From April 2017, parents will be expected to look for work from when their youngest child turns three, and to prepare for work when their youngest child turns two. Claimants will be expected to increase their earnings to at least the equivalent of 35 hours per week (paid at the National Living Wage rate) and ultimately to become fully financially independent.

The Government expects employers to shoulder the financial burden of its skills and training agenda through funding apprenticeships from April 2017. Employers with a staff payroll bill of more than £3 million will have to pay 0.5 per cent of this bill as an apprenticeship levy. Levy funds will then be provided in the form of vouchers for employers to pay providers for training, with an Institute for Apprenticeships and Technical Education established to maintain course standards. The Government estimates that 2 per cent of UK employers will be eligible.¹⁰³ Employers too small to pay the levy (around 98 per cent of employers in England) will have 90 per cent of the costs of training paid for by the Government and smaller firms with fewer than 50 employees that take on a 16- to 18-year-old apprentice will not be required to make any financial contribution towards the cost of training.

The Prime Minister has also made clear that she wants to tackle social inequalities, criticising the current situation where ‘if you’re at a state school, you’re less likely to reach the top professions than if you are educated privately’.¹⁰⁴ Her Cabinet has the lowest proportion of ministers who went to private school in more than 70 years, with 70 per cent state-educated.¹⁰⁵ However, real action to open up top professional careers to people from a wider social mix needs to come from employers and the professions themselves.

Some firms are taking action on recruitment. Grant Thornton recently commissioned a review into its selection process over a three-year period covering 20,000 trainee candidates and found that inflexible entry criteria such as degree classification was not indicative of employee performance: 38 per cent of those that previously would have been screened out due to their low grades were deemed strong performers, compared with 34 per cent of those who did meet the earlier requirements.¹⁰⁶ Last year KPMG lowered the UCAS points needed for graduate entry. PwC removed the points tariff entirely and saw an immediate impact in numbers of applicants from more diverse backgrounds with nearly three-quarters of all applicants having attended a state school, 38 per cent first-generation graduates and 14 per cent coming from homes eligible for income support.¹⁰⁷ Ernst and Young has also removed the requirement for school leavers to have the equivalent of three B grades at A level or graduates to have an upper-second class degree.

Others are seeking to make the selection process fairer. Law firm, Clifford Chance, has introduced ‘CV blind’ final interviews with interviewers not being told the name of the university attended or whether the candidate went to a state or independent school. As a result, the number of universities from which trainees are recruited from rose to 45 in 2014 (from 32 in 2012), with successful applicants coming from non-Russell Group universities, including Essex, Lancaster and Ulster.¹⁰⁸ Work experience applicants are set a 500-word essay and their university background is not disclosed. Since this approach was adopted in 2013, the intake of students from universities outside of those Clifford Chance has strong ties

103 HM Treasury, *Spending Review and Autumn Statement 2015*, 25 November 2015

104 Prime Minister’s speech, Statement from the new Prime Minister Theresa May, 13 July 2016

105 Sutton Trust analysis, July 2016

106 Bridge Group Research with Grant Thornton, www.thebridgegroup.org.uk/bridge-group-analysis-support-leading-firms-social-mobility-objectives/

107 PwC, *Annual report 2016, Our People, Giving everyone a chance*, 2016

108 The Law Society, *Using blind and contextual processes for the recruitment of trainee solicitors: Encouraging social mobility*, January 2016

with has tripled. Of 16 students on the firm's paid two-week scheme last year, ten went on to win training contracts.¹⁰⁹

Top law firms including magic circle firms have also signed up to a contextual recruitment tool known as the Contextualised Recruitment System (CRS) to ensure a greater diversity of backgrounds at entry level. The tool analyses social mobility by comparing the economic and social circumstances of applicants using two databases: one contains the exam results of 3,500 English secondary schools and sixth form colleges; and the other contains 2.5 million UK postcodes. Firms can then fairly assess applicants' performance in the context of the performance of their school and their socioeconomic background. Research on its impact so far has found that while average grades of the applicants and those hired was still AAA at A Level, disadvantaged applicants were 50 per cent more likely to be hired using the CRS than they otherwise would have been.¹¹⁰

109 Hall, K., 'Clifford Chance broadens diversity with "CV blind" scheme', *Law Gazette*, 10 January 2014

110 Rare recruitment, *Social Mobility in Graduate Recruitment: Big Data and the CRS One Year On*, April 2016

Schemes to improve access

- PRIME, a programme whereby law firms offer work experience to students from less advantaged backgrounds, now has 89 members, offering more than 1,100 places on work experience schemes every year. PRIME firms such as Hogan Lovells and Bird & Bird also offer bursaries to those from deprived areas interested in a career in law.
- The Sutton Trust runs Pathway to Law which has provided support to over 2,000 students who have five As or A*s at GCSE, and are either the first in their family to attend university or were eligible for free school meals. There are also STEM (Science, Technology, Engineering and Maths), Medicine and Coding pathway schemes.
- The Law Society launched their Social Mobility Ambassadors programme in October 2015 to promote role models from non-traditional backgrounds to support young people coming through in the profession.
- The Bar Council runs an annual Bar Placement Week for high-achieving Year 12 and 13 students from non-traditional backgrounds, which includes a placement with a barrister and a mock trial.
- Access Accountancy was launched in 2014 with 19 accountancy firms and professional bodies agreeing to offer 3,750 work placements to students from less economically advantaged backgrounds to give them an insight into the skills and capability needed to become a Chartered Accountant.
- The Speaker's Parliamentary Placement Scheme provides nine-month paid internships in MPs' parliamentary offices, paying the London Living Wage.
- Sky has a Diversity Scheme offering work experience to young people from economically disadvantaged backgrounds.
- The BBC has also confirmed that it will extend its Creative Access Intern Programme to young people from socially diverse backgrounds, to boost support for social mobility.¹¹¹
- The Social Mobility Foundation continues to provide work placement opportunities and mentoring support for 16- to 17-year-olds from low-income backgrounds across 11 career sectors (including banking, law and media).
- The Medical Schools Council has launched a *Who's in Health* project to inspire primary school pupils to aspire to medical careers.
- King's College London runs an Extended Medical Degree Programme (EMDP) which includes a foundation year aimed at pupils from low-achieving schools in London who have the potential to become doctors.

4.4 How should more progress be made?

If we are to achieve a fairer society where everyone has a chance to succeed, workers of all ages should have the chance to aspire to get a better, higher paying job. For this to become a reality, employers need to create more, and better, internal pathways to promotion and the Government needs to lead the way with a national skills programme. Improving skills must be a central component to any industrial strategy. The future prospects of low-skilled workers will

¹¹¹ BBC, *Diversity and Inclusion Strategy 2016-20*, <http://downloads.bbc.co.uk/diversity/pdf/diversity-and-inclusion-strategy-2016.pdf>

depend largely on the education and training opportunities put in place and on the willingness of the Government to provide funding to incentivise workers and employers to participate.

The Government needs to work with employers to create better quality, more productive jobs. One way of doing this would be to build on the Industrial Partnership programme which covered the aerospace, automotive, creative, nuclear, digital, energy and efficiency, science, and tunnelling (construction) industries. The programme attracted significant levels of private-sector funding and, according to the 2016 UK CES review, achieved real results:¹¹²

- In the tech industry, 500 employers upskilled 2,060 employees.
- In science, 6,055 individuals were trained through employer designed programmes.
- In nuclear, more than half of trainees progressed to apprenticeships in their chosen field – 26 per cent of the young learners participating in learning opportunities were female.
- The energy and efficiency partnership achieved 4,504 apprenticeships, traineeships and non-apprenticeships for workers aged 19 or more.
- In the creative industries, almost 11,000 people benefited from direct face-to-face training, with a further 2,500 embarking on placements, internships or bursaries.

Government funding through the Employer Ownership of Skills Pilot (EOP) was withdrawn in March 2016 – one year earlier than planned. The Government should ensure that these partnerships and the employer networks they have developed endure. Industrial partnerships have the potential to play an important part in the Government's industrial strategy.

The Government also needs to engage closely with business to ensure successful implementation of its flagship National Living Wage policy to boost wages for the lowest-paid workers. While the Commission welcomes its introduction, the Government needs to think through what the National Living Wage will mean for different sectors, particularly those that are dominated by low pay. It also needs to work with companies to boost productivity and so enable further progress towards living wages.

The National Living Wage is a particular issue for low-paying sectors, for example, many social care providers have warned that by 2020 the National Living Wage will threaten their business viability. In a survey last year, the UK Home Care Association found that 74 per cent of providers said 'they would have to look to cease or reduce their supply to councils with which they trade'.¹¹³ A government-led task force needs to be established to successfully implement the National Living Wage for these sectors, particularly for the care sector where the situation is already very difficult and could become critical.

The National Living Wage, although a welcome step, is not the same as a real living wage. The campaign for the latter continues and has recently set new benchmarks for hourly wages that are sufficient for workers and their families to live. Those rates are now £9.75 for workers in London and £8.45 for those outside. There are 2,849 employers signed up to the Living Wage as 'Living Wage Employers'¹¹⁴ and social progress depends on more doing so in future.

The UK has fallen behind other countries in terms of its adult skills agenda and this is something the new Government needs to tackle as it develops a more active industrial policy. There is much to learn from Europe, but also from the United States which has taken a number of initiatives to help young people and low-paid workers adapt to a labour market where high skills are essential. The America College Promise Act 2015 is a federal-state partnership with federal funding covering three-quarters of the average community college tuition for a degree for a student with good attendance, with the state covering the

112 UK CES, *Employer Ownership of Skills Industrial Partnerships: Achievements and Successes March 2014 – March 2016*, June 2016

113 UK Home Care Association, *Market Stability Survey*, September 2015

114 Living Wage Foundation, www.livingwage.org.uk/employers

rest. Tennessee, Oregon and Minnesota have created free community college programmes. Tennessee also has the first state-wide programme to offer free tuition for community or technical college for every high-school graduate who meets the criteria. Over \$2 billion is being spent in grants to connect community colleges with employers to develop training programmes that meet their current and projected skill demands. The US Government has also established the American Technical Training Fund for high-quality technical training programmes that have strong employer partnerships with work-based learning elements, and are scheduled to accommodate part-time work.

In contrast, the UK Government has removed access to free learning for most adults. The adult education budget, although protected in cash terms at £1.5 billion in the last Autumn Statement, will still experience a cut in real terms.¹¹⁵ For older adults, the Government only funds English, maths and digital training up to Level 2 (GCSE level). This is not enough. Adult learners should be able to attend further education colleges for free or near-free for intermediate skills courses where we lag well behind other OECD counterparts. For workers, particularly women, in low-paying sectors with childcare commitments there needs to be additional support. Where promotion to a supervisory or managerial role is contingent on gaining a Level 3 qualification, the Government should consider writing off or down the advanced learner loan on qualification.

The decline in adult education funding for vocational qualifications is linked to the Government's continuing commitment to apprenticeships – with £1 billion funding guaranteed for 2016/17;¹¹⁶ a commitment to three million starts by 2020. The Government's policy of championing apprenticeships as the only real alternative to a degree means that, for most adults, apprenticeships will be the only 'learn as you earn' route. There is already evidence that firms will simply finance the apprenticeship levy by cutting other training and development programmes. Nearly two-fifths of the 1,500 employers surveyed by the Chartered Institute of Personnel and Development (CIPD) in June 2016 said they would respond to the levy by reducing investment in other areas of workforce development.¹¹⁷

There are not enough opportunities available for older adults to learn and retrain to improve their employment prospects later in life. In the 2016 Budget, the former Chancellor promised the Government would 'review the gaps in support for lifetime learning, including for flexible and part-time study'.¹¹⁸ The focus of this review has been on opening up higher education opportunities by promoting two-year degrees, in-course institution transfers and extending maintenance loans to part-time higher education students.¹¹⁹ But not enough has been done to make further and higher education more accessible to working people – especially those with childcare responsibilities – later in life. One possibility would be extending the Parents Learning Allowance to part-time students and further education students. For adult workers wanting to study a single module relevant to their career ambitions (rather than completing the entire degree), consideration should be given to relaxing prior attainment level admission requirements.

Poorly qualified adults need the opportunity to improve their career prospects and realise their ambitions. But the UK lags behind other countries in giving our citizens a second or even third chance to achieve their potential. For those made redundant, there is limited support to help retrain and prepare for new careers. In Denmark, a quarter of all private sector employees change jobs every year. The Danish government recognises high labour turnover rates lead to a lack of skills development and so, for low earners, it pays 90 per cent of their previous wages towards job and classroom training or education for two years. The average course

115 HM Treasury, *Spending Review and Autumn Statement*, 25 November 2015

116 Department for Business, Innovation and Skills, *Skills Funding letter: 2016 to 2017*, 15 December 2015

117 Chartered Institute of Personnel and Development, *Employer views on the Apprenticeship Levy*, June 2016

118 HM Treasury, *2016 Budget*, 16 March 2016

119 Department for Business Innovation and Skills, *Success as a Knowledge Economy: Teaching Excellence, Social Mobility and Student Choice*, May 2016

is only three-and-a-half days long and courses are constantly updated to match the skills demanded by employers. The unemployed are also entitled to six weeks of education free of charge.

Employers also need to do more to help their staff fulfil their potential. In the US, many larger employers have already recognised that providing their staff with long-term career prospects can enable them to attract high-quality committed staff. The Starbucks College Achievement Plan, in partnership with Arizona State University, gives employees, mainly from underprivileged backgrounds, the chance to earn a degree for free in return for continued employment prior to completion. Amazon pays for its lowest-earning frontline staff to get career training and education to enable them to advance professionally outside of working for Amazon. It pays up to \$3,000 for up to four years for warehouse or customer service workers to train to become certified medical technicians, technical draftsmen or licensed long-haul truck drivers. Alternatively, they can get a General Education Development (GED) certification for high-school level academic skills or an associate degree. Walmart will pay for any employee or a relative to get GED certification while they are employed and offer tuition assistance and university classes. It has a Pathways programme for low-wage frontline staff to get training and college credentials so they can increase their income.

In the UK, the Trust for London and the Walcot Foundation are funding six voluntary pilots to deliver in-work support to 287 low-paid workers in Lambeth and the neighbouring boroughs. The Step-Up initiative is a two-year programme which trials a range of approaches, including both individual and employer-focused, and targets different groups (e.g. young people, parents, older workers, migrant workers) and sectors (e.g. hospitality, cleaners, creative sector). The first year of the trial has already seen 81 individuals achieve a positive outcome with either: a new or additional job, better working hours or terms and conditions, a promotion, or a new qualification. Of these, 22 people have seen an hourly wage increase of at least 10 per cent; 15 people are now earning above the London Living Wage (£9.40 per hour); and nine have moved from a temporary or zero hours to a permanent contract.¹²⁰ These early findings reinforce the importance of a personalised approach with flexible case worker support to address the range of barriers that individuals may face, with effective employer linkages needed as the bedrock of any successful in-work progression intervention.

The Government should look to draw on and encourage private and voluntary sector initiatives which offer in-job training and educational support for low-paid workers.

The Government also needs to think about how best to encourage small business to engage with the skills and training agenda. The Federation of Small Businesses (FSB) said in its recent report¹²¹ that 'the voice of small firms can be difficult to discern in some areas of apprenticeship policy' and, currently, around only 24 per cent of FSB members have an apprentice. The majority of small and medium-sized enterprises (SMEs) will not be paying the apprenticeship levy, but will need to apply to the Government to fund 90 per cent of the training costs for any apprenticeship they take on. If the Government is to meet its target of three million apprenticeship starts by 2020, small businesses must be on board and steps need to be taken to ensure that they are not put off hiring apprentices by an added administrative burden or hidden costs. Given that skill shortage vacancies are greater for smaller organisations (29 per cent of all vacancies for employers with five or fewer staff compared to 18 per cent for employers with 250 or more employees),¹²² SMEs should be given a greater say in the design of apprenticeships and have representation on the proposed panel of business professionals.

120 Early findings provided to the Social Mobility Commission by the Walcot Foundation

121 FSB, *Make or Break: Getting Apprenticeship Reform Right for Small Businesses*, August 2016

122 UK CES, *Employer Skills Survey 2015: UK Results, Evidence Report 97*, May 2016

Devolution deals

Poor prospects for low-skilled workers must be addressed at a regional level, as well as a national one. Britain's chronic low pay problem will not be fixed unless the long-term regional solutions are found to skills, innovation and infrastructure challenges.

To better match education and skills development to local economies, we need an integrated localised approach with existing Local Enterprise Partnerships (LEPs) working in partnership with local employers and service providers to develop tailored regional skills plans which work towards local rather than national skills priorities and specific labour market and business growth needs. The labour market intelligence LEPs have used to inform their stocktake of the skills landscape in their area as part of the Department for Education's Area Based Review (ABR) Skills programme can be built on to better understand the current and future skills needs of local employers.

In order for the current devolution deals to be a success, the Government needs to encourage more high-skill, high-productivity businesses to start up or move to outside London and to work closely with LEPs to develop skills that meet their growth needs. Government funds are there already to do this, with the £12 billion Local Growth Fund available to LEPs between 2015/16 and 2020/21. As of March 2016, only £7.3 billion of this fund had been allocated, with LEPs expected to underspend by £2.2 million on average.¹²³ Up to 419,500 new jobs will, according to LEPs, be created by Growth Deals.¹²⁴ Enterprise Zones have been central to the Government's strategy so far. By 2017 there will be 48 Enterprise Zones in place, where businesses benefit from incentives such as business rate discounts to start up and grow. Whether these are the best means of generating good employment opportunities is not yet clear. By the end of 2015, Enterprise Zones had created 20,676 jobs and 566 businesses,¹²⁵ significantly short of original Department for Communities and Local Government estimates in 2011 of 54,000 jobs by 2015.¹²⁶ Nevertheless, to attract better high-skill, high-productivity employers to the regions, there needs to be greater investment in better infrastructure and high-speed broadband networks.

Finally the Secretary of State for Education's recent announcement of six trial Opportunity Areas¹²⁷ may provide a useful platform on which to grow a more locally based approach to developing better economic prospects in the towns and countries of 'left behind' Britain. The Opportunity Areas are currently focused on improving young people's education, but there is a strong case for them to focus as well on attracting and developing better jobs for local youngsters to fill. Indeed, an holistic approach to the labour market and the education system at a more granular level than at the level of the LEP or region or city deal area is needed if the specific challenges faced by places like West Somerset and Blackpool are to be overcome. In particular, large employers – including central government itself and its myriad agencies – should be engaged in a new effort to locate more job opportunities in those places that perform badly on social mobility largely because they lack enough high-quality employment.

Top jobs

Greater transparency is needed to shine a light on organisations and to encourage elite professions to be genuinely open to those with aptitude and ability, regardless of their background. The Legal Standards Board has led the way in requiring the socioeconomic data of law firms and barrister chambers to be collected as part of a wider diversity data set and published. Other professions and sectors should take similar steps. KPMG plan to publish the aggregate socioeconomic breakdown of their workforce for the first time this year and others should follow. Without data it is impossible for any organisation or sector to understand

¹²³ National Audit Office, Local Enterprise Partnerships, HC 887 Session 2015-16, 23 March 2016

¹²⁴ Ibid.

¹²⁵ House of Lords, Written question HL3917, Asked on 25 November and answered on 9 December 2015

¹²⁶ National Audit Office, Funding and structures for local economic growth, HC 542 Session, 2013-14 6 December 2013

¹²⁷ Department for Education, 'Social mobility package unveiled by Education Secretary', Press Release, 4 October 2016

whether they have a problem, what the problem is and whether efforts already made to tackle it are having any impact.

To give top professional firms the opportunity to showcase the progress they have made and to enable better sharing of good practice, the Commission in partnership with the Social Mobility Foundation has launched The Social Mobility Employers' Index.¹²⁸ This will benchmark firms' efforts in areas such as recruitment, selection and progression, and will be run with the aim of encouraging employers to compete to recruit, and to keep, the best and brightest candidates from lower socioeconomic backgrounds. Stand-out firms and the final rankings will be announced in the spring. The Index is not a 'name and shame' exercise and will showcase best practice while offering positive feedback for areas of improvement.

A bigger national pool of graduates has raised employer expectations and work experience is increasingly being required by graduate recruiters for entry positions. Work experience opportunities are currently too often offered informally and this is closing off professions to young people from less affluent and well-connected families. Some firms have already taken action in this area. In 2012, over 100 firms including Coca-Cola, Tesco and Barclays pledged to openly advertise work experience opportunities.¹²⁹ Other firms should follow suit and ensure that all work experience opportunities are openly accessible and not offered on a friends or family basis.

Internships have become a pre-requisite for access to the professions. Unlike work experience, internships tend to last longer, with some placements running to six or even 12 months. The vast majority of internships are located in London where the cost of living is the highest in the UK. With the average cost of renting a room in London being £743 a month¹³⁰ and a monthly travel card more than £100, an internship can easily cost more than £1,000 a month to fund. The damaging impact of unpaid internships on social mobility cannot be understated. Young people without financial support from their parents are effectively excluded due to means not merit and potentially locked out from sought-after careers entirely. More also needs to be done to raise the aspirations of young people in disadvantaged areas to enable them to consider a career in the professions. Firms need to reach beyond London and the South East by operating school outreach programmes in social mobility coldspots and by expanding recruitment rounds beyond a handful of elite universities.

4.5 Conclusion and recommendations

In our lifetimes something profound has happened in the labour market. Those born in the 1980s are the first post-war cohort not to start their working years with higher incomes than their immediate predecessors. The global financial crisis was a watershed moment, but deep-seated structural changes in the labour market over many years had already created the conditions for a widening inequality in the nation. Since the 1970s technological change has been skills-biased. People with higher skills have seen large increases in productivity and pay, while those with low skills have experienced reduced demand for labour and lower average earnings. Today we have a segregated labour market. Those with skills and qualifications enjoy greater job security, higher levels of prosperity and better prospects of social advance. Those without skills find it hard to escape a world of constant insecurity, endemic low pay and little prospect of social progress. Bridging this divide is the key to healing social division in our country and making social mobility possible.

Britain has reached an inflection point. Our flexible workforce gives us global economic advantage, but a two-tier labour market is now exacting too high a social price. The British

128 Social Mobility Commission, 'Top firms to be ranked on social mobility', Press Release, 24 October 2016

129 Deputy Prime Minister's Office, 'Deputy Prime Minister hails big step towards ending "who you know, not what you know" culture', Press Release, 12 January 2012

130 SpareRoom.co.uk 2015 report

economy is performing well in terms of employment, with a record 75 per cent of the working-age population in work. But it is doing less well in terms of the quality of those jobs. We have a higher proportion of people in low paid employment than other comparable nations and, overall, a higher incidence of low skills. The time has come to break the vicious cycle of low skills leading to low pay in low-quality jobs through a more active labour market policy on the part of both government and employers. Simply increasing pay cannot be done without improvements in productivity and progression opportunities. A new economic policy is needed too if the widening geography of economic disadvantage in Britain is to be tackled. In future, government and large employers will need to be far more focused on getting better jobs into those areas that are currently short of them. And when it comes to professional employment – where job numbers are growing – employers will need to do far more to widen the pool of talent from which they recruit.

What all of this calls for is a new concordant – a new deal – between Government and businesses.

Over recent years employers have been on the receiving end of a barrage of government regulation and legislation. The National Living Wage and the Apprenticeship Levy are the most visible. Individually they are welcome measures. Collectively, however, they risk overwhelming some businesses – often in low-paying sectors like retail and care – with large costs. This piecemeal approach needs to give way to a new partnership, one where Government is clear with employers what their social obligations should be and how it will help, for example, by reorientating welfare, training and education policy to better match the needs of the new economy that is emerging. The Government should open discussions with employers' organisations immediately on the terms of such a new deal and seek to pilot new approaches with those businesses that are leading the way as social mobility employers.

We recommend that as part of a ten-year programme of social reform:

Recommendation 1: All large employers should develop a strategy to maximise the potential of their low-skilled workforce by increasing flexibility and building career pathways

If the labour market is to truly work for everyone, opportunities to secure a better job need to be far more open than they are today. The focus needs to move from simply creating jobs to fostering careers. Workers who aspire to climb higher in the labour market need the chances, skills and training to do so. Too many employers are losing out on a huge pool of talent – and depressing their own productivity – because they too often do not offer their low-skilled employees progression routes they can aspire to. Instead, larger employers should make skills development and training of their workforce a core responsibility and they should focus on better job design and develop new configurations of work practices.

We recommend that firms with 250 or more employees would benefit from a strategic and structured approach to maximising the potential of their low-skilled workforce. Public sector employers should lead the way.

All large employers should, as the minimum, take the following actions:

- Provide opportunities for existing low-skilled workers to retrain or up-skill in line with future skills needs identified in Strategic Workforce Plans. This would require employer support to employees, for example by allowing them to combine their learning with working, by taking study leave or working compressed hours.
- Undertake a comprehensive assessment of how they could redesign jobs to provide better and more development roles for low-skilled employees. The creation of more intermediate-level jobs is key to bridging the gap between low-skilled roles and professional opportunities.

- Design apprenticeship roles with career pathways, so that the successful completion of an apprenticeship can lead to progression within organisations.
- Offer 'Returnsips' for mothers returning to the workplace. 'Returnsips' are targeted return-to-work programmes offering short-term, project-based paid work assignments based on prior experience and skills.

Recommendation 2: The Government should modify its employment policy to switch emphasis from welfare-to-work programmes to new policies that move people from low pay to living pay through the acquisition of new skills and opportunities to progress

Rightly, for decades, the focus in Britain has been on moving people from welfare into work. A job remains the best safeguard against being poor, but it is not a cure for poverty. Too many workers are in a job that pays too little and gives them little opportunities for progression. Public policy has been too slow to catch up to the profound changes in the labour market. Getting people off welfare and into work must continue, but there should be a new and equal priority given to moving people from low pay to living pay. It is good news that the Government has decided to introduce a new Living Wage at rates above the current legal minimum wage. It should now seek to create a virtuous circle where increased earnings lead to increased taxes some of which, in turn, can be ploughed back into supporting families to progress through better-paid work.

In contrast to other developed countries, the UK has no comprehensive vocational education and training programme offer for low-paid workers with low or no qualifications who want a second chance later in life. There is also no public funding available for adults over 24 to take intermediate Level 3 (post-GCSE) courses or above. This inhibits social mobility. Poorly qualified adults need the opportunity to improve their career prospects and realise their ambitions.

- The Government should invest in a Second Chance Career Fund as part of an upskilling programme for workers at high risk of redundancy from modernisation of the economy in the next ten years. The current Job Centre Rapid Response Service for employees affected by job losses that impact on the local community only provides limited support for up to 13 weeks following the date of redundancy. A new Job Centre-led programme would identify and provide support to employees aged over 30 at risk of redundancy in declining industries or due to advancing technology. The focus would be on anticipating change prior to redundancy and providing bridging training and support to enable workers to move into jobs with more long-term potential with the skills that employers of the future will seek. The Second Chance Careers Fund would finance Level 2 skills training for employees at high risk of redundancy and would incentivise (through business rates relief) employers in industries where there are recognised local skill shortages to offer workplace-based training and to develop with LEPs and local authorities transitional labour markets, whereby trainees can get paid work experience on temporary projects to support progression to a permanent job.
- Anyone over 24 years old in part-time work for more than two years should be eligible to apply for their advanced learner loan debt to be written off upon successful completion of a career enhancing Level 3 qualification. Their employer would need to confirm that the qualification is related to the staff member's work and that it will enhance their progression prospects. Upon receipt of this evidence and proof of successful completion, the debt accrued should be written off by the Government. The qualification would need to be based on the skills development required towards a particular career path. The onus should also be on the employer to provide opportunities for their staff members to use their new skills to enable them to progress within the firm.

Recommendation 3: The Government should work with large employers, local councils and Local Enterprise Partnerships in a targeted national effort to bring new, high-quality job opportunities to the country's social mobility coldspots

The defining characteristic of the towns, cities and countries of 'left-behind' Britain is that they all have little access to high-quality employment. These social mobility coldspots are becoming increasingly hollowed out economically and, as a consequence, socially as young people are forced to leave to achieve their aspirations. There are no easy or quick fixes to this deep structural problem. But a hands-off approach will not address the growing chasm between those parts of the country that are moving ahead and those that are falling behind. A more inclusive growth agenda is needed. Opportunities to access good-quality jobs need to be more evenly spread out across the UK. That requires new policies and new partnerships between national government, major employers and local agencies.

As a first step in this direction, we recommend the following:

- The Government should assign some of the remaining Local Growth Fund to LEPs within the worst ten social mobility coldspots to formulate ten-year plans for creating higher skilled and quality jobs.

These LEPs with local coldspots are: Heart of the South West LEP (West Somerset), New Anglia LEP (Norwich and Waveney), South East Midlands LEP (Corby), Worcester LEP (Wychavon), Northamptonshire LEP (Wellingborough), Greater Cambridgeshire and Peterborough LEP (Fenland), Derby, Derbyshire, Nottingham and Nottinghamshire ('D2N2') LEP (Mansfield), Lancashire LEP (Blackpool), Greater Manchester LEP (Tameside), and Coventry and Warwickshire LEP (Nuneaton and Bedford).

These areas should be given the freedom to have local control of public funding for adult skills training so they can, for example, write off advanced learner loans for higher (Level 4 +) qualifications if related to work with local skill shortages (e.g. construction, science, hi-tech and manufacturing).

- The Government's Opportunity Areas should be extended to ensure they fully cover these ten coldspots in order to ensure a joined-up local approach between education and employment strategies.
- The Government should enter into discussions with leading social mobility employers – including public sector agencies – which have a national presence to provide incentives to relocate jobs and opportunities into the coldspot areas.

Recommendation 4: The Government should support legislation to ban unpaid internships

The advent of more professional jobs holds out the potential of a social mobility dividend for the nation, but only if opportunities for access are made more widely available. Internships are a new rung on the professional career ladder. They provide access to the best careers but all too often they are inaccessible to young people from struggling family backgrounds.

It is time to treat internships as part of the formal, not informal, labour market. In our 2014 State of the Nation report we said that unless we found evidence that the employers were taking action to end the unfair activity of unpaid internships, the Government should bring forward legislation to ban them. Unfortunately, we have been able to find little such evidence. As a result, the Commission believes it is high time that internships are defined in law and unpaid internships banned.

Any work placements that last more than four weeks should be classified as internships and those doing them should receive at least the minimum wage. Polling by YouGov for Intern Aware suggests that such a move would not decrease the number of internships overall, with

62 per cent of employers saying it wouldn't affect the number of interns they would hire, while 10 per cent say they would hire more. Only 10 per cent say they would hire less. The poll also showed that 65 per cent of employers would support a four-week limit, while only 12 per cent would oppose it.¹³¹

¹³¹ Intern Aware 2016 polling

Chapter 5: Housing and Social Mobility

- Home ownership rates among under-44s have fallen 17 per cent in the last decade as their housing costs have grown twice as fast as their incomes.
- Nearly one million more households with children rent privately than ten years ago, but they face higher housing costs than those who own their own homes.
- The gap between the housing haves and have-nots is accentuating the wealth divide: people who own their homes have an average wealth of £307,000, compared with less than £20,000 for social and private tenant households.
- Government schemes to help people get on the housing ladder are welcome, but high house prices mean homes are beyond the reach of almost all average earners.

As part of a ten-year programme of social reform, the Government should:

- Commit to a target of three million homes being built over the next decade with one-third – or a million homes – being commissioned by the public sector.
- Expand the sale of public sector land for new homes and allow targeted house-building on Green Belt land.
- Modify its Starter Home initiative to focus on households with average incomes and ensure these homes when sold are available at the same discount to other low-income households.
- Introduce tax incentives to encourage longer private sector tenancies.
- Complement the Heseltine Panel's plans to redevelop the worst estates with a matching £140 million fund to improve the opportunities social tenants have to get work.

5.1 Why housing matters¹

Having a decent place to live is a key part of the good life, and the home that children grow up in plays a crucial role in shaping their future prospects. Housing is also an important store of wealth, which is often passed down through generations. Most people aspire to own their own home. Research in the USA suggests that home ownership increases households' financial resources, influences individuals' psychological and physical health, and has positive impacts on the behaviour and educational outcomes of children.² Home ownership provides greater control and stability than renting – particularly where short-term leases may lead to families having to move frequently. It is also seen as a sign of achievement. Traditionally, housing in the UK has been a marker of social class: the type and location of people's homes are indicators of how far they have progressed.

House prices and housing costs have risen significantly in the last decade, increasing the burden on millions of families and making it harder for them to find long-term housing solutions. A recent report³ by the Resolution Foundation identified the groups that have been most affected. In the period 2002–03 to 2015, real average low to middle-income household income grew by £18 a week (5 per cent), while housing costs grew by £23 a week (36 per cent). Particularly hard hit were private renters and under-45s. Real average private renter household income grew by £8 a week, while real housing costs grew by £19 a week. For households headed by someone aged 25 to 44, real average income grew by £12 a week and housing costs by £25 a week.

The rise in house prices has not dampened enthusiasm for home ownership. Most people aspire to be home owners within the next ten years,⁴ although the expectations of being owners vary by tenure, with 46 per cent of private renters and 32 per cent of social renters expecting to achieve that aspiration.⁵ The average age at which those without parental help bought their first property rose to 31 in 2013/14 from 26 in 1993/94; in London, the figures are 33 and 29. Traditionally, social housing offered an alternative long-term option for those who could not afford to buy, but the proportion of households served by the sector has nearly halved over the last 35 years and it has become harder to access for those who are not in the most acute need.

These pressures, combined with strong growth in the supply of privately rented housing, have led to more families living in the private rented sector, which in 2011 overtook social housing to become the second biggest tenure in England. The private rented sector used to be a transitional sector, mainly used by single people or couples without children. This has changed and couples with children are now the most common household type. Over the last ten years, the proportion of households in the private rented sector with dependent children increased from 30 per cent in 2004/05 to more than 37 per cent in 2014/15 (Figure 5.1), which equates to about 912,000 more households with children. There has also been a significant increase in the proportion of younger households in the private rented sector. In 2004/05, 24 per cent of those aged 25 to 34 lived in the private rented sector. By 2014/15 this had increased to 46 per cent. Over the same period, the proportion of 25 to 34-year-olds buying with a mortgage decreased from 54 per cent to 34 per cent.⁶

1 The Commission is grateful to Kathleen Scanlon, assistant professorial research fellow at the London School of Economics and colleagues Ann Edge and Bert Provan, who provided the analytical material that formed the basis for this chapter

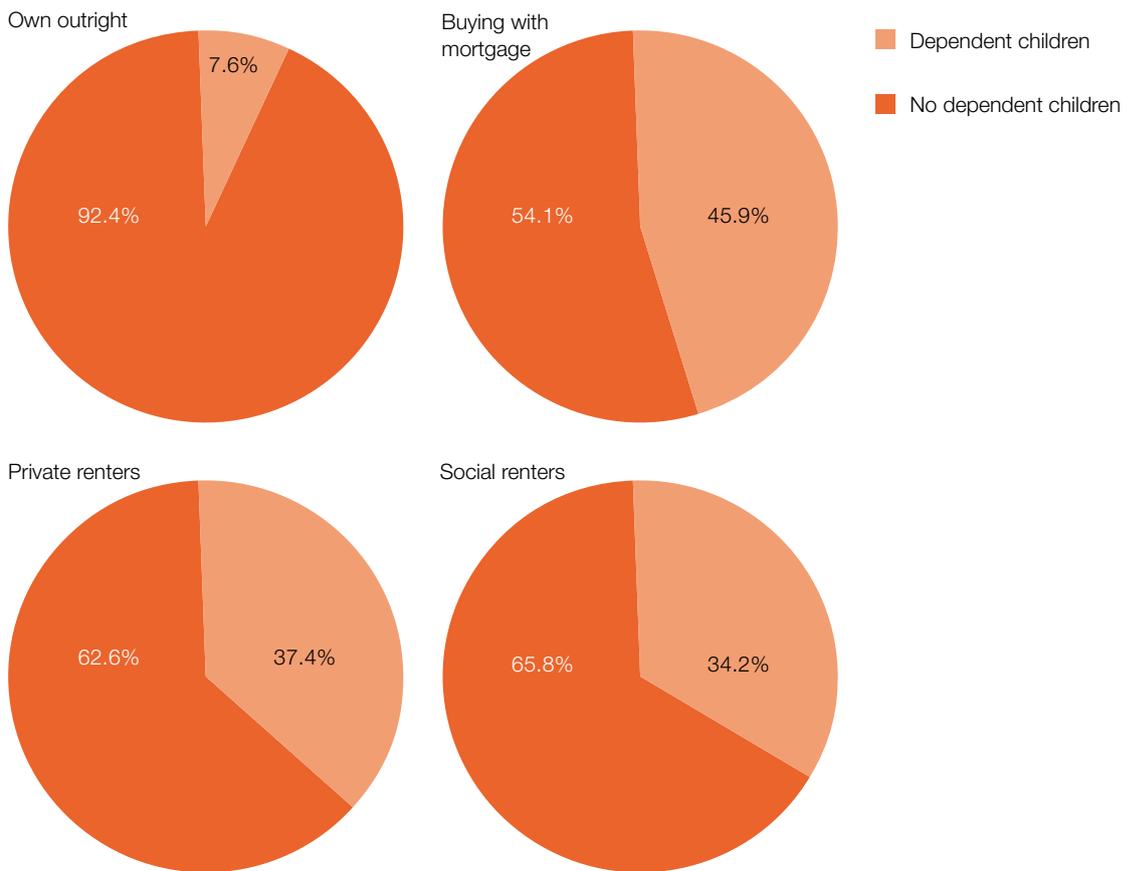
2 Rohe, W., Van Zandt, S. and McCarthy, G., 'Home ownership and access to opportunity', *Housing Studies*, vol. 17, no. 1, 51–61, 2002

3 Clarke, S., Corlett, A. and Judge, L. *The Housing Headwind: The Impact of Rising Housing Costs on UK Living Standards*, 2016

4 Council of Mortgage Lenders, *Housing Finance Issue 02*, 2012

5 Council of Mortgage Lenders, *Home-ownership or Bust? Consumer Research into Tenure Aspirations*, 2016

6 Department for Communities and Local Government, *English Housing Survey: Headline Report 2014–15*, 2016

Figure 5.1: Households with children, by tenure, 2014/15

Base: all households within tenure

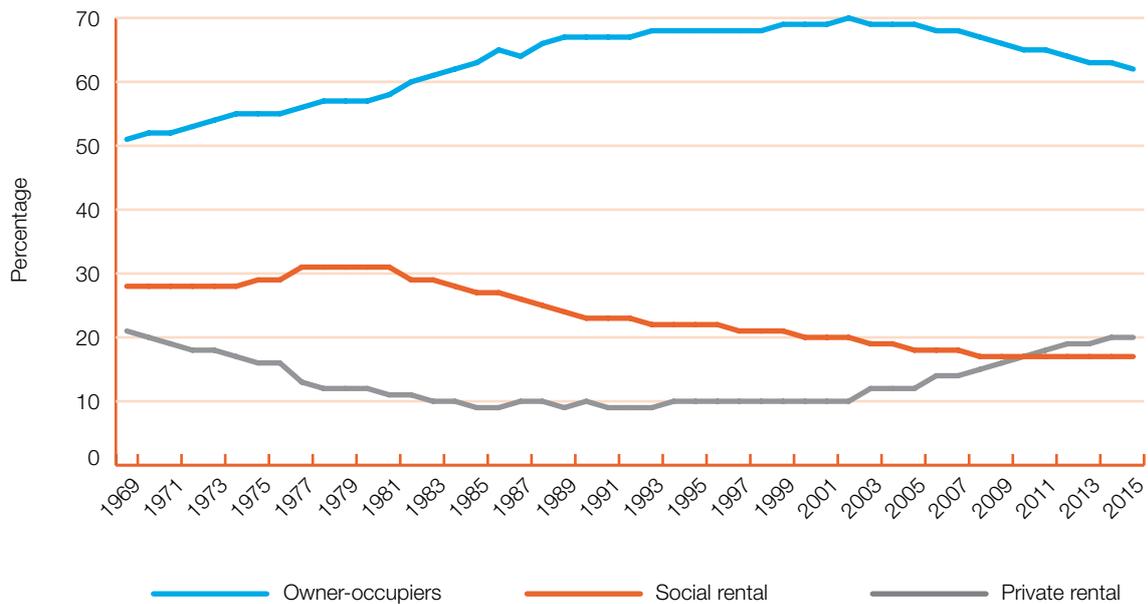
Source: English Housing Survey, 2014–15, full household sample

Many politicians and commentators have advocated increasing access to home ownership as a way to give more households a stake in the economy. One reason for this is that wealth in the UK is distributed far more unequally than income, and home ownership, together with pensions, forms the main element of UK household wealth. As non-home owners tend also to have fewer savings, pensions and other assets, renters are generally asset-poor. Wealth differences between tenures widened in absolute terms between 2006–08 and 2010–12, with median non-pension wealth for outright owners reaching £307,000, compared with less than £20,000 for social and private tenant households.⁷

In the UK, the rate of owner-occupation rose steadily from the 1950s until 2002, when it peaked at just below 70 per cent (Figure 5.2). This rise spread wealth further down the income scale compared with the 1970s, when many were excluded from buying homes by mortgage-lending constraints. In 1971, only half of UK households owned their own homes.

⁷ Hills et al., *Falling Behind, Getting Ahead: The Changing Structure of Inequality in the UK, 2007–2013*, 2015

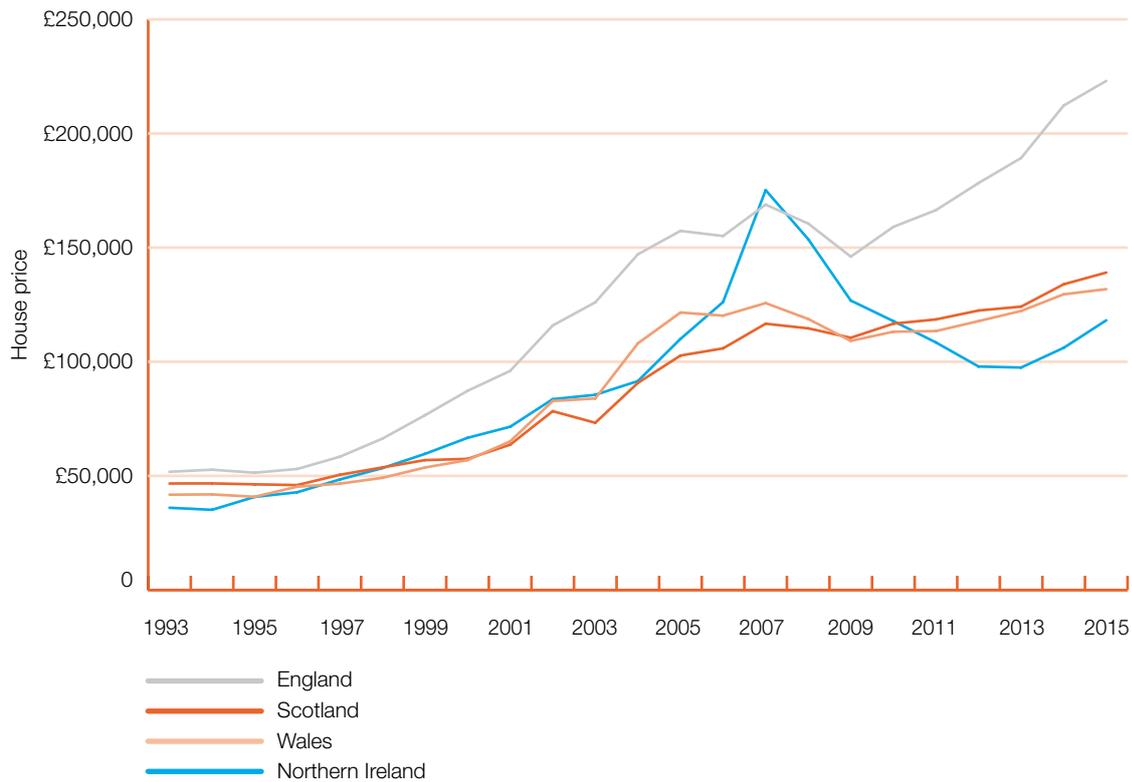
Figure 5.2: Housing tenure in England, 1969–2015



Source: Department for Communities and Local Government, Live tables on dwelling stock, Live Table 104

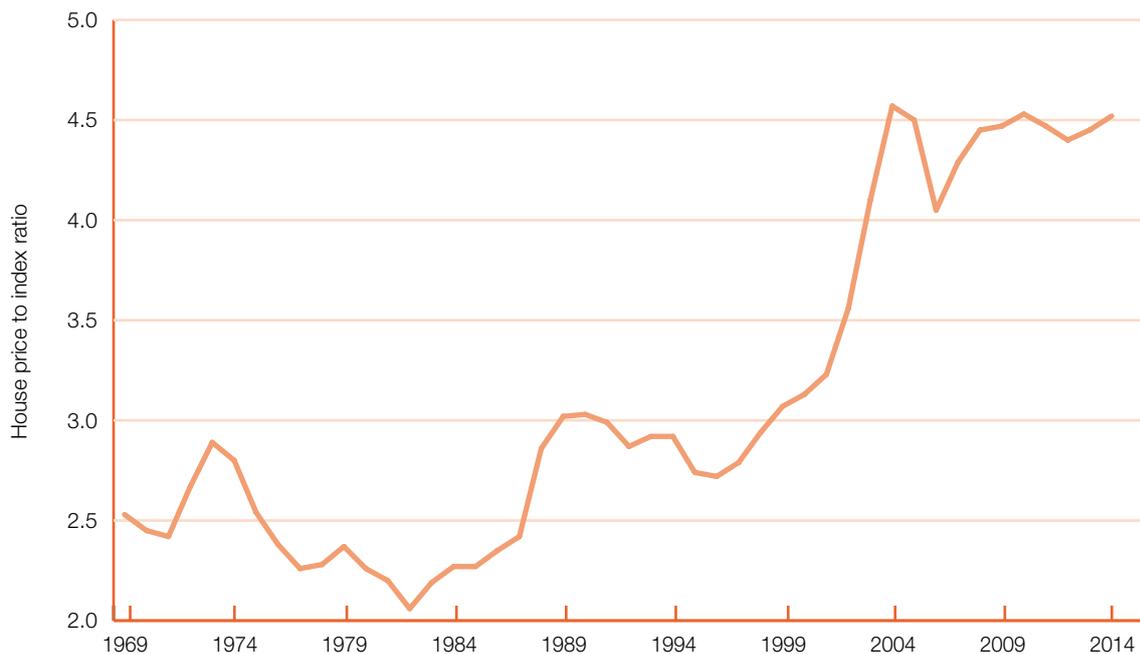
The decline in owner-occupation is partly due to rising house prices. Apart from the recent post-European Union (EU) referendum blip, house prices have risen steadily in most of southern England since 2009, although the picture elsewhere is more mixed. Figure 5.3 shows house prices for first-time buyers in the four nations of the UK. They are mix-adjusted, which means they represent prices for a typical house bought by a first-time buyer. The figure shows that the average first-time buyer in England paid about £225,000 in 2015 – well above the 2007 pre-crash level. However, prices in Scotland and Wales only recently regained their pre-crash levels, and in Northern Ireland, where prices for first-time buyers rose very sharply in the early 2000s, the price decline lasted five years and only turned around in 2012.

Figure 5.3: Mix-adjusted house prices for first-time buyers, 1993–2015



Source: Office for National Statistics, House Price Index

Figure 5.4 depicts one standard measure of housing affordability, the house price to income ratio for first-time buyers since 1969. This ratio was below three (and mostly below 2.5) until the late 1980s, when it began to rise. After a short downturn which bottomed out in 1996 (the trough of the 1990s housing-market cycle), it began to rise steeply. It has not fallen below four since 2003.

Figure 5.4: First-time buyer house prices/incomes (ratio of simple averages)

Source: Office for National Statistics, House Price Index

With house prices increasing significantly more than wages in many areas, getting a foot on the housing ladder has become more and more difficult. In addition, mortgage lenders have significantly increased the level of deposit required, following the 2007/08 global financial crisis to which high-risk mortgage lending contributed.

However, for those who do manage to buy their homes, direct costs can be small: mortgage interest rates are at historically low levels and the proportion of outright owners (who have no mortgage to service) has increased: in 2013/14, of the 14.3 million households that were owner-occupiers, 6.9 million had mortgages and 7.4 million households owned their homes outright.⁸

5.2 Strategic assessment

Problem 1: Home ownership rates among the under-44s have fallen by 17 per cent in the last decade,⁹ while their housing costs have grown at twice the rate of their household income

Home ownership is a key life aspiration for many, but the number of young first-time buyers is falling. Figure 5.5 shows proportions of owner-occupier households (including outright owners, those with a mortgage and shared owners) grouped by five-year age bands from 1995 to 2015. This shows that declines in home ownership have been most marked in the younger age cohorts. Home ownership among the youngest group (20 to 24-year-olds) was almost 40 per cent in 1990, but had dropped to around 30 per cent by 1995 and has continued to fall.

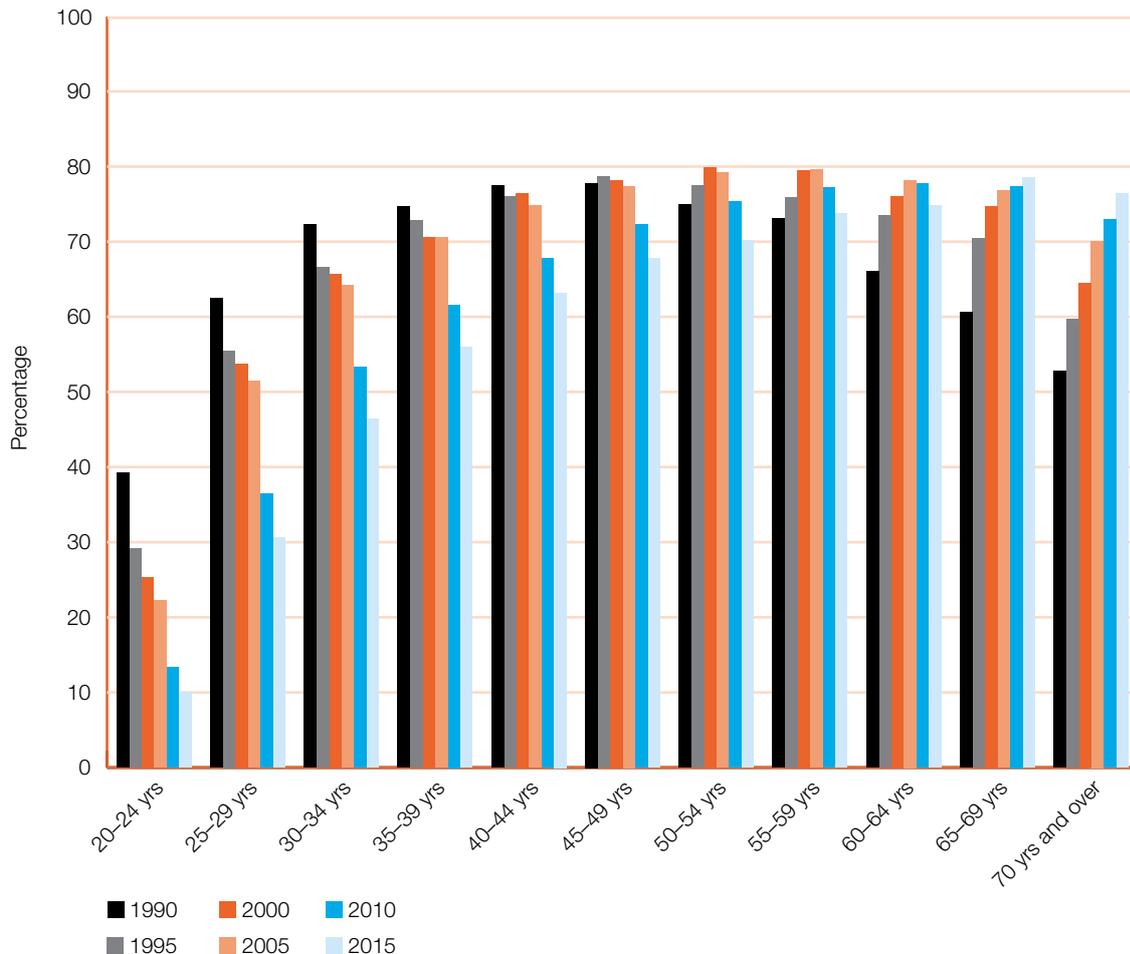
The picture for older cohorts is similar. For 25 to 29-year-olds, home ownership has fallen by more than half in the last 25 years, from 63 per cent in 1990 to 31 per cent, most recently. In 2015, owner-occupation among 40 to 44-year-olds was 62 per cent – the same proportion

⁸ Department for Communities and Local Government, *English Housing Survey Households 2013–14*, 2015

⁹ Department for Communities and Local Government, *op. cit.*

that much younger households (25 to 29-year-olds) had attained in 1990. At the other end of the spectrum, home ownership among older people – those aged 65 or over – has continued to climb. In 1990, those aged 65 or over were less likely to own their own homes than 25 to 29-year-olds, but by 2015 they were the group with the highest rate of home ownership. This is partly the effect of Right to Buy, which offered older people – who had missed out on the chance to get on the housing ladder in their younger years – the opportunity to access home ownership later in their life.

Figure 5.5: Trends in UK home ownership proportion by age band



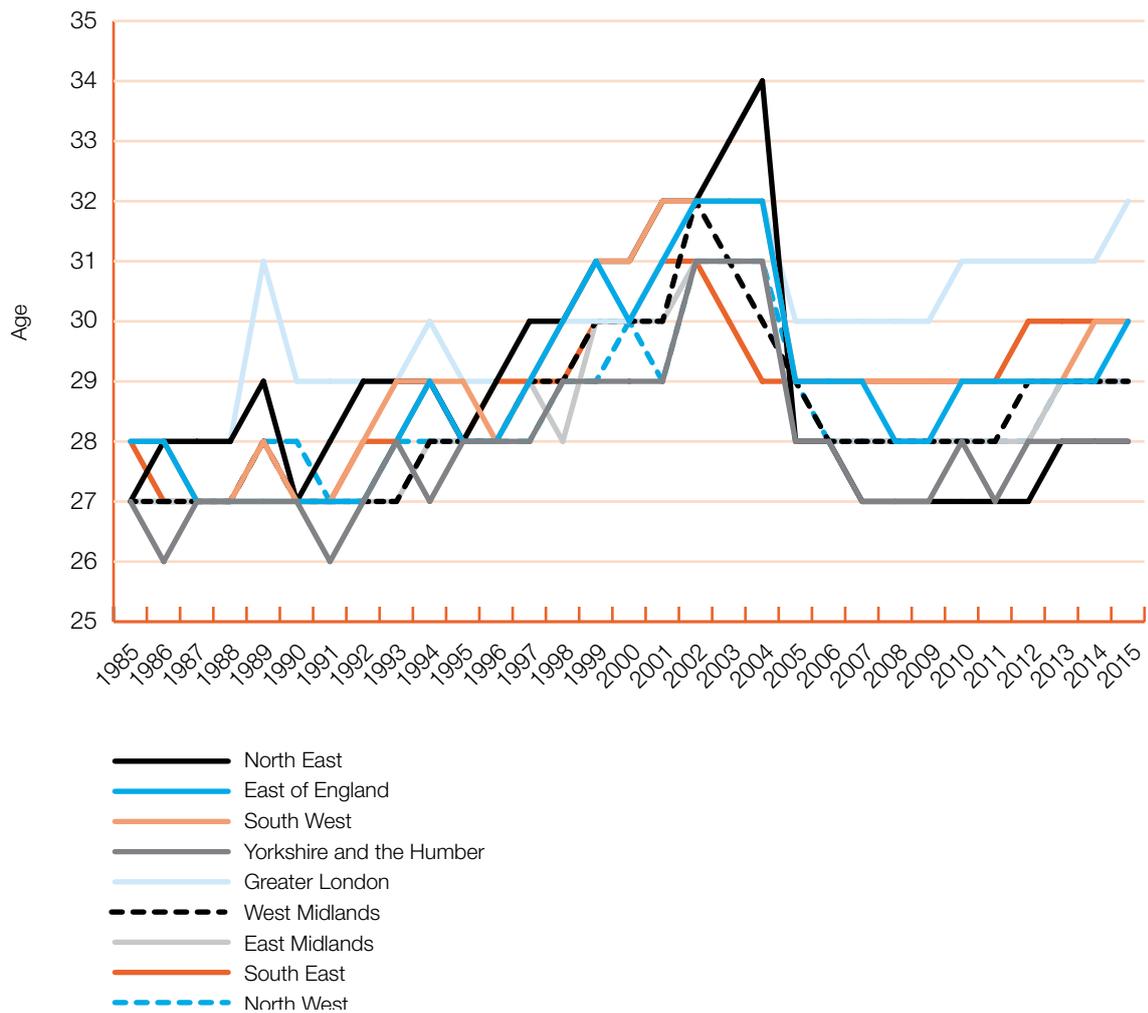
Source: Calculations by Paul Sanderson and Chihiro Udagawa, Cambridge University, drawing on Labour Force Survey

The average age of first-time buyers has risen from 30 to 33 over the last 20 years, and there has been a dramatic fall in the last decade in the number of single first-time buyers. Some 80 per cent of current first-time buyers are couples, suggesting that most households need two incomes to buy.¹⁰ Those who do manage to buy are relatively well paid; in 2014/15, the median yearly household income of first-time buyers was £43,000 – well above the £27,000 median income of all households.

The age of first-time mortgage borrowers in the UK has varied for the past 30 years, but overall the average first-time buyer is three years older now than in 1985. Regional differences are important: first-time buyers in Greater London are generally older than in the rest of the country; the typical first-time buyer in London was 32 years old in 2015, four years older than in Yorkshire or the north (Figure 5.6).

¹⁰ Department for Communities and Local Government, *English Housing Survey 2014–2015: First Time Buyers and Potential Home Owners Report*, 21 July 2016

Figure 5.6: Age of first-time buyer borrowers by English region, 1985 to 2015



Source: Land Registry, 2015

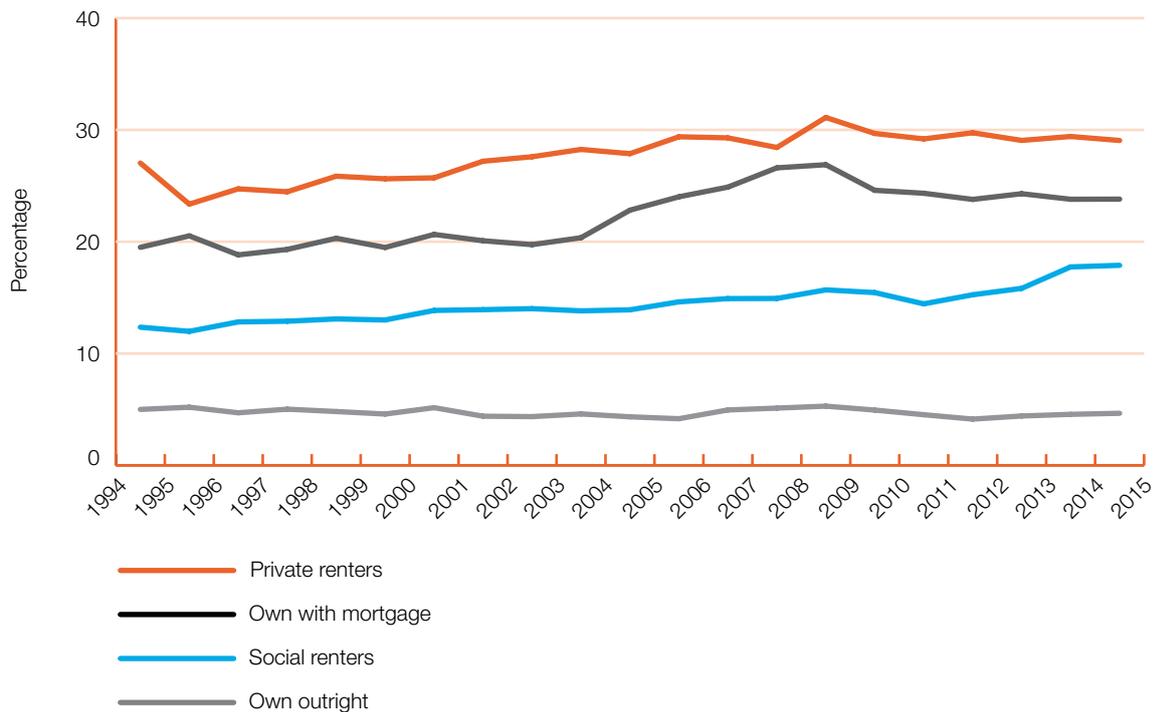
Problem 2: Households that do not make it into home ownership and have to stay in the private rented sector face higher housing costs than home owners, while many social tenants have difficulty accessing jobs

Across England, the proportion of private renters nearly doubled between 2003 and 2015. More importantly for social mobility, families with children are now the most common type of household in private rented accommodation (37 per cent in 2014/15). As well as issues about the quality of their housing, there are two other significant issues for these families: the level of rents, and security of tenure.

Figure 5.7 compares affordability across the different tenures.¹¹ It shows that private tenants pay a higher percentage of their income on housing than those in any other tenure, and that this proportion has been steadily increasing over time. Because interest rates are low, it often costs more to rent a home than it would cost to make payments on a mortgage to buy the same dwelling. This means that it can be very difficult for tenants to save enough for a deposit towards buying a home. In addition, in 2014/15, 40 per cent of households in the private rented sector were charged a fee on entering their current private rented sector accommodation, up from 34 per cent in 2009/10. The average value of the fee was £223, up from £196 in 2009/10. Having to pay such fees each time you move further diminishes the ability to save for a deposit.

11 Clarke, S., Corlett, A. and Judge, L. op. cit.

Figure 5.7: Average housing cost-to-income ratio among working-age households by tenure type, UK



Source: Department for Work and Pensions, *Family Resources Survey* and Resolution Foundation 'nowcasting'

The second issue is security of tenure. The standard rental contract in England is the assured shorthold tenancy, which generally lasts for six or 12 months. Private tenants can be required to move on after this time, and the landlord does not have to give a reason. Frequent moves are not only costly and disruptive generally, but have been shown to negatively affect the development and educational attainment of school-age and adolescent children.¹² The English Housing Survey 2014–15 found that 76 per cent of private renters had lived at their current accommodation for less than five years, compared with 20 per cent in owner-occupation and 39 per cent in the social rented sector.

Tenancies can be renewed and it is possible to agree longer contracts – although many tenants are not aware of this and landlords may be unwilling to do so. In addition, some lenders require buy-to-let borrowers to use assured shorthold tenancies of a year or less, although in the last few years some of the main lenders in the sector have relaxed this requirement.

The importance of stability for families was underlined by recent debates in Parliament in relation to government plans (in the Housing and Planning Bill 2016) to restrict local authority tenancies, which had been indefinite, to a duration of five to ten years. MPs and Lords from all parties argued that residential and educational stability was important for children, and the final Act allows local authorities to grant tenancies which last until children reach the age of 19. There is nothing comparable in the private rented sector.

The private rented sector also has a higher proportion of substandard homes than in other tenures, and poor housing conditions can negatively affect life chances. In 2014, 28 per cent of private tenant households lived in non-decent dwellings, compared with 18 per cent of owner-occupiers and 14 per cent of social renters. Dwelling conditions and safety in the private rented sector have improved but, due to the growth of the sector, the number of dwellings in poor condition has remained stable. In 2006, 47 per cent of homes with private

¹² See for example Coley, R. L. and Kull, M., 'Cumulative, timing-specific, and interactive models of residential mobility and children's cognitive and psychosocial skills', *Child Development*, vol. 87, no. 4, 1204–1220. doi:10.1111/cdev.12535

tenants were in poor condition (1.1 million); by 2014, the proportion had fallen to 28 per cent, but 1.2 million private tenant households still lived in non-decent dwellings.¹³

Social housing is provided by both local authorities (where it is commonly referred to as ‘council housing’) and housing associations. The issues in the social rented sector are rather different. Compared to private renting, social rents are generally low and if tenants rent from local authorities, they have lifetime security of tenure (although this is changing under the Housing and Planning Act). The challenges for social housing are that it has become increasingly focused on the most disadvantaged types of household; that it is often highly concentrated and in no longer popular forms of housing; and that tenants can find it hard to move within the sector or to move on from social housing as their circumstances change.

In 2014/15, 17 per cent of English households lived in social housing¹⁴ – about half the level of 1981 (see Figure 5.2 on page 160). This decline came about mainly through the failure to replace stock sold via the Right to Buy scheme, which saw almost 2 million council-built homes (35 per cent of the stock) transferred to owner-occupation through sales to sitting tenants, without a commensurate building programme to replace them. Those sold tended to be better quality, more desirable stock, and less often system built. This meant that the remaining stock had a higher proportion of more unpopular housing types (such as high-rise flats) in the less desirable locations.

At the same time as the stock was shrinking, there was a progressive change towards allocating social housing to more vulnerable tenants. The shift was partly in response to new laws giving clear priority to certain vulnerable groups, and partly due to the overall reduction in the number of social homes, which meant that there were not enough to accommodate a more mixed range of tenants.

These developments have narrowed the range of households served by the social housing sector, although it would be wrong to see it as only serving the very poor or workless. Furthermore, insofar as social tenants tended to be poorer, this is because they need to be poor to get access to social housing – not because social housing made them poor. Nearly half of social renters lived in the most deprived 20 per cent of areas in 2013/14, and 45 per cent had an income in the lowest 20 per cent, since most social housing has been built in poorer areas.

Around half of working-age social housing residents are currently not in work. In fact, the unemployment rate among working-age social housing residents (21 per cent) is almost three times that of private renters and more than five times that of owner-occupiers. Social housing residents face considerable disadvantage in finding employment when compared with people in other tenures as they are more likely to be disabled, have a health condition or mental health problem, be poorly qualified, aged over 50, a lone parent or from a black or minority ethnic community.¹⁵

Social housing is an essential element of the housing system, providing accommodation for people who are not able to become owners in the medium or longer term. In principle, it has many advantages over the private rented sector: low rents, tenure security and high levels of community and social cohesion mean that it could function as a springboard for social mobility. The sector also provides targeted support for households with vulnerable or disabled members. Social housing landlords are regulated and although housing associations operate like private enterprises, they are non-profit-making and often provide support and services to tenants that reflect their social mission.

However, social housing tenants – particularly those who live on high-density estates – can face social mobility challenges. First, living on such estates locks people into the

13 The decent homes standard is a government standard reflecting state of repair, availability of services and facilities such as kitchen and bathroom, and thermal insulation

14 Department for Communities and Local Government, op. cit.

15 Wilson, T., et al., *Worklessness, Welfare and Social Housing: A Report for the National Housing Federation*, 2015

deprived neighbourhoods where they are located (indeed, in some cases the estate is the neighbourhood), and can expose them to neighbourhood effects in which worklessness and low aspiration may become normalised. A dearth of positive role models, poverty of ambition and risk aversion may serve as barriers to social mobility.¹⁶ Second, some areas have a very poor image which stigmatises residents and may make it less likely that they will apply for, or be offered, jobs.

Another challenge social housing tenants face is that moving may be hard, so it is not easy for them to move to take up a job, find a better school for their children or access better childcare. Recent improvements such as the National Home Swap Scheme, the Social Housing Mobility Vanguard programme, and changes to make the housing list more flexible under the Localism Act, have helped. However, problems remain in terms of inadequate sub-regional choice-based lettings schemes, lack of adapted properties for people with disabilities, the costs of facilitating moves, for example, through creating chains of moves, and lack of supply of options that would attract under-occupiers. This is compounded in some cases by allocation schemes that insist people can only move into a property where the bed spaces exactly match household size.¹⁷

Problem 3: The gap between the housing haves and have-nots is accentuating the wealth divide in the UK

Housing is the primary store of household wealth in the UK and makes up an increasing proportion of households' net wealth. In 1995, median housing wealth was twice as great as median financial wealth, but by 2005 the ratio was five to one.¹⁸ Housing equity is becoming increasingly concentrated both geographically (London and the South East) and generationally (in the hands of older households – many of whom own their homes outright). Those households with high housing wealth generally enjoy better living conditions than those without, and can also help family members solve their own housing situations or tackle other financial issues. Housing wealth often transfers through inheritance, but this is not the only or even the main channel: parents can use some of their housing equity to lend or gift money to their children for a down payment; young people may return to live in the family home if they cannot afford rent. Those with family housing wealth thus enjoy a huge advantage over those without. Those who own homes in London or South East England have a double advantage because of the house-price differential with the rest of the country.

Table 5.1 indicates that about one-third of first-time buyers receive a gift of money or a loan from their parents in order to buy a house; a further 10 per cent use inherited money. It is not only first-time buyers who benefit from parental transfers, as 12 per cent of existing owners also receive a gift or loan when they buy a new home. First-time buyers (FTBs) in London were less likely to rely on parental help than those elsewhere, with 29 per cent of FTBs receiving a gift of money or a loan compared with 35 per cent outside London.

¹⁶ Nunn, A., et al., *Factors Influencing Social Mobility*, 2007

¹⁷ For more on this see Chartered Institute of Housing, *How to Improve Housing Mobility*, CIH Coventry (undated)

¹⁸ Hills, J., *Wealth in the UK*, 2015

Table 5.1: Parental help with buying a home: England*

	England			FTBs	
	FTBs	Existing owners	All buyers	London	Rest of England
Type of parental help	%	%	%	%	%
Giving money or loan	34.1	12.3	21.1	29.2	35.5
Selling property	2.5	1.7	2.0	Data not available	3.3
Inheritance (money)	9.6	5.2	6.9	11.2	9.1
Inheritance (property)	2.1	1.3	1.6	1.2	2.3

* Household reference persons aged 16 to 54 years at the time of purchasing or acquiring, which was between January 2010 and March 2014.

Source: Analysis done for the Commission by Paul Sanderson and Chihiro Udagawa of Cambridge University, based on the English Housing Survey 2013–14

Those who benefited from gifts or loans – the most common type of parental help – when buying their homes were on average younger than those who did not (Table 5.2) and earned less money, although still well over the overall median income. In London, the age difference (4.5 years) was larger than in the rest of England and both salaries and house prices were higher. Those with parental help in London bought cheaper homes than independent buyers, while in the rest of the country the difference in price was small.

Table 5.2: Comparison between first-time buyers assisted with a gift of money or loan versus unassisted, rest of England and London, mean values

	Rest of England		London	
	<i>Received gift or loan?</i>		<i>Received gift or loan?</i>	
	<i>Yes</i>	<i>No</i>	<i>Yes</i>	<i>No</i>
Age of buyer (years)	28.6	30.6	29.0	33.6
Annual household gross income	£40,897	£42,241	£61,258	£66,443
Nominal purchase price of home	£155,871	£152,052	£255,446	£325,413

Source: Analysis by Paul Sanderson and Chihiro Udagawa of Cambridge University, based on the English Housing Survey 2013–14

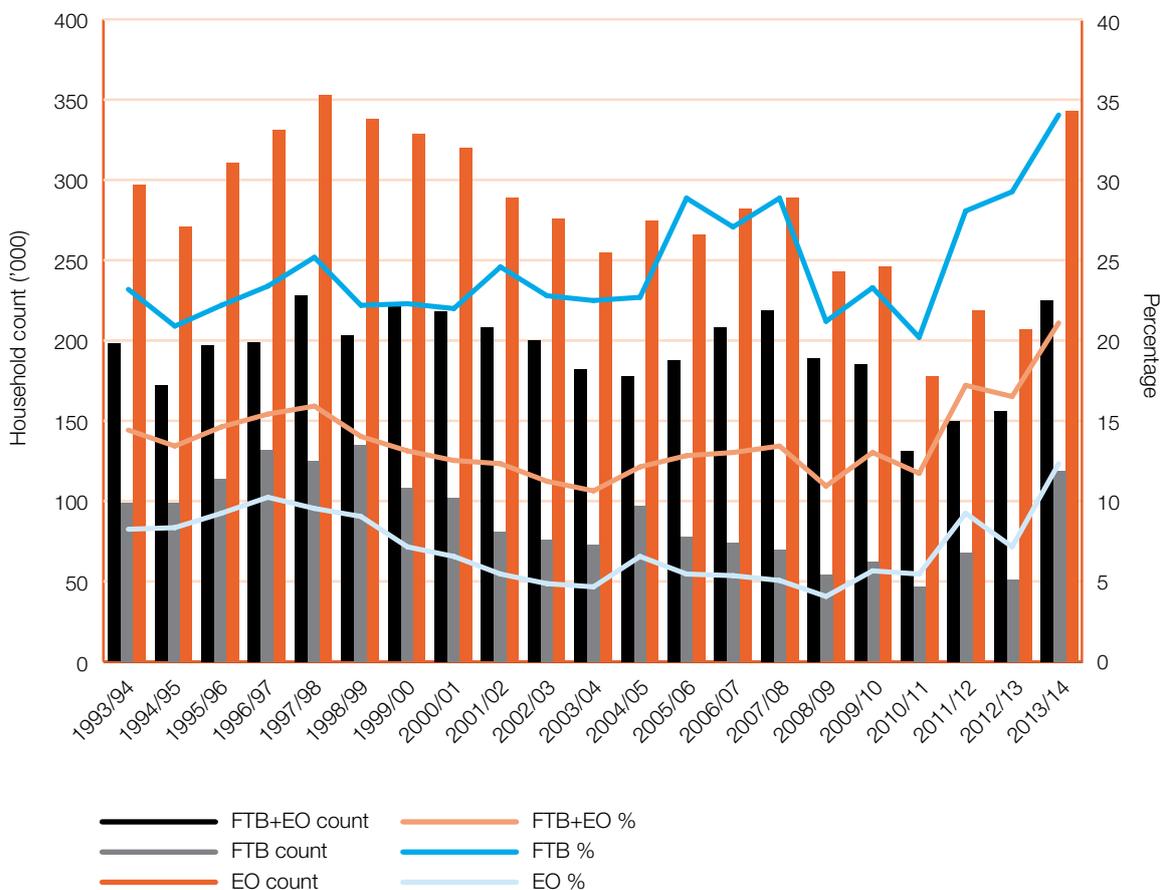
Londoners receiving parental help were more likely to be childless than those in the rest of England (49 per cent versus 38 per cent), and less likely to have dependent children (13 per cent versus 32 per cent) (Table 5.3).

Table 5.3: Household composition of first-time buyers assisted with a gift of money or loan versus unassisted, rest of England and London (mean values)

	Rest of England		London	
	Received gift or loan?		Received gift or loan?	
	Yes	No	Yes	No
Couple, no dependent child(ren) under 60	37.7	40.3	49.2	47.4
Couple with dependent child(ren)	31.1	29.5	13.1	28.9
Lone parent with dependent child(ren)	0.9	1.7	0.0	5.2
Other multi-person households	4.7	7.5	12.9	7.3
One person under 60	25.6	20.9	24.8	11.3

Source: Analysis by Paul Sanderson and Chihiro Udagawa of Cambridge University, based on the English Housing Survey 2013–14

Figure 5.8 shows the numbers and proportions of home buyers receiving gifts of money or loans from parents in England over the last 20 years. In 1993/94, 23 per cent of first-time buyers were in receipt of this type of help. The proportion rose in the run-up to the financial crisis, when house prices were increasing rapidly. It then climbed again after 2010/11 and is now at its highest level since these figures were compiled (34 per cent).

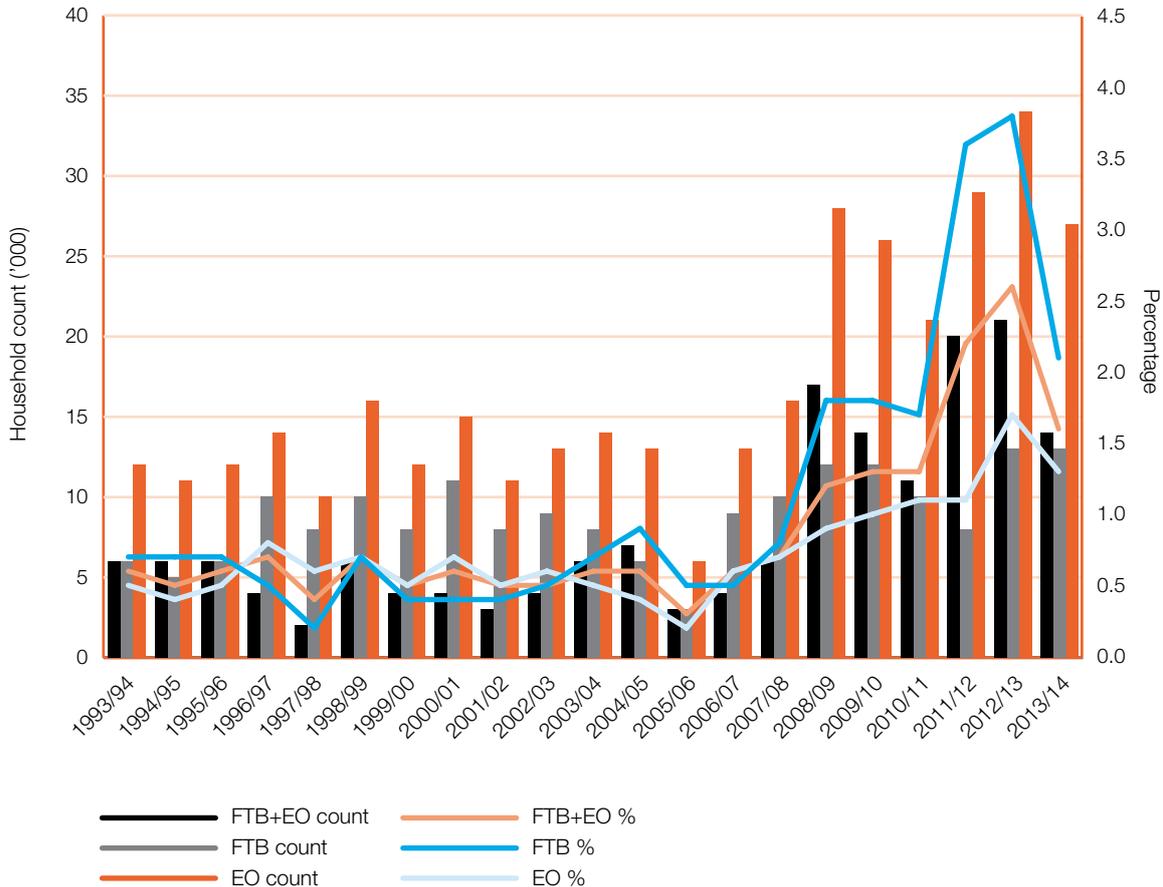
Figure 5.8: House buyers in receipt of parental gifts of money or loans, 1993/94 to 2013/14 (England)

Source: Analysis by Paul Sanderson and Chihiro Udagawa of Cambridge University, based on the English Housing Survey 2013–14

Note: FTB: first time buyer; EO: existing owner

The main form of intergenerational wealth transfer is of course inheritance. Figure 5.9 illustrates the growing importance of inherited property (as opposed to inheritances of cash or other assets). This shows that first-time buyers' use of money from inherited property spiked at nearly 4 per cent in 2012/13, whereas for most of the preceding 20 years the figure never reached even 1 per cent.

Figure 5.9: House buyers using funds from inherited property, 1993/94 to 2013/14 (England)



Source: Analysis by Paul Sanderson and Chihiro Udagawa of Cambridge University, based on the English Housing Survey 2013–14

Note: FTB: first time buyer; EO: existing owner

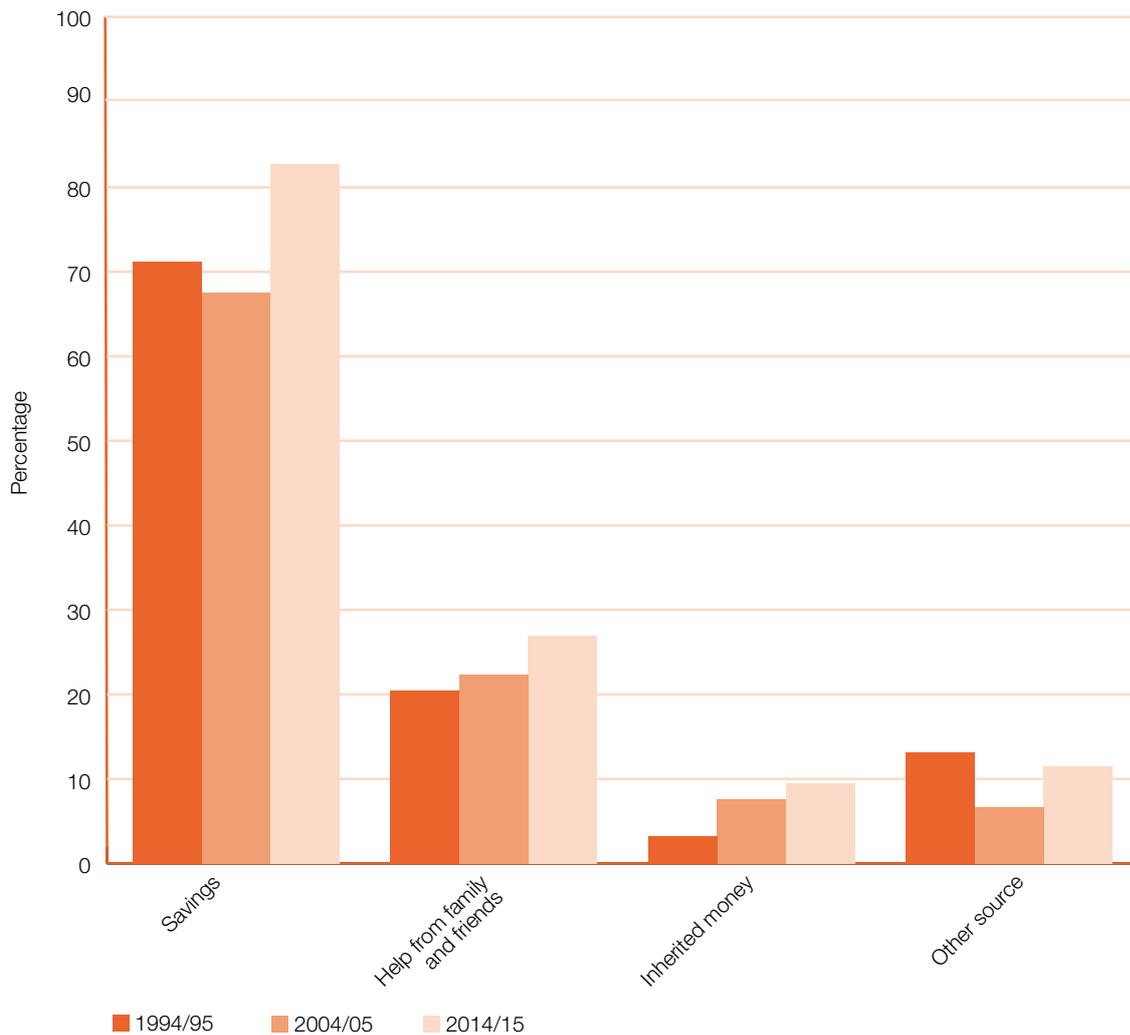
In the UK, housing assets comprised 76 per cent of total net worth in 2000, a higher proportion than other comparable nations (the figure is 54 per cent for the USA).¹⁹ Research by Professor Mike Savage of the LSE showed that 29 per cent of parents give financial support to non-resident children, rising to 45 per cent for parents aged between 45 and 54 (which is when the children of parents in this age group are likely to be leaving home).²⁰

Figure 5.10 gives the sources of deposits for first-time buyers in selected years over the last three decades: 1994/95, 2004/05 and 2014/15. It shows that while savings continue to be the most important source of funds for deposits, an increasing proportion of first-time buyers are relying on help from family and friends (from 20 per cent in 1994/95 to 27 per cent most recently). The growth in use of inherited money is particularly notable; three times as many buyers used inherited funds in 2014/15 compared with 1994/95.

¹⁹ Ibid.

²⁰ Savage, M., *Social Class in the 21st Century*, 2015

Figure 5.10: Sources of first-time buyer deposits, 1994/95, 2004/05 and 2014/15



Source: English Housing Survey, 2014–15

5.3 How are these problems being addressed?

The current Government, like its predecessors, has emphasised the importance of owner-occupation. It has backed home ownership with several types of policy: Right to Buy, shared ownership, subsidies for home buyers and attempts to reduce competition for properties from buy-to-let landlords.

Right to Buy has been a major enabler of owner-occupation for former local authority (and to an extent housing association) tenants. Between 1980/81 and 2014/15 a total of 1,805,282 local authority flats and houses were transferred through Right to Buy, and a further 96,818 housing association sales – almost 2 million in total.²¹ These sales attract large discounts, linked to how long the tenant has lived in the property, and represent a major and affordable route to home ownership for many low-income households in social housing. As noted above, however, high levels of sales were not matched by new social housing construction to replace low stock, thereby leading to the residualisation of the sector. The Government has committed to replace units sold under its reinvigorated Right to Buy on a one-for-one basis, but it is not clear that it has delivered this to date.

²¹ Department of Communities and Local Government, Table 671: Annual Right to Buy Sales for England

Until this year, only local authority tenants formally had a right to buy their homes, but this has changed after the housing association sector, under pressure from the Government, voluntarily agreed to extend the policy to its own tenants, on condition that they are fully compensated for the Right to Buy discount that would otherwise constitute a loss for the association, and replacement of units sold on a one-for-one basis. This scheme is currently being piloted.

Shared ownership, another programme designed to help people acquire their own homes, started with a pioneering scheme run by the Notting Hill Housing Trust in 1979. Shared-ownership homes now make up 0.4 per cent of English housing stock and around 1.3 per cent of mortgages currently held.²² There are various models, but shared owners generally buy partial shares in their homes and pay rent on the remainder. They can normally buy further shares, staircasing up to 100 per cent ownership over a period of years. Shared ownership is most often offered by housing associations who charge a subsidised rent for the remaining part of the equity. There is usually a (generous) household income ceiling – currently around £90,000 in London and £80,000 elsewhere in England.

Shared ownership is a niche market for lenders, and mortgages on these properties may attract higher interest rates as there are only a small number of specialist lenders. Housing associations can be unwilling to have more than 10 to 15 per cent of their portfolio in shared ownership, as institutional lenders are unwilling to accept a higher proportion of shared ownership as security.²³ It may also be difficult for buyers to staircase if the price of increasing the proportion of ownership increases at a higher rate than wages, and given that increasing the share attracts legal and other charges.

The Government is substantially increasing its backing for shared ownership: the 2015 Autumn Statement announced £4.1 billion funding for 135,000 additional Help to Buy shared-ownership units over the course of this parliament. As a result the sector is expected to grow by up to 70 per cent over the next five years.²⁴

The third area of government support for home ownership includes direct subsidies, mainly to first-time buyers, from a range of different programmes. The Labour Government of 1997–2010 initiated a range of Homebuy products and the current Government has a range of Help to Buy programmes including:

- Help to Buy Equity Loans, which give buyers of new homes from participating builders 25-year loans for up to 20 per cent of the purchase price (40 per cent in London); the first five years are interest-free.
- Help to Buy ISAs, designed for those saving up to buy their first property. When the funds are used to buy a house, the Government provides a top-up of 25 per cent of the amount saved, up to a maximum of £3,000.
- Help to Buy Mortgage Guarantee, through which lenders buy a government guarantee that allows them to offer home buyers more high loan-to-value mortgages of 80 to 95 per cent on properties worth less than £600,000. This scheme will end in December 2016. In a letter to the Bank of England Governor, Mark Carney, Chancellor Philip Hammond said the scheme had a ‘specific purpose that has now been successfully achieved’.

There is also an emerging high-profile Starter Home initiative. This creates a new category of lower-cost homes in new developments. These will be sold to first-time buyers under the age of 40 at a 20 per cent discount from market value (with a ceiling price of £250,000, or £450,000 in London). Detailed regulations, which are due to be published this autumn, are expected to say that Starter Homes must comprise 20 per cent of homes in most new developments of ten units or more. This is likely to lead to a reduction of other kinds of affordable homes that might otherwise have been built on these sites. The original intention

22 Council of Mortgage Lenders, *Shared Ownership: Ugly Sister or Cinderella?*, 2016

23 Savills, *Spotlight on Shared Ownership*, 2016

24 Council of Mortgage Lenders, *op. cit.*

was that there would be 200,000 Starter Homes built for first-time buyers between 23 and 40 years of age. However, in a speech on 13 September 2016, Housing Minister Gavin Barwell indicated that while the Government remained committed to the delivery of Starter Homes, he was keen to ensure that there was flexibility to support other tenures.

While many headline programmes target demand for housing by offering subsidies and help to prospective buyers, the Government is now paying increased attention to the supply of new homes. It has long provided subsidies through the Affordable Homes Programme for new homes in various affordable tenures. It has recently set a target of building one million new homes by 2021, and aims to double the number of first-time buyers in this parliament. The main way it has sought to achieve this is through changes to the planning system to speed up planning applications and increase the chance of positive outcomes. The number of permissions coming through the planning system has increased, but as the Government itself recognised recently, the number of permissions is outstripping construction by an ever-increasing margin.

The Government has also sought to build on previous efforts to increase supply by releasing more public land for development and by increasing transparency on land ownership. In 2011, the Coalition Government announced plans to release enough public land to build up to 100,000 new homes by 2015, and by late 2015 claimed to have disposed of land with capacity for almost 110,000 units.²⁵ However, the National Audit Office found that the Government did not monitor what happened after sites were released, and could not quantify the number of homes actually built or underway.

In relation to the private rented sector, the Government is focused on landlords. The Government has provided £12 million since 2011, so that local authorities can take action against rogue landlords by carrying out more raids, increasing inspections of property, issuing more statutory notices, surveying more streets, and demolishing beds in sheds and other prohibited buildings. It wants to see an increase in the proportion of professional, corporate, large-scale landlords in the sector, as they provide a consistent product with good-quality management and maintenance, and often offer longer leases. In 2013, a task force of property and finance professionals was created in the Department for Communities and Local Government with a remit to stimulate construction of large-scale, purpose-built rented schemes for corporate landlords, now widely known as Build to Rent. The department's private rented sector champion has now taken over this role. At the same time, the Government introduced a dedicated Build to Rent fund of £200 million (later increased to £1 billion) of equity finance for builders and developers for large demonstration projects of purpose-built, private rented sector accommodation. These initiatives have contributed to very strong growth in the Build to Rent sector over the last five years, especially in London. However, this has come from a tiny base – there are still only a few thousand occupied Build to Rent units, and even the most optimistic analysts agree that in the foreseeable future these large-scale, purpose-built developments will only ever make up a small proportion of the private rented sector. The financial model for such housing works best in London and a few other major cities, and rents are generally relatively high.

In parallel with boosting Build to Rent, the Government introduced a number of changes in the tax treatment of landlords, most targeted at individual operators. In April 2016, the Government introduced a 3 per cent surcharge on stamp duty land tax for individuals and companies buying homes to let; the stated goal was to reduce unfair competition with first-time buyers. Also, from April 2017, individual landlords will no longer be able to deduct mortgage-interest payments as a business expense from their rental income; instead, they will receive a tax credit of 20 per cent of interest paid. This will increase taxes for many landlords, including those with mortgages who are higher or additional rate taxpayers, and particularly those who are currently just under the threshold for higher rate tax.²⁶

25 House of Lords Select Committee on Economic Affairs, *Building More Homes*, 2016

26 Scanlon, K., Whitehead, C. and Williams, P., *Taking Stock: Understanding the Effects of Recent Policy Measures on the Private Rented Sector*, 2016

The Government has recognised that longer leases can benefit both tenants and landlords (by avoiding costly voids), but has made clear that it has no intention of changing the law in England. This contrasts with the situation in Scotland, where the Private Housing (Tenancies) (Scotland) Act 2016 effectively introduced unlimited leases for private tenants. The Department for Communities and Local Government has published a model tenancy agreement to encourage landlords voluntarily to offer longer contracts.²⁷

There is no appetite for reinstating controls on rent levels or rent increases in the private rented sector, which were removed by the 1988 Housing Act. In the social sector, by contrast, the Government announced in 2015 that all social landlords would be required to cut rents by 1 per cent a year for the next four years. The biggest beneficiary of this change was the Government itself, as the reduction feeds through to a decrease in housing benefit payments.

In relation to social housing, the Government wants to see a new wave of Right to Buy purchases. It has increased the discount offered to local authority tenants, and is progressively extending Right to Buy to the housing association sector under a voluntary agreement. Despite the Government's commitment to replacing stock that is purchased, this will result in further shrinkage of the sector, at least in the short run. Local authorities have been unable to replace units lost to Right to Buy because of tight restrictions on their use of funds. Housing associations, which are nominally private organisations, have more financial freedom and many are already major developers. However, the 1 per cent rent cut has led many to reconsider development plans and to change the balance of their stock, moving away from traditional low-cost social rented housing towards various forms of affordable renting where rents are closer to market rates.

The Government has said it will tackle the problem of the 100 worst housing estates and announced a fund of £140 million to jump-start regeneration projects, but it is awaiting the report of the Heseltine Panel on housing estate regeneration (expected in November 2016) before setting out what it will do.

Scotland and Wales

The Scottish and Welsh Governments face similar housing issues to the English Government, but have adopted different approaches.

Scotland has focused on the issue of affordable housing. As of 31 March 2016, 167,122 households were on Local Authority or Common Housing Register housing lists.²⁸ In response, the Scottish Government has committed to delivering at least 50,000 (70 per cent for social rent) affordable homes by March 2021, backed by £3 billion of investment. It exceeded its 2016 target to build 30,000 affordable homes by more than 10 per cent, achieving 20 per cent more social housing completions in 2015 than in the previous year.²⁹ This has been accomplished through the Affordable Housing Supply Programme, which provides funds for registered social landlords, councils, individuals and private developers. In the last parliamentary term, £1.7 billion was spent, and a further £572 million has been pledged for 2016/17. The Scottish Government has taken a different approach on Right to Buy, ceasing the scheme for all council and housing association tenants in Scotland on 1 August 2016.

Holyrood also has two key policies to help people on low to moderate incomes become home owners. The Low-Cost Initiative for First Time Buyers (LIFT) shared equity schemes help first-time buyers to buy a new building property from a housing association, or on the open market, and has been largely successful at targeting

27 Department for Communities and Local Government, Model Agreement for a Shorthold Assured Tenancy, Available: www.gov.uk/government/publications/model-agreement-for-a-shorthold-assured-tenancy

28 National Statistics Scotland, *Housing Statistics 2016: Key Trends Summary*, September 2016

29 National Statistics Scotland, *Housing Statistics for Scotland Quarterly Update*, June 2016

the households identified as priorities for assistance.³⁰ Help to Buy also operates in Scotland, helping first-time buyers and existing home owners to buy new-build homes from a participating home builder. However, the maximum property value is far lower than in England. For applications completed prior to 31 March 2017, the threshold is £230,000, significantly lower than in England (£600,000).

The growth of the private sector has been particularly accentuated in Scotland, almost tripling in the 16 years from 1999 to 2015.³¹ In recognition of this, the Private Housing (Tenancies) (Scotland) Act came into force in April 2016 and introduced a number of changes to increase security, stability and predictability in sector. The new legislation abolishes the assured tenancy regime, including the short assured tenancy (which previously accounted for the vast majority of private lets), and replaces it with the 'Private Rented Tenancy'. This provides greater stability for tenants, who can no longer be asked to leave solely because their original lease has expired. The Act also provides more predictable rents, as now landlords can increase rent only once a year, with three months' notice, while local authorities can implement rent controls in rent pressure areas.³²

In Wales, 11,508 additional affordable housing units have been built since 2011/12, surpassing the Welsh Government target by 15 per cent. In September 2016, the Welsh Government committed to support the development of 6,000 additional homes between 2016 and 2021.³³

In addition to Help to Buy Wales, the Government launched a Home Buy Scheme in 2014 which helps people buy on the open market. It is operated by housing associations but is only available where the local authority decides that it is a priority for the use of the Social Housing Grant.³⁴ In May 2015, the Welsh Government decided to abolish Right to Buy and committed to bring forward a bill within the 2016/17 legislative year. In the meantime, the maximum discount has been reduced by 50 per cent to £8,000.³⁵

5.4 How should more progress be made?

If housing were a standard good traded in a free market, high prices would bring forward a corresponding increase in supply: that is, house builders would increase the production of new homes, and prices would find a new (lower) equilibrium. But the housing market is far from this model. Partly this is due to the characteristics of housing itself: it is spatially fixed and long life; most transactions are of existing stock rather than new homes; and supply of housing depends fundamentally on supply of land, which is in short supply.

Higher house prices do bring forward some new supply, but in the UK the market response is weaker than in many other countries and is restricted by a huge range of government interventions and systemic factors.³⁶ The planning system constrains the location and characteristics of new homes, and in parts of high-demand areas precludes construction completely through restrictions such as the Green Belt. The planning process is time-consuming, especially for large sites, and negotiations over Section 106 developer contributions (a way of capturing some of the property developer's planning gain for the local community) and over viability can take months or years.

30 Scott, J., MacMillan, K. and Reid, S., *The Evaluation of Low Cost Initiative for First Time Buyers (LIFT)*, 2011

31 Scottish Household Survey, *Scotland's People Annual Report: Results from the 2015 Scottish Household Survey*, September 2016

32 Private Housing (Tenancies) (Scotland) Act 2016, www.legislation.gov.uk/asp/2016/19/contents/enacted

33 Welsh Government, *Affordable Housing Provision in Wales*, 2015–16

34 Welsh Government, *Homebuy: A Guide to Applicants in Wales*

35 House of Commons Library, *Comparison of Right to Buy Policies in England, Scotland, Wales and Northern Ireland*, 2016

36 Holman, N., Scanlon, K. and Whitehead, C., *Accelerating Housing Production in London*, June 2016

Across the country as a whole, and particularly in high-demand areas, there is a persistent shortage of new housing.³⁷ Official calculations of the requirement for new homes are based on projections of the number of new households that are expected to form through migration, younger people setting up their own homes and break-ups of existing households. The latest projections from the Office for National Statistics, based on 2014 data, suggest that in England the number of households will increase from 22.1 million in 2011 to 27.7 million in 2037. This implies a need for more than 220,000 new homes a year nationally and around 55,000 in London, just to keep up with future demand.³⁸ However, new construction has failed to keep pace with household increase for some time; on the available figures only just over half the number of new homes required have been built since 2011. To catch up by 2020 and make up for this undersupply, we would need to build more than 300,000 homes a year over the next five years.

Since the Second World War we have only built these sorts of numbers when there has been large-scale subsidy from government to support the provision of social housing. The house-building industry sees 200,000 a year as within its potential if economic growth is maintained, but anything above this would involve large structural changes in the development industry.

The reasons for the persistent undersupply are well recognised, although experts differ as to their relative importance. One culprit is that the house-building industry is somewhat oligopolistic: the market is dominated by a small number of house builders. They follow a tested profit-maximisation model of trickling out new for-sale supply at the rate of a few hundred units per year on any one site – even on schemes that will eventually have thousands of homes. Small and medium-sized builders, who used to account for a significant proportion of supply, have been squeezed out by the difficulty of obtaining suitable land, the expense of obtaining planning permission and difficulties accessing finance.

Another factor is the operation of the planning system, which limits the amount of land available for residential development (most obviously through restrictions such as Green Belts). Also, the complex network of planning requirements and conditions that developers must meet before construction begins, and staffing pressures in many planning departments, can lead to high costs and long delays – and have the knock-on effect of slowing the rate of new build.

A further issue is land supply: especially in high-demand areas there is a shortage of land that is suitable for residential development and available for developers to buy. Land in public ownership (including that owned by local authorities, the NHS, the Ministry of Defence and other central government bodies) could potentially support up to two million homes,³⁹ and the Government expects that nearly one-third of its 2020 house-building target will be built on land that is currently publicly owned.⁴⁰

There is also a shortage of skilled workers in many building trades. Moreover, many large sites cannot be developed without significant investment in infrastructure (e.g. new train lines, roads or bridges), which must be put in place by government. Finally, local authorities – which were responsible for the bulk of new homes in the high volume 1960s – now build very little. Housing associations are building more, but their hybrid status (commercially funded but subject to strong government regulation – including controls on rents) limits their ability to contribute large volumes.

Tackling these supply issues could help curb house price rises and pave the way towards reversing the decline in home ownership, but even with radical government action it is likely to take many years to move the rate back towards its historic peak of 70 per cent. Even if

³⁷ Ibid.

³⁸ Whitehead, C., 'Using projections of household numbers – tensions between planning and economics', Sir Frederic J. Osborn Memorial Lecture, Town and Country Planning Association, 2016; McDonald, N. and Whitehead, C., 'New Estimates of Housing Requirements in England, 2012 to 2037', *Town & Country Planning Tomorrow* Series Paper 17, 2015.

³⁹ Savills, *Public Land, Unearthing Potential*, 2014

⁴⁰ House of Lords Select Committee on Economic Affairs, *op. cit.*

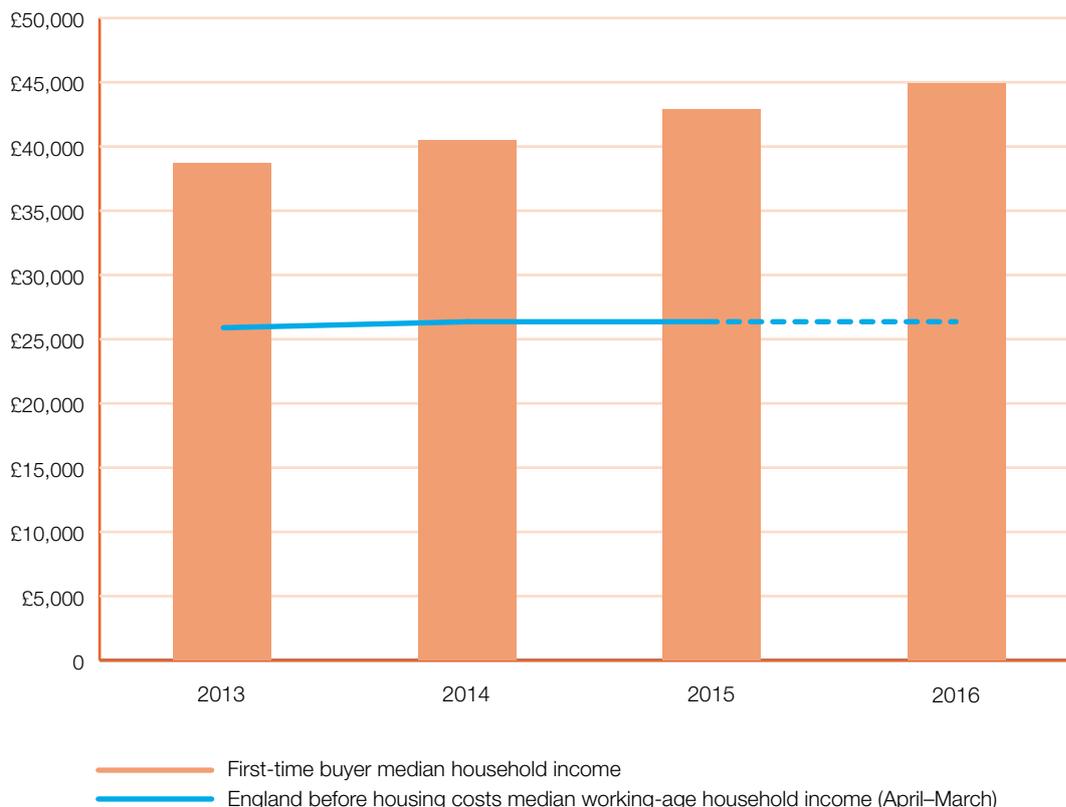
we were to get back to this level of home ownership, the skew in ownership towards older people and people on higher incomes would mean that a much lower proportion of working-age households on average incomes would be home owners. Realistically, most of today's average income families are going to spend a significant period of the next two decades – or even the rest of their lives – in the private rented sector.

The Government's commitment to increasing the number of homes that are built each year is welcome, but at present rates it is highly unlikely that it will hit its home-building targets. Even were it to do so, there is no guarantee that this would be sufficient to curb housing prices and put home ownership within the reach of households on average incomes.

Home ownership support schemes clearly have their beneficiaries, but there is a question of whether the schemes help people who otherwise could never buy or just bring forward the purchases of those who eventually would have become home owners anyway. In considering this, it is helpful to look both at the incomes of households benefiting and at the prices of properties bought.

Taking prices to incomes first, the latest (29 September 2016) figures show that the median incomes of households using Help to Buy Equity Loans was more than 50 per cent higher than the median (before housing cost) income for English working-age households (Figure 5.11).

Figure 5.11: Help to Buy Equity Loan first-time buyer median incomes versus English median working-age household income



Between 2015 and 2016, the median working age household income is projected to remain stable.

Source: Department for Communities and Local Government, Help to Buy (Equity Loan) quarterly statistics September 2016: Table 8; Department for Work and Pensions, Households Below Average Income: 1994/95 to 2014/15, 2016

Table 5.4 provides a breakdown of the incomes of users of the scheme up to June 2016 (the latest data point).⁴¹ The weekly median income in England of £507⁴² is roughly equivalent to a gross income of £32,600. Some 21 per cent of scheme beneficiaries have incomes below £30,000, so perhaps about a quarter have incomes at or below median working-age income for England.

Table 5.4: Household incomes of Help to Buy Equity Loan recipients, to June 2016

Total applicant household income	Percentage
£0 – £20,000	3%
£20,001 – £30,000	18%
£30,001 – £40,000	25%
£40,001 – £50,000	21%
£50,001 – £60,000	13%
£60,001 – £80,000	12%
£80,001 – £100,000	5%
Greater than £100,000	3%

Source: Department for Communities and Local Government, Help to Buy tables, September 2016

This is in line with evidence from a major evaluation of Help to Buy Equity Loans outcomes published by the Department for Communities and Local Government in 2016,⁴³ which indicated that the median income of scheme beneficiaries, at £41,323, was well in excess of the working-age median income in England (although in line with the median income of first-time buyers overall). This clearly suggests that the scheme was not helping new, lower-income households. Some 61 per cent of users said that the scheme had enabled them to start looking to buy earlier than they otherwise would have done (suggesting that they intended to buy in any case), because they needed a smaller deposit – and the September 2016 figures confirm that 62 per cent of households using the scheme put down deposits of 5 per cent or less. Many users said the scheme had enabled them to buy a better property, or one in a better area, than they were originally looking for, and around three in five said that they would have bought anyway.

The high cost of housing means that these schemes are beyond the reach of almost all families on average earnings. This can be seen by comparing incomes to prices regionally. Table 5.5 looks at the ratio of lower quartile house prices to lower quartile incomes in selected local authority areas; they are ranked from high to low. In the London Borough of Kensington and Chelsea, this income ratio is over 30 while at the bottom end only Bolton, Copeland, Liverpool and Preston have a ratio under five. This underlines the increasing difficulty faced by lower-income households in finding housing that they can afford to buy.

41 The income is that provided on the Help to Buy property information form, which records gross income (including benefits) whereas the Department for Work and Pensions standard household income series (Households Below Average Income) records income net of taxes, so care must be taken in making comparisons

42 Department for Work and Pensions, *Households Below Average Income: 1994/95 to 2014/15*, 2016

43 Finlay, S., Williams, P. and Whitehead, C., *Evaluation of the Help to Buy Equity Loan Scheme*, 2016

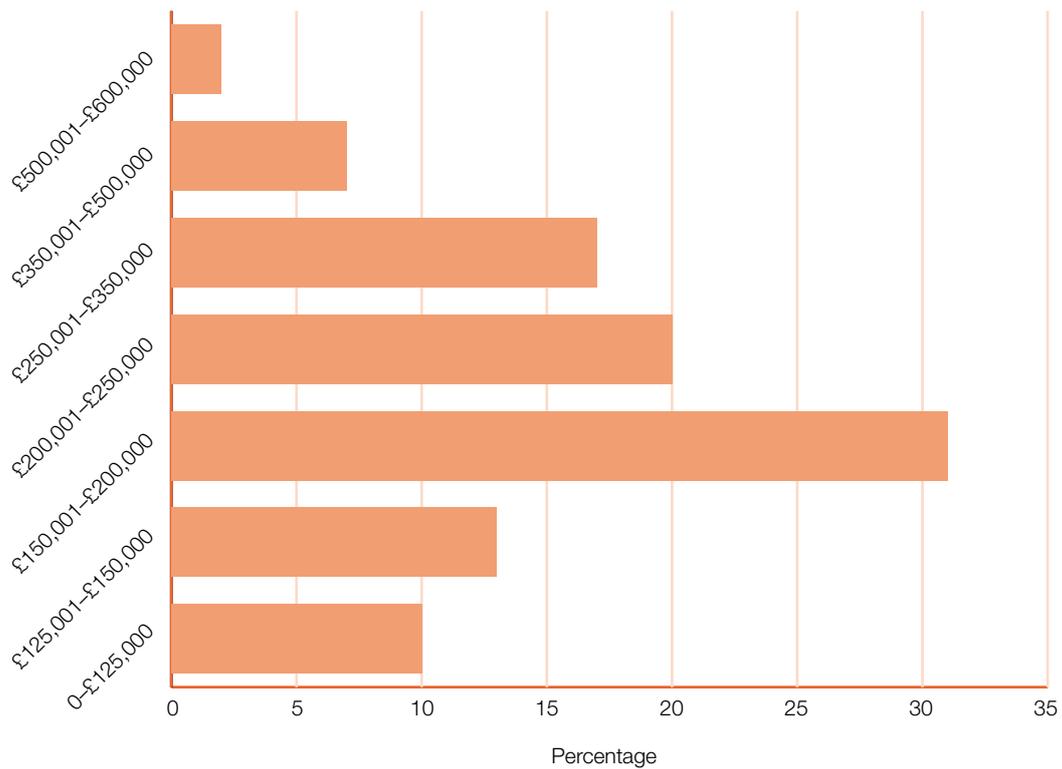
Table 5.5: Ratio of lower quartile house prices to lower quartile earnings in selected local authorities, 1998 to 2015

Authority	1998	2008	2015	Rank (of 326)
Kensington and Chelsea	10.5	21.4	30.7	1
Sevenoaks	5.6	9.5	13.4	32
Brighton and Hove	4.0	10.1	11.6	60
Reading	4.1	8.2	9.5	118
York	3.9	8.6	8.9	145
Milton Keynes	3.5	7.3	8.4	170
Bristol (city)	3.2	7.6	8.2	182
Southampton	3.5	7.0	7.4	207
Newcastle-under-Lyme	3.0	6.4	6.0	258
Leeds	3.3	6.3	5.8	267
Newcastle upon Tyne	3.1	6.2	5.8	268
Birmingham	2.9	6.2	5.5	276
Sheffield	2.9	6.0	5.3	283
Manchester	2.1	5.4	5.2	288
Preston	2.9	5.8	4.8	301
Liverpool	2.1	4.6	4.2	316
Burnley	1.8	3.7	2.7	325
Copeland	1.8	3.8	2.6	326

Source: Department for Communities and Local Government, Live tables on housing market and house prices, Live Table 576

The same point can be made in terms of housing costs. Figure 5.12 shows that only 23 per cent of Help to Buy Equity Loan completions to date were for homes worth less than £150,000. A £142,500 mortgage (i.e. with a 5 per cent deposit) would cost roughly £700 a month to service, or around 32 per cent of the median household disposable income. The top of the next band, £200,000, encompasses 54 per cent of purchases, but the payments on an associated mortgage would exceed the generally recognised 40 per cent limit of affordability for a median-income household.

Figure 5.12: Help to Buy Equity Loan house prices to 30 June 2016



Source: Department for Communities and Local Government, Help to Buy (Equity Loan) quarterly statistics, September 2016, Table 3: Cumulative number of legal completions to 30 June 2016, by purchase price

One type of scheme that has been successful in helping lower-income households get a foot on the housing ladder is shared ownership. Table 5.6 shows that the average incomes of shared ownership buyers are very near the median income for working-age families in England of £26,264.⁴⁴ Even including the cost of renting the remaining share of the property, the overall housing costs of shared ownership are considerably more affordable than those of 100 per cent first-time buyers. It is therefore extremely welcome that the Government is investing so heavily in schemes of this type.

44 Department for Work and Pensions, *Households Below Average Income: 1994/95 to 2014/15*, 2016. Supporting Data Tables. Table 2.7ts, www.gov.uk/government/statistics/households-below-average-income-199495-to-201415

Table 5.6: Shared ownership by region, 2013

Region	Average income needed to afford an 80% mortgage	Median income of shared ownership buyer	Average initial share bought	Average first-time buyer monthly cost	Average shared ownership monthly cost
England	£39,585	£27,000	42%	£893	£668
South East	£44,717	£27,500	41%	£1,008	£656
London	£76,258	£33,460	39%	£1,720	£857
East of England	£38,758	£25,787	43%	£874	£630
South West	£36,811	£22,800	43%	£830	£546
West Midlands	£28,908	£22,000	46%	£652	£533
East Midlands	£26,812	£19,567	38%	£605	£466
Yorkshire and the Humber	£26,586	£19,245	44%	£600	£438
North West	£26,700	£19,000	46%	£602	£511
North East	£23,412	£23,979	45%	£528	£509

Source: National Housing Federation, Shared Ownership – meeting aspiration, using Continuous Recording of Lettings and Sales RSR stands for: Regulatory and Statistical Return (CORE) data and RSR shared ownership data, 2013

Many middle-income families can expect to live in the private rented sector for an extended period, and it is therefore important that the sector works well for them. An increasing number of corporate landlords offer purpose-built rental accommodation to long-term tenants, and this could provide a secure and satisfactory housing solution for some families. However, the Build to Rent sector is still tiny, is almost all in London and even if it continues to grow rapidly, it will still account for only a small part of the private rented sector. Most Build to Rent accommodation is in the form of high-rise flats and is designed for couples and single sharers rather than families, and rents tend to be high. So while Build to Rent has many positive features it does not address the main issues facing long-term renting households, especially families.

Small landlords – individuals and couples – are responsible for the growth of the sector and will continue to be its backbone for the foreseeable future. They provide almost all private rented houses (as opposed to flats) and the majority of accommodation everywhere – even in London. To improve tenants' experience in terms of cost and security, the Government should work proactively with these landlords rather than simply relying on the growth of the corporate sector.

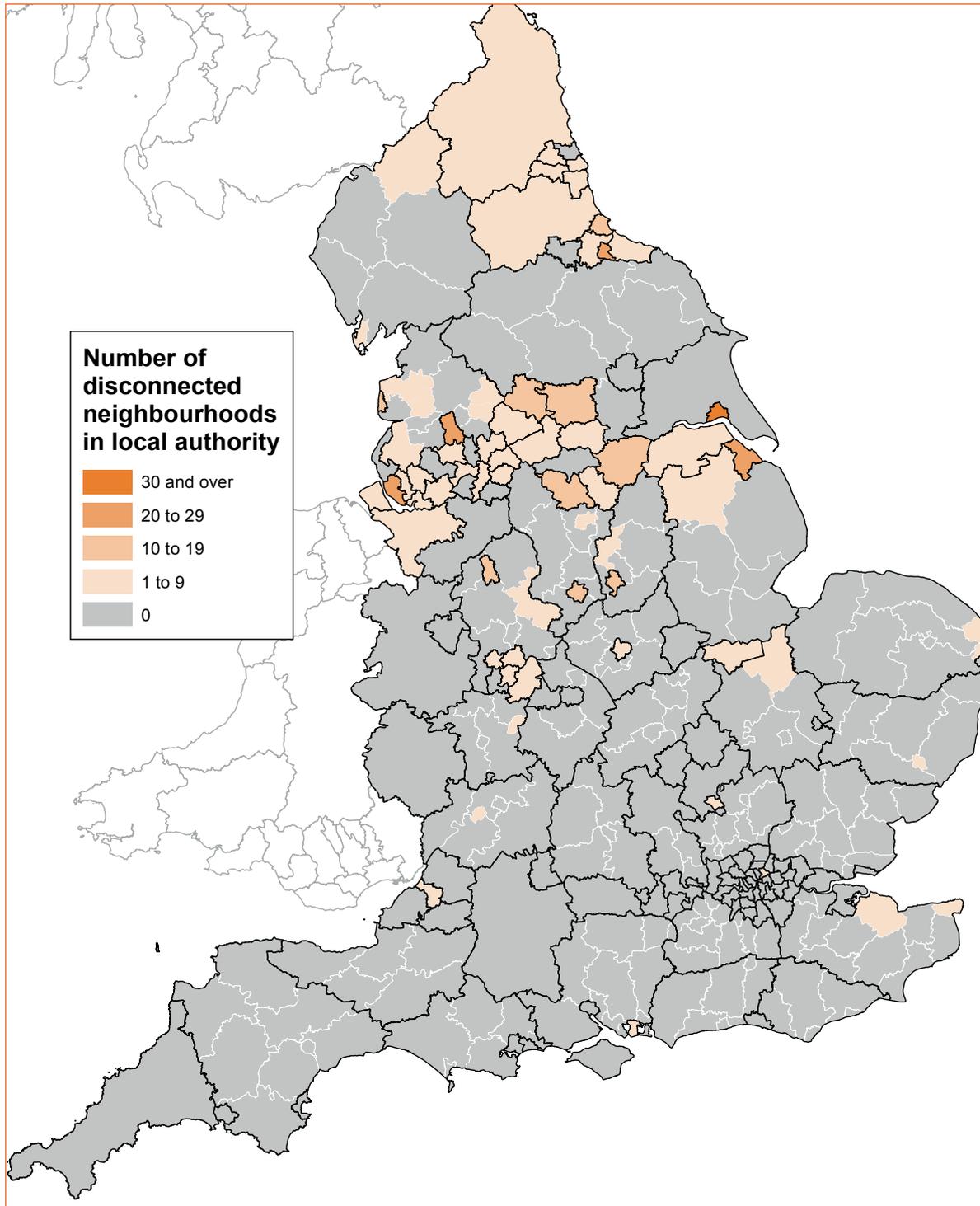
It is also important to tackle housing that negatively affects the social mobility prospects of adults and children. People's health outcomes, education, employment prospects and opportunities to build wealth and improve wellbeing are significantly influenced both by people's socioeconomic status and where they live.⁴⁵ The locations of large concentrations of poor-quality (formerly) social housing are determined by the distribution of economic activity in the latter half of the 20th century, when much of it was built. The subsequent decline in mining and traditional manufacturing led to a mismatch in many areas between housing provision and labour-market demand. While Right to Buy leavened the social and income mix in some neighbourhoods, it had less effect in those areas that were originally least favoured; the tenure profile may have changed, but not necessarily the pattern of poverty, educational underachievement and other indicators.

⁴⁵ Organisation for Economic Co-operation and Development, *All on Board: Making Inclusive Growth Happen*, 2014

Many of these estates are poorly connected to the wider areas in which they are situated. A recent study analysed the 20 per cent most deprived neighbourhoods in terms of their connection to the jobs market and the housing market.⁴⁶ It identified 524 'doubly disconnected' neighbourhoods in the UK (including 408 in England) where residents were dependent on a small number of employers (rather than being connected to a wide range of job opportunities), where few people left the neighbourhood to move to a better area, and few people from better areas moved into the neighbourhood. This sort of neighbourhood – where those who work mainly do so for one or two employers, and where there is little interchange with more affluent areas – is not conducive to social mobility. Those who live in such neighbourhoods are unlikely to have diverse social networks that bring them into contact with a range of opportunities or allow them to tap into experiences they might not have had (e.g. attending university). The doubly disconnected estates in England are concentrated in the north of the country (see Figure 5.13).

46 Rae, A., et al., 'Overcoming Deprivation and Disconnection', Joseph Rowntree Foundation, 2016

Figure 5.13: 'Doubly disconnected' neighbourhoods in England



Source: Rae, A., Hamilton, R., Crisp, R. and Powell, R., *Overcoming Deprivation and Disconnection in UK Cities*, Joseph Rowntree Foundation, August, 2016, www.jrf.org.uk/report/overcoming-deprivation-and-disconnection-uk-cities

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Existing social tenants mainly have secure tenancies and low rents, but in some areas they have little hope of finding work or getting a better job. Their chances of finding work further afield are limited. For one thing, the evidence suggests that higher-skilled workers tend to search for jobs at national level, while low-skilled jobs are advertised only locally – and the

costs of moving outweigh gains.⁴⁷ Also, the mechanics of social housing mean that once in place, few social tenants move to social tenancies in other areas. Especially in the local authority sector, moving is not straightforward, and the alternative – moving to the private rented sector – requires money for a deposit, agency fees and the first month's rent. This is not ideal, as research suggests that geographical mobility (both between countries and within them) is an important means for people to achieve social mobility.⁴⁸

It is welcome that the Government is committed to improving some of these deprived neighbourhoods. The Estate Regeneration Advisory Panel, which was set up in February 2016 and is co-chaired by the former Deputy Prime Minister Lord Heseltine and Housing Minister Gavin Barwell, is looking at ways to help areas improve some of England's worst social housing estates and deliver more quality homes that people can buy and rent. The Government has made available £140 million of loan finance to help lever in private finance for redevelopment, and it was suggested that up to 100 estates might be helped. However, physical redevelopment is very expensive, and without a large increase in funding, the number of estates invested in is likely to be low and the scale of redevelopment limited. Furthermore, while the aim of working with private developers to modernise these estates is very sensible, it is hard to make it work in the low-demand areas where many problem estates are located. Past experience from London also shows that estate regeneration using significant private investment can reduce the overall stock of genuinely affordable housing to make new developments viable.⁴⁹ Regeneration based on recoverable loans to private sector developers can encourage higher value housing to be built, but at the cost of displacing existing low-income residents.

5.5 Conclusion and recommendations

The country's tenure structure has changed markedly over the last 30 years. The number of owners has fallen while the number of tenants has risen – and the social rented sector, which in the 1990s was three times as large as the private rented sector, is now much smaller. The reduction in the amount of social housing was a political decision, but the other changes including the fall in home ownership resulted from wider political, economic and social developments, and cannot be reversed quickly or easily. In the longer term, we may be able to return to growth in owner-occupation, but in the short to medium term we need also to improve the current situation for tenants.

If we want to increase home ownership and enable millions more working families on average incomes to achieve their aspiration of home ownership, then we need radical action on housing supply. If house price increases continue to outstrip increases in incomes, the rate of home ownership can be expected to continue to fall. As the House of Lords recently concluded, the mismatch between housing demand and housing supply is unlikely to be solved unless we reach a situation where 300,000 new homes are being built a year, rather than the 200,000 that the Government is currently striving to produce. Achieving this will be extremely challenging, but without it the aspirations of working families cannot be realised, and we risk creating a deep and permanent divide between those who have made it into the owner-occupier sector, and the other half of society who see little prospect of themselves or their children ever doing so.

Whether or not we think it is desirable, many families will be renting privately for the long term. We need to ensure that the tenure provides the conditions that tenants and their children need to move ahead. It is important that the housing is of a reasonable quality and that rents (and rental inflation) are not excessive. It should be possible to create a stable family home

47 Cho, Y. and C. Whitehead, *Who Moves and Where? A Comparison of Housing Association Tenants in London and Northern Regions*, Housing Corporation London and Sector Study 40, 2004

48 Delorenzi, S. (Ed.), *Going Places: Neighbourhood, Ethnicity and Social Mobility*, 2006

49 London Assembly Housing Committee, *Knock It Down or Do it Up?*, February 2015

in the private rented sector and to save for a deposit for house purchase. Greater security of tenure would help – and indeed many landlords already try to renew tenancies so as to keep good tenants and escape costly void periods. However, some mortgage lenders do not permit buy-to-let borrowers to use contracts of more than 12 months' duration, and managing agents are incentivised to churn tenants so as to collect fees.

Social renting provides an affordable rented sector for lower-income and more vulnerable tenants who are currently unable to buy, and who would fare much worse in the private rented sector. This includes many families with children. Right to Buy (and housing association right to acquire, and the forthcoming voluntary right to buy) provides an affordable route to ownership for many social housing tenants; but whether or not tenants eventually buy, the location of the home is the same – so investment to maintain and improve the quality and management of the social housing stock and to improve local training, job opportunities and services is a highly effective way to increase the opportunities for social mobility.

As part of a ten-year programme of social reform, we recommend that:

Recommendation 1: The Government should commit to a target of three million homes being built over the next ten years with one-third, or one million, of these homes being built with the direct involvement of the public sector

The House of Lords inquiry noted that the Government's reliance on private developers to meet its target of new homes was very unlikely to be sufficient. The private house-building market is dominated by eight of the country's largest builders which build 50 per cent of all new homes. Their business model is based on maximising their profit margin by building limited numbers of houses.

Although UK private sector house builders have significantly increased their rate of house building since the recession, they have never built more than 150,000 units a year. If we are to move quickly towards a target of 300,000 units a year, we cannot rely on a few major builders. The Government needs to get more directly involved, with the public sector quickly moving into a position where it is commissioning 100,000 units a year.

Traditionally, public house-building programmes have focused on affordable housing and involved grant funding. Commissioning 100,000 units a year on this basis would be prohibitively expensive, even given the Government's current low borrowing costs. However, investment on this scale is necessary if the country's housing crisis is to be tackled, and it would be possible if the Government's house-building programme were across all sectors – sale, shared ownership, market rent and social rent – and supported by use of public land and opening up limited parts of the Green Belt.

The Government has taken some steps in this direction. In October, ministers announced the introduction of an accelerated construction fund, which will be used to underwrite housing developments on public land by guaranteeing to buy homes which remain unsold. They also announced a £3 billion house-building fund. Of this, £1 billion will be available to small and custom builders. They are crucial to a well-balanced new-build sector as they develop small and awkward sites that the major firms often spurn, but their numbers have fallen markedly since the recession. These initiatives are very welcome and will reportedly support construction of some 40,500 homes by 2020. But the Government needs to be much more ambitious. One way it could do this is by delivering more housing via housing associations. Some of this should be affordable housing, but the Government should also commission associations to build houses for market rent.

Recommendation 2: The Government should enable this step-change in house building by expanding the sale of public sector land for new homes, and by allowing targeted house building on Green Belt land, particularly on the Green Belt surrounding London

We agree with the House of Lords Select Committee that a senior cabinet minister should be given overall responsibility for identifying and coordinating the release of public land for housing. But as well as maximising the amount of public land that is identified and released for house building, the Government needs to make sure that it is built out in the most impactful way. This may involve joint ventures or commissioning construction rather than simply selling the land to private developers.

London's metropolitan Green Belt surrounds and constrains the capital, so new house building must take place within it at increasingly high densities, or beyond it, leading to longer commutes. By restricting the overall amount of new supply, and channelling the construction that does take place into more costly high-density buildings, it tends to push up house prices. Despite its name, much of the Green Belt is given over to activities such as golf or intensive agriculture.⁵⁰ Local authorities do have the power to conduct reviews of the Green Belt and redefine its boundaries, but this happens relatively infrequently. The policy has been in place since the 1930s, but the current housing crisis means that it must be addressed.

A number of studies have shown that limited release of accessible Green Belt land could make a significant contribution to new housing supply. One recent report argues that there are ways to do this without eliminating Green Belt designation completely – by, for example, allowing more development along highly accessible transport corridors. A chain of developments concentrated around transport nodes would keep the green value of the land in between, while providing a significant opportunity for new housing.⁵¹

Recommendation 3: The Government should focus the Starter Home initiative on households with incomes around the median income, and ensure that these homes are permanently available to help average income families into home ownership

The 2016 Housing and Planning Act set out the framework for a new policy to increase access to owner-occupation.⁵² It allows the Government to require a set proportion (probably 20 per cent) of Starter Homes on all new residential developments over a certain size, although full details of how the scheme will operate are yet to be made public. These Starter Homes will be sold at a 20 per cent discount to market price (maximum £250,000, or £450,000 in London) to first-time buyers between the ages of 23 and 40. There is no income ceiling, and the Act suggests that buyers will be permitted to sell the homes on at open-market price after a certain holding period.

Without an income ceiling for eligibility and at the maximum allowable prices, the scheme can be expected to benefit mainly those households that already would be able to access owner-occupation. Calculations using typical mortgage conditions – a 90 per cent loan-to-value ratio and a loan-to-income ratio of four – show that the price ceilings correspond to household incomes of £56,250 outside London, or more than £100,000 in London. If these homes are to contribute to social mobility, it is vital that they should be targeted at (and limited to) households at or around median incomes.

Buyers of these homes will benefit from a substantial implicit subsidy, which will crystallise when they sell their homes. This means that each Starter Home will only benefit one family. The initial price reduction would leave the members of that family significantly better off, but it would make no lasting contribution to affordable housing. Rather than allowing buyers to sell at market price, the Government should secure lasting affordability by requiring that the homes be sold in perpetuity at a 20 per cent discount to market value to households meeting certain conditions. The initial beneficiaries would still benefit from the scheme because they would get immediate access to home ownership, and because they would get an 80 per cent share of any rise in the value of their home.

50 London First, Quod, SERC, *The Green Belt: A Place for Londoners?*, 2015

51 Mace, A., et al., *A 21st Century Metropolitan Green Belt*, 2016

52 Housing and Planning Act 2016 Part 1, Chapter 1

Recommendation 4: The Government should take action to ensure that over a ten-year period, longer tenancies will become more of the norm than the current shorthold tenancies in the private rented sector, and provide positive tax incentives to encourage landlords to offer them

A six to 12-month assured shorthold tenancy provides little security for either tenant or landlord. Longer tenancies could suit both parties. A tax break for landlords who offer such tenancies could provide a powerful incentive, and would reach not only corporate build-to-rent landlords, but more importantly, the small individual landlords who provide the bulk of private rented sector homes. Some of the quality issues in the private rented sector could also be tackled if landlords who offer longer tenancies were allowed to offset improvements against income, rather than recouping the cost as capital, when and if they sell the property.

Recommendation 5: The Government should complement the Heseltine Panel's proposals on redeveloping the worst estates with a matching £140 million fund to improve the opportunities that social tenants have to get work and improve their life chances

The fund should be targeted at neighbourhoods where a large percentage of the households are workless, and provide funding tailored to the specific problems faced by households in the neighbourhood. On some estates it might finance better bus links in the evenings to areas where jobs are available; in others it might finance childcare provision to make it easier for parents to work; and in others it might finance courses to increase skills and support local residents in finding jobs.

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