



Press Release

New studies underline key role for education and skills in driving social mobility

Five new studies, published today as part of a special issue of the Institute for Fiscal Studies' journal *Fiscal Studies*, investigate the important role played by education and skills in improving the life chances of children from disadvantaged backgrounds and hence in increasing social mobility.

Key findings include:

- The HE funding regime to be introduced in England in September 2012 will be substantially more progressive than the current system. Roughly the poorest 30 per cent of graduates, in terms of lifetime earnings, will be better off (i.e. will pay back less) than under the current system. Graduates who do best in the labour market will lose most and the richest 15 per cent will pay back more than they borrow. Universities will also be better off, on average, and the taxpayer will save around £2,500 per graduate.
- The highest-performing 15-year-olds from poor backgrounds are, on average, around two years behind the highest-performing pupils from privileged backgrounds. This gap in attainment amongst the most able children in England is twice the equivalent gap observed in some other developed countries.
- Young people from the richest fifth of families are nearly three times more likely to go to university than those from the poorest fifth, but most of this difference is driven by application decisions, which are in turn largely explained by exam results. The differences do *not* arise because universities discriminate against poor students, given their qualifications.
- Children whose fathers lost their jobs in the 1980s recession did less well at school and were less likely to be in work themselves in their early 20s than children in comparable families where the father did not lose his job. This suggests that the increased unemployment associated with this recession may have long-term effects on educational attainment.
- Educational attainment has increased more rapidly amongst the well-off in the UK: comparing those born in 1958 and 1970, the proportion with a degree increased from just 9 per cent to 10 per cent amongst the poorest fifth of families, but from 28 per cent to 37 per cent amongst the richest fifth. At the same time, the pay-off to having particular qualifications has risen. Together, this suggests that the expansion of educational opportunities may have hindered rather than helped social mobility.

Managing Editor of *Fiscal Studies*, Claire Crawford, said "The government has made it clear that increasing social mobility is one of its key policy priorities. The studies published today in *Fiscal Studies* highlight the important role that education and skills are likely to play in helping it achieve this aim. From literacy skills to university funding to welfare-to-work programmes, current

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education and skills policies are likely to have a significant impact on the lives of children growing up in Britain today, and hence on future prospects for social mobility.”

The studies in brief:

The distributional impact of the 2012–13 higher education funding reforms in England

Haroon Chowdry, Institute for Fiscal Studies

Lorraine Dearden, Institute of Education and Institute for Fiscal Studies

Alissa Goodman, University College London and Institute for Fiscal Studies

Wenchao Jin, Institute for Fiscal Studies

- Haroon Chowdry, Lorraine Dearden, Alissa Goodman and Wenchao Jin provide new evidence on the financial and distributional implications of the higher education funding and student support regime due to be introduced in universities in England in September 2012.
- They find that total tuition fees faced will increase by over £15,000 over the course of a degree and that the average graduate will be just under £9,000 worse off over their lifetime than under the current system.
- Students will be significantly better off while they study due to the increased generosity of student support.
- The new system is substantially more progressive than the current one. Roughly 30 per cent of graduates with the lowest lifetime earnings will be better off (i.e. will pay back less) than under the current system, while others will be worse off. The richest 15 per cent of graduates will pay back more than the value of what they borrow.
- Universities will also be better off, on average, as they are more than able to make up for the loss of direct public funding through higher tuition fees. And the taxpayer will save around £2,500 per graduate.

Haroon Chowdry, Senior Research Economist at IFS, said “In principle, students should not be deterred by the fee increases, since poorer graduates will actually be better off under the new university funding regime. But this may not be well understood among potential applicants. To ensure that the socio-economic gap in university participation does not widen further, the government must provide prospective students with clear and simple information about the costs and benefits of going to each university, and try to ensure that the fear of debt alone does not prevent them from applying.”

The socio-economic gradient in teenagers’ reading skills: how does England compare with other countries?

John Jerrim, Institute of Education

- John Jerrim investigates how the link between family background and children’s achievement varies across the achievement distribution.
- He finds that the influence of family background is particularly strong amongst the most able children in England: the highest-performing 15-year-olds from poor backgrounds are, on average, around two years behind the highest-performing pupils from privileged backgrounds – twice the equivalent gap observed in some other developed countries.
- This finding has important implications for policies to widen access to elite universities and the professions: it is not just about improving social networks or providing internships; it is also vital to increase the academic achievement of the most able children from disadvantaged homes.

John Jerrim, ESRC post-doctoral fellow at the Institute of Education, said “Education policy over the last decade has focused considerable attention on improving the attainment of less able children from poor backgrounds, with some success. Now policymakers must turn their attention to reducing socio-economic inequalities amongst the brightest children in society, to ensure that those from disadvantaged families are not left behind.”

The link between household income, university applications and university attendance

Jake Anders, Institute of Education

- Jake Anders provides new evidence on the link between household income and university applications and participation, including at elite institutions, using data from a recent cohort of young people in England.
- He finds substantial differences in participation by family income, with those from the richest fifth of the population nearly three times more likely to go to university and nearly six times more likely to attend a Russell Group institution than those from the poorest fifth.
- However, most of this difference is driven by application decisions, which are in turn largely explained by prior exam results.
- This suggests that lower participation rates amongst those from poor families are not driven by discrimination on the part of universities, but instead arise primarily because these students are less likely to have the qualifications necessary to apply in the first place.

Jake Anders of the Institute of Education said “My research highlights the fundamental role of prior attainment in determining university applications and hence participation. Policymakers interested in narrowing the gap in higher education participation between young people from rich and poor families should focus their attention on ensuring that students from poorer backgrounds have the necessary qualifications to apply to university.”

The impact of fathers’ job loss during the recession of the 1980s on their children’s educational attainment and labour market outcomes

Paul Gregg, University of Bath and CMPO (University of Bristol)

Lindsey Macmillan, University of Bristol and CMPO

Bilal Nasim, Imperial College London

- Paul Gregg, Lindsey Macmillan and Bilal Nasim investigate the potential consequences of the recent recession for the education and labour market outcomes of the next generation by analysing what happened to children whose fathers lost their jobs during the 1980s recession.
- They find that children with ‘displaced’ fathers obtained, on average, half a GCSE at grades A*–C less than children whose fathers stayed in work.
- Children of displaced fathers were also slightly less likely to be employed themselves during their early 20s, although there was no direct effect on later earnings.

Paul Gregg, Professor of Economic and Social Policy at the University of Bath, said “We know that those with lower qualifications and with lower incomes were most likely to lose their jobs during the recession, which our study shows may have long-term consequences for their children’s education and labour market prospects. This suggests that the recent recession is likely to have been detrimental to the prospects for social mobility in the UK.”

The quest for more and more education: implications for social mobility

Joanne Lindley, University of Surrey

Stephen Machin, University College London and London School of Economics

- Joanne Lindley and Steve Machin show that the substantial increase in educational attainment in Great Britain over the past 30 years has occurred more rapidly amongst those from richer family backgrounds.
- Comparing those born in 1958 and 1970, the proportion with a degree increased from just 9 per cent to 10 per cent amongst the poorest fifth of families, but from 28 per cent to 37 per cent amongst the richest fifth.
- These changes were particularly stark for postgraduate qualifications, with the proportions increasing from 2 to 3 per cent amongst the poorest fifth of families, but from 8 to 13 per cent amongst the richest fifth.
- At the same time, the pay-off to having particular qualifications has risen. This is particularly true for postgraduate degrees, which have seen their wage returns increase by around 10 per cent over this period, compared with virtually no change in the returns to undergraduate degrees.
- Together, these findings imply that socio-economic inequalities increased, with those from the richest backgrounds achieving more of the highest qualifications, for which they receive substantial returns in the labour market, thus perpetuating existing inequalities.

Steve Machin, Professor of Economics at University College London, said “There has been a meteoric rise in education acquisition in Great Britain over the past 30 years, which has occurred most rapidly amongst those from richer families. When coupled with evidence of increasing wage returns to all levels of education, this suggests that the expansion of educational opportunities may have hindered rather than helped social mobility. For the government to have any hope of using education as a means of increasing social mobility in future, it will need to learn from the lessons of the past 30 years.”

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Notes to Editors:

1. These papers will be published as part of a special issue of *Fiscal Studies* on Friday 29 June 2012. For embargoed copies of the papers or other queries, please contact Emma Hyman on 020 7291 4800 or emma_h@ifs.org.uk.
2. The key findings from this special issue will be presented at a launch event from 10am to 11.30am (registration from 9.30am) on Friday 29 June 2012. Please contact Emma Hyman on 020 7291 4800 or emma_h@ifs.org.uk if you would like to register to attend.
3. *Fiscal Studies* is a peer-reviewed journal belonging to the Institute for Fiscal Studies and published by Wiley Blackwell (<http://onlinelibrary.wiley.com/journal/10.1111/%28ISSN%291475-5890>). The contents of this journal reflect a broad interpretation of fiscal studies; articles are concerned with the whole range of ways in which government action affects the private sector of the economy. The intention is to provide a forum for material which is accessible to a wider audience than that of academic journals in economics, and is often more topical than the publication schedules of such journals can accommodate, but which is nevertheless thoughtful and original.