

## **Cass Business School Speech**

May I begin by saying what a pleasure it is to be invited give the Sir John Cass Foundation lecture here at the Cass Business School this evening.

In just ten years, the school has established a global reputation for the quality of its teaching and research. Earlier this month, the Economist ranked the full-time MBA programme the third best in the UK and ninth best in Europe. It is an outstanding achievement.

The subject I have chosen to talk on is social mobility. Nick Clegg has recognised the importance of this debate and has given shape and substance to what was once a worthy yet amorphous concept.

But now everyone wants a piece of this fashionable mantra which increasingly litters political speeches from all parties. Few people would actually disagree with it, every effort needs to be made to ensure that these laudable aims continue to be rooted in the concrete reality of homes, jobs, pay, promotion and pensions.

You might ask why I choose this subject. It is a central declared objective of the Coalition and also one that is a focus of attention in some of the institutions for which I have ultimate responsibility: universities and FE colleges in particular. Tomorrow Alan Milburn, the former Labour Minister, will publish a report on Higher Education and social mobility. And, to be frank I'm keen to outline some of the measures my department is taking to give a tangible sense of what we are doing to improve social mobility – especially in adulthood.

I find it helps to be concrete and personal. I suppose I am a walking example of social mobility, since my parents both left school at 15 to work in factories and I was the first person in my family to go to university. But for my father who was ambitious, energetic and passionate about self improvement, social mobility meant something different: the progression from terrace house to semi detached to detached; the leap from working with his hands to teaching other people how to work with their hands. And amidst all that, real passion was generated not by the big shifts in class but by the small increments of status: whether the neighbour next door had a bigger car or the embarrassment of having a provincial accent amongst social superiors. You may think I am being frivolous or even disrespectful but I sense that for millions of our fellow citizens social mobility is best understood in terms of small changes in everyday life rather than the bigger picture.

The truth is, social mobility is a two way street. We want everyone to move up; and no one to move down. But in the real world not everyone can be a star. Much of life is a zero sum game. Failure can often be the corollary of success. Social mobility is often embodied in the comprehensive school pupil who reaches Oxbridge, but what about the public school drop out who finishes up in lowly menial job. That is also social mobility. But this is surely what meritocracy is all about – success through hard work, not through birth.

## **What is social mobility**

There are two key distinctions that shape the present Government's approach to improving social mobility, and which were first set out in the Social Mobility Strategy published by the Deputy Prime Minister in April 2011.

The first is the distinction between intergenerational mobility: the degree to which an individual's social class is determined by that of their parents. And intra-generational mobility – the extent to which individuals are able to progress during their lives, irrespective of where they started out.

Of course, if children are to improve their position relative to their parents, they must have real opportunities to climb the ladder during their own working lives. So the two forms of mobility – both inter and intra-generational –reinforce each other.

The second distinction is between relative and absolute mobility. Relative social mobility assesses the comparative chances of people with different backgrounds ending up in particular social or income groups. Absolute social mobility looks at the extent to which people are able to do better than their parents. The latter is, of course, important – but progress may simply reflect economic growth and technological change.

The government's emphasis is on relative social mobility. It wants individuals to have the same chance for progressing professionally or reaching a higher income bracket, regardless of their social class or background. In other words it is about equality of opportunity.

## **Evidence**

Our approach to these issues needs to be evidence based. Social mobility is a particularly difficult area, which demands high quality longitudinal research.

So this year we have launched a new birth cohort study, which will investigate the interplay of pre-natal, genetic and environmental factors affecting

development. It will be a valuable addition to the five post-war studies that have provided the evidence base to date.

Current evidence on social mobility is complex and sometimes contradictory. But the broad picture is quite clear – today we have relatively low levels of social mobility, both by international standards, and compared with the earlier ‘baby boomer’ generation born in the immediate post-war period. There is a separate argument about inequality of income and wealth, where Britain’s position appears to have deteriorated in recent decades but that is a big topic for another occasion.

Rates of social mobility appear to have deteriorated over time: the evidence suggests that the influence of parental income on that of their children increased for those born in 1970 compared to those born in 1958.

Furthermore, it is clear that an individual’s chances of reaching the top are heavily influenced by where they start off. Men from high income backgrounds are around three and a half times more likely than those from low income backgrounds to have high income as adults.

Men and women with parents in professional and managerial occupations are twice as likely as those with parents in semi and unskilled occupations to end up in professional and managerial occupations themselves.

This disparity begins in the early years and continues throughout childhood and into adulthood.

Around 25% of children from poor backgrounds fail to meet the expected attainment level at the end of primary school, compared with 3% from the most affluent backgrounds.

Later in school, children from more advantaged backgrounds are almost twice as likely to get good GCSEs in English and maths by the age of 16 as children eligible for free school meals.

Almost one in five children receives free school meals, yet this group accounts for fewer than one in a hundred students at Oxford and Cambridge. Indeed those who qualify for free school meals aged 15 are 100 times less likely to attend Oxbridge than their peers educated privately [2000:1 against versus 20:1 against].

These advantages are cemented in adulthood. Around 7% attend independent schools but they account for more than half of those at the pinnacle of their professions - including 70% of high court judges, 54% of top journalists and 54% of the CEOs of FTSE 100 companies.

### **Role of government**

What's clear from this evidence is that tackling such a complex issue needs an integrated approach.

Some argue that early years intervention is the answer to a lack of social mobility. It is certainly important. A large socio-economic gap in cognitive skills has already opened up among children by the age of three 3. But such gaps increase over time. The Government has published a social mobility strategy and have implemented a number of policies which aim to improve social

mobility in this area - 15 hours a week of free childcare for up to 40% of the most disadvantaged two year olds and providing additional funding at school for 1.8 million children in primary and secondary school through the Pupil Premium.

So the fact that earlier interventions have the potential to be highly effective does not preclude the need for later investment. Indeed, a recent update of government research showed that adult learning had significant positive effects on mental health and wellbeing – in self-confidence, life satisfaction and the risks of depression.

Also, another forthcoming BIS report focusing on older learners has found that learning those aged 50-69, particularly unaccredited community learning, actually improves wellbeing and can also offset a natural decline as people get older.

Later interventions can also improve the chances of future generations. There is a strong body of empirical evidence suggesting that skills are passed on across generations, which suggests that public investments in the early years are often about substituting for poor parenting skills. Therefore, to invest in parents to improve their skills is to invest in the formative years of a child's life.

And intervention in the early years needs to be followed up with ongoing programmes. Even an effective pre-school programme will need to be supplemented by further investment if long-term gains are to be secured.

So I see my Department, for example, as having a central role to play in supporting adults with that all-important second chance to succeed.

For that reason I will look at the various post school policies for further education training – which my Department leads on - in order to assess their contribution to social mobility.

## **Higher Education**

Much of the political focus has been on universities.

Real progress has been made in widening participation. In the most disadvantaged areas, increases in university participation among young people have been greater in proportional terms than for their counterparts living in more affluent areas. While the focus has often been on the achievements of the traditional universities in the world's top 100 – and I certainly celebrate their success – there has been less attention paid to some of the newer universities which have widened participation, amongst adults as well as young people. In particular the Open University has been a big positive influence.

But it remains the case that the most advantaged 20% of young people are seven times more likely to go to university than the least advantaged 40%. The progress made has also masked a position where institutions and courses that offer the greatest lifetime benefits to their graduates still fail to reflect the wider social mix of the country.

Recent HEFCE analysis has confirmed that success in widening participation to the sector as a whole has not been matched by the most selective institutions. Participation rates among the most disadvantaged 40 per cent of young people may be up overall when compared to the mid-1990s, but their representation at the top third of selective universities has remained almost flat over the same period. Alan Milburn's report on Higher Education, which will be

published tomorrow, quotes statistics from the Sutton Trust showing that four private schools and one sixth form college had more pupils entering Oxbridge than 2000 of England's lower-performing schools.

These are the reasons why we have introduced a new framework which places responsibilities on universities to widen participation. Professor Les Ebdon is the new director of the Office for Fair Access and the organisation has been given additional resources to support as well as challenge institutions. There remains a lot of misunderstanding around this agenda, some of it deliberate. There is no question of quotas and no question of universities losing their independence in respect of admissions. It is about encouragement and incentives not coercion.

OFFA has already agreed 150 access agreements for 2013/14. And universities committed to them plan to spend £672 million – up from just over £400 million in 2011/12 – on increasing and retaining the number of students from disadvantaged backgrounds.

It is also encouraging that, despite many prophesies to the contrary, applications from people from some of the most disadvantaged backgrounds have remained strong since the introduction this year of the reformed system of student finance. Independent analysis by UCAS shows the application rate for people from the most disadvantaged backgrounds is holding up, with only a slight drop of 0.2 of a percentage point. Unlike many of the critics, young people have understood that the fees changes operate through a form of graduate tax, a contribution which reflects a graduates' ability to pay, as opposed to the income of their parents.

Alan Milburn's report on Higher Education was widely trailed in the weekend papers and addresses some of these issues. He argues that expenditure on access could be better targeted with a focus on outreach, He questions how effective fee waivers are, and where bursaries might make most impact. He also raises extending the pupil premium concept to Higher Education. These ideas will be an important input into the work of OFFA, HEFCE and the universities themselves. David Willetts and I wrote to HEFCE and OFFA in May, asking them to develop a shared strategy for promoting access which maximises the impact of all spending by Government, HEFCE and institutions.

Alan Milburn also urges universities to make more use of 'contextual data' rather than merely A level grades. I stress that it is not the role of Government to impose admissions criteria on universities, they are independent and will remain so. But the use of contextual data to identify candidates with the ability and potential to succeed on a particular course or at a particular institution is not a new phenomenon. The Government has made clear its support for the use of such data before, in both the social mobility strategy and the Higher Education White Paper.

## **Apprenticeships**

But too little attention has been paid to the 60% who don't go to university. The Government has introduced the £1 billion Youth Contract to help young people get earning or learning and we are spearheading the drive to encourage more people to take up apprenticeships as a proven route for post school training.

The numbers have grown rapidly, nearly doubling from 239,900 Apprenticeships starts in 2008/09 to over 450,000 in 2010/11. Provisional figures for 2011/12, show continued progress, with 502,500 starts recorded.

Within this, the number of 19-24 year old apprentices has grown by around two thirds between 2008/09 and 2010/11, provisional figures for 2011/12 show a continued increase and, while the number of under-19s was up over 30% by 2010/11 – the trend has slowed recently. Advanced and Higher Apprenticeships have risen rapidly, with provisional figures for 2011/12 showing continued growth, with 180,400 Advanced and 3,500 Higher Apprenticeship starts.

A strong vocational education leads to better wages.

Those completing an Intermediate Apprenticeship earn, on average, up to £74,000 more over their lifetime than those with Level 1 or other Level 2 qualifications.

Those with an Advanced Apprenticeship earn on average up to £117,000 more over their lifetime compared to individuals with Level 2 qualifications. These wage premiums are significantly larger than for other Level 3 qualifications.

Given these clear benefits, we must ensure that high quality apprenticeships are widely accessible. There are people who have the potential to benefit from apprenticeships, but who lack the skills required – whether that's the appropriate English and maths skills or the ability to manage the disciplines and routines of the workplace.

That is why we have introduced a new `Access to Apprenticeships` programme for young people aged 16-24 who are not in education, employment or training, or who face forms of other disadvantage. Participants will undertake a programme of work and training with the aim of getting a paid job with an

employer as quickly as possible to continue and complete apprenticeship training.

## **Offering a second chance**

The issues of ladders into apprenticeships raises a wider question of ladders of opportunity for those who are out of work, or in a low-skilled job and lacking qualifications.

Even today, the UK has nearly 5m people of working age with no qualifications. In England there are 8.1m adults who lack functional numeracy, and 5.1m who lack functional literacy.

Young people who lack qualifications are more likely to be unemployed and to be unemployed for longer. Around 45% of long term-unemployed 18-24 year olds have skills below level 2, compared with 20% of the total 18-24 population.

And disadvantage persists even among people in work - employers are far less likely to train low-skilled staff, which in turn limits their ability to rise through the ranks. Evidence also shows that low-skilled workers are the least likely to change jobs, even though wage increases are secured by moving on and up.

But the low skilled are also most likely to face significant obstacles to learning. Cost, including the opportunity cost of not working – wages foregone - is an obvious barrier to those on low incomes especially for those with family responsibilities. In addition, the National Adult Learner Survey showed that

those with lower qualifications were less likely to know about the learning opportunities available to them, and less likely to know where to go for advice.

So government has a role in sparking the interest in training that means individuals are ready to grasp second chances. And that includes people leaving state institutions - a care home, a prison, or even the Army. One of the recent policy interventions I am proudest of is an intensive programme we are trialling in prisons to boost maths and English skills and, hence, improve employability – based on Army experience.

And while we had to make a lot of difficult decisions in the Spending Review, in spite of this, we protected the budget for community learning. Community learning involves anything from using the internet or learning to make music, to supporting children better by understanding how maths is taught in primary schools. It is often the first step towards formal training and the acquisition of qualifications – and once it begins, many individuals will go on to gain higher level skills.

Consequently, a programme that some have derided in the past as being focused on basket weaving courses for middle class housewives – I recall some potentially condescending ministerial comments when I raised this issue in opposition - can now demonstrate real opportunities for self improvement.

The trends are not all positive, I do recognise there has been some falling off in demand for adult further and higher education in the last year and I am eager to understand further the factors involved. The picture varies: adult apprenticeships for example are up but other vocational education is down. Understanding of the new university funding arrangements is seemingly greater within schools than amongst adults. We clearly have much to do to

raise awareness. The cost of many courses has increased – sometimes sharply – but part timers in HE now have access to the student loan scheme; and there are no more upfront fees.

We clearly need to spread the message that time invested in education and training is worthwhile no matter what stage the learner is at in their working life. Research published by my Department demonstrates wage and employment benefits from a range of qualifications when taken in adulthood. For example, there is a wage return of around 6-7% to L1 English and maths, in other words basic literacy and numeracy.

Offering this second chance to adults also yields real benefits for their children. Ofsted research found that adults engaged in learning became more involved in school life, and improved their parenting skills, helping them communicate with their children and better manage their behaviour.

And children whose mothers have GCSE-equivalent qualifications or above score 16 percentiles higher at Key Stage 4 than children whose mothers have no educational qualifications.

For these reasons we are committed to the continued funding of English and maths courses for adults who lack these basic skills. Over 1.3m people took English or maths Skills for Life courses to improve their basic skills during the 2010/11 academic year. And we are now funding adults to get a Maths and English GCSE, providing a second chance for those who missed out first time around.

## **Conclusion**

Any evidence based approach to policy in the area of social mobility must by necessity be inhibited by the time it takes to assess results. We cannot and should not be dogmatic.

This brings me back to an earlier point: the evidence we have, though incomplete, suggests that narrow interventions based on the early years of children's lives will not, by themselves, clear away the barriers to social mobility significantly.

To promote social mobility we must also improve the life chances of those who have already reached adulthood. We cannot support children without also giving parents a second chance. Let me go back to where I began with a personal anecdote. My father's big breakthrough from crafts man to teacher of craftsmen occurred when he accessed government financed adult teacher training, when he was 30. And my mother's escape from domestic drudgery and isolation occurred at adult education college when she was 40. Our family was fortunate to have these opportunities and want the present generation to have the same..

That is why we are focusing our efforts on providing fair access to high-quality education and training across the age range. Because, as the Cass Business School illustrates so vividly, education is the best way of opening the door to professional success and personal fulfilment.

Thank you.