

In the third of CEP's 'big ideas' series, **Jo Blanden** traces the evolution of CEP research on social mobility and its interaction with policy debate.

# Big idea

## Intergenerational m

**O**n 23 June 2008, the Prime Minister gave a flagship speech to school leaders in which he said that 'raising social mobility in our country is a national crusade in which everyone can join and play their part'. In January 2009, his government published a White Paper on social mobility.

The opposition parties share the desire for more mobility, with Conservative leader David Cameron pledging in December 2006 to take 'the banner of sensible, centre-right reform' to the

issue of social mobility and the Liberal Democrats supporting their own independent Social Mobility Commission.

The rise of social mobility up the policy agenda has coincided with a series of high profile studies from CEP researchers. As Stephen Machin's 'big ideas' article in the

previous issue of *CentrePiece* showed, CEP played an important role in describing the evolution of cross-sectional wage and income inequality during the 1980s and 1990s.

At the same time, related projects laid the foundations for an enduring research strand on intergenerational mobility. In 1997, Lorraine Dearden, Stephen Machin and Howard Reed followed up influential work in the United States by estimating the extent to which sons' and daughters' earnings at age 33 are associated with their father's earnings for a cohort born in 1958.



# as mobility

The approach taken by economists to measuring intergenerational income or earnings mobility is relative. The most straightforward description of mobility uses a 'transition matrix', which divides the income distribution of the parents' generation into equal-sized groups (usually fifths or quarters) and shows the proportion of the next generation that moves into a higher income group, the proportion that goes down and the proportion that stays the same.

Movement away from the starting point is seen as mobility. Notice that in using this approach, upward mobility

equals downward mobility; if some children move up, others must go down.

One of the problems with the transition matrix is that it is unable to take account of the extent of movements within groups. If those moving from the first to second quartile are just tipping over the boundary between the two groups, there is less mobility than if they are moving into the middle or top of their new group.

To overcome this limitation, economists also adopt a regression approach, which takes account of all the mobility between generations. This produces the 'intergenerational elasticity': a result of 0.3 would say that on average a 10% difference in income between two sets of parents would be passed on as a 3% difference in income between their children. This statistical approach is also based on an entirely relative conception of mobility; the amount of upward and downward mobility balance.

The research by Dearden et al (1997) presented a picture of limited mobility in the UK, with results similar to those for the United States, although the study did not make an explicit comparison. At around the same time, CEP researchers Paul Gregg, Susan Harkness and Stephen Machin undertook a two-stranded project for the Joseph Rowntree Foundation.

The first component of their study

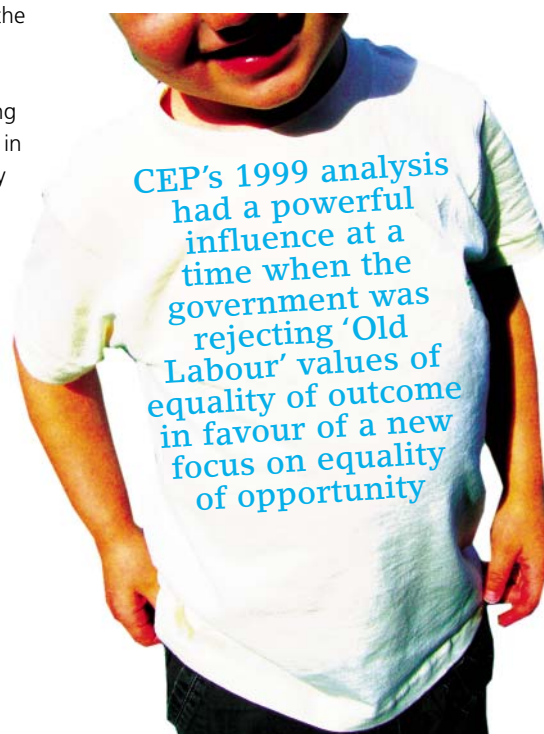
used the Family Expenditure Survey to conduct an extensive analysis of the time-patterns of child poverty in the UK. Unsurprisingly, given our knowledge of what happened to the wage distribution over this period, the child poverty rate had risen sharply in the 1980s.

The second part of the study showed how strongly family background influenced children's development and later outcomes. This reinforced the message from the intergenerational mobility analysis that experiencing low income in childhood could have a profound impact on later achievement.

The Gregg et al (1999) analysis had a powerful influence on future policy-makers. At the time, the New Labour government was finding its new policy agenda, rejecting the 'Old Labour' values of equality of outcome in favour of a new focus on equality of opportunity.

The message from CEP research at the turn of the century was that intergenerational persistence in the UK was substantial and that high rates of child poverty painted a bleak picture for the future of British children. It seemed natural to put these two facts together to ask a new research question: how had the influence of parental background changed as the rates of child poverty increased?

With the release of reliable earnings data from the 1970 British birth cohort in 2000, a comparison of intergenerational mobility over time in the UK became possible, comparing the 1970 cohort with their counterparts born in 1958. Research on these two cohorts measured the association between the income of parents (when their children were aged 16) and the earnings of children in their



early thirties. The association was found to be stronger for the later cohort growing up in the 1980s than for the first cohort who grew up in the 1970s.

The message from these data was that the rise in inequality and child poverty had coincided with a fall in social mobility. This study was published in 2004 in a book edited by Canadian economist Miles Corak.

The finding that mobility had declined was well-timed, with initial versions of the findings (presented to the Royal Economic Society at Warwick in 2002) attracting widespread media attention. This interest peaked in 2005 when the findings were presented as a summary report for the Sutton Trust.

The tendency of the media at the time was to sum up the research with the headline 'Social mobility in the UK is falling'. While convenient for newspaper editors, this was actually misleading, implying that the fall observed over the 12-year period in question continued over the following 20 years. Researchers will not be able to evaluate this properly for another couple of decades, although a recent follow-up study by Blanden and Machin (2008) suggests that the degree of mobility is unlikely to change between the cohorts born in 1970 and 2000. There is certainly no evidence at this stage of the situation continuing to deteriorate.

Hot on the heels of the finding that intergenerational mobility had declined came the search for insights into why this had happened. Work by Jo Blanden, Lindsey Macmillan and Paul Gregg sought to discover more about this, using a framework that considered the relationship between parental income

and children's earnings developing out of a two-stage process.

First, parental income relates to children's characteristics, that is, those with better off parents have more education; and second, these characteristics are rewarded in the labour market, that is, those with a better education earn more. Using the rich data in the British cohorts, the study found that the great majority of the increase in intergenerational persistence could be accounted for the strengthening of the relationship between parental income and children's performance throughout the education system.

The results discussed above are all based on relative income mobility; this is certainly not the only measure of 'social mobility'. There is a long history in the UK of measuring social mobility by observing changes in social class within dynasties. Social class has tended to be measured by fairly large groupings of occupations (say seven); as with the transition matrix approach this may obscure substantial amounts of mobility within classes.

Another issue is that there is clear change in the social class structure over time due to old occupations dying out and new ones emerging. This means that social class analysis can explore two dimensions of social mobility. First, absolute mobility considers the question

'are individuals in better class occupations than their parents?' Second, relative mobility is about the extent to which there are movements between classes that are not driven by the overall changes in the class structure.

The sociologist John Goldthorpe (of Nuffield College, Oxford) and co-authors have been tracing the progress of social class mobility in the UK and the rest of Europe for several decades, in general emphasising similarity across nations and stability within them. Investigations by Goldthorpe and Jackson (2007) and Erikson and Goldthorpe (2008) of changes in mobility using the 1958 and 1970 cohorts demonstrate that there has been no change in relative mobility when social class is used as the outcome measure.

The difference in results between the sociological and economic approaches has led to a lively and productive debate, with the sociologists asserting that the differences are due to weaknesses in the measurement of family income in the cohort studies. Using a number of approaches, Blanden et al (2008) demonstrate that measurement error is not the issue. Instead, they explain the results in terms of the large inequalities in family income that are found within the broad social class groupings used by sociologists; in light of these, there is no reason to suppose that the two methodologies should find similar results.

The dialogue between sociologists and economists has certainly helped to sharpen the policy debate on mobility. Many political speeches have made reference to 'social mobility' without a clear conception whether they are referring to absolute or relative mobility,



and mobility measured by income or social class. With contributions from both sociologists and economists, the recent Cabinet Office discussion paper 'Getting On, Getting Ahead' has helped to clarify the meaning of social mobility and has therefore set the scene for more transparent policy-making in the White Paper on social mobility.

In June 2008, a number of CEP researchers (both past and present) attended the Sutton Trust and Carnegie Foundation's trans-Atlantic summit on social mobility in New York, an event star-studded with top academics and policy-makers.

Jo Blanden gave the opening contribution, which compared the levels of mobility across countries using a variety of methodologies, emphasising what can be learned from taking a multidisciplinary approach, and demonstrating the correlation between low levels of mobility and high levels of income inequality. Sandra McNally discussed the contribution that schools policy could make to promoting mobility, and Stephen Machin appeared on the policy roundtable alongside cabinet minister Ed Miliband.

The New York summit was followed by a one-day conference at CEP, which presented some of the cutting-edge work on intergenerational mobility currently being carried out in Europe. Again, there was a strong policy focus to proceedings. More information about the discussion can be found in the previous issue of *CentrePiece*.

In conclusion, there has been a justified focus on the finding that intergenerational mobility fell in the UK between the 1958 and 1970 cohorts.

But this is not the only contribution made by CEP researchers to our understanding of social mobility.

Indeed, CEP contributions predate this, with our researchers being among the first to document the strong association between family background and later achievements in the context of the UK's high child poverty rates. CEP contributions have also moved the debate past the fall in mobility, to investigate 'what happened next', and to consider the relationship between different measures of mobility and what these might mean for policy.

It is also clear that the research on intergenerational mobility discussed here relates closely to the work on cross-sectional inequality reviewed in the previous issue of *CentrePiece*. Our interest in intergenerational mobility is in part encouraged by the recognition of the UK's high inequality levels and exceptional child poverty rates.

More recent work has attempted to understand more about the link between inequality and mobility, both in terms of how inequality may influence different measures of social mobility, and more profoundly whether greater inequality in a nation leads directly to less social mobility.



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## Further reading

Jo Blanden (2008) 'How Much Can We Learn from International Comparisons of Social Mobility?', invited paper written for the Sutton Trust summit on social mobility.

Jo Blanden, Alissa Goodman, Paul Gregg and Stephen Machin (2004) 'Changes in Intergenerational Mobility in Britain', in Miles Corak (ed.) *Generational Income Mobility in North America and Europe*, Cambridge University Press.

Jo Blanden, Paul Gregg and Lindsey Macmillan (2007) 'Accounting for Intergenerational Income Persistence: Non-cognitive Skills, Ability and Education', *Economic Journal* 117: C43-60.

Jo Blanden, Paul Gregg and Lindsey Macmillan (2008) 'Intergenerational Persistence in Income and Social Class: The Impact of Within-class Inequality', mimeo.

Jo Blanden and Stephen Machin (2008) 'Up and Down the Generational Income Ladder in Britain: Past Changes and Future Prospects', *National Institute Economic Review* 205: 101-17.

Lorraine Dearden, Stephen Machin and Howard Reed (1997) 'Intergenerational Mobility in Britain', *Economic Journal* 107: 47-64.

Robert Erikson and John Goldthorpe (2008) 'Income and Class Mobility between Generations in Great Britain: The Problem of Divergent Findings from the Data-sets of Birth Cohort Studies', mimeo.

John Goldthorpe and Michelle Jackson (2007) 'Intergenerational Class Mobility in Contemporary Britain: Political Concerns and Empirical Findings', *British Journal of Sociology* 58: 526-46.

Paul Gregg, Susan Harkness and Stephen Machin (1999) 'Poor Kids: Trends in Child Poverty 1968-1996', *Fiscal Studies* 20(2): 163-87.

Paul Gregg and Stephen Machin (2000) 'Childhood Disadvantage and Success and Failure in the Labour Market', in David Blanchflower and Richard Freeman (eds) *Youth Employment and Joblessness in Advanced Countries*, University of Chicago Press.