

# 75th Anniversary Discussion Paper: Socio-Economic Background

## Defining socio-economic background

Socio-economic background is often used as a measure for social mobility. Yet the two terms can be difficult to define due to the wide variety of factors that can influence the outcomes of different individuals.<sup>1</sup> Whilst socio-economic background refers to the set of social and economic circumstances that an individual has come from, social mobility refers to what someone's income and occupation is in comparison to their parents or peers. The terms are linked and social mobility is often used as a way of describing the opportunities that enable individuals from lower socio-economic backgrounds to become more economically successful.<sup>2</sup>

When explaining how to measure socio-economic background the Social Mobility Commission looks at elements such as parental occupation and education.<sup>3</sup> However, the Commission has also acknowledged the important role that region can play, stating that there is a “true postcode lottery” and that “education alone cannot solve these complex issues”.<sup>4</sup> In addition, there is the interaction between socio-economic background and other characteristics such as ethnicity, gender and disability. For example, around half of those from Bangladeshi and Pakistani backgrounds live in low-income households compared to less than 20% of those from a White British background.<sup>5</sup>

We are interested in this topic because we know that socio-economic background is a characteristic which can influence inequalities in the workplace as well as in wider society.

## Socio-economic inequalities in the UK

When looking at international comparisons, the UK performs poorly on measures of social mobility.<sup>6</sup> This is partly driven by poor scores on educational quality and equity, and fair wages, although the UK does have greater access to work opportunities which can be important in driving upward mobility thereby enabling people to access higher-paid, higher-skilled jobs. For example, more people in the UK were working in professional and managerial occupations in 2020 compared to 2012.<sup>7</sup>

However, the way in which these jobs are distributed is unequal. Research shows:<sup>8</sup>

<sup>1</sup> For example, see [Policy Exchange](#) (2021), Rethinking Social Mobility for the Levelling Up Era, p.8

<sup>2</sup> [Social Mobility Commission](#) (2021), Apprenticeships That Work For All

<sup>3</sup> [Social Mobility Commission](#) (2021a): measurement

<sup>4</sup> [Social Mobility Commission](#) (2021b), State of the Nation 2021, p.ix

<sup>5</sup> [Gov.uk](#) figures cited in [Youth Futures Foundation](#) (2021), The Effectiveness of Interventions to Increase Youth Employment

<sup>6</sup> [World Economic Forum](#) (2020), Social Mobility Index

<sup>7</sup> Social Mobility Commission (2021b), op. cit

<sup>8</sup> Ibid.

- Despite some progress, someone from a professional background<sup>9</sup> is over 60% more likely to be in a professional role than an individual from a lower socio-economic background.
- Even when those from lower socio-economic backgrounds do enter a professional occupation there is a clear pay and progression gap. For example, in 2019 those from professional backgrounds in professional jobs earned 18% (£6,000) more per year than those from lower socio-economic backgrounds.

CMI analysis shows:<sup>10</sup>

- Those from low socio-economic backgrounds are underrepresented in management roles.
  - 45% of the UK Working Population is from a high socio-economic<sup>11</sup> background compared with 10% from medium socio-economic background<sup>12</sup> and 45% from low socio-economic background<sup>13</sup>.
  - Amongst those in management roles, 53% come from a high socio-economic background, compared to 38% from a low socio-economic background.
- The proportion of those from different socio-economic backgrounds in the working population varies widely between regions.
  - Within London, 55% of the working population are from high socio-economic backgrounds with 33% from low socio-economic backgrounds.
  - The reverse is seen in the North East with just 35% from high socio-economic backgrounds and 55% from low socio-economic backgrounds.
- Analysis suggests opportunities for progression also differ between regions.
  - There are more senior management roles in and around London and the South East compared to UK Working Population averages, whilst there are fewer in the North, particularly in senior management positions.<sup>14</sup>

## The pandemic and Brexit

Lessons from previous crises suggest that the pandemic is likely to have a negative impact on the recruitment and progression of those from low socio-economic groups. Analysis of previous recessions shows that it is those with the lowest level of qualifications, who are more likely to be from

<sup>9</sup> According to the [Social Mobility Commission](#), p.6: Individuals whose parents were in the category 'advantaged', 'privileged', 'professional' or 'high socio-economic background'. Examples include: CEOs, senior police officers, doctors, journalists, barristers etc

<sup>10</sup> CMI analysis of the Labour Force Survey (LFS) Jul-Sep 2020. Our approach combines, at high level, the LFS SMSOC101 categories as closely as possible to National Statistics Socio-economic classification (NS-SEC) class groupings used by the Social Mobility Commission (SMC) in their Socio Economic Background categorisation (SEB). The SMC's SEB categorisation considers a number of variables in its classification assignment which are unavailable in the publicly available LFS data. Details of the SMC's measure of SEB can be found here:

[https://socialmobilityworks.org/wp-content/uploads/2021/05/Summary-report-on-measurement-changes\\_FINAL-Updated-May-2021.pdf](https://socialmobilityworks.org/wp-content/uploads/2021/05/Summary-report-on-measurement-changes_FINAL-Updated-May-2021.pdf)

<sup>11</sup> High socio-economic background defined as those, when aged 14 had parents in the following occupations: Managers, Directors And Senior Officials, Professional Occupations, Associate Professional And Technical Occupations

<sup>12</sup> Medium socio-economic background defined as those, when aged 14 had parents in the following occupations: Administrative And Secretarial Occupations, Caring, Leisure And Other Service Occupation

<sup>13</sup> Low socio-economic background defined as those, when aged 14 had parents in the following occupations: Sales And Customer Service Occupations, Process, Plant And Machine Operatives, Elementary Occupations, Skilled Trades Occupations

<sup>14</sup> CMI analysis of the Labour Force Survey Jan-Mar 2021

lower socio-economic backgrounds, that are disproportionately affected. For example, research shows that during the current pandemic:<sup>15</sup>

- Young people from more privileged backgrounds have disproportionately taken up or stayed in education, whilst many others are likely to be missing out on valuable work experience and education.
- Those young people who are missing out on education and employment opportunities may experience 'scarring' effects over the long-term which could affect their pay and progression in the workplace.<sup>16</sup>

Over the past year, research on labour shortages shows that there has been an increase in hard-to-fill vacancies such as nurses, drivers and machine operatives. The pandemic and Brexit are likely to have had an impact, but, as findings are broadly consistent with pre-pandemic levels apart from in hospitality, the arts and recreation, this implies that the majority of shortages are structural.<sup>17</sup> If employers start to address these shortages through investing in training, will this help with supporting those who have missed out on employment and education opportunities due to the pandemic? And what knock-on effects will this have for social mobility?

## Education

As mentioned above, education and training can play an important role in improving social mobility. But despite a high proportion of young people going to university, there remains a large share of young adults not at university with low basic skills<sup>18</sup> and few with high-level vocational skills, with a large gap in educational achievement between different socio-economic groups.<sup>19</sup> Vocational education can be an important tool in boosting opportunities, particularly as those from lower socio-economic backgrounds are more likely to pursue it. However, when it comes to apprenticeships those from lower socio-economic backgrounds are also less likely to undertake an advanced apprenticeship.<sup>20</sup>

Analysis has found that there is a 'vicious' circle of learning for adults. Those with low or no qualifications and from lower socio-economic backgrounds are less likely to have been, or to become involved in, training. Furthermore, in the UK investment in skills by employers and the government is low by international standards.<sup>21</sup>

Research also shows that higher education is associated with greater geographical mobility. For example, graduates who move tend to locate in London or other affluent cities, away from more deprived areas. However, for those from lower socio-economic backgrounds and ethnic minority backgrounds the effect of higher education on mobility is much weaker.<sup>22</sup> This suggests that to tackle geographical barriers to social mobility employers and the government need to look at alternative routes to progression for under-represented groups such as through school-leaver programmes and widening access to apprenticeships.

## Public Policy

In an attempt to focus activity towards socio-economic inequalities the government has announced

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<sup>15</sup> Social Mobility Commission (2021b), op. cit

<sup>16</sup> [Resolution Foundation](#) (2021), Uneven Steps

<sup>17</sup> [CIPD](#) (2021), Addressing Skills and Labour Shortages Post-Brexit

<sup>18</sup> For example, see [OECD](#) (2016), Building Skills for All: a review of England

<sup>19</sup> [IFS](#) (2021), Inequalities in Education, Skills, and Incomes in the UK: the implications of the Covid-19 pandemic

<sup>20</sup> Ibid.

<sup>21</sup> [Social Mobility Commission \(2019\)](#), The Adult Skills Gap: is falling investment in UK adults stalling social mobility?

<sup>22</sup> [DfE and IFS](#) (2021), London Calling? Higher education, geographical mobility and early-career earnings

they would go “beyond the narrow focus on protected characteristics” and look at tackling socio-economic and geographic disparities by “levelling up opportunity”. Alongside this they announced that sponsorship of the Social Mobility Commission would be moving to the Equality Hub. This received a mixed response, with some welcoming a move to bring social mobility and socio-economic background into the broader equalities framework, while others criticising the tone of the announcement as divisive. The Equality Hub has also been criticised for lacking structure, transparency and accountability.<sup>23</sup>

The government’s levelling up strategy suggests that tackling socio-economic and regional inequalities will be a key pillar of activity. However, it has been argued that the levelling up agenda lacks clarity as it is unclear whether they are targeting inequalities between people or places.<sup>24</sup> It remains to be seen whether this will become clearer when the government publishes its Levelling Up White Paper.

## CMI Insights

CMI has been carrying out research into the issues around socio-economic background at work as part of our [75th anniversary project](#). Initial findings<sup>25</sup> reveal very little awareness of specific interventions to improve socio-economic diversity in the workplace. There is an assumption that socio-economic diversity can be achieved through general approaches towards promoting diversity and inclusion. Where initiatives were reported, there was little mention of data gathering or measuring impact.

Indeed, only 3% of respondents said their organisation did all four of the following:

- Captured socio-economic background data during recruitment
- Had a clear strategy and plan to improve social mobility within the profession
- Had a clear strategy and plan to improve social mobility in the local area
- Published an action plan to address average pay disparities across socio-economic backgrounds.

Over a quarter of respondents believe that socio-economic background is a **barrier to being recruited** into senior leadership and entry level roles (28% reporting this for both levels). To address these barriers, managers reported using recruitment initiatives such as anonymising socio-economic background and educational institutions in the application process. Other initiatives were reported such as partnering with schools, colleges and universities, but to a lesser extent.

Schemes that could help to boost recruitment of those from lower socio-economic backgrounds are not well utilised: only 3% of respondents to our survey said their organisation used Restart, 14% used Kickstart and 18% used traineeships. Furthermore, 45% report their organisation uses graduate schemes, compared to just 14% who had schemes specifically targeted at school leavers.

Findings also show that 33% of respondents thought socio-economic background was a **barrier to progression** at executive level and 31% at middle management level. Initiatives to support those from lower socio-economic backgrounds to progress in the workplace were often mentioned as part of a general approach to diversity and inclusion. Whilst 9 in 10 (87%) of respondents did not know or

<sup>23</sup> CAPX cited in [Women and Equalities Committee](#) (2021), Levelling Up and Equality: a new framework for change

<sup>24</sup> [IfG](#) (2021), Levelling Up: five questions about what the government means by the phrase

<sup>25</sup> A Manager’s Voice poll conducted between 5th and 19th November, a total of 1,162 UK based respondents took part including 545 substantial qualitative responses. Findings are for UK based respondents only for this discussion paper, however evidence was also collected internationally.

thought their organisation did not offer training to employees from lower socio-economic backgrounds which could support them to progress.

## Some of the Solutions

### Actions for employers

A joint report from The Sutton Trust and Social Mobility Commission identified a range of actions that employers should be taking to help boost socio-economic diversity in their organisation. These include:<sup>26</sup>

- **Improving data.** Employers should collect and monitor data on the socio-economic background of employees in the same way as gender or ethnicity, following [government guidance](#). This can then be analysed to look at barriers to progression. For example, employers can build a picture of class pay gaps and differences in retention and promotion rates. When collecting data employers need to clearly explain why they are collecting it, what they are collecting and how it will be used so that employees feel confident in disclosing this information.
- **Formalising recruitment and promotion practices.** These need to be open and transparent. For example, many internships are not advertised and are instead offered through informal networks. Employers also need to look at other routes into their profession, for instance using apprenticeships, which could open opportunities to a wider talent pool.
- **Offering mentoring and sponsorship.** Particularly to those from under-represented groups. CMI has previously highlighted the benefits of mentoring and sponsorship for gender and we believe there are lessons that can be applied to supporting those from different socio-economic backgrounds.<sup>27</sup>
- **Sharing best practice.** For example, large organisations such as the Civil Service and BBC already collect socio-economic data. Whilst KPMG have looked at ways to tackle barriers to progression, such as how projects are allocated and ensuring processes are not informally bypassed.

Three years on from this report, progress seems limited. CMI's recent survey found that organisations are taking few steps to tackle socio-economic disparities and that there are low levels of awareness around how their organisation supports individuals to be socially mobile. Over two thirds (68%) of respondents did not know - or thought their organisation was taking no action - to improve social mobility<sup>28</sup> and 70% of managers report that their organisation either does not collect socio-economic data or they do not know if their organisation collects this data.<sup>29</sup>

We know that managers and leaders play an important role in improving opportunities in the workplace: in building a culture of progression<sup>30</sup> and in supporting low skilled workers<sup>31</sup> - including young people - into work and to progress once there.<sup>32</sup> Implementing a talent management strategy and making use of apprenticeships and coaching are a few of the interventions that can drive progress.

<sup>26</sup> [The Sutton Trust and Social Mobility Commission](#) (2019), Elitist Britain

<sup>27</sup> [CMI, 30% Club and Russell Reynolds Associates](#) (2019), Sponsoring Women's Success

<sup>28</sup> CMI survey of 1,162 UK based respondents conducted between 5th and 19th November 2021

<sup>29</sup> CMI Manager's Voice Poll of 1,015 managers conducted between 6th and 16th August 2021

<sup>30</sup> Social Mobility Commission (2021b), op. cit.

<sup>31</sup> We realise that 'low skilled worker' does not necessarily equate to low socio-economic background but there is often overlap between the two

<sup>32</sup> [CMI and L&WI](#) (2021), Building Strong Foundations

New ways of working, such as hybrid or remote working, may be able to remove some geographical barriers to employment opportunities that may hold back those from lower socio-economic backgrounds. But there are also challenges that managers and leaders need to be aware of. For example, access to technology may be particularly difficult for those from lower socio-economic groups and managers need to consider how those from under-represented groups will get access to opportunities such as networking, stretch projects, training and development or representing the organisation at external events. CMI's joint report with The Work Foundation recommends that managers need to consult and engage with staff to find an approach that works.<sup>33</sup>

What about roles which cannot be done remotely?

The Social Mobility Commission has argued that where possible, employers should move apprenticeships into social mobility 'coldspots'.<sup>34</sup> This may work for larger national employers, but what about small employers that are based in one location?

## The role of government

Arguably, the government has an "oven-ready" solution to addressing socio-economic inequalities through section 1 of the Equality Act 2010, called the "socio-economic duty". When making strategic decisions, public authorities are required to exercise them "in a way that is designed to reduce inequalities of outcome which result from socio-economic disadvantage".<sup>35</sup> This could enable the public sector to set an example to other organisations and share best practice.

However, research has found mixed views on the effectiveness of the duty and in practice this duty has only been enacted in some parts of the UK: it has been adopted by Scotland, Wales and some English local authorities, with mixed evidence on its effectiveness.<sup>36</sup> Since 2010 the UK government has been opposed to framing the duty in terms of equality of outcome, rather than equality of opportunity.<sup>37</sup>

Is stronger legislative change needed to drive progress? For example, should the government encourage or enforce organisations to collect socio-economic data? If so, what data should be collected and how should the government support employers to collect this?

**There is more room for progress - what have we missed? Share your views by visiting <https://www.managers.org.uk/campaigns/75th-anniversary/>**

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<sup>33</sup> [CMI and Work Foundation \(2021\)](#), Making Hybrid Inclusive - A Guide for Employers

<sup>34</sup> [Social Mobility Commission \(2021\)](#), Apprenticeships That Work For All

<sup>35</sup> Women and Equalities Committee (2021), op. cit.

<sup>36</sup> The Sutton Trust and Social Mobility Commission (2019), op. cit. p.90  
Also see Women and Equalities Committee (2021), op. cit. p.12

<sup>37</sup> Women and Equalities Committee (2021), op. cit.