

DEMOS

THE OPPORTUNITY EFFECT

HOW SOCIAL MOBILITY CAN
HELP DRIVE BUSINESS AND THE
ECONOMY FORWARD

BILLY HUBAND-THOMPSON

OCTOBER 2024

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Billy Huband-Thompson

October 2024

ABOUT THIS REPORT

This report is part of our **Citizen Economy** pillar of work at Demos. This pillar looks at how to align the interests of citizens and the economy.

We need to embed a 'citizen' mindset in all the institutions in our economy, putting our shared interests at the heart of decision making. Business, the state, regulators and markets will all need to be reformed to focus beyond their self-interest and to consider the wider needs of our society and economy. This is how we build a Citizen Economy.

As part of this pillar, we are looking at how we can improve the support given to citizens so that everyone, regardless of background or characteristics, can access good, meaningful work. Tackling barriers to employment and progression are a key part of this work and vital in ensuring that we create an economy where everyone contributes to a prosperous, shared future.

This report makes the business case for social mobility - looking at what businesses stand to gain from introducing strategies and practices that promote social mobility in their workforce, and what widespread adoption could mean for productivity and economic growth.

FOREWORD

BY SHIRINE KHOURY-HAQ



Our Co-op wholeheartedly supports Demos in producing this report – The Opportunity Effect – which takes a fresh approach to social mobility by exploring the economic benefits of better social mobility practices. We want the findings of this report to inspire business leaders across the country, to make small changes to boost social mobility in the workplace. And that’s not only because it is the right thing to do, but because it makes economic sense.

Too often our life chances are defined by our backgrounds – by gender, ethnicity, disability, or socio-economic background. It cannot be right that those from less privileged backgrounds are almost twice as likely to end up in lower paying jobs than others from more privileged backgrounds.

We’re proud of the work our Co-op already does to create greater equity, both inside and outside of our business, and how we co-operate with others who share our vision of a fairer society. But we know that to drive the change we want to see, we must lead by example.

This is why, as an organisation, we are looking inwardly to understand how we can improve social mobility across our businesses. In 2023, we published research in partnership with the charity Making the Leap to better understand social mobility, inclusion and belonging for colleagues at our Co-op. This led us to publish our own socioeconomic pay gap report earlier this year – a first for a UK retailer. The Opportunity Effect builds on the work we have already done and marks a key milestone in our campaign to promote social mobility.

To make progress, we need the business community to be on board and to be supported by a favourable policy environment. Through this research, we want to demonstrate that breaking down barriers to opportunity can have a positive impact on the UK’s economy. By encouraging better workplace social mobility, we can enable people to reach their potential, develop a wider talent pool for businesses and diversify the workplace. Not only will this create better opportunities for all, but it will have a much-needed positive impact on productivity, and lead to a favourable commercial environment.

Although this research focuses on the small changes the business community can make to improve socioeconomic outcomes, the supportive policy measures outlined here will act as an enabling force for change. We know the Government is committed to ensuring that people can succeed no matter what their background, with plans to activate the public sector socioeconomic duty in the Equalities Act 2010. We welcome this positive step, and we encourage the UK Government, together with other businesses, to take learnings from our approach and go further. Direct action must be taken on the unfairness that workers can face – this will drive true systemic change when it comes to the composition of socioeconomic backgrounds across the workplace.

Shirine Khoury-Haq, Co-operative Group CEO

EXECUTIVE SUMMARY

This report makes the business case for social mobility. While there has been growing interest in the importance of Diversity, Equity and Inclusion (DEI), socio-economic status is too often overlooked in this work. Through surveys of employers, employees, and consumers, this report reveals a demonstrable appetite for the business promotion of social mobility. Moreover, in combining original survey data with secondary evidence and interview insights from business leaders, it lays out the various ways in which businesses can promote social mobility and the benefits this can bring to employers, employees, and their communities. This includes a wider talent pool, a better skilled workforce, and reputational gains resulting in a 'Social Mobility Premium', alongside other business benefits.

Using regression analysis of original business survey data, the report presents what we call 'The Opportunity Effect' - the substantial boost that social mobility can give to business outcomes, with substantial benefits to economic output and tax revenue. At the upper end of our estimate, we find that the economic impact of all businesses investing significantly in the promotion of social mobility in their workforce could be up to **£19 billion to GDP, generating around £6.8 billion in yearly tax revenues and boosting profits by over £1.8bn a year.**

The economic impact of all businesses investing significantly in the promotion of social mobility in their workforce could be up to **£19 billion to GDP, generating around £6.8 billion in yearly tax revenues and boosting profits by over £1.8bn a year.**

Promoting social mobility is an obvious element of the Labour government's mission to "break down barriers to opportunity". This report makes the case that it is also essential to achieving its number one mission - to "Kickstart economic growth". It is imperative that businesses prioritise the promotion of social mobility and that the government create the conditions that allow them to do so.

Our recommendations to government outline various ways to make this happen:

1. Give the new Skills England body a statutory responsibility to improve outcomes for those from lower socio-economic backgrounds to spread opportunity throughout the country.
2. Create a Better Opportunities Fund, to deliver the government's mission of 'breaking down barriers to opportunities'.
3. Consult on minimum training and skills expenditure per worker for large employers.
4. Introduce a lower rate of business rates for social enterprises and co-operatives to boost social mobility.
5. Ensure that increasing social mobility is considered as part of the social value calculation for government procurement.
6. Consult on expanding pay gap reporting to socio-economic backgrounds as the government expands reporting to ethnic minority and disability pay gaps.
7. Businesses should be encouraged to ask job applicants to voluntarily share information about their socio-economic background, such as their parents' occupation.
8. Create a 'Social Mobility Data Lab' to bring together data and information from across the public sector, business and civil society.

INTRODUCTION

The Labour Party's 2024 manifesto set out 'five missions to rebuild Britain', including missions to 'Kickstart economic growth' and 'Break down barriers to opportunity'.¹ Improving social mobility can help the government achieve both of these missions - allowing citizens to realise their potential and businesses to access a wider talent pool, leading to greater productivity and economic growth. If, as Bridget Phillipson, Secretary of State for Education, has argued, Labour is committed to "building a country where background is no barrier to opportunity", promoting social mobility should be a key priority.²

In discussions about social mobility, we often hear stories of people who, from humble beginnings, were able to climb the social ladder, gaining seats of power and influence; those who, through their education and employment, have taken opportunities to better the lives of themselves and their families. These are stories that capture the public imagination and are used to frame the UK as a meritocracy, in which people's outcomes are linked to their talents and achievements. In practice, however, opportunities are unevenly distributed across the UK and those from certain backgrounds or those growing up in particular contexts are less likely to achieve positive future outcomes than others. People's decisions about their future working lives are complex. They are shaped by friends, family, community, work-life balance, interests, passions, and other considerations that go beyond purely financial compensation. However, in the UK, people's background too often limits the options they have available to them. This then hinders the country's economic performance.

Usually, policy focuses on the role of the state to advance social mobility. Whilst the state has significant resources and scope to advance social mobility, we must not ignore the role that business can play in helping to spread opportunity throughout our society. After all, for most people, their lives are shaped by their work and the decisions made by their employers. The decisions that tens of thousands of businesses take every day have a significant, often hidden, impact on the lives of millions of people. Moreover, as we will outline in this report, boosting social mobility in Britain could help businesses to achieve higher levels of growth and support economic growth. The latter is particularly important as the 'first mission' of the new government.³

In this report, therefore, we explore the role that businesses can play in promoting social mobility in their workforce. In addition, we look to capture the benefits that promoting social mobility may bring to businesses themselves, and to the wider economy.

The business case for social mobility

The Social Mobility Commission (SMC) defines social mobility as "the link between a person's occupation or income and the occupation or income of their parents. Where there is a strong link, there is a lower level of social mobility. Where there is a weak link, there is a higher level of

1 Labour. Mission-driven government. 2024. Available at: <https://labour.org.uk/change/mission-driven-government/>

2 UK Parliament. Education and Opportunity. Volume 752: debated on Wednesday 24th July 2024. Available at: <https://hansard.parliament.uk/commons/2024-07-24/debates/6313FBF9-78FD-46A8-99C4-3E7CE4E0508F/EducationAndOpportunity>

3 Labour. Mission-driven government. 2024. Available at: <https://labour.org.uk/change/mission-driven-government/>

social mobility".⁴ In the UK, those from lower socio-economic backgrounds are far less likely than their counterparts to work in occupations of a higher social status and to earn good incomes, even after accounting for levels of education. This should concern us for several reasons:

- 1. The individual/community case:** fundamentally, everyone, regardless of background, should have access to opportunities that help them realise their potential. At the moment, this is not the case, meaning many people have working lives that are less fulfilling and well-compensated than they could be. Moreover, where we do not make full use of people's talents, we miss potential positive spillover effects that individual outcomes may have on the lives of friends, families and communities.
- 2. The national case:** lower social mobility means many people in the UK are not making full use of their talents and developing their skills, and that job-matching is not as strong as it could be. This acts as a drag on productivity and economic growth - both perennial challenges for the UK economy.

There are clear arguments for promoting social mobility at the individual and the national level. This paper focuses on a third argument - the business case for social mobility.

- 3. The business case:** Greater social mobility among the workforce can help businesses realise the full talent pool available to them and further the motivation and development of employees. Supporting the workforce in this way can boost productivity, innovation and ultimately business performance through higher turnover and growth.

The business case sits at the intersection of the individual/community case and the national case. Inclusive business recruitment practices, for example, may improve employment opportunities outcomes for people from lower socio-economic backgrounds. In addition, access to a wider talent pool may have consequences for business performance and therefore productivity and economic growth.

Initiatives like the Social Mobility Employer Index and the UK Social Mobility Awards speak to a growing appetite among businesses to promote social mobility.^{5,6} Many of the businesses already championing social mobility will recognise the business benefits of promoting social mobility, while others will be motivated by the individual/community case and national case outlined above. However, our surveys of business leaders and employees suggests that work in this area continues to be patchy and that businesses could play a much greater role in promoting social mobility in their workforce. For this to happen, businesses need to recognise the potential business benefits of taking steps to promote social mobility. In addition, the government needs to build a policy environment that supports and incentivises businesses to take steps to promote social mobility. This would then lead to significant benefits to individuals, communities, business, and the wider economy.

Findings and recommendations

In this paper, we offer a new contribution to the business case for social mobility. Through surveys of business leaders, employees, and members of the public, and a series of business leader interviews, we outline the benefits that efforts to improve workforce social mobility can bring to employers, employees, and their communities. This includes a wider talent pool, a better skilled workforce, and reputational benefits resulting in a 'Social Mobility Premium', alongside other business benefits.

Using regression analysis of original business survey data, the report outlines what we are calling 'The Opportunity Effect' - the substantial boost that social mobility can give to business outcomes, with great benefits to economic output and tax revenue.

4 Social Mobility Commission. What is social mobility? <https://socialmobility.independent-commission.uk/our-work/what-is-social-mobility/>

5 Social Market Foundation. The Social Mobility Employer Index. Available at: <https://www.socialmobility.org.uk/employerindex>

6 UK Social Mobility Awards. UK Social Mobility Awards. Available at: <https://www.somo.uk/>

SOCIAL MOBILITY

WHAT IS IT? WHY DOES IT MATTER?

DEFINING SOCIAL MOBILITY

This section defines 'social mobility' for the purposes of this report, explains why social mobility matters for productivity and growth, and details the current state of social mobility in the UK. It then explores the various disparities in opportunity that hinder social mobility in the UK, including place-based and intersectional inequalities.

Income and occupational social mobility

Social mobility broadly refers to the relationship between the socio-economic situation an individual was born into and their future life outcomes. In a society with high levels of social mobility, a person's background would have limited predictive power in terms of life outcomes. This report takes the Social Mobility Commission (SMC) website's definition of social mobility as "the link between a person's occupation or income and the occupation or income of their parents".⁷

We recognise the importance of acknowledging wider 'life outcomes' (such as housing mobility) in debates about social mobility. Indeed, the SMC's State of the Nation 2023 report acknowledges a wider view of "intergenerational social mobility – the difference between your life outcomes and those of your parents" (p. 17).⁸ Such wider conceptions can then attend to various forms of mobility, such as occupation, income, education and housing, among others. However, given our focus on the role that businesses can play in promoting social mobility, we have adopted a narrower definition that reflects the areas in which businesses can exert most influence - income and occupation. This report can then be viewed as one aspect of a wider policy interest in social mobility.

⁷ Social Mobility Commission. What is social mobility? Available at: <https://socialmobility.independent-commission.uk/our-work/what-is-social-mobility/>

⁸ Social Mobility Commission. State of the Nation 2023. 2023. Available at: <https://assets.publishing.service.gov.uk/media/64f853399ee0f2000fb7bf80/state-of-the-nation-2023.pdf>

Understanding occupational and income mobility

The Social Mobility Commission's (SMC) website defines social mobility as "the link between a person's occupation or income and the occupation or income of their parents. Where there is a strong link, there is a lower level of social mobility. Where there is a weak link, there is a higher level of social mobility".⁹ The SMC draws on The National Statistics Socio-Economic Classification (NS-SEC) to divide jobs into five categories, including higher professional, lower professional, intermediate, higher working class, and lower working class occupations.^{10,11} The SMC also makes a distinction here between occupational and income mobility. Some jobs, like a speech and language therapist, require extensive higher qualifications and training but will be paid less than other manual occupations that are seen as 'working class' occupations in the classification.

Absolute vs relative social mobility

There is a distinction between absolute and relative social mobility. Absolute mobility considers the proportion of people whose outcomes are different to their parents, whereas relative mobility considers different starting points, such as the movement of those from lower socio-economic backgrounds relative to other groups.¹²

A note on class and socio-economic background: In this report, we generally refer to socio-economic background or status and the social grade classifications made in the National Readership Survey (NRS).¹³ However, we also cite a range of secondary literature that instead refers to class. While researchers may discuss class in relation to the NRS, class can also refer to more subjective questions about class identity, which are beyond the scope of this report.

9 Social Mobility Commission. What is Social Mobility? Available at: <https://www.gov.uk/government/organisations/social-mobility-commission/about>

10 Social Mobility Commission. State of the Nation 2023. 2023. Available at: <https://assets.publishing.service.gov.uk/media/64f853399ee0f2000fb7bf80/state-of-the-nation-2023.pdf>

11 There are eight 'analytic' classes in the NS-SEC, as set by the ONS. In their State of the Nation 2023 report, the SMC group them into five categories.

12 Social Mobility Commission. State of the Nation 2023. 2023. Available at: <https://assets.publishing.service.gov.uk/media/64f853399ee0f2000fb7bf80/state-of-the-nation-2023.pdf>

13 National Readership Survey. Social Grade. Available at: <https://nrs.co.uk/nrs-print/lifestyle-and-classification-data/social-grade/>

Different people want different things

Social mobility has, rightly, come under scrutiny for viewing 'upwards' income and occupational mobility as a blunt mark of success or progress, and failing to acknowledge the role that culture, community, family, work-life balance and other priorities may play in shaping people's career trajectories. For instance, an individual may have the knowledge, skills and qualifications to secure a job in a 'higher' social grade profession but prefer their current job, where they feel they are making a positive contribution to their local community. Elsewhere, a person may not be interested in moving into a management position at their existing employer as this would require frequent international travel and time apart from their family.

This being said, we know that there are a significant proportion of those from lower socio-economic backgrounds who would be interested in moving into a better compensated and higher-status profession, have the potential to succeed in such roles but lack the qualifications, capital, and opportunities to do so. As discussed later in this chapter, those from lower socio-economic backgrounds too often face substantial barriers at various stages in their education and their career, which reduce the working opportunities available to them, including those in relatively high status and wage occupations.



WHY SOCIAL MOBILITY MATTERS TO THE UK ECONOMY

Making use of our country's talents

A country's success is profoundly shaped by its ability to make use of the knowledge, skills, talents and aptitudes of its citizens. New ideas, useful innovations, technological advances, artistic movements, scientific discoveries, high-quality infrastructure, strong support systems for the vulnerable - these all rest on our ability to nurture the talents of the population and give people and communities opportunities to thrive. Where people's career pathways are limited by their socio-economic background, job matching is weakened and we miss out on potential gains to both productivity and growth. As well as the individual/community case, there is also a wider, national economic case.

A much-needed boost to productivity and growth

Low growth is a perennial challenge for the UK and this has been driven by weak productivity growth. Where historically, labour productivity grew by around 2% per year, the rate of increase has slowed since the 2008/2009 recession.¹⁴ Since the financial crisis, UK labour productivity has grown at a rate of 0.4% a year - half the rate of the 25 richest OECD economies.¹⁵ In their study

¹⁴ Harari, D. Productivity. House of Commons Library, 2024. Available at: <https://researchbriefings.files.parliament.uk/documents/SN02791/SN02791.pdf>

¹⁵ Shah, K. and Thwaites, G. Minding the (productivity and income) gaps. Resolution Foundation, 2023. Available at: <https://economy2030.resolutionfoundation.org/wp-content/uploads/2023/02/Minding-the-productivity-and-income-gaps.pdf>

of UK labour productivity, Reenan and Yang (2023) note that in 2019, UK's labour productivity was 14% lower than France, 22% lower than Germany, and 30% lower than the US.¹⁶ Weak productivity can also act as a drag on real wage growth in the long run and, as Reenan and Yang (2023) note, it is therefore unsurprising that UK real wages are currently similar to 2005 levels.¹⁷

International evidence suggests countries with more social mobility, such as Sweden, Austria and Denmark, have better job matching and greater productivity.¹⁸ In improving access to opportunity, countries can ensure that people are able to find work that makes best use of their talents. This can then improve their economy's capacity to produce goods and services, generate new ideas, and advance ideas and technologies, which, in turn, drive productivity and long-term growth. There is a strong economic case for social mobility.

A focus on social mobility through more equitable access to education and skills, careers and employment support, better recruitment and more inclusive work practices, could boost UK productivity, which in turn, could have profound economic benefits. In 2010, an impact assessment from The Sutton Trust estimated that low social mobility could cost the UK economy up to £1.3 trillion in lost GDP over the period until 2050.¹⁹ More recently, The Sutton Trust found that a modest increase in social mobility - bringing the UK up to the western Europe average - could be associated with a GDP increase of approximately 2%.²⁰

The relationship between growth and social mobility can be two-way, meaning social mobility can help drive growth but growth can also create opportunities for social mobility. As the Social Mobility Commission²¹ notes, we should ideally look to grow the economy to increase opportunities and see wages rise, with a particular focus on areas that have seen weaker growth. When looking to promote social mobility, Labour's missions to 'Kickstart economic growth' and 'Break down barriers to opportunity'²² are intrinsically linked.

Addressing skills shortages, boosting businesses

A key part of boosting growth is improving job-matching and investing in a skilled workforce. Currently, the UK is the only country in the G7 with a lower working-age employment rate now than in 2019, while the Office for Budget Responsibility (OBR) suggests that the UK's employment rate is forecast to be lower in 2029 than it was in 2019.²³ Too many people are struggling to find good work, while too many businesses are struggling to find skilled workers.

In the 2022 Employer Skills Survey, skill-shortage vacancies accounted for more than a third (36%) of all vacancies, compared to 22% in 2017.²⁴ Meanwhile, employers report that skills gaps are most prevalent in the lowest skill level occupation groups.²⁵ This is not due to a dearth of talent in the UK. Too often, workers lack access to opportunity careers and employment

16 Van Reenan, J. and Yang, X.. Cracking the Productivity Code: An international comparison on UK productivity. Centre for Economic Performance, 2024. Available at: https://cep.lse.ac.uk/pubs/download/special/cepsp41.pdf?_gl=1*1ujoq5b*_ga*MTY3MzEwNjM1OS4xNzE1MzMONjEz*_ga_LWTEVFESYX*MTcxNTMzNDYxNC4xLjAuMTcxNTMzNDYxNy41Ny4wLjA.

17 Van Reenan, J. and Yang, X.. Cracking the Productivity Code: An international comparison on UK productivity. Centre for Economic Performance, 2024. Available at: https://cep.lse.ac.uk/pubs/download/special/cepsp41.pdf?_gl=1*1ujoq5b*_ga*MTY3MzEwNjM1OS4xNzE1MzMONjEz*_ga_LWTEVFESYX*MTcxNTMzNDYxNC4xLjAuMTcxNTMzNDYxNy41Ny4wLjA.

18 Jenkins, H., English, K-L., Hristova, O., Blankertz, A., Pham, V., and Wilson, C. Social Mobility and Economic Success. 2017. Available at: https://suttontrust.com/wp-content/uploads/2020/01/Oxera-report_WEB_FINAL.pdf

19 The Sutton Trust. The Mobility Manifesto. 2010. Available from: https://www.suttontrust.com/wp-content/uploads/2019/12/120100312_mobility_manifesto2010-3.pdf

20 Jenkins, H., English, K-L., Hristova, O., Blankertz, A., Pham, V., and Wilson, C. Social Mobility and Economic Success. 2017. Available at: https://suttontrust.com/wp-content/uploads/2020/01/Oxera-report_WEB_FINAL.pdf

21 Social Mobility Commission. State of the Nation 2023. 2023. Available at: <https://assets.publishing.service.gov.uk/media/64f853399ee0f2000fb7bf80/state-of-the-nation-2023.pdf>

22 Labour. Mission-driven government. 2024. Available at: <https://labour.org.uk/change/mission-driven-government/>

23 Phillips, A. Open Door Policy. Demos, 2024. Available at: <https://demos.co.uk/research/open-door-policy-why-the-new-government-should-introduce-an-employment-advice-guarantee/>

24 Department for Education. Employer Skills Survey: Calendar year 2022. 2023. Available at: <https://explore-education-statistics.service.gov.uk/find-statistics/employer-skills-survey>

25 Bocock, L., Del Pozo Segura, J.M., and Hillary, J. The Skills Imperative 2035. National Foundation for Educational Research, 2024. Available at: <https://www.nfer.ac.uk/publications/rethinking-skills-gaps-and-solutions/>

support, and training, while those from disadvantaged backgrounds face barriers at various moments in their education and careers. In this context, Demos' recent *Open Door Policy* report has called for an Employment Advice Guarantee, which should boost employment and drive higher productivity through improved job-matching.²⁶ More broadly, there is a need to address chronic underinvestment in the UK economy across public and private sectors. Here, investment in workplace training is vital, particularly for those who may previously have faced barriers to education and training.

Alongside the need to improve job-matching and boost skills, we should also consider skills 'perception gaps', where employers may not be recognising or making use of the existing skills of their employees.²⁷ Bocock et al. have found that workers in low skill occupations tend to have the highest average level of skills underutilisation.²⁸ This underutilisation may then act as a drag on employee job satisfaction, retention, and career progression, with consequences for employment rates, productivity and growth.

Overall, greater investment in practices to support social mobility, such as targeted workplace training, could help address some of these challenges, bringing benefits to employees, employers and the wider economy.

The role of the public sector

While this report focuses on the business case for social mobility, it is important to recognise the important role public sector organisations can play in promoting social mobility. In adopting some of the practices outlined in this report, including more effective data collection, more inclusive and equitable recruitment, and greater investment in training, the public sector can help improve access to opportunity and drive social mobility. While many of this report's insights are also applicable to public sector employers, the particular dynamics and policy considerations for promoting social mobility in the public sector are beyond the scope of this report.

In summary, greater social mobility could give the UK economy a much-needed boost to productivity and growth. The next section gives a brief overview of the current state of social mobility in the UK, and the various inequalities in opportunity that exist at different stages of people's education and careers. In addition, it begins to consider the role that businesses may play in addressing these inequalities and promoting social mobility.

THE STATE OF SOCIAL MOBILITY IN THE UK

Opportunities are unevenly distributed across the UK and we lag behind our international competitors in several key areas of social mobility. Moreover, there is a strong link between the occupation and income of people and those of their parents. As discussed in the previous section, this threatens to harm labour productivity and economic growth, and demands urgent address, with businesses having a key role to play.

26 Phillips, A. *Open Door Policy*. Demos, 2024. Available at: <https://demos.co.uk/research/open-door-policy-why-the-new-government-should-introduce-an-employment-advice-guarantee/>

27 Bocock, L., Del Pozo Segura, J.M., and Hillary, J. *The Skills Imperative 2035*. National Foundation for Educational Research, 2024. Available at: <https://www.nfer.ac.uk/publications/rethinking-skills-gaps-and-solutions/>

28 Bocock, L., Del Pozo Segura, J.M., and Hillary, J. *The Skills Imperative 2035*. National Foundation for Educational Research, 2024. Available at: <https://www.nfer.ac.uk/publications/rethinking-skills-gaps-and-solutions/>

The UK's social mobility in international context

As discussed earlier in this report, social mobility is complex and multi-faceted. As The Social Mobility Commission notes, "There is no single trend for social mobility 'overall' because trends differ by outcomes".²⁹ In addition, there are various limitations to existing social mobility indicators, including significant data gaps, which limit analysis and make international comparison challenging. That said, there has been some very useful, innovative research that has enhanced our understanding of social mobility in the UK. For instance, Friedman et al. (2017), used (then) new socio-economic background questions within the UK Labour Force Survey to reveal that 43% of their sample experienced some form of upward mobility while 29% experienced downward movement, with strong, persistent barriers to equality of opportunity.³⁰ Elsewhere, resources like the Social Mobility Commission's Social Mobility Index³¹ have greatly increased our understanding of the current state of social mobility, its drivers, and how socio-economic status intersects with other factors and characteristics.

There are also multi-indicator indexes and rankings that assist with international comparison. The World Economic Forum's (WEF) Global Social Mobility Index 2020³² assessed 82 global economies across various areas, such as Health, Education, Lifelong Learning, and Work Opportunities. At the aggregate level, the UK ranked 21st out of 82 economies. However, there was great variation within its different categories:

- The UK ranked 10th overall for 'Education Access', though high pupil-teacher ratios and other measures led to a ranking of 44th for the 'Education Quality and Equity' pillar
- The UK was 9th under the 'Work Opportunities' pillar but its 'Unemployment among labour force with basic education' ranking was 35th, while it was 36th for workers in vulnerable employment
- The UK ranked 30th for the 'Working Conditions' pillar, with a position of 15th for 'Pay and productivity'.³³

Overall, while there is great variation between pillars and indicators, the WEF index outlines several key areas in which the UK has a long way to go to reduce inequalities in opportunity.

Place-based inequalities in social mobility

Within the UK, there is great geographical variation in levels of social mobility. In its Data Explorer, the Social Mobility Commission uses five composite measures, each of which combine data from three indicators, to explore the state of social mobility in the UK and how this varies across the country.^{34,35} For instance, 'Index of child poverty and disadvantage' combines data on childhood poverty, youth unemployment and parental occupation to make regional observations. These regional comparisons bely simple explanations - for example, the majority of London is in the top quintile for sociocultural advantage but most of London is also in the bottom quintile for childhood poverty and disadvantage.³⁶ The Tool draws on datasets such as

29 Social Mobility Commission. State of the Nation 2023. 2023. Available at: <https://assets.publishing.service.gov.uk/media/64f853399e0f2000fb7bf80/state-of-the-nation-2023.pdf>

30 Friedman, S., Laurison, D., and Macmillan, L.. Social Mobility, the Class Pay Gap and Intergenerational Worklessness: New Insights from The Labour Force Survey. Social Mobility Commission, 2017. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/596945/The_class_pay_gap_and_intergenerational_worklessness.pdf

31 Social Mobility Commission. Overview: the Social Mobility Index. 2023. Available at: <https://www.gov.uk/government/publications/social-mobility-index/overview-the-social-mobility-index#:~:text=The%20Social%20Mobility%20Index%20is,30%20years%20across%20the%20UK.>

32 World Economic Forum. Global Social Mobility Index 2020: why economies benefit from fixing inequality. 2020. Available at: <https://www.weforum.org/publications/global-social-mobility-index-2020-why-economies-benefit-from-fixing-inequality/>

33 World Economic Forum. Global Social Mobility Index 2020: why economies benefit from fixing inequality. 2020. Available at: <https://www.weforum.org/publications/global-social-mobility-index-2020-why-economies-benefit-from-fixing-inequality/>

34 Social Mobility Commission. Social mobility by area. 2024. Available at: https://social-mobility.data.gov.uk/social_mobility_by_area#composite-measures-by-region

35 The Social Mobility Commission emphasise that its statistics are purely descriptive and that as they are based on sample surveys, they are affected by sampling error.

36 Social Mobility Commission. Chapter 4: Drivers of social mobility.2023. Available at: <https://www.gov.uk/government/publications/state-of-the-nation-2023-people-and-places/chapter-4-drivers-of-social-mobility#:~:text=Most%20of%20London%20is%20in%20the%20best%20quintile%20for%20sociocultural%20advantage.&text=Yet%20most%20of%20London%20is,across%20areas%20is%20not%20enough.>

the Labour Force Survey to give more granular insights, which show great regional differences in employment outcomes, for instance.

These place-based disparities in social mobility are borne out in a wealth of other research, where opportunities vary greatly not just between regions and areas but within them.³⁷ In COSMO's *Post-18 opportunities and aspirations* findings, we see that young people in the most urban areas are more likely to report there being good opportunities available to them than those from rural areas,³⁸ while the Youth Opportunity Index reveals how education and employment outcomes vary greatly across England's Local education authorities,³⁹ as well as between and within areas. For instance, Trafford and Knowsley are both in the North West and have rankings of 3rd and 148th (of 150) respectively. Elsewhere, van der Erve et al.⁴⁰ have used the NPD-LEO to demonstrate great geographical disparities in upward mobility between local authorities in England, which again defy easy explanations. Looking at earnings at 28 years-old for families eligible for Free School Meals at 16, they find "no clear urban-rural pattern of mobility for women and men" and there appear to be "stronger and more wide-ranging associations between area characteristics and area mobility for men than women".

Overall, opportunities vary greatly across the country, meaning that too often people's future career prospects are shaped by where they grow up.

An occupation and wage-focused view of social mobility in the UK

As previously outlined, this report takes an occupation and wage-focused view of social mobility. Under this narrower definition, we see that social mobility in the UK appears to have stagnated in recent years,⁴¹ meaning that too often people's future life outcomes are shaped by their socio-economic background.

Lower working-class parents are around three times as likely to be in working-class occupations themselves relative to adults with higher professional parents.⁴² Moreover, the surplus of upward over downward mobility is shrinking, as the growth in professional jobs has slowed.⁴³

As well as different levels of progression into work, relative income mobility has been roughly stable compared with almost 20 years ago,⁴⁴ meaning there has been no weakening of the link between parents' and children's income over this period. In terms of intergenerational income elasticity (IGE) - a measure of how much a child's income depends on that of their parents - the UK performs poorly relative to other developed countries, and social mobility (measured by IGE estimates) is lowest for the poorest and richest households.⁴⁵ Moreover, Social Mobility Foundation notes that "Professionals from working-class backgrounds are being paid less than their more privileged peers in the same occupation, £6,291 – or 12% less – a year".⁴⁶

37 Measures like the Income Deprivation Affecting Children Index (IDACI) and the English Indices of Multiple Deprivation (IMD) speak to a country where people's life circumstances are greatly shaped by where they have been brought up.

38 Yarde, J., Shao, X., Anders, J., Cullinane, Cl., Holt-White, C., Latham, K. and Montacute, R. *Post-18 opportunities and aspirations*. COVID Social Mobility & Opportunities Study, 2023. Available at: <https://cosmostudy.uk/publications/post-18-opportunities-and-aspirations>

39 Learning and Work Institute. *Youth opportunity index*. Available at: <https://learningandwork.org.uk/what-we-do/social-justice-inclusion/youth-commission/youth-opportunity-index/>

40 van der Erve, L., Skrutikova, S., Macmillan, L. and Sturrock, D. *Intergenerational mobility in the UK*. IFS Deaton Review of Inequalities, 2023. Available at: <https://ifs.org.uk/inequality/wp-content/uploads/2023/09/Intergenerational-mobility-in-the-UK.pdf>

41 Jenkins, H., English, K-L., Hristova, O., Blankertz, A., Pham, V., and Wilson, C. *Social Mobility and Economic Success*. 2017. Available at: https://suttontrust.com/wp-content/uploads/2020/01/Oxera-report_WEB_FINAL.pdf

42 Social Mobility Commission. *State of the Nation 2023*. 2023. Available at: <https://assets.publishing.service.gov.uk/media/64f853399ee0f2000fb7bf80/state-of-the-nation-2023.pdf>

43 Social Mobility Commission. *State of the Nation 2023*. 2023. Available at: <https://assets.publishing.service.gov.uk/media/64f853399ee0f2000fb7bf80/state-of-the-nation-2023.pdf>

44 Social Mobility Commission. *State of the Nation 2023*. 2023. Available at: <https://assets.publishing.service.gov.uk/media/64f853399ee0f2000fb7bf80/state-of-the-nation-2023.pdf>

45 Bell, S., Ball, S., Quadri, I., Oppenheimer, P., Paytavin, L., Jaisson, G., and Graziani, F. *The Bigger Picture: UK Social Mobility - A Tough Climb*. Goldman Sachs, 2022. Available at: <https://www.gspublishing.com/content/research/en/reports/2022/02/24/c9116edf-3ff1-4ec3-a459-bf9889763b0b.html>

46 Social Mobility Foundation. *The Class Pay Gap 2023*. 2023. Available at: <https://www.socialmobility.org.uk/campaign/the-class-pay-gap-2023>

Social mobility varies by sector: The Sutton Trust's *Bridging the Gap* report

Levels of social mobility also vary greatly by profession and sector. In the engineering sector, The Sutton Trust and The Bridge Group has documented how a split between those taking vocational and academic routes has created a 'two-tier' system aligning with socio-economic divides.⁴⁷ That said, socio-economic diversity is greater in the engineering sector than in several other sectors and part of this may be attributed to a greater spread of opportunities - "fewer than one in six (15%) of engineering jobs are in London, and a high proportion of businesses are located in areas of socio-economic disadvantage"⁴⁸ (p. 5). In addition, a great number of Small and Medium Enterprises (SMEs) may weaken the influence of social and cultural capital on attaining work and progressing in the field.

The authors also argue that although there is a 'class pay gap' in engineering, it may be less pronounced than in other skilled professions like law, that may reward "'softer skills, such as 'polish', 'confidence' and 'gravitas', which act as proxies for expertise, and which map to social class" (p. 3). These differences by profession and sector are vital to understanding social mobility in the UK.

Overall, we see that opportunities are unevenly distributed within the UK and that the country lags behind its international competitors in several key areas. More generally, taking our narrower view of social mobility, we observe a strong link between the occupation and income of people and those of their parents.

The next section turns to why outcomes differ by socio-economic background, looking at various inequalities that emerge and accumulate through different stages of education and careers.

WHY DO OUTCOMES DIFFER BY SOCIO-ECONOMIC BACKGROUND?

As the OECD notes in its 2017 report on Inclusive Growth, "Multidimensional inequalities often tend to accumulate throughout an individual's life, making it harder for those who start from a disadvantaged position to climb the socio-economic ladder" (p. 18).⁴⁹ To understand the state of the UK's social mobility, this section explores the challenges and barriers that those from lower socio-economic backgrounds experience over the course of their lives, from early childhood through to different stages in their careers.

We reveal a range of inequalities that emerge through people's lives and propose that businesses play a more substantive role in the promotion of social mobility, including far greater investment in workplace practices to compensate for earlier inequalities but also interventions at earlier stages of people's education and careers to help prevent these disparities emerging in the first place. A business' success can be heavily shaped by its economic cluster - ecosystems

47 The Sutton Trust and The Bridge Group. Socio-economic diversity in the engineering sector: access, pay and progression. 2022. Available at: <https://www.suttontrust.com/wp-content/uploads/2022/02/Bridging-the-Gap.pdf>

48 The Sutton Trust and The Bridge Group. Socio-economic diversity in the engineering sector: access, pay and progression. 2022. Available at: <https://www.suttontrust.com/wp-content/uploads/2022/02/Bridging-the-Gap.pdf>

49 OECD. Bridging the Gap: Inclusive Growth 2017 Update Report. Available at: https://www.oecd.org/inclusive-growth/Bridging_the_Gap.pdf

of inter-connected companies and institutions.⁵⁰ Taking this wider view could help create a better-skilled, better-matched workforce, boosting business performance, and driving productivity and economic growth.

Disparities in education influence later outcomes

From a business perspective, a skilled workforce is a vital part to generating new ideas, delivering great products and services, and generally achieving strong business outcomes. It is therefore concerning that educational opportunities and outcomes are currently so unevenly distributed.

In England, educational outcomes vary greatly by socio-economic background. Disadvantaged pupils have lower attainment, on average, than their peers, across all stages of education.⁵¹ This gap begins to present early. In 2023, disadvantaged reception pupils aged five were 4.6 months behind their non-disadvantaged peers.⁵² At the end of primary school, the same figure was 10.3 months, while the disadvantaged gap in GCSE English and maths widened to 19.2 months in 2023 - the largest gaps since 2011.⁵³ There are a range of contributing factors to these gaps. The Institute for Fiscal Studies (IFS) has found that secondary schools with the greatest intake of disadvantaged pupils have seen the highest cuts in per pupil spending since 2010.⁵⁴ Meanwhile, The Child Poverty Action Group (CPAG) notes that children from low-income households may face various financial barriers to full school participation, where they may struggle to meet costs like school uniforms, stationary, trips and extra-curricular activities.⁵⁵ This can then have an effect on educational outcomes.

Concerning levels of child poverty in the UK

In the current economic climate, there are major concerns about the number of children and young people growing up in poverty and the consequences this may have for future outcomes. About three in ten children in the UK are living in poverty. These figures are even higher for certain groups, with 43% of children in families with three or more children living in poverty.⁵⁶ The cost of living crisis continues to exert often insurmountable financial pressures on vulnerable households and there are great concerns about what this could mean for the future outcomes of those from socio-economically disadvantaged backgrounds. As part of its campaign to tackle child poverty, Barnardo's use personal case studies to detail the various challenges that financially vulnerable households are facing in the cost of living crisis.⁵⁷



50 Department for Levelling Up, Housing and Communities. Levelling Up the United Kingdom. 2022. Available at: https://assets.publishing.service.gov.uk/media/61fd3ca28fa8f5388e9781c6/Levelling_up_the_UK_white_paper.pdf

51 Education Policy Institute. Annual Report 2024: Disadvantage. 2024. Available at: <https://epi.org.uk/annual-report-2024-disadvantage-2/>

52 Education Policy Institute. Annual Report 2024: Disadvantage. 2024. Available at: <https://epi.org.uk/annual-report-2024-disadvantage-2/>

53 Education Policy Institute. Annual Report 2024: Disadvantage. 2024. Available at: <https://epi.org.uk/annual-report-2024-disadvantage-2/>

54 Drayton, E., Farquharson, C., Ogden, K., Sibieta, L., Tahir, I. and Waltmann, B. Schools serving disadvantaged children have faced the biggest funding cuts. The Institute for Fiscal Studies, 2023. Available at: <https://ifs.org.uk/news/schools-serving-disadvantaged-children-have-faced-biggest-funding-cuts>

55 Child Poverty Action Group. Effects of poverty. Available at: <https://cpag.org.uk/child-poverty/effects-poverty>

56 Joseph Rowntree Foundation. UK Poverty 2024. Available at: <https://www.jrf.org.uk/uk-poverty-2024-the-essential-guide-to-understanding-poverty-in-the-uk>

57 Barnados. Experiences of living in poverty. Available at: <https://www.barnados.org.uk/get-involved/campaign-with-us/child-poverty/experiences-living-poverty>

There are also great socio-economic disparities at post-18 level:

- **University access:** Pupils eligible for Free School Meals are far less likely to access higher education than other pupils,⁵⁸ particularly when it comes to more prestigious universities. While wider access to education has seen some notable improvements in relative educational mobility since 1990s,⁵⁹ those with degree-educated parents are significantly more likely to achieve degrees themselves (64%) compared to those with no qualifications (18%),⁶⁰ which then has implications for future occupations and income.⁶¹ There is also a well-documented divide between how graduates and non-graduates are served by the UK system. Although there is variation by classification, subject choice, and other variables, there remains a 'graduate premium' in earnings.⁶²
- **Apprenticeship access:** There is currently great policy appetite for apprenticeships and a desire for parity of esteem between academic and technical routes. Apprenticeships could be a great vehicle for social mobility but this potential is not currently being realised. 2017 saw the introduction of the Apprenticeship Levy and the phasing-in of apprenticeship standards. This has been accompanied by a change in the composition of apprenticeship starts, with the number of apprenticeship starts falling disproportionately among apprenticeships from the most disadvantaged areas, while Higher and Degree Apprenticeships have benefited those living in less deprived areas.⁶³ The Social Mobility Commission has also raised concerns about disparities in quality of apprenticeships, selection, and progression, among other issues.⁶⁴ As we note in our recommendations, improving access to relevant skills is where employers can play an important role in helping to improve social mobility. Here, the launch of Skills England and introduction of the Growth and Skills Levy present a promising opportunity for change.⁶⁵

Ultimately, early socio-economic attainment gaps contribute to too many people not reaching their potential through the course of their education and careers. Hodge et al. find that "one-grade improvement in overall GCSE attainment is associated with an average increase in the present value of lifetime earnings of £8,500" (p. 6).⁶⁶ As well as harming the prospects of those from socio-economically disadvantaged backgrounds, this reduces the pool of skilled workers available to employers, acting as a drag on productivity and growth.

Current levels of educational inequality are hindering social mobility. Improving outcomes for those from socio-economically disadvantaged backgrounds is essential. Businesses could play some proportionate role here through support of extra-curricular activities or funding for voluntary and community sector (VCS) organisations supporting disadvantaged pupils, for example. More widely, a key contribution businesses can make is providing well-paid, good work to employees in lower social class professions, with clear routes to progression. This will help address the differences in household income that are at the root of so much educational inequality.

58 <https://researchbriefings.files.parliament.uk/documents/CBP-9195/CBP-9195.pdf>

59 Social Mobility Commission. State of the Nation 2023. 2023. Available at: <https://assets.publishing.service.gov.uk/media/64f853399ee0f2000fb7bf80/state-of-the-nation-2023.pdf>

60 Social Mobility Commission. State of the Nation 2023. 2023. Available at: <https://assets.publishing.service.gov.uk/media/64f853399ee0f2000fb7bf80/state-of-the-nation-2023.pdf>

61 Department for Education. Graduate labour market statistics. 2024. Available at: <https://explore-education-statistics.service.gov.uk/find-statistics/graduate-labour-markets>

62 Whelton, T. The State of the graduate premium. 2024. Available at: <https://www.if.org.uk/2024/01/17/the-state-of-the-graduate-premium>.

63 Cavaglia, C. McNally, S. and Ventura, G. The Recent Evolution of Apprenticeships. The Sutton Trust. Available at: <https://www.suttontrust.com/wp-content/uploads/2022/12/The-recent-evolution-of-apprenticeships.pdf>

64 Social Mobility Commission. Apprenticeships and social mobility: Fulfilling potential. 202. Available at: https://assets.publishing.service.gov.uk/media/5ef1bb3dd3bf7f6c053a28a4/Apprenticeships_and_social_mobility_report.pdf

65 Department for Education. Skills England report: driving growth and widening opportunities. 2024. Available at: <https://www.gov.uk/government/publications/skills-england-report-driving-growth-and-widening-opportunities>

66 Hodge, L., Little, A., and Weldon, M. GCSE attainment and lifetime earnings. Department for Education, 2021. Available at: https://assets.publishing.service.gov.uk/media/60c36f0cd3bf7f4bd11a2326/GCSE_Attainment_and_Lifetime_Earnings_PDF3A.pdf

Attainment isn't enough - school careers education and information, advice and guidance

Tackling educational inequalities would go a long way to boosting social mobility in the UK. However, even after controlling for educational qualifications, labour market outcomes differ significantly by socio-economic status. It may, therefore, be instructive for businesses to consider how they can make contributions to careers education and help children and young people to make informed decisions about their next steps after compulsory schooling.

Once we control completely for prior attainment, gaps remain between the labour market outcomes of socio-economically disadvantaged people and their peers. Only half of the disadvantage gap in NEET rates can be explained by differences in education,⁶⁷ while those from lower socio-economic backgrounds are less well-represented in high-wage and high-status professions, compared to their more affluent counterparts.⁶⁸ There are many well-documented factors at play here, such as:

- Disparities in access to high-quality work experience
- Social capital, including workplace connections
- Cultural capital, shared knowledge and characteristics

In this context, there has been great emphasis on widening participation to high-quality post-18 pathways and careers. The Gatsby Benchmarks serve as a framework for schools to provide high-quality careers education to their pupils, including personal guidance and encounters with employers and employees, among other benchmarks.⁶⁹ The Department for Education also funds Careers Hubs to support college careers leaders and senior leadership teams to develop their careers programmes,⁷⁰ while 29 Uni Connect Partnerships of universities, colleges and other local partners support pupils to consider university or college routes, with a focus on underrepresented groups.⁷¹ There have been numerous other policy interventions and initiatives, often including provisions from businesses and the voluntary and community sector, to ensure that young people can make informed decisions about their future pathways. However, there is still some way to go. For instance, work experience access is still influenced by school type, social class and socio-economic factors,⁷² while some qualitative evidence points to "a concerning impression that careers services are socially patterned – with schools with more affluent intakes promoting university over vocational options, and schools with more deprived students doing the reverse"⁷³ (p. 20).

Just as there are concerns that 'learning loss' was more substantial among disadvantaged students during the pandemic,⁷⁴ there are also concerns about the disproportionate impact Covid might have on the decision-making and options available to young people from

67 Impetus. Research Briefing I: Establishing the Employment Gap. 2019. Available at: <https://impetus-org.files.svdccdn.com/production/assets/publications/Report/Youth-Jobs-Gap-Establishing-the-Employment-Gap-report.pdf>

68 Friedman, S., Laurison, D., and Macmillan, L.. Social Mobility, the Class Pay Gap and Intergenerational Worklessness: New Insights from The Labour Force Survey. Social Mobility Commission, 2017. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/596945/The_class_pay_gap_and_intergenerational_worklessness.pdf

69 Careers and Enterprise Company. Gatsby Benchmarks. Available at: <https://www.careersandenterprise.co.uk/careers-leaders/gatsby-benchmarks/>

70 Department for Education. Careers Hubs. 2023. Available at: <https://www.gov.uk/government/publications/access-support-from-school-hubs/careers-hubs>

71 Office for Students. Uni Connect. Available at: <https://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/uni-connect/>

72 Kashefpakdel, E. and Percy, C. Work Experience for All. 2022. Speakers for Schools. Available at: https://www.speakersforschools.org/wp-content/uploads/2022/11/SP-2074_SFS-Work-Experience-For-All-YouGov-Report_v1.pdf

73 O Regan, N. and Bhattacharya, A. Fulfilling its potential? 2022. Available at: <https://www.smf.co.uk/wp-content/uploads/2022/03/Fulfilling-its-potential-April-2022.pdf>

74 Education Policy Institute and Renaissance Learning. Understanding Progress in the 2020/21 Academic Year. 2022. Available at: <https://epi.org.uk/publications-and-research/epi-research-for-the-department-for-education-on-pupil-learning-loss-march-2022/>

disadvantaged backgrounds.⁷⁵ Following the pandemic, Corfe and Bhattacharya (2021)⁷⁶ found that young people from less affluent backgrounds had less belief in their ability to achieve their goals than their counterparts. 43% of those from “struggling” backgrounds expected to end up in a dead-end job - much higher than those from “comfortable” (29%) and “coping” (27%) backgrounds. Moreover, those from disadvantaged backgrounds were more likely to say that they were ill-equipped to compete in the job market.

In this context, more needs to be done to help ensure all children and young people, regardless of socio-economic background, can make informed decisions about their future education and careers. Businesses have an important role to play here, supporting careers education and provision of information, advice and guidance (IAG) more generally, with a focus on sector and profession-specific insights. Taking steps in this area could then help improve social mobility.

Inadequate adult careers advice and guidance

As young people progress into adulthood, inadequate careers and employment support acts as a further drag on social mobility. As Demos’ *Open Door Policy*⁷⁷ report explains, the current careers and employability landscape is patchy, fragmented, and currently ill-equipped to address the UK’s economic challenges. While Jobcentre Plus work coaches, National Careers Service guidance, specialist support services, the voluntary and community sectors, and others work to support people into meaningful work, there is little support to those not receiving benefits and little awareness of ‘universal’ services, such as the National Careers Service.⁷⁸

Again, there is a danger that weak careers and employment guidance may mean that those from lower socio-economic backgrounds miss out while those who have better career connections, often those from more socio-economically advantaged groups, may be at a relative advantage, which hinders social mobility. In their conversations with adult learners, O Regan and Bhattacharya (2022) found that adult learners faced various barriers in accessing careers-related information, advice and guidance (IAG), such as previous negative experiences with less effective careers services and a stigma associated with accessing such services as an adult.⁷⁹

There is a need for significant government action in this area, with Demos calling for an Employment Advice Guarantee and a ‘digital front door’ to help meet this objective.⁸⁰ In addition, businesses have a significant role to play here, working with providers of employment support to promote opportunities and provide information about how to access and progress in their particular profession and/or sector.

More generally, there needs to be recognition that while early intervention is essential to promoting social mobility, support can make a significant difference at any point in a person’s education and career. Interventions aimed at adult learners can boost social mobility and help address other public policy problems, such as economic inactivity. Businesses have an opportunity to support staff from lower socio-economic backgrounds and help them realise their potential.

75 Huband-Thompson, B., Joshua, V., and Mulcahy, E. Covid’s impact on young people’s post-18 plans and access to higher education outreach. The Centre for Education and Youth. 2021. Available at: <https://cfey.org/wp-content/uploads/2021/09/Covids-impact-on-YP-access-to-HE.pdf>

76 Corfe, S. and Bhattacharya. A matter of perspective? Outlook inequality and its impact on young people? 2021. Available at: <https://www.smf.co.uk/publications/a-matter-of-perspective/#:~:text=Drawing%20on%20new%20survey%20data,further%20deepened%20by%20COVID%2D19.>

77 Phillips, A. Open Door Policy. Demos, 2024. Available at: <https://demos.co.uk/research/open-door-policy-why-the-new-government-should-introduce-an-employment-advice-guarantee/>

78 Phillips, A. Open Door Policy. Demos, 2024. Available at: <https://demos.co.uk/research/open-door-policy-why-the-new-government-should-introduce-an-employment-advice-guarantee/>

79 O Regan, N. and Bhattacharya, A. Fulfilling its potential? 2022. Available at: <https://www.smf.co.uk/wp-content/uploads/2022/03/Fulfilling-its-potential-April-2022.pdf>

80 Phillips, A. Open Door Policy. Demos, 2024. Available at: <https://demos.co.uk/research/open-door-policy-why-the-new-government-should-introduce-an-employment-advice-guarantee/>

Barriers and challenges to job applications and progression

Alongside disparities in educational opportunities, careers provision, and access to support and guidance, people from lower socio-economic backgrounds may face a range of additional barriers as they apply for jobs.

Some of these challenges will be associated with disparities they have encountered prior to the job application. For example, those from socio-economically disadvantaged backgrounds are less likely to have achieved the strong academic qualifications that are a requirement for many positions. In addition, less access to work experience may weaken the application of socio-economically disadvantaged candidates, relative to their peers who have been more easily able to find such experience, whether through their school or other routes, such as friends and family. Moreover, challenging early experiences can produce employment gaps that then make future job searches more challenging, and threaten to produce pay-scarring.

In addition, as The Sutton Trust notes, candidates from lower socio-economic backgrounds may face a range of challenges during the recruitment process, including forms of conscious and unconscious bias. Employers may, for instance, use proxies associated with previously high-performing colleagues in a way that “may obscure direct assessment of the skills of a candidate”⁸¹ (p. 25). Those from lower socio-economic backgrounds may also face barriers to progression in the workplace, particularly where softer criteria, like understanding of ‘workplace culture’ (which often rests on particular social norms) are used as assessment criteria. For instance, The Sutton Trust’s *Speaking Up* report⁸² discusses the bias that those with certain accents might face at work and how this can “compromise a person’s sense of belonging in a given professional or educational community” (p.19).

As this report will go on to discuss, some employers have taken steps to address these issues through various methods, including blind-checking CVs, taking a contextual view of grades and qualifications (based on Free School Meal eligibility or school context, for instance), having clearer criteria on progression pathways, and providing additional support for colleagues from lower socio-economic backgrounds.

Lifelong learning and workplace training

This section has so far discussed education and employment-related barriers to social mobility. In addition, there are significant disparities in access to adult education and ‘lifelong learning’, with well-documented disparities in participation based on social grade.

Adults in the AB (highest) social grade are significantly more likely to be current or recent learners when compared to all other social grades.⁸³ 35% of those in the DE (lowest) grade have not participated in learning since leaving full-time education, compared to just 14% of those in the AB grade.⁸⁴ Moreover, 28% of those who have not participated in learning in the previous years cited “Cost/money/can’t afford it” as a barrier, making it the joint most-cited barrier, along with “I feel I am too old”.⁸⁵ In addition, 28% of current and recent learners said that their employer paid or was paying for their learning, while 26% said they had paid the fee directly

81 The Sutton Trust. *Social Mobility in the Workplace: An Employer’s Guide*. 2020. Available from: <https://www.suttontrust.com/wp-content/uploads/2020/07/Social-Mobility-in-the-Workplace-An-Employers-Guide-Updated-1.pdf>

82 Ilbury, C., Levon, E. and Sharma, D. *Speaking up: Accents and Mobility*. The Sutton Trust, 2022. Available from: <https://www.suttontrust.com/our-research/speaking-up-accents-social-mobility/>

83 Evans, S., Hall, S. and Jones, E. *Adult Participation in Learning Survey 2023*. Learning and Work Institute, 2023. Available at: <https://learningandwork.org.uk/resources/research-and-reports/adult-participation-in-learning-survey-2023/>

84 Evans, S., Hall, S. and Jones, E. *Adult Participation in Learning Survey 2023*. Learning and Work Institute, 2023. Available at: <https://learningandwork.org.uk/resources/research-and-reports/adult-participation-in-learning-survey-2023/>

85 Evans, S., Hall, S. and Jones, E. *Adult Participation in Learning Survey 2023*. Learning and Work Institute, 2023. Available at: <https://learningandwork.org.uk/resources/research-and-reports/adult-participation-in-learning-survey-2023/>

themselves.⁸⁶ Taken together, these statistics paint a concerning picture when it comes to adult education access, where those in lower social grades less likely to access learning, with a strong reliance on either their ability to pay themselves or to have an employer who is willing/able to pay for their learning.

There are great concerns about adult learning's relationship with the UK's weak economic productivity and growth. In its 2019 work on the Adult Skills Gap,⁸⁷ the Social Mobility Commission notes that the UK sat below the EU average for:

- Proportion of GDP spent on education and training
- Participation rate in education and training
- Duration of formal training
- Level of training accessed

In addition, the report cites concerns around employer expenditure and amount spent per person trained, while noting that this does vary greatly across UK countries.⁸⁸ There have been some policy innovations in this area, such as the Lifelong Learning Entitlement and the Apprenticeship Levy. However, overall, not enough is being invested in workforce skills, and there are great disparities in access to provision, acting as another drag on social mobility, and therefore productivity and growth. Again, the launch of Skills England and the introduction of the Growth and Skills Levy represents a strong opportunity here.⁸⁹

There is a need for greater public and private investment in skills and training, with attention towards those from lower socio-economic backgrounds, who may face particular barriers to access. It is vital that businesses fund and support training, to ensure they realise the potential of the talent pool available to them. This receives further attention later in this report.

Socio-economic status interacts with gender and ethnicity

This section has so far looked at socio-economic status in isolation, explaining how opportunities and outcomes differ by socio-economic status. However, in conversations about social mobility, it is important to acknowledge how socio-economic status interacts with other characteristics, such as ethnicity and gender.

In *The Class Pay Gap 2023* the Social Mobility Foundation notes various differences in labour market outcomes on the basis of gender and ethnicity.⁹⁰ The authors describe a "double disadvantage" that hits professional women from working-class backgrounds, with a £7,042 pay gap between those from working-class and professional-managerial origins in the same occupation. They also note that average salaries vary between ethnic groups in Class 1 professions. For instance, the average salary for white workers in this group is £49,528, compared to just £39,411 for Bangladeshi workers. There are also differences between the size of class pay gaps between ethnic groups. For instance, those from white working-class backgrounds are paid £6,464 less than those from white professional-managerial origins, despite being in the same occupation.

86 Evans, S., Hall, S. and Jones, E. Adult Participation in Learning Survey 2023. Learning and Work Institute, 2023. Available at: <https://learningandwork.org.uk/resources/research-and-reports/adult-participation-in-learning-survey-2023/>

87 Dickinson, P and Luchinskaya, D.. The adult skills gap: is falling investment in UK adults stalling social mobility? Social Mobility Commission, 2019. Available at: https://assets.publishing.service.gov.uk/media/5c4f25a3e5274a493c308f9e/Adult_skills_report_2019.pdf

88 Dickinson, P and Luchinskaya, D.. The adult skills gap: is falling investment in UK adults stalling social mobility? Social Mobility Commission, 2019. Available at: https://assets.publishing.service.gov.uk/media/5c4f25a3e5274a493c308f9e/Adult_skills_report_2019.pdf

89 Department for Education and the Prime Minister's Office. Press Release: Prime Minister overhauls apprenticeships to support opportunity. 2024. Available at: <https://www.gov.uk/government/news/prime-minister-overhauls-apprenticeships-to-support-opportunity>

90 Social Mobility Foundation. The Class Gap 2023. 2023. Available at: <https://www.socialmobility.org.uk/campaign/the-class-pay-gap-2023>

In another paper, Van der Erve et al.⁹¹ look at the relationship between ethnicity, place and mobility. The authors note that while many ethnic minority groups have greater educational upward mobility than the White British population, “significant and hard to explain employment and earnings gaps persist; poverty rates continue to be much higher; higher educational mobility does not translate in the way that we may expect into occupational advantage”⁹² (p. 12) and that “The headline finding from the sociological literature is that there are significant differences in the way that class origins influence outcomes of ethnic minority and majority groups in the UK” (p. 13).

Elsewhere, in a 2016 study, Shaw et al.⁹³ consider the complex intersection of gender, ethnicity and socio-economic status, how these interact with education to produce or reduce social mobility, and what this means for outcomes pertaining to higher education and the labour market. They find that, at the time, White British pupils had the largest socio-economic attainment gap across all Key Stages, which “may reflect particularly wide disparities in household incomes amongst non-FSM pupils from this ethnic group” (p. 3),⁹⁴ while black boys did substantially less well than black girls, particularly at Key Stage 4. They also note that while young people from Pakistani and Bangladeshi backgrounds had seen their educational attainment increase faster than other ethnic groups, this is not reflected in the labour market. Here, despite achieving higher qualifications at school than their male counterparts, female Bangladeshi graduates were less likely than Bangladeshi men to gain managerial or professional roles. In their analysis, Shaw et al. cite discrimination, cultural norms, family, geography and individual expectations as potential factors contributing to these differences.⁹⁵

While the focus of this paper is on the business case for social mobility and therefore socio-economic background, much of the work in this area falls under the wider agenda of DEI which speaks to gender, ethnicity, and other characteristics. As we discuss later in this report, several of the business leaders we spoke with were taking an intersectional view that attended to interactions between socio-economic status, gender, ethnicity and other characteristics - adopting a wider framing of social mobility to improve equality of opportunity among their workforce and the wider community.

In summary, this section has illustrated the various challenges, barriers and inequalities that those from lower socio-economic backgrounds face at different stages of their education and career. This is not an exhaustive picture but gives a sense of the way challenges “tend to accumulate throughout an individual’s life”.⁹⁶

Overall, we see a great need for businesses to play a more substantive role in the promotion of social mobility. Most immediately and obviously, this might include improving workplace practices around recruitment and progression, as is the principle focus of this report. However, there is also a significant role that businesses can play at other stages of people’s education and careers, including but not limited to, targeted work experience and careers education for those from lower socio-economic backgrounds, investment in education and outreach initiatives, and stronger connections with local youth groups, voluntary and community sector organisations and others working to support young people.

The next chapter will turn to the business case for social mobility.

91 Erve, L., Krutikova, S., Macmillan, L and Sturrock, D. Intergenerational mobility in the UK. IFS Deaton Review of Inequalities, 2023. Available at: <https://ifs.org.uk/inequality/wp-content/uploads/2023/09/Intergenerational-mobility-in-the-UK.pdf>

92 Erve, L., Krutikova, S., Macmillan, L and Sturrock, D. Intergenerational mobility in the UK. IFS Deaton Review of Inequalities, 2023. Available at: <https://ifs.org.uk/inequality/intergenerational-mobility-in-the-uk/>

93 Allen., R., Baars, S., Bernardes, E., Menzies, L., Nye., P and Shaw, B. Ethnicity, Gender and Social Mobility. Social Mobility Commission, 2016. Available at: https://assets.publishing.service.gov.uk/media/5a7f565140f0b6230268ee28/Ethnicity_gender_and_social_mobility.pdf

94 Allen., R., Baars, S., Bernardes, E., Menzies, L., Nye., P and Shaw, B. Ethnicity, Gender and Social Mobility. Social Mobility Commission, 2016. Available at: https://assets.publishing.service.gov.uk/media/5a7f565140f0b6230268ee28/Ethnicity_gender_and_social_mobility.pdf

95 Allen., R., Baars, S., Bernardes, E., Menzies, L., Nye., P and Shaw, B. Ethnicity, Gender and Social Mobility. Social Mobility Commission, 2016. Available at: https://assets.publishing.service.gov.uk/media/5a7f565140f0b6230268ee28/Ethnicity_gender_and_social_mobility.pdf

96 OECD. Bridging the Gap: Inclusive Growth: 2017 Update Report. Available at: https://www.oecd.org/inclusive-growth/Bridging_the_Gap.pdf

WHY SHOULD BUSINESSES PROMOTE SOCIAL MOBILITY?

This chapter makes an argument for why businesses should make social mobility a priority. The first concerns accessing a wider talent pool and nurturing talent. The second explores the premium that some consumers may be willing to pay on a product or service from a business promoting social mobility.

Overall, we find that it is in the interests of businesses to take social mobility seriously and with it to unlock higher levels of productivity and growth.

WIDENING THE TALENT POOL, NURTURING TALENT

For any business, assembling and developing a team with the right knowledge, skills, competencies, and experiences is fundamental to success. However, according to the Open University Business Barometer, 62% of organisations currently face skills shortages,⁹⁷ while the 2022 Employer Skills survey found that skills shortages accounted for more than a third (36%) of all vacancies.⁹⁸

In this context, businesses promoting social mobility in their workforce can tap-into talent that they may not have accessed otherwise. This can hold a range of benefits. As well as widening their talent pool, a more socio-economically diverse team with different experiences, perspectives and reference points could be useful from a business perspective. In our conversations with business leaders as part of this work, several spoke about the importance of diverse thinking within the organisation, connecting this to innovation and collective problem-solving, among other benefits.

In our survey of 531 senior business leaders,⁹⁹ the vast majority felt that promoting social mobility would help attract and retain staff (76%) and help achieve business results (71%).

⁹⁷ The Open University. New Report: The Business Barometer 2024. 2024. Available at: <https://www5.open.ac.uk/business/barometer-2024>

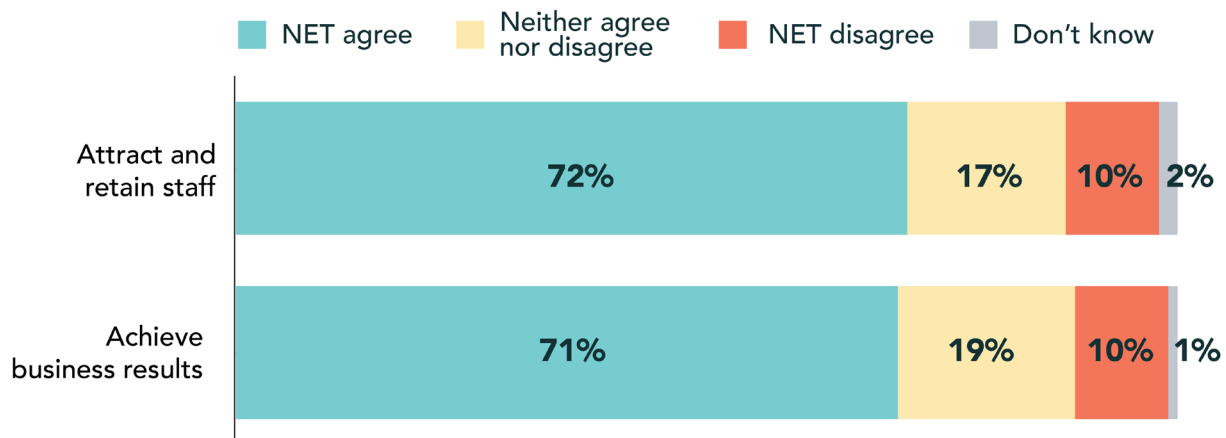
⁹⁸ Department for Education. Employer skills survey: 2022. 2023. Available at: <https://www.gov.uk/government/statistics/employer-skills-survey-2022>

⁹⁹ Demos commissioned Focaldata to conduct a survey of 531 business leaders. Conducted between 17th April-23rd April 2024. Sample weighted towards larger business and retail. Further information available in the Annex.

CHART 1

"Promoting social mobility in my organisation would help..."

Responses from senior business leaders

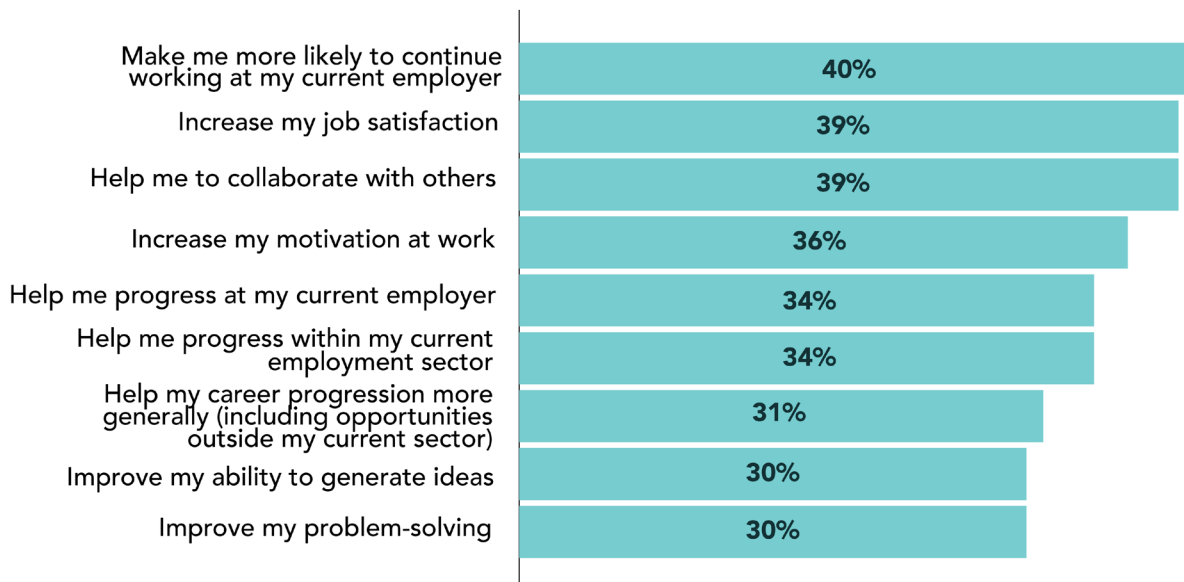


Alongside our survey of senior business leaders, we asked 1,000 private sector employees in lower social grade households (C2DE) about what effect, if any, their employer taking further steps to promote social mobility would have on various aspects of their working lives, such as job satisfaction, motivation and career progression.¹⁰⁰ While agreement with these statements ranges from 30-41% of respondents, this represents a sizable proportion of the C2DE population, highlighting possible benefits in terms of employee retention, progress (within and outside their current sector) and productivity (e.g. increased motivation).

CHART 2

"If my current employer took further steps to promote social mobility, this would..."

Percentage of respondents in the C2DE social grade classification who responded 'Strongly agree' or 'Agree' to each statement



Taken together, our analysis suggests that both business leaders and employees see potential business benefits to promoting social mobility.

¹⁰⁰ Demos commissioned Yonder to conduct a survey of 1,000 employees in C2DE social grade households. Conducted between 15th April - 22nd April 2024. Weighted towards larger business and Wholesale and Retail Trade.

THE 'SOCIAL MOBILITY PREMIUM'

Another way that social mobility can be beneficial to business is through creating a higher perception of value and greater brand loyalty among consumers. This is the 'social mobility premium'.

In order to understand whether consumers would be more inclined to purchase products and services from businesses promoting social mobility, and whether they may be willing to pay more to support these businesses, we conducted a nationally representative survey of 2,000 UK adults.¹⁰¹

Recent Demos research has found that approximately half of the public consider the social, environmental and/or wider economic impact of a product/service or company/organisation when deciding whether to make a purchase.¹⁰² It is also well-established that some consumers may pay more for a product or service if they feel that the business providing that product or service is ethical and/or produces some wider positive impact. We see this with Fairtrade, for instance, where consumers may pay more for a labelled product, as they feel it provides some assurance that the product has been produced according to certain standards.¹⁰³ Elsewhere, a February 2023 PwC survey found that more than 70% of consumers said they were willing to pay more for sustainably produced goods 'to some or to a great extent'.¹⁰⁴ More recently, a June 2023 survey looked to understand the premium that consumers would pay on goods that meet various sustainability criteria,¹⁰⁵ with 75% of respondents reporting they would pay up to 5% more for a product produced with a lower supply chain/carbon footprint.

In our polling of a nationally representative sample of 2,000 UK adults with Opinium, 29% said they would be more likely to purchase a product or service from an organisation promoting social mobility and 28% said they would be more likely to stick with a financially struggling business if they were promoting social mobility.

29% of UK adults say they would be more likely to purchase a product or service from an organisation promoting social mobility.

As shown in Chart 3, young consumers appear more willing to adjust their consumer habits for businesses promoting social mobility, with figures of 41% and 38% respectively for the two statements.

101 Demos commissioned Opinium to conduct a nationally representative survey of 2,000 UK adults. Conducted 12th April - 16th April 2024.

102 Kapetanovic, H. Taming The Wild West: How Technology Can Chart A New Frontier For Social Value. Demos, 2024. Available at: https://demos.co.uk/wp-content/uploads/2024/07/Taming-the-Wild-West_final.pdf

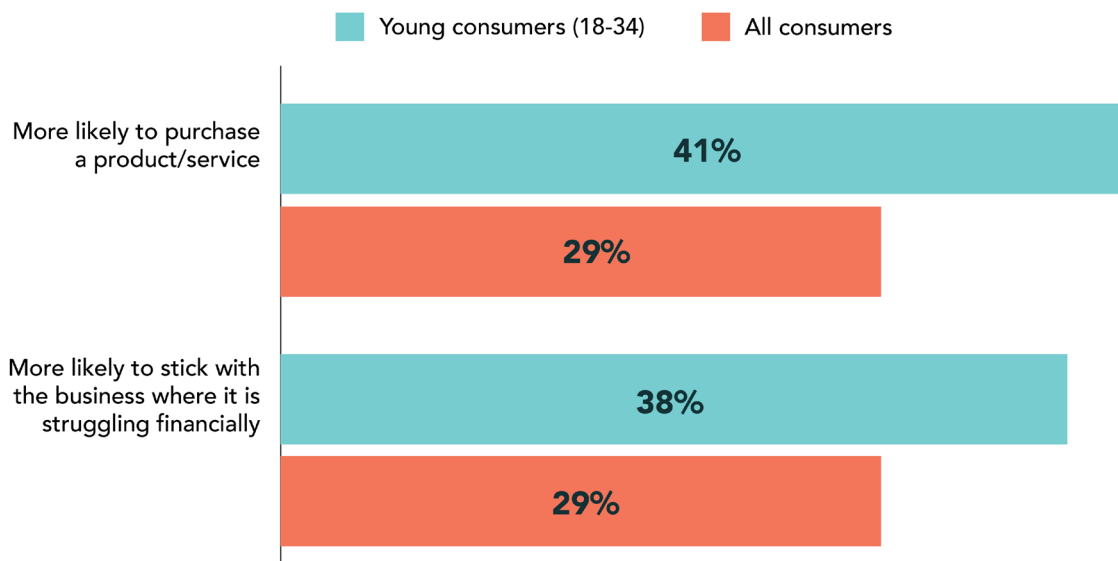
103 Fairtrade Foundation. Consumer support for Fairtrade strong despite cost of living crisis. 2023. Available at: <https://www.fairtrade.org.uk/media-centre/news/consumer-support-for-fairtrade-strong/>

104 PwC Global. Global Consumer Insights Survey 2023. 2023. Available at: <https://www.pwc.com/gx/en/industries/consumer-markets/consumer-insights-survey-feb-2023.html>

105 PwC Global. Global Consumer Insights Survey June 2023. 2023. Available at: <https://www.pwc.com/gx/en/industries/consumer-markets/consumer-insights-survey.html>

CHART 3

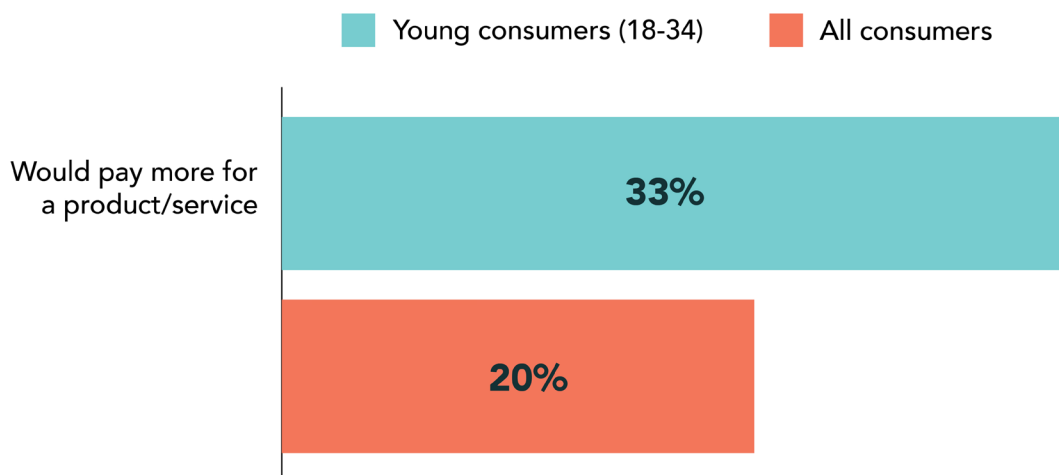
Some consumers report that a business promoting social mobility may alter their purchasing behaviour. This was particularly the case for young consumers.¹⁰⁶



Similarly, young consumers were more likely to say they were willing to pay a premium for products or services from a business promoting social mobility (Chart 4).

CHART 4

A minority of consumers would be happy to pay more for a product/service from a business promoting social mobility. This is particularly the case for young consumers.¹⁰⁷



Of the 20% of all consumers willing to pay more for a product or service from a business promoting social mobility, we sought to better understand the premium that these consumers would be willing to pay for such products or services (Chart 5). Around half (49%) would pay a 1-10% premium, around a quarter (24%) were willing to pay a premium of 11-25%, and far fewer went for the higher premiums of 26-50% or 50%+. The median premium is therefore between

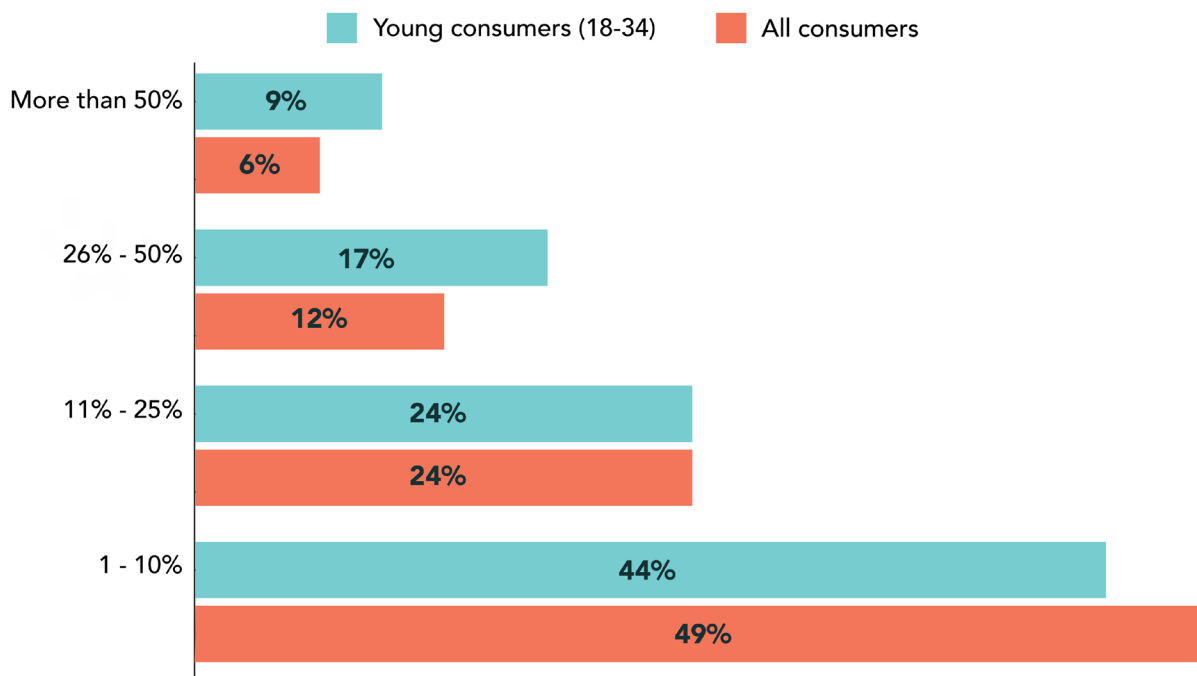
¹⁰⁶ Percentage of consumers who responded 'Much more likely' or 'Somewhat more likely' to the following statements: "How likely would you be to purchase a product or service if you knew that the business providing that product or service was trying to promote social mobility in their workforce?" "If a business or brand was going through financial difficulties, would you be more or less likely to keep spending with that business if you knew they were trying to promote social mobility in their workforce?"

¹⁰⁷ Percentage of consumers responding that they would be 'very happy' or 'somewhat happy' to pay more for a product or service from a business that is trying to promote social mobility within its workforce

11-25%. Again, just as young consumers are more willing to pay a premium for products or services, they also reported being willing to pay a higher level of social mobility premium than other premium-paying respondents.

CHART 5

How much more would consumers be willing to pay for a product or service from a business promoting social mobility? (of those willing to pay more)¹⁰⁸



These figures demonstrate that there is a willingness among one in five (20%) consumers to pay a premium for products and services from businesses promoting social mobility. However, this is significantly lower than PwC’s findings for sustainably produced goods, where more than 70% of respondents said that they would be willing to pay more for sustainably produced goods.¹⁰⁹ This suggests that the cause of social mobility is perhaps not in the consumer consciousness in the same way as more established campaigns, such as Fairtrade, are. Notwithstanding great progress in this area, more could be done to raise the profile of social mobility and of businesses’ social mobility work. Moreover, if businesses took steps to champion the lesser recognised cause of social mobility, this could both help raise the profile of the issue and provide a potential competitive advantage.

There is, of course, a difference between self-reported consumer behaviours and consumer behaviours in practice. In the context of a ‘cost of living’ crisis, it may be that this premium may not be fully realised in practice. This data also does not discern between different types of product or service. It makes no distinction between everyday necessity products or services and luxury products or services, for example. This warrants further examination. That said, the self-reported aggregate findings suggest that there is some appetite among a minority of consumers to adjust their consumption habits for businesses that are promoting social mobility, particularly among young consumers. Greater recognition of business efforts to promote social mobility within their workforce could then improve business outcomes.

¹⁰⁸ Responses from those that said they would be ‘very happy’ or ‘somewhat happy’ to pay more for a product or service from a business that is trying to promote social mobility within its workforce

¹⁰⁹ PwC Global. Global Consumer Insights Survey June 2023. 2023. Available at: <https://www.pwc.com/gx/en/industries/consumer-markets/consumer-insights-survey.html>

WHAT ROLE ARE BUSINESSES CURRENTLY PLAYING IN PROMOTING SOCIAL MOBILITY?

IS PROMOTING SOCIAL MOBILITY A CURRENT PRIORITY AMONG BUSINESSES?

Having outlined some of the potential business benefits of promoting social mobility, this section explores the extent to which promoting social mobility is a current priority for businesses. We begin by exploring existing data that suggests social mobility has received less attention than other areas of Diversity, Equity and Inclusion (DEI) work, before noting some promising signs regarding social mobility's promotion through the Social Mobility Employer Index¹¹⁰ and the UK Social Mobility Awards.¹¹¹ We then return to our survey of 531 senior business leaders, which finds that a majority (63%) view social mobility as a priority.

A neglected aspect of Diversity, Equity and Inclusion (DEI)?

Existing data suggests social mobility has received less attention than other aspects of DEI. This is concerning as it suggests that the importance of socio-economic background and its interactions with other characteristics that feature in DEI work are not being sufficiently recognised.

Social mobility can be seen as one part of a wider DEI agenda, which looks to ensure that workplaces are diverse, equitable and inclusive to those with different identities, backgrounds,

110 Social Mobility Foundation. Employer Index. 2023. Available at: <https://www.socialmobility.org.uk/employerindex>

111 Davies, E., Iyer, P. and Leary K.. Reaching potential? Advancing Social Mobility in 2022-2023. Key Findings from the UK Social Mobility Awards. Making The Leap, 2023. Available at: https://www.somo.uk/wp-content/uploads/2023/11/Advancing-Social-Mobility-2023_Full-Report.pdf

circumstances, identities or experiences.¹¹² Many of the arguments for promotion of social mobility are similar to those for DEI at large - opportunity is currently spread unevenly among those from different backgrounds and circumstances, and this should be rectified both from a social justice and an economic perspective. However, existing data suggests that social mobility is a less common component of DEI work.

While some businesses frame promotion of social mobility in their workforce as an important part of their DEI work, existing evidence suggests socio-economic status is often less of an explicit focus within DEI. For instance, The CIPD's Inclusion at Work¹¹³ survey finds that the most common areas of inclusion and identity focus among employers are mental health (29%), race/ethnicity (23%) and gender (21%), with just 9% of employers focusing on supporting employees in terms of social mobility/socio-economic status. There are several potential reasons for this. Mental health has rightly moved up the agenda in recent years (with clear relationships with recruitment and retention from a business perspective). Meanwhile, race and sex are both protected characteristics in the Equality Act 2010, with gender pay gap requirements for all businesses with over 250 employees.

While it is encouraging that businesses are recognising various barriers and challenges that their workforce may face, it is vital that socio-economic status receives greater recognition. Those from socio-economically disadvantaged backgrounds too often face various careers-related barriers, which may limit opportunities and compromise social mobility. In addition, socio-economic background interacts with other characteristics, such as ethnicity and gender in important ways. It is therefore vital that socio-economic background receives greater recognition among businesses as they look to improve DEI in their workforce.

Promising signs: social mobility employer indexes and awards

While social mobility may be a less common area of focus for businesses in terms of DEI, there are some promising signs that firms are recognising the benefits of having strategies and practices in place to increase social mobility. For instance, the Social Mobility Employer Index¹¹⁴ showcases a range of employers that have taken steps to promote social mobility in their workforce, looking at:

1. Schools outreach and work with young people
2. Attraction and university outreach
3. Recruitment and selection
4. Routes into the employer
5. Data collection
6. Pay, progression and retention
7. Culture and internal advocacy
8. External advocacy

The 2023 Index received 143 entrants, representing over one million people in the UK, and gives useful insights as to how some organisations are promoting social mobility in their workforce.¹¹⁵

112 Miller J. Inclusion at Work. Chartered Institute of Personnel and Development, 2022. Available at: <https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/2022-pdfs/2022-inclusion-at-work-report.pdf>

113 Miller J. Inclusion at Work. Chartered Institute of Personnel and Development, 2022. Available at: <https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/2022-pdfs/2022-inclusion-at-work-report.pdf>

114 Social Mobility Foundation. Employer Index. 2023. Available at: <https://www.socialmobility.org.uk/employerindex>

115 Social Mobility Foundation. Employer Index. 2023. Available at: <https://www.socialmobility.org.uk/employerindex>

For example, 55.4% of Index entrants running apprenticeships run initiatives to increase the entry of those from lower socioeconomic backgrounds, 56.8% of entrants used contextual recruitment, and 77.3% of entrants collect three or more data points for current employees to understand the socio-economic profile of their organisation.¹¹⁶ The Index is a rich resource for understanding various practices regarding promotion of social mobility, as well as barriers and challenges these organisations might face. However, it is highly likely that the businesses responding to the survey are those that are more actively engaged in practices to promote social mobility, rather than being indicative of employers at large. This is reflected in the overview of entrants by sector, where Law accounts for 36% of entrants, with Banking, Financial Services and Insurance (15%) and the Public Sector (13%) being the next best represented.

Another data source is the UK Social Mobility Awards,¹¹⁷ run by Making the Leap, which seeks to recognise and celebrate employers and educators that are working to advance social mobility. The report finds that there has been a focus on improving socio-economic diversity by reaching out to and recruiting those from less advantaged socio-economic backgrounds, with less emphasis on work to improve equity and inclusion for employees in this group, among other findings. Again, this report identifies some useful insights into practices and challenges but the self-selecting sample of entrants means it is very unlikely that results are indicative of employers in general. Nevertheless, both the Employer Index and the Social Mobility Employer Index speak to there being some appetite among businesses for promotion of social mobility.

To what extent do businesses report social mobility being a priority?

Notwithstanding the utility of some existing evidence in this area, we wanted to better understand the extent to which the promotion of social mobility was a current priority for businesses. To do so, we conducted a survey of 531 senior business leaders. The sample has been skewed towards larger business and retail business to reflect Co-op's interests and that current evidence tends to over-represent certain sectors.

We gave 531 business leaders a working definition of social mobility that focuses on the link between a person's occupation or income and the occupation or income of their parents, before asking them whether social mobility was a priority for their business. We found that overall 63% of business leaders reported social mobility as a priority for their business. This figure was notably higher for organisations with 500+ employees (71%), 250-499 employees (68%), 100-249 employees (72%) and 50-99 employees (73%), with results significantly lower for employers with fewer than 50 employees.¹¹⁸ In general, these figures are remarkably high, particularly given the aforementioned CIPD survey findings.¹¹⁹ This may suggest that business leaders recognise the importance of social mobility but that in relative terms it receives less attention than other aspects of DEI. Indeed, our data does not cover the extent to which promotion was a priority relative to other areas of DEI practice, which would be useful to explore in future research.

116 Social Mobility Foundation. Employer Index. 2023. Available at: <https://www.socialmobility.org.uk/employerindex>

117 Davies, E., Iyer, P. and Leary K.. Reaching potential? Advancing Social Mobility in 2022-2023. Key Findings from the UK Social Mobility Awards. Making The Leap, 2023. Available at: https://www.somo.uk/wp-content/uploads/2023/11/Advancing-Social-Mobility-2023_Full-Report.pdf

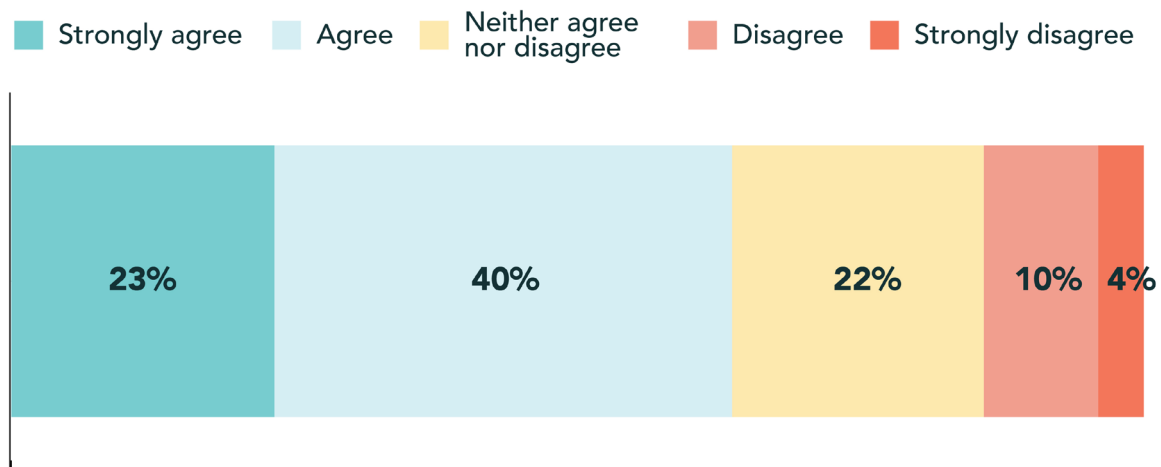
118 These figures are derived from a sample of 500 senior business leaders so should be viewed with caution. More information available in the Annex.

119 Miller J. Inclusion at Work. Chartered Institute of Personnel and Development, 2022. Available at: <https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/2022-pdfs/2022-inclusion-at-work-report.pdf>

CHART 6

A majority of business leaders report the promotion of social mobility being a priority for their business

Senior business leader responses to the statement "Promoting social mobility in my workforce is a priority for my business"



Overall, this section has found that while social mobility may appear to be a less popular area of focus within DEI work, innovations like the Social Mobility Employer Index¹²⁰ and the UK Social Mobility Awards¹²¹ show promising signs that it is growing in prominence among businesses. Moreover, our survey of senior business leaders suggests that social mobility is in fact a priority for many businesses.

The next section turns to the steps that businesses have taken to promote social mobility.

WHAT STEPS HAVE BUSINESSES TAKEN TO PROMOTE SOCIAL MOBILITY?

There is a difference between self-reported data on whether social mobility is a priority and the actual material steps businesses are taking to promote social mobility within their workforce. Our business leader survey therefore asked a series of questions about various business strategies and practices that are associated with the promotion of social mobility. Here, we see that most business leaders report taking steps in all areas of practice, with fostering an inclusive work culture (76%) and ensuring an inclusive and equitable recruitment approach (73%) standing out as the most common, perhaps unsurprisingly given their relationship with wider DEI strategies, rather than socio-economic status more specifically. While these findings are in some ways encouraging, they show there is a lot of capacity for improvement when it comes to businesses' role in promoting social mobility.

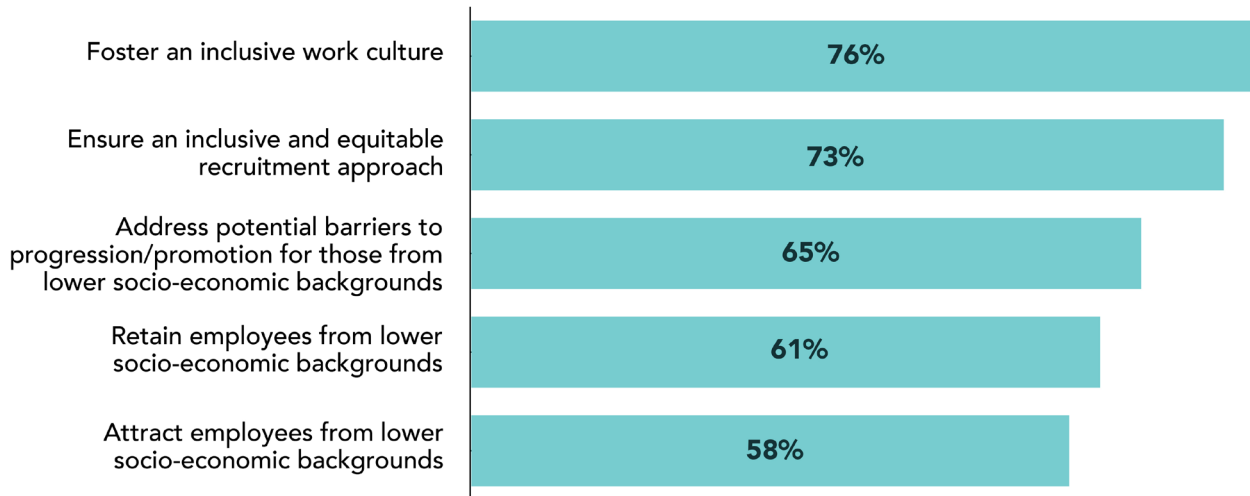
120 Social Mobility Foundation. Employer Index. 2023. Available at: <https://www.socialmobility.org.uk/employerindex>

121 Davies, E., Iyer, P. and Leary K.. Reaching potential? Advancing Social Mobility in 2022-2023. Key Findings from the UK Social Mobility Awards. Making The Leap, 2023. Available at: https://www.somo.uk/wp-content/uploads/2023/11/Advancing-Social-Mobility-2023_Full-Report.pdf

CHART 7

Business leaders reported a range of strategies and practices to promote social mobility in their workforce

Percentage of senior business leaders that responded 'Strongly agree' or 'Agree' to "As a business, we have strategies and/or practices that..."



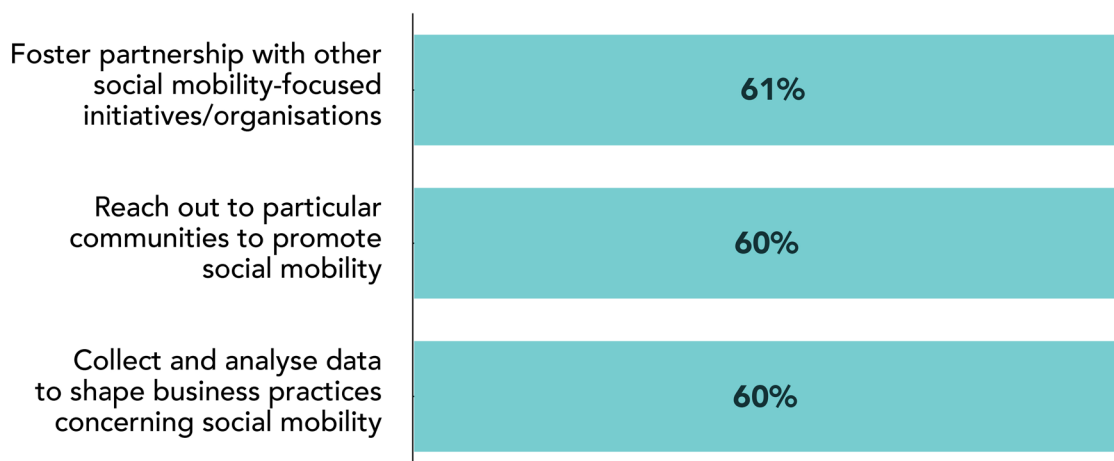
In addition to the statements above, we also asked senior business leaders about their partnership with other social mobility focused initiatives/organisations, their outreach work, and their use of data to shape practices associated with social mobility. Here, again, we find that while most senior businesses leaders report taking steps in this area, there is a long way to go to realise the role that businesses can play in the promotion of social mobility.

More needs to be done to help businesses realise the business benefits of promoting social mobility. In addition, the government needs to consider ways in which they can support businesses in efforts to promote social mobility within their workforce and build a stronger system of incentives and rewards for them doing so.

CHART 8

Business leaders reported strategies and practices relating to partnership, outreach and data

Percentage of senior business leaders that responded 'Strongly agree' or 'Agree' to "As a business, we..."



This section has given a high-level summary of the practices that businesses are adopting to promote social mobility. While these self-reported strategies and practices provide useful insight, it should be noted that there may also be variation in what these look like for different businesses. For instance, one business might try to keep their candidate interview approach consistent to promote 'inclusive and equitable recruitment', whereas another business might have a sophisticated strategy with a range of practices in this area. The next section explores what business promotion of social mobility looks like in practice.

WHAT DOES BUSINESS PROMOTION OF SOCIAL MOBILITY LOOK LIKE IN PRACTICE?

Businesses can take a range of steps to promote social mobility in their workforce, including outreach work, fairer recruitment, clearer progression frameworks and building more inclusive working cultures, among other strategies and practices. Several of these approaches and their associated benefits are outlined below.

Taking a data-driven approach to social mobility

For businesses to improve social mobility in their workforce, they need to have a clear understanding of the composition of their workforce, how socio-economic status interacts with occupation and income in their workforce, and staff perceptions of existing strategies and practices relating to social mobility. The Social Mobility Foundation makes several suggestions for socio-economic data collection, such as occupation of main household earner when the employee was 14 and Free School Meals eligibility.¹²² Here, it can be instructive for businesses to compare their data and progress with the sector they operate in, given that sectors vary in terms of socio-economic diversity.

Some businesses have taken significant steps to gather data to assess the state of social mobility within their workforce and to respond accordingly. For instance, the Co-op recently became the first retailer to publish a socio-economic pay gap report,¹²³ accompanied by a set of actions that seek to improve social mobility in its workforce. Elsewhere, a business leader we spoke with explained that they also gather data on performance ratings, progression and other workforce data, to get a full view of the experience of those from lower socio-economic backgrounds.

Gathering workforce social mobility data can also help bring useful insights in terms of how socio-economic background interacts with ethnicity, gender and other characteristics. Several business leaders spoke about how they had taken an intersectional approach to their collection and analysis of social mobility data. However, one business leader cautioned that once multiple characteristics are combined, sample sizes can be quite small, which carries a risk of employee anonymity being compromised, so this is something businesses will need to be aware of.

¹²² Social Mobility Foundation. Employer Index. 2023. Available at: <https://www.socialmobility.org.uk/employerindex>

¹²³ The Co-op Group. Co-op Socioeconomic Pay Gap Report 2023. Available at: https://assets.ctfassets.net/bffxiku554r1/4Xk7Y9dHUMRo8r8wskiwiyQ/f623998d0552b2537302d0f7d58489a0/Socioeconomic_pay_gap_report_2023.pdf

CASE STUDY

A DATA-DRIVEN APPROACH TO SOCIAL MOBILITY

One business leader explained that their organisation had a longstanding focus on social mobility, which originated in their work on corporate responsibility. While their efforts had started with outreach to schools and work with charity partners, they felt they should also turn to the make-up of their workforce and better understand the backgrounds of their employees. The business leader explained that in 2016 their business became more intentional about data collection and in 2018 embedded socio-economic background as a key area of focus. This has since allowed them to publish their Class Pay Gap, understand representation in their organisation (particularly at the senior level), take an intersectional approach, and open-up a wider debate around social mobility in the workplace.



While socio-economic pay gaps, progression rates and similar workforce data collection are useful in determining the 'state of play' when it comes to a business' efforts to champion social mobility, some businesses have taken additional steps to understand the position of social mobility in their organisations. Examples include class affinity groups, staff consultations and employee surveys (again, drawing on employee-level data, where relevant). These practices may be particularly important for smaller organisations, with fewer employees, which may be unable to generate useful statistics on wage gaps and progression rates from their small sample sizes. Several business leaders emphasised the importance of having opportunities for employees from lower socio-economic backgrounds to share their experiences, and for their business to host open conversations concerning social mobility.

Overall, a data-driven approach helps businesses understand the state of social mobility in their business, put strategies and practices in place to make improvements, evaluate these steps, and make further adjustments accordingly.

Outreach work to attract employees from lower socio-economic backgrounds:

Having used data to understand the current state of social mobility within their organisation, one way in which businesses can promote social mobility and widen their talent pool is by reaching out through schools, FE colleges, universities, VCS organisations, and others, to encourage applications to their workplaces. This may entail participation in existing schemes (such as school work experience programmes or charity outreach initiatives). It could also

involve businesses setting up their own initiatives, such as a funded summer school that targets potential applicants from lower socio-economic backgrounds. In our survey, 58% of business leaders reported having strategies and/or practices in this area.

In particular, employers may wish to reach out or partner with schools and communities in hard-to-reach areas to create a pipeline of interested would-be candidates from socio-economically disadvantaged backgrounds. In our survey of senior business leaders, 61% reported reaching out to particular communities to promote social mobility. One business leader we spoke with explained that their social mobility work targeted particular locations, and saw them inform school pupils from lower socio-economic backgrounds about their career opportunities within the business. Others outlined a range of outreach practices, including visits to a range of schools and universities, and career access programmes.

In our interviews with business leaders, particular attention was given to tackling potential access barriers to outreach work. For instance, one business held online outreach events to ensure that they could reach those in rural communities and those from lower socio-economic backgrounds who may be unable to afford train travel to their city office. Another business leader detailed a year-long access programme, where participants were offered mentors, work experience, and a laptop to ensure that those who could not afford one could access the programme.

Creating accessible, attractive routes into the business

While targeted outreach initiatives are a fundamental part of attracting people from lower socio-economic backgrounds, businesses interested in social mobility have also taken steps to ensure that there are attractive, accessible opportunities on offer that provide a viable route into the workforce.

Several business leaders we spoke with had prioritised Level 2 (intermediate, GCSE equivalent) and Level 3 (advanced, A Level equivalent) apprenticeships, reflecting the need for accessible, high-quality routes into their business. One business leader explained that they paid £20k to apprentices, which was above the Living Wage and well above the Apprenticeship rate of the Living Wage, and would go some way to making it viable for those trying to get into the sector but unable to rely on financial support from friends and family. Other business leaders explained that they aimed to hire many entry-level roles to widen their recruitment pool and give people from a range of backgrounds the opportunity to progress through the organisation.

As part of efforts to ensure accessible, attractive routes into organisations, the Social Mobility Employer Index¹²⁴ advises against unpaid internships, which discriminate against those who are unable to work for free in favour of those from wealthier backgrounds.

Ensuring an inclusive and equitable recruitment approach

Businesses should ensure that they are conducting their application processes in an inclusive and equitable manner. This should be in businesses' interests, as it helps ensure that they are selecting candidates based on merit and potential, rather than secondary criteria.

This may involve taking steps to tackle bias within recruitment processes, through name blind CV reviews, contextual entry requirements (e.g. adjusting academic requirements for those from socio-economically disadvantaged backgrounds) or providing additional support (e.g. interview preparation for apprentices from lower socio-economic backgrounds). One business leader we spoke with explained that they had taken steps to provide additional support during

124 Social Mobility Foundation. Employer Index. 2023. Available at: <https://www.socialmobility.org.uk/employerindex>

the interview process, such as sending questions to all candidates in advance, as they wished to counter any preparation that some candidates may be able to receive from their professional parents.

In our survey, 73% of business leaders reported having strategies and/or practices in this area. The relative popularity of this practice may, in part, reflect the fact that inclusive and equitable recruitment approaches may be covered as part of a wider business DEI agenda.

CASE STUDY

IMPROVING RECRUITMENT PRACTICES

One business had worked with an external company that helped them improve their recruitment practices. The business removed access requirements (e.g. AAB and a 2:1) and also included various flags, such as Free School Meals eligibility, school postcode, and whether they are a carer, among others, which could then be accounted for at application stage. Then, at telephone interviews, assessment days and other parts of the application process, assessors no longer had access to CVs or applications. This helped assessors assess candidates based on their performance on questions and tasks presented to them. As a consequence, the business leader reported being able to access great talent that they would not have been able to otherwise.



Nurturing talent, building a skilled workforce

Alongside explicit strategies to widen the talent pool and support fairer recruitment, businesses should also take steps to develop their workforce as part of their efforts to promote social mobility.

The case for workplace training in general is clear - support the development of employees and then reap the rewards in terms of productivity, institutional knowledge and improved workplace satisfaction, among other benefits. However, at the national level, the state of workplace training is in a very concerning state, with the Employer Skills Survey (2022)¹²⁵ reporting that only 60% of employers had provided training for their staff in the last 12 months. This takes on renewed significance for those from lower socio-economic backgrounds, who may have had less access to training earlier in their working lives (as discussed in the previous chapter).

As with outreach and recruitment, businesses can attend to the areas in which employees from lower socio-economic backgrounds may have faced challenges and barriers, and provide the support that helps them achieve their potential. One business leader we spoke with explained that they had a strong focus on the development of technical skills, which then enabled

¹²⁵ Department for Education. Calendar Year 2022: Employer Skills Survey. 2023. Available at: <https://explore-education-statistics.service.gov.uk/find-statistics/employer-skills-survey>

progression into higher jobs. This was a key part of their approach to promoting social mobility. In addition, they emphasised the importance of supporting socio-economically disadvantaged young people with the development of soft skills, particularly where Covid-induced lockdowns had meant many young people had missed out on the sort of social opportunities they may otherwise have accessed through their schooling.

In providing workplace training and other support, businesses can help to realise the full potential of their employees, bringing benefits to employees but also the business at large.

CASE STUDY

ATTRACTING, RECRUITING AND SUPPORTING EMPLOYEES FROM LOWER SOCIO-ECONOMIC BACKGROUNDS

One business leader explained that their organisation had invested heavily in lower-level apprenticeships to help young people access technical occupations and progress further within the organisation. The business places particular emphasis on Level 1-4 apprenticeships, where they feel there is the greatest benefit in terms of attracting people into the organisation that can fill skills and talent gaps.

They take a multi-pronged approach to attracting and supporting those from lower socio-economic backgrounds. The process starts with outreach and engagement, to help encourage those from lower socio-economic backgrounds to apply, with support available throughout the application process. The business leader explained that a lot of their new employees may not have a good level of English and Maths, and that they receive training in functional skills when they join. In addition, the business takes steps to address other potential barriers to workplace progression, such as helping new employees with non-statement special educational needs and disabilities (SEND) to get statements so that they can get the support they need.

The business leader noted that around a quarter (24%) of apprentices had progressed or had a promotion in the first year, with a 90% completion rate and a 100% pass rate among those who completed the apprenticeship. The organisation was able to point to people who have gone from entry level roles into senior positions, with this long tenure bringing a range of benefits to the organisation.

The business leader explained that being able to showcase these individual success stories was important. They also flagged that while national initiatives often frame social mobility in terms of white-collar professional services, that retail, logistics, utilities, engineering and other sectors, which employ millions of people, have a vital role to play too.



Tackling barriers to progression

Alongside the training and skills agenda, 65% of senior business leaders in our survey reported strategies and/or practices to address potential barriers to progression/promotion for those from lower socio-economic backgrounds. In our interviews, several business leaders emphasised the importance of tackling specific barriers to progression that those from lower socio-economic backgrounds may face. For example, business leaders emphasised the importance of having clear competency and progression frameworks, allowing employees to be rewarded for their contributions to the business, rather than on any secondary criteria that is not relevant to the role and may be influenced by forms of bias. One business had introduced clear pay-scales and a commission that looked into any biases in pay, with a transparent process around this.

While it is important to ensure that all employees, regardless of background, are given the training and support they need to increase their chances of progression within the organisation, businesses should recognise the different aspirations of their employees. For instance, some may wish to improve their technical expertise and specialism, without progressing into a managerial position. This could be for some combination of work-life balance considerations, other life commitments, or just their preferences in terms of the roles and responsibilities they would like to have at work. One business leader spoke about the need to recognise that not all employees may want to progress into management positions and for there to be progression routes that reward technical skills. They explained that their business had various competency-based frameworks that saw employees rewarded for developing new skills that will aid their contribution to the business, existing outside of management positions. Another business had introduced a promotion-readiness programme, which allowed those on promotion longlists from particular socio-economic backgrounds to access additional training modules to help them prepare for interviews.

Creating these diverse progression routes can help ensure that those with other priorities and responsibilities (such as spending more time with their family, having a flexible caring role or not travelling as much) still have room to progress in terms of occupation and wage. This can bring great benefits to businesses, with more skilled staff and greater employee satisfaction.

Strategies and practices underpinned an inclusive work culture, retaining employees

Workplace culture can be difficult to define. It is shaped by workplace strategies and practices but also the way that different team members work and interact with one another. To promote social mobility in their workforce, businesses can take concrete steps but also need to attend to the often subtle ways in which workplace culture is formed. In our survey, over three quarters (76%) of business leaders reported having taken steps to foster an inclusive work culture. Again, the popularity of this answer may reflect businesses' wider attention to DEI and other work that may interact with social mobility but not have it as its primary focus.

While a thorough account of improving workplace culture is beyond the scope of this report, it is important to recognise that the promotion of social mobility is not only about a discrete set of strategies or practices but also how these strategies and practices are implemented, and how inclusive and equitable norms are established in the workplace.

Taking a sector and place-based view of social mobility

As outlined elsewhere in this section, businesses can realise a range of benefits from promoting social mobility in their workforce, including around progression and retention. As outlined in Chart 2, a significant minority (34%) of C2DE employees noted that investment in social mobility may help them progress at their current employer, while 40% felt that these strategies and practices would increase their propensity to stay at their current employer. That said, there may

be some concerns among business leaders about their private investment in social mobility (e.g. through targeted workplace training) leading employees to progress to new roles within and outside their sector. In our employee survey, 34% said that a focus on social mobility would help them progress within their current employment sector, while 31% said it would aid their progression more generally, including opportunities outside their sector.

These findings may raise some concerns for employers looking to get a return on their investment in social mobility. In a report on job switching and wage growth for low-income workers, Kirkup and Petrie (2020) find that “anecdotal evidence suggests some employers see little benefit in helping to provide training and may even see the linkage between training and switching as a reason not to offer training”¹²⁶ (p. 23).

To allay these concerns, businesses should take a more sector and place-based view of social mobility. If, for instance, employers within certain sectors all made a commitment to social mobility, each may benefit from the training and development (for example) afforded to those at different employers, who then may take a vacancy at their business. In return, they may expect to lose some employees to others within the same sector. More broadly, business investment in social mobility could help ensure a flexible, productive workforce, with workers from lower socio-economic backgrounds empowered to take their talents to different sectors over the course of their career.

Promoting social mobility within their workforce could also help businesses play an important role in place-based growth. Businesses could invest in social mobility with a view to enhancing the opportunities available to those from lower socio-economic backgrounds in their communities. This could then also build employer reputation within communities and bring future recruitment benefits. This will need to be not just a financial commitment also an investment in time and attention. A place-based view of social mobility would also help build an approach to social mobility that does not equate ‘moving up’ with ‘moving on’. One business leader we spoke with explained that they wanted other organisations to take steps to promote social mobility so that the wider community could benefit. Along with trying to get regional alignment towards social mobility, they also worked constructively with national organisations, like the Social Mobility Commission.

As part of this sector and place-based approach, businesses may partner with other organisations working to promote social mobility. In our survey, 62% of business leaders reported working with other social mobility-focused initiatives/organisations to further their work. This could involve attending to disparities that occur earlier in people’s education and careers. We see these sorts of practice at work in *Advancing Social Mobility 2023*,¹²⁷ where employers looked at community-level change through “delivering education, work, financial and nutrition support and by tackling digital exclusion” (p. 31).

This section has explored the various ways in which businesses are promoting social mobility and what this looks like in practice. We can see that businesses can benefit from promoting social mobility in widening the pool of employees they can access, improving productivity, and driving place-based growth.

The next chapter turns to the relationship between strategies and practices to promote social mobility, and business outcomes, furthering the business case for social mobility.

126 Kirkup, J. and Petrie, K. Job switching and wage growth for low-income workers: A discussion paper. Social Market Foundation, 2020. Available at: <https://www.smf.co.uk/wp-content/uploads/2020/11/Job-switching-and-wage-growth-Nov-2020.pdf>

127 Davies, E., Iyer, P. and Leary K.. Reaching potential? Advancing Social Mobility in 2022-2023. Key Findings from the UK Social Mobility Awards. Making The Leap, 2023. Available at: https://www.somo.uk/wp-content/uploads/2023/11/Advancing-Social-Mobility-2023_Full-Report.pdf

THE OPPORTUNITY EFFECT

THE BUSINESS CASE FOR SOCIAL MOBILITY DRIVING GROWTH

BUSINESS PROMOTION OF SOCIAL MOBILITY IS LINKED TO HIGHER TURNOVER

This section seeks to understand and quantify the relationship between the promotion of social mobility practices and business turnover, both forecast and realised.

Alongside aforementioned questions about social mobility-oriented practices, our business leader survey asked 531 senior business leaders to share information about how their turnover had changed over the last 12-months and how they expected it to change, with questions modelled on the Department for Business and Trade's Small Business Survey.¹²⁸ Working with Landman Economics, we carried out regression analysis that allowed us to explore the relationship between the social mobility strategies and practices reportedly being implemented by businesses and their turnover. From this, we were able to estimate what the potential economic impact of increasing awareness and investment in improving social mobility could be on UK businesses.

Overall, we find positive and statistically significant relationships between increased business turnover over the last 12 months and all social mobility-related strategies and/or practices.¹²⁹ In addition, we find statistically significant positive relationships between all social mobility

¹²⁸ Department for Business and Trade. Collection: Small Business Survey reports. 2024. Available at: <https://www.gov.uk/government/collections/small-business-survey-reports#2022>

¹²⁹ All of these fall within 1% statistical significance level, other than fostering an inclusive work culture, which carries a 10% statistical significance level. This breakdown is given in the Annex.

practices and forecast increase in turnover in the next three years.¹³⁰ This means that business leaders that reported doing more on social mobility were likely to see higher levels of growth than those that do not take action on social mobility.

These results show a strong relationship between social mobility practices and turnover (both realised and forecast) among businesses. We also controlled for both business size and sector, so differences are not due to particular sectors showing better economic performance than others or due to larger businesses outperforming smaller businesses.

As outlined elsewhere in this report, there are various economic explanations that may contribute to this pattern. In diversifying recruitment, nurturing talent, and creating environments that get the best out of those from socio-economically disadvantaged backgrounds, organisations may see improvements to productivity and therefore see their business outcomes increase. Indeed, our survey of private sector employees in C2DE households were asked what impact their employer promoting social mobility might have on various aspects of their working life. Here, a large minority of respondents felt that a focus on social mobility would increase their job satisfaction (39%), motivation (36%), collaboration (39%), idea generation (30%), and other factors that may contribute to improved productivity.

There are, however, some important methodological caveats to this relationship, including self-reporting of data and complex causality, which are explored in the Annex to this report.

TABLE 1
LIST OF SOCIAL MOBILITY STRATEGIES AND/OR PRACTICES USED
IN THE BUSINESS SURVEY

<i>"In my business we have strategies and/or practices that aim to:"</i>
1. Attract employees from lower socio-economic backgrounds
2. Retain employees from lower socio-economic backgrounds
3. Ensure an inclusive and equitable recruitment approach
4. Foster an inclusive work culture
5. Address potential barriers to promotion for those from lower socio-economic backgrounds
<i>"As a business, we..."</i>
6. Foster partnerships with other social mobility focused initiatives/organisations
7. Reach out to particular communities to promote social mobility
8. Collect and analyse data to shape business practices concerning social mobility

130 All of these fall within 1% statistical significance level, other than collecting and analysing data, which has a 5% statistical significance level

WHAT COULD GREATER PROMOTION OF SOCIAL MOBILITY MEAN FOR THE WIDER ECONOMY?

The above analysis set out the relationship between social mobility strategies and practices, and business outcomes, namely turnover. In this section, we set out further work with Landman Economics, which explores what a greater investment in social mobility among businesses might mean for the wider economy. The first scenario looks at the consequences of a greater uptake in the proportion of businesses engaging in at least two social mobility-related practices. The second is a more ambitious scenario, in which there is a very significant uptake in social mobility approaches.

Again, there are several key important methodological caveats here including assuming a one-way causal relationship and other complicating factors, which are discussed in the Annex.

SCENARIO 1: A moderate increase in business activity to improve social mobility

In the first scenario, we have calculated the possible economic impact of a moderate increase in the number of firms investing in social mobility in at least some small way.

We wanted to assess what the wider economic consequences would be if there was a 20 percentage point increase in the proportion of employers adopting at least two of these strategies and/or practices. Averaging across the answers outlined in the senior business leader survey (see Table 1), we find that approximately 60% of employers are engaging in at least two of the strategies and/or practices specified in the questions, e.g. "Ensure an inclusive and equitable recruitment approach", "Address potential barriers to promotion for those from lower socio-economic backgrounds". So our first scenario considered what would happen if 80% employers adopted two or more social mobility strategies and/or practices.

We find that if the take-up of two strategies and/or practices were to increase to 80% of employers (a 20 percentage point, or 33%, increase), turnover would increase by 0.4% ($33\% \times 13.7\% \times 9\% =$ approximately 0.4%).

The figures used in this calculation are as follows:

- 33% - the percentage increase in the number of businesses adopting two or more strategies
- 13.7% - the average marginal effect of the relationship between promotion of social mobility practices and forecast increase turnover in the next three years
- 9% - the average increase in turnover, derived from our survey data

Assuming that turnover is proportional to GDP and based on an estimated private GDP of £1,250bn for 2023, this implies an increase of around £5bn in GDP from a 20% percentage point increase in the number of employers using social-mobility related work practices and strategies. This would be the equivalent to adding a city the size of York or adding over 143,000 full-time¹³¹ jobs to the UK economy overnight. It is also equivalent to the current size of the UK maritime sector.¹³²

Given the low levels of growth that the UK has experienced since the financial crisis, this would be a significant boon to the UK economy and would likely result in higher tax revenues at a time when the UK is still facing a significant budget deficit. We estimate that the Exchequer could see around £3.2bn in additional revenue through this higher level of economic output.¹³³

131 Based on UK average salary £34,953 in 2022

132 Centre for Economics and Business Research. The economic contribution of the UK Shipping industry, 2022. Available at: https://www.ukchamberofshipping.com/sites/default/files/2023-04/Cebr_report_Maritime_UK_Shipping_140622_clean.pdf

133 Demos analysis of Office for Budget Responsibility

UK plc would also benefit through a larger amount of profit. Based on the current rate of return on capital for non-financial UK businesses,¹³⁴ a £5bn increase in GDP could generate £485m in profits for UK firms.

These estimates are built on a series of assumptions, such as a one-way causal relationship between social mobility practice and turnover, which are outlined in the Annex.

SCENARIO 2: All businesses were to significantly invest in social mobility activities

In the second scenario, we calculated the possible economic impact of all businesses investing in social mobility in a significant way.

We wanted to assess what the wider economic consequences would be if all businesses were to adopt at least five of the social mobility strategies and/or practices covered in our survey.

Averaging across the answers outlined in the senior business leader survey (see Table 1), we find that approximately two-thirds (64.2%) of employers are engaging in at least five of the strategies and/or practices specified in the questions, e.g. "Ensure an inclusive and equitable recruitment approach", "Address potential barriers to promotion for those from lower socio-economic backgrounds". So our second scenario considered what the impact would be if the remaining third of businesses (35.8%) were to adopt five or more social mobility strategies and/or practices.

For both turnover measures, there is a strongly positive relationship between businesses adopting five or more mobility practices (compared to a base category of zero strategies or practices) and turnover being expected to increase (or having increased). The marginal effect is around 30% depending on the precise number of practices used.

We find that if the take-up of five strategies and/or practices were to increase to 100% of employers (a 35.8 percentage point, or 55.7%, increase), turnover would increase by 1.5% (55.7% x 30% x 9%).

If we assume that the average increase in turnover (for firms where turnover is expected to increase) is 9%, and approximately two-thirds of employers (64.2%) use five or more practices, and that the remaining third of employers were to adopt five or more strategies, the projected increase in turnover would be 55.7% (the percentage increase in the number of firms using five or more strategies) x 30% (the marginal effect from the turnover regressions) x 9% (the average increase in turnover) = 1.5%.

The figures used in this calculation are as follows:

- 55.7% - the percentage increase in the number of businesses adopting five or more strategies
- 30% - the marginal effect from the turnover regressions
- 9% - the average increase in turnover

Based on an estimated private sector GDP of £1,250bn for 2023, 1.5% of this is around £19 billion. This could then be a reasonable estimate of what the impact would be if all businesses adopted five or more mobility strategies, holding for the aforementioned assumptions and accepting methodological limitations (see Annex for further detail).

¹³⁴ Office for National Statistics. Profitability of UK companies - rates of return and revisions. 2023. Available at: <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/datasets/profitabilityofukcompaniesreferencetable>

This would be the equivalent to adding a **city the size of Glasgow** or adding over **540,000 full-time jobs**¹³² to the UK economy overnight. It is also equivalent to the size of our **sports and physical activities sector**.¹³³

This would be the equivalent to adding a city the size of Glasgow or adding over 540,000 full-time jobs¹³⁵ to the UK economy overnight. It is also equivalent to the size of our sports and physical activities sector.¹³⁶ It would also boost tax revenues by around £6.8bn a year, equivalent to building around 35,000 new homes¹³⁷ or the total raised by the previous government's health and social care levy which was going to resolve the social care crisis.

Based on the current rate of return on capital for non-financial UK businesses,¹³⁸ a £19bn increase in GDP could generate £1.8bn in profits for UK firms.

For both of these scenarios, we assume a one-way causal relationship between adoption of social mobility practices and turnover. That being said, the indications from secondary evidence, our senior business leader survey, C2DE survey, nationally representative survey of consumers, and business leader interviews suggest that investment in social mobility strategies and/or practices can help to produce positive business outcomes, such as increased turnover. While improved employer and employee data would help us more precisely capture the economic potential of greater business emphasis on social mobility, the evidence is clear that greater levels of social mobility will boost the UK economy.

The business case for social mobility is clear. If we can encourage and create the conditions for more businesses to champion social mobility in their workforces, we could see major economic benefits at a time when the UK is stuck on a low growth pathway.

The new government has made securing higher levels of economic growth its "first mission"¹³⁹, ahead of all the others it has outlined.

However, to achieve higher levels of growth, we need to create a supportive policy environment. The government needs to show leadership and make strategic investments into advancing social mobility, safe in the knowledge that these will pay off economically in the long run.

Having outlined the business case for social mobility, the next chapter outlines the factors that help or hinder businesses attempts to promote social mobility, along with ways forward for business leaders and policymakers.

135 Based on UK average salary £34,953 in 2022

136 Department for Business and Trade. Sports Economy. Available at: <https://www.great.gov.uk/international/content/investment/sectors/sports-economy/>

137 Lewis, D. Construction costs could set developers back £3.2bn a year - claim. PropertyInvestorToday, 2022. Available at: <https://www.propertyinvestortoday.co.uk/breaking-news/2022/2/construction-costs-could-set-developers-back-3-2bn-a-year--claim> (updated to 2024 prices)

138 Office for National Statistics. Profitability of UK companies - rates of return and revisions. 2023. Available at: <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/datasets/profitabilityofukcompaniesreferencetable>

139 Labour. Mission-driven government. 2024. Available at: <https://labour.org.uk/change/mission-driven-government/>

WHAT CAN WE DO TO HELP BUSINESSES MAXIMISE THE BENEFIT OF SOCIAL MOBILITY?

Having made the business case for social mobility, this chapter explores the various enablers and barriers that may affect companies' capacity to promote social mobility in their workforces, along with a series of recommendations for the government on how to support businesses to improve social mobility.

Key recommendations at a glance:

- 1.** Give the new Skills England body a statutory responsibility to improve outcomes for those from lower socio-economic backgrounds to spread opportunity throughout the country.
- 2.** Create a Better Opportunities Fund, to deliver its mission of 'breaking down barriers to opportunities'.
- 3.** Government should consult on minimum training and skills expenditure per worker for large employers.
- 4.** Introduce a lower rate of business rates for social enterprises and co-operatives to boost social mobility.
- 5.** Ensure that increasing social mobility is considered as part of the social value calculation for government procurement.
- 6.** Consult on expanding pay gap reporting to socio-economic backgrounds as it expands reporting to ethnic minority and disability gaps.
- 7.** Businesses should be encouraged to ask job applicants to voluntarily share information about their socio-economic background, such as their parents' occupation.
- 8.** Create a 'Social Mobility Data Lab' to bring together data and information from across the public sector, business and civil society.

RECOMMENDATION 1

Give the new Skills England body a statutory responsibility to improve outcomes for those from lower socio-economic backgrounds to spread opportunity throughout the country

The government has said that it will create a new body, Skills England, taking over functions currently held by the Institute for Apprenticeships and Technical Education (IfATE). The new body will “bring together businesses, providers, unions, Mayoral Combined Authorities (MCAs) and national government to ensure we have the highly trained workforce that England needs”.¹⁴⁰ A Skills England Bill will be put before Parliament in the coming months.

As we have found in this research, one of the most effective ways that businesses can help to improve social mobility is to provide training and skills development for those from lower socio-economic backgrounds. The current skills policy ecosystem does not have a specific responsibility to consider the needs of those from lower socio-economic backgrounds.¹⁴¹ Consequently, we have seen that funding for higher level apprenticeships, for example, has been concentrated at those in the least deprived areas. Starts have actually disproportionately fallen amongst those from the most disadvantaged areas.¹⁴²

We need to ensure that the new Skills England body has a focus on social mobility baked into its core remit and functions. Currently, public spending on adult skills is around £4.4bn a year.¹⁴³ There is a huge opportunity to use this budget effectively to drive social mobility and to send the right signals to the market.

We propose that the new Skills England body should have a statutory responsibility to improve outcomes for people from lower socio-economic backgrounds.

This should be included in the new Skills England Bill that comes before Parliament. It would also align the new institutional framework to the government’s mission on spreading opportunity. It would further provide opportunities to bring together public, private and VCSE sector partners to collaborate on this shared agenda. We would further recommend that Skills England convenes a ‘Social Mobility Working Party’ to ensure that there is an open dialogue with relevant stakeholders on how to deliver on this statutory responsibility.

Although it is important that organisations are not overly weighed down with statutory responsibilities, in the case of Skills England and social mobility, the importance of ensuring that skills policy delivers better outcomes for those from lower socio-economic backgrounds is clear. We believe, therefore, that there is a proportionate and well evidenced case to be made that Skills England should have consideration to social mobility in the way that it carries out its work.

RECOMMENDATION 2

Create a Better Opportunities Fund, to deliver its mission of ‘breaking down barriers to opportunities’

As documented earlier in this report, those from lower-socioeconomic backgrounds face a range of challenges through their education and careers. These can then accumulate throughout their lives, compromising levels of social mobility. There are many immediate steps that organisations can take to promote social mobility within their workforce, including greater outreach, fairer

140 His Majesty King Charles III and Prime Minister’s Office. The King’s Speech 2024. 2024. Available at: https://assets.publishing.service.gov.uk/media/6697f5c10808eaf43b50d18e/The_King_s_Speech_2024_background_briefing_notes.pdf

141 Institute for Apprenticeships and Technical Education. Governance Framework: February 2024. 2024. Available at: <https://www.instituteforapprenticeships.org/media/3ftnwpky/governance-framework-website-feb-2024.pdf>

142 Social Mobility Commission. Apprenticeships and social mobility: Fulfilling potential. 2020. Available at: https://assets.publishing.service.gov.uk/media/5ef1bb3dd3bf7f6c053a28a4/Apprenticeships_and_social_mobility_report.pdf

143 The Institute for Fiscal Studies. Adult education and skills. Available at: <https://ifs.org.uk/education-spending/adult-education-and-skills>

recruitment practices, and further investment in workplace training. However, businesses should also take a wider, long-term view, that looks at making interventions and contributions at different stage of the social mobility life-cycle. This could involve far greater investment in careers education and work experience. One business we interviewed spoke about how they ran primary school engagements, including office visits and trips to schools, for instance. At the other end of the cycle, businesses could consider funding the retraining of older workers, helping them transfer into a new sector.

To further the impact of their social mobility work, businesses should work closely with partners, including schools and voluntary and community sector (VCS) organisations to better understand the needs of particular communities and improve the targeting of their support for people from lower socio-economic backgrounds. For instance, one business leader explained that they worked in various partnerships and with a range of organisations to offer coaching and mentoring for young people, helping them with their career progression. Another explained that they had collaborated with partner organisations on various aspects of their work, including on their programmes focusing on young offenders, young carers and ex-military.

This requires business leaders to take a longer-term view of social mobility - investing in communities, building opportunities, and then realising future benefits in recruitment, workforce skills, and ultimately, as this report has argued, business performance.

The government should build on the success of the Life Chances Fund which has put £80m into over 30 projects to improve the life chances of young people. This has brought together public, private and charitable organisations together to deliver interventions that help those from disadvantaged backgrounds.¹⁴⁴ These projects have reached out to thousands of disadvantaged people and provided wraparound support, training and employment programmes, and other interventions that have helped to expand opportunities for those that need them.

The government should create a Better Opportunities Fund, to deliver its mission of 'breaking down barriers to opportunities'.

This would be modelled on the Life Chances Fund but with a stronger focus on supporting social mobility through education and training programmes in collaboration with businesses. The Better Opportunities Fund should fund *long term* interventions that build on programmes with a track record of success and can demonstrate buy-in from a wide range of stakeholders in the private sector. This will ensure that funded projects have maximum chance for success. Private businesses with corporate social responsibility programmes in this area should be given the opportunity to co-invest with the government and co-produce the design of the fund so that they pool resources and expertise.

RECOMMENDATION 3

Consult on minimum training and skills expenditure per worker for large employers

Low levels of public and private investment in the UK continue to hinder productivity, economic growth, and social mobility. Businesses have a significant role to play in rectifying this, providing pathways to employment to those from socio-economically disadvantaged backgrounds but also investing in the development of skills that can further their development and bring benefits to the business.

High-quality apprenticeships and in-work training present a significant opportunity for both businesses and the government. Many of the business leaders we spoke with spoke of the merits of offering apprenticeships, particularly at Levels 2 and 3, to widen their talent pool and

¹⁴⁴ Government Outcomes Lab. Life Chances Fund - United Kingdom. Available at: <https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/fund-directory/INDIGO-FUND-0012/>

employ high-potential workers that they may have missed otherwise. This is encouraging and the government should do more to increase adoption of apprenticeships.

Unfortunately, the Apprenticeships Levy has not achieved the impact that was hoped for when it was introduced, with levels of apprenticeship starts actually falling since the levy was introduced.¹⁴⁵ The levy was introduced to combat the long term challenge of a lack of investment in vocational education and training which not only hampers social mobility but also reduces the UK's productivity. The Chartered Institute for Personnel and Development (CIPD) has noted that compared to other European countries, UK businesses invest far less than their peers on the continent.¹⁴⁶ Data from the Continuous Vocational Training Survey in 2015, the last year where the UK was compared with peers in the European Union, found that Netherlands and France both had significantly higher levels of investment in CVT, with workers spending 40-50% more time in training compared to the UK.¹⁴⁷ The average expenditure on workforce training per employee has fallen in real terms from £1,710 to £1,530 in 2019.¹⁴⁸ Separate research from CIPD has found that investment per employee is around half the EU average.¹⁴⁹

The government has recently launched a new body, Skills England, to increase the quality and quantity of skills training, with an emphasis on supporting local areas to develop skilled workforces. As part of its role, Skills England will determine training that fits under the Growth and Skills Levy, Labour's reformed Apprenticeship Levy, which will allow businesses to spend up to half of their Levy contributions on approved training through non-apprenticeship routes. Notwithstanding concerns about the Levy being used to fund training that businesses may have funded anyway, this, if well-managed, has the potential to positively contribute to social mobility.¹⁵⁰ However, to address the long term underinvestment in skills and training, the government may need to consider bolder actions.

*The government should consult on minimum training and skills expenditure per worker for large employers.*¹⁵¹

This expenditure level should be ramped up progressively over five years to bring it in line with the EU average (estimated to be £3,000 per employee) with large companies having to report their expenditure in their annual report. Health and safety, safeguarding, GDPR and compliance training should be excluded from the calculation. Achieving this would leverage tens of billions in investment in training for workers, accelerating social mobility and helping to resolve the productivity challenges facing the UK economy.

The government should consult with employers to ensure that an appropriate roadmap for scaling up investment is achieved which is affordable and to ensure that there is capacity within the system to enable that training to be appropriately delivered.

145 Foley, N. Briefing Paper: Apprenticeship Statistics. House of Commons Library, 2021. Available at: <https://researchbriefings.files.parliament.uk/documents/SN06113/SN06113.pdf>

146 Chartered Institute of Personnel and Development. 'From inadequate' to 'outstanding': Making the UK's skill system world class. 2017. Available at: https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/from-inadequate-to-outstanding_2017-making-the-uk-skills-system-world-class_tcm18-19933.pdf

147 Social Enterprise UK. Ending the monoculture: How diversity of business can bring prosperity. 2024. Available at: <https://www.socialenterprise.org.uk/app/uploads/2024/01/Ending-the-monoculture-Jan-2024.pdf>

148 Committee of Public Accounts. Developing workforce skills for a strong economy. House of Commons, 2022. Available at: <https://committees.parliament.uk/publications/33177/documents/182726/default/>

149 Chartered Institute of Personnel and Development. Devolution and evolution of UK skills policy. Finding common ground across the four nations. 2023. Available at: <https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/2023-pdfs/2023-devolution-evolution-skills-report-8483.pdf>

150 Farquharson, C., Sibieta, L. and Tahir, I. Labour's 'Growth and Skills' levy would give more flexibility to firms – but employers would still need to get on board. Institute for Fiscal Studies, 2024. Available at: <https://ifs.org.uk/articles/labours-growth-and-skills-levy-would-give-more-flexibility-firms-employers-would-still>

151 Businesses with over 250 employees

RECOMMENDATION 4

Introduce a lower rate of business rates for social enterprises and co-operatives to boost social mobility.

As we noted in this report, there is a growing appetite within businesses to increase fair access to opportunities within their workforces. However, government needs to reinforce this trend by rewarding those businesses that demonstrate a track record of encouraging social mobility. This will act as an incentive and inspiration for other businesses to take the issue of social mobility more seriously.

Firstly, we need to back businesses that have put spreading opportunity at the core of their business models. Co-operatives and social enterprises are businesses that put achieving positive social, economic and environmental impact on par with, and in many cases ahead of, profits.¹⁵² The latest data shows that there are at least 131,000 social enterprises and co-operatives in the UK, turning over £78bn - equivalent to 3.4% of UK GDP.¹⁵³ Over a quarter have as their *main* purpose creating employment opportunities for disadvantaged groups.¹⁵⁴ Another 20% see addressing social exclusion as their main purpose in trading.¹⁵⁵

The new government has said that it wants to *double* the size of the co-operative sector in the UK.¹⁵⁶ One of the most effective ways that it can achieve this is through creating a supportive tax environment.

Currently, there are no dedicated tax reliefs for businesses that put social, economic or environmental impact on par or ahead of profitability. The average social enterprise is paying the same level of taxation as the average for-profit business.

The new government has committed to reviewing business rates in its manifesto.¹⁵⁷ It says that one of its goals is to “level the playing field” between different forms of business and “better incentivise investment”. Research has found economies with higher levels of social enterprises and co-operatives have higher levels of investment than the UK and invest more in staff training.¹⁵⁸ The latter, as we have noted in this report, is important in increasing social mobility in the workplace.

The government should introduce a lower rate of business rates for social enterprises and co-operatives to boost social mobility.

We recommend that this should be half the current rate of charitable rate relief (recognising the difference between business and charities) at 40%. Research has found that social enterprises and co-operatives pay around £750m in business rates per year and 70% of social enterprises receive no business rate relief.¹⁵⁹ Based on this research we can estimate that a 40% business rate relief would cost around £320m a year however the multiplier effect from such a tax relief in terms of increased investment in places and the workforce would likely leverage benefits exceeding the cost of the relief.

152 Social Enterprise UK. All about Social Enterprise. Available at: <https://www.socialenterprise.org.uk/all-about-social-enterprise/>

153 Social Enterprise Knowledge Centre. Mission Critical. State of Social Enterprise 2023. 2021. Available at: <https://www.socialenterprise.org.uk/app/uploads/2023/12/Mission-Critical-State-of-Social-Enterprise-Survey-2023.pdf>

154 Social Enterprise Knowledge Centre. Mission Critical. State of Social Enterprise 2023. 2021. Available at: <https://www.socialenterprise.org.uk/app/uploads/2023/12/Mission-Critical-State-of-Social-Enterprise-Survey-2023.pdf>

155 Social Enterprise Knowledge Centre. Mission Critical. State of Social Enterprise 2023. 2021. Available at: <https://www.socialenterprise.org.uk/app/uploads/2023/12/Mission-Critical-State-of-Social-Enterprise-Survey-2023.pdf>

156 Labour. Change. Labour Party Manifesto 2024. Available at: <https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf>

157 Labour. Change. Labour Party Manifesto 2024. Available at: <https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf>

158 Social Enterprise UK. Ending the monoculture: How diversity of business can bring prosperity, p.4. 2024. Available at: <https://www.socialenterprise.org.uk/app/uploads/2024/01/Ending-the-monoculture-Jan-2024.pdf>

159 Power to change. A Manifesto For The Age Of Localisation. Available at: <https://www.powertochange.org.uk/wp-content/uploads/2023/09/Power-to-Change-Manifesto-1.pdf>

RECOMMENDATION 5

Ensure that increasing social mobility is considered as part of the social value calculation for government procurement.

The government can also use its own purchasing power, worth around £300bn a year, by putting increasing social mobility into considerations of social value when businesses are bidding for contracts. Social value is the additional economic, social and environmental impact that spending can have above and beyond the purchasing of a specific good or service. For example, buying IT equipment from a firm that works with and trains ex-offenders to become IT professionals, can have significant positive spillover effects.

In our recent research on public procurement, *Taming the Wild West*, we called for social value to be expanded to cover all government procurement, not just central government.¹⁶⁰ However, it is important that social mobility is one of the considerations of this social value. The government's current *Social Value Model* does say that businesses can be rewarded for reducing workforce inequality, but does not reference social mobility.¹⁶¹ The government has recently begun work on a new National Procurement Policy Statement that sets out its priorities for public procurement in support of its missions.¹⁶² This presents an excellent opportunity to recognise social mobility in its approach to procurement.

The government should ensure that increasing social mobility is considered as part of the social value calculation for government procurement.

This will provide an incentive for businesses that wish to win hundreds of billions of pounds of government contracts to improve social mobility.

RECOMMENDATION 6

Consult on expanding pay gap reporting to socio-economic backgrounds as it expands reporting to ethnic minority and disability gaps.

As discussed earlier in this report, a key part of improving social mobility within a business is understanding the current state of play. This puts businesses in a better position to understand challenges, design and delivery changes in social mobility strategy and practices, and to evaluate any consequent changes.

Understanding the current state of workforce social mobility will almost inevitably require some additional data collection concerning staff characteristics. Currently, social class is not a protected characteristic in the Equality Act 2010. All employers with 250 or more employees must report their gender pay gap data, there is no such requirement regarding socio-economic background.¹⁶³ The new government has announced the expansion of mandatory pay gap reporting to ethnicity and disability pay gaps for large employers in the King's Speech.¹⁶⁴ However, as we have shown in this report, socio-economic disadvantage can also create inequalities between different parts of society. Research by the Co-operative Group, for example, found a mean pay gap of 5.2% between colleagues from a lower and higher socio-economic background.¹⁶⁵ This is due to employees from disadvantaged backgrounds not being able to progress into more senior positions compared to their counterparts.

160 Kapetanovic, H. *Taming The Wild West: How Technology Can Chart A New Frontier For Social Value*. Demos, 2024. Available at: https://demos.co.uk/wp-content/uploads/2024/07/Taming-the-Wild-West_final.pdf

161 Government Commercial Function. *The Social Value Model*. 2020. Available at: <https://assets.publishing.service.gov.uk/media/5fc8b7ede90e0762a0d71365/Social-Value-Model-Edn-1.1-3-Dec-20.pdf>

162 Gould, G. *Procurement Act 2023 Update*. Statement made on 12 September 2024. Statement UIN HCWS90. UK Parliament, Written questions, answers and statements, 2024. Available at: <https://questions-statements.parliament.uk/written-statements/detail/2024-09-12/hcws90>

163 Government Equalities Office. *Statutory Guidance. Who needs to report*. 2024. Available at: <https://www.gov.uk/government/publications/gender-pay-gap-reporting-guidance-for-employers/who-needs-to-report>

164 His Majesty King Charles III and Prime Minister's Office. *The King's Speech 2024*. 2024. Available at: https://assets.publishing.service.gov.uk/media/6697f5c10808eaf43b50d18e/The_King_s_Speech_2024_background_briefing_notes.pdf

165 Co-op. *Co-op becomes first retailer to publish socioeconomic pay gap report*. 2024. Available at: <https://www.co-operative.coop/media/news-releases/co-op-becomes-first-retailer-to-publish-socioeconomic-pay-gap-report>

To get businesses to focus on social mobility we need more businesses to collect data on the pay and progression of their workforce considering socio-economic background. *The government should consult on expanding pay gap reporting to socio-economic backgrounds as it expands reporting to ethnic minority and disability gap gaps.*

This would put real pressure on businesses to improve social mobility and put in place the programmes they need to spread opportunity throughout the workforce. Learning the lessons from gender pay gap reporting, we know that this type of disclosure can lead to greater focus at the top of businesses on how to support workers from particular backgrounds.¹⁶⁶

RECOMMENDATION 7

Businesses should be encouraged to ask job applicants to voluntarily share information about their socio-economic background, such as their parents' occupation.

Businesses should also be encouraged to ask job applicants to voluntarily share information about their socio-economic background, such as their parents' occupation.

This can assist in understanding the inclusivity of recruitment practices and allow employers to identify points at which those from socio-economic backgrounds may be facing barriers to employment. This data could, with employees' permission, be kept to understand the composition of the workforce and to look at other social mobility-related outcomes, such as career progression.

While this practice would be helpful with new recruits, a true understanding of the socio-economic composition of the workforce also requires data collection from existing employees, such as parents' occupations. This can be a sensitive subject and one business leader explained that they had struggled to gather socio-economic background data from employees. To navigate this issue, business leaders should frame this data collection positively in terms of its aspirations - both the social justice argument for tackling any potential barriers to employment and progression, as well as the business case for making sure that they are recruiting and nurturing the best talent possible to drive business outcomes.

CASE STUDY

TAKING A 'BEST IN CLASS', SECTOR VIEW OF SOCIAL MOBILITY

Levels of social mobility vary between sectors and professions. The Sutton Trust's Bridging the Gap report notes there are significant inequalities in engineering with "almost three quarters (71%) of people in their thirties from higher SEB are in managerial or professional roles, compared with just 39% from lower SEBs" (p. 8).¹⁶⁷ They also observe that the "effect of SEB on progression is apparent within groups of the same gender and ethnicity, and can also be exacerbated when combined with these

¹⁶⁶ Sharp, D. Gender pay gap reporting: its impact and possible future. KPMG, 2022. Available at: <https://kpmg.com/uk/en/blogs/home/posts/2022/02/gender-pay-gap-reporting-its-impact-and-possible-future.html>

¹⁶⁷ The Sutton Trust. Bridging The Gap. Socio-economic diversity: access, pay and progression. 2022. Available at: <https://www.suttontrust.com/wp-content/uploads/2022/02/Bridging-The-Gap-report.pdf>

other characteristics”¹⁶⁸ (p. 8). There is a notable stratification between vocational and academic routes, with concerns about a ‘two-tier system’ that reflects socio-economic divides. That said, in relative terms, engineering compares favourably in terms of openness in socio-economic background compared to those working in management consultancy, law and journalism, for instance. With this in mind, engineering firms may want to look at their socio-economic pay gap, for instance, with reference to other engineering firms. They also may wish to focus their data collection on areas that are particularly challenging for the sector, such as the progress of those that have taken vocational versus academic routes, for instance.

Overall, socio-economic data collection should be considered, proportionate and inform a long-term strategy, rather than a series of short-term interventions. Throughout this process, businesses should look outwards, seeing what data other businesses are gathering, making useful data comparisons with other businesses - such as pay gaps and progression rates - and crucially, be open about the state of social mobility in their business and what they are trying to do to improve it. In our survey of business leaders, 74% said that they felt promoting social mobility would enhance external reputation. However, there may be some reticence to be transparent about sharing data, particularly where data paints an unfavourable picture. Here, it will be important to communicate this data as part of a long-term ambition, which sets out a clear, positive vision to current and potential employees, potential partners, consumers and other stakeholders.

Businesses should also encourage other businesses to formalise data collection in their sectors. For instance, Progress Together is a membership body that focuses on progression, retention and socio-economic diversity.¹⁶⁹ In 2023, Progress Together released a report with The Bridge Group that sought to understand the relationship between socio-economic background and progression to the most most senior roles in UK financial services, with a range of insights including socio-economic differences in hiring and progression as well as a ‘double-disadvantage’ facing women from lower socio-economic backgrounds.¹⁷⁰ These sector-specific insights could be invaluable in helping businesses champion social mobility in their workforce.

When it comes to collecting and analysing socio-economic data, larger organisations are at an advantage, both in terms of the sample they are able to draw from and the capacity to take on the analysis. One business leader we spoke with used data to understand the socio-economic background of their workforce and the progression rates of those from different backgrounds. In addition, they conducted an intersectional analysis that looked at socio-economic background alongside other characteristics. In this context, smaller businesses should look to learn from successful strategies and practices adopted by other businesses and use other existing evidence to inform their work. They should also look to gather qualitative insight from employees, particularly those from lower socio-economic backgrounds, about their experience of the workplace and potential approaches to promoting social mobility within the business.

168 The Sutton Trust. Bridging The Gap. Socio-economic diversity: access, pay and progression. 2022. Available at: <https://www.suttontrust.com/wp-content/uploads/2022/02/Bridging-The-Gap-report.pdf>

169 Progress Together. Driving Socio-economic Diversity at Senior Level across UK Financial Services. Available at: <https://www.progresstogether.co.uk/>

170 Progress Together. Shaping Our Economy: Senior roles in financial services and socio-economic diversity. 2023. Available at: <https://www.progresstogether.co.uk/wp-content/uploads/2023/09/Shaping-the-Economy-Public-FINAL-Compressed.pdf>

RECOMMENDATION 8

Create a 'Social Mobility Data Lab' to bring together data and information from across the public sector, business and civil society

At the national level, there is a need to improve our understanding of the relationship between different business strategies and practices and social mobility. At present, there are significant challenges when it comes to gathering and analysing data pertaining to social mobility. The Social Mobility Commission (SMC) has detailed issues with data linkages, missing data sets, lack of longitudinal data (the Labour Force Survey has only recently begun asking social mobility-related questions), among others that need address.¹⁷¹ However, there has been some very useful, innovative research that has enhanced our understanding of social mobility in the UK. For instance, Friedman et al. (2017), used (then) new socio-economic background questions within UK Labour Force Survey (LFS) to reveal that 43% of their sample experiencing some form of upward mobility with 29% experiencing downward movement, with strong, persistent barriers to equality of opportunity.¹⁷² Elsewhere, resources like the Social Mobility Commission's Social Mobility Index have greatly increased our understanding of the current state of social mobility, its drivers, and how socio-economic status intersects with other factors and characteristics.

The government has a leadership role in pooling data, expertise and resources on the best approaches to tackle social mobility and bringing together the public sector, private sector and civil society. The last government created 'Data Labs' to look at longstanding challenges such as criminal justice. The Justice Data Lab is now ten years old and has produced over 170 research papers and developed programmes for the public sector and civil society organisations to help reduce reoffending.¹⁷³

The government should create a 'Social Mobility Data Lab' to bring together data and information from across the public sector, business and civil society. This Data Lab could be hosted by the Social Mobility Commission and open to businesses and other groups to share their information in a confidential and protected space. This would help the government, employers and charities to track the progress of people from disadvantaged backgrounds and evaluate the impact of social mobility initiatives. The Data Lab should also work on delivering the recommendations of the Social Mobility Commission's *Data for Social Mobility* review and collaborating with key agencies such as HMRC.¹⁷⁴

This set of recommendations are designed to support the government's current agenda. The Labour Party's 2024 manifesto set out 'five missions to rebuild Britain', including missions to 'Kickstart economic growth' and 'Break down barriers to opportunity'.¹⁷⁵ Improving social mobility can help the government achieve both of these missions - allowing citizens to realise their potential and businesses to access a wider talent pool, leading to greater productivity and economic growth.

This report has made the business case for social mobility. Through surveys of employers, employees, and consumers, it has shown a demonstrable appetite for the business promotion of social mobility. Moreover, in combining our original survey data with secondary evidence and interview insights from business leaders, we have laid out the various ways in which businesses

171 Social Mobility Commission. Data for social mobility: improving the collection and availability of data across the government. A review of data gaps and solutions to support effective policy-making. 2022. Available at: https://assets.publishing.service.gov.uk/media/6398c159d3bf7f3f7d1cf46f/Data_for_Social_Mobility.pdf

172 Friedman, S., Laurison, D and Macmillan, L. Social Mobility, the Class Pay Gap and Intergenerational Worklessness: New Insights from The Labour Force Survey. 2017. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/596945/The_class_pay_gap_and_intergenerational_worklessness.pdf

173 Preston, J. The Justice Data Lab turns 10. Civil Service, 2023. Available at: <https://dataingovernment.blog.gov.uk/2023/07/05/the-justice-data-lab-turns-10/>

174 Social Mobility Commission. Data for social mobility: improving the collection and availability of data across the government. A review of data gaps and solutions to support effective policy-making. 2022. Available at: https://assets.publishing.service.gov.uk/media/6398c159d3bf7f3f7d1cf46f/Data_for_Social_Mobility.pdf

175 Labour. Mission-driven government. 2024. Available at: <https://labour.org.uk/change/mission-driven-government/>

can promote social mobility and the benefits this can bring to employers, employees, and their communities.

Crucially, using regression analysis of original business survey data, we have demonstrated 'The Opportunity Effect' - the substantial boost that social mobility can give to business outcomes, with substantial benefits to economic output and tax revenue.

In a context of low productivity, low growth and concerns about the UK's national competitiveness, it is imperative that businesses prioritise the promotion of social mobility and that the government create the conditions that allow them to do so. Our recommendations outline various ways to make this happen.

CONCLUSION

Businesses leaders, policymakers, and the public at large recognise the importance of ensuring that everyone, regardless of background, has access to opportunities that help them realise their potential. However, we are more likely to see action to increase social mobility if people can see the business case for change and the positive impact that it could have on the UK economy.

In this report we lay bare the evidence that makes not only the social but the economic and business case for social mobility.

Our research is clear.

We do not have to make a false choice between investing in increased social mobility and economic dynamism.

We can, and should, seek both.

We need enlightened leadership from the private sector, encouragement and support from the public sector as well as collaboration with civil society.

Working together, we can make progress and reverse recent trends which have seen social mobility slow down over the previous two decades.

The significant economic gains that we have outlined in this report cannot be achieved overnight but they are big enough to justify a serious effort by policy makers to make them happen.

Social mobility is not cost-free but the potential gains far outweigh any short-term costs.

The new government has put breaking down barriers to opportunity as one of its five missions for a decade of national renewal.

Now is the time to put in place the key elements of a cross-governmental social mobility strategy, working in partnership with the private sector, the focus of this report.

We do not have to make a false choice between investing in **social mobility and economic dynamism.**

We can, and should, seek both.

ANNEX

BUSINESS LEADER SURVEY SAMPLE INFORMATION

Focaldata survey of 531 business leaders, 17th April-23rd April 2024. Weighted towards larger business and retail.

TABLE 2
DISTRIBUTION OF SECTORS IN SENIOR BUSINESS LEADER SURVEY

SECTOR	TOTAL
Agriculture, mining and utilities	3%
Manufacturing	5%
Construction	14%
Transportation	5%
Accommodation & food	4%
IT and communications	8%
Financial and insurance	3%
Real estate activities	2%
Retail	19%
Administrative & support service	8%
Education	6%
Health and social work	7%
Arts and recreation	5%
Science and technology	4%
Other service activities	7%

TABLE 3
DISTRIBUTION OF COMPANY OR ORGANISATION SIZE IN SENIOR BUSINESS LEADER SURVEY

NUMBER OF EMPLOYEES	TOTAL
0 – only myself / self-employed	8%
1-5 employees	7%
6-9 employees	5%

10-49 employees	15%
50-99 employees	11%
100-249 employees	15%
250-499 employees	8%
500-999 employees	9%
1,000 employees or more	22%

ANALYSIS OF THE RELATIONSHIP BETWEEN SOCIAL MOBILITY STRATEGIES AND/OR PRACTICES AND TURNOVER

Overall, we find positive and statistically significant relationships between increased business turnover over the last 12 months and all social mobility-related strategies/practices, as Table 4 demonstrates. All of these fall within 1% statistical significance level, other than fostering an inclusive work culture, which carries a 10% statistical significance level. There are also positive statistically significant relationships between social mobility practices and forecasts for increases in turnover in the next three years, as Table 5 shows.

TABLE 4

THE RELATIONSHIP BETWEEN VARIOUS SOCIAL MOBILITY STRATEGIES AND/OR PRACTICES AND INCREASED TURNOVER

DEPENDENT VARIABLE	TURNOVER INCREASED IN LAST 12 MONTHS	
	Marginal effects (positive in all cases)	statistical significance level
Question 7: "In my business we have strategies and/or practices that aim to:		
Attract employees from lower socio-economic backgrounds	17.6%	1%
Retain employees from lower socio-economic backgrounds	15.5%	1%
Ensure an inclusive and equitable recruitment approach	15.4%	1%
Foster an inclusive work culture	9.1%	10%
Address potential barriers to promotion for those from lower socio-economic backgrounds	13.7%	1%
Question 9: "as a business, we..."		
Foster partnerships with other social mobility focused initiatives/organisations	16.0%	1%
Reach out to particular communities to promote social mobility	16.0%	1%
Collect and analyse data to shape business practices concerning social mobility	15.9%	1%

In addition, Table 5 shows statistically significant positive relationships between all social mobility practices and forecast increase in turnover in the next three years

TABLE 5
THE RELATIONSHIP BETWEEN VARIOUS SOCIAL MOBILITY STRATEGIES AND/OR PRACTICES AND INCREASED TURNOVER

DEPENDENT VARIABLE	FORECASTING AN INCREASE IN TURNOVER IN NEXT 3 YEARS	
	Marginal effects (positive in all cases)	statistical significance level
Question 7: "In my business we have strategies and/or practices that aim to:		
Attract employees from lower socio-economic backgrounds	17.1%	1%
Retain employees from lower socio-economic backgrounds	13.3%	1%
Ensure an inclusive and equitable recruitment approach	15.5%	1%
Foster an inclusive work culture	16.4%	1%
Address potential barriers to promotion for those from lower socio-economic backgrounds	15.1%	1%
Question 9: "as a business, we..."		
Foster partnerships with other social mobility focused initiatives/organisations	12.4%	1%
Reach out to particular communities to promote social mobility	10.6%	1%
Collect and analyse data to shape business practices concerning social mobility	9.2%	5%

These results show a strong relationship between social mobility practices and turnover (both realised and forecast) among businesses, controlling for both business size and sector. As outlined elsewhere in this report, there are various economic explanations that may contribute to this pattern. In diversifying recruitment, nurturing talent, and creating environments that get the best out of those from socio-economically disadvantaged backgrounds, organisations may see improvements to productivity and therefore see their business outcomes improve. Indeed, in our survey of those in C2DE households asked what impact their employer promoting social mobility might have on various aspects of their working life. Here, a large minority of respondents felt that a focus on social mobility would increase their job satisfaction (39%), motivation (36%), collaboration (39%), idea generation (30%), and other factors that may contribute to improved productivity.

Methodological limitations to regression analysis

There are several important methodological limitations that should be noted here:

- 1. Self-reporting:** The survey of senior business leaders relies on self-reported rather than actual turnover data and social mobility strategies and practices.
- 2. Correlation does not mean causation:** While the economic arguments outlined elsewhere in this paper suggest some causal relationship between social mobility practices and/or strategies and business results exists, this cannot be confirmed by this regression analysis.
- 3. Complex causality:** More generally, business performance (signalled here by increased turnover) is an incredibly complex, multi-faceted phenomenon. While social mobility, from our survey data and interviews, as well as the economic argument made elsewhere in this paper, should, all else remaining equal, produce some positive business results, there will be many other factors at play here.
- 4. Reverse causation:** There may be some reverse causality at play, with good business outcomes and projections putting businesses in a better position to champion social mobility in their workforce.
- 5. Social mobility and wider DEI practices:** In this analysis, we have focused specifically on social mobility practices rather than other aspects of DEI (though some strategies/practices, like equitable approaches to recruitment do intersect with wider DEI strategies). Therefore, we do not have comparative data that allows us to make comparisons with strategies and/or practices concerning other focuses of DEI work.

Variation between sector and employer size

In addition to analysing the relationship between social mobility practices and/or strategies at the aggregate level, we wanted to establish whether the correlations between increased turnover and employer mobility practices were stronger or weaker for different sectors and for different sizes of employer. Here, similar sectors were grouped into four larger sector groups, to build larger sample sizes on which to run the analysis:

- 1.** Logistical and financial services (accommodation, transport, communications, financial services, real estate)
- 2.** Retail
- 3.** Other services (science and technology, admin, education, health and social care, arts and recreation, other services)
- 4.** Production and construction (agriculture, mining, manufacturing, construction)

We find significant relationships between some of the employer social mobility practice variables and increased turnover for each sector grouping except grouping 1 (logistical and financial services), where none are significant. This is interesting, particularly given financial services feature so prominently in the Social Mobility Employer Index and many of these businesses have great interest in social mobility-oriented practices. This warrants further examination.

For employer sizes, these were broken into four different categories:

1. 0-9 employees
2. 10-49 employees
3. 50-249 employees
4. 250 or more employees.

There are significant results for groups 1,3 and 4, but not for group 2. As covered in the main body of our report, our senior business leader conversations suggested size of business was a key enabling of promoting social mobility. With that in mind, it is interesting that the 0-9 employees group showed significant relationships but the 10-49 employees group did not.

In summary, there is a significant relationship between turnover and employer mobility across most (but not all) industry sectors and for both small and large employers. However, while there is a strong theoretical economic argument for the hypothesis that social mobility has some causal affect on business outcomes, there are (as outlined at the start of this section) questions about the extent of causality, issues of reverse causality and other limitations here. These employer size and sector breakdowns should be read with caution given the small sample sizes involved.

Methodological limitations to economic estimates

For the purposes of this analysis, we assume a one-way causal relationship between social mobility strategies and practices, and turnover. However, as discussed in the previous section, there are a number of key methodological limitations here, including the direction of causality, the possible existence of reverse causality, and other complicating factors. There are some further methodological limitations to note here, including:

1. **Weighting of strategies and/or practices:** These figures assume that each social mobility strategy and/or practice is equally weighted in terms of business impact, whereas in practice, this is very unlikely to be the case.
2. **Focusing on number of approaches, rather than implementation:** There will be great variation in how strategies and/or practices may be implemented. For instance, some innovations around fairer recruitment may be more effective than others. However, these differences are not captured in our analysis, which focuses on number of practices.
3. **Overlap in approaches:** Some of the strategies and/or practices overlap. For instance, reaching out to particular communities may come as part of efforts to attract employees from lower socio-economic backgrounds. This is not captured in our analysis, which counts these strategies and/or practices as separate and distinct.

With these limitations in mind, this report's figures should be treated with caution and as an initial upper estimate that could be the start of future work that gets at the causal relationship between social mobility approaches, business outcomes and economic impact.

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