



# Resolution Foundation

## Executive Summary

### *Snakes and Ladders: who climbs the rungs of the earnings ladder*

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## Summary

Earnings are the biggest contributor to the living standards of families in Britain, but it is no longer the case that individuals can rely on automatic earnings growth to lift their standard of living. Median wages have been stagnating since 2003 and the share of national income that goes to the wages of low-to-middle earners has fallen from £16 of every £100 in 1977 to £12 in 2010. This context makes it all the more important that individuals have the opportunity to earn their way to a better standard of living by progressing up the earnings ladder. This type of social mobility – intragenerational social mobility – focuses on people’s ability to improve their earnings within their own life time rather than between generations.

Our work compares earnings mobility for two groups, one born in 1958 that aged from 30 to 40 during the 1990s, and the other born in 1970 that aged from 30 to 40 during the 2000s. Looking at this decade of life captures the ‘peak earnings’ phase of people’s working life. This helps reduce the influence of early-career effects that might lead us to over-estimate mobility as well as identifying the factors that keep people progressing in their careers not just those that help them get started.

Our first report on earnings mobility identified a 22 percent increase in the probability of moving significantly up the earnings ladder in the 2000s compared to the 1990s, giving individuals greater opportunity to materially improve their living standards through work in the 2000s.<sup>1</sup> This increase in upwards mobility was concentrated in the middle and upper middle of the earnings distribution.

This report presents new analysis that identifies the influence of a range of factors on an individual’s chances of moving at least a quintile up or down the earnings ladder and compares the independent influence of each factor on mobility in the 1990s and 2000s. The analysis looks at the influence on mobility of gender, education, occupation, region, unemployment and working full or part-time.

## Findings

Gender, education, geographical region, occupation, experience of unemployment and working full or part-time all have a significant, independent influence over an individual’s likelihood of experiencing both upwards and downwards earnings mobility. Some of these factors were important in both decades and the impact of others, especially region and occupation, changed between the decades, with the former becoming more decisive in the 2000s.

### Gender

Men were 51 percent more likely to move upwards than women in the 1990s and 40 percent more likely to move up in the 2000s. Although childbirth did not appear to have a significant impact on mobility in our analysis, this is most likely because a large number of women in both groups would have had their first child prior to age thirty when the analysis picks them up. Previous research indicates that it is first births that have the greatest impact on women’s chances of progression.

### Education

Individuals that held less than graduate-level qualifications were significantly less likely to experience upwards mobility and more likely to move down the earnings ladder compared to those who held a degree. For example, in the 2000s, those who held a degree were at least 37 percent more likely to move up the earnings ladder than those with lower level qualifications. The effect of holding a degree arguably increased with the expansion of higher education over the decades. With a greater supply of graduates, the penalty for not holding a degree also increased.

### Region

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<sup>1</sup> Savage, L (2011) *Moving on up? Social mobility in the 1990s and 2000s*, Resolution Foundation

Regional differences in mobility became more apparent in the 2000s. People in London were significantly less likely to move down than those in other regions. Individuals in the North East, North West, East Midlands and South West were at much greater risk of downward mobility than people in London in the 2000s. These differences in mobility are likely to be related to the experience of the recession in the early 1990s in different regions and subsequent strong recovery in London. By the 2000s London had become a focus for job growth in the types of industries that offer the greatest opportunities for earnings progression. This in turn led to a greater concentration of highly-skilled workers in the capital.

### Occupation

Occupations have also played a role in determining who moves up and down the ladder with professionals such as lawyers and teachers much more likely to move up than those working in other occupations during the 2000s. Across both decades, jobs at the lower to middle end of the occupational scale such as builders, electricians and machine operators offered reduced opportunities for upwards mobility and an increased risk of downwards mobility. For example, those in machine operating occupations were 78 percent more likely to experience downward mobility than those in management positions in the 2000s.

### Unemployment

Those who slipped into unemployment during their thirties were significantly less likely to move up the ladder and more likely to move down once they returned to the workplace in both decades. For example, individuals who experienced a period of unemployment in the 2000s were 2.2 times more likely to move down the earnings ladder than those who were employed for the entire decade.

### Full and part-time work

Working part-time throughout the decade or moving from full to part-time employment carried with it a significant risk of moving downwards. Those employed part-time in the 2000s were at a 87 percent increased risk of downward mobility compared to those who were employed full-time throughout the decade. However, the penalty for switching from full to part-time employment was less severe in the 2000s compared to the 1990s.

## *Earnings mobility and low to middle income households*

The same characteristics influence mobility right across the earnings distribution but the characteristics of individuals in each quintile vary significantly. For example, having a degree is significant to an individual's chances of upwards mobility whether they are at the bottom end of the ladder or in the middle. But individuals in the lower quintiles of the earnings distribution are less likely to have a degree.

The distribution of those characteristics that promote upwards mobility and protect against downwards mobility pose a particular challenge to low-to-middle income households. Around nine in ten of all adults in low to middle income (LMI) households can be found in the bottom three earnings quintiles. They are less likely to possess the characteristics that facilitate upwards mobility and are more likely to have the characteristics that increase their risk of moving down. For example, only 16 percent of adults from low-to-middle income households hold a degree compared to 39 percent in higher income household. Only 5 percent are employed in professional occupations that offer the greatest prospects for moving up and they are more likely to work part-time than adults in better-off households. In this context, the barriers to adults in low-to-middle income households improving their living standards by working their way up to higher paid employment look daunting.