National Youth Agency

Exploring the connection between social mobility and financial capability

January 2019

Contents

1. Introduction

This piece explores the idea that better financial capability can improve the social mobility of disadvantaged young people by helping raise awareness of the implications of financial decisions in the short, medium, and long-term.

Although there is strong evidence that financial capability can make a difference to how young people manage their money in the short-term, the impact this has on long-term social mobility is less clear. However, there are a range of innovative programmes that show how improved financial skills help young people to progress in their everyday lives. This paper argues that these positive steps can make an important contribution to their long term future.

2. Upward social mobility

Upwards social mobility describes a phenomenon – the extent to which young people are able to pull themselves up and out of disadvantage and secure long-term improvements in their lives. The degree to which this is determined by personal fortitude and character, or by eliminating the structural barriers that hold people back, is open to debate. But there is a widespread recognition that young people need support in both if they are to be given the best chance to succeed.

The Social Mobility Commission (SMC), appointed by the Government, has led the analysis on social mobility in recent years. It has published an influential annual review of social mobility including a ranked index of local authorities that highlights the mobility potential for children and young people in each geographical area.

One of the most significant findings from the Social Mobility Commission is that the areas where it is hardest for young people to progress into work and further and higher education are concentrated outside London, frequently in coastal and rural areas.

The index finds that the worst performing areas for social mobility are no longer inner city areas, but remote rural and coastal areas, and former industrial areas, especially in the Midlands. Young people from disadvantaged backgrounds living in these areas face far higher barriers than young people growing up in cities and the surrounding areas - and in their working lives, face lower rates of pay; fewer top jobs; and travelling to work times of nearly four times more than that of urban residents.[1] These disadvantages are compounded by the fact that rural areas have the poorest rates of digital connectivity, suffering with both broadband and mobile connections.[2]

According to the Commission, what enables social mobility for the young is clear:

- access to a range of high-quality education institutions;
- good careers advice;
- frequent interactions with universities and employers; and,
- labour market preparation during school, college or university.

However, these drivers of change are not consistently available across the country and the Commission has particularly highlighted the challenges in rural and coastal areas, as well as urban areas outside London.[3]

Other organisations focusing on social mobility such as the influential Sutton Trust, Future First and more recently Justine Greening's Social Mobility Pledge, focus on supporting young people into further and higher education and work. Some organisations including the Social Mobility Foundation focus their attention on how young people from disadvantaged backgrounds access the more prestigious universities (such as Oxbridge and the Russell Group) and professions such as law, accounting, banking etc.

Often the focus of media and public attention is on the huge personal challenges that individuals have overcome in order to get to the top. As Justine Greening has said, three Bs at A-level may represent a much bigger achievement for a young person overcoming

[1] https://www.gov.uk/government/news/social-mobility-in-great-britain-fifth-state-of-the-nation-report (Social Mobility Commission News release, 28 November 2018.)
[2] See; Prince's Countryside Fund, *Recharging Rural* (2018), and; County Councils Network, *Broadband in County Areas* (2018).
[3] Social Mobility Commission, *State of the Nation 2017: Social Mobility in Great Britain* (2017), p. 56.

personal and family disadvantages than a child that has had everything laid out in front of them.[4] The context for young people's achievements is important, but the risk in focusing on these exceptional cases means we overlook the significant steps a large number of young people take to improve their lives, often in the face of challenging circumstances at home. Staying on in college or continuing with an apprenticeship may not make the headlines but for many these are real achievements that make a difference to their future prospects.

Yet hard work and talent are not the only factors that make a difference. Other barriers get in the way of creating a level playing field. *Unlocking Talent Fulfilling Opportunity: a plan for improving social mobility through education* (Department for Education)[5] makes the point that 'talent is spread evenly across the country but opportunities are not…. what we want is for all young people to perform as well as the best'.

Poverty is at the heart of the challenge that so many young people face. According to JRF, where a child lives in the UK, the number of children in their family and their parents work status all affect the likelihood that they will be in poverty.[6]

The child poverty rate has remained stubbornly at around 25% of all families[7] and the impact of holiday hunger is one illustration of the link between poverty and social mobility. There is strong evidence that summer holidays are particularly difficult for families in poverty: parents are in work and many struggle to feed their children without access to free school meals.[8] Research shows that the impact on educational performance in the autumn is significant if children go hungry throughout the holidays

---

[4] The Independent, 1 May 2018; http://tinyurl.com/ycrbcqwb

[5] Department for Education, *Unlocking Talent Fulfilling Opportunity: a plan for improving social mobility through education* (2017).

[6] JRF, https://www.jrf.org.uk/data/child-poverty

[7] Joseph Rowntree Foundation Analysis Unit, *UK Poverty 2017: A comprehensive analysis of poverty trends and figures* (2017).

[8] Pamela Louise Graham et al., *School Holiday Food Provision in the UK: A Qualitative Investigation of Needs, Benefits, and Potential for Development* (Northumbria University, 2016), available at; https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4992941/

and of course, the Social Mobility Commission's annual review is based on the progress of young people eligible for free school meals.

As former Secretary of State for Education Justine Greening has highlighted:

> *"We are under no illusion that these issues can be tackled quickly. Nor, importantly, can they be tackled by education alone. It will require a long-term, sustained commitment across government and beyond…."*
>
> *"… it is important to begin with the recognition that there is no simple solution. The temptation can often be to search for a silver bullet – one idea, or one lever which if pulled would transform social mobility. But it is a myth that it can ever be that straightforward. And while of course money is important, if we could simply buy our way through these challenges we would have done so by now."*[9]

Recognising the deep rooted challenges that sit behind social mobility is the first step in understanding how financial capability can make a more lasting difference in young people's lives as young adults today are experiencing a very different set of personal, economic and financial circumstances from those of previous generations due to changes in the job market, housing market, consumer trends, the advent and reach of online finances and markets, more stringent pensions and employment patterns, and numerous savings and investment vehicles; all compounded within the context of a period of inflation and slow economic growth and Brexit uncertainty. These have all combined to make the decisions individuals face more complex.

For example;

- Long-term labour market precarity is offsetting decreasing levels of youth unemployment, and whilst NEET figures are dropping overall, the number of young people spending 12 months or more NEET has increased.[10]

[9] Department for Education, *Unlocking Talent Fulfilling Opportunity: a plan for improving social mobility through education* (2017), pp. 6-7.
[10] See; APPG on Youth Employment, *Those Furthest from the Labour Market* (2018), and, Impetus PEF, *Youth Jobs Index 2017* (2017).

- Housing affordability is more out of reach for many young people, and rent is rising in areas where young people are more likely to find work – both in terms of real cost and proportion of income.[11]
- New analysis which factors in multiple detailed variables on income and costs of living shows that childhood poverty has increased since 2015, worsening for even those families in which couples undertake full-time work, a situation traditionally thought of as a safeguard against poverty. The findings declare 4.5m children living in poverty.[12]
- As inequality in earnings and housing costs are predicted to grow, so the projected future pension incomes of the poorest is predicted to stagnate relative to others.[13]

It is evident that for young people, many are starting from a lower material level and facing a more difficult and less certain financial future, with an increasing need for individuals to take more responsibility for their own financial future.

3. The context for financial capability

In discussions with a number of organisations for this paper there was a consensus that young people who are financially capable are in a better position to understand the impacts of their financial decisions, fulfil their potential, and get on in life.

Tom Clarke and Shadi Ghezelayagh's paper for the Money Advice Service on what drives children and young people's financial behaviour highlights three key areas of influence:[14]

- children's financial knowledge and skills;
- children's engagement with money and access to financial products/services;

[11] Concerning the costs of rent and property, which are generally the largest expenditures for independent young people see; Shelter, *Housing Affordability for First Time Buyers* (2015), and, Cassie Barton, *Home Ownership & Renting: Demographics* (House of Commons Library Briefing Paper, 2017), esp. pp. 11 – 12. See also, https://www.bbc.co.uk/news/business-45559456 [accessed 04 October 2018] for a regional 'calculator'.
[12] Social Metrics Commission, *A New Measure of Poverty for the UK* (Social Metrics Commission, 2018), esp. pp. 111 – 122.
[13] Department for Work and Pensions, *Pensioner Income Projections* (2015).
[14] Tom Clarke and Shadi Ghezelayagh, *Measuring Financial Capability in Children and Young People: What drives financial behaviour?* (Money Advice Service, 2018).

- children's values and attitudes towards money.

The authors also note that young people's financial means (whether they have money or receive it regularly) and parental influence also make a significant difference to children's financial behaviour.

There is strong evidence that more vulnerable young people have greater needs for support. According to the Money Advice Service deep dive into financial capability and vulnerability in young people:

> *"The experiences children and young people have growing up, and what they learn about money during that time, have a profound effect on their chances of having good financial capability later in life. All children and young people need support to learn how to manage money well, but some children, because of particular characteristics, or contexts in which they live, may face additional challenges related to financial capability, and benefit from more targeted support."*[15]

Analysis of the *Children and Young People's Financial Capability Survey 2016* suggests there are certain characteristics, skills, and environmental factors that are associated with poorer financial capability. These range from ethnicity and long-term illness to poor behaviour and lack of perseverance. Other determinants include living in social housing, living in a deprived area, being looked after by a single parent and living in an over-indebted family. All of these are also strong indicators of poverty and when we consider the challenges of improving young people's social mobility we need to take account of the contextual circumstances in young people's lives.

In this context it is of concern that the House of Lords Select Committee on Financial Exclusion finds that financial education is significantly more embedded in schools in the devolved administrations than in England. Personal finance education already

[15] Dr Gavan Conlon, Viktoriya Peycheva and Wouter Landzaat, *Children and Young People Financial Capability Deep Dive: Vulnerability. Exploring relationships using CYP Financial Capability Survey data* (London Economics, 2018).

forms a part of both the primary and secondary national curricula in each of the devolved nations, with established frameworks for study.[16]

The report finds that the provision of any financial capability type education is very patchy and insufficient in schools in England, which suggests that most children and young people will only engage with services that help with such issues once they are in debt, rather than helping to prevent this. This of course has a more detrimental effect on those identified as most at risk above.

This is problematic as separate Office for National Statistics Research shows that:

- Those individuals with debt in the 16 to 24 year age band have the highest level of debt compared with their income – over twice as high as the figure for all individuals with debt.[17]

We therefore support the Report's call for not only better financial education in schools, but also outside of them too, and especially with a focus on providing such education at earlier years as we know from the extensive research conducted by the Money Advice Service (e.g. *Children and Young People and Financial Capability: Literature Review)*[18] that some groups of young people are less capable of managing their money well, engage less with financial capability programmes, and these groups are often those that have the greatest challenges in fulfilling their potential.

[16] House of Lords Select Committee on Financial Exclusion, *Report of Session 2016-17 – Tackling Financial Exclusion: A Country That Works for Everyone?* (2017), p. 34, available at; https://publications.parliament.uk/pa/ld201617/ldselect/ldfinexcl/132/132.pdf

[17] Office for National Statistics, *Household Debt Inequalities* (2016), available at; https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/debt/articles/householddebtinequalities/2016-04-04 [accessed 30 November 2018]

[18] Walker, Goldsmith and Bragg, edited by Ann Griffiths, *Children and Young People and Financial Capability: Literature Review* (Money Advice Service, 2018).

4. How can financial capability support young people towards social mobility?

The Financial Capability Strategy for the UK measures 'financial capability' against the financial skills, knowledge, motivation and attitudes individuals possess to make good financial decisions and to achieve good financial wellbeing.[19] The foundations for these are developed and can be observed in childhood and adolescence.

Ultimately skills, knowledge, motivation and attitudes are fundamental to all aspects of our lives and clearly influence the financial decisions we make. But there are other forces that influence our financial well-being beyond our own control. Many people make 'poor' financial decisions because they have little choice. For example:

- buying more expensive single items when large packs may be better value but cost more;
- buying less nutritious and cheaper ready meals because it is too expensive to use the cooker;
- paying for single tickets on the bus because a weekly pass is too expensive;
- paying higher electricity rates because you are on a meter;
- taking on thousands of pounds of debt to do a degree and find there is no suitable work when you graduate.

Financial decisions are not always driven by logic but forced by necessity. Financial capability support takes this into account by delivering in different ways and at different times in young people's lives: from learning and individual guidance through to more acute interventions to support young people in financial trouble.

Financial capability support ranges from learning through the national curriculum at school (e.g. Young Money's *Money-Matics* and *Maths in Context* projects), to non-formal learning through programmes such as Barclays *Lifeskills* and Lloyds *Money for Life*.

[19] Money Advice Service, *Financial Capability Strategy for the UK* (2015).

Research also shows that supporting young people to learn about money at critical moments such as leaving home, going to university, getting a full time job or starting an apprenticeship – can be particularly effective. The NYA's *My Money Now* and other projects supported under the MAS What Works Programme are examples of this.

The challenge has been to introduce these initiatives at scale and systematically so young people who need support are able to access it without being subject to patchy provision and the postcode where they live.

A number of influential advocates, including NatWest[20] and the House of Lords Select Committee have also argued that reaching young people when they begin apprenticeships or work-based training can be effective.

The House of Lords Select Committee on Financial Exclusion recommended:

> *We believe that the provision of financial education to young adults in further and higher education needs to be improved; this important age group is not particularly well served under current arrangements. We believe that education providers should, where appropriate incorporate financial education modules into programmes of study.*[21]

The Natwest report argues strongly for support for young people moving into work:

> *"If these young workers have not received financial education at school, the delivery of financial capability in a post-16 setting becomes even more important. At this stage apprentices require support in preparing for work, as well as understanding their rights and responsibilities as an employee. Crucially this will include knowing how much they should be paid for their apprenticeship level, as evidence suggests that some apprentices are not receiving what they are entitled to."*[22]

[20] Natwest, *NatWest Financial Capability and Young Workers Report* (2018)
[21] HOL Select Committee, Paragraph 117.
[22] NatWest, p. 4.

In reality it has proved difficult to persuade employers to take on this kind of responsibility and government has been reluctant to introduce additional requirements on employers to do so.

Given the current landscape, what steps can we take to strengthen support for young people?

First, we should continue the good work that goes on to encourage young people to achieve at school and to support employers like Natwest who do provide financial support for their young staff. But we can also do more to reach young people who are not in school, who are at greatest risk of dropping out of education or training, or who face critical, life changing moments that make a difference to their future success. These are the young people identified as particularly vulnerable in the MAS deep dive research into vulnerability.[23]

We cannot do this by relying on schools. We need to encourage a broader range of support, including access to initiatives such as Barclays *Lifeskills* outreach programme which has supported white working class boys in Social Mobility Opportunity Areas. We need to train more youth workers, family support professionals, social workers and others who work directly with young people at critical moments in their lives. This needs to be continuous and backed by a national roll out that offers consistency and reliability in its delivery.

A clear example of the benefits of this is shown in the results of the successful *My Money Now* programme delivered by the National Youth Agency, in which the evaluation confirmed our thesis that the use of youth worker peer educators increases engagement in young adults, as participants feel more confident and aware of their financial capability when dealing with someone with a reduced 'social distance'.[24] Participants also felt they learned more after being led by a peer. Thus the latent

[23] Conlon et. al. *Children and Young People Financial Capability Deep Dive*

[24] National Youth Agency, *Evaluation of My Money Now Delivered by The National Youth Agency* (2018), available at; https://nya.org.uk/wp-content/uploads/2018/05/A249-MAS-NYA-My-Money-Now-Evaluation-Report-March-2018.pdf

difficulty with 'getting engagement' from those most at risk was effectively tackled through this format, but not at the expense of positive results.

The evaluation further found that the programme was especially well received by those aged 20+ and on apprenticeships; and there should therefore be consideration that financial capability is best delivered to different cohorts via different methods.[25] This finding could prove key given the government's commitment to create 3m more apprenticeships in the immediate future through the Apprentice Levy, suggesting an emerging target audience that could be benefitted immediately.

Secondly we need wider acknowledgement that while measuring social mobility in terms of academic and employment progression is understandable we shouldn't lose sight of the huge effort some young people make just to stay in education and training. In some ways this is a more useful measure of progress on social mobility because it helps us understand young people's challenges at the beginning of the journey rather than the end. Data on social mobility is also age specific and limited to what we can count through educational achievement but it might be more effective to capture progress at later age?

Thirdly we need to remember that providing support for young people to move forward in their lives can be expensive, time consuming and requires significant skill to engage young people, particularly those with the most complex needs. This applies equally to the broad challenges of supporting social mobility as it does to improving young people's financial capability.

Finally, we can't ignore poverty. As we have seen earlier, it is such a significant weight for some young people that it needs to be acknowledged when we design programmes of support for social mobility and financial capability.

[25] Natwest, *Natwest Financial Capability*

5. Conclusions

The extent to which financial capability support can make a difference to upwards social mobility over a long-term is not yet well evidenced. This is partly because it will be a contributory factor, one of a number of complements that supports young people to reach their potential.

However, where financial capability is delivered well, when it engages young people directly and encourages discussion and debate about the value of money and young people's aspirations for the future, it can have a strong motivational impact.

As we have seen earlier, programmes that support this approach are often delivered at timely moments in young people's lives by youth workers and others with the skills to open up these conversations and deliver learning points in a flexible and creative way.

This paper has argued that while there are important connections between the financial capability of young people and their social mobility we shouldn't try to over claim the impact. This is simply because the route for young people to fulfilling their potential is complex and individual. Much depends on factors such as poverty, educational attainment, family relationships and home life which can have a profound impact on young people's chances in life. There are numerous structural and market factors which are determined by many different factors, including geography.

Nonetheless, financial capability can be a highly effective tool that young people carry with them. Understanding budgeting, expenditure and managing financial risk can make a big difference in how we deal with shocks and unexpected events in life. Understanding employment rights, entitlements, tax and NI etc. can mean taking home the pay you are entitled to rather than getting ripped off.

Feeling more in control of your money has huge immediate benefits in terms of mental health and self-confidence as well as the long-term peace of mind that comes from knowing that you are planning for the future.

A large part of financial capability is about developing attitudes and behaviours rather than technical knowledge. How we support young people to develop these capabilities is critical and in particular the most vulnerable whose needs are the greatest.