

Equality Act Review Policy Briefings

To inform Government and Parliamentary Debate

Allow social mobility continuation by introducing 10% income tax cap for first generation, low socio-economic, and BAME graduates.

By Dr Suriyah Bi

5th March 2021

Two thirds of university graduates in England are thought to be 'first in their family' (FIF) to go to university (Henderson et.al 2019). From a socio-economic perspective, 26% of students from low-income families are entering university compared to 43% of their better-off peers, and graduates who were in receipt of free school meals earn 11.5 % less than others five years after graduating (SMC: 2019). In addition, while state school students from Black and Ethnic Minority backgrounds are at an all-time high, with 47.5% of Black students and 53.1% of Asian students gaining entry into university (GOV: 2021), it is important to remember that students from these backgrounds are almost twice as likely to have lived in relative poverty compared to white people (GOV: 2016).

While UK educational policy since by Tony Blair has aimed to widen participation in Higher Education by 50%, we tend to view gaining entry into university as the 'end of the line' for social mobility. The assumption being that obtaining a university degree will act as an equalizer and bridge the gap between low-income/BAME/and FIF graduates and their well-off counterparts. We know however, that upon graduating and entering employment, there are many obstacles and barriers at play (see Bi: 2020a), which show better-off graduates with professional working parents were 80% more likely to gain a professional job than their less privileged peers (SMC: 2019).

Considering the intersections of ethnicity, religion, and socioeconomic background, Muslim graduates earn on average £350 less than their counterparts each month (Ipsos Mori: 2018). Given higher rates of poverty, and higher rates of residency in poorer quality social housing (MCB: 2015), Muslim graduates (and similar BAME groups) who earn over £26,500 have their salaries taxed between 41-51% (Eaton: 2021), which means they are in fact starting their

salaries at approximately £13,500 per annum, not too dissimilar to their parent's generation who earned within those regions without taking out student loans to go to university. To say that today's graduates from lower income/BAME/FIF backgrounds have achieved social mobility is in fact a myth.

There is a significant lack of translation of social mobility into social capital, which is particularly underscored through the rates of home ownership for recent graduates, which have halved for millennials compared to baby boomers (Hemming: 2018, Griffith: 2011, Cribb et al: 2016, Clarke et al: 2016, Cribb et al: 2018). Hemming (2018) demonstrates that on average it now takes a single person eight years and four months to save for a deposit (Hemming: 2018). Higher levels of education or occupation have long been associated with greater likelihood of ownership, however amongst the Millennial cohort who despite attending university and graduating, home ownership continues to remain an abstract social milestone (Linley and McIntosh: 2019). In fact, an affluent family background is now a much more reliable indicator of a higher likelihood of home ownership (ibid).

By lowering the tax rate for first generation, low socio-economic background, and BAME graduates to 10%, for the first ten years post-graduation, we create a window of opportunity for their social mobility to translate into social capital. Without such an intervention *social mobility is reset and nullified* as it fails to translate into changes in social capital upon graduation.

Policy recommendation

Introduce a 10% income tax cap for the first ten years for graduates who are the first in their family to go to university and/or from Black and Minority Ethnic and Religious backgrounds and/or from low socio-economic backgrounds.

Selected References and Resources

Bi, S. 2020. Empowered Employment. *Equality Act Review*.

Clarke, S., et.al. 2015. 'The Housing Headwind: The Impact of Rising Housing Costs on UK Living Standards.' *Resolution Foundation report*.

Cribb, J.,et.al. 2016. 'The Economic Circumstances of Different Generations: the Latest Picture.' *Institute for Fiscal Studies Briefing*.

Equality Act Review Policy Briefings

To inform Government and Parliamentary Debate

Eaton, G. 2021. How student loan repayments leave graduates squeezed. *New Statesman*.

Griffith, M. 2011. Hoarding of Housing: the Intergenerational Crisis in the Housing Market. London: *The Intergenerational Foundation*.

Gov.UK. 2021. Entry rates into higher education. *UK Government*.

Gov.UK. 2016. Press release: Prime Minister orders government audit to tackle racial disparities in public service outcomes. *UK Government*.

Henderson, M. et.al. 2019. First in Family University Graduates in England. *Institute of Labour Economics*.

Ipsos Mori. 2018. A review of survey research on Muslims in Britain. *Ipsos Mori*.

Lindley, J., and McIntosh, S. The Social Mobility of Home Ownership: To What Extent Have the Millennials Fared Worse? *University of Sheffield Economic Research Paper Series*.

MCB. British Muslims in Numbers. *Muslim Council of Britain*.

Social Mobility Commission, 2019. State of the Nation 2018-2019: Social Mobility in Great Britain. *Social Mobility Commission*.