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Sam Friedman and Daniel Laurison Mind the gap: financial London and the regional class pay gap

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Mind The Gap: Financial London and the Regional Class Pay Gap

Abstract

The hidden barriers, or ‘gender pay gap’, preventing women from earning equivalent incomes to men is well documented. Yet recent research has uncovered that, in Britain, there is also a comparable class-origin pay gap in higher professional and managerial occupations. So far this analysis has only been conducted at the national level and it is not known whether there are regional differences *within* the UK. This paper uses pooled data from the 2014 and 2015 Labour Force Survey (N=7534) to stage a more spatially-sensitive analysis that examines regional variation in the class pay gap. We find that this ‘class ceiling’ is not evenly spatially distributed. Instead it is particularly marked in Central London, where those in high-status occupations who are from working-class backgrounds earn, on average, £10,660 less per year than those whose parents were in higher professional and managerial employment. Finally, we inspect the Capital further to reveal that the class pay gap is largest within Central London’s banking and finance sector. Challenging policy conceptions of London as the ‘engine room’ of social mobility, these findings suggest that class disadvantage *within* high-status occupations is particularly acute in the Capital. The findings also underline the value of investigating regional differences in social mobility, and demonstrate how such analysis can unravel important and previously unrecognized spatial dimensions of class inequality.

Keywords: class, region, class origin, class pay gap, class ceiling, social mobility

Word length: 8357

Introduction

Spatial inequality and intergenerational social mobility¹ are both key sociological concerns yet are only rarely connected in empirical work (Savage 1988). To some extent this reflects a lack of sufficiently detailed data, but also particular disciplinary preoccupations. In social mobility studies, the dominant focus has remained firmly on the measurement of *generalized rates* of intergenerational mobility, which has generally presupposed a fixed national framing (Bukodi et al 2014; Goldthorpe and Mills 2008). In contrast, geographers, economists and sociologists interested in spatial patterns of inequality have tended to ignore issues of class *origin* and instead focus on the relationship between class destinations and residential segregation (Dorling 2012; Butler 2003) or migration and intra-generational social mobility (Fielding 1992; Findlay et al. 2009). Yet, as we argue here, connecting issues of space and intergenerational mobility is pivotal for better understanding the “long shadow” that class origins cast on life outcomes (Lareau 2015) and, more specifically, how this shadow manifests in different geographical contexts.

This paper therefore represents the first systematic attempt to unravel regional differences in the patterning of social mobility in the UK. Specifically, it interrogates the thesis (Authors B and A, 2016) that even when those from working-class backgrounds are upwardly mobile into high-status occupations they face a powerful earnings ‘class ceiling’ that persists net of a variety of important predictors of earnings. We examine whether this ‘class origin pay gap’ operates equally throughout the UK, or whether it is concentrated in particular geographical work contexts. For example, does an upwardly mobile accountant working in Manchester face the same

hidden earnings barriers as an accountant from a similar background who works in Central London?

Notably, our findings problematize the dominant policy narrative on regional social mobility in the UK, which presents London as the national ‘engine-room’ of social mobility (SMCP 2015; 2016). In contrast, we find Central London to be a site of particularly acute class-origin inequality within higher professional and managerial jobs. Not only are the upwardly mobile strikingly underrepresented within Central London’s top occupations, but once there these individuals face particularly severe earnings disadvantages. This stands in stark contrast to areas such as Manchester and East of England, which have almost non-existent class pay gaps. Finally we move to dissect the Capital further, demonstrating that the class origin pay gap is by far most acute among those working in banking and finance - pointing to a distinct spatial and sectoral apex to the class ceiling in contemporary Britain.

High-Status Occupations and the ‘Class’ Ceiling

Social mobility into Britain’s high-status occupations has long been a central research issue for academics and policymakers. In sociology, the middle of the 20th century saw a series of rich studies scrutinizing the class composition of particular elite occupations (Boyd 1973; Halsey and Crewe 1969). This tradition has continued in the policy domain where the last few decades have seen increasing calls for higher professional and managerial occupations to become more ‘open’ (SMCP 2010). This debate intensified following the publication of the *Cabinet Office Panel for Fair Access to the Professions* (2010), which argued forcefully that top occupations in Britain had become less accessible to those from working-class origins. This has since been strengthened by a

series of subsequent reports produced by the Social Mobility and Child Poverty Commission (SMCP), which have each renewed the policy objective of ‘opening up the top of British society’ (Ashley et al 2015).

Curiously, this interest in occupational ‘fair access’ has rarely extended to British sociology. Instead, most sociologists have focused their attention on *generalised rates* of social mobility into the “big classes” of the National Statistics Socio-economic Classification (NS-SEC) and, more specifically, whether these rates are increasing or decreasing (see Authors A and B; Year B for further discussion of this debate).

Occupationally-sensitive analyses have continued elsewhere. Economists, for example, have recently demonstrated a clear association between parents’ income and access to Britain’s top professions (Macmillan et al. 2014), and in US sociology important conceptual insights have emerged from the ‘micro-class’ approach to social mobility (Grusky 2005). This work has demonstrated that significant differences in mobility rates exist between individual occupational groups, which should be understood as distinct ‘micro-classes’ (Jonsson et al. 2009).

One problem with both ‘big-class’ and ‘micro-class’ approaches, however, is that they conceptualise social mobility as a process captured by measuring occupational *entry*. Yet while those from working-class backgrounds may secure admission into high-status occupations, they do not necessarily enter with the same resources as those from more privileged backgrounds, and therefore do not necessarily achieve the same earnings or levels of success.

This is a question we have recently begun to take up in our own research (Authors A and B; Year A; Year B). Drawing on the feminist concept of the ‘glass ceiling’², we demonstrate that even when those from working-class origins do enter high-status occupations in Britain, they have – on average - considerably lower incomes than colleagues from more privileged backgrounds. More specifically, examining the large-sample Great British Class Survey (GBCS) and the nationally representative Labour Force Survey (LFS) we uncover a class-origin pay gap in both data sets within higher professional and managerial (NS-SEC 1) occupations. In the 2014 LFS, for example, those who are not from professional or managerial backgrounds earn, on average, 17 per cent (or £7350) less annually than those from privileged backgrounds. This difference is partly explained by the upwardly mobile being employed in smaller firms, having lower educational qualifications, and working outside London, but it remains significant and substantial (9-12% or £4342 per year) even net of these and a variety of other important predictors of earnings, such as gender, ethnicity, age, and human capital. This illustrates very clearly that, even beyond entry, the upwardly mobile often face an earnings ‘class ceiling’ *within* Britain’s high-status occupations.

One way to understand these findings is that the meaning and rewards of being in a high-status job are not the same for people from different class backgrounds. However, it may also be that the meaning and rewards of being in a high-status occupation, as well as the degree to which class origin is associated with earnings, varies geographically.

Indeed, as we outline in the following section, a wealth of research suggests that class inequality in the UK has an important spatial dimension.

British Geographies of Class and Mobility

In Britain understanding social class demands a sophisticated geographical lens. Historically, class formation has been highly regionally-specific and symbolically imagined along a ‘North-South Divide’ (Campbell 2004; Martin 2004; Thrift and Williams 2014). Such a division has also traditionally been synonymous with the boundary between the middle and working class – with an educated, middle class south counterposed to industrial, working-class heartlands in the north of England, Scotland and Wales. Of course the reality was always more complex than this and, as a number of authors have argued (Dorling 2012; Savage et al 2015), the dichotomy of north versus south is increasingly outdated and simplistic. Instead, in the context of the profound restructuring of the UK economy in recent decades, much research has instead demonstrated the increasing dominance of central London (Hamnett 2003) and, within the Capital, the spatial retreat of the ‘super-rich’ (Burrows 2013) or ‘wealth elites’ (Savage 2015). Many others have noted growing urban class inequalities beyond London (Atkinson 2006; Butler 2003). In particular an extensive literature has explored socio-spatial segregation within many major cities, with research on gentrification (Butler 1997), geodemographic classifications (Burrows and Gane 2006), belonging (Benson 2014; Savage et al. 2004), gated communities (Atkinson 2004) and ghettoization (Blokland and Savage 2008) , all insisting on the pivotal role of residential differentiation in marking out contemporary class division in Britain.

While this literature on the ‘spatialisation of class’ is undoubtedly rich, there is a notable paucity of work examining space *and* class in the labour market, and specifically in terms of *intergenerational occupational mobility*. Unlike the US where there is now very detailed data on inter-regional variation in rates of mobility (Chetty

et al. 2014), large-scale mobility research in the UK is conducted almost exclusively at the national level.

Among the scattered works that *do* explore the topic, there is little consensus. Historically, Boberg-Fazlic and Sharp (2013) show that while overall rates of social mobility were fairly constant in Britain between 1350-1850, there is ‘plentiful evidence’ that mobility was greater in the north and significantly lower in the south - particularly the south-east. Yet work on the contemporary UK paints a different picture. Paterson and Iannelli’s (2007) work, for example, punctures romantic narratives of Wales and Scotland as more ‘open’ societies. They show that rates of intergenerational occupational mobility have been broadly similar across all of Britain’s ‘home nations’ since the beginning of the 20th century.

Arguably the only sustained engagement with regionally-specific social mobility has focused on the role of London. This literature can be grouped into two competing strands. The first, perhaps more dominant, argument maintains that London is the ‘engine-room’ of British social mobility. Formational here are Fielding’s (1992; 1995) landmark studies, which identified London and the South-East as an ‘escalator’ region providing disproportionately high opportunities for intra-generational social mobility for young in-migrants in the 1970s and 80s. A similar argument has also emerged in terms of inter-generational educational mobility, with a number of studies demonstrating that pupils from working-class origins perform better in London schools than any other part of the UK – dubbed the ‘London Effect’ (Greaves et al, 2014; Blanden et al 2015). And even more recently this celebratory narrative has featured heavily in the SMCP’s publication of a regional ‘social mobility index’. This

classification, which ranks local authority districts in England according to a range of proxy measures of inter- and intra-generational educational and occupational mobility, finds that Central London authorities lead the country on *all* measures of social mobility (SMCP, 2015; 2016).

This notion of a transformatory ‘London Effect’ has been challenged in sociological work, however (Cunningham and Savage, 2015; Hall and Savage, 2015). Using data from the GBCS, Savage and Cunningham (2015: 321) argue that contemporary London is not so much an escalator region but an ‘elite metropolitan vortex’ – ‘a space where the coming together of intense economic, social and cultural resources enable the crystallization of a particular elite social class formation’ with ‘an increasing propensity toward self-recruitment’. Others point to low mobility rates in occupational sectors located chiefly in Central London, such as banking and finance (Sutton Trust, 2014; Author A et al, 2015). Moreover, Ashley et al (2016) argue that particularly strong ‘barriers to access’ exist for those from working-class backgrounds seeking to enter City (of London) investment banks. In particular, the authors highlight how recruiters routinely misrecognize as ‘talent’ classed performances of ‘cultural display’. For example, recruiters seek a ‘polished’ appearance, strong debating skills, and a confident manner, traits the authors argue can be closely traced back to middle class socialisation.

It is clear, then, that there is little scholarly consensus on the inter-regional dynamics of occupational social mobility in the UK. Moreover, the research that does exist is restricted by a sole focus on who ‘gets in’ (i.e. occupational *entry*) rather than investigating whether there are inequalities in who ‘gets on’ (i.e. class-origin pay

gaps). In this regard, it is more fruitful to look to the extensive feminist literature on inter-regional variation in the gender pay gap. This work has consistently demonstrated that the gender pay gap is significantly higher in London and the South-East, and significantly lower in Scotland, Wales and Northern Ireland (Olsen, 2010; Olsen and Walby, 2004). More specifically, while the gender pay gap has fallen consistently since 1975 in most parts of the UK, in London and the South-East it has effectively stopped falling since 1991. Stewart (2014) shows that this regional difference is largely driven by a particularly acute gender pay gap in the top third of the wage distribution in London.

Considering the extensive attention paid to the spatial patterning of the gender pay gap, it is curious that no work has examined whether similar inter-regional inequalities exist in relation to class origin. One explanation is that, traditionally, the UK has lacked the kind of large-scale representative data needed to conduct this kind of analysis (i.e. containing large sample sizes and detailed social origin data). Yet from 2014 onwards the UK Labour Force Survey, the largest representative sample of employment in the UK, has begun to include detailed questions on parental occupation. Taking advantage of this new data we here pool data from the 2014 and 2015 LFS to provide the most detailed analysis to-date of regional earnings inequality by class origin.

First, we examine the spatial dispersion and class composition of higher professional and managerial jobs in the UK. This demonstrates that contra to the celebratory policy narrative of the ‘London Effect’, there is actually a striking overrepresentation of those from privileged backgrounds in the Capital. We then

show that this pattern of inter-regional class inequality persists *within* high-status occupations, with Central London in particular characterized by a large class pay gap that persists even after controlling for a variety of variables thought to affect earnings. Finally, we delve further into the Central London labour market to find that the class-origin pay disadvantage is particularly acute in banking and finance. This, we argue, indicates that the spatialisation of class in Britain is not just confined to residential place but is profoundly implicated in the reproduction of class inequality in occupational settings.

Methodology

As noted the LFS now provides detailed information about parental occupation. Drawing on this social origin variable we examine the parental occupations of respondents employed in Class 1 of the National Statistics Socio-economic Classification (NS-SEC) —comprising 63 individual “Higher managerial, administrative and professional occupations³”. Throughout the article we analyze divisions spatially, looking at those in NS-SEC 1 occupations who *work* in 14 different areas of the UK⁴. The first eight are Wales, Scotland and Northern Ireland along with five official English ‘regions’ denoted by the UK government. The other six separate the remaining English regions into their metropolitan and non-metropolitan components, as NS-SEC 1 jobs are disproportionately situated in large urban areas. They thus distinguish Central London⁵ from the rest of London, Manchester from Merseyside and the Northwest⁶, and Birmingham and Metropolitan West Midlands from the rest of the Midlands.

In order to measure respondent's social origin we refer to the LFS question asking respondents the occupation of their main earner parent when they were 14⁷. We then group respondents' social origin into the eight NS-SEC classes.⁸ In order to simplify our analyses, we consolidate these throughout the paper. Here we use a four-class scheme, comparing those with NS-SEC-1 origins (higher managers and professionals, whom we term *inter-generationally stable*), to NS-SEC 2 (lower managers and professionals, *short-range mobile*), NS-SEC 3, 4 and 5, (intermediate and clerical occupations⁹, *mid-range mobile*) and NS-SEC 6, 7 and 8 (routine and semi-routine occupations and those with no earning family member¹⁰, *long-range mobile*).

In order to provide the most detailed picture of regional difference we pool data from nine quarters of the LFS from July-September 2013 to July-September 2015. We then remove all those under 23¹¹ and/or in full-time education from the analyses. We also omit those over 69, as the LFS collects data on those over 69 differently, since most people in this age group have moved into retirement. This leaves 7534 respondents employed in NS-SEC 1 who have an identified work region and class origin information to assign to one of the above groups, and 5638 who also have earnings information¹².

The Regional Class Composition of NS-SEC 1

We begin our analysis with a descriptive portrait of the spatial distribution of NS-SEC 1 jobs in Britain. Table 1 demonstrates that although high-status occupations are distributed throughout the UK, there are important regional differences. In particular, Central London has a considerable overrepresentation of NS-SEC 1 jobs; 35.5% of the workforce is employed in these occupations compared with only 12.5% of the whole UK. Moreover, NS-SEC 1 jobs are significantly better remunerated in Central

London – earning on average 44 per cent (or £20,500 per year) more than those situated elsewhere in the UK. This is reflective of a wider and growing pattern of cross-regional earnings inequality between Central London and the rest of the UK (Stewart, 2011), partly explained by the different composition of high-status occupations in Central London and the higher returns to these occupations (Monastiriotis, 2004).

Table 1 here

Next we examine the class origins of those in NS-SEC 1 in different parts of the UK. Figure 1 shows two key findings. First, people in higher managerial and professional occupations are disproportionately drawn from privileged occupational backgrounds in *all* areas of the UK: while those from NS-SEC 1 backgrounds constitute only 15 per cent of the general population, this figure is considerably higher among NS-SEC 1 employees in every region (apart from Northern Ireland). Second, despite the overall overrepresentation of the privileged, there are important regional differences in the social composition of NS-SEC 1 jobs: the regions in the south of England, and particularly Central London, contain a high concentration of respondents in NS-SEC 1 jobs who are from NS-SEC 1 backgrounds. For example, 34 per cent of those working in top jobs in Central London are drawn from higher professional and managerial backgrounds, while in Northern Ireland this figure is 10 per cent. This is suggestive of a process Savage et al (2015) term the ‘bees round a honey-pot’ effect: the more economic capital is associated with a specific job, the more likely it is that it draws those from privileged backgrounds¹³.

Figure 1 here

The Regional Class Pay Gap

While our analysis so far demonstrates important regional variations in the class composition and apparent ‘openness’ of NS-SEC 1, it does not tell us whether there are also regional variations in how those from lower origins fare relative to others *within* NS-SEC 1 occupations. In previous work (Authors A and B; Year B) we have used the 2014 LFS data to demonstrate that there is a significant ‘class origin pay gap’ in NS-SEC 1, even when we control for a range of factors thought to affect earnings. Deepening this here, we first examine whether this pay gap remains when we pool LFS data from 2014 *and* 2015. Table 2 thus shows a series of nested linear regressions that examine the class-origin pay gap in gross weekly earnings when we control for five sets of independent variables that previous sociological research has identified as potential sources of income inequality in the UK. In the base model we include controls for gender, ethnicity, age, hours worked and the quarter in which the respondent gave earnings information¹⁴. In Model 2 we add measures of education: highest qualification (Gregg et al., 2013; Jerrim, 2012; Walker and Zhu, 2010) and degree classification; Model 3 adds measures of human capital¹⁵ – training, job tenure and health (Becker, 1962; Coleman, 1988; Groot and Oosterbeek, 1994); Model 4 adds elements of work context, such as working in London (Cunningham and Savage, 2015), in big firms (Ashley, 2015) and in the private versus public sector (ONS, 2014); and finally, Model 5 adds dummy variables for each of the individual occupations in NS-SEC 1¹⁶.

Table 2 here

Table 2 shows that even when we control for all these variables, a significant class pay gap remains for the mid and long-range upwardly mobile. For example those from working-class origins (NS-SEC 6-8) who are otherwise similar - in every way we can measure - to those from privileged (NS-SEC 1) origins are still earning, on average, £103 per week (£5375 per year)¹⁷ less within the UK's top occupations. Significantly, Model 5 in Table 2 also indicates that the class-origin pay gap is only fractionally less than the gender pay gap in the same data for NS-SEC 1 occupations¹⁸.

Next we apply a geographical lens to this analysis, comparing the earnings of respondents in NS-SEC 1 occupations from stable backgrounds to those who have been mid-, and long-range upwardly mobile¹⁹ in 14 areas of the UK. We show this in two ways. First, Table 3 presents the results of separate regressions for each region with *only* demographic controls applied and gross weekly earnings as the dependent variable. This demonstrates very clearly that the class pay gap is not a geographically-isolated phenomenon. Instead, there are statistically significant pay gaps for at least one of our socially mobile groups in 10 of the 14 regions. These gaps are generally largest for the long-range upwardly mobile, particularly in the country's two most populous metropolitan areas - London and Birmingham.

Table 3 here

In Table 4 we move to disentangle potential sources of these regional class-origin income differences, reporting the coefficients for models once *all* controls have been

added (the same as those in Model 5 of Table 2). It is also worth noting that here we use regional income percentiles in NS-SEC 1 as the dependent variable. A percentile score of 80, for example, means that person is earning more than 80 per cent of those in our sample in higher managerial and professional occupations who work in the same region as s/he does. This allows for comparisons that would otherwise be obscured by the much higher average earnings, and much wider distribution of earnings, of those in London.

Table 4 demonstrates that the class pay gap persists, even when we apply our full battery of controls, in 8 regions for the long-range mobile and 2 for the mid-range mobile. Again we see large gaps in Metropolitan West Midlands, the North East, Merseyside and Scotland. It is worth connecting this to data in Figure A1, which shows how those from privileged origins in each of these four regions are also disproportionately overrepresented in high-status jobs within their region. Advantaged origins in these areas, then, appears to be associated with particularly high relative chances of access *and* progression in the top occupations.

However, significantly, the class pay gap only remains statistically significant both before and after controls, and for both the mid- and long-range mobile, in Central London. It is also largest – in monetary terms – here. For example, the average class pay gap for those from working-class backgrounds in Central London is nearly 10 percentile points, which translates to an average difference of £10,660 a year. This is worth underlining. People working in the heart of London who are upwardly mobile but otherwise similar to those from privileged backgrounds - in terms of education,

demographics, human capital, work context and specific occupation - are earning significantly *less*.

Table 4 here

Taken together, these findings present a strikingly different portrait of social mobility than that of the progressive ‘London Effect’ trumpeted in the SMCP’s ‘Social Mobility Index’. Of course the LFS sample is too old to capture recent improvements in educational mobility within the Capital, but our results do at least suggest that the emerging generation of high-achieving working-class children may face particularly strong barriers to progression, even controlling for their educational attainment, if and when they attempt to get on in top occupations in Central London.

Despite this it is worth noting three caveats to our analysis so far. First, despite significant pay gaps *within* many regions there are few statistically significant differences *between* class-origin coefficients for different regions. In other words, beyond Central London there is no clear geographical patterning to the class pay gap²⁰. Second, there are a few work regions - namely East of England and Manchester – where we find no discernible class-origin pay gap. Further work is clearly needed to continue to unpack these regional differences but it is striking that again they confound the SMCP’s ‘Social Mobility Index’ which ranks the East of England as a distinct mobility ‘cold spot’ (SMCP, 2016).

Finally, one further limitation of our analysis here is that the LFS data cannot tell us whether these class pay gaps are connected to flows of geographical mobility. To

address this we therefore draw on Miles and Leguina's (forthcoming) analysis of the 2008 National Child Development Study which looks at the intersection of social and geographical mobility. They find that across the UK the upwardly mobile are as, or less, likely than the intergenerationally stable (in the service class) to have been geographically mobile. In London, for example, 57% of the stable service class is from London and 67% of the long-range mobile are from London. Thus while *absolute* rates of migration into London remain higher than other parts of the UK (Champion et al 2014), we have no reason to suspect that the class pay gap in London is being driven by factors relating to the regional identities of migrants from working-class backgrounds.

Financial London; the Apex of Class-Origin Pay Disadvantage?

Our findings so far demonstrate that the most consistent²¹ and largest (in monetary terms) class pay gap is found in Central London. In this section we interrogate this further by, first, examining the earnings distribution (by class origin) of those working in Central London. Figure 2 thus separates average earnings into quintiles and reveals the class composition of each of these five groups. Significantly, this demonstrates that the stable are significantly over-represented in the top two quintiles of the income distribution and the long-range upwardly mobile are significantly over-represented in the bottom two quintiles. This points toward two possible explanations for the Central London pay gap (which are not mutually exclusive): first, it may be that the socially mobile in Central London face a 'class ceiling' that keeps them from reaching the most senior (and therefore highest-paying) positions in their occupational fields²². Second, it may be that the gap is driven by occupational sorting – with the stable simply more likely to enter higher-paying sectors.

Figure 2 here

While the LFS lacks the kind of job *title* or *position* data needed to adequately examine the class ceiling hypothesis it does allow us to look at the sectoral specificity of the Capital's labour market. Table 5 thus illustrates that the highest-paying sector in Central London is banking and finance²³. Average earnings here are £94,000 a year (versus £64,000 elsewhere in Central London).

Table 5 here

The findings in Figure 2 and Table 5 can also be connected to recent research demonstrating that London's finance sector²⁴ is disproportionately dominated by those from privileged backgrounds (Sutton Trust, 2014; Author A et al, 2015; Ashley et al, 2016). While this work is confined to issues of occupational access, Ashley et al (2016) conclude by speculating that one plausible implication of the skew in entry is that individuals from less privileged backgrounds may continue encounter 'disadvantages throughout their career' (Ashley et al, 2016: 48-50).

Next we interrogate this hypothesis, examining the class composition, and average earnings percentiles (after controls), of those from different backgrounds working in Central London's financial sector. We contrast this group to those in Central London who do *not* work in financial services, and to those who work *outside* Central London who do – and then who do not - work in banking and finance. Figure 3 echoes recent qualitative work in pointing to the marginally higher proportion of those from

professional and managerial backgrounds employed in Central London's financial sector compared to other areas of the Capital.

Figure 3 here

More significantly, though, Figure 4²⁵ also tentatively suggests substantial differences in the Central London class pay gap depending on whether respondents work in banking and finance. While sample sizes here are somewhat limiting, it is striking that the long-range upwardly mobile in banking and finance earn 18 percentile points (on average £26,000 a year) less than those from higher managerial and professional backgrounds, whereas the mobile working elsewhere in Central London earn only 8 percentile points (on average £4,000 a year) less than their intergenerationally stable peers.

Figure 4 here

There are three further observations to be made here; first, banking and finance are not the *only* drivers of the pay gap in Central London – a statistically significant gap remains for those working in other sectors; second, the strong London pay gap in finance is not a sector-wide phenomenon - there are no significant earnings differences for mobile individuals working in the same sector *outside* Central London. Finally, and related to this, it is worth connecting the average earnings data in Figure 2 to the class pay gaps in Figure 4. This demonstrates that not only is the class pay gap highest in the highest-paying region but it is at its very peak in the *highest-paying sector of the highest-paying region*. This suggests that London's finance sector –

dominated by The City (of London) – may represent the distinct spatial and sectoral apex of the class-origin pay gap in Britain. It also lends tentative support to Cunningham and Savage’s (2015) thesis that Central London has become an ‘elite metropolitan vortex’, where those from privileged backgrounds are able to dominate access to the highest economic rewards. Our data certainly indicates that the closer one gets – geographically and occupationally - to Britain’s highest paying jobs, the more class origin appears to matter.

The data at hand cannot explain *why* the class pay gap appears so concentrated in financial London, however. Indeed it may be that it is (at least partly) explained by resources associated with class origin that we *cannot* measure here - such as parental income and wealth, powerful social networks, elite private school or university attendance, and cultural tastes or practices with widely shared legitimacy. We also believe there may be occupationally-specific mechanisms at play. In particular, it may be that the gap is associated with differences in the *types* of banking and finance firms where the stable and the mobile work, and the types of *roles* they take up within such firms. There is evidence, for example, that those from privileged backgrounds are particularly over-represented in the The City’s biggest, most prestigious and better-paying ‘blue-chip’ firms (Cook et al., 2012; Ashley and Empson, 2012). Similarly, Ashley et al’s (2016) recent work demonstrates that within The City’s investment banks those from ‘non-privileged backgrounds’ face particular barriers in accessing the highest-paying ‘front-office roles’ - which mainly constitute the revenue-generating sales and advisory functions of banks. Here, perceptions of individual ‘image’ and ‘polish’ are paramount to recruitment processes, with the embodied cultural capital (legitimate forms of speech, accent, mannerisms and dress) possessed by upper middle-class candidates considered essential for convincing clients of one’s

claim to expertise. Moreover, Ashley et al (2016) argue that, to some extent, the valorisation of these characteristics reflects a historical legacy from a previous era when UK merchant banks were populated predominantly by alumni of major public schools and elite universities (Scott, 1991; McDowell, 1997). Characteristics associated with these previous incumbents, the authors argue, continue to shape and narrow perceptions of acceptable ‘professionalism’ into the present day, whereas such expectations are far less evident in other, less well-paid, roles within the same banks.

Conclusion

The class-origin pay gap represents a powerful and previously undetected form of inequality within Britain’s higher professional and managerial occupations. This is not an isolated local effect but instead, as our analysis here demonstrates, is visible across most of the UK. Yet it is also clear that the most robust concentration of this inequality is found in Central London. Not only is the composition of top jobs here disproportionately skewed toward the socially privileged, but those from working-class backgrounds who do gain positions face particularly acute barriers to progression, resulting in average earnings 10 percentile points lower than colleagues who have come from privileged backgrounds. Moreover, exploring this London-effect further, our analysis suggests that class-origin pay inequality may be most acute in the lucrative banking and finance jobs clustered in the City.

These findings, we believe, demonstrate that when it comes to understanding how class origin shapes occupational outcomes, place matters. In particular, we hope this research may revitalise a strand of work dedicated to exploring the spatialisation of class. While this work has typically considered residential location and class

destinations, our work demonstrates the importance of *occupational* location and class *origin*. Put simply, in high-status occupations the importance and meaning of class origin depend significantly on where one works. This is clearly indicated by our finding that a working-class background is associated with considerably more earnings disadvantage for those working in Central London compared to working in Manchester or Norwich, even within the same set of high-status occupations.

The drivers of this London-specific effect remain largely unexplained and follow-up work is urgently needed. Drawing on recent directions in ‘glass ceiling’ research, we stress the particular need for qualitative work that can better elucidate how occupational inequalities play out in specific spatial contexts. This feminist literature has highlighted how factors such as mentorship (Elacqua et al., 2009), pay negotiation (McGovern et al., 2007) and ‘bonus cultures’ (Olsen, 2010) tend to work in the favour of men in large metropolitan firms, and we believe these may also be important for unravelling ‘class ceiling’ effects.

It is also important to acknowledge the limitations of our analysis – most notably the absence of place of origin and the small sample sizes when we mine down to occupational sectors within regions. Moreover, our results can only provide a snapshot of regional social mobility. For example, Robson (2006; 2009) has shown that between 1975 and 2001 the growth of the share of employment in the service sector (NS-SEC 1 and 2) has been greatest in regions such as the North-East and the West Midlands that traditionally had the lowest national share, resulting in a convergence in the regional distribution of service sector employment. These changes have important implications for understanding our findings. In particular, the relative disadvantage faced by the upwardly

mobile may vary significantly according to the size and composition of NS-SEC 1 employment within their region when they entered, and the particular, occupationally-specific, cohort they were part of.

We believe our work has two important *implications* for scholars interested in social mobility and spatial inequality. First, these findings puncture the celebratory air surrounding the recent ‘London Effect’ discourse on social mobility. While London may well be leading recent educational mobility metrics, we would argue that the long-term realization of these increases in mobility may be seriously undermined if emerging generations face the same kind of barriers to earnings progression – which persists even controlling for educational attainment - experienced by our sample here. Indeed, we believe our findings echo Cunningham and Savage (Cunningham and Savage, 2015) in pointing toward the development of distinctive patterns of elite closure in Inner London, with those from privileged backgrounds able to monopolize the Capital’s highest earning jobs. We would thus stress the need for policymakers to take a more spatially-sensitive approach to social mobility that recognizes the particular inequalities that exist in the elite London labour market.

Second, we hope our analysis will encourage other quantitative mobility researchers to take issues of space and inter-regional variation more seriously. Very often large-scale mobility research suffers from ‘methodological nationalism’ and implicitly assumes that mobility effects are occurring in the same way throughout the country under investigation. One pragmatic reason driving this is that, traditionally, researchers have simply lacked the large-scale representative data needed to utilise a more spatially granular lens. However, increasingly, new sources such as tax data in

the U.S (Chetty et al., 2014) are emerging to allow us to bridge this gap. Taking advantage of these new empirical materials, or innovations in existing data sets as we do here, is likely to reveal specific occupational and spatial confluences of inequality — such as financial London — that are profoundly important for understanding precisely *where* class disadvantage is taking place.

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Notes

¹The relationship between parent's and child's class position is often described using spatial metaphors, most prominently 'mobility'. In order to minimize confusion, in this paper *mobility* will only refer moves between *class* positions, rather than geographic moves.

² The salience of intra-occupational inequality has long been demonstrated in relation to gender and ethnicity, with studies consistently highlighting the hidden barriers, or 'glass ceilings', faced by women and ethnic minorities in high-status occupations.

³ Occupation is not the only criterion for inclusion in NS-SEC 1; the scheme also takes into account aspects of respondents' role in their organization, such as whether they own their own business and how many people they manage.

⁴ As the LFS does not collect data on individual place of origin, we are not able to examine the relationship between social and spatial mobility

⁵ Central London is defined as a sub-region of London and comprises the boroughs of Camden, Islington, Kensington and Chelsea, Lambeth, Southwark, Westminster and the City of London.

⁶ Although Merseyside is a metropolitan county, the number of respondents in NS-SEC 1 jobs whom also have income data is too low to separate it out as a separate region in our analysis

⁷ Some studies (Batty et al, 2005) have demonstrated recall problems in this measure of parental class

⁸ We use Table 10 from <http://www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/soc2010/soc2010-volume-3-ns-sec--rebased-on-soc2010--user-manual/index.html> at ONS, the "simplified scheme" to match parents' 4-digit SOC2010 occupational codes to the analytic NS-SEC categorization.

⁹ This includes occupations which are normally self-employed and technically skilled and craft occupations.

¹⁰ People who said there was no one earning in their household at age 14.

¹¹ Although it is standard in mobility table analyses to only look at those age 30 or 35 or over, we include the widest reasonable age range because we are interested in the composition of NS-SEC 1, not mobility chances by origin.

¹² We find no relationship between class-origin and missing income data in our sample. For example, 72.3% of the intergenerationally stable report their income whereas among the long-range mobile the figure is 74.8%. In terms of region, the only meaningful exception is Northern Ireland where 10% fewer people report their income.

¹³ The apparent openness of NS-SEC 1 in some regions such as Scotland, Metropolitan West Midlands and the North-East is complicated by Table A1 and Figure A1 in the Appendix: the class-origin composition of people in *any* destination varies widely across the regions of the United Kingdom, so many of these regions' NS-SEC 1 workforces are particularly *unrepresentative* of the class-origin composition of their region as a whole. Thus those from privileged origins in these regions have a much high odds of reproducing their advantage relative to those from less advantaged origins within the region. For example, privileged-origin people make up about 18% of NS-SEC 1 positions in the North East, but under 10% of people in any NS-SEC class.

¹⁴ The LFS tracks respondents over five quarters, and asks their earnings in their first and fifth quarter of participation in the survey. We use respondents' Wave 1 reported earnings, and all variables in regressions are also from each respondent's first wave, with the exception of social origin, which was asked of all respondents in July 2014 and July 2015.

¹⁵ Higher values on each of these health scales indicate greater levels of health problems, see Appendix for more detail.

¹⁶ See Appendix for sources and distributions of all variables used in regressions. Individual occupation coefficients not shown in Table 3.

¹⁷ We derive this figure from an identical regression model with untransformed weekly earnings rather than regional income percentile as the dependent variable

¹⁸ However, it is important to remember that upwardly mobile women face a significant 'double disadvantage' based on both class origin *and* gender. Long range mobile women, for example, have predicted earnings of about 25% less than otherwise-similar intergenerationally stable men (See Authors B and A, 2016 for further discussion).

¹⁹ As there is no significant pay-gap for the short-range mobile in the UK as a whole we therefore exclude these respondents from this part of the analysis.

²⁰ The class pay gap for the socially mobile in Central London *is* statistically significantly different to that in Manchester, Wales, The Midlands, Yorkshire, The Southeast and Northern Ireland

²¹ We have modelled class-origin earnings gaps by region in several different ways: with variation in coding in the control variables, with different numbers of categories for the class-origin measure, and with different waves and subsamples of the LFS data. All models consistently return negative coefficients for most regions, but the size and statistical significance of those coefficients also fluctuates a good deal across model specifications; only in Central London do we consistently see statistically significant and substantively meaningful class-origin pay gaps, net of all controls, for all mid- and long-range mobile groups.

²² To further interrogate the ‘class ceiling’ hypothesis we would stress the need for longitudinal data that can go beyond the static measures of earnings we use here to better elucidate intra-occupational *trajectories* and their relationship to class origin.

²³ For this analysis, industries are grouped somewhat differently than they are in the regressions above, based on the density of different sectors in Central London; see Appendix for full details.

²⁴ The seven most common occupations in this sector, making up 63% of its Central London workforce, are financial managers and directors, brokers, business and financial project managers, chartered accountants, insurance underwriters, IT managers and chief executives and senior officials.

²⁵ These figures were produced using *coefplot* in Stata (Jann 2014), and display the point estimates of coefficients for origins, as well as the 90 (thicker lines) and 95 per cent confidence intervals (thinner lines).