Inequality

The IFS Deaton Review

Relational inequality in a (deeply) educationally polarised society: feasible strategies in the longer term

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An IFS initiative funded by the Nuffield Foundation

IFS Institute for Fiscal Studies

Nuffield Foundation

CPP ESRC CENTRE FOR THE MICROECONOMIC ANALYSIS OF PUBLIC POLICY

Relational inequality in a (deeply) educationally polarised society: feasible strategies in the longer term

Andrew McNeil and David Soskice (LSE)[1]

> 'Education divides everything, including connection to the labor market, marriage, connection to institutions (like organized religion), physical and mental health, and mortality… There are two Americas now: one with a B.A. and one without.' (Anne Case, in Edsall, 2022)

Introduction

In this extended commentary (largely concerning the UK), we go beyond material inequality to focus on the relational and epistemic inequality that has developed with the knowledge economy since the 1980s. The 'massification' of HE – nearly half of those under 45 have been to university – has combined with the widespread collapse of routine manufacturing and white-collar employment to make the UK a polarised society. Michael Sandel and David Goodhart underline a felt lack of respect from those who have benefited from educational expansion, who anyway tended to come from a higher socio-economic background, towards those who 'missed out' (Goodhart, 2017, 2020; Sandel, 2020). This psychological *Deaths of Despair* (Case and Deaton, 2020) pain was exemplified by the (polarised) reactions to Hillary Clinton's 'deplorables' comment; and Gidron and Hall capture it in perceptions of declining social status (Gidron and Hall, 2017, 2020; Gidron, Adams and Horne, 2020). Over time, it has become a polarisation across the various arenas of 'lived' life. The workplace, cities, residential neighbourhoods, social networks, families and educational institutions are increasingly sorted by whether one (and, with assortative mating, one's partner) has a university education. More recently, it has been central to electoral realignment, and identities have been shaped in the growth of populism.

This picture of felt relational inequality across broad polarised groups is unintentionally reinforced by a quite different way in the knowledge economy. This is in how graduates relate to each other, notably in the workplace: in particular, as Blundell, Green and Jin (2022, hereafter BGJ) explain, the fundamental technological/organisational breakthrough in the US relates to the decentralisation of advanced companies and organisations and their graduate- and ICT-intensive workplaces. These workplaces are characterised by limited management, and de facto group decision-making; employees typically have specialist competences and work autonomy. What matters are the analytical skills to use and integrate relevant ICT software and the social and emotional skills for highly educated people to work together (Gratton, 2014). It is these skills that are largely acquired through learning and interaction in a university environment.

Because much non-graduate work in the US and UK is in less-skilled services, this underlines the current deep social polarisation in these countries.

Where do we go from here? Sandel (2020) asks for a 'redistribution of esteem' from graduates to non-graduates. Following Brennan and Pettit (2007), we pay attention in this commentary to what is feasible; and a redistribution of esteem – requiring the humility of a Sandel – seems unlikely to pass the feasibility test. Sandel appears to suggest that those who support the present HE massification are meritocrats, with the implication they believe that further expansion would fail because of the lack of able-enough non-graduates to merit HE.

We argue here for both a radical transformation of HE, with a perhaps a third of students gaining vocationally oriented two-year subdegrees, and in that context a move over coming decades to a

[1] Andrew McNeil acknowledges funding from the LSE International Inequalities Institute's Cities, Jobs and Economic Change theme.

much higher HE participation rate than at present (even perhaps in the long run for it to become as normal as high school graduation is currently). If we are serious about a society of mutual respect and relational equality, this seems to be the broad strategic direction, as will be argued. BGJ point the way: they argue that the US has been the technological leader. The UK is then the follower, in effect copying the American technological/organisational breakthroughs described above. At a very simple level, given the already available technology, its application to new sectors and markets in the UK, while requiring sophisticated modification and effective managers and entrepreneurs, should be achievable as the graduate population expands without a decline in the graduate wage premium (rather along the lines of factor price equalisation). BGJ also show the constancy of the graduate wage premium in the UK from the early 1990s to the present,

As we suggest at greater length below, effective major expansion of HE is feasible, but requires radical reorganisation of the UK's HE system – and it will take much more than a decade (massification has taken several decades). But it is reinforced by BGJ's demonstration of the constancy of the UK graduate premium, as well as their analytical argument. It seems to be the only feasible long-term route towards relational and epistemic equality.

By contrast, most work on inequality by social scientists has focused on material inequality, especially of income and wealth. Piketty, notably and powerfully, set out the very substantial increases in income and wealth in recent decades of those in the highest centiles of the income and wealth distribution (Piketty and Goldhammer, 2014). Much of the resulting policy discussion has been on how taxes might be used to bring about material redistribution. We certainly share the importance of material redistribution. But as we see it, Piketty's analysis has led the debate astray, important though his contribution was, in two ways. In this commentary on the IFS Deaton Review, the two parts of the title of the influential book, *Deaths of Despair and the Future of Capitalism* by Case and Deaton (2020), indicate our key differences. We expand on each.

Polarisation and deaths of despair

The first part of the title of Case and Deaton (2020) – 'deaths of despair' – says that material inequality only captures a part of what is wrong with the societal polarisation. Particularly in the US and UK, brought on by the knowledge economy, polarisation reflects the psychological pain of being 'sorted' by the interlocking forces of graduate education, culture, occupation, neighbourhood and political entrepreneurs into partially mutually exclusive societies. And to repeat the quote at the start of this commentary from *The New York Times* (Edsall, 2022), Anne Case describes the far-reaching consequences of a society divided by educational attainment: 'Education divides everything, including connection to the labor market, marriage, connection to institutions (like organized religion), physical and mental health, and mortality [...] There are two Americas now: one with a B.A. and one without.'

As implied by this description of polarisation, it has two faces. One is the absence of felt respect, of psychological polarisation. The other is that of physical polarisation. Both relate (in different ways) to the various arenas of 'lived' life: the workplace, residential neighbourhoods, social networks, families and educational institutions. We see the broad problem as 'relational inequality' (Anderson, 1999, 2010), and, linked to that, as 'epistemological inequality' (Fricker, 2011; Lacey, 2022). If I give evidence in a court, am I treated seriously? Have I understood the questions I am asked by a lawyer? And have I made myself understood? Those less educated lose out here as in other environments. This is well referenced by Beramendi, Besley and Levi (2022). More generally (on the limited relevance of *material* inequality), it speaks to the literature on life satisfaction, well-being and happiness, or their absence (Blanchflower and Oswald, 2019; Brandt et al., 2020). These are the relational inequality problems of how those in society inter-relate – whether physically present or separated. It is not difficult to see Anglo-Saxon populism as reflecting this deeper kind of inequality, caused not (or not only) by lack of resources, but by lack of respect. This was sadly and unfortunately captured by Hillary Clinton's use of the term 'deplorables'. The 'felt' pain (of the deplorables) was of having lost respect and status, transmuted via entrepreneurial populist politicians into electorally expressed anger. Societies that are relationally equal are those in which there is mutual respect, where – as the philosopher Philip Pettit put it in 2012, alluding to a line by John Milton – 'free persons [...] can speak their minds, walk tall among their fellows, and look each other squarely in the eye' (Pettit, 2012).

We do not want to downplay redistribution and the reduction in material inequality in combatting this polarisation. But they fail to address what Richard Sennett much earlier called the 'hidden injuries of class' (Sennett and Cobb, 1972). While written five decades ago in a non-populist world, the book is one in which the authors recognised that the future of good manufacturing jobs was beginning to crumble, and it speaks painfully to the present. Marshall (1973) summarised it well in his review.

> 'The basic theme is the familiar one: on the one hand the American dream – the belief in individual freedom and equal opportunity, and on the other the reality of inequality and, for the majority, social immobility; the result, frustration. But the most distressing effect of this, in the view of the authors, is the feeling of shameful failure and personal inferiority that it produces, in place of a sense of injustice or spirit of revolt – which might be healthier. Because people believe that careers are shaped by merit, they attribute their personal lack of success to a personal lack of ability. The critical discriminating factor which distinguishes the elite minority from the masses is education, because it is the source of those intrinsic abilities which mark the superior person and give him dignity. So the most common aspiration of the ambitious is to become-or for their sons to become-not the boss, but rather a professional of some kind, whose superior status, and dignity, are rooted in himself, not in his position.'

The Hidden Injuries of Class was written in 1972, but this need for mutual respect, or tolerance, or understanding and being understood, has become significantly more important in the contemporary world of the knowledge economy, in which relationships are more evident than hierarchy, and in which nearly half of younger workers are graduates and half not.

Polarisation and the future of capitalism

The second part of the title of Case and Deaton (2020) is 'the future of capitalism'. This poses both a positive and a normative issue: it asks both how advanced capitalism is changing, *and* in what ways might one want to shape those changes. The following sections pick up this challenge. Thus, this commentary is operating on the boundaries between political philosophy and political economic strategy; it therefore has much in mind the injunction of Brennan and Pettit (2007) that only change which is *feasible* should be looked at.

Constrained by political and economic feasibility, following on from the previous section, the question we pose is the following. To what extent can the future of advanced capitalism be (re)shaped to reduce the polarisation and divisions of society discussed above? In trying to answer this question, in what follows we rely in particular on the recent work of Case and Deaton (2022), and on that of BGJ.

Case and Deaton (2020) shifted the contemporary debate on to a psychological level by pulling us into an unavoidable and painful confrontation with the effects of collapsing industries and respected ways of life. This was seen most sharply in men with relatively lower educational levels (high school graduates for the most part) who could not easily reconfigure work and location.

> 'Over and again in this book, we have seen the divide between those with and without a four-year degree, with a whole range of bad outcomes, up to and including death, being visited on those with less education.' (Case and Deaton, 2020, p. 287)

In these contexts, Case and Deaton emphasise the role of work in conferring respect and meaning, and the psychological pain of its absence. We want to go further in looking at the handicap that lower education imposes on effective social involvement in the core activities of life. Analytical intelligence will certainly be important in engaging with the complexities of an ICT focused environment in the workplace, within discursive social networks, in managing health, finance, re-education and retraining (lifelong learning); but of particular importance in operating in a world of mutual respect will be the social and emotional intelligence acquired in HE.

Our ideal goal then, to anticipate, would be a society oriented towards graduate education. This would then meet a key necessary condition in our view for moving to the goal of relational and epistemic equality. As we develop in a later section ('Technologically, economically feasible longer-term strategies'), we view a near universally graduated population as the only feasible alternative. The argument that the UK can move towards a German variety of capitalism, with its higher levels of equality and less societal division, misses the underlying differences in institutions and recent adaptions made by Germany itself.

But it is only a necessary condition: for the other side to reshaping capitalism is that it be a society in which advanced technology has gone along with increased HE participation. This other complementary condition is that the different sectors of the economy – public, private, hybrid and so on – have sufficiently developed organisationally and technologically to require such a largely graduate workforce.

In contemporary knowledge economies, as BGJ underline:

> 'There is a strong consensus among economists that the Information Technology (IT) revolution has played a central role in determining wage and employment outcomes in many economies in the last four decades and that the effects of education should be viewed in conjunction with that revolution.'

In both the US and UK, HE has expanded to a great degree in recent decades (see Figure 1). Until the mid-2000s, the educational attainment of those aged 25–34 and 55–64 in the UK lagged that of the US by 10–15 percentage points. The HE expansion in the US leads that in the UK by some considerable period. In both countries, BGJ see HE expansion accompanying the expansion of technology; and they argue that (despite the similarities in the ways that capitalism is organised in the US and the UK), the US is the technology leader, and the UK technology follower. The US and UK in fact present very different policy problems in relation to future expansion of both HE participation and technology; this applies both to political feasibility and to the promotion of technology. In this commentary, we focus therefore just on the UK.

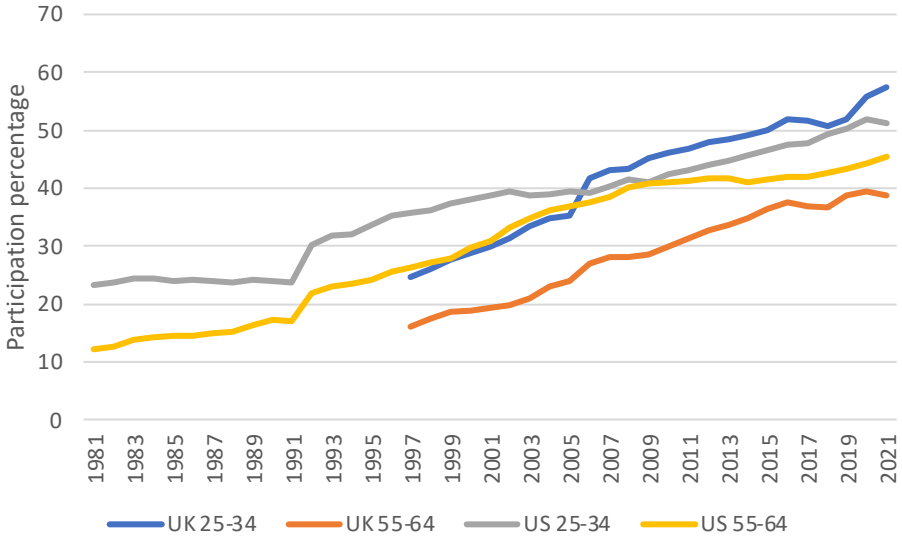
The next methodological point to be made is that the analysis needs to be over a long period. If our goal were to expand HE participation to say 70% or 80%, we need to remember that the move from elite HE – where say 15% of young people went to university – to the present rate of 50% took four decades. That requires a long-term policy perspective.

One difficulty of much discussion of serious changes is the usual political assumption that they take place over relatively brief periods of time. This probably has much to do with the UK (or US) electoral cycles, in which significant achievement needs to have taken place after two or three years of electors to have seen real changes. Our assumption is that significant structural change probably needs us to start by thinking of 10-year strategy.

The two feasibility questions then become the following. Are there economic policies available to reshape advanced capitalism into a largely graduate system over (say) a 10-year period? And are those policies political feasible, the implicit question here being whether electors can be persuaded to wait for such a period?

In effect, most of the relevant US-developed technologies require organisational decentralisation with the appropriate software; of course, a lot of high-level expertise may be needed to put these new technologies into operation. It may require new markets and marketing ideas, as well as building relevant complex platforms, developing the finance and so on. All this takes time, and involves risk; companies may only be prepared to move when broad macroeconomic growth expectations optimistic (Carlin and Soskice, 2018) – and then in the right eco-system. But if sufficient well-educated graduate labour is available, then the economy can move in the right direction, diffusing technological innovations (predominantly from the US) across the economy.

Figure 1. UK and US tertiary education participation by age groups



Source: OECD statistics.

But the above only gives a general direction. Above all, they do not tackle the need for *real* levelling up of the UK economy; the need for a major change in the structure of HE; and the need to convert major cities into regional locomotives. Can we solve these policies in such a way as to also solve the political feasibility question in the UK?

Political feasibility

Educational polarisation in the UK has intensified since the 'massification' of HE in the 1990s. In the latter decades of the 20th century, the UK suffered from low productivity, and was stuck in a 'low skill, low wage equilibrium'. The problem of under-provision of education and skills because of market failure was well identified (Finegold and Soskice, 1988; Stevens, 1999). Some commentators and academics, including one of these authors (Soskice, 1993), suggested a policy of HE expansion as the only feasible solution in a liberal market economy such as the UK. Throughout the 1990s and early 21st century, HE massification was a policy that was embraced fully by successive governments, most notably under New Labour.

As shown in Ansell and Gingrich (2022), this cleavage has not played out politically in the manner we would have expected 30 years ago (see also Gingrich and Häusermann, 2015; Gethin, Martínez-Toledano and Piketty, 2021). Instead, graduates no longer flock to the centre-right Conservative party and, if anything, are now more likely to vote Labour. Political polarisation was instead evident through the 2016 European Union (EU) referendum, where graduates were much more likely to vote 'Remain' (Hobolt, 2016; Ansell and Gingrich, 2022).

At first, it seems a puzzle that the recent 332-page Levelling Up White Paper barely mentions the further expansion of HE as a solution to the 'low-skill, low-wage' equilibrium (HM Government, 2022). However, when one considers the electoral realignment that has occurred – and, as we later argue, the Conservative capture of those voters disappointed by unfulfilled social aspirations of social mobility – maybe this is no longer such a surprise.[2] Voters who did not benefit from the initial round of HE expansion are unlikely to be lured by such political promises again.

This is part of a wider moral argument, which brings us back to relational inequality. Sandel (2020) argues that the 'New' left movements of the 1990s let down their core voters by instilling a 'tyranny of merit'. Here, voters were promised equality of opportunity. In return for effort, individuals would be socially mobile. However, we know that the playing field remains, at best,

[2] An electoral realignment that may be unwinding in the latter half of 2022.

tilted. Moreover, such a philosophy creates a clear status hierarchy between those who succeed (graduates) and those who don't (non-graduates).

We are therefore left with a conundrum: we think that increasing HE remains the path to a high-skill high-pay equilibrium, but we must take seriously the fate of those who do not succeed according to this criterion. Yet, we think the current approach to take HE expansion (we use this as shorthand for a broader range of policies, to be introduced later) off the table for debate is myopic. First, in the ordinary – and bad – sense that no thought is given to the future; at least from the perspective of the policy–Whitehall–government establishment, there is a political and electoral pre-occupation with short-run policymaking. Second, with the likely idea of how advanced capitalist systems will develop over the next decade, expansion of HE will be a critical part of such developments; and policymaking and planning should be taking a correspondingly long-term perspective. Third, if society is polarised in the massive way it is, heavily based on education, then Sandel's approach – 'let's get rid of the status divide' – seems naïve. Sandel at least accepts the pain of the divide; but his work on political theory – widely read by the left intelligentsia – does not provide a solution.

Educational expansion and its polarising effects

Nearly three decades after HE 'massification' became mainstream policy, the UK reached a situation where one in two young adults would go on to some form of HE. On the surface, this would seem like a success. Yet, we know in hindsight that the UK remains relatively unproductive compared with its peers, the benefits of HE massification have been unevenly spread by socio-economic background and regions, the large wage gap between graduates and non-graduates persists, and the lives (or arenas) of graduates and non-graduates often do not overlap. Thus, perhaps unsurprisingly, we have a society that is as polarised as ever, most recently demonstrated through the 2016 EU referendum. More profoundly, there is an underlying inequality in status and of esteem. We will dissect each of these implications in turn.

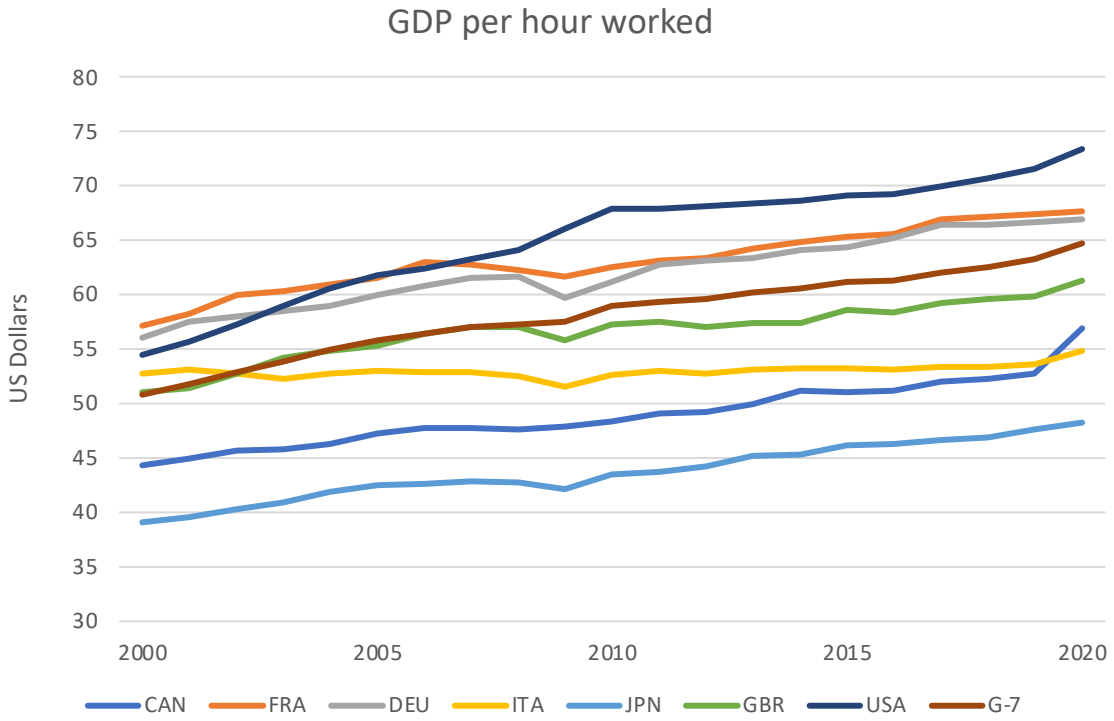
Productivity. In what has now been described as the 'productivity puzzle', the UK has consistently lagged the US, Germany and France (Figure 2). Perhaps more concerningly, UK productivity has almost flatlined since the financial crisis of 2008, creating a further divergence compared with these peers. However, this diagnosis is overly simplistic, as we know the UK has high levels of regional disparities (McCann, 2017).[3] As identified by the government's Levelling Up White Paper (Figure 3), some parts of the country, mainly in London and the M4 corridor, have high levels of productivity compared with other countries. Contrastingly, large swathes of the country remain stuck in what may still be termed a 'low-skill, low-pay' equilibrium.[4] This becomes somewhat self-reinforcing, as graduates tend disproportionately to move to areas with other graduates, particularly to London (Britton et al., 2021). In contrast, no such pattern of physical mobility is observed for non-graduates.[5]

[3] See also Overman and Xu (2022, p. 10) who provide evidence that regional inequality is high compared to international standards, but not as high 'as sensationalist headlines might have us believe'.

[4] The Levelling Up White Paper prepares a series of similar maps showing similar regional disparities across skills, earnings and health (HM Government, 2022).

[5] See an informative graph in Britton et al. (2021, p. 42).

Figure 2. GDP per hour worked (in US dollars) across G7 countries

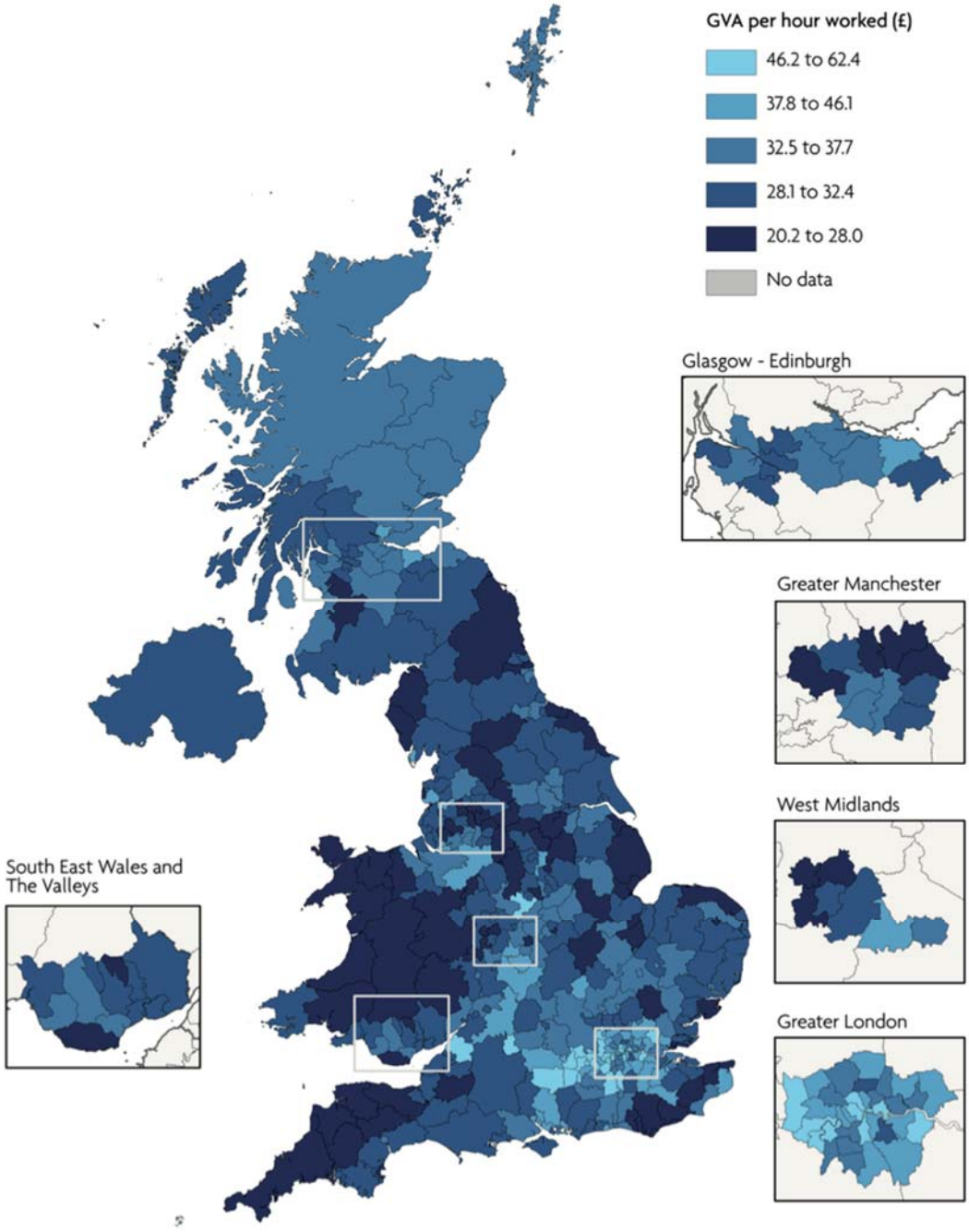


Source: Authors' calculations from OECD dataset.

Benefits of HE expansion by social origins. The educational expansion over the past few decades has disproportionately benefited those from a higher socio-economic background. Despite more young people going to university from *both* rich and poor backgrounds, educational expansion has further widened the participation rate between those from different socio-economic backgrounds (Blanden and Machin, 2013). Moreover, even within the group of individuals with a degree, those from higher socio-economic social origins earn more (Waltmann, Dearden and Britton, 2021) and are more likely to move to high-productivity areas with fellow graduates (Britton et al., 2021). Similarly, we know that where one grows up has an impact on earnings (Bosquet and Overman, 2019), chances of social mobility (Bell, Bludell and Machin, 2019; Buscha, Gorman and Sturgis, 2021) and attitudes (McNeil, Lee and Luca, 2022). Moreover, the effects of place and parental background interact, as students from lower socio-economic backgrounds are less likely to physically relocate to go to university than their peers who have parents of a higher socio-economic status (Donnelly and Gamsu, 2018).

Graduate wage premium. Ground-breaking work by Goldin and Katz (Goldin and Katz, 2009; Autor, Goldin and Katz, 2020) explained how, in the long run, increased wage inequality between graduates and non-graduates is explained by the race between education and technology. The shift towards ICT in firms makes those (graduate) workers able to exploit new technologies more productive and thus able to capture a significant wage premium. Yet, in the UK, despite a vast increase in the number of graduates, returns to education remain high: estimates from Waltmann, Dearden and Britton (2021) suggest around 6% for state-educated men and 27% for state-educated women. (See above for BGJ's explanation of this constant wage gap.) Regardless of the reason why wages have not compressed, the UK remains a country whereby adulthood outcomes are significantly influenced by educational attainment. Moreover, in some part due to the geographical sorting described above, graduates and non-graduates often operate in separate arenas.

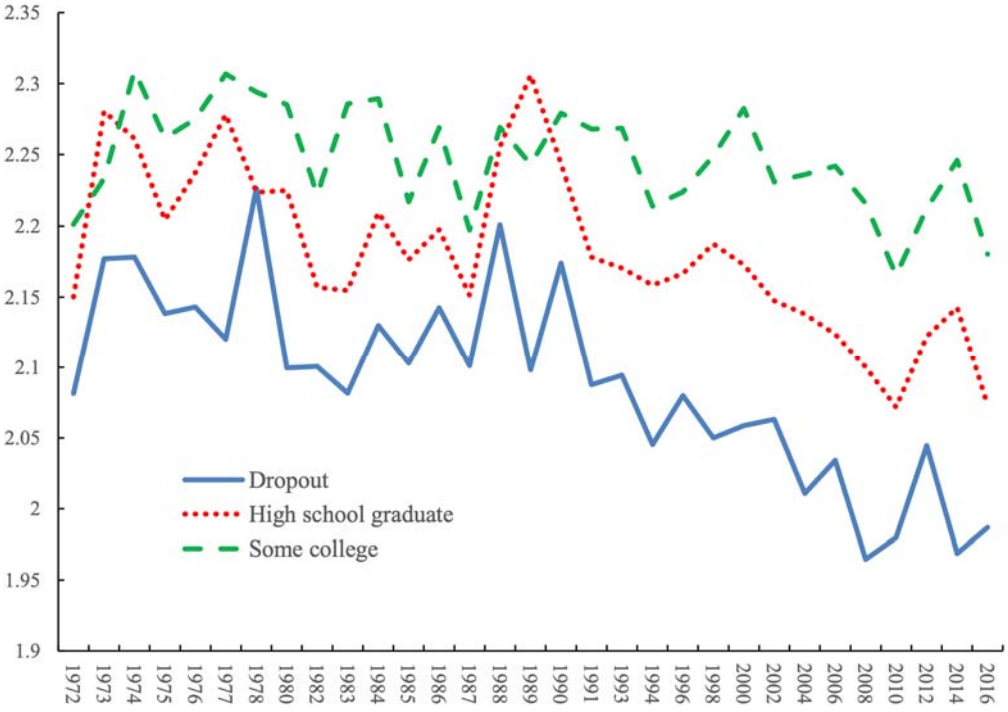
Figure 3. Regional inequality in productivity in the UK



Source: HM Government (2022).

Graduate outcomes. Beyond the wage premium, there is educational division between those with degrees and those without. As detailed by Case and Deaton (2020), 'despair' is rising, especially for those without degrees. Those with lower levels of education are more likely to commit suicide. Moreover, the rate of suicide has almost doubled for those without degrees over the past 30 years, compared with little change for graduates. They find similar trends for pain and mental health (Case and Deaton, 2022). Other evidence, again for the US, shows how higher levels of education are associated with greater happiness (see Figure 4; see also Blanchflower and Oswald, 2019; Twenge and Cooper, 2020).

Figure 4. Association between level of education and happiness



Note: This figure is based on data from the US General Social Survey using the question, 'Taken all together, how would you say things are these days—would you say that you are very happy, pretty happy, or not too happy?' scored from 3–1. This graph reports the mean levels for the different groups.

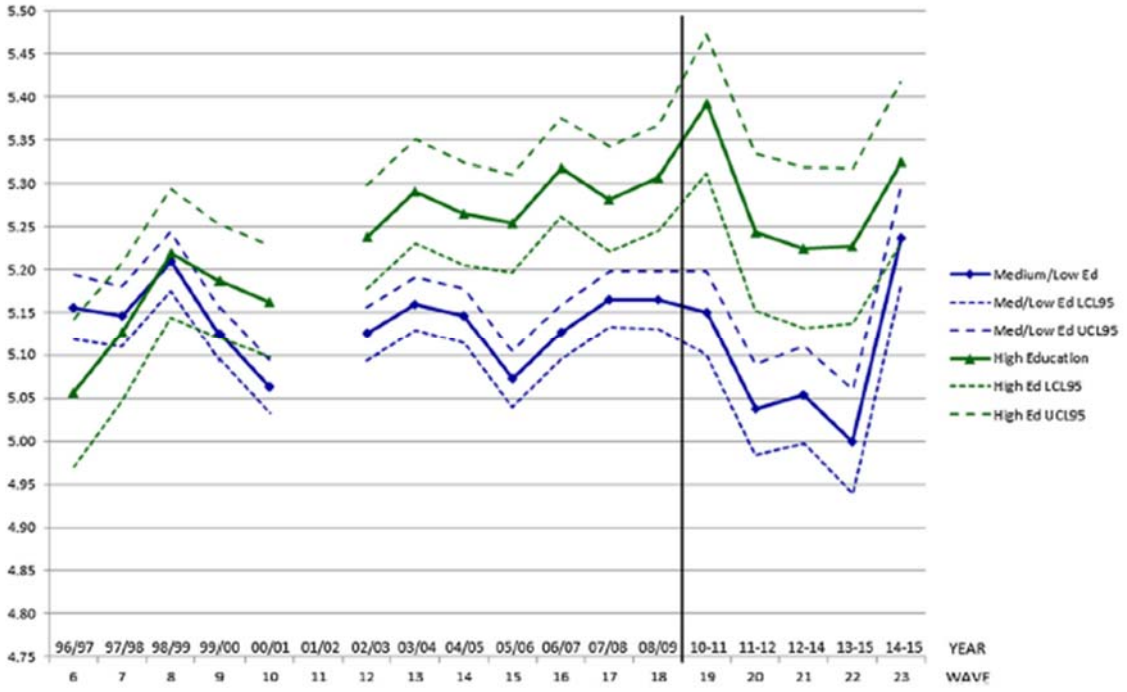
Source: Blanchflower and Oswald (2019).

Whilst there is more evidence for the US, and we should be cautious to extrapolate directly given the greater inequality in the US, there is evidence that this translates to the UK. The UK may not have some of the extreme inequality of the US, but it remains more unequal than most advanced capitalist democracies. To take mortality, there are wide inequalities between life expectancy (especially for men) depending on educational status. A particular disparity exists between those with no qualifications and everybody else. Based on life expectancy from age 20, a male with a degree has a life expectancy of 7.2 years more than a male with no qualifications (Ingleby et al., 2021). Mackenbach et al. (2016) provide further evidence on mortality across Europe. Whilst the higher-educated have lower mortality rates, for most European countries absolute mortality rates decreased for those across all levels of education (unlike in the US). In a wide-ranging analysis of the association between education and happiness in the UK, FitzRoy and Nolan (2020) show a somewhat complicated picture[6] – particularly for older individuals. For the young (under 45), higher-educated individuals tend to have higher life satisfaction than those with lower education (see Figure 5).

Arenas of graduates and non-graduates. A central starting point is the workplace. BGJ argue that education sorts workplaces into those that are graduate and non-graduate intensive. Firms have become steadily more decentralised, and within graduate intensive workplaces, decision-making is relational (Gratton and Erickson, 2007; Gratton, 2014). While individuals in such workplaces may have specialised skills, the key skills are social and relational. This includes the ability to develop good relations with new similarly educated colleagues. And while analytical skills are acquired in HE, universities are particularly appropriate environments to acquire a wide range of social skills – interacting autonomously with other similar students in a whole range of ways, intellectually, socially, emotionally, and so on. This contrasts with more hierarchical management with less-educated workforces.

[6] For the old, the lower-educated are happier (life satisfaction) than the higher-educated until roughly the financial crisis, and then the higher-educated are happier than the lower-educated.

Figure 5. Association between level of education and life satisfaction for those aged under 45



Note: Life satisfaction is measured on a seven-point scale from 1 'Not satisfied at all' to 7 'Completely satisfied'.

Source: FitzRoy and Nolan (2020).

The workplace is not the only arena in which the lives of graduates and non-graduates have become less integrated. Cities, particularly London, tend to become the home for multinational companies, creating high-skill clusters with graduates at their centre (Iversen and Soskice, 2019). These cities in turn tend to foster a cosmopolitan culture; whether this is a purely compositional effect or if there is an effect from place remains up for debate (Maxwell, 2019, 2020). Regardless, this again creates a divide between the predominantly graduate cities and suburbs compared with the non-graduate rural areas (Luca et al., 2022).

Perhaps because of this concentration of high-skilled employers in cities, graduates tend to become part of a highly diversified social network in terms of ethnicity, gender and nationality. But notably, individuals in these social networks tend to all have university degrees. This is also an ideal opportunity to meet one's partner (or even at university itself), and so there is the tendency for graduates to partner with other graduates – assortative mating.

In summary, the HE expansion has benefited some regions and groups more than others. This becomes particularly important in the UK where voters were sold a social implicit contract that promised fulfilment of aspiration through HE. There was a cross-partisan ideology focused on social mobility as an ideology and policy tool to tackle inequality (Payne, 2017). 'Fairness' was promoted as being about social mobility, or at least the perception of mobility (Snee and Devine, 2018). Moreover, the intersection of lives of graduates and non-graduates has diminished as they operate in different arenas. Given this background, it is perhaps unsurprising that education acts as a cleavage within society, creating a lack of mutual respect.

However, this educational cleavage is not the defining characteristic of UK politics, at least in the way one would traditionally think. As shown by Ansell and Gingrich (2022), the pattern of higher-educated individuals voting for the Conservative Party in the 1970s has now reversed. This is complemented by recent evidence showing that social democratic parties have shifted their support base towards graduates (Gethin, Martínez-Toledano and Piketty, 2021)[7] and socio-cultural professionals (Gingrich and Häusermann, 2015). However, educational polarisation

[7] See also the critique by Abou-Chadi and Hix (2021), particularly regarding the importance of 'green' parties.

reared its political head through the 2016 EU referendum (Hobolt, 2016). The models of Ansell and Gingrich (2022) show that somebody with a post-graduate degree had a predicted probability of voting 'Remain' of over 70%; in contrast, an individual with no qualifications had a predicted probability of 70% of voting 'Leave'. If anything, these identities have hardened in the wake of Brexit, creating clear stereotypes and prejudices (Hobolt, Leeper and Tilley, 2020). That is, graduates and non-graduates have different values and identities, but they are somewhat masked by the electoral system.

Where to go from here? Levelling up?

In sum, the diagnosis is that the UK is polarised, in large part as a result of inequality of status and esteem between groups according to educational attainment. Moreover, adulthood outcomes are heavily dependent upon where one lives and one's background. The government's response to this is a 332-page 'Levelling Up the United Kingdom' White Paper with 12 wide ranging 'missions', covering areas from R&D to well-being (HM Government, 2022). Whilst we find much to commend in the paper,[8] we find it somewhat surprising that HE is mentioned only in passing.

Politically, this may be a sensible strategy. As described above, with electoral realignment the Conservative Party is targeting a group of voters who have been disappointed by a social contract based on education. It may be that selling the same vision again is met with resistance and an unwanted familiarity.

We do agree with the White Paper's strategy regarding HE on two fronts. First, more needs to be done to encourage those from lower socio-economic backgrounds and 'left-behind' areas to go to university (HM Government, 2022, p. 197) and not be put off applying to those seemingly higher-ranked institutions. There is now clear evidence of student mismatch, whereby students from lower socio-economic backgrounds go to a university with lower grade requirements than the grades they achieve; the reverse is true of their peers from higher socio-economic backgrounds (Wyness and Murphy, 2020). However, the White Paper is scant on details and offers little in the way of concrete measures as to how this will be achieved. Second, HE institutions are integral to regional development (HM Government, 2022, p. 197). As discussed later, we would be much more radical in our approach here.

Where we disagree is that we think HE should play a more prominent role in upgrading the skills of individuals across the entire country. The omission of radical policy towards HE is even more surprising given the incredibly ambitious educational targets set for primary education. The 'mission' is for 90% of children at the end of Key Stage 2 (aged 11) to be achieving the expected standard in maths, reading and writing. Currently, this is not achieved in any Local Authority in the country, and only 65% of children achieved these results in 2019. Thus, the aspirational targets for foundational education are not congruent with later objectives.

We see a near universal HE system as productivity enhancing and driving increased social cohesion. Not only does this view seem currently politically unpopular but it has also recently stoked pushback from prominent commentators and academics (Goodhart, 2020; Sandel, 2020). We take seriously this 'tyranny of merit' critique. In a society that uses universities to decide whether one 'wins', and where there is a clear emphasis on the ideology that if one works hard one can succeed, there is an inevitable divide in society. However, in our view, the solution is more – not less – university education.

As argued throughout the IFS Deaton Review, we see the value of university for individuals as productivity enhancing. Most notably, HE is critical for 'softer' relational and social skills. For many individuals, this is the first time they interact autonomously together without the strict hierarchy and support of families and teachers. This ability to interact seamlessly between groups and to be part of a wide range of social networks is important in an economy based around teamwork interactions. Exposure to a wider range of people from different backgrounds may result in a more inclusive attitude, more acceptance of other cultures, and an increase in social trust and cohesion (Gelepithis and Giani, 2020).

[8] Albeit there seem to be inadequate resources to achieve many of these 'missions'.

Whilst our goal is to create a near universal HE system, there are some obvious and hidden time dimensions to our proposals. Most clearly, moving from an elite university system to massification has taken the best part of three decades; whilst we think a move to a wider system could be progressed more quickly (see our proposals below), there is inevitably some time delay. Moreover, it would only directly benefit the most recent school-leaving cohorts.[9] However, we also know that first-generation graduates continue to earn less, be less physically mobile, and have different identities than their peers who inherited their position. Most notably, upwardly socially mobile individuals tend to vote in line with immobile peers, from both their origin and destination positions. For example, they are less likely to have voted 'Remain' in the 2016 EU referendum (McNeil and Haberstroh, 2022). From a more optimistic perspective, even the perception that education may benefit the next generation (i.e. one's children) may be beneficial for social cohesion. These 'aspirational voters' (Iversen and Soskice, 2019) are more likely to vote for the status quo of advanced capitalist democracies even if it does not directly benefit them.

Technologically, economically feasible longer-term strategies

This is not the place to set out detailed strategies (as we had hoped the government might have done in its Levelling Up White Paper); rather, we offer broad alternatives to remedy the polarisation that HE massification has brought about in the UK. We draw lessons from the US because our capitalist system is closer to the American system than any other – despite large differences remaining. For example, wealth and income are more unequal in the US than in the UK, with 46% of pre-tax national income going to the top decile in the US compared to 36% in the UK (World Inequality Database).[10]

Whilst the UK is not the US, we think lessons from Sweden and Germany are quite misleading. First, de-industrialisation, and the associated declining share of manufacturing, have been much slower in their coordinated economies. They have instead relied upon technological development and innovations in both services and, importantly, research-oriented advanced manufacturing. Even some of the decline in manufacturing in coordinated economies, such as Germany, is somewhat misleading given the importance of knowledge-intensive business services (KIBS), which integrate information from outside the company into the production process.

Even in these more coordinated economies, it now appears that young people have an increased focus on universities over apprenticeships (Figure 6). The research-orientated specialist manufacturing firms often now employ graduates with high social and relational skills as well as technical knowledge. A new type of (lower-level) university has been established called *Fachhochschulen* (UAS or Universities of Applied Science) in Germany, Austria and Switzerland. This highlights how coordinated economies are adapting in the wake of ICT innovation and change.

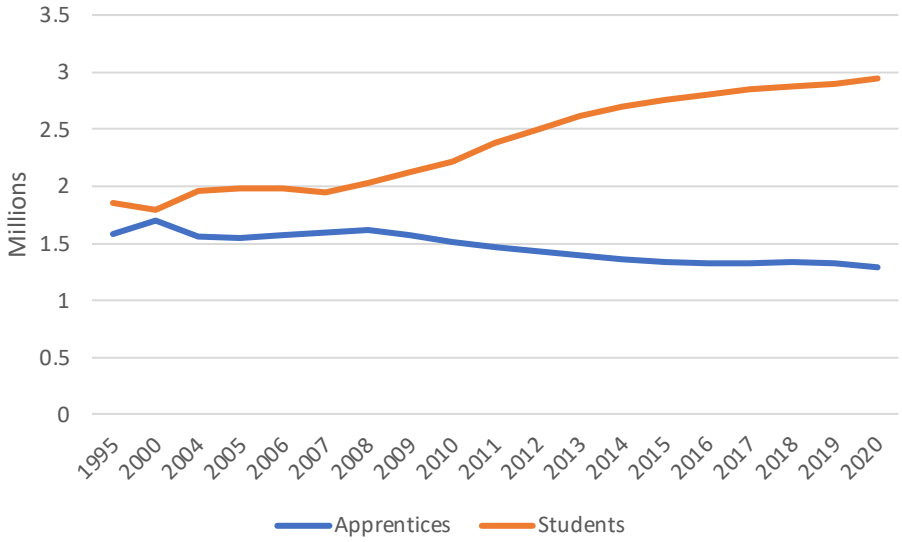
BGJ give us powerful reasons for looking to the US as the technology frontier economy. We now know quite a lot about US institutions regarding their success in radical technologies (and also failures) and their relationships to HE and wider research systems (Soskice, 2021).

Here, we focus just on the North West city belt of the UK, which includes Manchester, Leeds, Sheffield and Liverpool; we call this the North West with apologies to Leeds and Sheffield (it also stretches down into Cheshire). This is because it encapsulates the classic polarisation region – with major universities in leading cities (but operating, as we see it, far below their potential) and a string of so-called 'left-behind communities' or 'places that don't matter' (Rodríguez-Pose, 2018).

[9] We would also support further adult skill programmes.

[10] The US also tends to redistribute less (Elkjær and Iversen, 2022).

Figure 6. Decline of apprenticeships and rise of traditional tertiary education in Germany



Source: BMBF, BIBB, Statistisches Bundesamt.

Underlying the suggested strategies is the key assumption that they are long term. A major problem, as we see it, is that most policy suggestions are written as though they will take quick effect. However, in talking about major structural changes, we must think over a much longer period – to give an idea of this, we think in terms of the next decade.

In relation to the next decade in the North West then, we describe four key interlocking strategic directions.

(1) Two-year colleges. We see the importance of universities in providing some technical skills, but predominantly more general skills, which include ICT, social and relational, team-based logics, and creativity. These general skills are essential across occupations in the knowledge economy (Gratton, 2014), which involve customised and frequently changing technology. Moreover, these technologies are usually no longer single-user operated and instead involve teamwork. Trades such as electricians or plumbers are requiring increasing technical understanding, as well as the social skills to work with increasingly sophisticated customers; they too will need associate degrees.

Two-year colleges would become the foundation for four key occupational sectors: care, education (teaching assistants and early years), health and construction (broadly defined). All these areas are traditionally labour intensive but where ICT is now playing an ever more prominent role. We also see a role for two-year degrees beyond these core areas, for example, in training administrative assistant positions in law, finance and accounting – as well as providing a stepping stone into these professions.

Critically, in moving to high participation in HE, associate degrees in Community Colleges become a key low-cost route for less-advantaged students in less-advantaged urban areas (we envisage free or low-cost fees for these programmes). It is a low-cost route into HE because transport and living costs are low with Community Colleges located in these less-advantaged urban areas; there is also the possibility of doing the associate degree on a part-time modular basis to permit part-time work. Given that 40% of students stay in their home region to study and work (Ball, 2021),[11] we see having easily accessible universities as key to widening participation, particularly for those from lower socio-economic backgrounds. Moreover, we would expect the expansion of two-year colleges to have a wider community effect (especially in lower-productivity regions); for example, Valero and Van Reenen (2019)

[11] Based on the nine government regions in England. At a more spatially granular level, 38.1% of UK domiciled students stay in the same local enterprise partnership for work as that in which they study (Azmat et al., 2018).

estimate that a 10% increase in a region's number of universities is associated with a regional boost to GDP per capita of 0.4%.

Two-year colleges would play a key role in the process of expansion of participation rates, offering a more cohesive platform than the hotch-potch of qualifications available from A-level onwards. We foresee these two-year colleges as being available for both school leavers and also the most straightforward vehicle for lifelong learning, enabling mature students to gain a range of qualifications.

That is not to say two-year colleges are without challenges. In perhaps the closest comparison, in the US, Community Colleges tend to have pupils from poorer backgrounds and lower payoffs (Chetty et al., 2020). As previously, whilst we want to promote Community Colleges as a low-cost (for the individual) route to tertiary education, these programmes need to lead to high-quality jobs with the associated high esteem. In the US, individuals who start a two-year college course often have the aspiration to complete a full bachelor's programme (Skomsvold and Horn, 2012). In other words, it can be a stepping stone; although the US system is far from perfect, with obstacles preventing this step, such as widespread loss of some of the credit at the end of the two-year degree (Monaghan and Attewell, 2015). Moreover, we know that the chance of finishing a bachelor's degree is lower in a two-year college programme than a traditional four-year US college (see evidence summarised in Monaghan and Attewell, 2015) – this would need to be addressed in a rollout in the UK.

That said, based on a study in Kentucky, the returns to an associate Community College degree are still substantial, especially for women – associate degrees are associated with a quarterly return of approximately $1,500 for men and $2,000 for women (Jepsen, Troske and Coomes, 2014). However, there is large variation in returns by disciplines, with health programmes associated with the highest returns.

In short, the design of two-year colleges is key to success. They must: (i) provide general skills in addition to some technical skills; (ii) be affordable (often with individuals working on a part-time basis in conjunction with employers, which would often be public institutions, such as health and education); (iii) promote wider access; (iv) result in jobs and careers that are well paid, high skilled and high esteem; and (v) be widely located, have low transport costs and low housing costs (permitted by living at home).

(2) Regional planning and 'entrepreneurialising' top research universities. Over the next decades, with an ageing population (and following US labour market developments), we expect a large growth of employment in the health and education sectors, as well as in caring. Continuing the trend of a hollowing out of the job market (Goos, Manning and Salomons, 2014), there will likely be employment growth in a whole range of high value-added services, both professional and KIBS, as well as a range of business- and technology-related ICT services; and low-skill services and the gig economy.

Regional knowledge-intensive agglomerations, based on successful cities and their suburbs, have evolved in a small number of highly dynamic areas in the US. Much of this goes back to major donor figures and, subsequently, great universities – such as Carnegie, Rockefeller, Mellon, Hewlett and Packard, Duke – as well as key states and cities. In the UK, despite its clutch of world-class universities in the golden triangle, and top-class universities in the north (Manchester, Leeds, Sheffield and Liverpool), leading universities have never had remotely the resources of their leading US competitors – nor the freedom from Whitehall.

In the US context, the major research universities have massive endowments by the top UK university standards, and even more so by the standards of the top northern universities. Moreover, the US majors are unconstrained by the Federal government and, at the same time, are highly competitive with each other. One element of that competition is in the fostering of university research diasporas, as well as encouraging academics to engage in start-ups.

The radical proposal we would make – which would almost certainly have a huge impact – is major endowments for the top northern universities to be 'competitive'. This is not the place to think of details. However, imagine now giving each university (say Manchester, Leeds, Sheffield and Liverpool) an endowment of, say, £3 billion with a five-year competition of an additional £3 billion for universities that do best in creating a major commercial research environment, as well as top research departments in medicine and the life sciences, in ICT and/or (on a smaller scale) education. The test would be in the capacity to bring in venture capital (or private equity), and the universities might specialise (or not) in fields such as rapid transport linking the region together via autonomous vehicles.

Both (1) and (2) would be seen as being tied together in interlinked projects based ultimately on the idea of making the North West into a technologically highly advanced region.

(3) Much higher HE rates and correspondingly more graduate jobs. The complementary task in all this is to raise HE participation rates and the growth in graduate employment over time in a serious way. Part of the goal is to pull young people out of areas left behind by the polarisation generated by HE massification and the collapse of manufacturing. We see this as happening via community colleges, and into universities; and via the corresponding growth in graduate jobs. We assume that, with regards to the BGJ argument, these young graduates will be absorbed into more technologically oriented and organised health and education sectors, as well more generally in a whole range of advanced private and not-for-profit sectors. The argument is not that the detailed technologies are available 'on the American software shelf' – far from it – but that, at a broad level, the breakthroughs have been made there. A critical element is the organisational requirement of graduate-intensive workplaces with strong relational, social and leadership skills, as well as other necessary expertise in health, education and care or in other areas (fintech or insurtech, etc.) *and* the relevant ICT competences and connections; of course, these 'workplaces' will take many different forms. This transformational process will take several (perhaps many) years. A major set of linkages will be via spinouts and cooperative ventures with the research universities – and these universities would have a strong competitive incentive to use their endowments to show they could build these linkages. Effective regional government will need to play a major role in planning the development of the health, care and education systems (including community colleges). One element of this planning is the need for underwriting the supply of graduate jobs in the health and education sectors, at least in the earlier periods of the next decade before graduate employment in the private and not-for-profit sectors has sped up.

(4) Regional government. The clear concern about regional government is that it should be allowed to borrow and tax – and then have wide autonomy in health, education, care and transport. Most important is that regional government has strong incentives to develop competitive policies to boost technological growth and HE participation, and also to cooperate.

The paradox of persuading those who 'missed-out'

In the previous section (exemplified by transformative strategies for the North West), we set out radical policies over time, which we broadly suggested were economically and technologically feasible to correct, over a long enough period, the deep polarisation of the UK economy.

But are these technologically feasible policies also politically feasible? The paradox is this. The technological and economic policies/strategies we are proposing benefit and reinstate those who had been left out of the 'massification' of HE. Will the party-political system be able to persuade them to switch to supporting their long-term interests? What are the financial and distributional consequences of funding these reforms?

It is probably sensible to downplay what the government has put forward as a major alternative proposal to universal HE, namely apprenticeships. This is certainly a cheap option for the government. It has not been successful in England, except as a route into subsidised HE, a policy we approve. Borrowed from Germany, there are two major flaws: German labour market institutions are fundamentally different from those in the UK (see the previous section); and, if

anything, more importantly, the leading edges of German labour markets have for some time been moving away from apprenticeships to HE (see Figure 6).

We are deliberately vague on financing our policy proposals. That said, simplistically, individual rates of return to graduating from university are high (Belfield et al., 2018),[12] and social returns likely much higher. Moreover, government funding remains cheap; the UK government can borrow for 30 years at under 1.5%.[13] (At least they were when we originally wrote this paper – financial markets adjusted significantly over the six months between our original version and revisions.) Who pays for this remains a current debate, most notably in the government's recent response to the Augar review (Lewis and Bolton, 2022). Just as the compulsory education leaving age has increased from 14 to 18 since World War II, in time we think that funding will become somewhat a moot point and, rather, attending university will become part of the social contract with the state.

Conclusion

The massification of HE in the last three decades has brought huge advantages in enabling the UK to exploit the ICT revolution, particularly for younger women. If decentralised graduate- and ICT-intensive workplaces, with high relational autonomy, capture the basic technological/organisational innovations, then the social and emotional skills that HE provides are centrally important. But, with broadly half of the younger workforce now with degrees, mainly from more advantaged backgrounds, and many of the rest in lower-skilled low-autonomy service-sector employment, society has become increasingly polarised. As Case and Deaton (2020) so powerfully did in *Deaths of Despair and the Future of Capitalism*, we have underscored in this commentary the *psychological* cost of this polarisation on a variety of dimensions, including the identity politics of populism – so, equally and powerfully, have Sandel (2020) and Goodhart (2020). The debate is on how to overcome this *relational and epistemic* inequality.

Where should we go over the next two decades or so? Sandel asks for humility from the left-wing meritocratic intellectuals whom he sees at the root of the problem. If only massive societal polarisation, and lack of mutual esteem, could be so easily solved. We cannot go back on HE massification. And the recent report on levelling up (HM Government, 2022), while it has many sensible proposals notably about primary education, seems to have no idea of what advanced economies will look like and require in 10 or 20 years' time: the idea that apprenticeships are the way forward shows little knowledge of the large changes in direction away from them in Germany. We set out here the case for moving, over the next two decades, towards a significantly higher level of HE participation, but in a radically different university system to the current one.

[12] At age 29, an average 28% annual premium for women and 8% for men accounting for pre-university characteristics, albeit there are large differences between subjects and institutions.

[13] Based on the benchmark 30-year gilt as of 2 March 2022.

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