



The Influence of Education on Social Mobility and Economic Opportunities:

A Review

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Abstract

Education has always been one of the most effective tools that can be used by individuals and societies to change the nature of their economic and social existence. This review paper brings together evidence from economics, sociology, and education policy from the past five years (2015-2024) to explore the complex connection between education, social mobility, and economic opportunity. The main thesis is that education serves two contradictory roles as a vehicle for upward mobility as well as a means of intergenerational transmission of inequalities. Education increases the individual income of the learner and provides more options when it comes to employment through human capital formation, the development of cognitive and non-cognitive skills, and the signaling of skills to the labor market.

Aggregate level evidence shows that being widely educated is linked to increased intergenerational mobility, increased productivity and increased economic growth. But the distribution of the impact of education is very uneven. Education's equalising potential is limited by unequal access to quality education, stratification within higher education, the impact of family background and differential returns to credentials by social group. The review brings together evidence on the educational pay-off, intergenerational educational mobility, the role of higher education institutions, and the structural constraints to disadvantaged learning. It argues that the power of education to drive mobility is dependent upon the equitability of the access to and quality of education provided and that this must be part of the policy agenda. Future directions for research, such as longitudinal and cross-national designs, impact of digital transformation, and impact of emerging credentialing systems are described.

Keywords: education, social mobility, economic opportunity, human capital, intergenerational mobility, inequality, returns to education

1. Introduction

One of the most accepted facts in modern societies is that education enhances life chances. The development of education is a key part of the development policy, and international organisations regard it as such, the governments allocate a significant part of the public funds to mass education and the parents pay for their children's education. All have been based on the premise that learning provides opportunity, opportunity provides mobility, mobility provides individual welfare and collective prosperity. But the relationship between education and social mobility is by no means a simple tale. The education may provide chances to the disadvantaged group of people, as well as strengthen the rights of the privileged people. It thus becomes a scholarly and policy question whether and how education can promote and not obstruct mobility.



International Journal of Social Sciences, Commerce & Management Studies (IJSSCM)

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This review synthesizes the most recent evidence over the past decade to gain a fuller understanding of the how and when on the relationship between education and social mobility/economic opportunity. It has four introductory themes to give a sense of the perspectives in which the analysis is developed: conceptual foundations of the field; economic implications of the question; social and equity aspects; scope and objectives of the current review. These themes provide the language and the stakes prior to looking at the substantive literature.

1.1 Conceptual Foundations

Social mobility is the upward or downward movement of individuals or families within the socioeconomic status hierarchy across a lifetime (intragenerational mobility) or from one generation to the next (intergenerational mobility). There is also a distinction between absolute mobility (whether individuals are better off than their parents in absolute terms) and relative mobility (whether the position of the families in the distribution of incomes changes or not). The difference is important because a society may see an improvement of life for everyone, but the relative position of the rich and the poor remains about the same.

Closely related, economic opportunity refers to how opportunities to succeed in life depend on what a person does and can do—on the choices he or she makes and the work he or she puts in—rather than the outcome of a random draw at birth. The equality-of-opportunity literature captures this notion by disentangling the effects of factors outside of one's control from those of effort, and by defining the morally relevant measure of inequality to be that due to factors beyond control, which is the one that policy should address.

Education comes into the picture as a key intermediary variable. The human capital theory says that education increases the productive capacity of an individual in ways rewarded by the labour market through higher wages; education is a true investment in this theory, that is, it adds to what the person can do. A different tradition is focused on credentialing and signalling, where qualifications are a way to signal information about a natural ability or discipline, instead of instilling skill. There is a positive relationship between education and earnings predicted by both perspectives; however, the implications for policy and equity vary.

But if the key to education is human capital, then greater education access should increase productivity and decrease inequality. If it is primarily a signalling mechanism, then the value of a credential is in part a function of its rarity, meaning that increasing the supply of credentials may be to increase the opportunity cost of having them, rather than to increase the opportunity to get a good job at all. The two mechanisms are not mutually exclusive, and most of the newer research considers them complementary, to be weighed differently by different fields and labour markets.

1.2 Economic Significance

The financial implications of the link between education and mobility are high. On the individual level, years of schooling and qualifications are associated with increased lifetime earnings, a reduced risk of unemployment, and increased occupational flexibility. These private returns are an important factor explaining why schooling is an important investment for families and why the demand for schooling may rise with income. At society level, educational distribution has an



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influence on the society's overall productivity, innovation and growth. The emphasis on the quantity of schooling was also put aside by Hanushek and Woessmann (2015), who strongly claimed that what really matters is the cognitive skills that a population actually acquires, not the number of years that it spends in school.

Since the talents of these individuals that otherwise would be lost would be added to the economy, if the talents could be developed through education, the economy would benefit from more efficient allocation of human resources. Conversely, restricted access to quality education, because of income or geographic constraints, leads to lost potential and to less growth. National contexts estimate there could be measurable gains to national output from reducing attainment gaps between disadvantaged and better-off groups and/or between genders (several), and the World Economic Forum (2020) identified significant economic and social benefits of improving social mobility. The results show that the two are not mutually exclusive; a society that cannot educate the less fortunate is an unjust and a less prosperous society.

1.3 Social and Equity Dimension

Education has a huge social significance, in addition to its economic role. It affects rates of civic participation, health, the formation of families and the passing on of culture and social capital. Education has a positive impact that goes beyond the labour market and is beneficial to society. Informed individuals enjoy better health, longer life and are more involved in civic life. Equity lies at the heart of the mobility question: It is the same system of education that helps a first generation student enter the professional class that can also be a sorting mechanism that helps secure inherited advantage. Family background can influence educational outcomes in various ways including through childhood environments, the quality of the neighbourhood, available resources at school, and information and financial capacity to attend selective schools. Reardon (2016) provided a report on the relationship between residential and school segregation and the stark disparities in achievement associated with it, thus illustrating how spatial inequality becomes educational inequality.

However, these benefits are cumulative, and the impact of education on mobility cannot be assessed without also considering the inequalities that underlie and are co-occurring with education. A child who falls behind as he or she enters school, is enrolled in a poorly resourced school and is missing information in his or her family that they need to participate in the admissions process is at a cumulative disadvantage, and unlikely to be overcome with a single educational intervention. This logic of compounding implies that an education policy for mobility cannot be considered without it first addressing the broader social context of schooling, and not the schooling system on its own.

1.4 Scope and Aims of the Review

This paper provides an overview of the published literature on the relationship between education and social mobility and economic opportunity in the period 2015–2024. It does not set out to be systematic, rather to summarise research that is representative and influential to assess what is known, where there is contestation and what questions remain unanswered. The literature review that follows is organised in four thematic strands: returns to education and human capital



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formation; intergenerational educational mobility; role of higher education institutions; and structural barriers to equalising effect of education. The review then makes conclusions on the conditions where mobility is enabled by education and points out an agenda for future research.

2. Literature Review

There is a wide body of evidence on the links between education and mobility and opportunity, including through randomised evaluations, analysis of administrative data, longitudinal cohort studies and cross-national comparisons. The evidence is organized under these four themes which cover the main mechanisms and tensions in the field.

2.1 Returns to Education and Human Capital Formation

One simple strand of research is to try to measure the private and social returns to schooling. The basic regularity, context by context, and time by time is the higher the education of the working class the higher the wages. Psacharopoulos and Patrinos (2018) took the average across more than 1000 estimates and demonstrated that the global average private returns to an additional year of schooling remains in the vicinity of nine percent, and that higher education and lower income countries tend to have higher returns. Field of study is also important – Kim, Tamborini, and Sakamoto (2015) demonstrated that college majors are much different in their lifetime earnings; quantitative and professional majors have significant premiums. These findings are in line with the human capital explanation, but also suggest that there is heterogeneity, meaning it is hard to state that more education is unambiguously better.

Human capital development is not only through education. Heckman and Mosso (2014) and subsequent research emphasized the importance of early childhood and the cumulative and dynamic nature of skill development as investments in the early years amplify the investment in later years. Non-cognitive skills (e.g. persistence and self-regulation) impact on the labour market outcomes and can be shaped by family environment and school quality. The dynamic perspective implies that interventions at later levels of the education system might be less effective than interventions at an early stage that are sustained, with implications for mobility policy.

There is also change in the skill rewards of labour markets. Deming (2017) demonstrated the wage premium for social and interpersonal competencies has expanded as well as the ability to integrate cognitive and social skills is becoming more important. Those consequences for mobility are the following: the most in-demand skills can be developed unevenly across social backgrounds and mobility education systems can differ in effectiveness in building up such skills. The returns literature as a whole confirms that, on average, education has a positive impact on wages, but the size (and even the nature) of the return depends on what is learned, from where and how it is learned, and how it is rewarded, suggesting a caution against treating years of schooling as an undifferentiated input.

2.2 Intergenerational Educational Mobility

The second theme is connected with the level of education transferring from one generation to the next. A high intergenerational persistence indicates that the society is highly hierarchical – one's education will have a large impact on one's prospects; a high mobility indicates the opposite.



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In a large study involving many countries, Narayan et al. (2018) found that the education mobility has come to a standstill in many developing countries and that the disparities between developing countries and advanced economies have not been as anticipated. In a comparative study of the linkage between the cross-national variation in income inequality and income mobility, Jerrim and Macmillan (2015) have found a so-called Great Gatsby relationship between income inequality and income mobility.

The ways that it can be transmitted are more than one. Parents' education and income has an impact on the type of school children attend, resources in the home, expectations and information that impact upon educational decisions. Of particular interest, however, is the finding of several studies that the role of family origin is reduced for those that have higher education, implying a meritocratic or levelling effect of higher education. However, this conditional equalisation, again, hinges upon first having a disadvantaged student at a higher education institution, and then access and stratification comes back into the picture.

But a more historical perspective adds more complexity. Jackson and Holzman (2020) traced 100 years of inequality in U.S. education and determined that the achievement gap between the more and less well-positioned to succeed in school has been persistently stubborn, both narrowing and widening over the 100 years, but not going anywhere. Drawing on evidence from Britain, Bukodi and Goldthorpe (2019) further pointed out that the expansion of the education system did not lead to greater social mobility as was hoped by the reformers as the more families got access to it, the more they managed to keep their relative positions. This is what has been termed 'maximally maintained' or 'effectively maintained' inequality – the mere fact that more education is provided does not mean that education is more effective for promoting mobility if privileged groups keep receiving the best education.

2.3 The Role of Higher Education Institutions

Higher education is an escalator and a place of stratification and this means that it has a major role to play in the mobility debate. Using administrative records for over thirty million students, Chetty, Friedman, Saez, Turner, and Yagan (2020) characterised intergenerational mobility at individual United States colleges. They also learned that there is a large gap in representation across different groups in selective colleges, that low-income students who enter selective colleges do equally well in terms of earnings outcomes as students entering colleges from higher-income families, and that mid-tier public colleges have the highest rates of bottom to top mobility. These results indicate that the levelling effect of higher education is not necessarily constrained by the issue of mismatch, but rather by the issue of unequal access.

In higher education, stratification by institutional type, field/credential influences outcome. Marginson (2016) also said as more and more people went into higher education they were also differentiated horizontally and vertically and that this would be able to reproduce the hierarchy of society. However, if disadvantaged students are overrepresented in low status and under-resourced institutions, then it is not necessarily the case that increasing participation will lead to equal outcomes. Consequently, literature has now shifted from the overall participation rate of literature



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to the composition of and distribution to higher education to determine if it exacerbates or alleviates inequalities.

Hence, migration studies and policies have been directed towards selective admissions practices. As an illustration of ways in which access may be expanded or limited, Card and Giuliano (2016) found that representation of low-income and minority students was dramatically increased due to universal screening for gifted programmes. Torche (2018) observed that the equalising impact of higher education tapers off for those with advanced and professional degrees, at the top of the educational distribution, as the impact of family background resumes. This pattern shows that higher education is not equally equalising; higher education may be less strongly connected to origins and destinations but it is the most advantageous (and most lucrative) higher education that is overrepresented among the most advantageous. An implication of the policy is to broaden access – not just at the entry point – but within the most valuable tier of the system.

2.4 Structural Barriers and the Reproduction of Inequality

The fourth theme looks at the structural factors that constrain the role of education in equalisation. According to the OECD (2018) Social Mobility report, the 'social elevator is broken' in many of the advanced economies because it may be several generations before the children of low-income families reach the average income level. A number of barriers cause this stickiness. Disadvantage can be localized through residential segregation in certain neighbourhoods and schools, limited investment in education (due to costs) and an increased risk that high-potential children do not pursue higher education (due to information).

Digital inequalities are a current day problem. Evidence collected during the time of widespread remote learning revealed that socioeconomically marginalized students had less access to devices and connectivity, and were less skilled in these areas, further exacerbating inequities. Broadly speaking, the literature draws attention to the fact that education is situated within a wider opportunity structure: if education fails to increase the mobility of social groups in the labor market, or if discrimination is the real cause of a lack of labour market mobility, then education itself can do little. The findings raise doubts about the potential of education as a magic bullet for inequality, and suggest the need for further policies relating to early childhood, housing and the labour market.

The barriers have also been constituted as norms. Roemer and Trannoy (2016) have written an influential article about equality of opportunity (EO) that makes a distinction between inequalities of circumstance (which are regarded as unfair) and inequalities of effort (which may be fair). In the context of education, this is a way to explain why unequal access to quality education is an issue: it means that circumstances of birth can affect outcomes via the education system. International evaluation of this concern. OECD (2020) analyses of comparative student achievement show that there is a relationship between socioeconomic background and student achievement in all the countries involved, but with varying magnitudes depending on the country, which can be due to different institutional arrangements that either weaken or strengthen the impact of socioeconomic background on achievement. The continuity of these trends in different contexts



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points to the fact that the levelling impact of education can only be realised if there is a conscious attempt to offset systemic forces that direct advantage.

2. Conclusion

The material in this study points to a sophisticated finding. Education is certainly one of the most effective means for people to raise their incomes and their opportunities, and in the society level, it has been associated with mobility and growth. The overall returns to schooling are still large, access to education can have a significant impact on the life chances of disadvantaged youth, and further education seems to have a significant effect on reducing the influence of family background. That's where education is the key to opportunity is right.

Research and policy is then the challenge of balancing these two functions of education - emancipatory and reproductive. The literature examined here does not suggest what is often a pessimistic understanding of how education perpetuates inequality, nor the often optimistic understanding of how education consistently eradicates inequality. Rather it signifies a conditional association which can be positive or negative depending on the institutional setup and the surrounding social structures. This contingency alone is worthwhile because it moves the policy discussion from whether or not to invest in education to how to design educational systems to be more effective in providing the mobility-enhancing benefits of education to those who need them the most.

3. Future Work

There are a number of possibilities which should be further pursued. First, a process of studying the micro effects of education, in both longitudinal and cross-national settings, is needed, to better unravel the causal impact of education from the impact of family environments and to better understand why education policies produce such widely divergent mobility regimes in countries with comparable policies. Such work could be based on linked administrative data, that are now available in several countries.

Second, digital transformation has some implications which need to be constantly talked about. As online learning continues to grow, the presence of AI in the classroom and in the workforce, and digital inequities persist, they have the potential to transform the return to education and distribution of access in ways yet to be understood through evidence. Research should take into account whether there are smaller or larger gaps in opportunities based on emerging technologies. Third, with the rise of alternative credentials such as micro-credentials, bootcamps, and apprenticeships, there are questions about how these new types of credentials impact mobility, especially for those not served by traditional higher education. Pathways need to be well evaluated. Finally, future research could focus on the analysis of the education system and its interactions with housing, health and labour market policies in the wider opportunity structure. It is within this bigger framework that scholarship can serve as a foundation for comprehending the conditions under which education is the best means of ensuring opportunity and mobility.

It is hoped that the field could be given content with more mechanisms than just association alone. While a lot of evidence shows there is a correlation between education and mobility, a lot of



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designs would be needed to single out the causal chains and where they might be boosted. There are ways forward, such as natural experiments, policy discontinuities, and well-instrumented studies. Likewise, mobility studies have concentrated on the high income countries, but the majority of our students live in other countries and the trends of mobility in the high income countries might not be applicable in other countries with different labour market and institutional experiences. The application of scientific mobility studies to low and middle-income settings is an empirical and equity requirement; it must happen if the results of research on the impact of education are to be deemed of general validity.

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