

THE RIGHT RESPONSE

Conservative Ideas to Tackle Perennial Poverty

An Essay Collection by Conservative MPs

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Edited by Dr Christopher Fear & Phillip Blond



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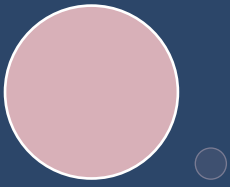
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FOREWORD

*by Dr Christopher Fear &
Phillip Blond*



In his *Spectator* column in 2019, the former Conservative MP and now journalist, Matthew Parris, outlined eight reasons that he knew himself still to be a Conservative, despite his continuing opposition to Brexit—a position which had, he explained, been leading many people to accuse him of being a Liberal Democrat in all but name. “I believe in the nation state”, Parris explained; “I believe in choice”; “I believe in business”; “I believe in good and bad luck”, and “I believe in inequality” (28 September, 2019).

This latter principle, though a traditional precept of conservative political thought in the form of the “hierarchical” social order, is today chiefly conceived in terms of economic outcome and justified by formulaic arguments that are in fact classically liberal. To be against poverty is not an exclusively socialist stance: one need only look at Disraeli and others inveighing against Whig profiteering and its social consequences in the nineteenth century for Tory precedents. So are there today alternative Conservative approaches to poverty that do not explain it away as the inevitable outcome of a free and fair market economy? Despite its current relegation, “levelling up” remains the only serious Conservative attempt since David Cameron’s election in 2010 at addressing the structural class- and place-based

poverty that still affects so much of Britain and so many of her people—though Iain Duncan Smith should also be recognized for having successfully integrated the alleviation of poverty into the Universal Credit reform of the previously fragmented welfare system.

The Conservative Government's stated ambition to level up following the 2019 general election still stands—and it is perhaps easy to forget that this Conservative Government's majority still rests on that 2019 mandate. It remains urgent for Conservatives to tackle the needs of place and the penalties of class, especially after the party's evisceration at the local elections in May 2023, which was surely due in no small part to the party's failure to deliver on the promises it made to its new 2019 working-class voters. If those voters' modest hopes had been met, the liberal middle class's apparent distaste for working-class concerns might also have been remedied.

Much depends on what "levelling up" now means—in theory, and in practice. Does it mean the state-engineered "levelling" of every statistical difference of *outcome* between people in different cities, towns, and regions—and perhaps even, in accordance with the priorities of Diversity Ideology, between members of different racial, gender, and sexual identity groups? Is "levelling up", alternatively,

the programme of constructing a national level playing field of *opportunity* for all social classes, comprising far-reaching policies with consequences for every school, workplace, building society, local authority, and beyond? Or is "levelling up" merely a new name for some of the work that the British welfare state has long been trying to do: improving conditions for those in the very worst circumstances, where opportunities are few, and outcomes are almost always poor?—albeit perhaps now with a promise to prioritize those especially deprived towns and regions in which the Labour party had seemed to have lost interest.

While our view is that political theory has its place—those long-running debates about the balance between equality and freedom, and all the rest of it—we nevertheless share with the parliamentary authors who have contributed to this volume the view that addressing the endemic and perennial cost of poverty and class *in practice* remains fundamental to any Conservative renewal. With that in mind, this volume presents essays by twelve serving Conservative MPs on the causes, realities, and effects of poverty in today's Britain. Each chapter contains new ideas in specific policy areas that the authors (and we) believe should be considered and discussed as the "levelling up" mantra is developed into a concrete programme of practical Conservative government action.

The authors represent a diversity of constituencies in England and Wales, and are drawn from across the parliamentary party, so this volume is very far from promoting mere regional or factional interests. The reader will notice, however, that what all of these authors share is the recognition that the conventional “right-liberal” activity of the last few governments—or, perhaps more accurately, certain *inactivity*—has so far left in place systems that are not working for the poorest people in our country. Naturally, politicians with different policy interests will cite different successes, failures, and possible solutions. But for each of them the “right-liberal” ideological alloy of economic and cultural liberalism has demonstrably failed in some regard, and no section of our society has paid more for those right-liberal failures than the working class.

Sadly, working class communities know better than anyone else what it is like to live with insecure employment and housing, troubled finances, broken marriages and turbulent family lives, bad diets and consequent health problems. And they know all too well what sort of future awaits children with poor self-control and few genuine opportunities or middle-class pathways for escaping a background of poverty.

This is a point, or perhaps a theme, upon which Conservatives across the party can agree—and can, indeed, build a consensus with parliamentary colleagues outside of the party. In chapter 1, probably the most generally theoretical of the twelve, Danny Kruger and Imogen Sinclair characterize this new left–right consensus. It is beginning to centre, they explain, on the broad recognition that in various policy areas, our country is more fragile than it should be, more vulnerable to external and internal shocks, and that *resilience* must therefore be built back into our economic and social life.

The following four chapters focus on what “levelling up” could or should mean in the world of work and production. Damian Collins (chapter 2) highlights the failures of the gig economy, and argues that app-based businesses can and should be made as accountable to their employees as traditional companies already are. Tom Tugendhat (chapter 3) tackles the opportunity gap head-on, and outlines the need to rebuild the range of apprenticeships that Britain most desperately needs. In the following chapter (4), Tom Hunt explains the role that freeports can play in restoring prosperity to some of Britain’s traditional coastal manufacturing and shipping zones. And in chapter 5, John Redwood explains

why the UK's dependence on imported goods is still a major structural economic problem, and how government should ameliorate it by actively nurturing British production.

The following three chapters deal with public spending, tax, and welfare. David Simmonds (chapter 6) points to the success of fiscal devolution in Germany, and argues that a similar diffusion of spending power would help the regions of the UK to level themselves up, by making choices that suit their own needs. In chapter 7, Stephen Crabb provides an extensive and detailed account of the work that still needs to be done to improve Britain's woeful welfare system, and calls for a revival of the reforming spirit that propelled the transformation of this vast area of spending in the 2010s. And in chapter 8, John Penrose proposes simple and inexpensive reforms to inheritance tax that could well work to spread the savings of the older generation more broadly among their younger relatives, and at times when such redistribution of wealth within families is most needed.

The next two chapters deal with personal assets. Bob Blackman (chapter 9) provides a comprehensive view of the crisis in affordable housing, and offers a range of ideas for making the housebuilding programme that Britain clearly needs more straightforward and affordable. Paul

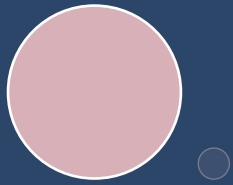
Maynard (chapter 10) discusses the "poverty premium" that makes everyday life more expensive for those without savings or in debt, and suggests tweaks to the benefits payment system that might help people to get out of debt, and incentivize saving.

The last two chapters discuss the often sensitive subject of families—in which private sphere, right-liberal ideological tradition has long complained, governments should not be interfering. However, Miriam Cates (chapter 11) points out that it is in the home, and differences in parenting and parental absence, that disadvantage takes seed. She discusses the crucial impact of parenting time on the life chances of children, and how reforms to the tax system could help to "level up" the personal skills of young people from the most deprived backgrounds by easing the financial pressure on their parents. And in chapter 12, Sir John Hayes draws attention to the striking statistical differences between the life outcomes of children whose parents are married, and children whose parents are just cohabiting. Sir John urges his fellow conservatives to recognize that marriage is a social justice issue, and warns that a tax system that disincentivizes marriage, combined with the ongoing right-liberal relaxing of divorce law, are very much more likely to exacerbate inequality in the long run than to remedy it.

Conservatives do not have to become socialists or any other kind of outcome-egalitarians to be concerned about poverty, and to believe that governing well means tackling its causes and effects. Alongside the moral arguments on which Conservatives may hold a variety of views (see below), Conservative writers of the past have also outlined practical or pragmatic reasons for Conservative governments to be more “activist” in relieving poverty: to neutralize the electoral threat of a more radical Liberal or Labour party; to rebalance the domestic power of competing interest groups; to lessen the severity of conflict between the nation’s social classes; to reduce crime rates, or ineffective spending in other areas—or, most pragmatic of all, to create more future Conservative voters.

But few Conservative writers have ever been so plainly amoral about poverty. Thus, while Conservatives have always viewed with scepticism the egalitarian dreams and schemes of their opponents, they have also always claimed stewardship of the traditional moral and religious principles upon which Western civilization depends, including the classical and Christian virtues of justice, charity, kindness, and good works. In more recent decades, many

Conservatives have also espoused the classical liberal belief in the collective benefit to a nation that is delivered, as if by a hidden hand, of systems that allow for individual advancement by merit, and for anyone with talent and potential to raise himself out of poverty, to “unlock” his gifts, and put them to work in a thriving marketplace. Clearly even the preferred social model of most “individualist” Conservatives, if it is to function properly, requires that everyone have a broad range of opportunities open to him or her—a broad range that private businesses alone cannot under all circumstances be expected to provide. It should be no surprise then that, while leftist rhetoricians pretend that their paramount ethical value of compassion logically implies state control and enforced equality of outcomes, Conservatives, rightly suspicious of the levelling down that unthinking statism and welfarism can engender, can get on with the practical work of finding new ways in which the instruments of government can and should be used in their specific areas of interest to relieve poverty and improve life chances for the least well-off.



1. The Left–Right Consensus on Levelling Up

by Danny Kruger MP & Imogen Sinclair

There is a new radical consensus emerging in British politics. It started with the Brexit referendum, which galvanized voters on both left and right to vote Leave. Three years later, the “Red Wall” turned blue on borrowed votes—Boris Johnson’s reward for his sheer determination to get Britain out of the European Union. There is no going back. The left must now adopt a “Brexit mentality” if it is to recover the confidence of its traditional voter base.

What is that mentality? There is more to Brexit than the idea of national independence. Leaving the EU was just the first step in taking back control from remote bureaucracies. Our newfound sovereignty will only be truly fulfilled by subsidiarity: devolving power to communities themselves. Community power follows the logic of Brexit. But is the left prepared to follow this course for the sake of a new radical consensus? Perhaps. After all, British politics has a long history of consensus building. The post-war period was characterized by “Butskellism”, whereby the Conservative Chancellor, Richard “Rab” Butler, chose to retain the reforms of the previous Labour Chancellor, Hugh Gaitskell. This consensus appears to have been centred upon the pursuit equality—or at least of reducing inequality. What was sought was equal access for all to housing,



healthcare, and jobs—or to the “safety net” of welfare. Over time “Butskellism” fossilized, and the economic stagnation of the late ’70s demanded the economic liberalism of Margaret Thatcher to get things moving. Thatcher cited her greatest achievement as, in her own words, “Tony Blair and New Labour. We forced our opponents to change their minds.”¹ This “Blatcherism”, as we might call it, was another instance of left–right consensus, as Blair adopted Thatcher’s market principles in the economy and in the funding and delivery of public services.

If equality was the central concept of the Butskellite consensus, that of Blatcherism was efficiency, in both the private and the public sector. Roughly speaking, it worked, with surges in economic growth and innovation, and welcome improvements in the delivery of public services. But “efficiency” also introduced target-oriented managerialism in health and education, and dictated “place-blind” de-industrialization. Outside of the South-East, many areas lost not just their economic stability, but also their social and cultural capital. The paradoxical result, which Blatcherites never expected, is that both inequality and inefficiency have become entrenched. We now have “left behind” places, and services which disempower front-line workers and often serve citizens badly. Covid-19, and then war in Eastern Europe, have exposed glaring vulnerabilities in our

centralized state and globalized, dislocated society. Despite the gigantic public spending of the last two years, ever more of us are lonely, anxious, and socially atomized, and frontline services are desperate for resources to meet the ever-rising tide of demand. Britain is fiscally bloated while socially famished.

We are in urgent need, then, of a new radical consensus, centred upon a stronger society, in which equality and efficiency can be enjoyed while we also prepare for the next, inevitable, major shock. In a word—the watchword of this new consensus—we need *resilience*.

Resilience is the capability to absorb and recover from shock. And it depends on foundations that endure. Families and communities, and the infrastructure that upholds these institutions, are the bedrock of national resilience. The pub, library, and youth club are the gathering places which foster trust, reciprocity, and goodwill among neighbours that can be drawn upon in times of need. These places—and it is important that they are real places, not virtual “sites”—build strong communities bound by an implicit mutual commitment to sustain common life.

“Levelling Up” marks a long-awaited break with Blatcherism. Michael Gove, with a Brexit mentality, promises to harness the capacity of communities

by taking back control from Whitehall and giving power to the people. The Levelling Up White Paper, spearheaded by Gove, describes levelling up as “a mission—part economic, part social, part moral”. The policy is equally ambitious: to bring “power and control back to people in England”. The paper details how this government will “empower local people to shape the place they live, influence local services and take control of community spaces.” The government vows to take a “covenant approach” by committing local authorities to work with communities “to take a holistic look at the health of local civic and community life, set out a driving ambition for their area, and share power and resources to achieve this.” Could “levelling up” form the basis of a new radical consensus? As Blair’s Labour did in the ‘90s, the current Labour party must support the Conservatives’ cause on this by accepting the logic of Brexit: the twin principles of sovereignty and subsidiarity.

But who on the Labour side is the new Blair to Thatcher, or Gaitskell to Butler? It must be someone who understands the vote to leave the EU. In the wake of Brexit, the now Shadow Secretary for Levelling Up, Lisa Nandy, set up the “Centre for Towns” to understand why non-metropolitan places voted Leave. Her answer:

because people had been denied agency over their own lives. [...] People want to be able to

shape what their communities look like and what time they have with their families.²

Despite her protestations in the House of Commons, Nandy’s explicit Brexit mentality and historic support for community power make her a suitable partner for realizing the new radical consensus in British politics. And she doesn’t have far to travel. While Blair had to change his party fundamentally so that it could adopt implicitly Thatcherite principles, Nandy is surrounded by impressive thinkers on the left who can help her party to find its community-powered voice. Consider “Labour’s Covenant”, recently published by Labour Together.³ The paper, endorsed by Nandy, rests upon somewhat “Govian” principles. It reads:

The focus on the national economy requires state-led action but also social and economic development from the bottom up. This will mean deepening and extending devolution and democracy, notably in England.⁴

Here, perhaps, is this generation’s successor to Blatcherism: “Govandyism”, the Brexit-inspired radical left–right consensus centred upon a resilient nation of strong communities, a nation levelled-up through sovereignty and subsidiarity

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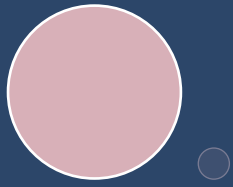
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4. Labour Together, "Labour's Covenant", p. 26.



2. Levelling Up the Gig Economy

by Damian Collins MP

When the then-Conservative cabinet minister, Norman Tebbit, fondly remembered how his dad had got on his bike to look for work he could hardly have imagined how many hundreds of thousands of people would be doing just that forty years later. The number of delivery riders working in the “gig” economy boomed during the pandemic, and for some it has been a good way to earn some extra cash. Others, however, are stuck working long hours below the minimum wage and with no employment rights or benefits.

Like a gigging musician playing in a pub, in the gig economy you provide and use your own equipment, and the amount you earn depends on the number of people who show up. Today, many gig economy workers register with apps which connect them to customers requiring something or someone to be picked up or dropped off. Often, when they log into the app, they don't know how many jobs they will get or what they will earn. They receive nothing for waiting time, no compensation if they are injured on the job, and no guidance on how work is allocated. This has led gig economy workers to demand that these apps-based companies recognize them as employees.

When the supreme court dismissed Uber's appeal against an employment tribunal in February 2021, it was a landmark victory for workers' rights,



striking at unethical practices in the gig economy which mask employment as self-employment.

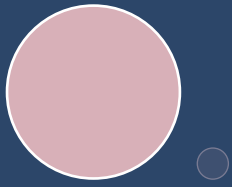
The ruling included requiring Uber to recognise that working time starts when their drivers log in, and ends when they log off. Since then, Uber has recognised its 70,000 UK drivers as workers, paying in-work employee benefits, setting up auto-enrolment pension schemes, and allowing them to take paid holidays.

However, as I pointed out in the House of Commons after the supreme court judgment, the ruling does little to mitigate the shortcomings of “gig” employment, since it only applies to drivers working for Uber. It does not even apply to Uber Eats couriers. Research from Fairwork at the Oxford Internet Institute has shown that other digital platforms have serious progress to make in order to deliver fair pay and work conditions. It reports that only two platforms (Pedal Me and Just Eat) could demonstrate that their workers are guaranteed to get the minimum wage after costs. We urgently need legislation, therefore, to create a level playing field for all, providing certainty for platforms and workers alike. Indeed, at the last general election, the Government promised to reform employment law, building on the recommendations of the Taylor review, to both encourage flexible working but also ensure that workers have the right to request more certainty in their contracts. The forthcoming employment bill provides the perfect opportunity

to show that, post-Brexit, the UK can lead on establishing clear and easy-to-use rules that work for platforms, consumers, and workers, whether they are employed or self-employed.

Other countries are seeking to tackle this issue as well, of course. The EU recently proposed a directive that would improve conditions for those working via digital platforms, establishing criteria for determining when a platform is exerting so much control on the worker that he can no longer be regarded as self-employed. Importantly, under the directive platforms will also be able to give their self-employed workers benefits without giving them the status of employees. This directive will not apply in the UK, of course, so we have the opportunity to learn from what works in the EU—or does not work.

Better working rights for the gig economy will be good for consumers too. Drivers will be less likely to hop between apps and cancel jobs when a better offer comes along if they know they have a guaranteed minimum income based on the number of hours they are available for work. The new legislation must ensure a level playing field between the new app-based businesses that incentivize insecure employment, and our traditional bricks-and-mortar businesses, that pay their taxes, use their own delivery staff, and already treat their workers fairly.



3. A New Generation of Apprentices

by Tom Tugendhat MP

Bendalls Engineering in Carlisle is at the cutting edge of the nuclear industry. Making parts and vessels designed to last a century, the skills involved in manufacturing such critical kit are in high demand. But finding employees is hard: too few people are qualified to work at this level. But Bendalls hasn't sat around waiting: they've trained their own. Apprenticeships have been an essential part of precision manufacturing for decades, but in much of our country it's the degree scroll and the graduation ceremony that have become the hallmark of success. Millions have proudly become the first in their family to attend university, and this has brought profound economic and social returns for many. But it has come at a cost. Our higher education sector has expanded to such an extent that over 80% of university graduates are currently expected not to pay their loans back in full. Meanwhile this country's student loan book amounts to £161 billion.¹ To put this into context, NHS England's planned resource budget for 2024/25 is £162.6 billion.²

The expansion of the university sector coincides with a huge shortage in technical skills—construction, engineering, mechanics. The genuinely huge achievement to boost university attendance has not answered all our skills problems, and in response we need to start



thinking more seriously about Further Education. Education should be about recognizing that all students learn differently, and that there are different ways to turn one's efforts into outcomes that promote personal wellbeing and social prosperity. For some, the path to success and fulfilment is best achieved by a combination of learning alongside a skilled professional. Apprenticeships offer school-leavers the chance to earn while they learn, without need for a student loan, and near the place where they grew up—if that is the path they choose.

Sadly, for many, apprenticeships are becoming harder to find: over the past decade, the number of entry-level apprenticeships available has more than halved, and as Onward's report, *Course Correction*, shows, the average apprentice is more likely to be over 25 than under 19, more likely to be studying in "business", rather than engineering or construction, and more likely to be working in a large London office than in a small business in the North or the Midlands. It shows that over the last decade, the places that have seen the greatest increase in the number of apprenticeships actually running are Chelsea and Fulham, Battersea, Richmond Park, and Wimbledon. Apprenticeships, then, are moving away from the manufacturing-focused skills that we need, and becoming a mere subsidy for

professionals doing in-work training. It's great that companies are investing in employees, and that's an important part of our skills programme, but that's not what apprenticeships are supposed to stimulate. Increasing standards and ending low-value apprenticeship frameworks has promoted trust in the system, while the apprenticeship levy has begun to change corporate attitudes. These were necessary interventions.

But as a result of apprenticeship reforms, we've seen the apprentice regime tighten, making it harder for small and medium-sized enterprises to hire an apprentice. We've also seen larger businesses forced to spend their apprenticeship levy or lose it completely. This does not inspire belief in the system, and it does not help businesses to recognise the social value of the apprenticeship system. Moreover, an apprenticeship system which requires a Human Resources department to navigate the process is poorly equipped for the UK economy, where 61% of the UK working population work in small and medium-sized enterprises. At worst it leaves the system open to be abused by innovative large businesses while even the most committed small businesses struggle to hire an apprentice. It risks the levelling up we need across the country. Without further reform there is a serious risk that apprenticeships will disappear where they are

most needed, and migrate to already prosperous areas of the economy where opportunities for university graduates are already far from rare; while those who could benefit most from a prestigious, highly valued apprenticeship are left with as few opportunities as ever.

This should matter to Conservatives because, as this Government has shown, Conservatives care about opportunity. Creating opportunities for young people to gain skills and employment, and helping them to take full advantage of them, will eventually benefit the whole nation. We therefore need to continue the course of apprenticeship reform that was started just over half a decade ago. This means recognizing the direction that the apprenticeship system is going in and helping businesses to change tack. Here are three things we can do to fix the system.

First, the Government should fully fund apprenticeships for 16- to 18-year-olds, as it does A Levels. Currently the apprenticeship system receives a fraction of what the university sector receives. Not only would this investment of public money produce the much-needed diversity of skills, but it would also boost parity of esteem between apprentices and undergraduates; it would show that Britain values a master apprentice as much as a Master's student. What

message does it send that, right now, we ask employers to pick up some of the bill?

Second, Mayors should have a greater role in supporting small businesses to take advantage of apprenticeship schemes by removing the obstacles many face—financially and logistically. We have seen the success of levy transfer models in the West Midlands and Greater Manchester. In these regions, local links are helping apprenticeships to thrive. Their programmes should be rolled out in other areas which can benefit. We will then see those apprentices move through a local company from trainee to management without having to leave their hometowns.

Third, and finally, we need to better understand and demonstrate that apprenticeships can be a success with proper research and data. We already know that apprentices are getting some of the best education in the country alongside the practical experience from qualified experts—those working in the industry today. Apprenticeship Levy datasets can be broken down to establish indisputably the relationship between funding and outcomes, and this will enable us to show and broadcast the achievements of apprenticeships in Britain to date.

Given the need to bring back offshore jobs to this country, apprenticeships must succeed. We need a skilled workforce, valued and appreciated for its talents, and adaptable to the work that Britain needs done. Releasing the talent currently locked into so many parts of our nation by our semi-

reformed apprenticeship system could transform Britain's productivity problem, and lead to levelling up of opportunity across our country. It's time for the apprentice's toolkit to join the degree scroll on an equal footing.

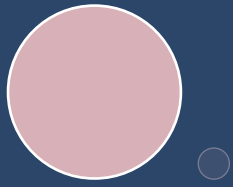
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4. Freeports as a Route Out of Poverty

by Tom Hunt MP

Everyone deserves access to opportunities in education and in employment, but this cannot be achieved until Britain's regional inequality is addressed. Compared to other developed nations, we have significant regional disparities in prosperity. In fact we have a higher level of regional inequality than any other large, wealthy country, including Germany, Spain, and the USA.

Conservatives should want to correct regional inequality, because it is not just absolute poverty that restricts a person's life satisfaction and economic productivity: it is also relative poverty. It is the sad reality that those living under conditions of relative poverty experience a lack of opportunity in education, employment, and in the community. Areas of relative deprivation and poverty tend to have higher unemployment, lower wages, and higher reliance on social security payments. This results in low spending power and less reinvestment in the community, creating a downward spiral of poverty, disinvestment, and stagnation in the local economy.

The startling statistics on regional inequality have prompted the Government to prioritize "levelling up" the deprived regions of the UK—which means unlocking the potential currently buried in those areas that are currently less economically



productive. For me, as the Member of Parliament for Ipswich, the Government's commitment to elevating such communities resonates strongly, and the endeavour to reduce regional disparity is a personal one. While much of the rhetoric around levelling up is directed at the "left behind" communities of the North and the Midlands, the Government's approach has wider scope. "Levelling up" is not just about the North. Places like areas of Ipswich are clearly also in need of growth and investment. Officially designated as an area "in need of levelling up", Ipswich currently ranks 117th out of 573 constituencies in England and Wales on measures of deprivation: here, the proportion of those claiming social security is 1.5% higher than the national average (September 2021). While Ipswich fortunately does not suffer from below average employment levels, it consistently falls below average on measures of median wages; while residents are not necessarily out of work, their employment provides unsatisfactory wages. Unfortunately, the disruption caused by the Covid-19 pandemic only served to exacerbate pockets of significant deprivation in areas of Ipswich, as well as surrounding communities like nearby Jaywick, near Clacton, which has consistently scored as one of the UK's most deprived areas.

Reducing the relative poverty of some of Britain's "forgotten" communities requires more than just ever greater state hand-outs. It requires an economic strategy of big investment and high growth, investing in skills, encouraging manufacturing, and creating jobs. The creation of high-wage, high-skilled jobs is a vital component to combatting relative poverty. This is where the Government's freeports policy comes in.

Freeports are to be areas within the UK's geographical border, but "outside" of its customs border. This means that, in a freeport, a business can benefit from special import duty arrangements and simplified customs procedures, making it more profitable to invest and manufacture goods within the freeport zone. The locations set to benefit from freeport status were named in the March 2021 budget: East Midlands Airport, "Freeport East" (Felixstowe and Harwich), the Humber region (centred upon Hull), Liverpool City Region, Plymouth, the Solent (Southampton and Portsmouth), the Thames (London), and Teesside (Middlesbrough, Stockton, and surrounding towns). As ports are disproportionately based in areas of lower wealth and higher rates of deprivation, the policy of freeports is well targeted to encourage economic activity in the most needed places. Elevated by freeport status, these eight ports around the UK

will be transformed into manufacturing focal points, putting the Government's ambitions of levelling up the poorest regions into action. The freeports policy, then, especially targets areas of the highest deprivation in Britain, demonstrating Conservatives' commitment to tackling the issue of relative poverty through prioritizing economic growth and creation of opportunity.

The basic concept is far from new. Freeports rose to prominence in post-Renaissance Italy, when maritime mercantile cities such as Genoa and Leghorn (Livorno) found that trade could be more effectively attracted, and wealth for residents thereby generated, with a light-touch, non-interfering government that nevertheless offered political and economic security for investors. Although the creation of such economically competitive environments means that government relinquishes some import tax revenue, it quickly proves worthwhile for the boost given to trade and manufacturing in key areas of the state—and the income tax receipts from the new jobs and growing economically-active population compensates in the long term.

A proud maritime history stretching back to the Roman era suggests that nothing could be more natural for Britain than to revive her former glory as a sea-faring and international-trading nation.

However, in more recent times, overbearing EU legislation and politicized protectionism has prevented us from taking full advantage of our historical and structural assets. Margaret Thatcher's government nominated six ports for special economic status, but this met with stubborn resistance from bureaucrats: the EU refused to compromise its established customs regime.

Now, free from the dead hand of EU bureaucracy, British freeports are back on the agenda. Our tradition of naval prowess and our history of sea-borne trade has endowed Britain with infrastructure fit for the renewed activity that freeports will bring. We have some of the biggest ports in Europe: Felixstowe is the largest, handling 48% of the UK's containerized trade. The economic prosperity built upon the new special customs arrangements should also spill over into surrounding areas within the UK's customs border, improving opportunities and prosperity there too.

But the emphasis is not solely on creating jobs: it is also on creating opportunities to "upskill" the workforce, including apprenticeships, and to increase wages to close an apparent productivity gap. Currently, many of Britain's best skilled workers are left without an appropriate transition into well-placed employment, and when a region offers little in the way of opportunity,

those with the highest level of skills attainment seek employment elsewhere: the “brain drain” phenomenon draws the educated and skilled away from the area, instead of engaging the local talent in regional industry. While the new freeports offer a unique scale of employment opportunities, it is appropriate education and training which will make the programme succeed. If the British workforce is to benefit from the job opportunities that freeports will bring, it will need renewed support for skills and training. It is important to recognise in particular the need for up-to-date STEM training and qualifications, particularly in engineering and construction, which go hand in hand with the freeport project. Working with Suffolk New College, the Freeport East project, for example, is prioritizing upskilling the local workforce, with clear links between the vital technical needs of the freeport, and the technical courses offered by the college.

Located between the three special sites, at Felixstowe, Harwich, and Stowmarket, Freeport East will make its effect felt across the surrounding region—including in my constituency of Ipswich. Six thousand Ipswich residents are already employed in the port of Felixstowe, indicating that the new jobs brought to the area will be filled predominantly by local people. The new, highly skilled manufacturing jobs will pay higher wages,

and this facilitates a multiplier effect across the region. More money circulating in the regional economy creates more jobs, as employees spend some of their disposable income in a broad range of small businesses in the surrounding areas (such as in Ipswich). The multiplier effect is also typically higher with manufacturing than with other industries, meaning that the benefit to the local area from manufacturing is even greater. Economic analysis conducted by Freeport East estimates that around 13,500 jobs will be created in the region by the freeport. That’s 13,500 more pay packets contributing to the local economy.

There is also an unhelpful misconception to dispel about the nature of manufacturing jobs. While traditionally the stereotype of manufacturing conjures an image of low-skilled, laborious work, this is far from the modern reality. The manufacturing opportunities brought to new freeports require highly skilled workers, and are likely to be technology orientated. For example, Felixstowe and the associated tax sites will target modern methods of construction, including in agri-tech, engineering, and renewable energy.

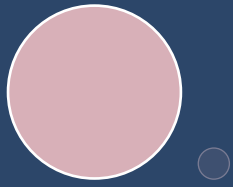
As well as new jobs for local people, new freeports bring the potential for greater investment. While ports like Felixstowe already boast the infrastructure to handle 400m

container ships, government investment accompanying freeport status will see improvement in roads, education and training for skills, and the transport necessary to keep a new freeport running smoothly. This has obvious benefits for the area too. For example, in Ipswich infrastructure and transport projects such as the northern bypass are prime candidates. Over the next five years the Freeport will attract more than £500 million of investment, while the total gross value added to the UK economy is £650 million.

It is difficult to anticipate perfectly the number of new jobs which will be created from establishing a new special economic zone—though the Freeport East team have attempted to put a figure on it. Estimates tend to be based on the number of opportunities associated with similar projects in the USA, scaled for population size. However, it is possible that job opportunities will move from other parts of the UK to benefit from the special economic zone; not all of the career opportunities will be entirely “new”. They will, nevertheless, be new to the area. Providing an employment boost to priority areas, such as the relatively deprived regions of Ipswich and nearby areas such as Jaywick, will have a significant benefit to the region regardless. Redistribution of productive

capacity to the localities most desperately in need of opportunities seems hardly disappointing, especially alongside the potential to create as well as redistribute opportunities.

Capitalizing on a proud maritime history and existing port infrastructure, the Government’s new freeports have the potential to bring a manufacturing boost to the regions of Britain that are most in need. The freeports policy demonstrates a real and practical commitment to the levelling up agenda, grasping the opportunities granted by Brexit to exploit new global economic opportunities. I’m delighted that Ipswich and its surrounding area will be one of the eight to benefit from employment opportunities and further investment. To ensure that it is genuinely local people from deprived communities benefitting from freeports, skills and education are foundational. At their best, freeports have the power to break the all-too-familiar cycles of poverty in deprived areas, and have the potential to be dynamos of levelling up—but only if the plan for skills and education is properly executed, with local people at its heart.



5. Buying British: Reducing the UK's Dependence on Foreign Imports

by Sir John Redwood MP



For free-market economists, maximizing prosperity is easy: you just need perfect competition in markets. This will stimulate innovation, keep businesses honest, create jobs and raise pay. Do this globally, and the whole world benefits. With open trade, each place can specialize in making what it is good at making, and can buy whatever else it needs from the best and cheapest producers around the world. The total effect of free markets among us is that, between us, we innovate more and optimize total output, maximizing income and wealth—though of course those increases will be unequally distributed.

The real world is quite different from models of pure competition, because free-market economists do not rule it: governments will interfere with markets in order to provide for those of their citizens who cannot compete successfully, to keep the peace and uphold the laws of safety, property, and commerce, and to provide those things that nations need, but which free markets are not good at producing. Much political debate consists in arguing about alleged and actual market imperfections, and about whether—and to what extent—government can intervene to make things better. Conservatives and socialists agree that the rich should be taxed more than the poor, and that the poor should receive greater

assistance than the rich, in order to lessen some of the inequalities that result from accidents of birth or misfortune during life.

Where we disagree is on the degree to which government can intervene helpfully; on how much market incentive we need to leave in place to foster growth and new ideas; and on the contribution of economic freedom to personal liberty. Curiously, socialist thinkers in the UK now usually believe in free trade between states. They are happy that the UK belongs to the World Trade Organisation; they even favour(ed) membership the EU, because of the benefits they believe come from being part of its single market—though of course they are mistaken if they think that the maintenance of a free market is the heart of the EU project.

Under the conservative and socialist leaders of the post-war era's leading states, the world has made good progress with removing tariff and non-tariff barriers to trade in goods, though it has found it more difficult to reproduce that success for services. Meanwhile, at home, those same governments have usually followed the opposite policy of regulating, taxing, and spending more to offset or challenge the outcomes that freer markets would otherwise have provided. In the last four years there has also been a movement against free trade globally. Presidents Trump and Biden have followed policies of challenging

China's export dominance and insisting on more goods being made and protected in the USA.

They have seen how China has used asymmetric free trade to gain advantage, exporting to largely free markets whilst protecting her home base.

They have complained about the theft or forced acquisition of Western intellectual property, and placed new controls on technology transfer and sale. China herself, whilst claiming to favour the progressive liberalization under WTO rules, has followed a strongly nationalistic policy of acquiring ideas and resources, developing her Belt and Road initiative to take control of crucial facilities and resources half way round the world. Made in China 2025 is a programme to ensure that China makes all she needs to at home.

The EU is far from being an open-barrier free market of the kind its proponents seem to think it is. In truth, the EU is a highly regulated, high-cost space that impedes and prevents new competitors from within. It is too proscriptive over what to make and how to make it. It uses tariffs and non-tariff barriers to protect it from cheaper competition from without. And in the digital revolution, it has shown itself to be the archetypal bad loser: the EU's culture of over-regulation prevented a Google, an Apple, a Netflix, a Microsoft, or an Amazon from arising in Europe—so now the EU is always looking for ways to tax, regulate, or obstruct America's success stories.

So how should we in the UK speed our recovery from the damaging anti-pandemic policies that we, like others, had to take? We need to deal with the world as it is, not as we would like it to be. How can we use the freedoms Brexit brings to lower or remove EU taxes that do not work for our economy, and to repeal or improve laws that do not work well for us? Brexit is a journey, not a single result. We first gain our freedoms, then we learn how to use them for the betterment of the British people.

In my view, future governments need to trust people and small businesses more. We need an enterprise revolution, to make it easier for people to set up their own businesses, aided as they are by the advent of the internet, and easier for people already working for themselves to take on their first employee. Concretely, this revolution should include the repeal of IR35 and other tax measures which bear down too heavily on self-employed people. Further, self-employment should be taught as a career option in secondary schools, and properly represented among universities' careers advisers and careers fairs. Government should also be readier to recognize the role it can play in recognizing, financing, and nurturing the development of good ideas—a kind of *Dragon's Den* government, that helps entrepreneurs to scale up, to receive help with

licences and royalties, and to meet the large demand of the public sector for good products.

We also need to tackle our huge balance of payments deficit. The EU's budget rules got British politicians into the habit of worrying only about the spending deficit and levels of borrowing. Those do of course need to be monitored closely. But far more serious is the current deficit in the balance of payments—the overseas borrowing and asset sales we need to make every year to plug the gap from our big deficit in trade with the EU. The UK–EU imbalance in trade in goods was underwritten by tariff-free trading combined with EU definitions of what those goods should be, and how they should be made. This suited the EU, of course, because the German and French architects of the EU project could use it to help their own exports, and reinforce their dominance in the sale of goods, whilst impeding the sale of British services in return. Such a large balance of trade deficit needs financing, of course, and this is why British companies are being sold on a huge scale to foreign investors: such sales help to pay for Britain's excess imports.

There is nothing wrong with governments pursuing free trade deals to increase their exports. But the UK's balance of trade deficit it is not going to be cured by these deals, which anyway

secure only quite modest increases. Neither does the EU offer any sort of solution: the UK's membership, with few single market barriers and no tariffs, actually fuelled an even bigger deficit. Instead, we need to turn more attention to import substitution: replacing some foreign imports with home-grown products. It should be easier to win new business from a customer a few miles away ahead of multinationals operating around the world in hundreds of different currencies and languages. Government should show a lead in areas where it, as customer or regulator, plays an important role.

For an example, let's start with power. Bad energy policy has made the UK cruelly and foolishly dependent on imported electricity and gas. We now need to stimulate more domestic gas production through licences and tax breaks as a greener substitute for importing LNG half way round the world in fuel-hungry tankers. That will also create more well-paid and skilled jobs, as the oil industry has done for many years in and around Aberdeen.

We also need to cut our reliance on imported electricity. In a recent diplomatic spat, France threatened to cut Britain off of its electricity supply. As the continent becomes energy-short thanks both to the war in the Ukraine, and to

Europe's "net zero" fossil fuel retirement policies, Britain needs to be less reliant on the willingness of the EU to sell to us. Government regulation and ultimate control of the grid should be used to build in more reliable domestic capacity—again, generating more high-paid and skilled jobs. This will also mean that the money people pay for their gas and electricity bills will circulate as incomes within our own domestic economy, instead of going abroad, into the foreign bank accounts of foreign energy companies, as foreign currency.

Perhaps the example that best illustrates my point—and of which people have only become more aware in recent years—is the problem of "food miles", and what we can do as a country to reduce them. Before we joined the Common Agricultural Policy, Britain was far more self-sufficient in temperate foods than we were after our 45 years of being subject to it. We have become used to the state subsidizing farming. But our current system of farm subsidies is skewed towards "rewilding" schemes that, in practice, take farmland out of food production, and thereby worsen our dependence on imported food. Wilding should be encouraged in areas of land that are not suitable for farming, but clearly, if we care about food miles and British farmers, we should be reconfiguring the subsidies system to promote *more* food growing on land suitable for

farming, not less. Further, the government should use its considerable power as the controller of big food-buying budgets to insist on more British produce in schools, in hospitals, and in other public sector institutions.

We also need to take back control of our fishing grounds. A UK fishing policy should be kinder to our fish and to our fishermen and women than the Common Fishing Policy. That Policy transformed Britain from a country enjoying healthy self-sufficiency and an export surplus, into one relying on imported fish. It also denuded prime fishing areas of too many fish. Still we see huge factory vessels of over 100 metres length (328 ft) hoovering up our fish in an environmentally unfriendly way, taking too many fish from our already depleted grounds. Instead, we should be repairing our stocks and restoring a domestic industry that can meet our needs at home.

We should also ensure that our defence procurement buys British or buys from an ally with the ability to make the items and the spares in the UK if needed. All our ships should be made in British yards and our vehicles in British factories; British business should be encouraged to bid and to develop new technology for use in Britain. We need a greater choice of competing British designers and producers. The UK defence budget

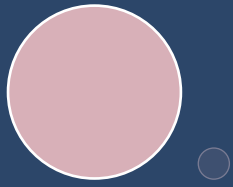
is a large one by world standards, and it should be able to support a larger industry. The £250m frigate idea is a good one and needs to be seen through to success. We can assist with controlling costs and building a bigger industry by offering expanded runs to supply smaller allies.

We also need to work with the building and construction industry to see whether we have sufficient capacity for cement, bricks, tiles, and other basics. We should use the big drive to plant more trees, with a view to becoming self-sufficient in softwoods for building and furniture production. Biomass power stations should also be encouraged or incentivized to burn British wood and plant material. Clearly it is bad for the environment, not to mention crazy for our economy and balance of trade, that the Drax power station in Yorkshire has been importing North American wood pellets for burning. We also need to cultivate and support a larger steel industry, to make the special steels needed for building ships, tanks, building beams, and power stations.

All this work on intelligent regulation and public sector buying is designed to create more opportunity for work in Britain, and to reduce the financial strain of having to send so much money abroad to keep things going at home. But it will only work if supported by expanded policies for

improved education and training. As we need more skilled people to process home grown timber, to make more British steel, to increase Britain's power-generating capacity, we should wish to fill as many as possible of those vacancies with home-grown talent. Government needs to do more to help everyone on those legs of their life journeys where only government *can* help—especially by raising standards of education in our state schools, and finding better ways than we currently have to promote apprenticeships and in-company training.

A Conservative vision of Britain's future is of more people in better paid jobs, based on improved skills and productivity gains, with more machine and digital processing power behind them. As people prosper, so they can become homeowners, can save for their future, and can have a real stake in a long future of peace and plenty in our country.



6. Fiscal Devolution: Lessons from the Continent

by David Simmonds CBE MP



Levelling up should be the biggest policy idea of any UK government in decades. Recent political trends have revealed the frustration felt by many people that their community is “left behind”, and that quality of life is getting worse at a time when incomes, health and wellbeing, and living standards generally are rising.

As a political challenge, it demands solutions that people can see and feel making a positive difference in their community, and those solutions need to be sustainable, distinct from the usual Whitehall cycle of short-term initiatives. To be sustainable, a key lesson to be drawn from other countries is that these solutions need to have their roots in greater local autonomy, whereby those with ambitions for their region and community have the power to fulfil them.

At present, the UK is a massively centralized country, with low *per capita* numbers of elected representatives wielding limited power on behalf of constituents. In many other countries, rather than being a transfer of wealth or subsidy in a zero-sum outcome, levelling up has delivered benefits to the whole of the country. We now need to grasp the same opportunity in Britain.

Perhaps the best continental model for this

meaningful change is Germany. Following the end of the Second World War, Germany rebuilt her political system in the decentralized manner which was thought optimal by its British designers. The parliaments of the sixteen states of Germany, the *Bundesländer*, have much greater power than a comparable local authority in the UK, and for the last 75 years they have used their powers over civil law and public health to improve their regions. The constitutional design for West Germany was a long-term plan that outlasted a number of Federal Governments in Bonn and Berlin, and it has driven levelling up ever since. Supported by decentralized funding models, regional autonomy ensures that local investment is sourced locally, and used for the benefit of those regions. Evidence shows that the productivity gap between the *Länder* has narrowed significantly. Even in those former East German states, whose economic development was stifled by Communist autocracy until 1990, GDP per worker is effectively the same as it is in those West German *Länder* that have experienced regional autonomy since the 1950s. Unfortunately, in the UK, there remains a stark productivity gap between London and regions across England and the wider UK. In 2018–19, the total output *per capita* in London was £56,199; in the North East for the same period it was £24,068. The disparity between the *Länder*, in the same year, was almost negligible.

My belief in the benefits of the German system is shared across Whitehall, and indeed it was one of the real-world examples that Boris Johnson turned to when, in July 2021, he set out his own vision of “levelling up”. As we seek to unlock the potential of people across the United Kingdom, the key features of the German example are clear: further decentralization of power, and greater trust for regional development projects to be directed autonomously.

The first thing that needs to be done is to hand local leaders the levers they need to drive change in their regions by developing solutions that work for their communities, and this should include greater spending power. Devolving power in a new political settlement is meaningless unless local or regional authorities are also given the power to raise and invest funds locally. We should also therefore be looking at extending fiscal devolution: the additional capital thereby generated will of course require sound, accountable management, of the kind that can only be offered by those at a local level—and it was welcome to see this emphasised in the Government’s White Paper.

I have always considered regional mayors to be the model for these local actors: they can champion their regions, and drive investment in

any and every corner of the UK. We have already seen the success of powerful local leaders, such as Ben Houchen in the Tees Valley and Andy Burnham in Manchester, who have revitalised their regions using powers already devolved to them and their respective local authorities. In the Tees Valley, Mayor Houchen has been able to build on government support to entice private sector investment to utilise new freedoms and opportunities delivered from central government. The old Teesworks site has been transformed with investment having been secured for hydrogen capture and the building of wind turbines. This investment has already created thousands of jobs, while future projects will only increase the productivity of the local workforce.

Further than bringing investment into the region, local leaders are best placed to restore a sense of pride into local communities so that people wish to live and work in the places they are born. A simple way to achieve this, and one that I have long called for, is greater planning powers to be handed to local authorities who are best placed to anticipate and meet demand. Again, such powers are already more decentralized in Germany, and in France.

France also offers us lessons in successful decentralization—indeed France has included the principle of decentralization in its constitution

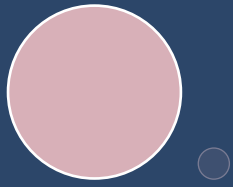
since 2003. Under the French reforms passed twenty years ago, local authorities obtained a greater say over their finances, boundaries, educational growth, and decision making.

Historically, building societies and provincial banks drove growth across the UK in regions as diverse as Teesside and Manchester. These banks provided capital for local businesses and development projects, generating lively commercial towns which, in turn, attracted further growth and higher productivity. Guaranteed local funding favoured long-term projects in the local interest, rather than the short-term interests of the larger national banks, which have had to react to market imbalances and changes in the international market. This activity faded during the early twentieth century, as large financial interests turned their focus on London, leaving a marked geographical imbalance in the nation's economy.

In Germany, meanwhile, the *Sparkasse* model has provided stability and support for communities. *Sparkasse* cooperative banks work with the state banks, the *Landesbanken*, to provide greater certainty for customers, small and medium-sized enterprises (SMEs), and provide capital for local economic development. The support that these local organizations bring to communities is based on their specific public interest missions—a feat

that we could, and should, replicate here in the UK. During the global financial crisis of 2007–08, these German cooperative banks, having taken on fewer international risks, helped to protect and stabilize Germany’s regional economies, while the regional economies of the UK were more exposed. The decline of the British high street then and since is a visible reminder of the importance of financial security for local communities.

For communities like my constituency in Ruislip, Northwood and Pinner, the idea of “levelling up” might sound as if it risks undermining London’s top position in the UK economy. In fact, as is clear from the *Levelling Up* White Paper, it is about strengthening every region by addressing the imbalances that exist in our country. With patience and time, the levelling-up agenda has worked on the continent, and by learning from Europe’s experiments, we can do the same here at home.



7. Reforming Welfare through Social Security

by Stephen Crabb MP



The social security reforms introduced by the Coalition Government in the wake of the 2008 financial crisis still provide the essential framework for working-age welfare in Britain. That welfare policy was aligned with the Coalition's mission to fix the national finances, to rebalance the economy, and to demonstrate fairness to taxpayers; it therefore emphasised controlling overall spending, strengthening work incentives, and better targeting support for those most in need, while capping the total payments that any single household can receive.

At the heart of this programme was the enormous technical and political challenge of delivering Universal Credit. For social justice advocates on the centre-right, this overhaul of the benefits system was imbued with a moral purpose that planted a flag to which reformers could rally. It therefore adopted the ethical vocabulary of improving people's lives and extending opportunity, rather than the budgetary language of cutting spending. This purpose and rhetoric were then tested, successfully, in the 2015 general election campaign, in which we Conservatives made our approach to welfare a key battleground.

Almost a decade on from the introduction of Universal Credit, the reforming energy and zeal

within the Conservative Government towards social security has dimmed somewhat. Half of today's parliamentary party were not even in the House of Commons during the original battles to secure the passage of the relevant legislation. Some enthusiasm flickered when the Chancellor announced the reduction to the Universal Credit taper rate in the 2021 Autumn Statement, presenting it as a tax cut for the lowest paid and highlighting the original moral purpose of the reform as a mission to improve lives and extend opportunity. But after ten years of rows about conditionality, sanctions, waiting periods, taper rates, uplifts and overall adequacy, the flagship reform is at risk of appearing friendless. And after the tumultuous seven years during which British politics was consumed by Brexit, Covid-19, and extraordinary increases in the cost of living, it is far from clear what the next generation of welfare reform will look like, or even whether the general direction of policy set back in 2010 can still be followed.

The most striking fact about working-age social security, which reformers need to grapple with, is the sheer number of people in Britain currently in receipt of one or more benefits. A staggering one in three working-age households in Britain are supported by social security. Two million single people are receiving Universal Credit, and two

million children are growing up in families that receive it too. Around 4.5 million households are getting help from the state with housing costs.

Ministers generally avoid speaking about these numbers. Conservatives were hugely critical of New Labour's expansion of tax credits and the increase in long-term reliance on benefits under Labour governments, and such statistics suggest that we too are failing to build a stronger economy with increasing levels of prosperity and opportunity for all. But the reluctance to speak openly about the scale of the ongoing social security challenge, and about the underlying factors that sustain the enormous reliance on benefits, is a barrier to formulating a clear plan for reform. The usual rhetoric about the importance of work over benefits, popular as it may be with the public, does not really elucidate the complex nature of the challenge—not least because so many of those receiving benefits are also in employment.

Given the significant proportion of expenditure that most Western governments now devote to supporting working-age households, welfare spending that is affordable and sustainable is an essential component of any coherent fiscal plan. Currently in the UK, working-age benefits cost more than £80 billion a year, approximately 3.8% of GDP. With the costs of servicing the public

debt rising sharply, expenditure of this magnitude is only really sustainable if the Government downgrades its spending commitments in other vital areas. Failing that, the cost of benefits needs to be reduced. But there are only three paths to limiting the growth of social security spending. First, by restricting entitlement and eligibility: i.e. more or stricter means testing, more stringent caps, more intrusive assessments when it comes to sickness and disability support. Second, real-term reductions in the value of social security payments. And third, by engineering lasting improvements to the underlying factors that drive trends in welfare demand: real wage levels; housing, energy and childcare costs; health and wellbeing of workers.

The first two paths are fraught with practical and legal difficulties: they may be popular with those sections of the electorate that believe that “tough love” and a stricter welfare system is key to ensuring that people escape from state dependency as quickly as possible, but in practice such measures may exacerbate poverty and hardship, at least in the short term—including for households with children. The third is the most challenging and most difficult to control: it depends on overall macroeconomic conditions, as well as the effective use of multiple policy levers. It also requires a longer-term perspective than most political timetables allow.

The programme of welfare reform that began in 2010 contained elements of all three approaches, but ultimately it defaulted to restricting access and reducing the value of payments, especially after 2015 when the benefits freeze was implemented. This is because the one genuine reforming element of the programme, embodied in Universal Credit and related measures, did not bear sufficient early fruit as the roll-out got bogged down in delays and technical problems. While the UK labour market generated a phenomenal number of new jobs throughout this period (defying many predictions), wages stagnated in real terms and housing costs soared, with the result that increasing numbers of households were experiencing in-work poverty. The cumulative impact of the benefits freeze added further pressure to family incomes.

More recently there have been some on the right who have expressed horror at the extraordinary expenditure that had been incurred by the Government’s response to the Covid-19 pandemic, and who have therefore urged a return to the type of welfare policies pursued since 2015 in the name of fiscal discipline. The controversy over the extension and subsequent withdrawal of the temporary £20 “uplift” in Universal Credit has sharpened these arguments, especially as the end of lockdown saw a boom in job vacancies.

Yet this too has been blown off course by the sudden onset of high inflation and the overwhelming political pressure on ministers to mitigate its effects with new support packages. The desire to reheat the 2015 election rhetoric about work versus welfare has been trumped by the cold new economic reality. The truth is that the next phase of welfare reform (if there is to be one) has to prioritize dealing with the underlying fundamentals of poverty and life chances. While those on the left may regard this as their own natural territory, especially where housing and childcare are concerned, what we face is plainly a *practical* challenge, not an ideological dispute.

The most pressing area for action is the persistently high number of economically inactive people, many of whom receive working-age benefits. There are currently around 8.8 million people aged 16–64 who are neither in work nor actively looking for work. These include students, those with caring responsibilities, and older people who have retired before reaching state pension age. These are not the “jobseekers” who feature on the unemployment roll—which is in fact historically short. Yet around two million of these people say that they *would* want to work, in the right circumstances. Some ministers still talk about a plan for jobs and tackling unemployment. But that is not actually the key challenge at this

time. The war on unemployment, in its purest sense, has been largely won. The monthly unemployment figures are rightly hailed as a success of Britain’s remarkably resilient labour market. But they tell barely half the story.

Instead, nowhere near enough is being done to identify the key groups among the economically inactive, to understanding their circumstances and their motivations, or, where possible, to implement whatever measures could encourage them to take up employment or training. Despite the plethora of schemes and trials over the last twenty years, solid evidence for what works remains depressingly scant. This is an area crying out for political leadership.

The pandemic may also have changed the picture somewhat. Certainly, coming out of lockdown, there has been an increase in economic inactivity. It remains to be seen whether this is permanent or a temporary cohort effect—older workers choosing not to go back to work after shielding, for example. The remote, light-touch approach of Job Centre Plus towards claimants during the pandemic may well have exacerbated the problem for those groups for whom “engagement” and contact time with work coaches and advisors is key to progress. Reinstating such disciplines may also help the

Department for Work and Pensions get on top of the alarming increase in fraud and error in social security spending.

Without question, the most challenging aspect of working-age welfare over the last twenty years has been managing the growing caseload of people who exit the labour market for reasons of ill health or disability. They are a key group within the overall economically inactive section of the population, and typically receive higher social security payments to support their needs. Although many within this group state that they would want to work, if possible, too few are receiving any meaningful interventions in relation to their health condition or their prospects for returning to the labour market. This is where some of the most toxic political rows and toughest legal challenges have been. Attempts to limit the growth in this area of social security spending have confounded successive governments. As a result, it barely features in general political discourse, despite it being a far greater challenge than unemployment.

Take-up of incapacity benefits used to be dominated by older workers with physical injuries, typically with backgrounds in heavy industrial employment. In recent years there has been a trend toward younger people and those with low

skills being deemed too ill to work. A growing proportion are living with mental or emotional challenges. Again, the evidence base for what interventions are most effective with these groups is limited. In fairness to current and recent DWP ministers, there have been serious efforts to work constructively with groups representing those with disabilities and ill-health to develop positive approaches that build pathways to work or training. But there is a long way to go, especially in building the necessary occupational health infrastructure that reduces the chances of people falling out of work altogether if they suffer long-term injury or ill-health.

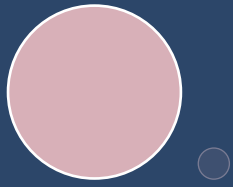
Alongside these big-ticket areas for reform, the coming years are likely to see further calls for some aspects of social security to be devolved in Scotland and Wales. For many on both left and right, the fiscal union that underpins British social security is one of the essential elements that binds the United Kingdom together. But while unionists may bristle at any suggestion of further unpicking the centralized benefits system, devolution could yield opportunities for innovative approaches and new thinking. The fact that so many of the other policy levers that influence overall demand for welfare (such as housing, skills, and healthcare) are already devolved means that closer practical working with the Scottish and Welsh

governments, and even with Metro Mayors, to deliver social security could and perhaps should be explored.

There is also some work to be done to look again at contributory benefits. Personal contributions were at the heart of William Beveridge's original blueprint for a welfare state. The contributory principle encourages a sense of ownership, mutuality, and responsibility—quite the opposite of what critics argue is the real outcome of modern welfarism. Yet contributory benefits have been eroded both in terms of their value and their place within the overall social security framework. There is practically no meaningful relationship between the amount claimants receive and the amount they contribute. There is also the problem of the rules relating to claimants' "capital limit" within the Universal Credit provisions. The contributory elements that exist within Universal Credit complicate a system that was designed to be simple, and ultimately increase its administrative costs. The whole area of contributory benefits is ripe

for reform. This was not possible under EU membership, on account of EU rules designed to ensure that member states' benefits systems are exportable. Brexit brings the opportunity to get this much-needed reform done. Some think tanks have been exploring the practicality of there being both a social assistance programme (non-contributory welfare) and a social insurance programme (a contributory system), and ministers should certainly be paying attention.

Britain's sprawling and costly system of working-age benefits touches millions of lives every day, often in ways we barely understand. Rediscovering a reforming vision for this vast area of spending is essential if we are to create a stronger economy that spreads prosperity more fairly and provides more effective protection against long term poverty.



8. Boosting Britain's Financial Health

by John Penrose MP



There's a widely-believed "Downton Abbey" caricature of British society which assumes we are a highly stratified, immobile country where your birth largely defines your destiny and, no matter how hard you work or how talented you may be, you are unlikely to change your station in life very much. But in fact we're a lot better than that. Evidence shows show that in Britain, if you are a man whose father is in a particular quartile of earners, you have a roughly 3 in 4 chance of breaking out of that quartile yourself.¹ And if you are a woman in the same situation then your chances are even better, at slightly more than 4 in 5. Those are pretty good odds, and certainly don't justify the belief that, in Britain, your birth defines your destiny for the rest of your life.

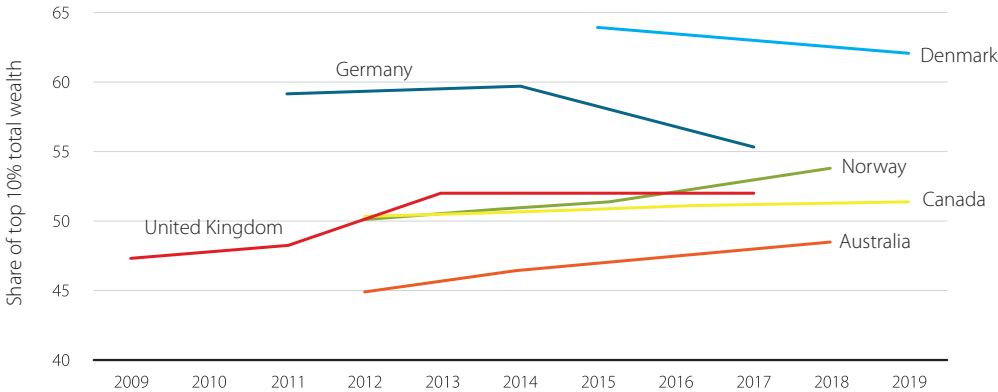
By the same token, it's wrong to believe that things have been getting steadily worse as British society has become less mobile and more stratified over time. In fact, the chances of moving up or down life's ladder haven't changed much for British men for decades, and have got marginally better for women due to their growing part of the workforce in recent decades.

Neither is this caricature right in the assumptions it makes about wealth. The myth says that the only people who inherit wealth are the posh, rich

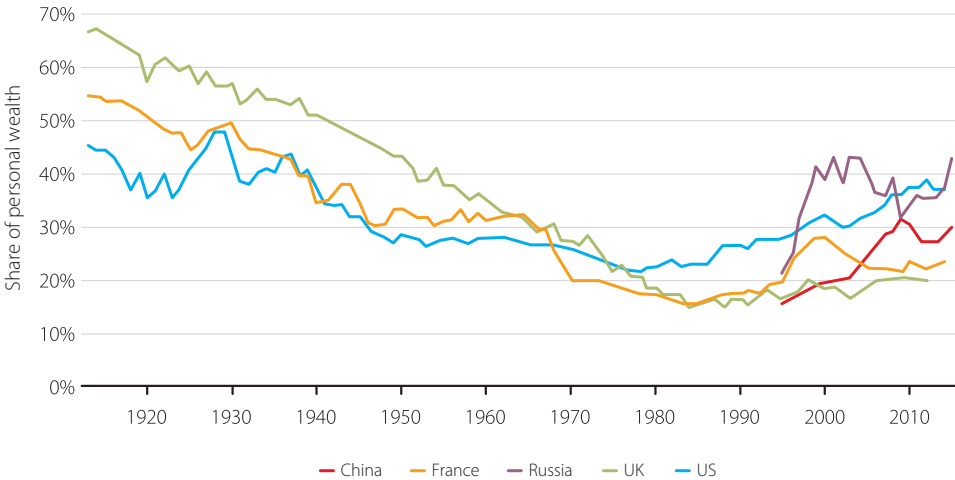
descendants of equally-posh and rich parents, but—like most caricatures—it's a pretty distorted picture of reality. As the first graph below shows, British wealth is at least as evenly-spread as in countries like Germany, Denmark, and Norway, which outperform us under the conventional

income-equality definitions of poverty.² And as the second graph shows, while the Downton Abbey caricature was undoubtedly true a century ago, it isn't anymore. Today, wealth in Britain is much more evenly-spread than it is in many other major economies around the world.

Wealth inequality as share of top 10% of total wealth by country, 2009-2019



Top 1% wealth shares across the world, 1913-2015: the fall and rise of personal wealth inequality



Source: WID world (2017). See wir 2018.wid.world for data series and notes

In other words, Britain's wealth is no longer concentrated in the hands of a few long-established families. In fact, rather than inheriting it, a large majority of the wealthiest people in modern Britain made all or most of their money themselves: 94% of the 1,000 richest men and women in the UK are "self-made".³ And, for the last few decades, *anyone* whose parents own or owned a house in London have been able to expect to inherit a great deal of money. We have become a more mobile society, where new people can become wealthy, rather than the same people and their descendants staying rich forever.

That's great, and not just because it shows that we've become a land of opportunity, where lots more people can go from rags to riches. Wealth and savings matter when things go wrong too, because they provide a savings "cushion" for reverses such as divorce, life-changing injury or long-term illness, or unavoidable one-off costs like replacing a leaking roof. Society benefits when wealth and savings are spread evenly, because it means more people have a stronger and deeper level of protection against the sort of misfortune that can push people into poverty. And if people can keep their independence and self-respect, they will be less reliant on benefits, so taxpayers do better too. If we can broaden the spread even further, the protection will be wider and stronger too.

The way to achieve this is by changing the way we tax gifts and inheritance, to encourage people to spread their wealth as widely as possible when they pass it on. At the moment, inheritance tax is paid by the estate of the deceased, and mainly by middle-class people who weren't quite rich enough, or far-sighted enough, to have structured their affairs to avoid or minimize it effectively. Presently, there is no systematic incentive at all for people to spread wealth widely in their wills, in the sort of way that would keep more people out of poverty.

A better alternative would be to switch tax on inheritances so that it is paid by the recipient as part of his or her income tax bill for the year, rather than by the estate of the deceased. The financial benefits of this simple reform would be huge. First, those who are less well-off would pay less tax than those who are richer, because more of the total bequest would, once divided between beneficiaries, fall below the initial threshold for paying income tax and national insurance. Yet richer people would pay *more* tax, because they would already be top-rate taxpayers, and their inheritance would count as more of the same. Second, wealthy people looking to reduce the tax burden of their bequest, would have a strong incentive to distribute it more widely, between as many

inheritors as possible, which would protect more people against falling into poverty. Third, this system would be harder to avoid than the current system of inheritance tax, and much simpler and cheaper to administer than other possible alternatives.⁴

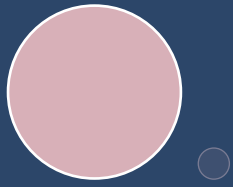
Further, if we were to apply the same basic principle to gifts between the living, it would encourage rich people to give lots of smaller gifts while they are alive, rather than to sit on one big one until death. This would build a better, stronger system of mutual protection against poverty

than can ever be fashioned out of a system that incentivizes people to leave a single large lump sum, usually when it is too late to be useful.

Life is more than just money, and citizens are more than just consumers. Lots of other things matter to us too, like our independence, our self-respect, our families, security, and health. So creating a savings safety-net that allows more of us to hold on to these things in the face of life's nasty surprises isn't just a question of economics. It is the morally, socially and politically right thing to do as well.

Endnotes

1. Bukodi, Erzsébet, Goldthorpe, John H., Waller, Lorraine and Kuha, Jouni (2015) fig 1 & fig 2. Other examples include OECD (2018), *A Broken Social Elevator? How to Promote Social Mobility*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264301085-en>
2. Source: OECD.stat
3. Source: the Sunday Times Rich List 2018 <https://www.thetimes.co.uk/article/sunday-times-rich-list-2018-at-last-the-self-made-triumph-over-old-money-0qx8tqvjp>
4. For example, a Capital Accessions Tax is similar to this proposal, but needs a separate rate rather than being part of normal income tax each year, plus a 'lifetime allowance' audit trail as well.



9. A New Deal on Social Housing

by Bob Blackman MP



The COVID-19 epidemic exposed Britain's broken housing system. Those in overcrowded homes have faced worse health outcomes, and private renters have struggled to meet housing costs. It is now time for the Government to invest seriously, so that within five years Britain is building 90,000 houses for social rent every year. A housebuilding programme on this scale should be top of the Government's agenda to rebuild the country: it will boost the economy, help the Government to meet its own target of 300,000 houses a year, and both create jobs *and* protect them during a wider housing downturn caused by COVID-19 economic uncertainty. It will still take some time to meet the demand for social and affordable housing. In the short-term, the Government's intention to improve the experience of tenants should be supported through the Renter's Reform Bill. While councils need to do a better job of enforcing standards, central government needs to provide more resources for councils to ensure they have the capacity to enforce the law.

Before we can find detailed solutions to our current challenges, it is important to understand the context of the long-term decline of social housing in the wider history of the British housing market, and how successive governments have contributed to the current situation. Local councils

first began providing public housing on mass in the aftermath of the First World War. The Housing, Town Planning, &c. Act 1919 provided central government subsidies for local authorities to construct 500,000 social houses within three years. It was this Act that established the idea that central government should intervene directly to ensure that low-cost rented accommodation is available. By 1922 only 170,000 of these houses had been built; but by 1939 that figure had risen to 1.1 million, with ten per cent of the population now living in social housing. The need for yet more new houses in the aftermath of the Second World War pushed the government to embark upon an even more ambitious social housebuilding programme. The post-war housing shortage also drove the Town and Country Planning Act 1947, which enabled the state to compulsorily purchase land at levels close to existing land value, enabled the establishment of the New Towns, and introduced the requirement of planning permission for both construction and changing the use of a building. The Conservatives fought the 1951 election on a manifesto promise to build 300,000 houses a year, calling housing “the first of the social services”. By the late 1960s, for the first time ever, more households were renting socially than privately.

The 1980s brought a seismic shift in housing policy. After two decades of record delivery, the supply of housing was no longer considered a significant political issue. The Conservative government elected in 1979, under the leadership of Margaret Thatcher, had campaigned on the party’s vision of Britain as a “property-owning democracy”. It realized its “Right to Buy” policy through the 1980 Housing Act, which would both raise government revenue and diffuse private property ownership among working class families—and with it, decrease state dependence. Social housing stock peaked in England in 1981 at 5.49 million houses. But the ‘80s also saw further restrictions on borrowing. Local authorities could only borrow money for capital expenditure within limits imposed by central government. Overall, the period between 1980 and 2000 can be characterized as a transition from predominantly supply-side subsidies, or “bricks and mortar”, to demand side subsidies—i.e. to helping tenants to pay rent. In 1975, 80% of housing expenditure had been spent on the construction of social housing; in 2000, 85% had been spent on housing benefit. Thus, some academics now divide housing policy in the twentieth and twenty-first centuries into two periods. In the post-war period the “public housing model” aimed to accommodate people from across a broad social spectrum, and comprised the extension of municipally-owned

housing stock financed by public sector loans and subsidies. Subsequently, from the 1980s to today, the “social housing model” has funded building programmes with a mix of public and private finance, leaving housing stock in the ownership of both local authorities and housing associations.

With the passing of the Town and Country Planning Act 1990, authorities could negotiate with private developers to reach Section 106 (S106) Agreements, to provide affordable housing on new developments. This established a new “mixed economy” model, which brought with it an unintended consequence: exposing social housing building programmes to some of the same risks traditionally faced only by private housebuilders. In times of rising house prices, there is generally fierce competition for suitable land. In contrast, in times of falling house prices, developers tend to stop purchasing land, cut build-out rates, and avoid selling. In the past, social housing supply has been protected from these market impacts through consistent state investment and powers to acquire land at a reasonable value. Previous social housebuilding programmes were, then, counter-cyclical, as consistent central government grant funding provided protection against the fluctuations of the market. These new risks—new for social housebuilding programmes, anyway—were compounded by the 2007–08

global financial crisis. In its aftermath, from 2011, the Coalition Government reduced social housing grants by more than half. In order to continue meeting social housing demand, housing associations began to rely more on the “cross-subsidy” that they could obtain from selling houses on the market.

By 2019, Britain’s social housing stock had fallen to just 4.13 million houses. This decline can be attributed to both the depletion of existing stock, and a decline in new supply. On the decline of social rent properties in particular, factors include the absence of any requirement to replace Right to Buy sales on a like-for-like tenure basis; the switch of new-build output towards affordable rent, and the conversion of social rent to affordable rent when re-let.

Yet as the stock of social housing has declined, demand for affordable housing has increased. The statistics are stark. According to the Government’s own definition of those in priority need for housing, around half a million households are homeless or living in unsatisfactory housing conditions. One in every 200 people is without a home. The number of people sleeping rough is estimated to have risen by 165% since 2010.

The sector estimates that the kind of comprehensive building programme needed to resolve the housing crisis would require about £12.8 billion a year in grant funding, alongside continued support for affordable rent and shared ownership. This is approximately a £10 billion increase on current future funding for affordable housing. The current funding model is not however delivering the number of houses needed, and only a fraction of what is needed can be found by removing the borrowing cap for local authorities. Some sort of central government grant funding is now necessary. But the overall cost of resolving the housing crisis does not have to be as high as is sometimes feared.

First, there are ways of reducing costs. Research by Shelter and the Local Government Association has found that the single biggest barrier facing councils in getting social housing built is the high price of land. Approximately 62% of the cost of new housing comes from the price of land. Unless changes are implemented, private land will always be expensive to acquire through Compulsory Purchase Orders, thus keeping the cost of a comprehensive housebuilding programme very high. If land can be obtained at cheaper prices, the cost of the entire programme could drop by almost forty per cent. Further, if some of the land to be built upon is already owned by local authorities,

then this up-front cost does not need to be paid at all in those areas. It is important, though, that the housing built on such land have a stipulation attached, disabling claimants of Universal Credit and housing benefit from tenancy. Such a condition will reduce the number of people claiming Universal Credit and housing benefit in the long term, saving the Treasury a considerable amount.

Second, there are other ways of raising funds. Some money can be redistributed from existing budgets within the Department for Levelling Up, Housing and Communities. Money can also be “borrowed from the future”, as evidence shows that spending on long-term social housebuilding programmes pays back to the Exchequer over time. Housebuilding creates jobs in construction and administration, thus reducing the number of people claiming Universal Credit. Governments should also, therefore, be counting investment in social housing as “infrastructure” spending, rather than as “day-to-day” spending. But savings are also made *as a result of* the greater availability of affordable housing, not least because it addresses the high cost of housing benefit in conditions of scarcity. While it is difficult to quantify exactly how much can be saved on housing benefit payments, it is clear that over time, as the programme delivers more houses, these savings would further reduce the overall cost.

Although there are many factors that might impact the overall cost of the programme, some of which cannot be foreseen, it is unlikely to cost the full £10 billion in extra government spending that is often cited. In order to ensure that the programme can get off to a swift start, the Government should allow grant funding to be used flexibly to allow providers to purchase new houses, or houses close to completion, from developers which may go unsold in a recession. Borrowing ought not to be discounted for future development.

The idea, then, is to create a cycle, by which housing is affordably created by local authorities, affordably rented and mortgaged by those in need, and exponentially profitable for authorities in the long term, as the proceeds generated are continuously reinvested in another generation of householders. With all parties' interests properly balanced, each reaps what it needs, and the housing crisis is eased and eventually resolved without spiralling costs for central government.

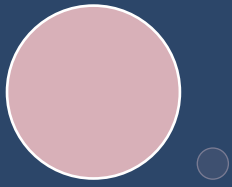
Reforms also need to be made to Right to Buy. Its purpose was, and is, to give social housing tenants a route into home-ownership; not to diminish the national stock of social housing, or to supplement the private rented sector. However, in its current form, Right to Buy makes it very difficult to build the necessary 90,000 properties per annum.

Focused changes to the rules of Right to Buy can help it to realize its original purpose. First, local authorities should receive 100% of Right to Buy receipts, and these receipts must be used to fund like-for-like tenure replacements, so that a sold social-rent house should be replaced with a new social-rent house. Second, the time limit for using these receipts to fund a replacement needs to be extended: currently it is three years; this should be extended to five. Third, to improve flexibility, councils should also be allowed to combine proceeds from Right to Buy with other pots, such as grant funding. Fourth, in line with the five-year period which covers discount repayment, the Government should legislate against Right to Buy houses being privately let within five years of purchase. This is not without precedent: Help to Buy properties already include a covenant which prevents private renting, since Help to Buy is intended to help people to move onto (or up) the housing ladder. The same obviously applies just as aptly to Right to Buy.

The Government must also keep its eye on the rate of replacements. The basic idea of Right to Buy is not only that people should have an opportunity to buy their own homes but also that the money that a local authority obtains from selling such houses should be reinvested in social housing—not frittered away on non-

essentials or used to service debts incurred from earlier incautious spending. This is why special consideration must be given to local authorities that are unable, or unwilling, to deliver sufficient replacements for houses sold—on account of the shortage or high cost of land within their jurisdiction, for example. Clearly, central government and the Local Government Association need to discuss ways in which Right to Buy can be maintained without further reducing the country's overall stock of social housing. I would caution, for example, the Government not to make Shared Ownership

Right to Buy a condition of affordable housing grant funding until suggested reforms on receipts are implemented. If, despite these reforms, replacements are still below a one-for-one rate, further intervention becomes necessary. The Government should also fully disaggregate its quarterly Right to Buy data by tenure for sales and replacements and publish a full review of the Right to Buy scheme by the end of this Parliament, assessing a full range of options for its future.



10. Rebuilding Britain's Savings

by Paul Maynard MP

One response among the many that followed the result of the 2021 Hartlepool by-election was to posit a causal link between home ownership and propensity to vote Conservative in the “Red Wall”. The historic result in Hartlepool appeared to support the existing theory that hanging on to 2019’s electoral gains would require the Conservatives to create a new generation of homeowners. This may be true—though it may be that what we have seen in recent years is merely the final severing of the umbilical cord that once bound many older homeowners to the Labour party. But home-ownership has always been in the Conservative party’s DNA, because conservatives have long recognized that property, particular the “real” property of land and houses, gives people security in later life, and a stake in the future of their community and their country. Perhaps this is why, as people get older and the value of their houses steadily grows, conservative principles appear increasingly to reflect the obvious facts of life.

Not that housing is the sole asset that Conservatives have promoted. “Tell Sid”, for example, ushered in an era of “popular capitalism”, with a bonanza in shares. But there has always been a sizeable section of the British public for whom the accumulation of assets is not possible.



With ever more people “lifted” out of income tax altogether, and more pensioners reliant solely on their state pension, there are currently millions of people in Britain with less of a stake in either the health of the economy or the efficiency of government—except when inflation surges, or recession brings higher unemployment.

But for today’s younger generation, the road to home ownership has become impassable as prices have become increasingly unaffordable. Seeking to address the issue, governments have responded with policies such as Help to Buy, and tentative attempts at planning reform have been made in hope of increase the supply of houses. But none of this seems to have reduced house prices. And no-one seems willing to recognize that the demand for housing will not abate, so long as we continue to create more, and smaller households faster than we create houses, without adjusting house designs to reflect them. Formally, those unable to take the first giant step of securing a mortgage have other intermediate options available, such as shared ownership. But for many, even shared ownership is beyond reach. Stuck in an expensive and poor-value private rented sector, merely covering day-to-day living expenses is often a challenge. The statistics are worrying: low-income families have an average of only £95 in savings; and some 40% of those aged 20 to 29

have no savings at all. Such situations reinforce the so-called “poverty premium”: when people are “time poor”, or have no cooker, they spend more on costly takeaways. At home, it currently costs an average of 25p per load to wash clothing. But for those who have no washing machine, it might cost £4 at the launderette for the same thing—plus £3 for the dryer. Local welfare schemes offer important and timely assistance; but policymakers still need to find ways to incentivise small or even tiny amounts of saving to improve many people’s financial resilience over time.

One of the Conservatives’ objectives in this policy area should be to help those in debt to get out of it, and to protect those who are “just about managing” with “low financial resilience” from getting into debt in the first place. Financial exigency prevents people from making free choices about how they structure their work. If government can improve people’s financial confidence, and their understanding of financial situations, then such freedom of choice can be restored too.

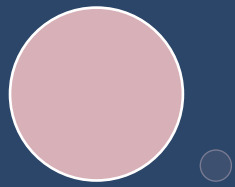
Government has already introduced some initiatives. But the payroll-based Help to Save scheme is not as transformative as it could be, and perhaps needs supercharging. It is true that there are a widespread number of savings

schemes for those on lower incomes. But all are voluntary, and people are not “nudged” into them in the way that they are nudged into (for example) workplace pensions.

Ministers have spoken of replicating the “contract-in” model of workplace pension schemes to create a “sidecar” savings scheme for those in work. But we also need a more ambitious narrative of “conditional transfer” for all citizens. For example, with certain other conditions, the state could “top up” a recipient’s benefits when at least 3% of a payment is placed in an easy-access ISA—perhaps “topped up” with a further 1–2%. This could be an alternative to repaying a benefit overpayment, thereby addressing the perverse current situation in which the Department for Work and Pensions collects repayments, while the public purse is raided to cover the cost of

the same overpayments. The “top up” scheme should also only be available once fines and other “problem debt” has been repaid. Other conditions could be added to further incentivize saving: embargo periods for accessing “top up” money, minimum savings thresholds that must be met, and so forth.

Everyone needs to be able to accumulate their own assets—whether in “real” property, or in savings. Many already can. But those who live in poverty three years in three should be given the same “nudge” as everyone else to create their own safety net for when misfortune strikes. Whatever form it takes, government support for that “nudge” will reduce demands on other streams of government welfare assistance, and create a pathway out of indebtedness.



11. Levelling Up for Children and Parents

by Miriam Cates MP

Like many other “Red Wall” MPs, I was elected in 2019 on a mandate to “Unite and Level Up”, and to spread opportunities more fairly across our nation. “Levelling up” is the driver of some of the Government’s flagship national policies, like HS2, the Lifetime Skills Guarantee, and the Towns Fund programme. All of these policies are good in themselves. But I don’t believe that investment in economic infrastructure alone will close the opportunity gap. Building HS2 won’t make it more likely for a young person from a poor estate in my part of Yorkshire to land a career in the City of London. The barrier to getting a good job is not the speed of the train, but the lack of something completely different, and far less tangible.

What are the factors that enable some young people to take advantage of opportunities where others can’t? When I think about my school friends, the children I’ve taught, and constituents I’ve met, I recognize that some key characteristics are shared by people who now enjoy “successful” lives. By “successful” I don’t mean earning a huge salary. I mean being fulfilled at work and contented in life, making a difference to the world that is meaningful—and, yes, also being financially solvent. These “characteristics of success” are perhaps obvious to some: the ability and inclination to work hard; being well



connected to those who can open doors; enjoying strong family bonds, good mental health, and those old-fashioned character traits like resilience, perseverance, confidence, patience, and self-control. But they are often only obvious to those who have been fortunate enough to grow up in stable, loving, financially secure families; those who have been connected to a range of different people through wider networks, and who therefore have the confidence, personality, and cultural capital that allows them to take advantage of the opportunities that inevitably come their way.

Sadly, many children growing up in today's Britain do not share these characteristics. If you are poor, if your parents are separated or in conflict, if you don't have space at home to study, if you don't have a range of role models and connections in your wider community, and if no one has time to invest in your character, you have a much slimmer chance of success.

As a society we recognize these overlapping dimensions of disadvantage. But it is shocking how little we are doing to address them. If we are really going to change the course of a child's life, we clearly need to start with the family. Stable families with loving relationships, where parents have enough money, time, energy and emotional resilience to invest in their children, are *the* key to

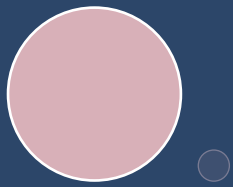
a child's healthy development. Sadly, our social policies over the last few decades have devalued parenting and family life, by driving increasing numbers of people into full-time work, and solving the "child problem" with more and more hours of free childcare.

There are three factors that enable parents to create strong families: (1) the right skills, (2) lots of support and, (3) enough money. The "Family Hubs" agenda will do much for the first two factors, improving support for families and equipping them with the skills they need to raise children well. But parents also need enough money, so that rather than spending every waking hour away from home working to put food on the table, or worrying about the next bill, they can spend quality time with their children, doing fun things and enjoying their company, but also nurturing their values and virtues—cultivating in them resilience, perseverance, confidence, patience, and self-control.

If we really want to make progress in "levelling up" opportunities, we must start at the very beginning of a child's life, and reduce the financial stain for parents who choose to spend more time with their kids, especially in the first few years. To do this, we need to reform our tax and benefits system to recognize what is required for

the crucial work that parents do. Currently our tax policies are squeezing families harder than in almost any comparable country. In Britain, a single parent or one-earner family, with two children, on an average wage, faces an overall tax burden that is around 25% *higher* than the OECD average. There are many options that we should consider to reduce pressure on family finances. We could adopt a system of household taxation like in Germany, so that tax-free allowances can be transferred between couples, thus removing the penalty on single earner households. We could give all parents a significant tax allowance

to recognize both the costs involved in raising children and the benefits to society of good parenting. We could frontload child benefit, helping parents who want to spend less time working in their child's early years. All of these options should be explored by economists, politicians, and debated by society as a whole.



12. Marriage and Cohabitation

by Sir John Hayes CBE MP

Nearly half a century ago, Sir Keith Joseph, one of the most thoughtful people to hold public office in the post-war years, made what has become a justifiably noted distinction between the “middle ground” and the “common ground” in politics. He saw that the obsession with “the middle ground”—“the lowest common denominator” found “by splitting the difference between Labour and the Conservatives”—had the corrosive effect of distancing politicians from the voters who afforded them legitimacy, and whose cares are wholly different. What really mattered to electors then—and still do—were their values, their hopes, and their fears. These comprise what Joseph called the “common ground”. And when politicians lose sight of this essential truth, faith in politics withers.

A recent survey by the respected American political analyst Frank Luntz, published by the Centre for Policy Studies (co-founded by Joseph), demonstrates how relevant this insight remains today. Just as it had back in the late 1970s, politics has become increasingly divisive. Yet Luntz has found remarkably few differences in values between British people, whether they identified as being on the left or the right. “Focus on values”, Luntz concludes, “and you unite the country”.



That values matter more than short-term calculations of political and economic interest explains why people voted to leave the European Union. “Taking back control” ultimately meant, and still means, recalibrating our politics so that it once again responds to those things that unite us as a nation—our “common ground”. By reclaiming our sovereignty, we are seeking a politics that has a meaningful purpose, and that leads to meaningful action—on the rising power of judicial activism; on the illegal channel crossings that make a mockery of our border controls; on the skills and training that enable Britons to take full advantage of economic opportunity. It must also mean action to ensure that the values of the British people are upheld by the state, correcting the destructive effects of a chronic liberal hegemony that has promoted individualism over community and cohabitation over marriage.

Liberalism’s combination of lonely individualism and selfish materialism reflects a politics that has become desiccated, degraded, and disconnected from the moral imperatives that drive all human conduct. With exemplary bleakness, the German Enlightenment philosopher, Immanuel Kant, described marriage as “a contract for the reciprocal use of the sexual organs”, anticipating modern liberalism’s debasement of even the most fundamental of human relationships.

As my late friend, Sir Roger Scruton, noted, Kant himself never married. Happily, his horrible definition was soon corrected by G. W. F. Hegel, who was married for twenty years. For Hegel, marriage is a “substantial tie” that begins with a contract—but it is a contract to *transcend* contract, by abolishing the separation between the contracting parties.

Like everything he wrote, Hegel’s argument can be put more straightforwardly: marriage is not a contract, but a vow. That is why it has such great significance and is traditionally surrounded by so much ceremony. As Sir Roger wrote, “that we can make vows is one part of the great miracle of human freedom; and when we cease to make them, we impoverish our lives by stripping them of lasting commitment”.

It is through our ability to constrain ourselves, to deliberately limit the expression of our own liberties, that we realize freedom in the truer sense. Life is not a dreary succession of a consumer choices, but a journey marked by moments of transcendental significance. Marriage is the perpetuation of such a moment. It is because many liberals cannot appreciate the significance of such a vow, that they fail to see that marriage is fundamentally different to cohabitation. Yet the strength of such a

fundamental institution underpins our society, and it is, in some way, embedded in each of us, and in us all.

Cohabiting parents are around four times as likely to have separated by the time a child is three. By a child's fifth birthday, more than a quarter of cohabiting parents will have split up. For married parents the rate is less than one in ten. Research by the Marriage Foundation and academics at the University of Lincoln has found that children with married parents are significantly less likely to suffer mental health problems in adolescence. Though there are also relevant socio-economic factors to explain this disparity, the role of marriage in encouraging strong family bonds and the secure upbringing of children is obvious to anyone who is not blinded by liberal dogma. Those who continue to deny the benefits of marriage, while often affecting superior social conscience, are in practice only further entrenching disadvantage. If, then, we genuinely believe in a just and fair society, in fighting poverty, and in promoting strong, cohesive communities, it is clear that we must promote the institution of marriage, and protect the distinction between marriage and cohabitation. In this respect, David Cameron was surely right to introduce the marriage tax allowance, the earlier version of which Labour had abolished under Gordon Brown. Marriage remains the aspiration of the vast majority

of young people, yet many couples continue to face financial penalties because the benefits system pays out more if they live apart. To be effective, the tax and benefit system should work in harmony with people's aspirations; we must not penalize those who stick together when times are tough. And besides this, there is a symbolic importance to recognizing marriage in the tax system that exceeds the monetary benefits involved.

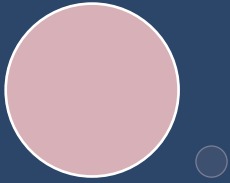
Unfortunately, in other legislation, we may be making things worse. April 2022 will see the Government's unwarranted and unwise Divorce, Dissolution and Separation Act come into force, opening the door to no-fault divorces for the first time—which may further cheapen marriage. "Liberalizing" divorce law cannot of course undermine the meaning of marriage vows, which continue to explicate the ideal of one human committing unconditionally to another for life. But where the old law supported that ideal in practice, and reflected the semantic gravity of the marriage vow, the new makes divorce an administrative formality, closing down the breathing space in which previous generations of couples were able, in time, to become reconciled. That unique dimension of the traditional marriage—private, secure, and lasting—is being replaced with a Las Vegas-style drive-thru divorce service, with delivery and customer satisfaction guaranteed

in as little as 26 weeks. It is no surprise that the Government's own consultation found that 83% of public respondents opposed the proposed changes, or that its own impact assessment conceded that they would lead to a higher number of divorces—up to 10,000 marriages lost per year—and with them more broken families.

Marriage is still the gold standard of personal commitment, and may well thrive where strong social bonds and financial stability are already providing the kind of support that marriages often need. But in communities that are most in need of state support, many thousands of marriages will sadly prove as easy to cancel as a mobile phone contract. How sad that a Conservative Government failed to take the conservative approach.

An aphorism often attributed to Albert Einstein is “not everything that counts can be counted, and not everything that can be counted counts”. As statistical evidence repeatedly shows, there are many benefits of marriage that can be counted:

its role in protecting people against poverty, and in improving the life chances of those who grow up in secure, loving homes. Yet the full value of marriage defies quantification—and, indeed, transcends it. Even if the distinction between cohabitation and marriage were not so starkly reflected in statistics, they would remain very different relationships. Cohabitation is an arrangement that lasts only as long as convenience and attraction subsist. Marriage has always been much more than this, and it always will be more than a mere contract, regardless of reckless reforms that pull away the legal structure that supports those who most need it. For marriage is emblematic of our capacity to dignify love by elevating it to the commitment to share the rest of our lives with another—to entwine our fate. And for that reason, it is an essential part of our shared humanity.



'While our view is that political theory has its place—those long-running debates about the balance between equality and freedom, and all the rest of it—we nevertheless share with the parliamentary authors who have contributed to this volume the view that addressing the endemic and perennial cost of poverty and class in practice remains fundamental to any Conservative renewal. With that in mind, this volume presents essays by twelve serving Conservative MPs on the causes, realities, and effects of poverty in today's Britain. Each chapter contains new ideas in specific policy areas that the authors (and we) believe should be considered and discussed as the "levelling up" mantra is developed into a concrete programme of practical Conservative government action.

The authors represent a diversity of constituencies in England and Wales, and are drawn from across the parliamentary party, so this volume is very far from promoting mere regional or factional interests. The reader will notice, however, that what all of these authors share is the recognition that the conventional "right-liberal" activity of the last few governments—or, perhaps more accurately, certain inactivity—has so far left in place systems that are not working for the poorest people in our country. Naturally, politicians with different policy interests will cite different successes, failures, and possible solutions. But for each of them the "right-liberal" ideological alloy of economic and cultural liberalism has demonstrably failed in some regard, and no section of our society has paid more for those right-liberal failures than the working class.'

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