



THE CONDITION OF BRITAIN STRATEGIES FOR SOCIAL RENEWAL

Kayte Lawton
Graeme Cooke
Nick Pearce

IPPR

About IPPR

IPPR, the Institute for Public Policy Research, is the UK's leading progressive thinktank. We are an independent charitable organisation with more than 40 staff members, paid interns and visiting fellows. Our main office is in London, with IPPR North, IPPR's dedicated thinktank for the North of England, operating out of offices in Newcastle and Manchester.

The purpose of our work is to assist all those who want to create a society where every citizen lives a decent and fulfilled life, in reciprocal relationships with the people they care about. We believe that a society of this sort cannot be legislated for or guaranteed by the state. And it certainly won't be achieved by markets alone. It requires people to act together and take responsibility for themselves and each other.

Kayte Lawton is a senior research fellow at IPPR

Graeme Cooke is research director of IPPR

Nick Pearce is director of IPPR

© 2014, Institute for Public Policy Research

First published in June 2014 by IPPR

4th Floor

14 Buckingham Street

London WC2N 6DF

T: +44 (0)20 7470 6100

E: info@ippr.org

www.ippr.org

Cover illustration by Ifan Bates

Printed by Colourview Print Solutions, Wiltshire SP4 6BU

Available in alternative formats online at

<http://www.ippr.org/condition-of-britain>

ISBN: 978-1-8603-0341-8



The contents and opinions in this paper are the authors' only and do not necessarily reflect the views of IPPR, its staff or trustees. References and links to third-party publications, resources and websites are provided in good faith and for information only.

CONTENTS

Acknowledgments 1

Introduction..... 3

PART 1: THE CONDITION OF BRITAIN

1. Our goals for society 11

2. The condition of Britain 19

The Commission on Social Justice and Beveridge's
'five giants': where are we now?20

'Breakdown Britain': what progress has the Coalition
made towards tackling social breakdown?29

PART 2: THE THREE PILLARS OF A STRONGER SOCIETY

3. Spreading power and responsibility 39

The persistent centralisation of power and responsibility...40

The case for spreading power and responsibility.....42

Principles for spreading power and responsibility.....47

4. Fostering contribution and reciprocity 53

The erosion of opportunities to contribute54

The power of contribution and the ideal of reciprocity57

Principles for fostering contribution across society.....60

5. Strengthening shared institutions	65
The failure to tackle complex social problems	66
The case for strengthening institutions	69
Principles for strengthening institutions	71

PART 3: STRATEGIES FOR SOCIAL RENEWAL

6. Families: Raising children and nurturing relationships.....	79
6.1 Expanding paternity entitlements for fathers	82
6.2 Guaranteeing affordable childcare for all young children	87
6.3 Raising the quality of early-years provision	94
6.4 Refocusing financial support for families towards young children.....	98
6.5 Reforming universal credit to boost employment and tackle poverty.....	103
6.6 Backing commitment and strong relationships	106
7. Young people: Enabling secure transitions into adulthood	111
7.1 Introducing a distinct work, training and benefits track for young people	113
7.2 Guaranteeing earning or learning for young people ..	119
7.3 More opportunities for young people to make a contribution	126
7.4 Preventing young people from entering into a life of crime	131
8. Working life: Promoting work and rewarding contribution	139
8.1 Giving institutional independence to the national insurance system	142

8.2 Stronger income protections for people who have contributed to the system.....	147
8.3 Refocusing the Work Programme where it can be effective	151
8.4 Supported employment for those with a long-term health condition or disability	159
8.5 Boosting the hiring and retention of people with a health condition or disability	168
8.6 Establishing an Affordable Credit Trust to spread alternatives to high-cost lenders.....	172
9. Housing: Mobilising local leadership to build more homes	177
9.1 Extending powers for local areas to overcome land market dysfunctions	180
9.2 Strengthening incentives for local areas to shift from ‘benefits to bricks’	183
9.3 Increasing local control over rent subsidies to private landlords	186
9.4 Devolving housing capital budgets to city or county combined authorities	188
9.5 Putting local areas in control of housing spending to shift from ‘benefits to bricks’	190
10. Crime and exclusion: Putting people and places in control	195
10.1 Providing a distinct voice for victims in the criminal justice system	198
10.2 Mobilising local people to resolve the causes of crime and antisocial behaviour	203
10.3 Mobilising local areas to tackle deep social exclusion.....	208

11. Older people: Living well together in an ageing society	217
11.1 Introducing a right to flexible working arrangements for family carers.....	220
11.2 Extending support for older people with moderate care needs.....	224
11.3 Advancing social insurance to protect against uncertain care costs.....	228
11.4 Mobilising the time and energy of local people to tackle isolation and loneliness	232
Conclusion.....	239
Summary of recommendations	245
-\\-	
References	250
Public engagement	263
Publications in the Condition of Britain series	268

Erratum

Page 123: figure '£380 million' revised to '£310 million', 19/06/2014.

ACKNOWLEDGMENTS

Producing this report has been a genuinely collaborative effort, and we want to thank everyone involved.

First and foremost, we are indebted to Trevor Chinn for his financial support of the Condition of Britain programme, without which we could not have produced this report. Moreover, we are extremely grateful for his invaluable advice and guidance throughout the entire programme.

The Condition of Britain programme draws on the findings of several IPPR research projects, and we are enormously grateful to the individuals and organisations who provided financial support and advice on each of these. They are: Bill Benjamin; Lord Myners of Truro; the Calouste Gulbenkian Foundation; the City Bridge Trust; the Hadley Trust; the LankellyChase Foundation; the London Borough of Newham; the Metropolitan Migration Foundation; NCVO; the Oak Foundation; Orbit Group; the Paul Hamlyn Foundation; Relate; Shelter; the Sisters Trust.

During the course of the Condition of Britain programme, we have drawn on the support and wisdom of many of our IPPR colleagues. We are particularly grateful to Jack Hunter and Mark Harrison for their excellent research support during their internships at IPPR. We are also very thankful to Spencer Thompson and Amna Silim for help with the statistical analysis in chapter 7.

This report draws on several IPPR projects, and we would like to thank our colleagues Dalia Ben-Galim, Sarah Bickerstaffe, Ed Cox, Bill Davies, Phoebe Griffiths, Graeme Henderson, Mathew Lawrence, Clare McNeil, Rick Muir, Jenny Pennington and Alice Sachrajda for their contributions.

We owe special thanks to Ross Fulton for expertly editing this report, and to Mark Ballinger for overseeing design and publication.

Lisa Perrin, Amna Uppal and Georgia Hussey provided invaluable assistance with events and visits, while Tim Finch, Richard Darlington, Natalie Cox and Sofie Jenkinson helped to disseminate our work during the life of the programme. We would also like to thank Rebecca Hall for administrative support, and Holly Robinson for managing the project's finances.

It was a pleasure to work with Teresa Wilson and Gary Copitch at People's Voice Media on the Voices of Britain project, an integral part of the Condition of Britain programme. Many thanks to the community reporters involved in the project and to everyone who agreed to be interviewed.

Finally, we would like to thank everyone we met on our visits across Britain to talk about the issues covered in this report, and all those who provided advice and feedback on our policy proposals. They are listed in full at the end of this report. Wherever we travelled, we were tremendously impressed by the passion, energy and commitment of people working hard to support each other and improve their neighbourhoods, towns and cities. They showed us what the people of Britain are capable of and their insights helped to shape many of the arguments presented here.

INTRODUCTION

This report explains how we can work together to build a good society in tough times. It sets out a deliberately ambitious agenda for social renewal across Britain, rooted in today's challenges but learning lessons from the past. We are realistic about the austerity and uncertainty our country continues to face, but believe these provide the impetus to seek new ways of addressing our problems, rather than to abandon our aspirations for society.

Britain is a rich and dynamic country. Its people are resourceful and compassionate. It is better educated and healthier than ever before. Levels of crime and drug use are falling steadily. However, our society is facing a set of challenges that are straining the social fabric and making it harder for us to fulfil our responsibilities to each other. It will take a long time for living standards to return to their pre-recession levels, while further cuts to public spending are expected regardless of who is in power after 2015. Family time is increasingly squeezed between work and care, and many of us struggle to get on the housing ladder. Young people face an uncertain future, while older people worry about how they will be cared for. Cultural anxiety, and concerns about immigration and the benefit system, are high.

The Condition of Britain programme was established in February 2013 to consider how our politics, social institutions and public policies need to change to respond to these forces that are shaping society. Many of the issues that concern people in Britain today are the result of long-term social, economic, and demographic trends – such as the rise in female employment and changes in family structure, which have driven up demands for affordable childcare. Others, like the decline in homeownership or increases in youth unemployment, have more recent origins, though they have often been worsened by the recession, slow economic recovery and spending cuts.

In some cases, the challenge is one that successive governments have failed to get to grips with, like our low rates of housebuilding and inadequate care for the elderly. At the same time, governments have often pursued free market or central state solutions that have made our problems worse, not better. The idea that either a government programme or private contract can solve complex social problems on its own is a false promise. Overreliance on such methods tends to neglect the agency and insights of people themselves, leaving huge amounts of talent and resources – in all walks of life and in all parts of society – wastefully untapped.

This report attempts to offer a comprehensive survey of British society after the crash, and to formulate an ambitious programme of social reform rooted in everyday experiences and contemporary realities. The centre-left has engaged in a critical reappraisal of its economic policies since the recession, but relatively little attention has been given to how its goals for society and its prospectus for social renewal need to change in light of our new circumstances. Yet these are urgent questions given the country's pressing social problems and the difficulties of governing with limited budgets.

The scope of this report

This report sets out arguments and policies across a range of social policy issues, including family life, young people's transitions into adulthood, social security, housing, crime, social exclusion, and older people's care. It does not make specific recommendations for schools or for the NHS – while both have enormous impacts on the quality of our lives, detailed policy development in these areas has been beyond the scope of the Condition of Britain programme. However, major programmes of work elsewhere at IPPR are addressing challenges in both fields.

We also do not make recommendations for immigration policy. IPPR has recently set out a comprehensive assessment of the challenges and opportunities for reform in this area (see IPPR 2014). However, in the Condition of Britain programme we have sought to reflect concerns about the *implications* of migration, particularly fears about the pace of change within neighbourhoods and the social division that can emerge when the bonds that hold society together come under strain.

In this final report from the Condition of Britain programme,¹ we chart a new course for social policy that seeks to learn from the past and face up to today's challenges. The report is formed of three parts. In the first, we establish our fundamental goals for society, making the case for an active and democratic equality. We then provide an assessment of the 'condition of

1. An interim report (Lawton 2013) detailing the findings from the first stage our research was published in December 2013.

Britain’ and reflect on how the central social challenges facing the country have evolved over the last two decades.

In the second part of this report, we argue that three core ‘pillars’ must underpin our attempts to pursue ‘active equality’ in Britain: spreading power and responsibility, fostering contribution across society, and strengthening the institutions that embody our collective aspirations and obligations. We assess the extent to which governments have addressed these priorities in the past, and explain how by advancing them further we can unlock the resources and capacities we need to tackle our shared problems together.

In the third and final part of the report we put forward a series of practical, costed policy proposals that seek to spread power, foster contribution and strengthen shared institutions in order to build a more equal society. We set out ambitious plans to expand affordable childcare and provide greater security for older people with care needs, adapting the welfare state to profound changes in family life and better preparing Britain for an ageing society. We argue for a social investment strategy focused on jobs, skills and homes, rather than income transfers. This includes shifting public spending on housing from ‘benefits to bricks’, and guaranteeing work or training for young people rather than allowing them access to the adult benefit system. We call for the restoration of reciprocity to the social security system and higher (temporary) benefits for those who have paid into the system. And we propose new institutions to protect people against abuses of market power, including an Affordable Credit Trust to endow affordable local lenders that are capable of competing with extortionate payday lenders.

The four nations of the United Kingdom

This report is about the condition of Britain, and our arguments apply to the whole of the UK. However, the realities of devolution mean that some of our analysis rests on data that covers only England; and some of our policy proposals are directed primarily at UK government departments that only have responsibility for policy in England. Where this is the case, we endeavour to make this clear in the policy chapters in part 3 of this report.

However, many of the recommendations contained in this report seek to preserve the ties that bind the four nations of the UK, and promote partnerships between the UK government and the devolved administrations. This includes proposals to build an independent National Insurance Fund that strengthens the link between entitlements and contributions, steps to extend employment rights for parents and carers, and efforts to boost employment among sick and disabled people.

Part 1

**THE CONDITION
OF BRITAIN**

Chapter 1
OUR GOALS FOR SOCIETY

Our overarching goal for society should be greater equality of social relations. We seek a society in which people relate to each other as free and equal citizens, and in which unjust hierarchies of power, esteem and standing are progressively overcome. This broadens the centre-left's commitment to equality beyond purely distributional concerns, although these remain vital. Achieving this vision of equality requires us to challenge concentrations of power by redistributing it to people and places; expect everyone to meet their obligations to contribute to building a better society; and strengthen institutions that bring people together and address the root causes of injustice.²

Despite immense social and economic changes over the last few decades, the core institutions of our social security system and public services remain those built in the great reforming postwar era: the NHS, the state pension, and secondary schooling for every child. In some areas, like social housing, the advances of that period have been scaled back, while in others new challenges have arisen that could not have been anticipated at the time, like the need for comprehensive and good-quality care services for both young children and the elderly.

2. This section draws particularly on Stears 2011, Pearce 2013 and Anderson 1999.

Yet social progress is rarely linear, and its sources of inspiration and leadership are many. We should not let the enduring strength of the postwar settlement blind us to the need to refresh our goals and priorities, nor attribute its success solely to the power of an active and expansive central government. Not only has progressive change in Britain been inspired by thinkers and activists from different political traditions, but it has been embodied in a wide variety of institutions, popular movements and cultural practices, both inside and outside the state. Despite the importance of government legislation and public action, struggles for equality have rarely been restricted to the pursuit of a particular good, such as income or welfare; nor have they been confined to the boundaries of Whitehall and Westminster. The strength of civil society, the nature of markets, the character of democratic life, and the culture and practice embodied in a range of institutions all matter enormously too.

For these reasons, we should not confine our ambitions solely to equality or distributive justice in any single dimension. The belief that reducing income inequality is the overriding, definitional purpose of the centre-left can narrow the scope of social policy and drain its political energy. It can inhibit honest discussions about the goals of social policy that engage with broadly shared, everyday concerns. At its worst, the centre-left can atrophy into a defence of the status quo, weak in the face of alternative political forces and lacking a popular coalition of support (Unger 2013).

It may seem counterintuitive, in post-crash Britain, to question a singular focus on the distribution of income and wealth. Surveys of public attitudes show considerable concern about material inequality, and widespread support for reducing the gap between rich and poor (Pearce and Taylor 2013). Public opinion is overwhelmingly hostile to the excesses of the financial sector and the vastly inflated salaries and bonus culture

with which it is associated. These are rightly seen as offending the basic notion that rewards should be commensurate with talent and effort. There has perhaps never been a better time in recent years to get a hearing for redistributive policies, and this potential should undoubtedly be tapped.

Yet a theoretical focus on abstract patterns of distribution tells us little about what constitutes a good life, or how to achieve a more equal society. The ideal of justice tends to be debated as though it is painted on a blank canvas, rather than drawn from real historical struggles, in real places, to tackle actual, lived injustices. Searching for universal truths can lead us to forget that it is often the particular and idiosyncratic that gives meaning to our lives.

Moreover, when solutions are derived from abstract or supposedly universal truths, they too often denude people of their own agency and ability to overcome injustice, and neglect the long-term transformation that can follow when people do. The pursuit of equality can be turned into something done *to* people, by those who assume to know what is best. Perhaps just as significantly, the gains made in reducing arithmetic inequality by ameliorative means are likely to prove transient, being vulnerable to political retrenchment and repeal.

Instead of the equal distribution of a particular good, we should seek *equality in social relations*: that is, a society in which people relate to each other as free and equal citizens, and in which unjust social hierarchies of power, esteem and standing are progressively overcome.

This is not to say that social class inequalities should simply cease to be of concern, or that a more active, democratic equality cannot embrace distributional priorities. If we consider society to be a cooperative endeavour between free and equal citizens, then wide disparities of income and wealth undermine the mutual recognition on which our shared citizenship depends.

Protecting the integrity of social cooperation necessitates that we maintain a ‘line of sight’ between everyone in society, but gross material inequalities make this untenable. Similarly, concentrations of power – whether economic, social or political – constitute substantial obstacles to achieving a society of equals, as they deny many people the power and resources to shape their destiny. Citizens also need sufficient income to allow them to live free of stigma or shame. They should have access to public services such as education and healthcare that enable each to fulfil their potential and enjoy equal standing with their peers.

Despite the urgent need for social change, realism should also be an important ingredient of centre-left politics. In recent years, several political theorists have argued that much of what progressives advocate is excessively utopian and rationalist, especially when they pursue a predetermined ideal distribution of goods or outcomes (Galston 2010). As a result, the pursuit of equality becomes technocratic and disconnected from everyday experience. Advocates of social change too often turn to an all-powerful market or central state as means of delivering the perfect society, rather than recognising that progress is messy and contested – and rooted in appeals to emotion as well as rational analysis. However, rather than letting these insights lead to an accommodation with the status quo, realists argue that they should instead make us seek the broadest possible participation in society and politics, with institutions that guard against concentrations of power.

In a similar vein, thinkers of the civic republican tradition³ stress the importance of understanding liberty as freedom from domination. We are not free when we are subject to the arbitrary power of others – whether public authorities or

3. See, for example, Honohan 2002

private companies. Our goal should be to reduce dependency by spreading wealth and ownership across society – bolstering workplace protections, helping people off benefits and into work, and strengthening institutions outside traditional state and corporate spheres. Such an approach gives people a stake in society and promotes self-reliance. It makes us less unwillingly dependent on others and more free to enter into chosen relationships of interdependency.

Weaving these strands of political thought together points to a broader set of goals and strategies for social renewal. Our goal should not be to abandon the centre-left's commitment to equality, but rather to broaden it beyond merely distributional concerns. Our strategy should not be to abandon the agency of the central state, but to recognise the range of other actors who need to be mobilised in support of the struggle for a stronger society. These arguments point towards a deeper and more meaningful vision of equality, encompassing the following aims.

- **A more equal distribution of power:** committing to spreading power out to people and places, rather than following the instinctive preference for acting at scale through the central state. This is essential not only to counter concentrations of power in the state or the market but also to realise the potential of people to come together to solve their own problems.
- **Greater recognition of individual agency:** replacing the tendency towards paternalism with a commitment to personal freedom and mutual responsibility. This is a necessary condition for human flourishing, but is also the means of achieving more effective, meaningful and lasting change. Excessive dependency on others prevents us acting together as equal citizens.

- **Deeper democratic control:** countering unease about the messiness and contingency of democracy with a commitment to render power accountable. This would reflect the importance of winning consent to legitimise action and ensure that politics is driven by the concerns of everyday life, rather than those of elites, experts or vested interests.
- **Stronger social relationships:** shifting away from a singular focus on abstract metrics of material equality, and instead committing to an approach that values the expressive and subjective dimensions of life. This reflects the fact that one's position in society only makes sense in relation to others, and that what really matters in life cannot be reduced to the pursuit of a universal or abstract utopia.

An agenda for social renewal fashioned around these aspirations would remain resolutely inclusive, rejecting a narrow focus on an 'underclass'. It would be concerned with ensuring that everyone in Britain, not just the poorest or most excluded individuals, benefits from our welfare state and public services. It would aim to foster strong relationships between people, helping to build ties of reciprocity and common citizenship, and privilege those institutions – like the NHS and children's centres – that embody reciprocal relationships. And it would take seriously the possibilities and constraints of democratic politics, seeking popular support from citizens rather than pushing through elite projects or redistribution by stealth.

This richer vision of equality, rooted in social and economic relations, is more complex than one focused purely on the distribution of material resources. The route to a better society is less certain when we acknowledge that it cannot be guaranteed by either the power of the state or the magic of the market. It is tougher to untangle the root causes of power imbalances or fractured social relations than it is to address the

symptoms of inequality through regulation or redistribution. It is harder to know whether we are making progress, given that the pursuit of active, democratic equality cannot be measured in the same way as the distribution of goods and services.

However, while the pursuit of equality in social relations is theoretically demanding, it is politically liberating and empowering in practice. It offers a wider set of tools and strategies with which to address our shared problems. For instance, understanding the importance of participation on equal terms offers the possibility of mobilising the contribution of everybody in Britain, rather than relying on the state or the market to solve all of our problems. This is vitally important in an era of scarce public resources and continuing economic uncertainty. Striving for more equal social relations also offers the prospect of more meaningful and sustainable social change, rather than short-term amelioration that fails to endure.

In the chapters that follow, we consider how this broader conception of equality – rooted in dispersed power, personal contribution, and shared endeavour – could inspire a centre-left programme of social renewal. But, before we do so, we must first seek to understand the condition of Britain.

Chapter 2

THE CONDITION OF BRITAIN

The Condition of Britain programme has been rooted in everyday experiences of life in Britain. We have drawn on the direct insights of hundreds of people from all walks of life and all across the country. This includes over 150 contributions to the Voices of Britain project, a collection of people's accounts (mostly in the form of short film essays) of the sources of strain and strength in their lives.⁴ During a series of visits, discussion groups and meetings, we also talked to over 250 people from different parts of the UK. The insights that we gained from these conversations have been complemented by academic research, new analysis of national surveys, and original opinion polling.⁵ They form the basis of our assessment of the 'condition of Britain' and the policy proposals that we put forward in part 3 of this report.

During our conversations we encountered a wealth of energy, creativity and resilience in individual families and neighbourhoods across Britain. Many of the people we met are committed to helping themselves and others, and to working to build a better society. We saw this in the people taking daily trips to visit elderly parents despite their own

4. See www.voicesofbritain.com

5. The detailed findings from this research were set out in the interim report of the Condition of Britain programme (Lawton 2013a), published in December 2013.

busy lives; in community activists fighting to get resources and jobs into their neighbourhood; in young people taking responsibility for helping to run their local youth club. At the national level, crime is down, fewer young people are drinking and taking drugs, and most people think that others in their neighbourhood pull together to improve the local area. Britain is not a country of helpless people dependent on the state, or passive victims of austerity.

Our conversations across the country have convinced us that British society is not 'broken'. However, we heard about a set of challenges that are straining the social fabric, putting our aspirations for a good society at risk, and making it harder for us to fulfil our responsibilities to each other. To help make sense of these challenges, we have sought to analyse and interpret them with reference to two previous assessments of the condition of British society that were politically potent in their time.

THE COMMISSION ON SOCIAL JUSTICE AND BEVERIDGE'S 'FIVE GIANTS': WHERE ARE WE NOW?

Twenty years ago, the Commission on Social Justice (hosted by IPPR) set down the broad outlines of the social policy pursued by the governments of both Tony Blair and Gordon Brown. It decried a country in decline, with a weak economy, high unemployment and rising inequality (CSJ 1994). It blamed these problems on years of underinvestment, and a failure to keep up with other advanced countries on infrastructure, innovation and education. The Commission put forward the simple proposition that social justice and economic dynamism go hand-in-hand. It argued for a programme of national renewal and modernisation to drive economic growth and rebuild public services so that everyone could share in rising national prosperity (ibid).

The Commission arrived at its conclusions by judging the state of British society against the ‘five giants’ first set out by William Beveridge in 1942, with a focus on contemporary challenges. The idea of Beveridge’s five giants – want, idleness, ignorance, disease and squalor – retains an enduring ability to encapsulate the basic powers and protections that people seek in a good society. In light of the insights we have gathered during the course of the Condition of Britain programme, it is worth assessing our progress against them once more.

Want

The Commission on Social Justice highlighted dramatic rises in economic inequality during the 1980s and early 1990s, and growing levels of poverty, particularly among families with children (CSJ 1994). After 1997, the growth in income inequality levelled off, with significant improvements in incomes among low-to-middle-income families, although these continued to be outpaced by income growth at the very top (Joyce and Sibieta 2013).

Britain’s post-crash economy, by contrast, has been characterised by a squeeze on living standards for the majority. Between 2007/08 and 2011/12, middle-income non-pensioner households saw their real annual incomes fall by £1,700 on average – an unprecedented drop (ONS 2013a). Throughout the Condition of Britain programme, we heard from families struggling to make ends meet, worried about when they would get a pay rise and how they would pay the bills.

Although growth in average earnings has recently caught up with prices for the first time in six years, real wages are not expected to return to their 2009/10 levels until at least 2018/19 (Adams et al 2014). Further reductions in tax credit and benefit spending are also likely to hit living standards. In Manchester, we met parents who found themselves with

very little money to live on after facing cuts to their benefit income because of the 'bedroom tax' and changes to council tax benefit.

After pledging to end child poverty within a generation, Labour helped to reduce the number of children living in poverty by around 1 million. However, the hit to the public finances caused by the financial crisis made progress difficult to sustain, and levels of child poverty are expected to have started rising again from 2011/12 (Browne et al 2014). Almost all of the progress that Labour made in reducing child poverty is expected to be undone by 2020 (ibid).

More sustained progress has been made in reducing pensioner poverty. The proportion of pensioner households below the poverty line was 16 per cent in 2011/12, a full 9 percentage points lower than a decade earlier (DWP 2013). Pensioners are now at no greater risk of poverty than working-age adults. The benefits of good workplace pensions and rising house prices, coupled with improvements to the value of the state pension and pension credit, have transformed the incomes of pensioner households relative to a generation ago. In fact, the over-60s are the only group to have become better off since the financial crisis (Johnson 2013).

However, the large increases in income and wealth inequality that occurred in the 1980s and 1990s have not been reversed. Like many other countries, Britain has experienced an unwinding of the postwar compression of market inequalities, and its tax and benefit system has had to work increasingly hard to reduce disparities in wealth and income. Fiscal constraints will limit the scope for post-tax redistribution in the years ahead, while tendencies towards greater wealth inequality may intensify (Piketty 2014). This suggests that structural economic reforms will be essential if Britain is to become a more equal society.

Idleness

Following the recession of the early 1990s, the Commission raised major concerns about the extent of structural unemployment and inactivity. It noted the shift away from full employment as a policy objective, and the attendant economic and social implications. It highlighted the deterioration in the employment prospects of men in the wake of the decline of British manufacturing in the 1980s, combined with the growth in female employment, which was often in part-time, low-paid jobs.

By contrast, the labour market performed well in the late-1990s and early-2000s, and the impact of the 2008/09 recession on the headline employment rate was not as large as was feared. The labour market has begun to recover since the beginning of 2012. However, just over 2.2 million people in Britain are unemployed, up from 1.6 million at the beginning of 2008. In Glasgow, we spoke to a group of men who had been searching for work unsuccessfully for several years, and heard about the impact this had on their self-esteem and sense of hope. Millions of adults are out of work and not actively looking for a job, while a substantial minority of people who do have a job would like to work more hours. High levels of worklessness are not just a feature of post-recession Britain. During the long period of economic growth and rising employment that preceded the crash, the number of adults claiming out-of-work benefits barely dropped below 4.5 million (ONS 2014a).

The risk of worklessness is not equally shared – it has a structural element which means that certain people are much more likely to be without a job than others. Just over a third of disabled people (35 per cent) are in work, and even fewer people with a mental health problem have a job (Cooke et al 2014). This is despite the fact that many more could work

(and want to work), with the right support. At the same time, too many jobs fail to offer financial security. In the Voices of Britain project, we heard from several people worried about the prospect of redundancy or the failure of their business. One in five employees is in low-paid work, which is more prevalent among women and part-time workers (just as the Commission found 20 years ago) (Lawton and Pennycook 2013). Low-paying jobs often fail to make the most of people's skills, offer few if any opportunities for progression, and deny a meaningful voice for employees in the workplace (Dean 2012, Lawton and Lanning 2013).

Ignorance

A central concern of the Commission was the growing attainment gap between children from different social backgrounds. It argued that this was rooted in poor preschool provision and overcrowded classrooms. After 1997, school standards improved across the board and the attainment gap narrowed, albeit not substantially. The number of pupils eligible for free school meals and who gained at least five GCSEs including English and maths almost doubled from 16 per cent in 2003 to 31 per cent in 2010 (Clifton and Cook 2012). Attainment in London's secondary schools improved dramatically, moving from well below the national average to well above (*ibid*).

Despite these improvements, social class inequalities in education remain high, and the transition into work or further learning for young people who are not on the traditional academic route remains fractured. In Birmingham, we met young people who were unclear about their options for vocational training and worried about whether there would be a job at the end. Most young people now stay in education until the age of 18, but too many are on low-value vocational

courses which have limited labour-market currency. One in five teenagers who gain low-level qualifications can expect to be neither working nor in education by the time they are 20 (Lawton 2013b), while the recent expansion in apprenticeships has been largely concentrated among older workers rather than young people.

These factors contribute to the relatively high number of young people in Britain who are ‘NEET’ – not in employment, education or training. One in seven of those aged 16–24 (14 per cent) are neither studying nor working – more than 1 million young people (ONS 2014b). This is a huge waste of potential, and can lead to young people drifting into long-term worklessness. Youth unemployment began to rise in the early 2000s, well before the recession, which indicates structural barriers in the jobs market for young people and failures in the systems preparing them for work.

Disease

The Commission on Social Justice highlighted substantial inequalities in health outcomes in Britain, structured by social class, as well as risks to the future of the NHS from underinvestment. The rise of chronic health conditions and mental health problems did not feature significantly, and it gave relatively limited consideration to the care and support needs of the growing number of older people. Those with chronic health conditions (such as heart disease, hypertension and depression) now account for half of all GP visits, and 70 per cent of NHS spending (Muir and Parker 2014). Chronic conditions need long-term care management rather than episodic treatment, and this requires a very different model of healthcare.

People in Britain are living longer, healthier lives, but those living into their 80s and 90s often have care needs that

the NHS is not well designed to meet. In the Voices of Britain project, we repeatedly heard from people who were worried about how they would care for their parents when they become too frail to take care of themselves.

The risk of long-term life-limiting illness or disability rises considerably with age: 61 per cent of 75–84-year-olds, and 83 per cent of people aged 85 and over, have such conditions (Nomis 2014). Properly supporting these individuals requires integrated, patient-centred care, but this is often made impossible by the rigid boundaries that exist between health services and social care (with the later also chronically underfunded). As the employment rate of older workers rises, the pressure on family carers is growing, while changes in patterns of family and community life have contributed to the higher levels of loneliness and social isolation experienced by older people with health or mobility problems.

Squalor

The Commission on Social Justice identified a set of acute social problems that had become more prevalent during the 1980s and early 1990s, including homelessness, crime and drug addiction. Things look very different in 2014. Levels of reported crime and antisocial behaviour, including violent crime, have been in decline since the mid-1990s, and are now lower than in the early 1980s; drug-taking is also on a long-term downward trend (ONS 2013b).

The previous Labour government focused on reducing antisocial behaviour and invested significant resources in overcoming social exclusion. However, against some measures (such as disruptive public drunkenness and disputes between neighbours) there is relatively little evidence of deeper, sustained change. Despite significant progress, addiction, homelessness and social exclusion continue to ruin lives, as they

stem from complex and deep-rooted causes that traditional policy approaches have struggled to address. In a discussion group with people facing a combination of drug and alcohol problems, homelessness, reoffending and mental health issues, we heard about the impact these problems had on people's self-confidence and motivation, and the ways in which traditional public services had sometimes failed to help them overcome deep exclusion from society.

The Commission also highlighted a failure to build enough homes in Britain – a problem that has worsened dramatically over the last 20 years. Many participants in the Voices of Britain project worried that they would never be able to achieve security and put down roots by buying a home of their own.

It is estimated that we need to build around 250,000 new homes a year (a level routinely achieved in the decades after the war) to meet society's needs (Cooke and Davies 2014). However, under the previous Labour government, on average just 190,000 new homes were completed each year (as greater focus was placed on vital improvements to the decaying social housing stock) (CLG 2012). This large undersupply has caused house prices to rise far faster than the growth in incomes, making it increasingly difficult for people to realise the widely shared aspiration of homeownership. The failure to build enough social and affordable homes has led to long waiting lists and overcrowding, and forced more families into the expensive private rented sector – pushing up the housing benefit bill in the process.

–\\–

This assessment covers many of the major social problems we have identified in the course of the Condition of Britain programme: the squeeze on household incomes; structural unemployment and inactivity; uncertain prospects for

young people; the care and support needs of a growing number of older people; rising housing costs and declining homeownership; and, among a minority, deep exclusion from mainstream society. In most of these areas, although the issues remain similar, their specific nature and extent has changed considerably since the Commission on Social Justice conducted its analysis 20 years ago.

Several entirely new issues, which the Commission barely touched on, have also risen to prominence since then. Large and rapid increases in migration have exacerbated concerns about both wage competition among low-skilled workers and additional pressures on public services. The full consequences of the financialisation of the British economy were brought abruptly into focus by the Great Recession, which drew attention to the social consequences of deep weaknesses in Britain's economic model. Increased household debt helped prop up living standards in the years running up to the crash – and today, millions of families remain overexposed to mortgage and consumer debts that their wages and salaries cannot service. Indebtedness has increased many people's dependency on financial institutions, from high street banks to high-cost payday lenders.

Meanwhile, other, non-material concerns have emerged. Persistently high levels of migration have increased cultural anxiety and fear about the pace and scale of change affecting local areas, over which people can feel they have little control. This has brought questions of identity to the fore, including the strengthening of particular national and local identities, whether in Scotland, England, Wales or Northern Ireland, or in towns, cities and villages across the country. In addition, powerful economic and social forces are placing growing pressures on childhood, family life and relationships. These are major sources of stress, about which we will say more in

the next section as we consider how those on the political right in Britain have sought to redefine their social agenda in recent years.

‘BREAKDOWN BRITAIN’: WHAT PROGRESS HAS THE COALITION MADE TOWARDS TACKLING SOCIAL BREAKDOWN?

In the mid-2000s, a powerful critique of Labour in government emerged from the political right, led by Iain Duncan Smith and the Conservative party’s Social Justice Policy Group. They claimed that British society was ‘broken’, a claim evidenced by high levels of worklessness, educational failure, debt, addiction, and family breakdown (SJPG 2006). The blame was laid on the state itself, which, they argued, had created a culture of dependency. Rather than being a force for reducing poverty and inequality, the ‘bloated central state’ made many social problems worse. This ‘broken Britain’ analysis was hugely influential on the development of the Conservative party’s social policy in opposition. It informed David Cameron’s calls for a ‘big society’, in which individuals and communities would take more responsibility for solving social problems once they were freed from state control.

In its *Breakdown Britain* report (SJPG 2006), the Social Justice Policy Group set out five ‘pathways to poverty’, which they claimed described the underlying causes of poverty and social dysfunction. As part of our efforts to make sense of the contemporary condition of Britain, we returned to each of the five core social problems identified in *Breakdown Britain*. Each causes enormous harm to individuals, families and neighbourhoods in Britain – so what progress has the Coalition government made towards tackling them?

Worklessness and dependency

The *Breakdown Britain* report criticised the then Labour government for failing to tackle entrenched welfare dependency and leaving large numbers of children to grow up in workless households. It argued that perverse incentives in the benefit system, the failings of the New Deal employment programme and the expansion of means-testing through the tax credit system had trapped people in dependency on the state (SJPG 2006).

In recent years, the number of workless households has declined as the economy has begun to recover, falling by 420,000 between 2010 and 2013, while 270,000 fewer children now live in a household in which no one works (ONS 2013c). The government's flagship Work Programme is now performing about as well as its predecessors (including the New Deal) for people on jobseeker's allowance (JSA), although it is failing disabled people (see chapter 8).

Despite the recovering jobs market and significant cuts to entitlements, the government has not made major progress in bringing down the benefits bill. Total spending on working-age tax credits and benefits in 2014/15 is expected to be the same as it was in 2009/10, just after the recession (at around £97 billion).⁶ Underlying pressures on welfare spending, from high rents to low wages and structural unemployment, remain unaddressed.

Meanwhile, the government's reforms to benefit sanctions mean that thousands of people now suffer prolonged periods without an independent income, often for the most minor infractions. In the 12 months to September 2013, a total of 874,850 sanctions were applied to JSA claimants, up from 751,943 in the previous year (DWP 2014a). Sanctions are

6. All figures are in 2014/15 prices, and taken from DWP 2014b.

largely automatic, and can reduce people's engagement with employment support. Other people are denied access to disability benefits on the basis of often poorly evidenced and arbitrary decision-making on the part of private companies. Rather than liberating people from dependency, these moves have often trapped people in even deeper states of dependency – forced to rely on foodbanks or exploitative payday lenders.

Family breakdown

The *Breakdown Britain* report was deeply concerned about the decline in marriage rates and the growing number of children born outside wedlock. Cohabiting couples were found to be more likely to separate, with large numbers of children growing up without a proper relationship with their father. The report criticised politicians who failed to speak out about the importance of marriage and stable relationships. It also condemned the 'couple penalty' in the tax and benefit system, and the lack of recognition for marriage in the tax system (SJPG 2006).

The number of children born outside marriage has continued to rise, reaching 48 per cent in 2012 (ONS 2013d). However, marriage remains a popular institution: most young people want to marry, and the right to do so has been extended to same-sex couples. A married couples' tax allowance is now planned, but the cost of this measure far exceeds the level of investment in practical support for couple relationships. The government is introducing shared parental leave, but much more needs to be done to protect family time from the pressures of work. In particular, the importance of fathers' involvement in the early lives of their children needs to be more strongly reflected in family policy.

Addiction

The *Breakdown Britain* report asserted that ‘Britain is experiencing an explosion in addiction’ (SJPG 2006: 40), and that ‘young people are engaging in a new culture of intoxication’ (ibid: 41). It accused the Labour government of failing to invest in treatment, and favouring ‘harm reduction’ over abstinence. The report also bemoaned what it described as increasingly permissive attitudes to public drunkenness and drug-taking, and the deregulation of the drinks industry, most notably the introduction of 24-hour licences.

Rates of alcohol-related deaths and hospital admissions have been on the rise since at least the 1970s, and this trend has not abated in the last few years (University of Stirling et al 2013). Misuse of alcohol has hugely damaging impacts on society, not least in connection to domestic abuse and violent crime. However, drug use among the adult population has been falling since at least the mid-1990s, as have rates of smoking, drinking and drug-taking among young people (Home Office 2013, Fuller 2013).

Educational failure

The *Breakdown Britain* report criticised Labour for having failed to tackle educational inequality despite significantly increasing spending on schools. In particular, it attacked the party’s education policy for being overly centralist and bureaucratic, creating an obsession with targets and league tables. This approach was seen to have demoralised teachers while failing to improve outcomes for children from the most disadvantaged neighbourhoods. Far too many young people, the report argued, were leaving school without a decent set of qualifications or the wider skills and capabilities necessary to make a success of their adult life (SJPG 2006).

The current government has expanded Labour's academy programme, though it has watered down its focus on new investment and providing a new start for schools that have persistently failed their pupils. It has taken steps to reduce the number of schools teaching low-quality vocational courses in order to improve their league-table positions. New nursery places for disadvantaged two-year-olds have been introduced, along with a pupil premium for children on free school meals. Vocational qualifications have been reformed, and new forms of provision for 14–19-year-olds established (through studio schools and university technical colleges). It remains too early to know whether these policies will reduce the attainment gap and improve school-to-work transitions for Britain's young people.

Indebtedness

Breakdown Britain identified rising personal debt as a problem, particularly among those who found themselves trapped in a spiral of financial difficulties. Discussing the factors that contributed to this rise, it singled out the growth of high-cost credit and the unscrupulous behaviour of some lenders (including doorstep lenders and pawnbrokers, but also mainstream banks and credit providers). It also argued that British society was becoming increasingly materialistic, and that this was pushing more and more people into debt to keep up with the latest consumer trends (SJPG 2006).

Since then, following the peak in personal debt that occurred at the point of the financial crisis, overall levels of (non-mortgage) consumer credit have fallen. However, this has been accompanied by a sharp increase in the use of high-cost credit, particularly from payday lenders. This sector of the market has mushroomed in recent years, expanding from

an estimated £100 million worth of loans in 2004 to over £2.2 billion in 2012/13 (Lawrence and Cooke 2014).

The current government has begun to clamp down on the worst excesses of the payday lending industry by giving the Financial Conduct Authority greater regulatory powers, including the ability to introduce a cap on the total cost of credit. However, they have also abolished the Social Fund, which was previously an important source of small, low-cost loans for people on low-incomes, who are now left with few alternatives to foodbanks and payday lenders.

—\\—

Overall, the idea that Britain was ‘broken’ and that the state was to blame had a major influence on how politicians and policymakers, particularly those on the right, thought about the social pressures that faced Britain in the years before the 2010 general election. It crystallised a powerful critique of the last Labour government’s dominant strategy for addressing social problems, and forced important social issues onto the Conservative party’s agenda. The *Breakdown Britain* report was right to highlight the importance of family relationships and the damaging effects of personal debt. Its critique of a working-age benefits bill that continues to rise even when the economy is doing well, thereby contributing to declining public support for the welfare system, was well-founded.

However, some of the report’s analysis of entrenched social problems was overstated, and some long-running trends – like declining drug use, the narrowing attainment gap, and the large falls in crime since the mid-1990s – were ignored. The authors of the report failed to recognise that many of the acute social problems they identified – like structural unemployment – had started to worsen in the 1980s, and had actually improved under the Labour government. The overall

picture of British society was too negative, and the assertion that Britain was ‘broken’ did not square with most people’s experiences following a decade of rising employment and noticeably improved standards in hospitals, schools and other public services.

Fundamentally, its critique of the central state was important, but also overblown. It turned the relationship between state and civil society into a zero-sum game, instead of a partnership. It exaggerated the role that benefits played in causing worklessness and family breakdown, while playing down the significance of labour market factors like low pay and insufficient working hours. It had almost nothing to say about how social problems can result from economic inequalities or the abuse of market power (to which we will return later). Perhaps most importantly, *Breakdown Britain* did not contain within it a plausible strategy for bringing about the ‘big society’ that it presented as the answer to the ‘bureaucratic state’.

Therefore, while providing a sharp critique of Labour, the ‘bureaucratic state/big society’ framework did not provide a guide to governing. The Conservatives have not succeeded in handing power and responsibility to individuals and democratic organisations both within and outside the state to any serious extent. While it has decried the agency of the state, the government has lacked any strategy for strengthening society. In practice, the ‘big society’ has been reduced to open data, ‘nudge’, and ‘payment by results’ contracting that has benefited private providers of public services at the expense of voluntary and community organisations.

—\\—

The fundamental lesson from the Condition of Britain programme is that people in this country are resilient, independent and creative, and have the potential to

overcome their problems – provided they have the power and responsibility to do so. During the course of the programme, we met dozens of people who were already working to improve their city, town, village or neighbourhood – and who could do so much more if they had the power and resources they need. In the past, our politics, social institutions and public policies, whether led by governments of the left or the right, have often failed to recognise this potential. This is why so many of the challenges set out above have not been overcome, despite the fact that they often stem from long-running social trends.

The Commission on Social Justice and the *Breakdown Britain* report both put forward powerful, though often contrasting, critiques of the government of their day. However, in practice, the strategies and policies of the governments they inspired have turned out to have some striking similarities. Most notably, social policy under both the previous Labour government and the Coalition has demonstrated excessive faith in the power of markets and the central state to solve major social problems.

In the next part of this report, we put forward a critique of these dominant models and set out an alternative vision for how we can work together to build a stronger and more equal society.

Part 2

**THE THREE PILLARS
OF A STRONGER
SOCIETY**

Chapter 3

SPREADING POWER AND RESPONSIBILITY

Important reforms have reshaped the architecture of the British state in recent years. Yet too much power continues to be hoarded by politicians and civil servants at the centre of government, and too little is in the hands of the people and places that could do the most with it. In this chapter, we argue that the first pillar of a stronger society must be a wider dispersion of power and responsibility across society.

The concentration of power in the central state is holding our country back, fragmenting our public services and our making local leaders too dependent on Whitehall and Westminster. Successive governments have promised to spread power and responsibility, but in practice have been wary about giving away control of resources, letting others take major decisions, and embracing the uncertainty that comes with abandoning uniformity. Pressures on the public finances and the failure of our centralised state to tackle our biggest social problems make it imperative that the next government prioritises genuine devolution of power, and shares responsibility for building a stronger society with citizens and civil society.

THE PERSISTENT CENTRALISATION OF POWER AND RESPONSIBILITY

Early on in its administration, the previous Labour government led a major transfer of powers to Scotland, Wales, and London, creating new democratic institutions with broad political and popular support. In the rest of England, however, much less progress was made in spreading power and money away from Whitehall. Labour lacked confidence in the capacities of local government, and tended to advance policies that either turned it into a delivery agency of Whitehall or bypassed it altogether. There were referendums for directly-elected local authority mayors, but they came with no new powers and so were often rejected.⁷ Similarly, initiatives to create a new layer of regional government sought to impose administrative boundaries from the centre that did not tap into meaningful local identities.

These failures left a gap in Labour's plans for local governance in England, which it sought to fill with central direction. Grants to tackle local deprivation were often generous, but their impact was dampened by ringfencing, short time horizons and a suffocating audit culture. A growing raft of national performance measures and ministerial objectives undermined local decision-making (Gash et al 2014). While tougher performance management helped to address the worst underperformance, Labour failed to reward success with greater autonomy. Even the best-performing councils were kept on a tight leash (Peck 2014). Meanwhile, significant resources for housing, transport, employment and skills continued to be distributed through quangos and Whitehall departments, bypassing local democratic structures.

The Coalition government has adopted a strongly localist rhetoric, but large and rapid cuts to local government funding

7. Only 13 out of 39 mayoral referendums held between 2001 and 2010 were successful.

have undermined local capacity and leadership. Central funding for local government will have been reduced by just under 20 per cent between 2010/11 and 2014/15, with more cuts to come (Wilcox and Sarling 2013). The Coalition has tried to ameliorate this by streamlining reporting requirements and removing ringfences around most grants, giving local leaders more freedom about how to spend their (lower) budgets. Councils are also now able to keep more of the money they raise from business rates. However, the scope of local government to lead distinctive strategies in their areas remains constrained, with tight restrictions on how much money they can raise or borrow (*ibid*).

Ministers have sought to devolve economic development powers to England's major cities in order to drive stronger growth, building on tentative steps in this direction taken towards the end of the last Labour administration. City deals have given some areas control over elements of transport and skills funding. Combined authorities have been established in Greater Manchester, Merseyside, West Yorkshire, South Yorkshire, and the North East. However, large chunks of public funding linked to economic development – notably those for back-to-work support and housing – remain under the control of central government. During the Condition of Britain programme, we met local leaders from across the country who argued they could do much more to tackle worklessness and the lacking of housebuilding if only they had the powers and resources to do so.

Alongside greater devolution to England's cities, successive governments have also sought to distribute power down into neighbourhoods with the aim of mobilising communities to find solutions to their own problems. The previous Labour government led a major programme of neighbourhood renewal with an explicit goal of stimulating neighbourhood

activism. However, these schemes often conflicted with pressure from ministers and civil servants to deliver concrete results according to a particular timetable, and with centrally monitored performance management regimes (Cox et al 2013). They also tended to be highly ambitious in terms of the range of nationally determined indicators they sought to improve, which made it hard for under-resourced local groups to focus on their own priorities.

The Coalition has withdrawn funding for neighbourhood renewal, while seeking to empower all neighbourhoods instead of retaining Labour's focus on deprived places. The Localism Act 2011 introduced new rights for community organisations to take over local services and bid for the ownership of local buildings. New neighbourhood planning rights have given greater powers to parish and town councils. Other reforms, like free schools, have bypassed local government and sought to put power directly in the hands of local people. However, in practice this policy has further centralised power, with the Department for Education, rather than local people, deciding whether a free school will be opened or closed.⁸

THE CASE FOR SPREADING POWER AND RESPONSIBILITY

Tentative steps towards spreading power and responsibility have been taken by both the previous Labour government and the current Coalition. However, the next government needs to go much further if it is to unlock broad-based growth, foster innovation in public services that face severe spending constraints, and mobilise the power of local leadership to tackle some of our deepest social problems.

8. To address this concern, the government is introducing a set of regional school commissioners to take certain decisions regarding free schools and academies across large regional geographies.

Calls for greater devolution in England are likely to grow in the next parliament, following the referendum on Scottish independence and the transfer of more powers to the Welsh Assembly. Meanwhile, a distinct English (rather than British) identity is strengthening, alongside a sense that Scotland, Wales and Northern Ireland have gotten a better deal out of devolution than England (Wyn Jones et al 2013). Stronger devolution of powers within England could help to address the widespread sense of political domination by a London elite, while chiming with the strength of local identities found in many villages, towns and cities across the country.

Consistent with the broader themes and principles of the Condition of Britain programme, here we highlight three central arguments for spreading power and responsibility.

Jobs and prosperity spread across the country, not concentrated at the centre

Devolving power and responsibility for economic development has the potential to spread jobs and prosperity more evenly across the country, rather than letting them become increasingly concentrated in London and the South East. In England, investment in transport and economic development is skewed towards the greater South East, leaving towns and cities in the rest of the country without the resources, infrastructure or powers they need to prosper (Cox and Davies 2013, IPPR North and NEFC 2012a). This leaves large swathes of England dependent on fiscal transfers from the centre. Although London's global status means that it will always attract capital and people from around the world, these public investment patterns reflect the increasingly outdated notion that capital cities are the most important drivers of national prosperity.

In fact, there is a growing consensus among economists that 'second tier' cities are crucial drivers of innovation and

growth. Countries with more dynamic economies that share the rewards of growth more evenly are not overly dependent on their capital city to generate jobs and prosperity (OECD 2012, IPPR North and NEFC 2012b, Parkinson et al 2012). Across developed nations, cities with greater control over their governance and finances are able to maximise their economic performance. They have the freedom to identify local competitive advantages, and the resources to invest directly in transport, skills and business support. They retain more financial returns locally, rather than seeing them sucked up to the centre, and they can make the most of relationships with local businesses to help them improve productivity growth and create more good jobs for local people.

Innovation and collaboration, not standardisation and fragmentation

Public services driven by local priorities and relationships rather than central direction and overreliance on targets have greater potential to foster innovation and collaboration. These are the essential ingredients for driving high-quality, responsive services that engage citizens and practitioners while making the best use of public money.

Services directed from the centre have a tendency towards uniformity and standardisation. Prescribed interventions can be essential when basic services are failing, but they can also inhibit sustained improvements and the assumption of greater responsibility at the frontline. Public services also become fragmented when tightly controlled budgets and priorities are handed down from separate government departments. This restricts the ability of local leaders to shape services according to local priorities, or to work towards national objectives in a way that takes account of local conditions.

When local leaders have the power to bring together services and resources to address locally agreed priorities, they are often able to improve services, make better use of public money and begin to overcome entrenched inequalities (Wilson and Gallagher 2013). Both the previous Labour government and the Coalition have experimented with forms of ‘community budgets’ that allow local areas to pool budgets from across different public services. Local areas have estimated that they could save hundreds of millions of pounds over several years if this approach were to become more systematic (Sawford 2014). For example, we heard about Greater Manchester’s ‘whole place community budget’ initiative, which works with families facing multiple problems, and is aiming to deliver savings of £270 million over five years.

Instead of being passive recipients of central government cuts, such a redistribution of power and resources could enable local areas to better cope with (and actively contribute to) deficit reduction in the next parliament, by finding genuine savings rather than simply top-slicing the budgets of essential services.

Ensuring that all people and places receive broadly similar services is often thought to guarantee a greater degree of equality. However, in practice this approach can lead to *more* inequality, because uniformity and standardisation fails to take account of the different challenges that people and places face. Freeing up local leaders and citizens to respond to local priorities can enable them to address problems or focus on places that are overlooked by the central state, thereby contributing to greater equality (Jeffrey 2011). Countries with more devolved decision-making actually tend to achieve greater levels of material and social equality, because the greater efficiency of services outweighs any increase in inequality associated with local variation (Lessman 2011).

Local responsibility, not dependency on the centre

Putting more power into the hands of local areas has the potential to mobilise local energy and resources, while putting people and places in charge of their own future. Handing down funding, targets and detailed objectives from the centre makes local areas too dependent on central government. Tying the hands of local leaders means that they struggle to make the most of their local connections and knowledge in efforts to tackle social problems like worklessness and a lack of housing. Centrally designed services often fail to draw in the skills and expertise of local people.

Reliance on Whitehall and Westminster for policy direction and funding can also make local leaders and professionals accountable *up* to the centre, rather than *out* to voters and citizens. Too much of their attention is focused on pursuing priorities set elsewhere, rather than acting on the priorities of local people. Ineffective leaders and professionals can blame others for poor decision-making or a lack of funding, rather than be held to account by local people.

This in turn makes it harder to get people fired up about local politics, while breeding alienation and hostility towards the political elite. People become less likely to vote or engage in the democratic process at all, while those who want to help build a stronger society often gravitate to Whitehall and Westminster, rather than focusing their efforts on their own neighbourhoods, towns and cities.

Extending greater powers and responsibility to local areas would free local citizens and leaders to focus on the things that really matter to them, and to work towards national priorities in ways that make sense locally. Greater power would be invested in local leaders, practitioners and citizens who care most about their area, and who have the most to lose if things

go wrong (unlike distant ministers and civil servants). Local areas would have to bear more risk and responsibility, too, with less scope to blame ministers or look to central government for direction.

PRINCIPLES FOR SPREADING POWER AND RESPONSIBILITY

Successive governments have come to power promising to devolve power, but have failed to meaningfully do so once in office. Overcoming this pattern in the next parliament will require a practical plan that sets out where specific powers and resources should lie. As such, the policies advocated in this report draw on the following broad principles.

Strategic direction: a small number of national priorities and core entitlements

Central government should set a small number of national priorities and core entitlements in relation to social policy, and make clear how these will shape spending rounds and funding decisions. Redistributing power is not a matter of central government abdicating responsibility, or of letting local areas do whatever they want. Citizens elect governments in Westminster to show national leadership and deliver on their manifesto commitments.

Spreading power and responsibility can help central governments to achieve this by strengthening the ability of local areas to contribute to achieving national priorities. It could also free up national government to focus on formulating a strategic direction for the country and developing major reforms, rather than getting bogged down in the detail of service delivery. Core entitlements to public services would reassure citizens about minimum standards, while giving local areas more freedom to decide how services are delivered.

In several areas, including social exclusion, older people's care, housing and criminal justice, we also propose an important role for national government in service improvement, helping to spread innovative practice and – in addition to local democratic participation – hold local areas to account.

Working together for jobs and growth: city and county combined authorities

Cities and counties should be given greater powers to lead local economic development, based on functional economic areas. These usually extend beyond local authority boundaries, which means that many councils in England cover too small an area to hold significant economic development powers. Combined authorities can enable local authorities to work together to boost growth in their local economies. In particular, they provide strong institutional and governance bases for the transfer of major powers over transport, business support, employment, skills and housing. England's large counties, working with their constituent district authorities, should also be given the opportunity to take on economic development powers and responsibilities. In this report, we recommend that combined authorities take greater responsibility for addressing unemployment (outlined in chapter 8) and, over time, for controlling housing expenditure to build more homes and reduce reliance on housing benefit (see chapter 9).

Tackling complex social problems: powerful councils

Top-tier local authorities should take the lead in tackling complex social problems that require concerted action by local services, and where deep relationships between citizens and practitioners are essential (Muir and Parker 2014). These local authorities are big enough to deal with large budgets, and are experienced in running complex services and working with others, including the voluntary sector and broader civil

society, to tackle social problems. However, they often lack the necessary power and control over resources to bring services together, design solutions to meet local needs, and tap into local capacities and resources.

In this report, we recommend that top-tier local authorities assume responsibility for expanding universal, affordable childcare (see chapter 6); reducing reoffending among young adults (chapter 7); tackling long-term worklessness and inactivity (chapter 8); supporting local people who face deep exclusion from society (chapter 10); and helping older people to remain active and overcome isolation (chapter 11). District councils should retain their responsibilities for planning and housing – although they should be able to club together with neighbouring districts on major planning and housing projects. Individual authorities should also be able to work together on a range of policy issues if they think that this would produce better results.

We also propose in chapter 11 that high-performing town and parish councils be given stronger rights to take over a limited set of local services (such as organising social activities for and with older people) if they can show local support and sound financial management. In some parts of the country, particularly in rural areas, these ‘neighbourhood councils’ are important institutions, with local knowledge and relationships that could be harnessed to address challenges with very a local character.

Power to the people: spreading power to individuals and families

In wealthy societies like Britain, citizens rightly expect high standards from their public services – and if those standards are not met, citizens should have clear rights of redress. However, power to proactively shape services can also be passed directly

to individual users, in the form of personal budgets, service entitlements and democratic voice in managing services. In some circumstances, giving citizens the right to choose services, and to exit those that are not meeting their needs, can also be a powerful driver of greater responsiveness.

Personal budgets are already available to users of adult social care services, and these can put real power in the hands of citizens rather than providers or bureaucracies. However, people often want to exercise power alongside others, such as their family, neighbours, or others who share the same problems. Furthermore, there is a strong desire for consistent, trusted relationships between users and providers of public services. Simplistic ideals of ‘choice’ in public services do not capture these realities. Throughout this report, we propose enhancing people power, both individually and collectively, by boosting service entitlements; improving rights at work for carers; expanding opportunities for voice and control in local and national institutions; and strengthening the recognition of citizens’ contributions to society.

Embracing variation: prioritising places with the greatest ambitions and capacities

In the past, pursuing the kind of redistribution of power and responsibility described in this chapter has been difficult because of concerns about the capacities of local areas (as well as a lack of trust in them). The weaknesses of the poorest performing areas have dissuaded central government from devolving powers to the most capable. A better approach would be to transfer powers incrementally, as local areas prove their effectiveness and strengthen their accountability to local people. This is how devolution has proceeded in Scotland, Wales and London.

Incremental devolution would mean that central government would have to tolerate some messiness, and be

prepared to do separate deals with local areas. It may have to retain control of services and budgets in some parts of the country while they develop their capacities. Local areas should be given strong incentives to improve their effectiveness, with a transparent offer of extra powers and resources in return for fulfilling clear criteria.

One of these criteria should be the ability to work with neighbouring councils and other local services on issues that span across existing administrative and service boundaries. Building on the city deals approach, Whitehall should offer a package of powers and resources to local areas that varies depending on their level of collaboration and capacity to drive action. It should also encourage ambitious local areas to come forward with locally determined priorities and plans.

Combined authority status should be the ‘gold standard’ for the assumption of control over economic development functions and resources, but significant powers should also be made available to other cities and counties as an incentive for other forms of collaboration. Local areas must be free to determine their own geographies and structures, rather than having arbitrary boundaries imposed from Whitehall. Top-down reorganisations of local government are a distraction, often creating lengthy disputes and institutional instability (Sandford 2014).

Follow the money: strengthening the financial independence of local areas

To enable local leaders to act, stronger responsibilities for local areas to address Britain’s major social and economic problems should be matched with greater financial independence. After the next election, the spending review process will be a crucial vehicle through which the government can set its priorities and entrench key reform objectives across Whitehall. If, in the next parliament, there is to be a serious redistribution of powers and

resources, it must be driven through the spending review, so that all departments and ministers are bound into it. For local areas themselves, five-year budgets, spanning the whole of the next parliament, would give local leaders and citizens more freedom to plan and invest upfront in projects and services that are likely to reduce needs or generate future savings.

This would help local areas to cope with what is certain to be another extremely tight spending review from 2016/17 onwards, while enabling them to overcome some of the institutional barriers to early intervention and prevention. A longer time horizon would also give cities and towns the confidence to embark on major service reconfigurations, strategic partnerships and reforms to reorient spending according to core priorities. Without it, we are headed for another spending review that maintains broadly the same service mix but with ever-decreasing funding.

Finally, in time, greater power for cities, counties and local government should be matched by greater responsibility for raising their own resources. This would bring the UK into line with many other OECD countries, where a far greater proportion of tax and other revenues are levied and controlled by subnational tiers of government. Arguments and proposals for such fiscal decentralisation in the UK have been made widely elsewhere (see for example IPPR North and NEFC 2012b), and in this report we focus mainly on the issue of greater local control of resources within the existing fiscal settlement. However, in the long term, it is clear that to break the grip of centralisation – and the paternalistic and dependent relationships that it sustains – local areas must raise revenues as well as spend them.

Chapter 4
**FOSTERING CONTRIBUTION
AND RECIPROCITY**

Britain is a liberal, plural society, but one with strong traditions of mutuality and community organisation. Markets have always been tempered by social action, as well as by government intervention, and for centuries the state has not been authoritarian, or a dominant force in society, as it has in many other countries. This balance between state, market and civil society is one of Britain's strengths. However, it has been undermined in recent years by the dynamics of the market economy and the central state.

Power over economic and social institutions has been drained away from local communities, weakening civic bonds and capabilities. The spread of low-paid work and the failure to restore full employment has denuded millions of people of the chance to lead fulfilling lives, leaving them dependent on a welfare state which has, in turn, lost much of its popular legitimacy as a vehicle of protection and reciprocity. Hemmed in by fiscal constraints, governments have expanded means-testing, which has further eroded norms of contribution and desert.

In this chapter, we argue that the second pillar on which to build a strong society in tough times is contribution and shared endeavour. An ambitious agenda for social renewal must seek to marshal all of the resources that reside in everyday

life, harnessing people's time and talents, and drawing on the strengths and experience of civil society in all its forms. This will require steps to both promote and reward contribution across society, strengthen civic and state institutions that mobilise contribution, and embed reciprocity much more strongly in our welfare system.

THE EROSION OF OPPORTUNITIES TO CONTRIBUTE

In this report, we argue that several important opportunities to contribute to British society have been eroded in recent years. This has been driven by a combination of higher structural unemployment and inactivity, a welfare system that fails to adequately reward contribution, the neglect of civic and social institutions that create the conditions for people to come together to help one another, and a culture within public services that too often squeezes out the contributions and expertise of individuals and families.

Too few opportunities to contribute through work

For most of us, one of our most important contributions to society is made through our job. Paid work confers independence and self-worth, while long periods of worklessness can leave people feeling demoralised and excluded (Lawton and Cooke 2013). The recession did not have as great an effect on employment as was feared, but large numbers of people lost their jobs, and too many remain without work. Many more have not worked for a long time, often because they cannot find a job that is compatible with a health condition or disability, or with family responsibilities. Young people who lack a good education or practical work experience are finding it increasingly difficult to secure a place in the jobs market.

Both the previous Labour government and the Coalition have sought to promote contribution through paid work by addressing people's barriers to employment. Labour introduced the New Deal, which focused on helping people to identify vacancies and apply for jobs. It also introduced requirements on people receiving benefits to attend interviews with a personal adviser and demonstrate that they were looking for work. The Coalition has extended this approach through the introduction of the Work Programme, while also tightening access to disability benefits and increasing the use of benefit sanctions. These 'activation' strategies have been relatively successful at reducing the headline claimant count and keeping those who become unemployed close to the labour market. However, attempts to extend this model to people who have a reduced capacity to work have proved ineffective.

A social security system that fails to recognise contribution

Benefits based on past contributions have been out of fashion among the major political parties for more than 30 years. Politicians have considered them either too expensive (because they do not target resources where they are most needed) or too exclusive (because they do not cater for people who have not had the opportunity to contribute). While benefit spending has increased overall, the share of expenditure on contribution-based benefits has declined. By 2011/12, just 9 per cent of spending on non-pensioner benefits went on contributory entitlements, a third of the proportion of the late 1970s. Conversely, means-testing expanded dramatically over this period, rising from one-third to two-thirds of spending on working-age benefits (Cooke 2013).

The big shift in the structure of benefit spending began in the 1970s, and took off in the 1980s. But the post-1997 Labour government relied on means-testing as the principle tool for reducing poverty among pensioners and children. This led to significant increases in spending on tax credits for low-earners and families with children, as well as the creation of pension credit. The Coalition's plans for universal credit will see means-testing embedded as the primary form of financial support for working-age adults and their families. Meanwhile, the value of contributory benefits for those who become unemployed has fallen consistently over the last three decades, and the social security system now provides very limited protection for working people against economic insecurity. Larger cash transfers are focused on meeting extra costs associated with housing, children and disability.

The contribution of citizens squeezed out by the 'delivery state'

The previous Labour government had an ambitious agenda for social change, and achieved a great deal. However, its hunger for rapid and measurable results drove an increasingly managerial style that risked excluding the people and places it was trying to help. Complex monitoring regimes and detailed delivery targets increasingly superseded local organisation and responsibility (Cox et al 2013). Programmes were often designed centrally by 'experts', and delivered by professionals held to strict performance targets, leaving families and neighbourhoods struggling to play a meaningful part. The expertise of people who regularly use services (such as people caring for an elderly relative) was sometimes overlooked by complex, fragmented public services (Muir and Parker 2014). Although these methods succeeded in addressing the lowest standards, they tended to view people as passive recipients

of services, rather than building their capacity to solve their own problems.

The Conservatives' 'broken Britain' narrative (see chapter 2) was rooted in a critique of public services that were thought to be failing to address the underlying causes of social problems like crime and addiction, and whose bureaucracy was crushing attempts at self-help and mutual support. The Conservatives' 'big society' agenda sought to enable charities, community groups, families and individuals to take on more responsibility for meeting social needs. However, in government, the big society has come to little: setting the state and civil society against each other has proved a dead end for policy development, while localist rhetoric has not always been borne out in reality.

THE POWER OF CONTRIBUTION AND THE IDEAL OF RECIPROCITY

Fostering contribution and reciprocity offers the prospect of releasing more resources and capacities to deal with our shared problems. It can help reduce our unwanted dependency on others, and enable marginalised people to overcome exclusion from mainstream society. We also argue that promoting and rewarding contribution offers the strongest prospects for broadening popular support for our welfare system.

Mobilising all our resources, not settling for dependency or exclusion

Harnessing people's contributions has the potential to maximise the resources we have to address our common problems, and create more effective and lasting solutions. Given the financial pressures that the country faces, employment will have to make a significant contribution to raising incomes and improving the public finances in the next parliament.

However, simply tightening the conditions under which people can claim out-of-work benefits will not be enough to help those who face more severe labour market disadvantages (see chapter 8). These policies are leaving people dependent on benefits, when with the right support they could be making a contribution through paid work. The big increase in the use of relatively lengthy benefit sanctions under the Coalition government has in many cases simply caused people to disengage from support entirely.

Millions of people in Britain also make a contribution by caring for others or working to improve their neighbourhoods, for example, as volunteers or members of local organisations. Their time and expertise complements the work of public services, and helps address issues that are less suited to state action. For example, in Luton we met members of Marsh Farm Outreach, a dynamic community organisation working to get local people directly involved in improving their estate, rather than expecting the council or national government to create jobs and build community spirit for them. In Leeds, we met a group of older people who were being supported to organise their own social activities to help overcome loneliness and isolation, rather than relying solely on the council's care services.

Local people, like those who live on the Marsh Farm estate, know what is needed to improve their neighbourhood, and many have local relationships that could help make change happen. However, some areas need support to build up strong civil society organisations that are capable of harnessing these capacities. It is not enough for the state just to step back and hope that society will fill the space. The best solutions are found when the energy and expertise of individuals and families are combined with public services that work with this local knowledge and commitment. For instance, we met with people in London facing deep social exclusion who knew

exactly what approaches had failed them in the past, and what would really help to turn their lives around. In an era of austerity and pressing social challenges, we cannot afford to let this kind of knowledge and experience go to waste.

A resilient social security system, not residualisation or gradual decline

The erosion of the contributory principle has played a part in the dramatic loss of public confidence in the working-age benefit system over the last few decades. The British social security system has always embodied a balance between different entitlement principles, and it has never had as strong a social insurance dimension as many of its counterparts in continental Europe. However, in the postwar era, popular support for increasingly generous cash benefits was rooted in the reciprocity of a ‘give and take’ system, and until the 1980s there were stronger links between what people paid in and what they got out.

Today, people who have paid in less than others, or nothing at all, can claim a range of benefits at the same rate as those who have a substantial contribution record. Public attitudes data consistently shows that large majorities of the British public believe that the benefit system provides too much to those who have not contributed to it, and gives too little to those who have (Clery et al 2013, Cooke 2013). In Glasgow, working people told us of their frustration about the level of benefits they would be entitled to if they lost their job, but were also worried that the welfare system traps people in dependency – whether in worklessness or in low-paid jobs.

Meanwhile, the state pension retains strong levels of popular support in part because it encapsulates the principle of reward in return for contribution, as well as the fact that it supports people who are not expected to work. Only 16 per cent of

adults believe that today's benefit system has no fundamental problems (Cooke 2013), which demonstrates the dangers of defending the current settlement rather than responding to the broadly-held appetite for change.

Although there are widespread public misconceptions about levels of benefit expenditure, declining support for working-age social security leaves the system politically vulnerable. The bulk of the Coalition's cash cuts to benefits have hit means-tested support, but the biggest savings have been found in the below-inflation uprating of most working-age benefits, including contributory elements. Meanwhile, a series of reforms to tighten up benefit conditions (by both the previous Labour government and the Coalition) have done nothing to shore up public support for the welfare system. While conditionality is an important element of ensuring mutual obligations, the focus on punishing bad behaviour has not compensated for the lack of reward for doing the right thing. The continuing failure to address the crisis of legitimacy that faces the welfare system makes it vulnerable to future cuts and being further residualised into a narrow safety net for the poorest.

PRINCIPLES FOR FOSTERING CONTRIBUTION ACROSS SOCIETY

A strong society is founded on the notion of 'give and take'. We each have obligations to contribute, and we expect others to do the same. Academic studies have repeatedly shown that most people are neither wholly self-regarding nor entirely altruistic, but rather are 'conditional cooperators', who help other people but also want to see 'free riders' punished (Bowles and Gintis 2013). Institutions, policies and practices that hope to command public support and legitimacy must go with the grain of these instincts by promoting, enabling, rewarding and, sometimes, demanding contribution.

Many on the right would argue that state intervention almost always undermines people's capacity to help themselves, and squeezes out the space for voluntary action. This was the analysis that underpinned the Conservatives' 'big society' agenda. It argued that if the state stands back, individuals, families and civil society will take greater responsibility, and be liberated to deliver the mutual support that is currently smothered by the state.

However, rejecting the state as a partner in social change means giving up one of the most powerful tools we have for creating the conditions for self-help, mutual support and social action. The 'broken Britain' critique overlooked the many times in our history that a reformist state, working with others, has helped advance social goals. As a result, it relied on a naïve aspiration for spontaneous social action, without giving attention to the complex factors that are necessary for it to be nurtured and mobilised. In the chapters that follow, we identify four ways in which the state could foster contribution and reciprocity across society.

Requiring some forms of contribution

Some kinds of contribution are judged to be so important that they come in the form of an obligation: something we have to do as members of society. The most obvious example is jury service, where we have decided that trial by jury is so important that citizens should be compelled to serve on them. Likewise, voting in elections is among the most important contributions that we make as citizens in a democratic society, so declining election turnout should be of enormous concern to politicians – particularly as it is falling fastest among the young and less affluent. In response to this, IPPR has proposed requiring citizens to vote in the first election in which they are eligible, in order to help make voting a habit (Birch et al 2013).

The fact that people receive support from the social security system when they are not in work is also part of a reciprocal deal between individuals and wider society. In this report, we affirm the importance of matching support to access paid employment with obligations to prepare for and accept work (outlined in chapter 8).

Promoting contribution through paid work and unpaid care

Our economy depends on the contributions that millions of people make by going to work, while our society depends on the contributions that millions make by caring for loved ones. In the years ahead, Britain will need to maximise both kinds of contribution – and help families to negotiate the points at which these requirements clash. A high employment rate will be a prerequisite for improving living standards and financing public services, while better mobilising the time and care of family and friends, alongside formal care services, will be essential to meeting the needs of an ageing society.

Therefore, in chapter 8, we propose a new approach to employment support for those on health-related benefits, while in chapter 7 we argue that the school-to-work transition system for young people must be restructured. We also recommend a job guarantee ‘backstop’ in the welfare system that would limit the amount of time society permits anyone to remain unemployed (see chapter 8).

It is vital to ensure that people who have caring obligations do not have to sacrifice their employment prospects. We therefore propose strengthening the workplace rights of new parents (see chapter 6) and those caring for disabled adults or older people (chapter 11).

Rewarding contribution in the welfare system

Better rewarding the majority of people who contribute to the system is likely to be a more effective means of legitimising the welfare system than only bearing down on the minority who do not. In chapter 8, we propose a series of steps that would begin to restore the principle of contribution to the social security system, though achieving this will not be possible overnight. At the centre of these proposals is an institutional reform that would establish a clear relationship between contributions and entitlements in the national insurance system. Also in chapter 8, we propose a series of specific changes that would boost temporary income protection for those who lose their job following a period of contribution.

Strengthening institutions that mobilise contribution and mutual support

We are much more likely to contribute to social change and help others if there are intermediary organisations and civic institutions that create space in which we can come together to address shared problems. That is why in chapter 6 we propose an expansion of affordable childcare led by local institutions. Children's centres and local nurseries, which are rooted in neighbourhoods, provide a place where families can meet each other and draw on support from volunteers and mentors. In chapter 11, we describe how stimulating the growth of 'neighbourhood networks' could do the same for people who want to help combat loneliness and isolation among the elderly.

Similarly, in chapter 7 we propose significantly expanding the successful National Citizen Service programme, which provides young people with opportunities to contribute to their community during the crucial transition to adulthood. We also recommend that people who have moved to this country should be encouraged to make a contribution to

society before they gain British citizenship (see chapter 7). To provide local people with opportunities to participate more actively in the criminal justice system, we argue for an expansion of neighbourhood justice panels, which draw on the expertise of volunteers to resolve low-level antisocial and nuisance behaviour (see chapter 10).

Finally, while politicians have been right to focus on the obligations of people receiving benefits, they have had less to say about the social contributions of people who have succeeded thanks to the strengths of our society. New institutions – including Teach First in education, Frontline in children’s social work, and Think Ahead in adult mental health social work – are providing attractive routes through which top graduates can use their skills to help others (Clifton 2013, Clifton and Thorley 2014). We must ensure that people from across society can access elite roles and institutions. But those who have the privilege of doing so must also share an understanding of other people’s lives and find ways of serving the common good.

Chapter 5

STRENGTHENING SHARED INSTITUTIONS

The major social problems facing Britain are becoming increasingly complex and unpredictable. Bringing down long-term worklessness, enabling older people to overcome loneliness, and helping young people to re-engage with work or learning all require close personal relationships and support from a range of services and institutions. Help from family, friends and neighbours is often essential, especially when state action is inappropriate or ineffective. People often need to take control of their own lives in order to find lasting solutions, too. This necessitates a different – though not necessarily diminished – role for the state.

Our public services and welfare state are not currently set up to deal with complex challenges, or to mobilise other resources and sources of agency. Too often, they offer standardised solutions that lack the flexibility to respond to people's particular circumstances, and which can leave them feeling frustrated or undermined. This makes it harder to tackle the root causes of social problems, and to find lasting solutions that inspire confidence.

In this chapter we argue that the third pillar of a strong society is the collection of shared institutions, both of the state and in civil society, that together enable people to forge

reciprocal relationships and work together to overcome their problems. We argue that strengthening these relationships and institutions should be prioritised over top-down programmes and cash benefits to meet social needs. This approach has the potential to unlock all the capacities in society, and find more effective and sustainable solutions to our most pressing social problems.

THE FAILURE TO TACKLE COMPLEX SOCIAL PROBLEMS

Both the previous Labour government and the Coalition have for the most part sought to tackle a range of social problems with a mix of market mechanisms, top-down policies and cash benefits. Each of these approaches works well in some cases, but they are often incapable of addressing more complex problems, creating the conditions for sustainable solutions, or securing broad public support.

Overreliance on targets and markets to improve public services

The previous Labour government tended to depend on central state or market-driven approaches to improving public services and tackling social problems. Where it inherited serious underinvestment and unacceptable standards, such as in the NHS and schools, focused intervention from the centre made a real impact: hospital waiting lists fell, while literacy and numeracy standards rose (Muir and Parker 2014, Machin and McNally 2008).

In its later years, the Labour government introduced managed competition in public services, and opened up services to non-state providers. This drove improvements in key areas and gave citizens more information about the quality of different providers and – crucially – the ability to

choose between them. In parts of the adult social care system, individuals were given direct purchasing power through a personal budget which they controlled. Used in the right way, such mechanisms can empower service users in relation to providers and bureaucracy.

However, reliance on state and market levers can go too far if they neglect or squeeze out other forms of power and agency. Under Labour, central government units and departments often sought to solve social problems by designing detailed policies and delivery plans and imposing them on managers and practitioners, with standards monitored through national performance indicators. At times, Labour showed signs of an ‘industrial approach to public policy’, seeking to define the problem, analyse its frequency and location, apply a tried-and-tested solution, and measure the outcome (McNeil 2012: 33).

Such strategies often proved ineffective at dealing with the most complex social problems, as it failed to recognise the messiness and contingency of real life and left people’s own capacities and resources untapped. This helps to explain why significant improvements in standards in many public services were not enough to substantially improve people’s experiences of interacting with the state (Muir and Parker 2014). Although people recognise service improvements, their experiences of using public services can still be frustrating, with services that sometimes seem remote, bureaucratic and unconcerned with people’s specific needs.

Labour’s largely centralised approach to social renewal helped to inform the development of the Conservative’s ‘broken Britain’ critique, and its ‘big society’ agenda. Yet despite the rhetoric of ‘little platoons’ of civil society, the Coalition has tended to rely on large, general public service contractors, rather than the charities and community organisations capable of making services more ‘person-centred’ (Crowe et al 2014).

This government's response to social complexity has been to trust in the market, demonstrating a belief that, with the right financial incentives, non-state providers will succeed where the state has failed. So far, however, the evidence that 'payment by results' contracting can respond effectively to social complexity is not strong (McNeil and Hunter 2014, Newton et al 2012).

Overdependence on cash benefits to raise incomes and meet social needs

When in government, Labour relied heavily on cash benefits to address social needs, particularly to lift the incomes of pensioners and families with children. This boosted living standards in the short-term, but locked in high and rising levels of benefit spending to sustain progress, which had started to look unsustainable even before the crash (Lawton 2013). Spending on tax credits and their equivalents tripled in real terms between 1999/00 and 2003/04, from £7.6 billion to £21.2 billion, and by 2010/11 had increased again to £30.0 billion (DWP 2013).

Excessive reliance on cash transfers to raise incomes has the effect of leaving people dependent on the spending preferences of the government of the day, rather than experiencing the respect and dignity that comes from earning a living. Child poverty is set to rise in the next parliament (Browne et al 2014), which indicates not only that the financial crisis and the austerity that followed it have reversed earlier progress, but also that not enough was done under the last government to embed lasting improvements in services and employment prospects.

Labour also relied on benefits to help people cover fixed costs like childcare and rent, continuing a long-term shift that started in the late 1970s. Since then, governments have increasingly used cash payments to subsidise demand, rather than make social investments to meet important social needs.

Yet the former can often be relatively inefficient. Cash transfers can push up prices in markets with big imbalances in supply and demand (like housing), or those in which it is not easy or desirable for people to regularly switch providers (like childcare). Greater reliance on cash transfers also means that benefit spending continues to rise even when the economy is growing, as the system is increasingly meeting needs that are not linked to the strength of the economy.

The Coalition has sought to bring down the working-age benefits bill with a series of cuts to entitlements and below-inflation increases in benefit rates. Although their impacts on individual families can be devastating, these reforms have not changed the structure of how social needs – housing, for example, or childcare – are met. Universal credit will bring several means-tested benefits together into a single payment, but it will not radically alter the strategic priorities of the social security system. Meanwhile, ministers talk about tackling the root causes of poverty rather than simply handing out benefits, but they have done little to address the structural causes of worklessness and low pay. The benefits bill therefore continues to rise, despite cuts to entitlements.

THE CASE FOR STRENGTHENING INSTITUTIONS

Both the Coalition and the previous Labour government have used broadly similar tools to address Britain's major social challenges. Most interventions have involved some mix of targets, markets and cash transfers, even though governments have, at various times, criticised these approaches and sought alternatives. Such strategies can work well where problems are simple and linear. However, if we are to address complex social issues then we need to turn our focus towards nurturing relationships between people, and meeting more social needs through institutions that both lower costs and bring people together to help each other.

Ending dependency for good, not a series of short-term fixes

Addressing complex social problems by nurturing relationships offers the prospect of more effective and enduring solutions, as opposed to the short-term crisis responses that targets, markets and cash transfers tend to produce. Strong relationships allow citizens and practitioners to work together on solutions that draw on people's own resources and address the full complexity of each individual's situation. This is at the root of 'case worker' models that are currently used in the Troubled Families programme, by youth offending teams, and in the best back-to-work services.

Stronger relationships between services and frontline practitioners can also help to ensure that people with complex problems are able to draw on coordinated support from several different services. For example, we met several people who needed help with finding a home, and were dealing with a mental health issue and overcoming a drug problem at the same time. Tackling these problems together makes it more likely that people's underlying problems will be properly addressed, rather than just one particular set of symptoms being temporarily treated.

Social security is vital for making sure that people have a source of income, as a protection against the insecurity of the jobs market. However, the benefit system is often not the best means of sustainably raising incomes, or of meeting other social needs such as childcare, housing and social care. Prioritising productive social investments – in jobs, skills, homes, and services – can deliver better value for taxpayers' money, by helping to shape markets rather than chasing them. It can secure good quality provision with universal coverage (as in childcare), or enable the state to build up valuable public assets rather than simply subsidising private ones (as in housing).

Popular support for collective social action, not public frustration and distrust

Prioritising relationships and institutions over transactions and cash transfers offers the prospect of strengthening support for public services and social security, which is essential in a democratic society. It would help to ensure that action taken to tackle difficult social problems is seen as legitimate and is sustained over time. Drawing more heavily on relationships and social institutions would provide space and opportunity for people to use their knowledge and experience to shape responsive services and systems that treat them as human beings, rather than as a set of problems to be assessed and managed.

Similarly, investment in institutions, such as children's centres or neighbourhood networks for older people, would be more meaningful to people than cash transfers. In Manchester, we visited an outstanding children's centre, run by Barnardo's, that acted as a trusted place where parents could support each other while also drawing on help from local volunteers. Tangible places like these become part of our shared lives, inspiring considerably more affection and personal commitment than any government programme or cash payment. Independent institutions can also act as bulwarks against excessive concentrations of power in the market or the state, thereby contributing to an empowered and dynamic civil society.

PRINCIPLES FOR STRENGTHENING INSTITUTIONS

In this report we argue that meaningful relationships and popular, democratic institutions should be at the heart of our response to society's most pressing and complex problems. We have identified five principles for expanding the role of relationships and shared institutions across society.

Identifying the problems that relationships and institutions can have the biggest impact on

Building up relationships takes time, and can be expensive if it implies, for example, more one-to-one contact between service users and professionals. In the context of tight public budgets, this is not possible in all circumstances. It is necessary, therefore, to distinguish those complex problems that require a relational response from those that respond to more transactional or standardised interventions. For example, people with a reduced capacity to work are likely to need specialist support to find and keep a job, but most of those who have a recent work record will not (see chapter 8). Allowing the latter group to spend more time looking for work by themselves would give personal advisers more time with people who need the most one-to-one support.

Using national leadership to set priorities and raise standards

Strengthening relationships and institutions often requires central government to step back and accept contingency and variation. However, this does not mean that it has no role, or should simply abdicate responsibility altogether. Government must play an important national leadership role, setting priorities for social action and identifying the broad approaches (relational, transactional, cash transfers, or social investment, for example) that should be pursued to tackle different problems. It then must drive through reforms that will make these possible – including devolving power and responsibility.

Within this framework, government should set core national goals and service entitlements, along with establishing clear systems of accountability. This is particularly important for problems that do not command widespread public

sympathy, such as long-term worklessness, addiction and reoffending. In chapter 8, we argue that disabled people who are expected to take steps towards entering work should have a personal adviser and a personal employment plan.

The centre can also provide leadership by helping to raise standards beyond the minimum, with national improvement programmes in key services to help places and professionals learn from each other. We argue that this should include the creation of a national Social Inclusion Board, responsible for driving service improvements for people facing deep exclusion (outlined in chapter 10), and the expansion of the Youth Justice Board to enable it to play a similar role for young adult offenders (discussed in chapter 7).

Helping families to maintain strong relationships

Families are the bedrock of society, and the first source of support that most people will turn to. It is not the state's job to tell families what to do, and it cannot create strong relationships. However, government can create the conditions for families to thrive by making sure that support is available at times of stress, and by removing some of the barriers to forging and maintaining strong relationships.

In chapter 6, we argue for a package of measures to better support family relationships, including longer and better paid paternity leave, and new entitlements to paid time off for antenatal appointments, so that fathers can be more involved in their child's life from the very start. We also propose scrapping the government's planned marriage tax breaks, and investing some of the savings into providing practical support for couples experiencing relationship issues. And we outline plans to end marriage notice fees so that the state no longer charges people to get married, in order to give a little extra support to couples who want to tie the knot.

Promoting case workers and pooled budgets to lead lasting change

To nurture relationships as a means of dealing with complex social problems, steps must be taken to integrate services around individuals, families and neighbourhoods, led by consistent case workers or coordinators. Dedicated case workers can build the one-to-one relationships that are necessary to genuinely understand individuals' lives, and motivate them to work towards solutions. Pooling budgets would make it possible to overcome often arbitrary service boundaries, and to save money by reducing bureaucracy and duplication, and boosting innovation.

In chapter 10 we argue for pooled budgets and case workers to support people who are experiencing a combination of addiction, homelessness, mental health issues and reoffending, so that they can address all of their problems together. This would build on the government's effective Troubled Families scheme. A similar model has been successful in lowering rates of youth reoffending, and in chapter 7 we propose extending it to young adults. For older people, neighbourhood approaches to coordinating health, care and social support around individuals' needs and interests should be made more widely available, as we argue in chapter 11.

Prioritising investment in relationships and institutions over benefits and bureaucracy

Over time, support for some social needs should be transferred away from the benefit system, and towards more productive social investments. In chapter 6, we recommend that childcare be delivered through local institutions like children's centres and nurseries, and that spending should be focused here rather than on cash benefits for all children. Likewise, our housing reforms (outlined in chapter 9) are designed to shift housing

spending from ‘benefits to bricks’. We also propose scaling back winter fuel payments in order to pay for expanded social care services for older people (in chapter 11). At the same time, our proposals for reconstituting the National Insurance Fund are designed to create an independent, democratic institution to help govern the system of national insurance contributions and entitlements (discussed in chapter 8).

Building up institutional responses to social problems can also help overcome the bureaucracy and remoteness that can be features of state-led solutions. In chapter 10, we propose establishing volunteer-led neighbourhood justice panels to help bring the criminal justice system closer to citizens who are affected by antisocial behaviour. In chapter 11, we describe how new neighbourhood networks led by older people could help those who face loneliness and isolation in ways that the state never could.

Finally, our proposals for an Affordable Credit Trust (in chapter 8) offer a blueprint for a new independent, democratic institution that would stand up to excessive market power by backing affordable alternatives to expensive payday lenders.

Part 3

**STRATEGIES FOR
SOCIAL RENEWAL**

Chapter 6

FAMILIES: RAISING CHILDREN AND NURTURING RELATIONSHIPS

Over the last five years, families across the income scale have faced an unprecedented squeeze on their living standards. Throughout the Condition of Britain programme we have heard from families worried about how they will pay the bills while still finding time for each other. A central priority for the next parliament must be to help families with children to raise their incomes, including to overcome poverty. However, unlike in the years before the financial crisis, improvements in family incomes will have to come primarily from higher and better paid employment rather than benefit increases, although the social security system will remain a vital source of support for many. The current government's cuts to tax credits and benefits mean that child poverty is expected to rise over the course of the next parliament, despite the recovering economy (Browne et al 2014).

However, the fiscal climate means that these measures cannot simply be reversed, at least in the short term. In any case, doing so would leave many of the root causes of child poverty unaddressed. Instead, our focus should be on creating the conditions that enable parents to work and earn enough to support their family. Tackling low pay and securing a

return to decent wage growth for low- to middle-earners is vital.⁹

This must be balanced with a focus on the need to protect family time, so that parents can be there for their children and sustain their own relationships. We must also ensure that mothers and fathers have the chance to fulfil their aspirations both at work and at home, rather than being pushed into traditional breadwinner and carer roles.

In this context, we put forward four priorities for family policy in the next parliament.

First, we urge the next government to prioritise universal childcare over further increases in benefits for all children (or restoring the universality of child benefit). High quality childcare helps parents to work and ensures that children get the best start in life. The previous Labour government demonstrated that the alternative – tackling child poverty primarily through more generous benefits – has political and financial limits.

In Scandinavian countries, a greater share of public spending on families goes on childcare services that are available to all families, rather than on cash benefits. This has helped to sustain higher employment rates among mothers: in 2012, 85 per cent of mothers in both Denmark and Sweden were in work, compared to 71 per cent in Britain (by contrast, employment levels among fathers were broadly similar in all three countries) (Eurostat 2013).¹⁰ Scandinavian countries also have more mothers with young children in work: 77 per cent of mothers with children under six have a job in both Denmark

9. Among other things, this should draw on proposals for extending the coverage of the living wage (see Lawton and Pennycook 2013) and for strengthening the minimum wage (see Plunkett et al 2013).

10. In the same year, 91 per cent of British fathers were in work, compared to 92 per cent in Denmark and 93 per cent in Sweden.

and Sweden, compared to 59 per cent in Britain (ibid). In these countries, employment rates are higher among both lone parents and partnered mothers, so fewer children grow up in workless households and there are more dual-earning families. This in turn has contributed to lower rates of child poverty than in Britain, sustained over several decades.

Beyond these benefits, investing in universal childcare can also develop and strengthen local institutions – children’s centres and nurseries – where families can come together and support each other. Local childcare institutions that are open to everyone encourage families from different backgrounds to share a common life, thus helping to overcome social divisions. They can also provide a focal point for more intensive assistance for families who are really struggling, with opportunities to bring together childcare, health, parenting and relationship support under one roof, and in a place that parents trust. Early action to address problems within families can be much more effective than waiting until children start school.

Second, investment in young children should be prioritised, rather than spreading resources evenly across all families. This would mean increasing financial support for the under-fives, as well as investing in childcare, while the value of some benefits for older children should be held down. Parents are less able to work when their children are young, even when affordable childcare is available, and poverty in early childhood can have a significant impact on child development. We should therefore weight cash transfers towards young families, to make sure that parents can spend time with their children without facing a large drop in their living standards. To this end, we propose reforms to child benefit, drawing on policies already in place in Denmark and Iceland – two countries that have sustained low rates of child poverty. We also argue for more time off for fathers, both for antenatal appointments and when their child

is born, to ensure that they are able to make a full commitment to family life.

Third, to support higher rates of employment among parents, we argue that the structure of the benefit system should strive to improve work incentives where they really make a difference, while containing overall benefit spending. Under current plans, work incentives for dual-earner families will be weakened under universal credit, even though dual-earning provides the strongest protection against poverty. We therefore propose the addition of a separate work allowance for second earners to enable them to keep more of their earnings before losing entitlement to universal credit. To further strengthen work incentives, we also propose additional investment in after-school care for primary-school-age children.

Finally, we argue that society and the state should do more to back commitment and strong relationships, including among couples. Family life can be tough, and couple relationships can come under severe stress which can lead to relationship breakdown. Practical and emotional support should be made available for couples when they need it most, through an entitlement to free couples counselling for all adults. Rather than a marriage tax break for a small number of couples, we propose ending marriage notice fees so that the state no longer charges for marriage and couples receive a little practical help as they prepare for their big day.

6.1 EXPANDING PATERNITY ENTITLEMENTS FOR FATHERS

Working fathers should be given the chance to play a bigger role in early parenting, through an entitlement to four weeks of leave following the birth of their child, paid at least the national minimum wage, as well as paid time off for antenatal appointments.

New parents need time away from work to care for their young children, and to strengthen their relationship with each other at what can be a hugely enjoyable but also very stressful time. However, this is often difficult for fathers because they have limited entitlements to paid leave, and so they often assume the role of breadwinner while their partner is on maternity leave. Fathers who take more than a few days off around the birth of their child are subsequently more likely to be actively involved in raising their child than those who do not (Del Carmen Huerta et al 2013). Their children also typically show stronger early development than those who have less early contact with their father (ibid). Fathers' greater involvement in family life can also make it easier for mothers to return to work after taking maternity leave, which helps to raise the family's income and lessen the impact of motherhood on women's careers.

Currently, working fathers have a legal entitlement to two weeks of paternity leave, paid at a flat rate of £138.18 a week (or 90 per cent of earnings if that figure is lower).¹¹ This is paid in the first instance by the employer, who can then reclaim 92 per cent of the cost from the government (or 103 per cent for small firms¹²). The current rate of paternity leave is equivalent to just £3.45 an hour for a 40-hour working week, little more than half the rate of the minimum wage.¹³ For families on modest incomes, this drop in wages – even if only for two weeks – can have a significant impact, particularly at a time when families are faced with the extra costs of a new baby. Some employers provide occupational paternity leave and pay beyond the statutory

11. They must have been with their employer continuously for 26 weeks by the end of the 15th week before their baby's due date.

12. The higher reclaim rate is paid to businesses that qualify for small employers' relief, which applies to firms that paid less than £45,000 in class 1 national insurance contributions in the previous tax year.

13. Currently £6.31 an hour.

entitlement, but this is far from universal and access is skewed towards higher earners. Although the majority of fathers take some time off work when their child is born, little more than half (55 per cent) take the full two weeks (Ellison et al 2009). A third of eligible fathers do not take any of their statutory leave, with most saying this is because they cannot afford to take the entitlement (some fathers choose to use paid holiday leave instead, in order to avoid a fall in wages) (ibid).

Mothers who are in work when they become pregnant are entitled to 52 weeks of maternity leave, which is paid for the first 39 weeks (with the first six weeks paid at 90 per cent of previous earnings, and the following 33 weeks at a flat rate of £138.18 per week, although some employers pay more). They can transfer up to 26 weeks of their leave entitlement to their partner, but this is dependent on their employment status rather than that of the father, and it is paid at a low rate. From 2015, mothers will be able to share up to 50 weeks of their leave with the father (they must take the first two weeks to protect their health). This will provide greater flexibility for parents, but the government expects take-up of the new shared leave entitlement to be low (between 2 and 8 per cent) (BIS 2013). Evidence from Nordic countries shows that fathers take paternity leave in greater numbers if it is relatively well-paid in relation to their normal earnings, and if they have a dedicated entitlement – a so-called ‘use it or lose it’ period of leave that cannot be taken by the mother (Moss 2013).

Drawing on this international evidence, we propose that the statutory paternity leave entitlement should be extended to give fathers the right to a full month’s leave (20 days), paid at least the national minimum wage.¹⁴ Such a measure would benefit approximately 413,000 working fathers – those who are

14. Applies to the whole of the UK as employment rights are not a devolved matter.

eligible for statutory paternity leave under current employment rules – every year (Ben-Galim 2014). We estimate that this would cost around £150 million in 2015/16, on top of existing spending on paternity leave. This assumes that take-up of the full entitlement would rise from 55 to 70 per cent, and that employers would be reimbursed on the same basis as they are now (see Ben-Galim 2014). Employers would be encouraged to bridge the gap between the statutory rate and the father's actual pay. However, those employers that currently do this would have a smaller gap to bridge under our proposals, and so would see the overall cost of paternity pay fall. Later in this chapter, we show how our proposals for paternity pay could be paid for as part of a package of reforms to help families with young children.

To further promote fathers' early involvement in family life, we also propose a new entitlement to paid time off for fathers-to-be to attend antenatal appointments. It is recommended that healthy pregnant women attend between nine and 12 appointments with a midwife or doctor, for tests and scans and to discuss issues such as health in pregnancy, breastfeeding, caring for a newborn baby, and postnatal depression (NICE 2008). These are all issues that expectant fathers should be involved with, alongside their partner.

Pregnant women currently have a legal entitlement to paid time off to attend antenatal appointments on the advice of a doctor, midwife or health visitor. Employers must agree to any reasonable request for time off for this purpose, and the employer is not reimbursed for this by the government.¹⁵ From October 2014, fathers will have a new right to unpaid time off to attend up to two antenatal appointments. We recommend

15. To protect expectant mothers' health, there is no specific limit on the number of appointments they can attend, although mothers who need to have a lot of time off may have to take sick leave.

that this entitlement is strengthened so that fathers-to-be have a legal right to paid time off for up to four antenatal appointments (which, as for mothers-to-be, employers would not be reimbursed for, though the costs would be relatively small). This would mean that a father-to-be could attend, for example, the initial appointment with a GP or midwife, the 12 or 20-week scan when parents first see their unborn child, plus two further appointments later in the pregnancy. This would enable prospective fathers to support their partners, and signal an expectation that fathers should be deeply involved in raising their children right from the start.

Over time, as resources become available, government should seek to further improve leave entitlements for new parents. These are vital components of a modernised welfare state: supporting a high employment rate, protecting family time, and adapting to the changing roles of mothers and fathers. Extensions to paid parental leave are also consistent with strengthening the social insurance aspect of our social security system, as these are contribution-based entitlements available to parents who have worked and paid into the system (we will discuss this wider argument in greater depth in chapter 8).

A longer-term goal should be that the rate at which fathers' four-week-long leave entitlement is paid is increased to 90 per cent of previous earnings, to match the rate for the first six weeks of maternity pay. The bulk of entitlements to paid leave should also become genuinely shared between mothers and fathers (beyond a protected six weeks for mums and four weeks for dads). This would mean fathers being entitled to leave on the basis of their own employment status, rather than relying on their partner's eligibility. In time, the rate of pay attached to this longer period of leave should be increased, so that fathers have a stronger incentive to take a much

greater role in caring for their child during its first year, while protecting family incomes during this period. Parents should also have more flexibility to take leave in smaller chunks, and to combine days of paid leave with part-time work.

6.2 GUARANTEEING AFFORDABLE CHILDCARE FOR ALL YOUNG CHILDREN

An affordable childcare place should be guaranteed for all parents of preschool children from the age of one, with a universal entitlement to free, part-time, year-round care for all those aged between two and four, paid for by restricting pension tax relief, freezing child benefit for school-age children and scrapping the marriage tax allowance.

The last 20 years have seen childcare develop from an issue largely resolved privately within families to one that is increasingly core to the contemporary welfare state. However, childcare remains expensive for many families, particularly working couples on modest incomes (Ben-Galim 2014). The cost of childcare is stopping too many parents – mostly mothers – who want to work from doing so, while preventing others from working the hours they would prefer. In Britain, four in 10 mothers who are not in work want a job, and two-thirds cite the affordability of childcare as a barrier to work (Alakeson and Cory 2014). Among working mothers, one in five want to work more, and of them two-thirds say that the cost of childcare prevents them from doing so (ibid).

These constraints make it harder for parents to earn enough to raise their family, particularly when they can no longer rely on increases in benefits and tax credits. They can also push some mothers into jobs that provide just a few hours of work per week or that are below their skill level, which often offer low pay and few prospects. This reinforces the gender pay-gap,

and holds back the career aspirations of many mothers, which represents a massive waste of talent.

In England, all children aged three and four are entitled to 15 hours of free childcare for 38 weeks a year, as are two-year-olds from the most deprived 20 per cent of families.¹⁶ From September 2014, this free provision will be extended to two-year-olds from the most deprived 40 per cent of families. Families eligible for tax credits can get 70 per cent of their additional childcare costs reimbursed, up to a limit of £175 a week for one child and £300 a week for two or more children (this will rise to 85 per cent of costs under universal credit). Higher earning parents can currently benefit from employer-supported childcare, which offers tax and national insurance relief on childcare vouchers worth up to £55 a week.¹⁷ This system will be replaced by so-called 'tax-free childcare'¹⁸ from 2015, which will give eligible families a subsidy worth 20 per cent of childcare costs per child per year, up to £10,000 a year. However, this would still leave a family with two young children paying, on average, £300 a month for childcare.¹⁹

The take-up rate of the free entitlement is very high, and so provides a popular foundation on which to build a system of universal, affordable and high-quality childcare. As a major advance towards this goal, we propose that all children aged 2–4

16. In Scotland, the entitlement is 475 free hours a year, equivalent to 12.5 hours a week over 38 weeks, although this will be increased to 600 hours (or 15.75 hours a week). In Wales, the free entitlement is for 10 hours a week, 38 weeks a year, and in Northern Ireland it is 12.5 hours a week.

17. The £55 weekly limit applies to parents who joined their employer's scheme before 6 April 2011; for parents who joined after this date, the weekly limit is £55 for basic-rate taxpayers, £28 for higher-rate taxpayers, and £22 for additional-rate taxpayers.

18. In practice, this support will not operate as a tax relief, but as a co-financing mechanism.

19. This is based on a family with a one-year-old receiving 20 hours of care a week, and a three-year-old receiving 30 hours, both of which are the average weekly hours of childcare for children of their age.

should be entitled to 15 hours a week of free, good-quality childcare for 48 weeks a year.²⁰ This would entail extending the existing two-year-old entitlement to the 60 per cent of children who will remain ineligible for it under current plans, and extending the entitlement for all children aged 2–4 from 38 to 48 weeks a year. This would replace expensive and uncertain childcare during holiday time with consistent and affordable support for working families throughout the year. We estimate that the total cost of these changes would be around £1.91 billion a year (in 2015/16 prices) (Ben-Galim 2014).²¹ Funding for this extended entitlement would work on the same basis as that for the current entitlement, with central government providing funding to local authorities, which is then passed on to providers on the basis of locally determined hourly rates.

A universal, free entitlement to good-quality childcare would provide a bedrock of support for all families, regardless of income. It would also help to secure the broadest possible support for investment in childcare, as its cost and availability presents a challenge for families across the income scale. At the same time, it would strengthen the community institutions – like children’s centres and nurseries – that nurture relationships among diverse families living locally, helping to overcome social divisions and the isolation that some new parents face.²² Greater social mixing also has practical benefits for children from less affluent families, as it has been shown to help boost their early development (Parker 2013).

20. Since childcare is a devolved issue, our proposals and costings on the free entitlement cover England only.

21. This £1.91 billion figure is comprised of £910 million to extend the existing free entitlement to all two-year-olds and £1 billion to extend the free entitlement to 48 weeks a year for all 2–4-year-olds (see Ben-Galim 2014).

22. The free entitlement could also be used for childcare provided by a registered childminder, which is particularly important for parents who need extra flexibility – those who work atypical hours, for example.

Extending the universal free entitlement to all 2–4-year-olds on a year-round basis would reduce the overall cost of childcare for working parents. However, 15 hours a week is not enough to enable parents with caring responsibilities to work for anything more than just a few hours a week. Also, this new regime would still not provide any support for parents with a one-year-old, even though this is the point at which all maternity leave entitlements will have ended. This is one of the main reasons why the employment rate of mothers with young children in Britain lags behind those in Scandinavian countries, despite the investments that have been made in childcare in Britain over the last 15 years.

Working parents need to be confident that affordable, full-time childcare will be available for their child after their year of maternity leave has expired and before their child starts primary school. Therefore, we propose that all children aged 1–4 should have a guaranteed childcare place of 35 hours a week, 48 weeks a year. This should be achieved by guaranteeing up to 20 hours a week of affordable childcare for children aged 2–4, on top of the free entitlement discussed above, and up to 35 hours a week for one-year-olds. This guarantee should only be available to families in which all parents are in work, in order to recognise the contribution that they are making by both working and raising a family, and to focus support on parents who need it most.²³ There should be no requirement for parents to use their entitlement to a guaranteed childcare place, either in whole or in part, but it should be available to those who want it.

This affordable childcare guarantee should reduce the price paid by working parents beyond what is planned by the

23. The free universal entitlement outlined above would ensure that all children have access to high-quality early learning regardless of their parents' employment status; most studies have found that part-time provision is sufficient to benefit children's early development (Parker 2013).

government, which still leaves many families facing prohibitive fees. As a next step, the subsidy for childcare costs for those on universal credit should be increased from 85 to 95 per cent, while the subsidy provided by tax-free childcare should be raised from 20 to 30 per cent.²⁴ Our modelling suggests that this could be achieved at no extra cost. Primarily, this is because extending the free entitlement as proposed above would reduce parents' reliance on the subsidies provided in universal credit and tax-free childcare. In addition, we suggest that these subsidies are limited to 35 hours a week, so the relatively small number of parents who currently use more than 35 hours of childcare would not be able to claim support through universal credit or tax-free childcare for those additional hours.²⁵

On average, working families that use formal childcare use 20 hours a week for one-year-olds and 30 hours for children aged between two and four. Under our proposals, a middle-income family with a one-year-old and a three-year-old who use the average amount of childcare each week would be left paying £261 a month, compared to £299 under the Coalition's plans, saving £38 a month. There would be a similar saving for families entitled to the full amount of childcare support under universal credit: their spending on childcare would fall from £56 under the Coalition's plans to £19 a month.

Local authorities already have a legal responsibility to ensure sufficient local provision of childcare to meet the needs of parents in employment, education or training, covering children from birth to the age of 14 (or 18 for disabled children). This requires local authorities to manage the local childcare market to ensure that there is sufficient supply to meet demand, rather than to provide childcare directly (although

24. These proposals relate to the whole of the UK, since universal credit and tax-free childcare are not devolved matters.

25. See Ben-Galim 2014 for full details.

many local authorities do run their own nurseries). There are no specific rules about what this responsibility means in practice – for example, in terms of the affordability, flexibility or number of hours that should be on offer locally. Under our proposed affordable hours guarantee, local authorities would have a specific duty to ensure that up to 35 hours of childcare a week is available, for 48 weeks a year, to all working parents with children aged between one and four. They should retain their responsibility for ensuring sufficient childcare for children up to the age of 12 months and from the age of five, where working parents want it.

Increases in the level of subsidy provided through universal credit and tax-free childcare should be accompanied by a cap on the childcare fees charged by providers. Without such a cap, the injection of public money involved in our proposals could simply be offset by higher prices – as has occurred in some other countries, including Australia and the Netherlands, in response to increases in public subsidies for parents' childcare costs (Cooke and Henehan 2012). To avoid this, the government would need to negotiate a cap on the fees charged by providers each year, based on a per-child formula. This cap would need to take account of the cost pressures facing providers, including those associated with improving the quality of provision (discussed further below).

The parents of preschool children face the highest childcare costs. However, after-school and holiday care can also be vital to enabling parents with school-age children to work, and particularly to work full-time. Under current plans, tax-free childcare will provide a subsidy of 20 per cent of eligible costs for parents with children up to the age of 12; and support for 85 per cent of eligible childcare costs will be available under universal credit for parents with children up to the age of 15. To ensure that parents with school-age children have strong

incentives to return to work or increase their working hours, we recommend that the increase in subsidies for childcare for 1–4-year-olds described above (that is, 30 per cent of eligible costs through tax-free childcare and 95 per cent of eligible costs through universal credit) should be extended to parents with children up to the age of 12. Assessing the cost of this extension using published data is difficult, but as a guide we estimate that this could cost somewhere in the region of £220 million a year.²⁶ Extending help with childcare costs to families with primary-school-age children would make it easier for parents to earn more through working longer hours, and reduce their reliance on benefits and tax credits.

Over time, as increased tax revenues are realised and benefit expenditure is reduced as a result of higher maternal employment, the level of support provided to families through the cost-sharing mechanism set out above should be increased, particularly for middle-income families using tax-free childcare. The government should also consider options for moving to a single system of assessing and paying the subsidy for hours beyond the universal free entitlement. The aim of such a reform should be to bring tax-free childcare and the childcare element of universal credit together into a single system that offers a sliding scale of support (potentially making childcare entirely free for low-income working families). In the long-run this would involve removing help with childcare costs from universal credit, which would make it less complex to understand and deliver.

26. This draws on analysis in Ben-Galim (2014) which indicates that the government plans to spend approximately £670 million in total on tax-free childcare and universal credit for children other than those aged 1–4. We assume that all of this expenditure goes on 5–12-year-olds (in practice, a small proportion will go on babies and children in secondary school, particularly disabled children with high care needs). This estimate is based on some major assumptions about the distribution of childcare spending on 5–12-year-olds, and should be treated as an estimate.

6.3 RAISING THE QUALITY OF EARLY-YEARS PROVISION

To further improve the quality of early-years provision, all staff working with two-year-olds should hold at least a level 3 child development qualification, and 30 per cent should hold a degree in early-years education.

As increasing numbers of young children take up places in nurseries and with childminders, parents need to be sure that their children are safe and happy, with opportunities to play and learn. Good quality childcare can have a large positive impact on early child development, helping children get ready to learn when they start school and supporting their emotional and behavioural development (Ruhm and Waldfogel 2012, Sylva et al 2004). These benefits are typically greater for children from less well-off families. Conversely, long hours of poor-quality care have been found to have small negative effects, particularly for very young children (Parker 2013). Therefore, investing in the quality of childcare, as well as improving its affordability, is vital.

The quality of childcare is not reducible to the formal qualifications of those working with children – their ability to be nurturing and to actively involve parents matter hugely too. However, objective measures of quality tend to improve when nursery staff and childminders have at least a level 3 qualification²⁷ related to early child development. Children in nursery groups that are led by graduates with a specialist early-years degree also tend to do better.

Currently, 78 per cent of the early-years workforce is qualified to at least level 3, and 15 per cent have a specialist degree (Brind et al 2012). Qualification levels are highest

27. 'Level 3' refers to A-level, vocational A-level (advanced GNVQ), level 3 NVQ qualifications, and other vocational qualifications at the equivalent level, such as BTECs and City & Guilds.

in nursery schools and primary schools with a nursery or reception class, and tend to be lower in private and non-profit nurseries and among childminders (*ibid*).

The long-term goal should be for everyone working in the early-years sector (apart from apprentices and trainees) to have a relevant level 3 qualification, as well as good GCSEs in English and maths. Furthermore, over time the aim should be to have all preschool provision led by a graduate with a specialist degree, who should spend their time designing and leading programmes of play and early learning. However, the cost of achieving these ambitions immediately would be prohibitively high (in terms of training and higher salaries; see Ben-Galim 2014 for a full analysis), and in any case it will take time to further develop the existing workforce and train the next generation of early-years professionals.

Our priority is therefore to focus resources and effort on improving the quality of care for two-year-olds, to make sure that young children get the best start in life, while continuing to raise the bar for the rest of the workforce. In the next parliament, the government should work with nurseries, primary schools and childminders to ensure that all staff delivering the universal two-year-old entitlement have at least a level 3 qualification in child development, and that 30 per cent of staff have a specialist early-years degree. We estimate that this would cost around £450 million a year (Ben-Galim 2014: table 6.5).²⁸

In addition, we propose that the government invests a further £150 million in qualifications and commensurately higher wages for the rest of the childcare workforce, as a down-payment on our long-term aspiration to improve the quality of childcare.

28. The costings in this section, for raising workforce qualifications, relate to England only.

Paying for high-quality, affordable childcare and extra paid paternity leave

Taken together, we estimate that the reforms to parental leave and childcare set out in this report would have a total annual cost of £2.66 billion. This would represent a major additional investment in families with young children: supporting early child development, enabling more mothers to work, and promoting the role of fathers in family life. This investment would pay dividends over time. For example, if these reforms helped to raise the proportion of mothers in work by five percentage points, an extra £750 million a year in benefit savings and extra tax revenues would be generated (Thompson and Ben-Galim 2014).

However, in the short term, new resources will need to be identified to finance this investment in families. We propose that this money should come from three sources.

Freezing child benefit for school-age children for five years, which would generate annual savings of around £630 million by 2020/21. This would not involve cash losses for any family, but the real-terms value of child benefit would be slightly eroded over time (this is outlined in more detail later in this chapter). The value of child benefit for preschool children should, however, be protected. This is a tough trade-off to make, but is consistent with an overall strategy of prioritising services and institutions over cash transfers, while also focusing financial support on families with young children, where parents are less able to work long hours. For parents of school-age children, we propose extending support for childcare costs and boosting work incentives

for dual-earner families (we explore this further later in this chapter).

Scrapping the marriage tax allowance that the Coalition is planning to introduce in 2015. This would save £520 million in 2015/16 (rising to £695 million by 2017/18). We propose that the bulk of these savings are invested in more affordable and higher quality childcare, and in stronger leave entitlements for fathers. These steps would ease pressures on parents, and do more to sustain marriages and strong relationships than a poorly targeted tax break for a minority of couples (see below for a critique of the marriage tax allowance). However, a share of the savings should also be redirected to providing a little extra help to couples getting married and practical support for couples facing relationship stress or coping with relationship breakdown (see below for details).

Restricting the generosity of pension tax relief as part of a review of the tax treatment of savings. Such a review has been made necessary by the chancellor's decision in the 2014 budget to scrap the obligation to purchase an annuity at the point of retirement. This significant measure calls into question the case for giving pension savings such a privileged status relative to other forms of savings. It also highlights the poorly targeted, regressive design of the £24 billion a year in net foregone tax revenues from pension contributions, which disproportionately benefits those on higher incomes rather than those who need a stronger incentive to save (PPI 2013).

The biggest anomaly is the tax-free lump sum, which allows a quarter of pension savings to be taken tax-free,

and which costs the government between £2.5 million and £4.0 billion per year (Johnson 2014, PPI 2013). Now that savers can withdraw all of their pension pot from the age of 55 without penalty (other than paying income tax at their marginal rate) the justification for this policy is weak. Capping the value of this lump sum at £36,000 from April 2015 would increase tax revenues by around £2 billion a year (Ben-Galim 2014). More than three-quarters (77 per cent) of savers have a lump sum of less than £40,000 (ibid). We propose that a review of pension tax relief give serious consideration to this move, which would generate new resources to invest in early-years support for families.

6.4 REFOCUSING FINANCIAL SUPPORT FOR FAMILIES TOWARDS YOUNG CHILDREN

Child benefit should rise with prices for children under five, to protect family incomes when parents want to work fewer hours; but it should be frozen in cash terms for school-age children, to be invested in childcare.

Parents with preschool-age children find it harder to work (and particularly to work full-time or to have both parents in work) than those with older children, even if they are able to access more affordable childcare. Parents also want to be able to enjoy time with their children when they are very young, so that they can develop close bonds. However, this too often means that parents have to choose between living on a low income to make time for their children, or working long hours but missing out on valuable family time.

Families with a child under five face a higher risk of poverty (at 19 per cent) than those with school-age children

(16 per cent) (DWP 2013). Experiencing persistent poverty in early childhood can have a significant effect on children's cognitive development, and parents facing poverty tend to find it harder to support their child's early learning (Dickerson and Popli 2012). Meanwhile, working parents with young children, particularly fathers, are more likely to say that they spend too much time at work and too little time with their children than those with school-age children (Ellison et al 2009).

At present, spending on cash benefits for families is spread evenly across children of all ages, which fails to recognise the fact that parents with young children are less able to work long hours (or at all). In Denmark and Iceland, by comparison, spending on family benefits is weighted towards young children, which is likely to contribute to low rates of child poverty in both countries. Denmark has three rates of child benefit, for children aged 0–2 (worth approximately £34 a week), children aged 3–6 (approximately £30 a week), and children aged 7–17 (approximately £21 a week) (European Commission 2013). This means that parents get extra financial support when they need it most, with an expectation that they will return to work or work longer hours in order to maintain (or improve) their income as their children get older.

In this way, holding down the value of cash benefits for school-age children would also enhance work incentives. These already improve dramatically when children reach school age, since school acts as free 'childcare' for parents, while the cost of after-school care is significantly lower than that of childcare for young children (Johnson 2012).

Protecting cash benefits for families with young children would focus limited resources where they can have the biggest effect on later life chances, while remaining consistent with the long-term aspiration that no child should spend long periods

living in poverty. We therefore argue that financial support should be weighted towards families with children under the age of five. As a first step, we propose increasing the value of child benefit for children under five in line with CPI inflation²⁹ in the next parliament, but freezing it in cash terms for older children. This would create two separate rates of child benefit, structured by age (as well as the existing difference in rates between first and additional children).

By 2020/21, the value of child benefit for under-fives would be the same as it is today in real terms – that is, £20.50 a week for the first child and £13.55 for additional children. However, child benefit for older children would be worth £18.15 and £12.00 respectively by 2020/21 in today's prices. The total value of child benefit for a family with two school-aged children would therefore be just under £4 per week less than it would have been if it had risen with prices. Furthermore, in chapter 7 we propose removing entitlement to child benefit from young people at the end of the academic year in which they turn 18, and using the savings to invest in education and training for 18–21-year-olds.

We estimate that freezing the value of child benefit for school-age children (aged 5–15) would save approximately £630 million by 2020/21, which we propose is invested in expanding affordable, high-quality childcare (as outlined above). This is consistent with our argument for prioritising universal services over cash benefit increases for all families. We estimate that a further £100 million would be saved by freezing child benefit for 16–18-year-olds who are still in education, and in chapter 7 we argue these savings should be

29. Using forecasts of CPI from OBR 2014. For under-fives, we propose uprating child benefit in line with CPI prices from April 2015 to April 2020 inclusive, and for children aged 5–15 we propose freezing child benefit over the same period (in neither case do we uprate child benefit by 1 per cent in April 2015, as the Coalition plans to do).

used to help fund an expansion of National Citizen Service for young people.

The aim of our reforms is to considerably sharpen work incentives for parents with school-age children, so that many more are able to raise their incomes through work rather than relying so heavily on benefits. In Denmark, Sweden and Finland, between 84 and 85 per cent of mothers with primary-school-age children are in work, compared to 73 per cent in the UK (Eurostat 2014). Freezing child benefit, combined with our proposals for more support with childcare costs for school-age children (set out earlier in this chapter), should help to raise the UK's level of parental employment closer to that achieved in Scandinavian countries. This would be a sustainable way to reduce child poverty over the long term. Later in this chapter, we also propose a separate work allowance for second earners within universal credit that would further strengthen the financial returns to work for dual-earner couples.

Summary of proposed changes to family benefits

This report contains a set of proposals to reform family benefits, outlined in this chapter and in chapter 7.

For **child benefit**, we propose the following.

- Allowing the value of child benefit for the under-fives to rise with inflation, so that financial support is focused on families in which parents find it harder to work longer hours.
- Freezing the cash value of child benefit for older children, to help pay for an expansion of affordable, high-quality childcare and an extension of National Citizen Service for young people.

- Ending eligibility at the end of the academic year in which a young person turns 18, and using the resulting savings to help fund a youth guarantee for 18–21-year-olds (as described in chapter 7).

For **tax credits** and, in time, **universal credit**, our proposals are as follows.

- Introducing a second-earner disregard to universal credit, so that second earners can keep more of their money before seeing their entitlement to universal credit withdrawn, paid for by increasing the taper rate in universal credit from 65 to 67 per cent.
- Ending eligibility to the child tax credit at the end of the academic year in which a young person turns 18, to help fund a youth guarantee for 18–21-year-olds.

In the longer term, our proposals for the reform of childcare funding would see support for childcare costs removed from universal credit. Meanwhile, our proposals for devolving control over housing spending to local areas (outlined in chapter 9) would eventually mean that rent subsidies are taken out of universal credit.

In the longer term, the government should aim to bring greater clarity and coherence to the whole structure of financial support for families. Changes introduced by the Coalition government have left a confused and contradictory settlement: the withdrawal of child benefit from high-earners means that Britain now has two separate systems of means-tested financial support for families with children, plus the tax allowance for

(some) married couples which is about to be inserted into the personal tax system.

Given the pressures on public spending, there is not a strong case for restoring the universality of child benefit, as this would involve the transfer of scarce resources to wealthy families. Furthermore, there is now a significant additional vehicle for boosting family incomes, through the child tax credit, which was not in place when child benefit was introduced.

One longer-term option would be to switch the resources currently spent on child benefit to raising the value of the child element of universal credit (thereby more efficiently targeting resources on tackling child poverty) and a new child tax allowance (which would reduce the tax burden for all families with children). The latter move would provide a more child-focused approach to any future increases in the personal allowance, which has been a priority for the Liberal Democrats in government.

6.5 REFORMING UNIVERSAL CREDIT TO BOOST EMPLOYMENT AND TACKLE POVERTY

A separate work allowance should be introduced into universal credit to make work pay for second earners, which would promote dual-earning and a balance of work and care within couples. This should be paid for by slightly increasing the rate at which universal credit is tapered away.

This government has invested a huge amount of political capital and administrative energy in universal credit, which will bring together six means-tested working-age benefits³⁰ into one payment with a single taper rate. Its aim is to improve work incentives and incomes by allowing households to earn more before their benefit entitlement is affected, and reducing

30. These are jobseeker's allowance, income support, employment and support allowance, housing benefit, working tax credit and child tax credit.

the average rate at which support is withdrawn as earnings rise. The implementation of universal credit has been plagued with problems and there remain major concerns about its roll-out, including uncertainty about what progress will have been made by the end of this parliament.

However, if it is introduced as planned, universal credit will boost the incentive to work for many parents, but usually only if their partner is not already in work (Pareliussen 2013). A parent whose partner is already working (a potential ‘second earner’) will see her or his incentive to move into employment weaken in most cases (Brewer et al 2011). This is because most of these families are currently only claiming tax credits, which are withdrawn at a rate of 41p for every extra £1 a family earns. In future, these families will see universal credit withdrawn at a rate of 65p for every extra £1 of earnings – a significant increase in the effective marginal tax rate for second earners. Universal credit will reduce the (small) number of families who face losing 90p or more of every extra £1 earned (as a result of the combined impact of several means-tested benefits). However, a large number of families will face higher effective tax rates relative to those in the tax credit system.

This means that universal credit will weaken incentives for both partners in a couple to work, despite dual-earning providing strong protection against poverty. One in five children (20 per cent) in couple families with only one earner live in poverty; among those in families in which one parent works full-time and the other part-time, this rate is just 6 per cent (Lawton and Thompson 2013).³¹ In 2012, 28 per cent of couples with children had just one earner – a total of 1.6 million families (ibid). The number of ‘single breadwinner’ families in the UK has fallen dramatically

31. Where both parents work full-time this rate is lower still, at 4 per cent. These estimates are based on data collected in 2011/12.

over the last 30 years, but is still relatively high compared to European countries with lower rates of child poverty (*ibid*).

Therefore, to strengthen work incentives for second earners, we propose the addition of a separate work allowance in universal credit for the lower earning member of a couple. This would enable second earners to keep more of their wages before the household starts to see its benefit entitlement withdrawn. In 2015/16, the first earner in a couple with children will be able to earn £2,664 a year before their entitlement to universal credit starts to gradually fall. We recommend that second earners be given a separate work allowance worth £1,332 – the same as a single person without children. This would enable a second earner to earn £26 a week before his or her entitlement to universal credit is affected, assuming that their partner brought home more than £2,664 a year.

As an example, under current plans, if the second earner in a family moved into work and earned £140 a week,³² the withdrawal of universal credit would leave the household with a net gain of £49 a week. Under our proposals for a separate work allowance for second earners, this net gain would rise to £66 a week, so the household would be better off by £17 a week.

This change would cost an estimated £670 million a year if it was applied to all couples, including those without children. We suggest paying for this by raising the taper rate of universal credit from 65p to 67p in the pound, which would raise approximately £740 million.³³ This would mean that financial support would be withdrawn at a slightly faster rate than is currently planned, but it would also contain the spread of means-testing (with its negative impact on work incentives).

32. Equivalent to 20 hours a week at £7 an hour; the second earner would not be earning enough to pay income tax or national insurance contributions.

33. Estimated using the IPPR tax-benefit model.

We estimate that, overall, around 100,000 fewer households would be eligible for universal credit under these reforms. However, it would be better targeted: evidence suggests that financial incentives make a larger impact on decisions about whether to work *at all*, rather than whether to earn *more* (Johnson 2012).

A second-earner work allowance would provide a boost to work incentives for families, alongside the extra support for preschool and after-school childcare proposed earlier in this chapter. Combined with the reforms outlined earlier, it would create a benefit system that provides stronger financial protections for families with young children but also clear financial incentives for (both) parents to move into work or increase their hours once their youngest child starts school.

6.6 BACKING COMMITMENT AND STRONG RELATIONSHIPS

Every adult should have a lifetime entitlement to one course of couples counselling to help sustain relationships when times are tough. The government should also give a little extra help to couples when they get married, by ending marriage notice fees.

Strong relationships are the bedrock of family life and a strong society, enabling parents to share the joys and burdens of raising a child. Yet family life can be tough, and relationships regularly come under stress. In some cases, separation or divorce can be the least-worst option for all concerned, but society should do all it can to support couples to stay together where that is in the best interests of children and parents. When this is not possible, society also has a duty to help limit the damage caused by family breakdown.

Growing numbers of children in Britain are born to cohabiting rather than married couples, with the former more

likely to separate than the latter. A large study of families with children born in 2000 found that 9 per cent of couples who were married when their child was born had experienced a period of separation by the time their child was five (Goodman and Greaves 2010).³⁴ This risk was much higher among cohabiting (as opposed to married) couples, at 27 per cent. The higher risk of relationship breakdown among cohabiting couples has led to concerns about the number of children experiencing family breakdown, and has also led to calls for the government to do more to encourage cohabiting couples to marry. However, researchers have concluded that the lower rate of separation among married couples is largely because couples who are already in more stable relationships are more likely to marry, and therefore to stay together. It is therefore unlikely that greater numbers of cohabiting couples would stay together simply as a result of getting married (*ibid*). In practice, all couples have times when they need support with their relationship, regardless of their marital status.

In an attempt to show support for marriage, the Coalition government is introducing a tax break for married couples, at a cost of £520 million in 2015/16. From 2015, a married person earning less than the personal allowance will be able to transfer up to £1,000 of their allowance to their spouse, thereby reducing their income tax bill. The government expects around 4 million couples to benefit, with a maximum gain of £200 a year – or less than £4 a week.

Thankfully, the government does not claim that anyone will choose to marry or stay married for a financial reward, particularly one so small. However, even then, most married couples will not benefit from this policy, either because both partners earn enough to pay income tax, or because neither

34. This included couples who had permanently separated by this point, and those who had separated temporarily but were living together when the survey was conducted.

does. In fact, a transferable tax allowance creates disincentives for both parents (as opposed to one parent) to work, even though dual-earning provides strong protection against poverty. Tax breaks also do nothing to help cohabiting couples with children stay together, or to help the children of lone parents or those with a parent who has passed away.

A pro-commitment policy would be better targeted at making sure couples (both married and cohabiting) can access specialist help when their relationship is under heavy strain and separation is a real prospect. Most couples counselling in Britain is provided by accredited counsellors working through charities, including Relate, Marriage Care and the Tavistock Centre for Couple Relationships. Organisations such as these provide counselling for around 110,000 couples a year in total, offering practical and emotional help when it is needed most. A course of counselling with Relate, for example, would typically consist of between three and four hour-long sessions, delivered by a paid counsellor and supported by volunteers. Other charities rely more heavily on trained volunteers.

A course of counselling costs around £250 to deliver in total, including overheads and staff training costs (TIHR et al 2014). An evaluation conducted on behalf of the Department for Education found that couples counselling provides excellent value for money, and on average has a large impact on wellbeing (when measured several weeks afterwards) and a smaller but still statistically significant impact on communication between partners and the quality of the relationship (ibid). Even in cases where it is not able to save a relationship, counselling can help couples to manage their separation more amicably, improving stability for children.

Charities offering couples counselling mostly ask people to pay what they can afford. For example, Relate charges an average

of £40 per session (so £120 for a course of three sessions), but will try to lower their fees for those on low incomes provided that it is financially viable for a given local centre to do so. However, relationship charities have reported that they are increasingly having to turn people away because they cannot afford to provide fee remissions (Hill 2012). Money problems are also one of the biggest drivers of relationship stress, as well as a barrier to getting help (Scholl 2013).

For these reasons, we propose that the marriage tax allowance is scrapped, and some of the money saved redirected to a lifetime entitlement for every adult to one free course of couples counselling. This should not be restricted to those who are married, and couples should be able to use the entitlement to pay for marriage preparation classes instead of couples counselling. A voucher covering the cash value of up to three sessions (currently around £250 in total) could be redeemed with any practitioner accredited by the British Association of Counselling and Psychotherapy or the UK Council for Psychotherapy. One of these two bodies could be asked to run the scheme on behalf of the government, with appropriate safeguards put in place to make sure that people only claim one voucher.

If the offer of one free course of couples counselling for every adult led to a doubling of the number of couples seeking counselling, around 440,000 adults would receive counselling each year.³⁵ Assuming that both partners used their full entitlement to a voucher worth £250 for three sessions, the cost would be around £110 million a year.³⁶

35. Currently, an estimated 220,000 individuals (110,000 couples) receive couples counselling each year.

36. In practice, a couple may choose to use only one partner's entitlement, as three sessions is typically regarded as sufficient. However, giving each individual a lifetime entitlement would enable each partner to take any unused entitlement into a new relationship if their first relationship broke down.

By offering support to couples when they need it most, this would exemplify the way in which the state and civil society can work together to support strong relationships. It would use a relatively small amount of public money to support the work of local and national charities, while harnessing the energy and talents of volunteers as well as the skills of qualified counsellors. If couples counselling uncovers more serious mental health issues among either partner, counsellors are well placed to offer advice about how to access more long-term support, such as through a GP or local NHS mental health services.

Marriage remains one of Britain's most popular institutions, with marriage rates rising over the last few years after a period of decline (ONS 2013). The state should not use financial inducements to encourage couples to marry if they would not do so otherwise – such relationships are unlikely to become any more stable as a result (Goodman and Greaves 2010). Likewise, the state should not privilege particular kinds of relationships, or discriminate against those not in a relationship, either in the tax system or elsewhere. However, the state should not charge people for the pleasure of getting married.

Therefore, we propose that the government use a small portion of the money saved from scrapping the marriage tax allowance to end marriage notice fees. These fees – currently £35 per person, or £70 a couple – are charged at a flat rate by local councils for administering paperwork. Just under 250,000 couples were married in England and Wales in 2011 (ONS 2013), so ending notice fees (and reimbursing councils for the loss of income) would cost central government around £18 million a year. Relative to the costs of the average marriage, £70 would not be a huge saving. However, ending marriage notice fees would send the signal that society backs marriage and commitment, while also providing a little practical help to couples as they prepare for their big day.

Chapter 7

**YOUNG PEOPLE: ENABLING
SECURE TRANSITIONS INTO
ADULTHOOD**

Contrary to many popular accounts, the vast majority of young people we met during the course of the Condition of Britain programme were positive about their future and committed to making a difference. Most were smart, ambitious, and socially engaged. However, they also realised there were no guarantees about their future prospects, and were aware that some of the advantages enjoyed by their parent's generation would not be so readily available to them. They were worried about whether they would be able to find a decent job, get the right qualifications and, in time, own a home of their own.

The recession and its aftermath have placed considerable burdens on young people. Tuition fees have increased, most new apprenticeship places have not benefited them, and employers have shown a preference for hiring older rather than younger workers. Certain longer-term trends – such as those in housing, pensions and the labour market – have also been moving against younger people. A central insight that emerged from our research is that a number of the institutions that traditionally guided young people into adulthood have been eroded or weakened by economic and social change. This can be seen in the breakdown of systems to support young

people not going to university to make the transition from school to work, and in the number of young people who have experienced family breakdown.

In this context, we identify three priorities for the next parliament which, if pursued, would help support young people to make successful transitions to adulthood. It is important to say that we do not claim these proposals are comprehensive. For instance, our recommendations do not touch upon school standards, which have a big effect on the future success of young people (proposals in this area are set out in, for example, Clifton 2013). Moreover, while our focus is on young people's transitions to adulthood, we also want them to have space to enjoy the freedoms and possibilities of adolescence.

Our first priority is to establish a distinct work, training and benefits track for young people which is separate from the adult welfare system, and which ensures that they complete their basic education and gain proper work experience. These are the two crucial ingredients for building a successful career, yet the current mix of benefits and support is not sufficiently focused on either.

Our second priority is to expand the opportunities available to young people to develop the social and emotional skills they need for a happy and stable life. Specifically, we argue for greater investment to expand National Citizen Service so that it develops it into an important milestone for increasing numbers of young people – one that fosters personal development, but also brings together people from different backgrounds and nurtures a commitment to social action.

Our third priority is to prevent young adults (those aged 18–21) who get involved in antisocial behaviour and minor offending from entering into a life of crime. Young adult offenders must face up to the consequences of their actions,

which for the most serious offences will involve a period in custody. However, they also need support to address their underlying problems, and have opportunities to get their lives back on track. The youth justice system (for those aged 10–17) has been effective in lowering rates of reoffending and keeping all but the most serious offenders out of custody. We want to see this model extended to young adults up to the age of 21, to give them a better chance of leading happy, productive lives.

7.1 INTRODUCING A DISTINCT WORK, TRAINING AND BENEFITS TRACK FOR YOUNG PEOPLE

For 18–21-year-olds, existing out-of-work benefits should be replaced by a youth allowance that provides financial support conditional on looking for work or completing education, targeted at those from low-income families.

The recession hit young people disproportionately hard, but youth unemployment had been rising since the early 2000s, when the economy was strong. Despite the nascent economic recovery, in the final quarter of 2013 around 450,000 young people aged 18 to 21 were not in education, employment or training ('NEET').³⁷ Among the wider group of 18–24-year-olds who were NEET at this time, almost half (45 per cent) did not hold GCSE-level qualifications, and almost a quarter (24 per cent) had never had a job (Cooke 2013). The penalty for leaving school without decent qualifications or experience of work has been growing for a long time (Thompson 2013). The effects of these trends are exacerbated rather than compensated for by the welfare system.

Our goal should be for all young people to be earning or learning, with none allowed to remain NEET for long periods. This means fixing the broken systems that are supposed to help

37. Authors' analysis of ONS 2014, using data from Q1–Q4 2013. Official figures show that NEET rates fell during 2014 as the economy started to recover (DfE 2014).

young people make the transition from school to work, but which too often fail. We should start by reforming financial support for young people who are not in employment, education or training, focusing on those aged 18–21 (to mirror the period of an undergraduate degree for those who enter higher education straight after gaining A-levels or equivalent qualifications).

Currently, young people in this age group are sucked into a benefit system that is designed for adults who have lost their jobs, rather than for young people starting out in their careers. The priorities for those leaving school without a clear destination, such as university or a job with training, are to complete their basic education and gain practical work experience. However, the current suite of out-of-work benefits actively inhibits these goals.

Jobseeker's allowance (JSA) is designed to support claimants back into work as quickly as possible. This is invariably the right thing for adults transitioning between jobs, but the rules of JSA prevent young people from studying full-time, which in turn can have a major impact on their chances of finding work. There is also no system of financial support for young people in further education or vocational training, as there is for those in higher education. This discourages ongoing learning among those at the beginning of their careers.

Young people who are not in work can also claim employment and support allowance (ESA) or income support. These benefits come with few work or training requirements, and can leave young people drifting into long-term inactivity, with no support to re-engage with work or learning. There is also no limit to the length of time for which young people can claim out-of-work benefits and be neither working nor learning. The introduction of universal credit will not resolve any of these problems. Almost half (47 per cent) of 18–21-year-olds who are NEET are not claiming any out-of-work benefit,

and so have no connection to support with finding a job or returning to education.³⁸

We therefore recommend that access to existing out-of-work benefits for young people should be replaced with a ‘youth allowance’, with the aim of encouraging them into training or work, not the benefit system. The youth allowance should provide financial support for 18–21-year-olds which is conditional upon them engaging in positive activities, including further study or looking for work. Routes to inactive benefits for this age group should be closed off to all but a very small minority: only those with very young children, or who have a serious, work-preventing disability acquired in childhood, should be able to receive the youth allowance without participation obligations.³⁹ The youth allowance should be paid at the same rate as the under-25s rate of JSA, which is currently £57.35 a week.

Under this reform, young people who would currently claim JSA would see their obligation to look for work matched by the ability to continue in education. The vast majority of young people who might currently claim ESA or income support would be under greater obligation to re-engage with learning or improve their prospects of finding work, but not within the very narrow jobsearch requirements of JSA. Young people studying at college or taking vocational courses would be able to access financial support, alongside help to move into sustainable employment once they complete their studies.⁴⁰

38. Authors’ analysis of ONS 2014, using data from Q1–Q4 2013.

39. Those aged 18–21 would continue to be entitled to ‘extra cost’ benefits, such as disability living allowance (or personal independence payments) and child tax credits (and in-work support for those in employment). A ‘no obligation’ category equivalent to the ESA support group should be created in the youth allowance for young people with a work-preventing disability, but with a strict gateway.

40. The youth allowance would not be available to young people at university, as they have a separate system of financial support; nor would it be paid to young people engaged in an apprenticeship, as they should receive a wage from their employer.

Our estimates suggest that around 250,000 young people aged 18–21 are in non-HE learning and not currently receiving an out-of-work benefit.⁴¹ Under the proposed youth allowance they would be newly entitled to financial support (subject to a parental means test, discussed below). We also estimate there are around 230,000 18–21-year-olds who are NEET but not currently claiming any out-of-work benefit. They would be entitled to the youth allowance, subject to fulfilling the participation requirements. A further 340,000 18–21-year-olds currently receive JSA, ESA or income support. In future, these people would be directed towards the youth allowance, rather than having access to the existing range of out-of-work benefits.

Making the youth allowance available to young people in further education and vocational training would represent a major step towards closing the gulf between the financial support available to this group and that available to those participating in higher education. It would aim to increase the number of 18–21-year-olds remaining in education to gain the skills necessary to embark on a successful career.

To pay for this expansion of support for young people in education and training, we propose targeting the youth allowance on those from lower-income families through a parental means test. This would involve a presumption that 18–21-year-olds who are not in employment would be supported by their parents where this is possible (drawing on a similar youth allowance in Australia).

Subject to further detailed modelling, we suggest that the parental means test for the youth allowance should be based on the rules governing access to maintenance grants for students in higher education (which is determined by parental income

41. This paragraph based on authors' analysis of ONS 2014, using data from Q1–Q4 2013. This excludes 18-year-olds studying towards A-levels or AS-levels.

up to the age of 25, in most circumstances). Under this system, young people whose parents' income is under £25,000 have access to a full maintenance grant. A little over 40 per cent of new students receive a full grant, and just over a further 10 per cent receive a partial grant (Student Loans Company 2013). Our previous analysis suggested that 30 per cent of 16–19-year-olds dependent on their parents live in households with an annual income of less than £25,000 (Cooke 2013).

The aim of our reforms is to see more young people earning and learning, with greater investment in education and work experience for young people. Below, we discuss steps to increase opportunities for young people to earn a wage, though focusing apprenticeship places on this group and providing paid work experience to those unemployed for six months. To work towards this social investment objective, financial support should be used to promote education and training (rather than being exclusively for those who are looking for work or are economically inactive, as it is now), while being focused on those 18–21-year-olds who cannot be supported by their parents.⁴²

To give a sense of potential costs and savings under this proposal, we estimate that a parental means test as described above would result in around half of 18–21-year-olds being eligible for the youth allowance.⁴³ If this proportion of young people aged 18–21 in non-HE learning were to take up their entitlement to support, we estimate that the youth allowance would cost an additional £375 million a year.⁴⁴

42. Young people estranged from their parents should be exempt from the parental means test, as should young people who have worked for at least a year.

43. In practice, a taper should apply to avoid a sharp cliff-edge at the £25,000 a year income point.

44. Authors' analysis of ONS 2014, using data from Q1–Q4 2013. Costs are based on the total number (the 'stock') of likely claimants in a year, and assumes that those on the youth allowance would be in receipt of support all year. In practice, the number of new claims (the 'flow') is likely to be higher than the total number of claims at any given time, but their duration is likely to be shorter than 52 weeks a year.

To finance this extra spending, savings should be generated by applying the parental means test to 18–21-year-olds on existing out-of-work benefits (with protections and safeguards for those unable to rely on support from parents). In practice, at its introduction the youth allowance would only apply to ‘new’ 18-year-olds.

Based on current caseloads, a little over £1.3 billion was spent on out-of-work benefits for 18–21-year-olds in 2013/14.⁴⁵ Discounting expenditure on those in the ESA support group and an estimate of spending on young parents with children under the age of one leaves around £880 million that would be subject to the parental means test, if applied to the current cohort.⁴⁶ If such costs were halved as a result of applying the parental means test, more than enough resources would be released to pay for access to the youth allowance for 18–21-year-olds from low-income families in education and training.

In practice, paying the youth allowance at the JSA youth rate would generate further savings relative to existing expenditure on ESA and income support for young people, given that average weekly awards for these benefits are somewhat higher (again, with protections for those in the support group). Taken together, these savings would also enable almost a quarter of those 18–21-year-olds currently NEET but not claiming any benefit to receive the youth allowance as a result of engaging in learning or jobsearch, without imposing additional net expenditure. Overall, the goal would be to get a significantly higher number of young people learning or earning, with public resources focused on social investments to make this possible, while ensuring that they do not get stuck in the benefit system when they leave school.

45. See note 44

46. *Ibid*

7.2 GUARANTEEING EARNING OR LEARNING FOR YOUNG PEOPLE

A youth guarantee for 18–21-year-olds should be established that offers access to education or training plus intensive support to find work or an apprenticeship, with compulsory paid work experience for those not earning or learning within six months.

For the youth allowance to achieve its goal of getting all young people earning or learning, it must be accompanied by good-quality further education and vocational training provision, including a substantial expansion in apprenticeship places, and intensive support to find work. Receipt of the youth allowance should entail obligations to engage in these options, with specific requirements dependent on personal circumstances. Young people not eligible for the youth allowance due to the parental means test would be entitled to all aspects of the youth guarantee. To prevent any young person from drifting into long-term unemployment or disengagement, there should also be a ‘backstop’ of either paid work experience or a paid traineeship after six months of seeking work or learning.

A youth guarantee of this kind would provide all young people claiming the youth allowance with advice about work or study from day one. Each young person’s individual pathway should depend on their particular circumstances, be agreed with a personal adviser, and be set out in a personal action plan. This should be guided by a set of broad principles. The priority for the 38 per cent of 18–21-year-olds (190,000 of them) who are NEET and do not have a level 2 qualification (equivalent to five good GCSEs) should be to continue in learning to complete their basic education. This should involve an agreed programme of study, working towards a recognised

qualification and ideally including some practical work experience. For these young people, who did not succeed at GCSEs first time around, a range of different types of learning options should be available.

There would also be a strong case for enabling the further 26 per cent (130,000) of 18–21-year-olds who are NEET and whose highest qualification is at level 2 to stay in education in order to gain a good-quality qualification at level 3. Qualifications at this ‘intermediate’ level are strongly associated with better employment prospects and higher wages. For those who already have a level 3 qualification or higher, the goal should almost always be to help them into employment as quickly as possible, ideally into a job which includes further training. Help for this group should include intensive support from a personal adviser to identify vacancies (including apprenticeships), organise work trials with employers, or set up a business. Where appropriate, higher education options should also be considered.

If young people are not learning or earning after six months, they should be provided with up to six months of paid work experience or a paid traineeship. Lack of work experience is one of the main reasons for employers not hiring young people (Thompson 2013), so it is vital that they are not left applying for (and failing to secure) work for too long. Young people should not be allowed to refuse this ‘backstop’ to the youth guarantee and continue receiving the youth allowance. This distinct work, training and benefits track would mean that 18–21-year-olds should not participate in the successor to the current Work Programme, under which young people can currently spend three years without any paid work experience – far too long at the start of their working life (see chapter 8).

Paid work experience opportunities should be based on the previous Labour government's successful Future Jobs Fund, which provided six-month job placements, paid at least the minimum wage, to long-term-unemployed young people (see DWP 2012). Furthermore, the youth guarantee should draw on the current government's traineeship programme, which provides a work placement and pre-apprenticeship training, including in English and maths. If a young person has not started a job, training or education after a six-month youth guarantee placement, they should undertake an intensive review with their personal adviser. They should then have to sign up to a new action plan, with a strong focus on full-time, purposeful activity aimed at rapid entry into work or training, in order to keep receiving the youth allowance.

As noted above, 450,000 18–21-year-olds were NEET in the final quarter of 2013. This is the group that the youth guarantee would aim to engage. A large share of these young people have existing entitlements to further education through the right to funding for a first level 2 and a first level 3 qualification. In addition, those on JSA and ESA (the 'work-related activity group'⁴⁷) are entitled to receive full funding for all units of study and full qualifications. However, a substantial increase in learner demand would put pressure on the resources currently available for further education. It may therefore become necessary to refocus expenditure on adult skills towards young people, targeting scarce public funding on ensuring that those at the beginning of their careers achieve a basic level of education.

The establishment of the youth guarantee would aim to mobilise a major expansion in the number of apprenticeships, focused on young people and including steps to protect the integrity of this special 'work with training' brand. In

47. Those judged to be capable of engaging in back-to-work activity, unlike those in the support group.

recent years, the growth in apprenticeship numbers has been concentrated among older workers, and concerns have been raised about the quality and length of training (Richard 2012). In future, apprenticeships should only be available to newly hired young people (up to the age of 25).

In addition, apprenticeships should be based with an employer or group of employers (rather than a college or training provider, unless in group apprenticeship arrangements). They should also last a minimum of two years, lead to a recognised qualification at level 3 as a minimum, and involve a substantial amount of off-the-job learning, including further study of English and maths where appropriate. Government should also consider introducing an apprenticeship guarantee for suitably qualified young people, as was contained in the 2009 Apprenticeships, Skills, Children and Learning Act but never enacted. ‘Pre-apprenticeships’ – study programmes that lead into full apprenticeships – should be made available for young people who do not yet have the level 2 qualifications required to start an apprenticeship.

The government has set aside funding for 680,000 apprenticeships in 2014/15, and we propose that the equivalent allocation in future years be devoted to young people (those under the age of 25). This would help to meet the demand for learning and earning options under the youth guarantee while also reducing the number of 18–21-year-olds claiming the youth allowance, as more of them would be receiving an apprentice wage.

Delivering the youth guarantee would also require new, additional funding, the extent of which would depend on a number of factors, including the take-up rate of the youth allowance among those who are NEET (many of whom do not currently claim any out-of-work benefits); the rate of

participation in training and apprenticeships among youth allowance recipients; and the duration of youth allowance claims among those looking for work. The level of ‘backstop’ provision would also depend on the number of young people not learning or earning after six months. Based on the cost of the Future Jobs Fund and the new traineeships, we estimate that funding of around £3,000 per participant would be required for this element of the youth guarantee.

At the end of 2013 there were around 200,000 18–21-year-olds who had been unemployed for over six months.⁴⁸ If the ‘backstop’ provision within the youth guarantee was provided for this group, additional funding of £600 million a year would be required.⁴⁹ This would cover a much broader group than just those on JSA for longer than six months, which is consistent with the goal of tackling long-term inactivity and disengagement. It also recognises that our primary aim should be to support as many 18–21-year-olds as possible into employment (and apprenticeships in particular) or into good-quality education or training. As discussed, funding and places for apprenticeships and other learning options should be more strongly weighted towards young people at the start of their career than they are currently.

This funding should come from ending entitlement to child benefit and child tax credit at the end of the academic year in which a young person turns 18, which would save £320 million and £310 million a year respectively.⁵⁰ This is the point at which access to the youth allowance should

48. Authors’ analysis of ONS 2014 using data from Q1–Q4 2013.

49. This figure differs from the estimate given in Cooke 2013. This is because the focus here is on those aged 18–21 and because existing further education and apprenticeship funding is assumed to be capable of meeting a greater share of expanded demand, including by shifting resources to towards younger learners and apprentices.

50. The further £100 million released from these changes should be devoted to an expansion of National Citizen Service, discussed further below.

commence, and when those entering higher education make the transition over to its system of financial support.

Additional funding for the youth guarantee would come from two further sources.⁵¹ First, the share of resources that would otherwise have been devoted to 18–21-year-olds participating in the successor to the Work Programme. Second, any resources that accrue from a ‘youth levy’ which local areas should be given the power to impose on large employers that do not provide apprenticeships for young people (see below).

The government should set national objectives for the youth guarantee, but over time local areas should assume leadership of the delivery of support for local young people (although the youth allowance would remain a national payment administered by central government). This would make it possible to bring together all those with a stake in supporting young people within particular cities and counties, thereby bridging longstanding institutional divides between employment and skills provision. This has the potential to deliver more comprehensive, integrated support for young people than is currently provided by the fragmented mix of Jobcentre Plus, the Work Programme, colleges and training providers. More local delivery would also make it easier to connect young people to a range of other local services, including housing, health and probation.

The decentralisation of resources and powers to deliver the youth guarantee should begin with London and the five combined authorities in England, as these areas are on the road to having the institutional and accountability arrangements in place that are necessary to hold decentralised budgets. At

51. In addition, a third source of funding would be European Social Fund resources allocated to England via the Youth Employment Initiative (with equivalent allocations for Scotland, Wales and Northern Ireland).

the next spending review, the government should establish a single budget for the youth guarantee at the national level, and then draw up agreements with London and the five combined authorities covering funding, delivery plans and expected outcomes. Cities should work closely with the relevant local enterprise partnership (LEP) to involve not only employers in their plans, but also local charities, colleges, unions and young people themselves. Cities should commission support for young people under the youth guarantee from a diverse range of organisations, including specialist support for young people with particular health problems, addictions, or chaotic home lives.

In the rest of England, the youth guarantee should initially be organised by Jobcentre Plus and delivered through a range of existing local agencies and providers, including colleges. In time, other local areas could make the case for devolution of resources based on their institutional arrangements and track record. It would be for Scotland, Wales and Northern Ireland to decide whether to offer the youth guarantee.

Finally, to draw in extra resources and increase opportunities for young people, local areas should be given the power to introduce a 'youth levy' on large firms that do not offer apprenticeships for young people. Resources raised from this levy should be controlled and disbursed by employers, through their LEP, to fund training and work placements in support of local youth guarantee provision. As an indication of the number of firms that might be liable for such a levy, there are just over 37,000 firms in the UK with over 50 employees. Just over a quarter (27 per cent) of workplaces (rather than firms) with between 25 and 99 employees offer apprenticeships, a rate which rises to just under half (46 per cent) among those with 100 or more staff.

7.3 MORE OPPORTUNITIES FOR YOUNG PEOPLE TO MAKE A CONTRIBUTION

The National Citizen Service programme should be expanded so that half of young people aged 16 and 17 are taking part by 2020, using money saved from holding down cash benefits to families with older children.

Family and school life helps many young people to build character and resilience, but programmes like National Citizen Service can also play a role in developing empathy, teamwork and communication skills, while also nurturing a social conscience. These capacities can be just as important as academic ability in determining young people's future prospects. We want to see participation in such citizenship development programmes becoming an important milestone for all young people.

National Citizen Service is a two-month-long voluntary service programme open to anyone aged 16 or 17⁵² and living in England or Northern Ireland, and is usually completed during the summer holiday after young people sit their GCSEs. It helps young people to develop skills, character and maturity at the point at which they are beginning to make the transition into adulthood. It gives them an opportunity to play a part in social action in their neighbourhood, fostering values of contribution and reciprocity. It also seeks to promote greater social integration by bringing together young people from different backgrounds within a town or city. More broadly, it uses a national brand and public funding to harness the energy of charities and community organisations to lead meaningful civic action and personal development programmes for young people.

52. National Citizen Service is open to any young person aged 16 or 17, and 15-year-olds who will be 16 by 31 August in the year in which they complete the programme.

National Citizen Service is run by NCS Trust, an independent institution that grew from the original government-led programme.⁵³ NCS Trust has contracts with 'regional delivery partners' (mostly colleges and national youth charities) in Northern Ireland and 19 areas in England, who in turn commission local activities from around 210 charities and community organisations. Local providers have flexibility to develop their own schemes while incorporating a set of core elements.

Young people taking part in National Citizen Service must complete a three-week, full-time programme that includes a residential week of outdoor activities, a week living independently (for example, in a university hall of residence), and a non-residential week in which they plan a social action project together. Participants also undertake 30 hours of social action in their neighbourhood over a one-month period. For instance, in Birmingham, we met a group of young people planning a project to encourage friends, family and neighbours to donate blood. Several other projects have involved young people visiting residential homes and day centres for older people, helping to bridge intergenerational divides while running practical social activities.

Young people complete National Citizen Service in small groups of no more than 15. Participants are drawn from a single town or part of a city, and groups are mixed to reflect the local population.⁵⁴ There is a graduation ceremony for those who complete the programme, attended by community leaders, family and friends. In an independent evaluation of

53. NCS Trust is a community interest company governed by an independent board that includes one civil servant to represent the interests of government; it also has a separate youth board.

54. The composition of groups has to reflect local populations in terms of the proportion of ethnic minorities, young people on free school meals, youth offenders, public and private school pupils; participants cannot all come from the same school.

National Citizen Service, participants reported improvements in their communication, teamwork and leadership skills. They felt better able to cope with the transition to adulthood, and were more likely to feel they should help out in the local area (NatCen et al 2013).

NCS Trust is keen to be preserved as a national non-state, non-market institution, with independent governance that involves young people themselves. Its brand is recognised and respected by parents, young people and employers across the country, and it supports a diversity of programmes that are led by local organisations and which draw on the skills of local volunteers. NCS Trust is responsible for marketing National Citizen Service and maximising participation, including reaching out to disadvantaged young people. It also aims to foster a commitment to social action among each new generation, so that its social impacts extend beyond the three-week programme and 30 days of community service. National Citizen Service graduates are encouraged to return to mentor later participants, or to volunteer in local schemes.

We propose that the government commits to funding an expansion of National Citizen Service that would allow half of the cohort of 16- and 17-year-olds to take part by 2020. Funding for National Citizen Service already comes primarily from the government, and in 2013 around 40,000 16- and 17-year-olds took part – just under 7 per cent of the cohort.⁵⁵ The government has agreed to provide funding to increase these numbers to 125,000 by 2016, which is expected to cost around £175 million a year.⁵⁶ NCS Trust has ambitious plans to expand participation further to 280,000 16- and 17-year-olds by 2020, which would represent around half of the age

55. Data from conversations with staff at NCS Trust.

56. Ibid. Based on a projected unit cost of approximately £1,390 in 2016.

group. NCS Trust estimates that this would cost an additional £185 million a year by 2020, in addition to the £175 million in annual funding it will be receiving by 2016.⁵⁷

These resources should be found by restricting cash benefits to families with young people. First, we estimate that freezing child benefit for those aged 16–18 would save around £100 million a year by the end of the next parliament. Second, £100 million of the £700 million in savings that would accrue from ending entitlement to child benefit and child tax credits at the end of the academic year after a young person has turned 18 would be available (further to the £600 million allocated to the youth guarantee; see section 7.2 above). In the long term, the ambition should be to guarantee a place for all 16- and 17-year-olds. With consistent financial backing, a range of local organisations will be able to use National Citizen Service to provide the opportunities that young people need to help them make a successful transition into adulthood.

Citizen service for people seeking British citizenship

National Citizen Service helps young people to understand the benefits and obligations of citizenship, and to make connections with people outside their usual social sphere.

Similar expectations should be placed on people who have moved to this country and are seeking British citizenship. Foreign citizens who have lived legally in the UK for at least five years can apply for British citizenship, and in 2012, 194,344 foreign citizens gained it (Blinder 2014). To do so, they must pass a ‘life in the UK’ test, demonstrate that they have a good standard of English and pay a fee, which is currently set at £906 for an adult.

57. Ibid. Based on a lower projected unit cost of approximately £1,290 in 2020.

The process of gaining citizenship has been criticised for being excessively bureaucratic, and for failing to provide opportunities for foreign citizens to engage with British life (Sanghani 2013). The ‘life in the UK’ test does little to help people get to know their local area, or to make connections with others living locally. This can contribute to anxieties about the social distance between migrants and settled communities, and the contribution that relative newcomers make to British society.

To overcome some of these challenges, people seeking British citizenship should be given a stronger incentive to share in, and make a contribution to, the life of their neighbourhood. We propose that anyone applying for British citizenship who can demonstrate that they have volunteered in their neighbourhood for at least 40 hours in the previous year should pay a reduced fee, and have access to a fast-track process. We suggest that, for people who meet these requirements, the application fee is reduced to £400 and that they are able to apply for citizenship after four years of living in the UK rather than five.

These individuals would have to provide evidence of their volunteering or other activities, and have the support of a sponsor from a registered charity or public body. Eligible activities could include playing an active role as a school governor, taking part in a time-banking scheme,⁵⁸ helping out at a youth club, or volunteering for a local charity. The focus should be on activities that help others in the neighbourhood, and that provide opportunities for people from different backgrounds to share a common life.

58. See Ben-Galim and Silim 2014

7.4 PREVENTING YOUNG PEOPLE FROM ENTERING INTO A LIFE OF CRIME

The remit of youth offending teams should be extended to those aged up to 20, in order to provide locally-led, integrated support to help keep young adult offenders out of prison, cut reoffending and prevent them from entering a life of crime.

A minority of young people get involved in criminal behaviour. If they do not change their ways and get their lives back on track, there is a risk that they will become caught up in a life of crime. Offending during young adulthood can become part of a pattern of behaviour in later life, and although crime is falling overall, levels of reoffending remain unacceptably high (Muir 2014). A spell in prison during young adulthood can drag people into further offending, and can have a major impact on their ability to find a decent job and settle down into a stable adult life (ibid).

Prison must remain a last resort for young adults who have been convicted of the most serious crimes. However, keeping young adults out of prison where possible offers the best prospect of reducing reoffending. Alternatives to prison must include tough community sentences that require young adults to face up to what they have done and address the root causes of their behaviour.

At present, young people enter the adult probation system at the age of 18, despite the fact that many if not most have not fully matured by this point (Muir 2014). Young adults make up a large proportion of offenders: 19 is the 'peak age' for offending (T2A 2012). However, there is strong evidence that their behaviour can be changed, as they are in a transitional stage of life. The late adolescent years are a crucial opportunity to work with people to prevent offending behaviour becoming

entrenched. Once someone has spent time in prison it is much harder for them to turn the page and leave their early criminal life behind.

‘Transforming rehabilitation’

The government’s planned probation reforms are designed to reduce reoffending by improving the support provided upon release from prison. The probation service will be broken up, with support for low- to medium-risk offenders commissioned out to private and voluntary providers, with a slimmed-down, publically provided national probation service left to manage high-risk offenders. Under these reforms, rehabilitation support will be extended for the first time to the 50,000 offenders sentenced to less than 12 months in custody each year. Providers will be paid partly by their results in terms of achieving reductions in reoffending.

These plans persist with a model of public service reform that is poorly suited to tackling complex social problems such as reoffending, and which also entails a high degree of risk. A prime contractor model will militate against the integration of local services, as funding and incentives will be locked into a top-down, centralised relationship between Whitehall and contracted providers. Moreover, providers will lack influence over most of the services that are necessary to reduce reoffending, including those that help people with employment, housing, health, and family relationships.

The contracts will also be large and require providers to assume a considerable amount of financial risk. This

will make the government reliant on a relatively small number of potential bidders, and inhibit competition with smaller, specialist organisations who will find it much harder to establish a foothold in the market. The reforms also extend support to a new group of offenders, with funding for them contingent on the delivery of large savings from successful rehabilitation. If providers are not successful, and lack resources to invest over time, people leaving prison may find themselves with inadequate support (see Muir 2014 for a full critique).

The next government should aim to move away from this approach to supporting ex-offenders. Solving complex social problems like reoffending is too difficult and too important to leave to the market through clever contracting and risk pricing. It may not be possible for the next government to immediately unpick the probation contracts that will have been signed by the current government. However, we argue that, as a first step, the immediate priority should be to remove young adults (those aged 18–21) from the ‘transforming rehabilitation’ contracts, and instead extend the successful youth offending team model to this age group.

Under its probation reforms, the government is planning to hand over responsibility for providing most rehabilitation services to private and voluntary providers (see box above). We have grave doubts about these reforms overall. However, with regards to young adult offenders specifically we recommend a different approach. Our proposal draws on the experience of the youth justice system, which over the last 15 years has proved effective at diverting young people (aged between 10

and 17) away from criminality, through a combination of appropriate punishments and determined action to address the root causes of offending behaviour (Muir 2014).

Responsibility for tackling youth offending lies locally, with youth offending teams (YOTs), which are organised at the level of top-tier local authorities. YOTs comprise professionals drawn from the police, probation, social services, education and health, physically located on the same site and managed as a single team. YOTs have three core goals: to stop young people getting into the criminal justice system in the first place, to reduce the number of young offenders in custody, and to reduce reoffending among young people.

YOTs assign key workers who work closely with young people. They rely on a system of triage to assess young people in police stations, in order to inform decisions about whether to bring a charge against them following a specific incident, and how to ensure that they get support they need as soon as possible. The youth justice system has also developed a range of options that involve the use of 'restorative justice', whereby young people are required to face up to what they have done and make amends in a practical, meaningful way (we say more about restorative justice in chapter 10).

YOTs were established in 1998, and have since performed well against their three core objectives. The number of young people entering the criminal justice system for the first time fell by 67 per cent between 2002/03 and 2012/13. Among young people found guilty of an offence, the number sentenced to custody fell by 61 per cent over the same period. Reoffending rates among young people rose by 1.8 per cent between 2000 and 2012, compared to a fall of 0.9 per cent among adults (MoJ 2014). However, this apparent increase in the prevalence of youth reoffending is likely to be due to a dramatic fall in

the *number* of young people reoffending, which dropped by 49 per cent over the same period (Muir 2014). As the size of the cohort has grown smaller, the average number of previous offences has risen. This indicates that YOTs are now dealing with a smaller but more prolific cohort of young offenders.

Changes to police targets are also likely to have contributed to the large fall in first-time entries into the criminal justice system among young people over the last decade. Prior to 2007, the police were required to increase the number of offences that received a formal sanction, which sucked many thousands of people into the formal justice system unnecessarily; the abandonment of this target unquestionably led to a large drop in the number of first-time entrants. However, the fall among young people was substantially larger than among adults, indicating that other factors were at play – including, notably, a very different approach to managing young offenders.

Overall, the effectiveness of YOTs hinges on the fact that everyone with a stake in addressing and improving a young person's behaviour works together. Their focus is on prevention and problem-solving, as well as on punishment, while custody is used as a last resort. While young people are required to take responsibility for their behaviour, including by receiving appropriate punishment, this approach also gives them the support they need to change the course of their lives.

Therefore, rather than take a big risk by dealing with young adult offenders through the 'transforming rehabilitation' contracts, the next government should extend the successful YOT model to offenders aged 18–20. Managing this cohort more effectively by reducing offending and reoffending, and ultimately bringing down the size of the prison population, would save money and free up capacity in the adult justice system. Taking young adults out of the probation contracts

that are likely to be signed before the general election in 2015 would require these contracts to be renegotiated. This may prove acceptable to providers because young adults typically represent harder cases, which providers may find it advantageous to pass on to YOTs (Muir 2014).

Extending the reach of YOTs would provide young adults with more consistent and joined-up support, allowing them to benefit from a key worker backed up by an integrated team of professionals. YOTs would retain the same responsibilities to prevent first-time entry into the justice system, reduce the number of young adults in custody and prevent reoffending.

Expanding their remit to 18–20-year-olds would have cost implications, since YOTs receive higher funding per offender than the adult probation service does. In 2008/09, spending on YOTs was £1,469 per offender on average, while probation trusts were paid just £357 for services for adult offenders (NAO 2011). A total of 9,898 young adults aged 18–20 were under the supervision of probation services in 2012 (Muir 2014). Therefore, we estimate that if YOTs were given the same resources to manage young adult offenders as they currently receive for youth offenders, they would require approximately £11 million a year in additional funding (Muir 2014). These resources could come from the savings to family benefits for young people (child benefit and child tax credit) that we set out above. Over time, these costs could fall if the YOTs were successful in reducing offending and reoffending among young adults.

As part of these reforms, the remit of the Youth Justice Board (YJB) should be extended to cover under-21s. The YJB currently oversees the youth justice system in England and Wales, supports the work of YOTs to prevent youth offending and reoffending, and ensures that custody for young

offenders is safe and addresses the causes of their offending behaviour. It also carries out research and analysis about the extent of youth offending and successful approaches to addressing offending and reoffending. Under the plans we set out here, the responsibilities of the YJB should be extended to 18–20-year-olds to ensure that local areas are focused on tackling criminality and antisocial behaviour among young people and young adults.

In addition, new community sentences should also be put in place as an alternative to short prison sentences for young adults. Prison must be used for young adults convicted of serious crimes, but short prison sentences are typically ineffective at preventing reoffending, and also disrupt whatever stability offenders may have in their lives (for example, in work or family relationships) (Muir 2014). Those issuing community sentences should be able to choose from a fuller range of options, including intensive supervision and monitoring, participation in full-time activity, curfews, or unpaid work experience. The behaviour of young adults on community orders should be regularly reviewed in court, with swift sanctions for non-compliance.

In order to boost the financial incentives for local areas to reduce reoffending and keep young adults out of custody, over time, the budget for youth custody could be devolved to local areas. This would give local areas resources to invest in alternatives to custody. Since April 2013, local authorities have had to pay the costs of remand places for under-18s, which has resulted in a fall in the number of young people placed in custody (Muir 2014). A logical next step would be to make local authorities responsible for the cost of detention and training orders for under-18s as well, with the budget devolved and the authority charged whenever they use a custody place.

They should be able to keep any surplus, provided that they invest it in alternatives to custody.

If these moves were to prove successful, custody budgets for 18–20-year-olds, who are held in young offender institutions or youth wings of adult prisons, could also be devolved to local areas. For instance, five-year devolved custody budgets would give local areas the confidence and incentive to invest in alternatives to custody on the basis that they may, in time, be able to reduce reliance on young offender institutions (YOIs) or prison youth wings.

However, these institutions are not evenly spread across the country, and are not found in every local authority area. It would therefore make sense to start with London and the five combined authorities, because each of them is large enough to contain one or more YOI or youth wing, and because young adult offending is concentrated in urban areas. Over time, the entire budget and management of several YOIs could be transferred to London and the combined authorities (see Muir 2014 for details). Places on youth wings in adult prisons could also be commissioned by combined authorities. Each combined authority (and London) would have to agree a delivery plan, based on national objectives, with the YJB. This would mean holding responsible local areas to account for their progress in reducing first-time contact with the criminal justice system, keeping all but the most serious young adult offenders out of prison, and bringing down reoffending rates.

Chapter 8

**WORKING LIFE: PROMOTING
WORK AND REWARDING
CONTRIBUTION**

The vast majority of people in Britain want to work, for their own self-esteem, to support their families, and to make a contribution to society. In the course of the Condition of Britain programme we met people who were desperate to find a job, and who felt deeply the frustration and powerlessness that comes from being out of work. In times of need, people also expect their previous contributions to be rewarded with support to help them get back on their feet.

One of the biggest tasks for the next government will be to enable as many people as possible to contribute to society through paid employment, including those who need to balance work with vital caring responsibilities. A further priority should be to improve the financial protections available to those who have made a contribution through work and care. These moves will be essential to help families secure rising standards of living, finance public services and social protections, and rebuild public trust in the social security system.

In the context of seeking to promote work and reward contribution, this chapter outlines a set of strategic priorities for the next phase of welfare reform.

First, a central priority should be to raise the employment rate through stronger action to prevent a minority of people spending years out of work and on benefits. Long-term worklessness damages self-esteem, family life and living standards, but it also imposes substantial costs on society as a whole. The most important factor driving the employment rate is the strength of the economy and the rate of job creation. However, experience tells us that even when the economy is growing, not everyone in society benefits. Despite 15 years of unbroken growth from the early 1990s, a substantial minority remained out of work, and employment rates in many parts of the country remained well below the national average (Cooke et al 2014).

To address these issues, we recommend greater social investment and clear obligations on people who are out of work to lift the employment rate, and promote contribution through paid work among as many citizens as possible. Our priorities are a more focused Work Programme; a separate, qualitatively different 'New Start' programme for people with long-term health conditions or disabilities; a job guarantee to prevent long-term unemployment; and steps to increase the retention of sick and disabled people in the workplace and improve the incentives for employers to hire them in the first place.

As well as supporting people to find employment, the contributions that people make through working or caring also need to be better recognised and rewarded. This should include stronger financial protections for people who have paid into the system before becoming unemployed. These protections are far weaker in Britain than in most European countries, meaning that a short period of unemployment can have a major impact on living standards. Our goal should be a social security system that offers more generous temporary benefits for people who have contributed, alongside better

employment support so that fewer people claim out-of-work benefits for long periods. This would go with the grain of public opinion, and tap into people's compassion and deeply held commitment to reciprocity.

With levels of government borrowing and public debt remaining high, affordability pressures on the social security system will remain. Stronger financial protections for working people who have contributed to the system will therefore need to be built up gradually. Our priority is an act of institutional reform that would directly connect contributions and entitlements, through a reconstituted National Insurance Fund. This would establish a mechanism for boosting the value of contributory benefits while ensuring that they are properly financed over the long term. We also propose two immediate reforms to strengthen contribution-based benefits, which would signal a new strategic direction for social security.

Finally, among the most pernicious and damaging trends of recent years has been the rise of personal debt (Lawrence and Cooke 2014). Many families, faced with falls in income and rises in the costs of basic essentials, have been forced into the arms of payday lenders who often charge extremely high fees and interest rates. Rather than helping to protect families from such dependency, the welfare system has often contributed to the problem. The Social Fund, which used to provide a last line of defence for the most vulnerable, has been effectively abolished. Meanwhile, the expanded use of benefit sanctions (see chapter 2) is leaving increasing numbers of people without any independent income and having to resort to high-cost payday lenders to meet their basic needs.

In response, it is vital that steps are taken to regulate out the worst excesses from the high-cost credit market. However, we propose that such moves be complimented by the establishment of a new non-state, non-market institution – an Affordable

Credit Trust – to mobilise and capitalise alternative providers of affordable credit. These local providers should also support low-income households to build up savings of their own. Such an institution would give many more people a realistic chance of building greater financial resilience and independence, and reduce their reliance on the social security system.

8.1 GIVING INSTITUTIONAL INDEPENDENCE TO THE NATIONAL INSURANCE SYSTEM

The National Insurance Fund should be given institutional and financial independence from government, with a responsibility for ensuring that national insurance contributions are sufficient to finance contributory benefit entitlements over the long term.

Despite the erosion of social insurance within the British social security system, the national insurance system has remained resilient, while retaining a strong place in the public imagination. It remains an important source of financing for social security (and the NHS), while entitlement to several benefits continues to be dependent upon national insurance contributions (NICs) – not least the enduringly popular state pension.⁵⁹ A number of the risks that national insurance was designed to protect against a century ago remain just as real today (Cooke and Stirling 2014). However, the private insurance market has not filled the gap left by the retreat of social insurance, and most families do not have sufficient savings to support themselves for long in the event of unemployment.

Any revival of social insurance and the contributory principle must first overcome the lack of connection between revenues from NICs and the financing required for national

59. In addition to the state pension, access to contribution-based jobseeker's allowance and contribution-based employment and support allowance – as well as statutory maternity, paternity and adoption pay – is also dependent on NICs.

insurance benefits, at both the individual level and across society as a whole. To achieve this goal, we argue that the National Insurance Fund (NIF) should be rebuilt as an independent institution for financing the national insurance system. This is the best way to ensure that any specific extensions of contributory entitlements are protected from future financial pressures and political meddling. This institutional reform would also tap into the national insurance ‘brand’, and start to restore the sense that citizens have a stake in a social security system that offers ‘something for something’.

To this end, we recommend that the government introduce a National Insurance Act that would reconstitute the NIF as an independent, ringfenced account, separate from government receipts and expenditures. The Act should set out the duties, powers and governance arrangements of the NIF, with its key role being to preserve a resilient national insurance system for the long term.⁶⁰ We are approaching a potentially rare opportunity to start the transition to granting the NIF independence: contributions in and payments out are expected to be broadly in balance on an annual basis by the middle of the next parliament, with no sizable gap in financing or surpluses to be transferred elsewhere (Cooke and Stirling 2014).

Under such an Act, NICs receipts from employers, employees and the self-employed should be channelled into the NIF, with contribution-based entitlements financed from it. In the first instance this would include: the single-tier state pension; contribution-based jobseeker’s allowance (JSA); contribution-based employment and support allowance (ESA);⁶¹ statutory maternity, paternity and adoption pay;

60. This would operate on a ‘pay as you go’ basis, rather than as a fully funded system of social insurance; the latter would require contributions to be increased dramatically or entitlements delayed for too long.

61. Contribution-based incapacity benefit would also be included, until the full transition to ESA is complete.

maternity allowance; and bereavement benefits.⁶² This would make explicit the fact that NICs finance contributory benefits and determine eligibility for them, and that they are not just an additional income tax in disguise.

The National Insurance Act should make the NIF independent from government finances. At present it can be dipped into by government if it is in surplus (a breach of public trust) and topped up by government if in deficit (generating moral hazard). The Act should require the NIF to ensure that revenues from contributions are sufficient to cover forecast benefit expenditure over the long term, so that affordability is locked in. In recognition of their separate entitlement basis and funding, contribution-based benefits should be removed from the cap on total welfare spending introduced by the Coalition government.

A reconstituted NIF should be governed by a board of trustees representing the interests of those who have a stake in the national insurance system: employees, employers, the self-employed, pensioners and carers. The trustees should be responsible for ensuring that the fund operates in the interests of all members and maintains financial sustainability over time. The NIF should have the capacity to conduct and publish analysis and projections of its revenues and expenditure, and be required to provide regular updates on its financial position in order to improve transparency and public engagement.

The board of trustees should also be responsible for making annual recommendations to parliament about future contribution rates and entitlements, setting out

62. Some reconciliation would be needed during a transition period to clarify the treatment of statutory maternity, paternity and adoption pay. At present, entitlement to these is conditional on contributions, but the NIF is reimbursed by the taxpayer for the reduced employer NICs liabilities that finance them. Similarly, the funding of maternity allowance should switch to the NIF, and guardian's allowance should be transferred to general taxation as this is not a contribution-based entitlement.

the implications for the NIF's balance sheet. These recommendations should include any reforms needed to respond to economic or demographic shifts, such as further increases to the state pension age. Recommendations should represent the consensus view among the trustees, following widespread consultation and engagement.

Final decisions about contribution rates and entitlements should remain with parliament, but the government should not be able to ignore the trustees' recommendations. If it disagreed with them, the government should have to make alternative proposals that are consistent with hitting the same target balance for the NIF as the board had sought to achieve (as well as explaining why they chose not to implement the consensus recommendations of the trustees).

In time, mechanisms for democratic elections to the board of trustees – through representative organisations, for instance – should be considered. Initially, however, the government should appoint individuals on the basis of their proven ability to represent the interests of employees, employers, the self-employed, pensioners or carers. The size and composition of the board should be set out in legislation, including statutory criteria for the interests that should be represented. In making appointments, the government should aim to achieve a broadly 50/50 gender split, and proper representation of ethnic minorities, disabled people and the four nations of the UK should be ensured. The government should also appoint an independent chair and deputy chair of the board, which should always be one man and one woman. Trustees should sign a pledge to serve the long-term interests of the NIF and seek common ground among the board as a whole, rather than simply defending any particular interest.

Anyone who has made a year's worth of qualifying contributions should become a member of the NIF. Members should receive regular information about the health of the NIF and the financial support it has provided, as well as the individual entitlements they have accrued.⁶³ Moreover, before presenting its annual recommendations to parliament, the board should publish a set of draft proposals that provide an opportunity for members to debate and respond. There should also be a mechanism by which members can have a specific proposal considered by the board, provided they can gather the support of a certain number of members from multiple interest groups. If the trustees choose not to accept such a proposal, they should give a formal explanation of this decision.

One of the first tasks of a reconstituted NIF should be to conduct a review of NICs and national insurance entitlements (see Cooke and Stirling 2014 for more detailed proposals on what this could cover). Both have elements that are excessively complex and outdated, and which lack a clear rationale. Furthermore, about £20 billion a year is raised through NICs to pay for the NHS, though this money does not go into the notional NIF. Under the reforms proposed above, this money could continue to be directed to the NHS as it is now. Another option would be to use these resources to carve out a distinct element of the national insurance system linked specifically to entitlements for care and support for older people. The prospect of advancing social insurance as a mechanism for meeting the care and support needs of older people is explored further in more detail in chapter 11.

63. It might be appropriate for the general taxpayer to make contributions into the NIF in certain specified situations, such as on behalf of carers or those working but earning below the primary threshold. Such contributions must be rule-based rather than discretionary.

8.2 STRONGER INCOME PROTECTIONS FOR PEOPLE WHO HAVE CONTRIBUTED TO THE SYSTEM

As a step towards reviving the contributory principle, the rate of contributory JSA should be increased by £30 a week, and those entitled to it should also gain access to help with mortgage interest payments if they become unemployed.

Establishing a stronger institutional foundation for the national insurance system is vital to building a more popular and resilient social security system. However, for people to see the tangible benefits of social insurance, practical steps must also be taken to provide stronger protections on the basis of their contributions to the system. Our priority is a higher rate of JSA for claimants with a recent contribution record, and the extension of support with mortgage interest payments to people claiming contribution-based JSA.

The risk of experiencing a drop in income or losing a job over a given period is much greater than the proportion of people experiencing low income or unemployment at any one time. This indicates that economic insecurity is much more broadly shared than snapshot figures of those looking for work or living in poverty suggest. In the 12 months to June 2013, around 3.2 million people made a claim for JSA – more than double the average number claiming the benefit in any one month over the same period, which stood at 1.5 million (Cooke and Stirling 2014). Over 10 million people (10.7 million) relied on an out-of-work benefit at least once at some point in the decade to 2009; of these, almost half were receiving benefits for less than a year, with many claiming for just a few weeks (ibid).

Contribution-based JSA is currently available to people who have paid NICs for at least 26 weeks in one of the last two tax years, and have paid contributions on annual earnings higher than 50 times the weekly lower earnings limit (currently

£111) in both years.⁶⁴ The benefit is not means-tested against other household income, and can be claimed for up to six months. However, income-based JSA and contribution-based JSA are both paid at the same rate (currently £72.40 a week for those aged 25 and over), and come with the same jobsearch conditions. Any meaningful difference between means-tested and contributory protections for those losing their job have therefore been eroded.

To boost income protection for those losing their job, and to begin to establish a distinction between social insurance and social assistance benefits, we propose raising contribution-based JSA to £100.15 a week, bringing it into line with the rate of ESA for those in the ‘work-related activity group’. Around 800,000 people a year claim contribution-based JSA, and under this reform would be better off by just under £30 a week. This would provide a 40 per cent boost to the income protection available to those who have contributed to the system. Based on current take-up rates and the average duration of contribution-based JSA claims (9.7 weeks), we estimate that this would cost around £250 million a year (Cooke and Stirling 2014).

As now, contribution-based JSA should be limited to six months, and should not be counted towards assessments for means-tested benefits like housing benefit or child tax credit (or universal credit once it is up and running). If the recipient is still out of work after six months, they should then become eligible for income-based JSA, at the existing lower rate, subject to the current means-test on household income (so they would be unlikely to qualify if they had a partner in work or significant savings). A further period of employment

64. Applies to people paying class 1 NICs (employees) and class 2 NICs (the self-employed). National insurance credits are also available to people caring full-time for a child or sick adult, or claiming certain out-of-work benefits, to enable them to build up entitlement to the state pension.

would be needed before entitlement to contribution-based JSA kicked in again in the event of a future spell of unemployment.

One of the biggest concerns for people losing their job is that they might also lose their home. Families receiving means-tested out-of-work benefits can get help with their mortgage interest payments through support for mortgage interest (SMI). SMI can be paid on mortgages up to the value of £200,000, or £100,000 for those on pension credit, at a standard rate of interest. We propose extending this entitlement to those on contribution-based JSA. The current average SMI award for those on income-based JSA is £50 a week, and around 30 per cent of those on contribution-based JSA are homeowners with a mortgage. Assuming that the current 13-week waiting period applies, and that all those who became newly entitled claimed support at the average amount for the full remaining 13 weeks, the extra cost would be just over £150 million a year. In practice, many contribution-based JSA claims cease inside the 13-week waiting period.

Taken together, we estimate that a £30 premium on contribution-based JSA, and extending entitlement to SMI to those with a contribution record, would cost around £400 million a year. In time, these extensions to contributory entitlements should be financed from within the NIF, as part of its transition to independence. In the short term, however, there are a number of options for releasing the resources needed to pay for these specific protections.

First, more marginal benefits could be scaled back. For instance, scrapping the Christmas bonus would save around £150 million a year. This is a one-off, annual £10 payment to people in receipt of a range of benefits, including the state pension. Its value has been eroded over several decades, and it is a highly marginal part of any household's income.

Reviving the contributory principle is a far higher priority than defending an outdated payment that does not serve an important purpose.

Second, the structure of SMI could be changed to reduce its cost. For instance, after a two-year period, further SMI payments could be recouped through a charge on the property, redeemed when the claimant is back in work or when the property is sold.⁶⁵ This would give people time to get back to work, adjust their finances, or move to a more affordable property. Support would not be cut off after this point, but it should be reclaimed at a later date. It is not appropriate for the state to permanently subsidise families or individuals to live in a home they cannot afford – especially when they, rather than the state, benefit from any uplift in its capital value. Around £250 million a year is spent on SMI for those with claims that have lasted for longer than two years. However, the savings achieved by imposing this new limit would only build up over time, as money was reclaimed.

A third option would be to increase the amount of contributions needed to build up entitlement to more generous benefits. Increasing the number of years that someone must have worked from two to three would limit the number of people who are eligible for the higher rate of JSA. It would also generate savings, as those who had worked for two years but not three would no longer be entitled to contribution-based JSA, nor would they be able to access income-based JSA instead if they had a working partner or savings above a modest level. Our estimates suggest that a three-year contribution period would reduce the net cost of a £30 premium on contribution-based JSA to around £160 million (rather than £250 million with the existing two-year qualifying period).

65. SMI is currently limited to two years for people claiming income-based JSA, but for other claimants its duration is unlimited.

Finally, the net cost of higher contribution-based entitlements could be controlled by structuring them as an income-contingent loan. This would involve the NIF paying out more generous temporary benefits – for unemployment and mortgage protections – but then recouping some or all of the cost from individuals once they are back in employment. This would emphasise the role of the national insurance system in protecting against risks and smoothing incomes. This approach would require the NIF to maintain stronger surpluses in any given year, but the risk of default would be low given that only those with a strong work record would be able to access the more generous temporary support (Cooke 2011).

It is important to note that a stronger contributory principle does not mean abandoning the goal of poverty reduction through redistribution. Financial support provided on the basis of immediate need rather than prior contribution will remain by far the most dominant element of social security expenditure. Even if the employment rate rises much further, extra costs associated with disability, housing and raising children will remain – and it is essential that society supports these. While steps to tackle low pay and spread the living wage can reduce tax credit expenditure, extra help for low-income working households will remain a vital means by which society can ensure that contributions through work are rewarded.

8.3 REFOCUSING THE WORK PROGRAMME WHERE IT CAN BE EFFECTIVE

The next phase of the Work Programme should focus on supporting long-term jobseekers and those recovering from temporary health conditions, with contracts based on meaningful economic geographies and a job guarantee to prevent long-term unemployment.

The Work Programme currently provides back-to-work support for those who have been claiming JSA for a year and those in the ‘work related activity group’ of ESA. It is delivered by ‘prime providers’, largely from the private sector, operating across 18 large contract areas across England, Scotland and Wales. After a rocky start, the performance of the Work Programme is now broadly in line with expectations and previous, similar employment programmes for JSA claimants (Davies and Raikes 2014). However, it is not proving effective at boosting employment among ESA claimants (and below we discuss a separate model of employment support for this group).

The core activity of Work Programme providers consists of tried and tested back-to-work strategies like supported jobsearch, help with maintaining a CV, and interview preparation, plus some extra help with skills or confidence-building. Participants are also required to demonstrate that they are taking steps to get back into work. This combination of support and obligation tends to be sufficient for the majority of jobseekers, but it is rarely effective for people with long-term or chronic health conditions that reduce their capacity to work, or for those with little or no record of employment. Often, the biggest challenge for such groups is finding an employer willing to take them on.

There is also little evidence that the design and funding of the Work Programme has driven innovation, with the risk being that those who face greater disadvantages are ‘parked’ (that is, left without support) (Newton et al 2012). Poor provider performance simply leads to less funding for future participants. The contracting and payment model locks resources into a single prime provider and their supply chain, with accountability directed up to central government, not out to local areas or participants. This inhibits precisely the kinds of local knowledge and connections among health, housing,

skills and social care services that are crucial to supporting those with complex needs into employment (Cooke et al 2014).

When the Work Programme was introduced, providers were set a target of securing jobs for 16.5 per cent of participants in receipt of ESA – yet between June 2011 and December 2013 only 6.2 per cent of new ESA claimants had found work (DWP 2014a). Furthermore, three-quarters of all those referred to the Work Programme between June 2011 and December 2012 finished the two-year programme without finding a job (McGuinness 2014). This is in addition to the year they would already have spent being supported by Jobcentre Plus before participating in the Work Programme. Three years is too long for society to allow someone to be unemployed.

Work Programme contracts will be up for renewal in 2016. Drawing on lessons from its performance to date, we recommend that the next round of contracts should be focused on people who need intensive but relatively standard and finite support to access sustainable employment. Contracts should also be more closely connected to city- and county-based economic development strategies, local business support, and adult skills provision. In addition, a backstop should be built into the benefit system to prevent long-term unemployment, with sharper mechanisms to ensure that Work Programme providers support all participants, and that no one completes the programme without finding a job.

As such, the next phase of the Work Programme should continue to cater for JSA claimants who have not found work during a year with Jobcentre Plus. However, only ESA claimants close to recovering from a temporary health condition should continue to participate in it. The Work Programme's activation strategies are likely to be appropriate for this group, especially where ESA is effectively acting as a

sickness benefit for those without entitlement to statutory sick pay. This segmentation should be determined by a reformed work capability assessment (WCA), which should aim to better distinguish between temporary and chronic limitations to work capacity.⁶⁶ We discuss further reforms to the WCA later in this chapter.

ESA claimants with a chronic health condition or disability that is likely to reduce their capacity to work for a long time should instead participate in a qualitatively different 'New Start' supported employment programme, described in the next part of this chapter. Also, consistent with our argument in chapter 7, unemployed young people under the age of 22 should be guided through a distinct work, training and benefits track, rather than being supported by the Work Programme.

As an indication of the potential impact of these changes, 84 per cent of referrals to the current Work Programme up to the end of 2012/13 were JSA claimants, while over 90 per cent of provider outcome payments up to the end of 2013 were paid on behalf of JSA claimants (Cooke et al 2014). Because it operates on a payment-by-results basis, there is not a fixed budget for the Work Programme. At its inception, the government expected to spend around £2.5 billion on JSA claimants, or £500 million per year; however, it is set to spend somewhat less than this in practice due to underperformance.

Contracts for the next Work Programme should be let on the basis of local enterprise partnership (LEP) geographies, matching the boundaries of combined authorities wherever possible (see chapter 3). This would have two important advantages. First, it would promote connections between employment support and local economic development

66. The WCA is designed to determine how an individual's health condition or disability affects their ability to work, their consequent entitlement to ESA or JSA and, by extension, their level of work obligations.

strategies, enabling stronger partnerships between providers and local councils, employers and colleges. Second, it would more than double the number of contract areas from 18 to 39. This would reduce the size of contracts, opening up the market to a larger number of potential providers, including consortia of charities and specialist providers (Cooke et al 2014). There would still be scope to let more than one contract within each LEP area, in order to promote local competition.

Under these arrangements, central government would continue to fund the Work Programme and assume the risk of higher benefit payments resulting from underperformance by providers (while sharing the dividend from effective performance). It should therefore retain the lead commissioning role, but involve local areas to a far greater extent. The government should set a contracting framework, but within this, local authorities and LEP members (including employers) should be able to feed into the design of local contracts, and be formally consulted when providers are shortlisted and chosen.

Areas with stronger institutional arrangements, such as combined authorities, should be given co-commissioning powers, alongside central government, if they commit to aligning additional resources and provision with the programme. Examples of this could include agreeing to focus devolved budgets for adult skills on Work Programme participants, or using some of their own resources to provide extra support to participants with particular barriers to work. Similar co-commissioning arrangements should apply in Scotland and Wales (and separate arrangements agreed with Northern Ireland).

The next Work Programme should continue to reward providers when participants secure a job and then stay in work for a certain period. This would retain the current strong focus

on employment outcomes and minimise the need for central prescription. However, providers should also receive an amount of funding for every participant (the 'attachment fee') throughout the whole contract period; this should not be progressively withdrawn, as it is now. This would guarantee funding for providers, matched by a new minimum service entitlement for participants to ensure that they receive a basic level of support. Given the more focused participant base, participants should only spend a maximum of one year on the next Work Programme if they have not found work during this period. To sharpen provider incentives, if a participant does not secure a job during this 12-month period, a portion of the 'attachment fee' should be recouped by government. If a participant has moved into employment, their relationship with the provider should continue for a further year, as it does now.

To prevent long-term unemployment, if someone has not found work after a year on the Work Programme they should be guaranteed paid work experience and be required to take it up. This would mean that no one could spend more than two years unemployed (one year on the Work Programme rather than two, plus an initial year with Jobcentre Plus). This 'job guarantee' should involve 25 hours a week of meaningful work for up to six months, paid at least the minimum wage, with another 10 hours a week of training and help with looking for work on the open labour market. People should not be able to continue receiving JSA if they refuse this offer. In time, a similar offer and obligation could be extended to ESA claimants on the Work Programme, consistent with their capacity to work.

Like the Work Programme, this job guarantee for the long-term unemployed should be organised on the basis of LEP geographies, with its delivery led by either a combined authority, a consortia of local authorities within an LEP, a contracted provider, or the local Jobcentre Plus. Public,

private and voluntary sector organisations should be able to bid for funding to offer paid work placements that are of value to both the individual and the community. Based on the net costs of the Future Jobs Fund, unit funding of £4,000 should be provided to cover wage costs, employer NICs, and a small sum for training and programme administration (see DWP 2012 for a description of the Future Jobs Fund and a cost-benefit analysis of the scheme). There should be a small ‘bonus payment’ for the local organising agency if participants move into sustained employment after the end of their job guarantee placement.

In practice, the cost of such a job guarantee would depend on the number of people entering the Work Programme, and the success of providers in finding employment for participants. As a guide, based on the flow of new JSA claims and their average durations, we might expect around 105,000 claimants aged 22 or over to reach 24 months on JSA in 2015 (Cooke et al 2014). Providing up to 6 months of paid work experience to this group would cost £420 million.

To pay for this policy, we propose scrapping the government’s Help to Work scheme for those who leave the Work Programme without a job, which would save around £200 million a year.⁶⁷ Resources would also be generated by recouping a share of the attachment fee paid to Work Programme providers for participants who do not find a job during their year on the programme. However, it is not certain how much this would raise – and the aim would be as little as possible, due to effective provider performance.

67. In the 2013 Autumn statement, the Treasury announced that ‘the government will invest £700 million over four years in a new Help to Work scheme’ (HMT 2013: 70), an average of £175 million per year (with the spending scorecard suggesting this includes both extra gross spending and the reinvestment of expected benefit savings resulting from the scheme).

Therefore, to complete the funding of a job guarantee, we propose raising the higher rate of capital gains tax (CGT) from 28 to 35 per cent, and devoting £220 million of the £400 million a year it would raise (based on estimates in HMRC 2014) to prevent long-term unemployment.⁶⁸ CGT is levied on the profit achieved when an individual or trust sells or transfers assets such as property or shares, although an individual's main home is exempt. Up to £11,000 of capital gains a year is exempt from CGT, and it is estimated that only 168,000 individuals (and 17,000 trusts) paid CGT in 2010/11 (HMRC 2013). Moreover, the recent substantial increases in the generosity of ISA allowances – to £15,000 a year – mean that individuals can now also make significant gains on savings, free of tax.

It is estimated that there are currently 160,000 people aged over 22 who have already been claiming JSA for more than two years (Cooke et al 2014). The cost of providing the job guarantee to this group immediately would be £640 million. However, it would not be possible to organise paid work experience placements quickly enough to meet all of this need straight away. Moreover, these individuals will currently be participating in the Work Programme, and they (and their provider) should be given the chance to complete that engagement. Should resources allow, a job guarantee for this group should kick in at the end of their participation on the Work Programme, if they have not entered employment by that point.

68. In chapter 10 we propose using the remaining resources from this proposed increase in CGT to supplement local authority budgets focused on tackling deep social exclusion.

8.4 SUPPORTED EMPLOYMENT FOR THOSE WITH A LONG-TERM HEALTH CONDITION OR DISABILITY

Those with a long-term health condition or disability that reduces their capacity to work should participate in ‘New Start’, a new, locally-led supported employment programme for ESA claimants, with integrated budgets and incentives for success.

Despite an improving labour market, disabled people continue to face a substantial employment penalty. At the beginning of 2013, just over a third (35 per cent) of disabled people⁶⁹ were in paid work, compared to over three-quarters (78 per cent) of non-disabled people, with large variations in employment rates across those with different types of disability (Cooke et al 2014). Between 1996 and 2008, despite a growing economy, the number of people claiming ESA (or its predecessor, incapacity benefit) remained broadly flat, at between 2.4 and 2.5 million (DWP 2014b). This suggests that worklessness among disabled people is largely structural, and not strongly linked to the economic cycle.

Previous mainstream employment programmes have not performed a great deal better for ESA claimants than the Work Programme, indicating the need for a fundamental rethink. There is good reason to believe that simply extending the combination of support and obligations that have generally proved effective for mainstream jobseekers to those with long-term health conditions or disabilities will not be effective in driving up their rates of employment. This is because the dominant framework for thinking about the design of employment support – ‘distance from the labour market’ – wrongly assumes that everyone on

69. This refers to people who both have a disability under the Disability Discrimination Act *and* who self-report a work-limiting disability. See Cooke et al 2014 for full details.

benefits is on a journey towards resolving or overcoming a barrier to work. This is true in many cases. However, there are a significant number of people who have a long-term health condition that will affect their capacity to work for a long time, possibly permanently (in terms of the hours or the type of paid employment they can undertake), but which need not prevent them from working altogether.

The notion of ‘distance from the labour market’ sets up a binary distinction between whether someone can or cannot work, rather than asking what kind of employment might be possible and what it would take for that to be enabled. For instance, the outcomes of WCAs are that people are placed into either an ‘activation-oriented’ Work Programme (via entitlement to JSA or the work-related activity group of ESA), or a ‘no obligations’ category (the ESA support group) which ends any expectation of engagement with employment. In addition, the structure and design of ESA encourages people to emphasise work *incapacity*, due to the higher benefit rate and lower conditionality that this attracts (which will not materially change under universal credit). Despite contrary intentions, the WCA remains a gateway to benefits, rather than to support with securing work.⁷⁰

Any attempt to categorise individuals’ employment potential is inevitably imperfect, and models of support must always be capable of responding and adapting to particular personal circumstances. However, our argument is that the Work Programme model is not well suited to people who have a reduced capacity to work and require more specific and long-term support to enable them to enter employment. This means that most ESA claimants should participate in a qualitatively different but equally work-focused supported employment

70. The share of WCAs that have led to someone being placed into the ESA support group has been rising, reaching over 50 per cent in the latest published figures (DWP 2014c).

programme. Broadly speaking, only ESA claimants who are close to regaining their previous work capacity following a temporary health condition should enter the Work Programme.

We suggest that such a supported employment programme for ESA claimants with a long-term health condition should be named 'New Start', to indicate a fresh, positive approach that is rooted in disabled people's own potential and capacities. New Start should also replace the specialist disability employment programme, Work Choice, when its contracts expire. To be effective, the introduction of New Start would need to be combined with reforms to the WCA that orientate it towards identifying the kinds of work that an individual could undertake, and the support they are likely to need to be able to do so, rather than simply operating as a gateway to benefits.

Crucially, the overriding goal of the New Start programme should be the same as for the Work Programme: sustainable employment for its participants. Such a goal should be pursued through the 'place, train and maintain' model, which aims for rapid entry into paid work, and involves both active job brokering and intensive (and potentially ongoing) support for both the individual and the employer. Unlike traditional back-to-work programmes, this approach seeks to directly confront the so-called 'demand-side' problem, by working with specific employers to make a successful job match possible.

Moreover, it would treat employment as often being an essential part of treatment or condition-management, rather than this being something that must precede entry into work. Prior to taking up a job, participants should be engaged in positive activities aimed at boosting social participation and employment prospects. By charting a course between traditional 'activation' strategies and 'no support, no conditionality' tracks, the aim would be for more ESA claimants to engage in back-to-work activity, and for fewer to enter the support group.

The New Start programme should seek to combine fidelity to the core components of effective models of ‘supported employment’ with scope for creative partnerships and innovative practice. Supported employment refers to a range of back-to-work strategies focused on rapid entry into work on the open labour market but which also provide ongoing in-work support (Cooke et al 2014). It stands in contrast both to approaches rooted in long periods of pre-employment support and training, and to those based simply on ‘activation’ strategies like supported jobsearch. Rather than just preparing claimants for the labour market, it seeks to address the problem of employers being less likely to hire disabled people. Key elements of supported employment include a positive, pro-employment culture; a belief in self-motivation as a key factor in gaining work; the centrality of specialist employment advisers; active and sustained employer engagement; the use of job-matching and tailoring of jobs to suit specific abilities; and structured, ongoing support in the workplace for employers and employees (ibid).

The fundamental principle of New Start should be that anyone who wants to work can do so. It should have a positive and empowering culture designed to nurture and unlock individuals’ talents and capacities. For this reason, participants should not be mandated to participate in particular activities. However, there should be an obligation on ESA claimants to engage with New Start, and to take responsibility for their own situation. This should involve regular meetings with an employment adviser, and the agreement of a personal employment plan. If a claimant persistently fails to engage with their adviser, there should be a backstop of benefit sanctions. However, this should only be triggered after a face-to-face meeting with a personal adviser to review activity, assess personal circumstances and better understand any underlying problems that are getting in the way of employment.

Central to the success of New Start would be its ability to draw together a range of services and support in a way that a nationally commissioned, prime contractor model cannot. The connection between health and employment services would be particularly important – and has been made more possible by the recent devolution of public health funding to local government, alongside the local clinical commissioning group (CCG) structure. Better employment outcomes would in turn help to improve local health outcomes and potentially reduce local health spending. The role of housing, adult social services, further education and, in some cases, probation or drug and alcohol treatment services in New Start could also be crucial.

We therefore recommend that the New Start programme be led by local areas, tapping into local leadership and relationships. It should form part of wider strategies to integrate local services, rather than attempting to drive this process from Whitehall, which has rarely proved effective. Local councils often have far more established relationships with ESA claimants, such as through social housing or social services, than Jobcentre Plus, which has limited contact with this group. The goal should be for top-tier local authorities to be responsible for leading the New Start programme, holding the budget, brokering or commissioning provision, and being held to account for performance. If they chose to do so, local authorities should be able to work together to organise their New Start programmes over larger areas – through combined authorities, for example. In the first instance, while the capacity of local areas is developed, the DWP should provide strategic guidance and input into the development of local plans and commissioning arrangements. Where local areas are not able to demonstrate their capacity to lead and manage a successful New Start programme, there should be provision for the DWP, via Jobcentre Plus, to take lead responsibility for an interim period.

Unlike for JSA claimants, local areas leading New Start programmes should have direct control over resources for employment support for long-term ESA claimants. ESA claims are not strongly linked to the economic cycle, so local areas would not be at risk of having to respond to large swings in local caseloads (which Jobcentre Plus as a national agency is able to cope with in respect of JSA). Also, given that existing forms of support for ESA claimants are largely ineffective, there is a minimal risk that new local approaches would impose a large extra cost on the Treasury (in the event of them being ineffective). In fact, only a small minority of ESA claimants have participated in the Work Programme, so any improvement in the employment rate of this group could have a considerable financial benefit for the Treasury.

It should be for local authorities, or groups of councils, to determine the design and structure of the New Start programme in their area, within some national parameters (set out by DWP and met as a condition of drawing down central government resources). This could involve establishing a local New Start Trust to plan and commission provision, bringing together senior representatives of local services, employers, the voluntary sector and disabled people. Alternatively, where they are strong and effective, health and wellbeing boards could take on this lead responsibility in local areas. Either way, formal mechanisms should be put in place for involving service users in both the design of local New Start strategies, and holding providers to account. Local areas should publish their strategies for boosting the employment of residents with health conditions and disabilities.⁷¹

Based on (planned) expenditure on back-to-work support for ESA claimants, the DWP contribution to a future New Start

71. Local authorities are already required to conduct joint strategic needs assessments, with other local partners, to shape and inform their public health expenditure.

programme should be around £200 million a year across Great Britain.⁷² If this funding was devolved, it would be reasonable to expect it to be at least matched by local authority (and devolved administration) resources. This could most plausibly and appropriately come from public health budgets. Boosting the employment of local ESA claimants would be entirely consistent with the Public Health Outcomes Framework, which includes indicators for the employment rate among those with long-term health conditions, as well as sickness absence rates (DoH 2013a). Assuming that funding continues at current levels into the next parliament, committing £200 million a year to New Start would equate to just 7 per cent of public health spending across England.⁷³

In addition, local councils should aim to draw in further capacity and resources from primary and secondary health services in their area. This could involve mobilising the active involvement of GPs, and securing agreement for the local CCG to commission occupational health and mental health services consistent with the local New Start plan. Making employment a more prominent focus within the NHS Mandate would further boost such efforts.⁷⁴

There would also be a strong case for a share of European Social Fund (ESF) resources to be invested in support of the New Start programme. England has been allocated €6.2 billion from the ‘European Growth Programme’, which includes the ESF, between 2014 and 2020. Among the five investment priorities proposed by the UK government for this money are

72. Combining resources for the Work Programme and Work Choice. Due to programme underperformance, actual public spending on employment support for ESA claimants in the Work Programme has been substantially lower than planned (Riley et al 2014).

73. In practice, matched funding in England would be lower than this, given that a share of the £200 million DWP contribution would go to Scotland and Wales.

74. The NHS Mandate sets out the government’s priorities for the NHS, and is given by the government to the NHS Commissioning Board (see DoH 2013b).

‘helping more unemployed and inactive people to enter and progress in employment’ and ‘tackling barriers to work faced by the most disadvantaged groups’ (DWP 2014d). Access to Work⁷⁵ funding could also be drawn on to help broker jobs with employers. There could also be opportunities to mobilise social investment behind the New Start programme, given its social justice mission and potential to generate a long-term return from reduced benefit expenditure.

To give a sense of how many people might participate in a New Start programme of the kind proposed here, in 2012 (the last year of complete data) just over 250,000 people gained entitlement to ESA following a WCA (Cooke et al 2014). Of these, 115,000 were placed into the work-related activity group, and 138,000 entered the support group.⁷⁶ However, serious problems with the delivery of the WCA and its high appeal rate mean that the level and pattern of flows onto ESA are erratic. There is little published data that breaks down the length of prognoses following a WCA, which would in any case be an imperfect means of segmenting individuals into either the Work Programme or New Start, given its current structure.

To enable local areas to use resources flexibly and efficiently, there should not be a specific per-participant funding allocation within New Start. However, as an illustration, if average unit funding was £2,000 per participant,⁷⁷ an annual allocation of £400 million from DWP, local councils and the

75. Access to Work is a government grant that helps to pay for adjustments or other practical support in the workplace for disabled people.

76. Furthermore, between April 2012 and March 2013, 430,000 people became entitled to ESA after being transferred from incapacity benefit (205,000 went into the work-related activity group, and 289,000 into the support group) (Cooke et al 2014).

77. The government expected to spend £1,170 per ESA claimant on the Work Programme, while actual unit spending has been £690. As a guide, the unit cost of Individual Placement and Support (IPS) in the UK is estimated at just under £1,700, with the cost of a job outcome put at £3,335.

devolved administrations would fund places for 200,000 ESA claimants a year. This would enable 60 per cent more ESA claimants to engage in back-to-work support than under the Work Programme, with almost three times the level of funding per participant. If this funding could be further matched by CCGs and LEPs across the country, New Start would have an annual budget of £800 million. With funding at this level, the programme could work with 400,000 ESA claimants – more than three times the number participating in the Work Programme each year.

At this scale, New Start would have the potential to make a substantial impact on the employment rate of people with long-term health conditions or disabilities, while significantly reducing expenditure on ESA and related benefits. Local areas should be free to give participants the right to take New Start support as a personal budget, and to provide a version of a job guarantee backstop to limit the amount of time for which local ESA participants were without work. A funding model of this kind would be far simpler than the complex financing structure that underpins the Work Programme. However, it would be vital that New Start is strongly focused on successful employment outcomes. As such, bonus payments should be made to local areas in respect of ESA claimants who stay off benefits for a sustained period, so that they share the resultant benefit savings with the Treasury.

Furthermore, data should be collected and published on local New Start programmes' rates of participation, expenditure and employment outcomes. Perhaps most importantly, the framework of New Start should create the conditions for widespread experimentation and innovation in supported employment for those with long-term health conditions and disabilities. This promises not only to achieve better results but also to build a better understanding of 'what works' for this

group. To that end, the government should fund large-scale quantitative and qualitative evaluations of local partnerships and strategies.

8.5 BOOSTING THE HIRING AND RETENTION OF PEOPLE WITH A HEALTH CONDITION OR DISABILITY

Small firms should be able to recover sick pay costs for employees hired from ESA. In addition, there should be greater back-to-work engagement between individuals and employers during sickness absence, matched by a longer period of employment protection.

A crucial component of New Start would be much more systematic engagement with prospective employers to broker jobs, provide support and address concerns they might have about taking on a disabled person. Many disabled people who want to work are held back because they cannot find an employer willing to give them a chance. This is likely to be a significant factor contributing to poor results for ESA claimants on the Work Programme. Overt discrimination against disabled people remains a considerable problem in the workplace, but employers can also have reasonable fears about the risks of hiring someone who may need to take time off work in future because of a health problem. Small firms in particular may struggle to absorb the costs of sick pay (Cooke et al 2014).

Previously, small firms were able to recover a proportion of the cost of statutory sick pay (SSP) from the government if it represented a large share of their national insurance liability in any given month. However, this so-called ‘percentage threshold scheme’ was not well targeted where employer risks of high sick-pay costs were likely to be greatest, and in any case it was abolished in April 2014. Therefore, to support the New Start programme, we recommend that small firms are allowed to

recover virtually all of the SSP costs they incur for individuals hired directly from ESA. This would reduce the risk of taking on someone who is more likely to take periods of sick leave.

Specifically, we propose that small firms be able to recover 92 per cent of relevant SSP costs, mirroring the amount that large companies can claim back for statutory maternity and paternity pay (see chapter 6). Requiring employers to bear a small portion of the cost would retain an incentive for them to help people on sick leave return to work quickly. To control costs and assess impacts, this new system of sick pay recovery should initially be limited to the first year in employment of anyone hired directly from ESA. We estimate that a system of SSP recovery along these lines would cost the government around £25 million a year (see Cooke et al 2014 for full costings). This should be funded from within the additional revenues raised by increasing the higher rate of capital gains tax (as outlined in section 8.3). If successful, these arrangements could be extended to larger companies. This change should be accompanied by ongoing efforts to confront disability discrimination, improve employers' understanding of disability in the workplace, and increase opportunities for flexible working.

Although most periods of sick leave are for just a few days, in a minority of cases people spend long periods away from work, and some end up claiming benefits. Just over half (51 per cent) of new claimants for ESA were previously in work, while a little under a quarter (22 per cent) had previously exhausted a period of sick leave (Cooke et al 2014). Therefore, keeping more people healthy and in work could make a big difference to the number of people who enter the benefit system.

With this in mind, the government is currently in the process of introducing a 'health and work service' to provide

voluntary advice and support to employers and employees, available from the fourth week of sickness absence (DWP 2014e). It is also providing tax relief for employers' spending on occupational health (ibid). These changes aim to limit the length of sickness absence and get people healthy and back to work as quickly as possible. However, there is a case for stronger interventions in this area, to help keep people connected to the labour market and reduce flows onto ESA and other benefits.

During the SSP period, there are few obligations on employees to take active steps to return to their job, despite the fact that this becomes progressively less likely over time. There are also few requirements on employers to make adjustments to work duties or working conditions, or to offer an alternative job, in order to facilitate an employee's return to work. Given the relatively low rate of SSP (£87.55), the financial incentive for employers to support an employee on sick leave back to work is limited.

To overcome these challenges, we propose that it be made mandatory for an occupational health plan to be agreed between an employer and employee after 13 weeks of sickness absence, with the input of an occupational health expert. Employees should be obliged to engage with this plan, consistent with their health, and employers should also have obligations to consider reasonable changes that would facilitate a return to work. These could include the offer of an alternative position with the same employer, though with no obligation for the employee to accept a reduction in their terms or conditions at this stage. The aim of these plans should be to promote more active engagement between employer and employee. However, in some cases it might become necessary for an employment tribunal to test whether both parties have done enough to fulfil their obligations.

At present, employees are entitled to statutory sick leave for up to 28 weeks if they fall ill or acquire a health condition or disability while in work. If people exhaust their SSP entitlement, they may then have their employment contract terminated. If they then claim ESA, they initially enter into a 13-week 'assessment phase' before undertaking a WCA. During this period there is little support for claimants to find work, and no obligations to take steps to improve their health where this is appropriate. Individuals in this position can find themselves caught in a benefit and support system designed for people with long-term, chronic conditions, even if they are on the road to recovery.

The UK has a relatively short period of sick leave by European standards: most other countries provide longer periods of employer-financed sick pay or a state-funded, temporary sickness benefit (Cooke et al 2014). This offers employees greater opportunities to successfully return to work, while preventing those with temporary conditions becoming caught up in a largely inactive disability benefit system.

Therefore, as part of the implementation of universal credit, we recommend that the ESA assessment phase be scrapped, as it automatically delays the point at which people switch their focus from claiming benefit to returning to work. For those who have exhausted employer-funded sick pay, there should instead be an equivalent period of conditional, state-funded sick pay. In such circumstances, the employment contract should be protected during this period, in order to give employees a little longer to recover and return to work, matched by obligations on them to take steps to do so. The employee should have to agree an updated back-to-work plan with their employer, an occupational health expert and a Jobcentre Plus adviser. The goal would be to exhaust absolutely every opportunity for

rehabilitation and a return to work, including a requirement to accept alternative job offers from their employer.

This short period of state-funded sick pay should be paid at the ESA assessment phase rate (the same level as JSA), and would therefore involve no additional cost to the government (or to employers, whose liability for sick pay would not change). The aim would be to reduce flows onto ESA by keeping more people connected to a specific employer and to the labour market in general. For those making a claim for ESA that does *not* follow a period of sickness-related absence from work, the consequence of scrapping the ESA assessment phase would be to remove the inbuilt three-month wait before a WCA is carried out. This wait is actively damaging for those without a recent job, as it delays the point at which a person's focus switches from benefit entitlement to a return to work.

8.6 ESTABLISHING AN AFFORDABLE CREDIT TRUST TO SPREAD ALTERNATIVES TO HIGH-COST LENDERS

An independent, non-state Affordable Credit Trust should be established to capitalise and mobilise local, non-profit lenders capable of providing low-cost loans, while also supporting low-income households to build up savings of their own.

One of the aims of the welfare reforms outlined in this chapter is to build financial resilience among those on low incomes, and protect families from the scourge of unaffordable debt. This is a crucial element of a long-term plan to reduce reliance on the social security system. At present, many people facing job loss or low income can find themselves with no choice but to resort to payday lenders, who provide short-term, flexible loans at often extortionate prices. Payday lenders have developed a presence on many of our high streets and

especially online, sucking people into expensive cycles of debt that are difficult to escape. This places a huge financial burden on families, and is also associated with relationship stress, family breakdown and mental health problems (Lawrence and Cooke 2014).

The rise of payday lenders has been linked to the tightening of access to consumer credit that followed the banking crisis, as well as a squeeze on incomes and cuts to the cash value of some benefits (ibid). A return to rising living standards will hopefully reduce levels of personal debt, but it will not eliminate low-income households' need for quick access to small amounts of credit to be repaid over a short period of time. These are precisely the kind of loans that banks and others in the mainstream credit market do not provide. The Social Fund, which used to make small loans to people on low incomes and in urgent need, has been dismantled, so there is no longer a state-funded alternative.

The Coalition government has recently introduced overdue reforms to clamp down on the worst practices of the payday lending market. These reforms include the introduction of a legal cap on the total cost of credit, which has proven effective in other countries, and a limit on the number of 'rollover' loans that an individual can take out, which can lead to a toxic spiral of high-cost debt. However, further steps should be taken to protect consumers from the worst abuses, including requiring lenders to provide a clear 'pounds and pence' cost for any potential loan; making affordability checks mandatory before a loan can be agreed; and enforcing a 24-hour 'cooling off' period between a loan request and cash being paid out, to give people time to think about the implications of taking out a high-cost loan.

However, while these regulatory reforms would help to prevent *bad* things happening to consumers, regulation is a

poor strategy for promoting *good* things. These steps therefore need to be combined with greater efforts to build up more affordable alternatives to high-cost payday lenders, especially for households that would be considered a higher credit risk.

As such, we propose the creation of a new institution, an Affordable Credit Trust (ACT), to endow and support a diverse mix of non-profit organisations that would offer affordable loans to – and encourage saving among – low-to-middle-income families. The ACT should be a democratic, non-state institution with the core purpose of spreading access to affordable short-term credit and protecting people from unsustainable personal debt, including by helping them to save. In doing so, the ACT would seek to build on the expertise and energy that already exists in credit unions, community finance development initiatives, community banks and other non-profit organisations that are keen to help people avoid rip-off payday lenders. Fundamentally, it would seek to challenge market power where it dominates individuals' lives, but without overburdening the state, by creating a virtuous cycle and building resilience through responsible lending and saving for the future.

The purpose, functions and governance of the ACT should be set out in statute. It should be governed by an independent board comprising representatives of 'chartered' lenders (explained below) and independent experts. Although the two would have different aims and responsibilities, it would complement a reconstituted National Insurance Fund (see section 8.1 above) as a legally and financially independent institution working to strengthen financial protections for working people and their families.

The ACT would not lend money directly, but rather would be responsible for promoting affordable and sustainable

lending by local providers. As such, it would issue 'charters' to local non-profit organisations that want to offer affordable credit to low- and middle-income families, and which meet a basic set of conditions. The ACT would endow such 'chartered' institutions with capital to lend to local people according to a set of broad criteria. It would be responsible for spreading access to affordable credit across all areas of Britain, stimulating new entrants to the market in underserved areas and providing administrative, technical and IT support to local organisations. This kind of support is essential if non-profit lenders are to be able to compete with the payday lenders. It would also spread good practice, and step in if any 'chartered' institution was lending improperly.

To gain an ACT charter and draw down a share of its capital, local institutions would have to meet a minimum set of conditions. These should include specifying the geographic area they plan to serve, and requiring local people to become members of the organisation before they can borrow. This would ensure that individuals enter into a relationship with the lending organisation and can have a democratic voice in its governance (and, by extension, that of the ACT at the national level).

Lending should be rapid but responsible, with appropriate affordability checks and a 24-hour cooling off period. Loans should be capped at £250 (the size of the average payday loan), and members should only be able to take out one loan at a time. There should be a cap on the lending rate of 3 per cent a month, matching that which applies to credit unions (equivalent to an APR of 42.6 per cent). As a last resort, chartered institutions should have access to a backstop reclaim mechanism through the benefit system, as was available in the Social Fund, to reduce the default rate and lower their costs.

To provide an initial capital injection for alternative providers of low-cost credit, a one-off £450 million levy on the consumer credit industry should be used to capitalise the Affordable Credit Trust. This sum would be equivalent to the level of direct ‘consumer harm’ that the National Audit Office has said the consumer credit industry caused in 2011/12 alone (NAO 2012). A levy on this scale would take some of the profits unjustifiably made at the expense of consumers and use them to provide practical alternatives to high-cost lenders. The levy should be designed on a ‘polluter pays’ basis, with those firms found to have caused the most harm repaying the greatest amount to consumers. A £450 million capital injection would support over 1.5 million loans of £250 at any one time across a network of chartered lenders.

Affordable lenders should also build up their capacity and loan book by taking in deposits as well as making loans, just as credit unions do. To promote self-reliance and reduce the need for high-cost debt in future, deposits into ‘chartered’ lenders by low-income households should be ‘matched’ by the government (giving a significant reward for saving). As a guide, if 20p was matched for each £1 saved up to the first £20 deposited each month, and a third of families in receipt of benefits or tax credits took up the offer, the cost of this would be around £170 million a year. Such a modest sum could be financed as part of a review of the £24 billion a year in taxation that is foregone through regressive and poorly targeted tax relief on pensions savings (as discussed in chapter 6). Low-income families should also be able to exchange their existing high-cost debt for an ACT-backed loan, up to the £250 limit at any one time, to help them restructure their existing personal debts.

Chapter 9

HOUSING: MOBILISING LOCAL LEADERSHIP TO BUILD MORE HOMES

For the last 30 years, Britain has failed to build enough homes. The lack of homes to rent and buy, whether on the open market or in the public sector, means that housing costs are rising for everyone. Growing numbers of young people and families are having their aspirations of homeownership dashed, or finding themselves struggling with expensive mortgages. Renting is too often costly and insecure, which makes it hard for families to put down roots and to feel that they are part of their neighbourhood.

In this chapter we argue that the dysfunctional and unresponsive nature of Britain's housing market is rooted in the failure of both the land market and the development sector to deliver enough homes in the places and of the quality that people want. This has been compounded by the state's overreliance on benefit spending and centralised policymaking to meet affordable housing needs. Reform in all of these areas is required to get Britain building and ensure that everyone can find a decent, affordable home. Here we give particular attention to the need to rebalance public expenditure on housing from 'benefits to bricks', and to break central government's grip on housing policy.

During the course of this parliament, 95 per cent of government spending on housing will go on subsidising rents through the benefit system, with just 5 per cent invested in building new homes (Cooke and Davies 2014). This more than reverses the balance of spending in the 1970s, when Britain last built enough homes to meet demand. Housing benefit promotes choice, flexibility and mobility, and it will rightly continue to play an important role in meeting people's housing needs. However, the imbalance between benefit spending and capital investment has become far too great.

A benefits-driven housing strategy chases rather than shapes the housing market. It leaves the public finances vulnerable to economic shocks, as the large spike in the housing benefit bill following the recession demonstrated. It has contributed to Britain's failure to build enough new homes by dramatically limiting the public resources available for housebuilding – a gap that private developers have failed to fill. By providing ever-greater subsidies for private landlords rather than publicly owned assets, it delivers poor value for taxpayers' money. It is also politically vulnerable: growing concerns about runaway costs have enabled the current government to cut housing benefit for low-income families, with few political costs. This has impoverished many, without addressing the underlying drivers of rising benefit spending.

The growing predominance of housing benefit has also cemented Whitehall and Westminster's grip over housing policy. Local authorities have responsibility for meeting housing needs, but they have no control over the vast majority of public resources that are spent on housing in their areas. They largely act as the delivery arm of central government decisions. This makes Britain's housing policy unresponsive to the large variations within and between local housing markets, and creates perverse incentives for both local and

central government. There are no incentives for local areas to drive down the housing benefit bill, and they have few powers to increase the supply of new affordable housing that would ultimately deliver better value for taxpayers.

Our first priority must be to build more market and social housing so that more homes are available to rent and buy overall. This would help to bring housing costs down for everyone, and enable many more people to fulfil their aspiration to own a home. A crucial component of achieving this goal is the mobilisation of local energy and knowledge through the devolution of housing policy and funding away from the centre. Over time, this would enable a shift from ‘benefits to bricks’: local areas would have both the resources and the incentives to invest in housebuilding and reduce Britain’s reliance on housing benefit. It would also support the wider goal of controlling benefit spending and prioritising social investments – in physical assets, in this case.

To further this objective, we propose a series of policies that could function as standalone initiatives, but which taken together would constitute stages in a much more significant process of housing policy decentralisation. Our ultimate aim is for Britain’s cities and counties to take responsibility for meeting the specific housing needs of their residents and their economies, with control over the resources and powers needed to do the job. Within this framework, the government would retain crucial responsibilities for setting national housing objectives, providing public resources for affordable housing, and holding local areas to account for their performance.

The dysfunctions in Britain’s housing market have developed over the course of three decades and will take time to overcome. However, with the right policies, and commitment from across the housing sector, a great deal of progress can be made in the next parliament.

In the following sections we largely focus on how the shift from ‘benefits to bricks’ could be achieved, but this must be combined with (and supported by) immediate action to boost housebuilding. That requires upfront capital investment in affordable housing. It also requires reform of the land market and the development sector, to release more land for housing and ensure that it gets built on quickly and to a high standard, particularly in our growing towns and cities. Most importantly, we need to re-establish the kind of partnership between the public and private sectors that consistently delivered more than 200,000 new homes a year in the postwar decades.

9.1 EXTENDING POWERS FOR LOCAL AREAS TO OVERCOME LAND MARKET DYSFUNCTIONS

Towns and cities with an appetite for growth should be given new powers to unblock stalled sites so that land can be used for housing, including designating ‘new homes zones’ that fund development by capturing the resulting increases in land values.

Local authorities that want to build often find that the dysfunctions of the land market and the development sector place serious constraints on their ability to meet these ambitions. This is a particular problem for growing towns and cities, whose potential is being limited by their inability to meet the housing needs of local people and the local economy (Griffith 2014 forthcoming). The introduction of the planning system after the second world war placed an important democratic constraint on the excesses of the market. However, the way it now operates allows landowners to make a return from simply holding on to land rather than developing it. This is particularly problematic in cases where the development of brownfield sites earmarked for new housing are blocked by landowners who refuse to sell at market prices.

Other problems that arise from the current system include local councils that face major housing pressures being unable to secure consent for new homes from neighbouring authorities. In other instances, designated ‘green belt’ land that no longer represents a site of natural beauty or environmental importance forces the creation of ‘doughnut developments’ – commuter settlements located at some distance from urban centres which have little community spirit and contribute to greater pollution through long car journeys.

Moreover, concentration in the development sector in recent years has left Britain dependent on a relatively small number of firms – which have volatile business models and are subject to numerous risks – to meet its need for new homes (Griffith 2011). The financial viability of housing developments is often highly marginal, in part due to a lack of innovation in the sector. This means that they can quickly become stalled in a downturn (as occurred during the recession) or as the result of unexpected increases in costs. Moreover, developers can make returns from rising prices rather than higher output, which creates an incentive for them to control the release of new housing in any particular local market.

The new National Planning Policy Framework seems to have had some impact on the amount of land receiving planning permission, and in any case there is little to be gained from a further round of controversial large-scale planning reform. Instead, we recommend that local authorities should, in specific circumstances, be given more powers to actively shape their land markets in the interests of residents and local businesses.⁷⁸

78. These ideas draw on a forthcoming report from IPPR and Shelter (Griffith 2014 forthcoming), which will explore how growing towns and cities can meet their needs for new housing through reform of their local land markets.

To that end, we propose that local areas which have the potential and the appetite for housing growth should have stronger powers to bring forward land and get it into the hands of those who want to build quickly. For stalled brownfield sites, this should include greater legal clarity about compulsory purchase order powers and more support to use them, which could be provided by the Homes and Communities Agency (HCA). Councils should also be able to levy a gradually escalating development tax on land that has planning permission but has not been built on after a reasonable period (Cooke and Hull 2012). They should also use the release of public land to promote competition in the development sector, particularly by supporting small builders and residents who want to work with a developer on a custom-built home.

For larger new settlements, particularly extensions of existing urban areas, local authorities should be given the power to identify sites for development and designate them as 'new homes zones' (Shelter and KPMG 2014). This would signify that housing will be built in that area; development taxes and requirements that would normally apply under section 106 agreements would be waived; and land would be brought to market at substantially less than its full residential-use value. Following a process of master planning, land would be made available to a range of developers, with planning risk eliminated and land risk reduced. This approach would draw on lessons from the successful wave of new towns and garden cities built in England in the postwar decades, as well as more recent models of effective urban development offered by countries like Germany and the Netherlands.

Within such a framework, deals could be struck with landowners that offer a stake in a development partnership, or a share in future rises in land value, in exchange for releasing land at a lower cost. This could be an attractive option for landowners

looking for a long-term return, such as universities. However, there also needs to be a credible threat of compulsory purchase of land at close to existing-use value, with limited compensation. New housing and infrastructure should be part-funded by capturing a share of the uplift in land values that would follow.

9.2 STRENGTHENING INCENTIVES FOR LOCAL AREAS TO SHIFT FROM ‘BENEFITS TO BRICKS’

Councils should be able to retain and reinvest a share of any savings achieved by local action to reduce housing benefit spending in their area. In addition to their existing powers, they should also be given greater freedom to borrow responsibly against their housing assets and income.

Local authorities already have powers, particularly over planning and the use of public land, that can affect the level of housing benefit spent in their area. However, they have no financial incentives to use these powers to that end. Any savings in local housing benefit spending achieved through meeting an area’s affordable housing needs more efficiently flow straight to the Treasury. There are also no penalties for local areas where rent subsidy costs are high relative to underlying housing costs and levels of housing need.

In order to better align powers and incentives, the government should create a framework in which local authorities can agree housing benefit ‘earn-back’ deals with the Treasury. These would allow savings generated from local action to reduce housing benefit spending (relative to projected local expenditure) to be shared between local and central government. Such deals should be made available to all local authorities in the UK that have responsibility for housing,⁷⁹

79. In England, this includes district councils, unitary authorities and London boroughs. Such deals should also be made available to local authorities in Scotland, Wales and Northern Ireland.

with councils having the option to enter into them jointly with neighbouring authorities either as a bespoke arrangement or as a part of a combined authority. Driving genuine savings in housing benefit will take time, so deals should last for a minimum of three years.

At the start of the next parliament, forecasts of housing benefit spending in each area should be drawn up on the basis of current policy and wider economic and demographic trends. If housing benefit spending in that area were subsequently to come in below its forecast level over the course of the earn-back deal, a portion of the savings should be paid back to the local authority for reinvestment in local housing. The precise share of potential savings available to local areas would depend on the balance of risk and reward that both the Treasury and each area is willing to accept (see Cooke and Davies 2014).

Under this kind of earn-back deal, housing benefit would continue to be a nationally determined entitlement, albeit with rates still varying by local area as they do now. However, local authorities would have strong incentives to use their existing powers to take steps that are likely to lower the housing benefit bill in their area. This could include pushing for better deals on the building of affordable homes or lower rents in return for access to public land or the provision of planning consent. This could reduce reliance on the expensive private rented sector, thereby lowering the level of rent subsidy needed. For example, Southwark council plans to build 10,000 social homes over the next 30 years: if this led to just 100 tenants moving out of the private rented sector and into the social sector, it would generate housing benefit savings of £200,000 a year (*ibid*).

Local councils entering into an earn-back deal should also be given greater freedom to borrow responsibly against their housing assets. This would inject additional investment

into local housing, which would help reduce the pressure on housing benefit spending in their area. In the first instance, this measure could support the construction of between 12,000 and 17,000 additional new homes a year across England, through limited reforms to the caps on Housing Revenue Account borrowing (*ibid*).⁸⁰

In some parts of the country, a large majority of private landlords rely on housing benefit to support tenancies. In such circumstances, local authorities could organise tenants and then seek to negotiate with landlords collectively on their behalf. Elsewhere, an earn-back deal would give councils an incentive to offer services like marketing and property management in return for lower rents. If Lewisham council reduced average housing benefit awards in the private rented sector by just £2 a week by signing up landlords to its property leasing service, over £1 million a year could be generated in housing benefit savings (*ibid*).

Councils could also take steps to reduce their reliance on high-cost private rented properties to provide the temporary accommodation they need to fulfil their duties to the homeless, and to drive down management and administration costs. Finally, earn-back deals would offer strong incentives to local authorities to support unemployed or inactive residents who are claiming housing benefit into work. In many areas this could generate significant savings on rent subsidy spending. Local authorities are perhaps best placed to do this because, through local housing services, they often have stronger relationships with residents on long-term inactive benefits than either Jobcentre Plus or Work Programme providers.

80. This would involve allowing spare 'headroom' within existing Housing Revenue Account caps to be reallocated between local authorities, and then permitting councils to borrow up to their prudential limits.

Savings generated through earn-back deals should then be made available to councils to reinvest in order to meet affordable housing needs at lower cost over the long term, including by accelerating levels of social and affordable homebuilding.

9.3 INCREASING LOCAL CONTROL OVER RENT SUBSIDIES TO PRIVATE LANDLORDS

Local areas entering into an earn-back deal with the Treasury should be able to determine the level of housing benefit available in the private rented sector, to prevent landlords overcharging the taxpayer in low-cost areas.

For earn-back deals to have a major impact on local housing benefit spending in the private rented sector, local authorities will need additional powers to shape their local housing markets. The private rented sector has done most to increase the housing benefit bill, delivering higher costs per claimant and providing nothing towards the financing of new housebuilding. For these reasons, housing benefit spending in the private rented sector delivers very poor value for money for taxpayers (Cooke and Davies 2014).

As part of their earn-back deal, local areas should therefore be able to apply for powers to establish their own ‘local rental market areas’ for the purposes of determining the level of housing benefit that will be available in different parts of the local private rented sector. Currently, ‘broad rental market areas’ (BRMAs) are used to determine the maximum rate of housing benefit (known as local housing allowance, or LHA, in the private rented sector) that is available for properties of different sizes. BRMAs are set by central government, with the aim of providing transparency for landlords and tenants. However, they cover large areas such as whole towns or cities, which can make housing benefit entitlements very insensitive to local variations in actual housing costs. This means that

landlords in relatively cheap parts of a BRMA can overcharge the taxpayer, while large parts of some BRMAs can become unaffordable for low-income households (Shelter 2009).

Local authorities entering into an earn-back deal should be able to replace the BRMAs within their boundaries with one or more 'local rental market areas'. Drawing on local knowledge of the rental market, this would enable councils to reduce the level of variation between LHA rates and actual local rents.⁸¹ The boundaries of new local market rental areas should be agreed between a council and the government, following an assessment of their potential impact on local housing benefit spending. As an example, Sheffield city council has identified around 1,500 properties within its boundaries where the LHA rate being paid is in excess of actual market rents. Closing this gap in Sheffield alone could deliver housing benefit savings in excess of £300,000 a year, which could be reinvested in new social and affordable homebuilding (Cooke and Davies 2014).

In addition to these new powers, local authorities should also be given the ability to pay housing benefit directly to landlords. Direct payments to private tenants were introduced along with the LHA in 2008, and have tended to increase both the cost and risk of rent collection for landlords. Allowing councils to revert to the previous payment system would provide them with an extra bargaining chip with which to negotiate lower rents from landlords for housing benefit recipients.

The direct payment of housing support to tenants is set to be extended to those in the social rented sector once universal credit is introduced. The potential impact of this move on rent arrears and borrowing costs is causing serious concern among housing associations. If this change were halted, and councils were instead given the power to pay housing benefit

81. This would make the housing benefit system in the private rented sector somewhat more similar to the system that operated prior to the introduction of the LHA.

to social landlords as well, they would gain a powerful lever with which to secure better deals from housing associations. These could cover the number of new affordable homes they will build or the level at which they will set rents. There will be a mechanism under universal credit for rent subsidies to be channelled straight to landlords, and local authorities should be given wider scope to draw on such arrangements.

9.4 DEVOLVING HOUSING CAPITAL BUDGETS TO CITY OR COUNTY COMBINED AUTHORITIES

Housing capital budgets should be devolved to combined authorities that have agreed strong joint working arrangements and investment plans that support the goal of shifting from ‘benefits to bricks’.

In addition to the potential for generating housing benefit savings through bespoke earn-back deals, upfront resources should be devolved in order to create the institutional conditions for a structural shift in housing spending from ‘benefits to bricks’. Housing capital spending (outside London) is currently controlled by the HCA, which makes grants, primarily to housing associations, to support the construction of social or affordable homes. The HCA has a budget of £4.5 billion over the four years of the current spending review, to support the delivery of 80,000 new affordable homes over the period (HCA 2014). We propose that as part of the next spending review, combined authorities be given control of allocated housing capital spending for their area.

The transfer of significant capital resources for homebuilding to local areas would require a high level of financial and managerial expertise, and should therefore be limited to those parts of the country where local authorities have established strong joint working arrangements. City and county combined authorities would have to set out

local housing investment plans explaining how they would spend their capital budget to deliver new affordable homes, reduce dependence on expensive rent subsidies, and promote local economic development. The HCA should continue to allocate capital grants directly to local housing associations in those parts of the country where housing investment has not been decentralised. It would have an ongoing role in offering technical advice on investment plans and brokering deals with national developers and housing associations, and it could also take on a stronger regulatory role as housing policy and spending became increasingly decentralised.

Offering financial incentives for groups of councils to work together could also benefit growing towns and cities that are currently constrained by their own administrative boundaries. Local authorities that neighbour urban areas benefit from the latter's economic dynamism, but local opposition to new development sometimes means that they refuse to make their own land available for housing growth. The current government's 'duty to cooperate' is weak, and the requirement for councils to assess local housing need does not take account of functional housing markets that reach across local authority boundaries. Requiring strategic collaboration on housing across city-regions and counties – including the identification of land for new homes – as a precondition for the devolution of housing capital could help to remove some of the blockages that are currently holding back areas with high growth potential.

To make the most of their new housing investment powers, local areas should be able to request greater discretion over social rent-setting, which is currently governed by a central government formula.⁸² The provision of social and

82. At this stage, local areas could not assume full responsibility for social rent-setting, given its implications for rent subsidy spending, the downside risks of which would be assumed by the Treasury under earn-back deals.

affordable housing plays an important role in supporting mixed communities, and only a small number of social housing tenants are on high incomes (CLG 2012). However, to ensure public support is better targeted in the event that the balance of spending shifts back from rental to capital subsidies, combined authorities that have control of housing investment should be able to allow housing associations and individual councils to charge higher rents to social tenants on higher incomes. Such locally designed ‘pay to stay’ policies would generate greater rental income, which could be reinvested in new homebuilding, while also protecting mixed communities.

9.5 PUTTING LOCAL AREAS IN CONTROL OF HOUSING SPENDING TO SHIFT FROM ‘BENEFITS TO BRICKS’

Combined authorities should be able to take control of all public spending on housing in their area through an upfront, multi-year affordable housing fund, used to meet local affordable housing needs through building homes and subsidising rents.

The most radical strategy for shifting from ‘benefits to bricks’ would be to turn the funding relationship that we have described up to this point on its head. Rather than ‘earning back’ a share of housing benefit savings, local areas would have upfront control of resources for local housing priorities. This would involve the full devolution of public resources for housing to city and county combined authorities, through the establishment of multi-year affordable housing funds (AHFs). These would combine the share of nationally allocated resources for housing investment and housing benefit into a single funding stream controlled by a combined authority. AHFs would give combined authorities funding certainty over several years, enabling them to focus resources where they

would deliver best value by shaping rather than chasing the local housing market.

AHFs would involve combined authorities taking responsibility for operating their own systems of rent subsidies for local people who are unable to pay their rent, and for determining the level of support available. As it does now, the level of rent subsidy would vary across the country, but according to local housing market conditions rather than uniform national decisions. National minimum eligibility rules would guarantee that households entitled to out-of-work benefits (and, in time, the maximum amount of universal credit) would receive help with the cost of their rent. At the same time, control over spending on rent subsidies would give combined authorities far greater power to strike better bargains with social and private landlords.

AHFs would also give local areas the chance to put in place further innovative strategies to more effectively meet local affordable housing needs, while also delivering better value for money. For instance, combined authorities could choose to retain an equity stake or the freehold on new housing built on public land in order to capture a share of capital gains. They would have a direct financial stake in rent subsidy savings that result from bringing empty properties back into use, switching suitable properties from commercial to residential use, and directly purchasing properties that owners were looking to sell at a cut-down price. They could also use their resources to better meet specialist housing needs, such as those of disabled people, older people, or homeless people, including aligning housing with other local services and support.

Local areas taking full control of public spending on housing would require significant local financial and leadership capacity. Housing benefit budgets can be large

relative to those of individual councils,⁸³ and control of an AHF would give local areas major powers with direct effects on many people's lives. Therefore, only full combined authorities established on a statutory basis (and London) would be able to negotiate an AHF. Combined authorities currently only cover urban areas, but in time district and county councils could be awarded combined authority status if they could demonstrate the appropriate level of joint working and institutional strength.

As part of the next spending round, combined authorities should be given the opportunity to submit affordable housing plans to central government as the basis for securing AHF allocations. These plans should set out how local control over housing resources would enable affordable housing needs to be better met, and how the combined authority intends to use new powers over rent subsidies and rent-setting in the social sector. Local affordable housing panels – comprised of homeowners, social and private tenants, residents in vulnerable housing situations, private landlords, housing associations, developers, landowners, and others with a stake in the local housing sector – would need to be established and given a formal role in developing and scrutinising these plans. The final AHF deals should be negotiated between local areas and Whitehall, in the context of national goals and priorities, and with expert advice from the HCA.

The first round of AHF allocations should be based on projected housing benefit spending in the combined authority areas, plus a proportionate share of housing capital spending, with allocations covering a five-year period. As an illustration, this could mean almost £1.5 billion in total for West Yorkshire over five years, over £1.4 billion each for Greater Manchester

83. In 61 local authorities, more than £100 million is spent on housing benefit each year (Cooke and Davies 2014).

and Merseyside, just under £1 billion for South Yorkshire, and just under £700 million for the North East (Cooke and Davies 2014). Future allocations should reflect a formula based on local population, deprivation and housing costs, to create the right incentives and avoid penalising high-performing areas. It should be highly redistributive, however – areas with high levels of deprivation and high underlying housing costs should receive the most per-capita funding.

Given that allocations would take account of labour market and demographic projections covering large geographies over multi-year periods, combined authorities would be expected to manage small variations between actual need and forecasted levels of spending. However, a pre-agreed ‘valve’ that would trigger increases in funding from the Treasury would be essential, for instance, in the event of a major economic downturn that had a significant impact on housing needs. This would also ensure that the ‘automatic stabilisers’ are able to react quickly in the event of a recession (that is, public spending on rent subsidies would automatically increase to help maintain demand). In areas with an AHF, rent subsidies should be kept separate from the universal credit, with local areas assessing households for rent subsidy on the basis of their post-universal-credit income.

Access to an AHF should be combined with national legislation to strengthen homelessness protections, so that a wider group of households are covered by a legal duty to have their housing needs met. Local authorities are currently responsible for preventing homelessness, with a particular duty to house people who are unintentionally homeless, in priority need (such as families with children), and who have a local connection to the area. The scope of this duty could be extended to align it with the national minimum eligibility criteria for housing support discussed above (with housing needs

met through either sub-market tenancies or rent subsidies). Stronger 'local connection' rules would be needed to prevent local areas from 'exporting' those with housing needs, and to protect high-performing areas from attracting households in need (along with a framework for agreeing transfers between local areas, such as for work or family-related moves).

Finally, it would be vital to hold combined authorities to account for how they spend public money through AHFs. In particular, an 'affordability index' should be developed to assess local areas' performance in meeting housing need. This index would provide an objective measure of housing affordability in different tenures and for a range of family types. As a last resort, there should be provision to 'renationalise' housing resources and responsibilities if evidence is found of substantial malpractice or financial mismanagement by combined authorities. To help identify any such cases, the HCA could assume the role of regulator and monitor of the increasingly decentralised housing system, including investigating the complaints and concerns of local residents.

Overall, the goal of these reforms is to create the conditions to reverse the drift of housing policy over the last three decades, by shifting public spending over time from 'benefits to bricks'. This would drive better value for public money while contributing to the vital task of significantly expanding housing supply.

Chapter 10

**CRIME AND EXCLUSION:
PUTTING PEOPLE AND PLACES
IN CONTROL**

Experiences of crime or antisocial behaviour can leave people feeling unsafe and reluctant to engage with those around them, undermining the social bonds on which a strong society is built. In the Voices of Britain project, people who had witnessed drinking or drug-taking in public places, for example, said this made them feel nervous about going out after dark. Those involved in criminal or antisocial behaviour are often living with a complex set of problems, which could include addiction, homelessness or a serious mental health problem, and which can be factors in their offending. Their behaviour can disrupt the lives of others, but their problems also prevent them from living fulfilled lives and making a positive contribution to society.

Services that are supposed to help people facing multiple, complex problems are often fragmented and inconsistent, which can mean that the root causes of crime and antisocial behaviour go unaddressed. Meanwhile, people whose lives are disrupted by crime or antisocial behaviour do not always have their voice heard in a criminal justice system that can be remote and bureaucratic. While the system is rightly focused on delivering impartial justice, it does too little to repair the

personal relationships and social bonds that are damaged by unacceptable behaviour.

Overall, levels of crime and antisocial behaviour in Britain have been in decline since the mid-1990s. The Crime Survey for England and Wales (which captures people's experiences of crime rather than the number of incidents reported to the police) shows that the total number of offences halved between 1997 and 2012/13, dropping from 16.4 million to 8.0 million (ONS 2014). Experiences of antisocial behaviour have also fallen since the mid-2000s, with particularly sharp falls in vandalism, graffiti, and abandoned cars (*ibid*). These trends are echoed across almost all developed countries, and there are several competing theories about why this has occurred, including the falling share of young people in the population and increasing levels of home and vehicle security driven by technological advances (see McInnes 2013).

However, despite this considerable progress, a minority of neighbourhoods continue to be plagued by antisocial behaviour: just over one in 10 adults (13 per cent) report that levels of antisocial behaviour are high in their area (ONS 2014). Furthermore, although there may be many fewer incidents overall, still one third of adults say that they have experienced or witnessed an incident of antisocial behaviour in the last year (*ibid*). Also, less progress has been made in tackling problems related to noisy neighbours, and drug-taking and drunkenness in public places (*ibid*). As part of the previous Labour government's focus on antisocial behaviour, councils became efficient at removing abandoned vehicles and cleaning up graffiti, but they have found it harder to tackle deeper, more complex problems.

With these challenges in mind, we have identified three priorities for more effectively addressing the root causes of crime, antisocial behaviour, and deep social exclusion.

First, we argue that the people whose lives are disrupted by crime and antisocial behaviour should have a stronger voice and a bigger role in tackling these problems. Too often the formal justice system excludes the victims, even though they are most affected and have the most at stake. Therefore, we propose an expansion of restorative justice strategies that give a voice to victims and enable them to play a part in preventing further offending. Restorative justice approaches force offenders to face up to their victims, understand how their behaviour has affected others, and take action to try to put things right.

Second, we argue for the greater involvement of local people in addressing the antisocial behaviour and low-level crime that make some people's lives a misery and which can undermine the strength and cohesion of neighbourhoods. We propose an expansion of neighbourhood justice panels, which draw on the expertise of local volunteers to help address antisocial behaviour and low-level crime and prevent it from escalating. Neighbourhood justice panels use restorative strategies to ensure offenders face up to what they have done and address the underlying causes of their behaviour.

Third, we argue for a renewed national drive to confront deep social exclusion, led locally and drawing on other effective strategies for overcoming marginalisation. These typically combine a committed case worker, integrated services and support, and personal responsibility. This is an area where the unique contribution of the voluntary sector should be harnessed, along with a 'tough love' approach that provides practical support and expects people to confront their problems.

10.1 PROVIDING A DISTINCT VOICE FOR VICTIMS IN THE CRIMINAL JUSTICE SYSTEM

All victims of crime and antisocial behaviour should have an entitlement to ‘restorative justice’, which would give them a distinct voice in the criminal justice system while forcing offenders to face up to what they have done and try to make amends.

Beyond providing statements to the police or appearing as witnesses in court, victims of crime and antisocial behaviour do not have a significant role in the criminal justice system.⁸⁴ This is designed to keep punishment and justice firmly within an impartial legal system, but it can also alienate those who have been acutely affected by an incident. In seeking to ensure that justice is done, repairing the damage done by criminal or antisocial acts can be neglected. A recent study found that only half of people who reported an offence said they were satisfied with how they had been kept up-to-date about what was happening with the case; in one third of cases, the victim did not hear from the police again at all after they reported the crime (Victim Support 2011).

Meanwhile, in more minor cases of antisocial behaviour, theft or assault, the offender may never have to come face to face with their victim to hear directly about the impact of their behaviour, or to seek to make amends for what they have done. Such incidents can be resolved with an informal warning from the police or by a formal sanction, such as a caution or ‘penalty notice for disorder’ (PND). While these sanctions can be an efficient way of dealing with minor offences, bureaucratic processes leave little role for the victim, despite the wish of many to be involved.

84. We are referring here to the criminal justice system in England and Wales.

Restorative justice is designed to overcome these weaknesses in the criminal justice system by ensuring that the victim has a distinct voice, and making sure the offender faces up to what they have done (and if possible attempts to make things right). Such techniques can be used as an alternative to a police caution in more minor cases, or as a complement to the use of a formal sanction such as a caution, community sentence or prison sentence.

A restorative justice process involves a conversation between the victim and offender, which is usually overseen by an impartial facilitator. This could be relatively informal, such as a police officer asking an offender to apologise to the victim of a minor incident of antisocial behaviour. For more serious incidents, restorative justice involves a meeting between the offender and victim, chaired by someone trained in restorative techniques. The chair guides a conversation between the two parties, giving the victim an opportunity to explain how the incident has affected them and what they would like the offender to do to make amends.

Through this process, the offender is forced to come face to face with the person they have harmed, which can be much more meaningful than simply accepting a caution at the police station. It can bring home to the offender the damage they have done to another person. Restorative justice can also be used in more serious cases, including those in which the offender has received a prison sentence. Regardless of the severity of the offence, in order for a restorative justice process to take place the offender must have admitted their guilt, and the victim must want the process to happen.

Restorative justice can bring practical benefits, including helping to cut reoffending. An independent study commissioned by the Ministry of Justice (MoJ) found that people who had

committed a serious offence (including robbery, burglary and violent offences) and had been through a restorative justice process were 14 per cent less likely to reoffend than those who did not, after controlling for the fact that those who engaged in such a process had necessarily accepted guilt (RJC 2011). Among victims who took part, 85 per cent were satisfied with the process (*ibid*). Several further studies have found high levels of satisfaction among victims when they have been able to participate in a restorative justice process (Shapland et al 2007, Shewan 2010, CJJI 2012).

Restorative justice approaches have become more common in England and Wales over the last decade (and are embedded in the criminal justice system in Northern Ireland). The use of such techniques is thought to have contributed to falling levels of youth reoffending (see chapter 7). Young offenders (those aged between 10 and 17) who have pleaded guilty to a first-time offence must be referred to a youth offender panel, which will use a restorative approach to agree a personalised contract designed to put things right and prevent further offending. This could require the young person to write a letter of apology to the victim, undertake community work in the local neighbourhood, regularly attend school, or seek help for a drug or alcohol problem. Police can also use youth restorative disposals (YRDs) to deal with low-level offences among young people under the age of 18. These can be enacted ‘on the street’, which saves police time. In many cases, victims have been happy to receive an apology and an assurance that ‘it won’t happen again’ (Rix et al 2011).

However, access to restorative justice remains patchy for people who are the victim of an offence committed by an adult. Victims are not systematically offered a restorative option, and there is a great deal of variation in its use across different police forces (CJJI 2012). The Victims’ Code contains a relatively

weak entitlement to information about restorative justice where it is locally available (MoJ 2013).

Therefore, we propose a new national entitlement to restorative justice in all cases in which the victim wants it and the offender accepts guilt.⁸⁵ Such an entitlement should be enshrined in the Victims' Code, and could form part of a new 'victims' law', as proposed by former director of public prosecutions Keir Starmer (Bowcott 2014).

We propose a new entitlement to restorative justice, operating on three levels. First, a restorative option should be made available in all low-level, first-time offences as an 'informal resolution', where the police decide to dispense an informal warning rather than a caution.⁸⁶ This would see the YRD model extended to over-18s for minor offences, such as shoplifting or vandalism. This option could be used 'on the street' by a police officer or police community support officer, with the offender apologising to the victim and making amends where possible. Minor disputes that cannot be resolved quickly (and in which both sides may be at fault), and relatively minor incidents that have nevertheless affected several people in a neighbourhood, could be referred by the police to a neighbourhood justice panel (discussed in the next section).

Second, a restorative option would be available in cases that merit a formal out-of-court sanction, such as a caution. In these somewhat more serious cases, this could result in the offender paying financial compensation to the victim, or undertaking some unpaid community work. In some cases, a restorative process could take place at the police station alongside a caution being issued, led by officers trained in restorative justice. For more complex cases, or those in which

85. This would apply in England and Wales; Scotland has a separate legal system.

86. As with YRDs, serious first-time offences including sexual, violent, weapons and drugs offences would not be included here.

both sides are at fault, the police could choose to refer the case to a neighbourhood justice panel (discussed below).

Third, for serious offences where the offender has been convicted in a court, victims should have the option of triggering a restorative process between conviction and sentencing. Where an offender is likely to receive a community sentence, this could involve the victim suggesting the conditions and nature of community service (although the court would still be responsible for deciding on the sentence).

Embedding restorative justice throughout the criminal justice system would require some additional investment – for example, to train police officers and to organise meetings between victims and offenders alongside issuing formal out-of-court sanctions. The College of Policing already accredits training in restorative techniques for police officers, and it should continue to play this important role. It is thought that around 18,000 officers out of a force of approximately 130,000 have already received training in restorative processes in recent years (Shewan 2010). HM Inspector of Constabulary, which regularly inspects police forces, would have responsibility for ensuring the quality of restorative justice practices used by the police, including monitoring its impact on victims.

In time, if victims' desire for greater use of informal restorative resolutions reduced the number of cautions issued, significant savings in police time could be realised. An on-the-street restorative resolution uses up much less police time than arresting someone and issuing a formal caution. For example, the Cheshire police force estimates that an informal restorative resolution costs £20.21, compared to £157.09 for an arrest and caution for the same offence (Shewan 2010). Moreover, a restorative process that forces the offender to face up to the damage they have done and make amends can be a much

tougher experience than simply receiving a caution. However, such informal restorative resolutions should only be used where this is the victim's chosen course of action, not simply as a way of saving police time.

10.2 MOBILISING LOCAL PEOPLE TO RESOLVE THE CAUSES OF CRIME AND ANTISOCIAL BEHAVIOUR

Neighbourhood justice panels should be established in every local area to mobilise local volunteers to help tackle the root causes of antisocial behaviour and low-level crime, and to force offenders to face up to their actions.

Neighbourhood justice panels are designed to mobilise the time and skills of people who want to help tackle antisocial behaviour in their area, and to force offenders to face up to their problems. They use a restorative justice process to give victims a voice and ensure that offenders try to make amends for their behaviour and, where appropriate, address their underlying problems. As well as dealing with cases where there is a clear offender and a clear victim, they can also be used to resolve disputes between neighbours, which can last for months or even years, and which often take up a great deal of police time.

Unlike the courts, the role of neighbourhood justice panels is not to determine guilt or hand down a punishment, but to work with participants to help them resolve problems and, where appropriate, make things right. As they use restorative justice strategies, they are only suitable for incidents where an offender has accepted guilt and the victim supports the process, or where both sides in a dispute agree to participate. Neighbourhood justice panels are not designed to replace any part of the criminal justice system, but rather to complement

existing approaches to resolving issues related to antisocial behaviour and low-level crime.

Neighbourhood justice panels rely heavily on local volunteers to hear cases and work through a restorative process with participants. By involving the public more directly in the criminal justice system, they aim to address low levels of confidence in the capacity of the system to punish offenders appropriately and prevent reoffending (Cuthbertson 2013). They build on Britain's longstanding history of citizen involvement in the criminal justice system through jury service. They also draw on successful practice in the youth justice system, where youth offender panels must include two community volunteers.

The MoJ led trials of neighbourhood justice panels in 15 areas in England and Wales for two years from early 2011; and similar models have also been pioneered in Somerset and Sheffield. In the MoJ trials, panels could only hear cases that were suitable for an 'informal resolution' – that is, minor incidents that did not warrant a police caution, such as disputes between neighbours, street drinking, abusive language and criminal damage. While these are considered to be minor offences, they can have a significant impact on the quality of life and relationships in affected neighbourhoods, while also taking up a disproportionate amount of police time (Turley et al 2014). Panels in the MoJ trials were not allowed to hear cases involving an offence that had received a police caution, or those involving domestic violence, hate crime, sex offences, violence, or fraud. Cases had to be referred to the panels by the police, or by a housing association or other social landlord.

A panel meeting typically consists of two local volunteers who are trained in restorative justice approaches, the offender and victim (or both parties in a neighbour dispute), a paid coordinator, and a police officer (or someone from the

organisation that referred the case). Panel meetings are chaired by one of the volunteers, using a restorative justice script that prompts them to establish what happened, lead a discussion about the impact it has had on the victim or participants, and work out what needs to happen to make things right.

These meetings conclude with both sides agreeing an action plan (a 'good behaviour contract') that sets out what the offender (or each side in a neighbour dispute) will do to make amends. If either side refuses to sign a contract, the police have the option of applying a formal sanction, such as a caution, for the original offence.⁸⁷ In cases that have been referred by a social landlord, the landlord could threaten to start eviction proceedings if the offender (or participants) refused to sign (and stick to the conditions of) a good behaviour contract.

Where appropriate, a good behaviour contract may require an offender to get help with the issues that lie behind their problematic behaviour. This might include accessing support for a drug or alcohol problem, mental health issue or housing problem. Since the panel is typically hosted by a local authority, the panel coordinator can use their relationships to help people access the local services they need. A 'good behaviour contract' normally lasts for six months, with a review at three months, and must have the consent of the police. The panel coordinator, together with the police, monitors compliance, and if the offender does not stick to the contract then the police can take the decision to revert to a traditional sanction, such as a caution.

Panel meetings typically sit for two or three hours, during which time they could hear one or two cases, depending on their complexity. In the MoJ trials, panels typically met once

87. Although in the MoJ trials, the panels were not supposed to hear cases that should have been resolved with a formal caution, in practice, the police have a great deal of discretion over whether to issue an informal warning or a caution for any given offence.

or twice a month, drawing on a pool of between 10 and 29 volunteers across the local authority area. Volunteers received two or three days of training in restorative justice techniques, which were usually run at weekends.

The Restorative Justice Council accredits and provides training for community volunteers, and an expansion of neighbourhood justice panels should draw on this expertise. In the pilot areas, volunteers were recruited from the existing pool of volunteers for youth offender panels, and also through local neighbourhood watch schemes, local victim support services, and local recruitment campaigns (Turley et al 2014). Each area was required to recruit a pool of volunteers that reflected the local demographic profile, although some were more successful in this than others (*ibid*).

An evaluation of the neighbourhood justice panel pilots found that participants felt they helped prevent bad behaviour from escalating. They were also welcomed by victims, who tended to feel they provided a chance for them to tell their story as well as see a problem resolved (Turley et al 2014). Participants involved in disputes with neighbours tended to say that the process had made them feel safer because they had met and talked to each other in a constructive environment (*ibid*).

As part of the MoJ pilots, Swindon city council made use of neighbourhood justice panels to deal with a substantial number of local antisocial behaviour cases. Local police and council officers credit the panels with helping to find long-term solutions to a set of problems caused by a small number of homeless street-drinkers in the town centre (Lawton 2013). Previously, these individuals were picked up by the police, cautioned and then released, only to repeat their previous behaviour. Through the neighbourhood justice panel, the police have been able to work with council officers to find

temporary accommodation for some of the group, and help them access alcohol treatment services, for example.

In order to tap into the time and expertise of local people to help tackle antisocial behaviour, we propose that neighbourhood justice panels be established in every part of England and Wales. As such, every district or unitary authority should be required to establish a panel (or panels) covering their area, and be responsible for organising the recruitment and training of a diverse pool of volunteers that are representative of their community. This should be done in cooperation with the local police force. Councils should also appoint a trained panel coordinator to provide support to volunteers, liaise with the police, and monitor compliance with action plans. It would be up to local authorities to decide whether to run a single panel, with a pool of volunteers for the whole council area, or to organise panels and volunteer pools based around smaller geographies.

As described above, neighbourhood justice panels would be able to take minor first offences that warrant a formal out-of-court sanction, and those that do not merit a formal sanction but which are not suitable for 'on-the-street' resolution. In all cases, the victim would have to agree to a restorative process being conducted through the panel. The ability to hear cases that have attracted a formal sanction as well as those that have not would represent a wider scope for neighbourhood justice panels than given to those trialled by the MoJ. The police would retain ultimate discretion over whether to refer a case to a neighbourhood justice panel (assuming that the victim agrees), so panel coordinators would have to work closely with local police to build their confidence in the new system.

We estimate that running an effective neighbourhood justice panel would cost around £150,000 a year on average for

district and unitary authorities. In practice, costs would vary considerably based on the size of the local authority, the level of offending in the local area, and the propensity of the local police to refer cases to the panel. Our estimate is based on the costs of the pilot panels and an estimate of the extra costs involved in enabling them to hear cases in which a formal caution has been issued (see Muir 2014).

We therefore propose that resources in the region of £30 million be allocated to local authorities by the government to support the development and running costs of neighbourhood justice panels. In the context of the overall criminal justice system, these costs are relatively small. We propose that these resources come from a share of the revenue raised by increasing the higher rate of CGT from 28 to 35 per cent (this is discussed in more detail in chapter 8). Moreover, this investment would be heavily supplemented by the time and energy of a pool of trained volunteers focused on tackling the root causes of antisocial behaviour in their local areas.

10.3 MOBILISING LOCAL AREAS TO TACKLE DEEP SOCIAL EXCLUSION

A new ‘Troubled Lives’ programme should be established to mobilise and coordinate local efforts to address the deep social exclusion experienced by a minority of adults, drawing heavily on the expertise of the voluntary sector.

A small minority of people struggle with a series of complex problems such as homelessness, addiction and reoffending which leave them cut off from mainstream society. This represents a huge waste of human potential, with people living unhappy lives and often becoming cut off from family and friends. Their behaviour can disrupt other people’s lives and, if they are parents, have a devastating impact on their children. They also impose large costs on the state, particularly

in emergency responses such as visits to A&E, police call-outs and time spent in custody (MEAM 2009).

The majority of adults experiencing deep social exclusion had troubled childhoods, and have been failed by their own families, wider society and the state from an early age (Fitzpatrick et al 2011). This can foster a lack of agency and a deep distrust of others, which can be compounded by unhelpful encounters with public services (Corner 2013). Early opportunities to enable people to solve their problems are often missed, and the range of services that this group accesses are often too fragmented to get to the root cause of their issues. This can leave people feeling frustrated and ignored, while creating substantial waste and inefficiency in local services (Anderson 2011).

Previous attempts to help those facing deep social exclusion have tended to take the form of large-scale programmes led by Whitehall units or departments, focused on tackling problems in isolation. Initiatives such as Labour's Rough Sleepers Unit often achieved impressive short-term results, but these were not always sustained when the national political focus shifted elsewhere (McNeil 2012). An intensive burst of energy and attention from the centre is not enough to transform the basic infrastructure of support so that people can turn their lives around for good.

The current government's Troubled Families programme is designed to overcome these weaknesses in support for families with children who are facing a set of complex and overlapping problems. Building on the previous government's Family Intervention Projects, the Troubled Families programme is running for three years from April 2012, with the goal of 'turning around' the lives of 120,000 of the most troubled families in England. Central government has allocated

£448 million from across six departments to this programme, and expects an additional contribution of £600 million from local authorities (NAO 2013).⁸⁸

The Troubled Families programme includes an element of payment-by-results for local areas: the Department for Communities and Local Government (CLG) pays an ‘attachment fee’ to local authorities for every family they sign up to the programme, and then a further, smaller fee if the local authority achieves an agreed outcome for that family. Such outcomes include getting a parent into work or ensuring that a child regularly attends school over a given period. Local areas are free to choose what approaches to adopt when working with families, allowing more local services to be integrated at the frontline.

The Troubled Families model in Greater Manchester⁸⁹

Local authorities in Greater Manchester have used the Troubled Families programme to pioneer integrated support for families with complex and multiple problems. Under this programme, families are given a ‘family lead worker’ who starts by asking families, ‘What would it take to turn your life around?’, rather than telling them what to do or giving them a list of local services. Family lead workers use a set of evidence-based tools to help families to work through their problems step by step.

Lead workers adopt a ‘tough love’ approach that combines support with obligation: they have the power to impose sanctions if families do not take steps to

88. Troubled families are defined as those involved in antisocial behaviour, with children who are repeatedly truant from school and/or parents who are out of work. Local areas also have discretion to choose a fourth eligibility criteria.

89. Based on Little 2013.

help themselves.⁹⁰ They can also coordinate a range of other services, drawing on support from housing, probation, health, social care, and drug and alcohol treatment services.

Specialist support is commissioned from the voluntary sector. Groups of families who have successfully come through the programme regularly meet to provide peer support to help them stay on track. In future, these ‘succeeding and achieving groups’ may be used to provide peer support for families that continue to face problems.

Antisocial behaviour and truancy have fallen considerably among families on the programme. Thus far, there has been more success in ‘stabilising’ families than in helping parents to progress into employment, arguably because the programme is not yet sufficiently connected to wider employment and skills services.

Funding for the programme currently comes from the CLG and local authorities, with additional contributions from other local services. In the long-run, the goal is to develop a joint investment fund among local agencies so that the programme can be sustained once central government funding ends in 2015. As a first step, outline agreements have been signed with Work Programme providers, Jobcentre Plus, the local probation trust, and the local police force. These will enable local services to track their spending on ‘troubled families’ across Greater Manchester in order to better understand where spending is concentrated and how savings could be made across service boundaries.

90. For example, access to discretionary housing payments could be removed for families affected by the ‘bedroom tax’.

The Troubled Families model is proving popular with many local areas, and early indications show that it is helping families to improve their lives. We argue that this approach should be extended from families to adults who are currently beyond its reach, in a new 'Troubled Lives' programme. The initial focus should be on those facing a combination of homelessness and addiction, but in time it could be extended to adults who have been released from prison or who are experiencing moderate to severe mental health problems. The Troubled Lives programme should seek to draw on the lessons of the Troubled Families programme, but in the first instance the two should run in parallel and retain separate budgets. In time, local approaches to addressing deep social exclusion could be combined.

A new Troubled Lives programme of this kind would signal a renewed national commitment to addressing the root causes of a set of social problems that can have a devastating impact on people's lives. Such a programme should be developed collaboratively with local authorities and voluntary organisations working with people facing serious social exclusion, and with these individuals themselves. People living with multiple problems have the greatest insight into what would enable them to turn their lives around, and the ways in which existing services could do more to help. Their expertise must be brought to bear on attempts to redesign support both locally and nationally.

However, in broad terms, the programme should build on and expand the Troubled Families approach. Here, the government has used a relatively small pot of central funding to signal a national priority, and to mobilise additional financial commitments and energy from local areas. The model works best when lead workers are tasked with developing strong relationships with individuals and brokering all the services they need. Those who face deep exclusion have often been let

down by others in the past, so relationships of trust can be vital for developing the motivation they need to pursue a better life (Corner 2013). Allowing local areas the freedom to design their own approaches has also been a vital part of the success of the Troubled Families programme.

However, the Troubled Families programme has also demonstrated the drawbacks of using national data to identify people facing a combination of the most serious problems, and to measure their progress out of deep social exclusion (NAO 2013). The nature of the complex problems that participants face means that it is very hard to measure precisely what progress they have made, and which services are responsible. This has raised concerns about the suitability of payment-by-results models for this group, with a risk that outcome payments will not properly reflect what local areas have actually achieved or lead to perverse and distorting incentives (*ibid*).

Therefore, in seeking to improve on previous efforts, the Troubled Lives programme should empower local areas to design the detail of their own local strategies, while being held to account for area-based indicators of deep social exclusion. This would free them from rigid national eligibility criteria, while ensuring transparency around local performance. It would also enable them to shift focus and resources into prevention, as they would no longer be bound to concentrate exclusively on those already facing deep exclusion.

Local authorities already control some of the budgets that could contribute to a Troubled Lives programme: drug and alcohol treatment services, for instance, together with the homelessness prevention grant.⁹¹ We argue that councils should be given five-year allocations for these budgets in the

91. The drug and alcohol treatment budget has become part of the public health budget, and is worth between £800 million and £1 billion; councils also receive a share of the £80 million homelessness prevention grant.

next spending review. This would give them the confidence, and the financial incentives, to invest upfront in innovative support and services to help people turn their lives around. If successful, this would enable councils to realise savings in later years that could then be reinvested in effective interventions.

To ensure that local authorities work with those facing the most serious problems, we propose the creation of a national Social Inclusion Board to monitor progress and help spread innovation. This should be modelled on the Youth Justice Board, which oversees the work of youth offending teams in local authorities (see chapter 7). Rather than attempting to measure the progress of particular individuals against several different metrics, the Social Inclusion Board should adopt an area-based approach that tracks the performance of local areas against a limited set of indicators. These could include reducing homelessness or helping people with drug or alcohol problems make a sustained recovery. The Social Inclusion Board should also identify and challenge persistently poor performance, and provide support for authorities that need to raise their game.

To further incentivise local areas to help deeply excluded people improve their lives, central government should pay a small bonus to local authorities that achieve an agreed set of outcomes. Extra money from central government has helped to galvanise the Troubled Families programme. However, for Troubled Lives, financial incentives should be based on an area's overall performance rather than attached to the progress of specific individuals.

We propose that the government commits an additional £100 million a year to fund bonus payments to local areas during the next spending review, on top of the existing budgets that local authorities already control. This should only be available to areas that establish local Troubled Lives

programmes with a distinct local budget and an agreed action plan. These resources should come from a share of the revenue generated by increasing the higher rate of capital gains tax, as proposed in chapter 8. The government should work with the voluntary sector and local councils, through the Social Inclusion Board, to design appropriate area-based performance measures and effective financial incentives.

Local councils should be the lead public agencies for the Troubled Lives programme, but the voluntary sector should play a leading role in its design and delivery. It has substantial experience of working with (and advocating for) people facing the deepest exclusion. Voluntary organisations with expertise in this area typically have a culture of encouraging people to regain control of their lives by taking decisions about their own recovery and by drawing in additional resources through volunteering or mentoring. This contrasts with the approach of many state-led services, which can treat people as a set of problems to be assessed and passed on, rather than as individuals with skills and capacities of their own.

Longer-term funding for local authorities would enable them to offer more secure grants and contracts to smaller charities, social enterprises and other non-profit providers. Contracts for specialist services within local authority areas will, by definition, be small, making them more manageable for smaller non-profit organisations, and less attractive to the private providers that have dominated Work Programme contracting.

To make the most of public money, local authorities will also need to forge partnerships to draw in skills and resources from beyond their own budgets. Following the lead of places like Greater Manchester (see the box above), local areas should, in time, develop arrangements for pooling budgets across both

geographic and service boundaries. This would create greater opportunities to ‘invest to save’ across a larger number of local services. This could include, for example, elements of NHS community mental health services, back-to-work support and probation services.

To support the development of pooled budgets within local areas, government should allocate the bulk of resources to local services on a five-year basis in the next spending review. This would help to create the conditions for greater coordination across service boundaries, since budgets could be more easily aligned over the course of the spending round. Local areas may also find value in pooling budgets for tackling deep social exclusion across administrative boundaries, such as within a combined authority, in order to make use of economies of scale in services that support relatively small numbers of people.

In the short-term, the planned break-up of the probation service, which will see the supervision of low- and medium-risk ex-offenders contracted out to private and voluntary sector organisations (see chapter 7), will make it more difficult to align local authority and probation budgets. In the long term, there is a strong case for transferring the majority of probation responsibilities to local authorities, so that support for ex-offenders can be better integrated with housing, health, social care, employment and skills services.

Although it may not be possible for the next government to immediately unpick the probation contracts that will be signed by the current government, as a first step, we argue in chapter 7 that responsibility for young adult ex-offenders should be transferred to local authorities. In time, support for older ex-offenders could also be transferred to councils, as part of attempts to tackle deep social exclusion and to prevent reoffending.

Chapter 11

**OLDER PEOPLE: LIVING
WELL TOGETHER IN AN
AGEING SOCIETY**

The growing number of people living into old age in Britain is a cause for great celebration. We are living longer, healthier lives, and many older people are using their time and experience to make an enormous contribution to society through paid work, caring for family and friends, and volunteering in their neighbourhoods. However, our social policies and institutions have not caught up with changes in the nature of ageing.

Drawing on conversations we had in the course of the Condition of Britain programme, we have identified three priority areas for reform. First, many people make huge sacrifices to care for an elderly parent or partner, but are forced to give up work in order to do so. This means a hit to their income, and a cost to the economy. We therefore argue that people providing a significant amount of unpaid care should have stronger employment rights, to enable them to keep their job rather than having to rely on inadequate carer benefits.

Second, an ageing population brings with it increasing care needs, to which the welfare state has failed to adapt. In the short-term, a funding squeeze is denying care to thousands of older people with moderate care needs: this is damaging their independence and quality of life, while increasing the burden

on more expensive health services. Therefore, we argue that resources should be switched from the winter fuel payment into care services, where they could make a much bigger difference to older people's quality of life. In the longer-term, we need to find new ways to protect individuals from very high and unpredictable social care costs. As such, we suggest that models of social insurance are likely to offer the best prospect of pooling risk and generating new sources of finance.

Third, the debate on formal health and social care services tends to overlook the things that really make a difference to older people's lives. Changes in family and community life mean that a significant number of older people face loneliness and isolation. Moreover, many have time and talents that they could contribute to their local neighbourhood if there were opportunities to do so. The government should therefore play a role in supporting community organisations that bring together and build relationships among older people.

Securing a decent income in retirement

The foundation for a secure old age is an adequate retirement income. Current retirees are less likely to be poor than the working-age population, but the outlook for future generations is not so positive (Johnson 2013). Plans for a single-tier state pension will reduce reliance on means-testing, and provide a basic minimum income which people can top up with additional pension provision. The value of the state pension is currently being maintained through the 'triple lock' uprating mechanism.

However, the state pension does not provide the standard of living that most people hope for in retirement. At the same time, private and occupational

pension provision is getting weaker, not stronger. Generous final salary pension schemes have closed to new members, particularly in the private sector, leaving increasing numbers of people reliant on riskier 'defined contribution' pensions (Parker 2013). Rising longevity means that people need to save more during their working lives, which sluggish earnings growth has made much harder. Record low interest rates have hit the value of annuities, while high fees and charges continue to erode the value of some savers' pension pots.

In recent months, the government has announced a major shake-up of private and occupational pensions. From April 2015, people will no longer have to buy an annuity when they retire. This will give savers more flexibility and control over their money, but it does not address the more fundamental problem that many people are set to reach retirement without an adequate pension pot. Furthermore, it does not cater for those who want a set of good 'default' options, including a good-value annuity, rather than facing difficult investment decisions on their own.

This major change could prompt considerable innovation in retirement products and regulatory reform. This should include consideration of how so-called 'collective defined contribution' pensions could be developed in this country. These pensions allow savers to pool risks with each other, while continuing to benefit from investment returns (see Parker 2013). By operating at scale, such schemes also tend to entail lower fees and charges. The government has recently brought forward legislation to overcome the legal barriers to collective pensions that currently exist in Britain.

Furthermore, given the greater freedom afforded to savers by the chancellor, there may also be a case for the National Employment Savings Trust (NEST) – the not-for-profit pension provider – to offer savers a suite of investment and annuity options, which would bring greater competition to the market. Finally, the chancellor’s revocation of the special status of pension savings calls into question the generous (and regressive) tax treatment they receive relative to other forms of saving (which is discussed further in chapter 6).

11.1 INTRODUCING A RIGHT TO FLEXIBLE WORKING ARRANGEMENTS FOR FAMILY CARERS

People providing a significant amount of unpaid care should have the right to adjust their working arrangements to enable them to remain in employment rather than relying on the benefit system.

One of the most striking labour market trends of recent years has been the growing number of older people in work. The proportion of people aged between 50 and 64 in employment is now 68.9 per cent, up from 55.9 per cent 20 years ago. The employment rate among those aged 65 and over more than doubled in the same period, with one in 10 now in employment (Lawton 2013). This is the result of a number of economic and social trends, notably increasing longevity and the rising state pension age for women. It is helping to raise incomes both ahead of, and into, retirement, while also contributing towards the costs associated with an ageing society (ibid). Rising levels of employment among older people is one reason why population ageing need not render the welfare state unaffordable, or provoke irreconcilable conflicts between generations.

However, an ageing society is generating new caring needs, which are largely being met by family and friends. This, in turn, is putting pressure on people who are trying to combine paid employment with caring responsibilities for disabled family members or elderly partners or parents. This pressure is often felt most acutely by women in their 40s and 50s, who have traditionally been the main providers of informal care but who are now increasingly in work as well (Ben-Galim and Silim 2013).

Around 1.4 million people between the ages of 25 and 64 provide unpaid care for at least 20 hours a week in England and Wales; just under half (47 per cent) are aged 50–64, and of these the majority are women (Nomis 2014). Several studies have found that working-age adults who provide 20 or more hours of unpaid care a week are significantly less likely to be in work than those who provide less than 20 hours a week or who have no caring responsibilities (Heitmuller 2007, Carmichael et al 2010). It is estimated that there are currently at least 315,000 working-age adults who have left work because of their caring responsibilities, and who remain outside of the labour market. Just under two-thirds (62 per cent) of this group are women (King and Pickard 2013). This is estimated to cost Britain at least £1.3 billion a year in extra benefit spending and lost tax revenue (*ibid*).

Part of the problem is that carers can find it impossible to adjust their working patterns to accommodate their caring responsibilities, so end up leaving the labour market altogether. Carers currently have the right to request flexible working arrangements, but an employer can reject that request on the grounds that it would not meet the needs of the business, and employees have only limited rights to appeal these decisions.⁹²

92. Employees can only make an appeal on the grounds that the information the employer used to make the decision was incorrect or incomplete, not because they disagree with the business reasons for the rejection.

Current flexible working rights essentially provide the right to a process for considering a request, rather than an actual right to alternative working arrangements (Hegewisch 2009).

In many European countries, employees with caring responsibilities have a clear right to flexible working, not just a right to request a fair process (*ibid*). In the UK, a 2012 study estimated that some 30 per cent of carers had requested the right to work flexibly: among them, 61 per cent had their request accepted in full, and a further 18 per cent had it accepted after negotiation (Tipping et al 2012). What these figures do not reveal is how many carers chose not to ask for the right to work flexibly because of concerns about how their employer would respond,⁹³ or left employment without making a request.

To help more people stay in work while also fulfilling their caring responsibilities, we propose that anyone providing more than 20 hours of unpaid care a week should have a legal right to reasonable adjustments in their working arrangements. This special right would recognise the contribution that carers make to society, while helping them to protect their own health, relationships and incomes by staying in work. Carers who stay in work tend to report better health and self-esteem than those who leave work (Fry et al 2011). Nevertheless, a minority – a fifth of carers – say that their employer is not supportive of their caring role (CETFG 2013). A right to adjust their working arrangements would enable carers to switch to part-time hours, work a compressed week, or start work earlier or later in the day, depending on their specific caring responsibilities.

The qualification conditions for accessing this enhanced employment right should mirror that for carer's allowance, with the aim of enabling more carers to stay in work rather than relying on benefits. Currently, carers are eligible for

93. Employees are protected from suffering dismissal or detriment as a consequence of exercising their right to apply to work flexibly.

carer's allowance if they provide at least 35 hours of care a week to someone in receipt of attendance allowance, disability living allowance (at the middle or highest care rate), or the daily living component of the new personal independence payment. We propose that anyone who is currently entitled to carer's allowance automatically qualify for this enhanced employment right.⁹⁴

Furthermore, anyone who spends between 20 and 34 hours a week caring for someone receiving one of the disability benefits listed above should also qualify for the new employment right, provided that those hours fall during the days of their normal working week. To verify to an employer that they meet these criteria, they would need to receive a certificate from their local council confirming this. Disabled people with care needs are entitled to an assessment from their local council to determine whether they are eligible for formal support funded by the state. As part of this process, the disabled person and/or their carer should be able to ask the council to provide a certificate confirming that the carer provides care for at least 20 hours within their normal working week.

If these conditions are met, an employer should only be able to turn down a request for adjustments to working arrangements if there is a serious business or health and safety reason for doing so. The presumption should be that a request will be accepted unless an employer can demonstrate that the costs to the business would be seriously disproportionate to the benefits that would be gained by the employee. This sets a much higher bar for employers to refuse a request than exists under the current framework for flexible working rights. Employers' decisions should also be open to legal challenge

94. This would include people who have an underlying entitlement to carer's allowance, but who receive a carer's premium through income support rather than directly receiving carer's allowance.

on the substance of the decision (rather than the fairness of the process), unlike under the current right to request. This is how similar carers' employment rights operate in several other European countries including Belgium, France, Germany and the Netherlands (Hegewisch 2009). Small firms (those with fewer than 50 employees) are currently exempt from any new business regulations. This protection should apply to this new employment right for working carers, as it is likely that small firms will find it harder to accommodate adjustments to working arrangements.

11.2 EXTENDING SUPPORT FOR OLDER PEOPLE WITH MODERATE CARE NEEDS

Entitlement to care services for those on low incomes should be extended to older people with moderate needs, to enable them to stay at home and live independently. This should be paid for by limiting entitlement to winter fuel payments to those who are eligible for pension credit.

Most of us will need some form of care as we get older, and much of it will continue to be provided by family and friends. However, many older people and their families will also need help from formal care services, which are often complex to navigate, fragmented and under-resourced. For more than 65 years there has been a split between healthcare provided by the NHS (which is funded from general taxation, available to all, and free at the point of use) and social care (which is means-tested, funded by councils, and increasingly rationed). Older people with a disability can also claim attendance allowance (or disability living allowance if they first claimed before the age of 65), which is a non-means-tested benefit currently worth £53 or £79.15 a week, depending on the level of care needed (even if an individual does not actually use the money to pay for care).

In England, the government has established an objective national framework against which councils must assess people's care needs as either 'critical', 'substantial', 'moderate', or 'low' (SCIE 2013). Councils can decide which levels of care needs they will provide funding for, although they must provide funding for people with critical needs. In all cases, council funding is only available on a means-tested basis. For homecare, an older person with assets or income above the 'upper capital limit' (£23,250 in 2014/15 in England, excluding the value of their home) will not receive any help with care costs from the state, regardless of their level of need (in the next section, we explain how these rules are changing).⁹⁵

Anyone with assets worth less than the 'lower capital limit' (£14,250 in 2014/15) is not expected to use their assets to fund their care, although they may have to draw on some of their own income. An older person with assets between the two capital limits will be expected to use some of their assets to pay for care, but may also get support from the council.⁹⁶ Each council can decide how much it will charge for care for people with assets below the upper capital limit, but an older person paying for some of their own care must not be left with an income below a fixed threshold.⁹⁷ Across England, it is estimated that around 532,000 older people receive some level of local authority funding for homecare, and a further 325,000 pay for all of their homecare themselves (HM Government 2012).

95. For residential care, the value of someone's home will be taken into account, unless their partner or a dependent is still living in it. This means that people will be expected to sell their home to pay for care in many instances.

96. Their assets will be treated as providing an income of £1 a week for every £250 of capital, in addition to their other sources of income.

97. This the level of the pension credit entitlement plus a 25 per cent buffer, equivalent to a weekly income of £185.43 a week for a single pensioner or £283.12 for a couple, in 2014/15.

Pressures on council budgets, combined with growing demand, mean that nine out of 10 councils in England now only provide means-tested support for people with ‘critical’ or ‘substantial’ care needs (Humphries 2013).⁹⁸ In nearly all parts of the country, older people on low incomes and who have moderate care needs have to rely on family carers, pay for their own care, or go without.

Although described as ‘moderate’, care needs at this level can have an enormous impact on an older person’s ability to maintain their independence and sustain social connections. It could mean that they need help with washing, dressing and bathing, or to go shopping for everyday items. It could also mean that they find it difficult to get around when they are not at home, making it harder to maintain friendships. Even so, unless they need fairly constant help throughout the day, they are unlikely to be eligible for state-funded care and support. This could leave some older people trapped at home, particularly if they do not have family living close by. Alternatively, it may put a great deal of pressure on family carers, leading some to withdraw from the labour market altogether.

To help maintain older people’s independence, we propose that, in England, older people on a low income (aged 65 and over)⁹⁹ should receive funding for care services if they have moderate needs. The government should establish this as the minimum care entitlement for all older people, using the existing national assessment framework, with financial support made available according to the existing means test. It has been estimated that extending this entitlement to those on low incomes would cost around £1.6 billion by 2020 (in

98. For eligibility criteria for different levels of need, see SCIE 2013.

99. Our proposals are focused on older people, but there would be a good case for identifying resources to extend the entitlement to adults under the age of 65 who have moderate care needs.

2014/15 prices) (Fernandez et al 2013). It would make around 184,000 older people on relatively low incomes newly eligible for funding for care. In most cases, this care would entail paid carers coming into people's homes to help with personal care tasks like washing, preparing meals and taking medication. The entitlement could take the form of a personal budget, whereby older people can decide what services their budget is used to pay for.

To finance this new care service entitlement, we propose removing the winter fuel payment from households that are not eligible for pension credit, and transferring the money saved to local council social care budgets. The winter fuel payment is a non-contributory, non-means-tested benefit paid to all households containing someone above the state pension age. Introduced in 1998, it is currently worth between £100 and £300 a year per household, and is paid to 12.7 million older people in a total of 9.1 million households (DWP 2013). The ostensible purpose of the payments is to help older people pay their fuel bills, but they are not well targeted at those who face fuel poverty.

Spending on winter fuel payments is predicted to be £2.1 billion in 2014/15 (DWP 2014). It is estimated that restricting the payments to those households in which someone is eligible for pension credit would save around £1.5 billion, and reduce the number of recipients to around 2.3 million pensioners (Browne et al 2013).¹⁰⁰ This would focus financial support on households in the greatest need, while freeing up resources to invest in care services that would help more older people on low incomes and with few assets to maintain their independence. This extra investment could also help to ease

100. This assumes that take-up of pension credit remains at its current level, with around one-third of pensioners who are eligible for the benefit not claiming it (Browne et al 2013).

the burden on NHS services (as older people who do not have access to social care support may be more likely to turn to NHS services that are free at the point of use); and relieve some of the pressure on family carers. To help older people overcome fuel poverty, government energy efficiency programmes should be reformed to better target support to households that face high energy costs and/or low incomes, with pensioner households treated as a priority (see Platt et al 2013).

11.3 ADVANCING SOCIAL INSURANCE TO PROTECT AGAINST UNCERTAIN CARE COSTS

An independent review should consider how the national insurance system could be used to progressively lower the planned cap on care costs and raise the asset threshold, using the principles of contribution and risk-pooling to help finance long-term care costs.

The Coalition plans to introduce a new cap on social care costs for individuals who do not qualify for means-tested support, so that older people no longer have to bear ‘catastrophic’ care bills. From 2017, no one will have to pay more than £72,000 in care costs over their lifetime if they are judged to have ‘substantial’ or ‘critical’ care needs. If their costs exceed this cap, the rest of their care will be paid for by the state regardless of their income or assets. The reforms also set a higher asset threshold, which will mean that £118,000 will be exempt from means-testing, rather than the current £23,250.

These reforms mark the first time that a limit has been put on the burden of care costs that individuals will have to shoulder, establishing an important new principle. However, the cap remains relatively high, and is significantly above the £35,000 recommended by the Dilnot review that informed the Coalition’s reforms. Furthermore, only the cost of care that

local councils would provide, which is often less than the *actual* cost of care, are counted towards the cap (and an assumed level of ‘daily living’ costs are also excluded for those in residential care). Furthermore, anyone with ‘moderate’ needs will not see their costs capped at all. Recent analysis has suggested that the cap will benefit only 8 per cent of men and 15 per cent of women, and that those who hit the threshold will already have spent around £140,000 on care, on average (IFoA 2014).

The Coalition hopes that a private insurance market will emerge to enable people to insure themselves against care costs below the cap, but this looks unlikely (Lloyd 2013). An alternative option would be for a reconstituted National Insurance Fund (NIF) (as described in chapter 8) to be used as a mechanism to gradually lower the costs borne by individuals who are not eligible for means-tested support, deploying the principles of social insurance where it arguably needed most. This would enable the risk of high care costs to be pooled across a whole cohort of the population, lowering the exposure of individuals to costs that can be extremely high but are very hard to predict.

There are a number of options for enhancing protections against care costs. For instance, when individuals reach the age of 65 they could be given the option of paying a one-off, deferrable payment into the NIF to purchase a lower cap on their future care costs and/or a higher asset threshold to protect their savings and home. Specific arrangements would be needed for those with pre-existing conditions, and individuals should also have the options of purchasing private insurance products or relying on other forms of self-protection.

Different arrangements could be put in place to enable younger people to build up their protection against social care costs. For example, younger people – say, from the age

of 40 – could be enrolled into a distinct element within the NIF, with extra contributions would put towards building up an entitlement to a lower cap on care costs and greater capital exemptions from means testing. This is the approach taken in Japan, where from the age of 40 employees are required to pay premiums of between £30 and £40 a month into a social insurance fund, matched by employer contributions and topped up from general taxation (Curry et al 2013).

For such model to work, it would be necessary to establish a formula for how far the cap would be lowered (and/or the asset threshold raised) in return for a given number of years of contributions.¹⁰¹ It may also be necessary to develop a standard set of care charges for England, so that people know what level of support will be available for different care needs. While the current localised system of care charges provides councils with a great deal of flexibility, they cause confusion and uncertainty for older people and their families. Finally, a means-tested system would need to remain in place for those who do not make sufficient contributions during their working lives.

A model along these lines would create a mechanism through which working people can build up protection against social care costs on a contributory basis. There are a number of ways in which it could operate, but the aim would be to achieve lasting institutional reform that would enable us to better protect ourselves and each other against the risks of high social care costs. This would open a new frontier for social insurance in a modernised welfare state.

101. There would need to be scope for altering contribution rates to maintain a given ratio, in order to adapt to changes in longevity and care costs.

Improving the local integration of NHS and social care services

It is widely agreed that improving the coordination of health and social care offers the best prospect of both raising the quality of care that older people receive and limiting spending pressures on the NHS and councils (Bickerstaffe 2013). Greater coordination would make it possible to reduce expensive hospital stays and enable older people to continue living in their own homes for as long as possible. Extending entitlements to social care funding through social insurance need not preclude greater coordination of the *delivery* of health and care services at the local level.

To promote greater coordination of older people's care, the next government should set five-year budgets for the NHS and social care. This would provide the financial stability needed to foster greater local coordination, and to invest in prevention, by allowing local NHS and council services to align their budgets over the course of the next spending review. Local areas should also be able to pool local NHS and care budgets for older people, to enable them to work towards common objectives and share any financial returns generated by greater investment in preventative services.

Older people should be given a number of guarantees so they know what they can expect, including a single point of contact for all care, the ability to connect with others who share a similar health condition, and a personalised plan covering all their health and care needs (Bickerstaffe 2013).

11.4 MOBILISING THE TIME AND ENERGY OF LOCAL PEOPLE TO TACKLE ISOLATION AND LONELINESS

Groups of older people who want to establish a community-run neighbourhood network in their area should be backed with money and support, with the aim of building such institutions across the country to bring people together and help overcome isolation and loneliness among older people.

More than 1 million older people in Britain say that they often feel lonely. This risk is considerably higher among people in their 80s and 90s, who often have health or mobility problems that make it difficult to stay active (Lawton 2013). Social care services are often too overstretched to help older people sustain relationships and stay independent (Muir and Parker 2014). Many older people have families that they can draw on for support, but family carers are often under pressure too (McNeil and Hunter 2014). Older people also want to establish and maintain friendships with people their own age, or who share their interests, as well as building connections across generations.

Around a third of older people (those aged 65 and over) volunteer at least once a month, while one in five adults who regularly volunteer do so with an organisation that supports older people (Cabinet Office 2013). However, the extent of loneliness among older people indicates that more needs to be done to enable older people to engage in community life, and to tap into the time and talents of local people to support this. This is a job that the state cannot do alone – it requires citizens to act together on the basis of our collective responsibility to care for each other. However, government can back individuals and organisations that have the energy and initiative to make a difference. Most people only offer and ask

for help when they are spurred on by a personal connection or motivation (Linders 2010). Together, we need to build the local institutions and networks through which older people can both seek companionship and offer support to each other.

Therefore, to help overcome loneliness and isolation among older people, we propose that the government invest in neighbourhood networks owned and run by older people for older people, where there is local leadership for and commitment to them. These networks should be independent, locally-rooted institutions focused on strengthening the social connections of older people in a local area, particularly those with health or mobility problems. They would be partly funded by government, while also raising their own independent resources, but would be led by local non-profit organisations rooted in their local communities. In this way, such networks represent a partnership between the state and civil society, drawing on the resources and reach of government but reliant on the relationships and local knowledge of charities, community organisations and older people themselves.

We have drawn inspiration for this idea from Leeds city council, which has helped to build up 37 neighbourhood networks covering the whole city. This process took over 20 years, and relied on an innovative approach to commissioning social care services – one rooted in local relationships between the council, neighbourhood networks, and other local services. In Leeds, each network covers a relatively small area that is determined by the network itself; many are based on organisations that have been running for years, including centres and support groups set up by local churches and charities. In some neighbourhoods, the council helped kick-start networks through community development work that identified local leaders and networks of people who wanted to help build a new organisation.

Strengthening the role of parish and town councils

Parish and town councils are the most local form of government in Britain. In England, there are around 9,000 parish and town councils, covering approximately 35 per cent of the population, with the majority found in rural areas and market towns (although new councils are being formed in urban areas too).

Parish and town councils have three main roles: representing their community, bringing local people together, and delivering local services. This potentially gives them an important role in unlocking local capacities to improve their neighbourhood. Furthermore, they provide a democratic forum in which local people can take decisions about what is best for their area and hold their local authority to account. They are funded through a council tax precept, and their resources and capacities vary enormously. They have very few statutory duties, and do not receive direct funding from government to deliver services.

The current government has put in place several reforms that give new powers to parish and town councils, including new neighbourhood planning rights and the ‘right to challenge’ to take over local services from their local authority. However, this right only results in the local authority agreeing to put a service out to tender, with no guarantee that the ‘challenger’ organisation will win the contract. This treats parish councils like any other service contractor, rather than democratic organisations directly accountable to local people.

Instead, the best parish councils should be given new rights to draw down the power and resources to take over specific services currently delivered by the local

authority. For example, parish councils could play a major role in organising and delivering neighbourhood networks, drawing on their relationships with local community groups and older people. This would be particularly appropriate in large counties where the local authority holds the adult social care budget but may lack the range and depth of local connections to ensure dynamic neighbourhood networks are established. Parish councils should be able to work with counties to ensure that neighbourhood networks are genuinely rooted in local life, with the power and resources to play their part.

To protect local services and budgets, this new right to draw down specific resources and responsibilities should be restricted to parish and town councils that have achieved the 'quality council' standard. This requires councils to demonstrate strong financial management and democratic accountability; only around 665 councils have made the grade. This would ensure that only the best-performing councils could take over local services, while incentivising other councils to meet the quality standard.

Furthermore, where a council wanted to take over a particular service from their local authority, they should have to set out a plan for how they would deliver the service, why they would do a better job, and how local people would be involved. This plan should have to be debated locally and approved in a local referendum. Government could choose to exclude certain services from this new right, so that parish councils can only take over services that are best run at the neighbourhood level.

The goal of neighbourhood networks is to harness the energy and relationships of local people, networks and organisations to run activities, strike up friendships and share interests. They tap into the skills and experiences of older people themselves by supporting them to organise activities, befriend others and make decisions about the running of the organisation. In this way, older people become both volunteers and service users. Neighbourhood networks will often need a manager and other paid staff to support volunteers and manage programmes. Ideally, they should be run by local management committees that include older people, other volunteers, and representatives from the council and other local services.

Leeds city council spends around £2 million a year on its neighbourhood networks, with those networks also raising their own additional resources (Lawton 2013). However, the precise cost in each area would depend on the level of demand from older people, local rents and salary costs, and the extent of existing organisations and networks promoting older people's social engagement.

We propose that the government requires local authorities to establish neighbourhood networks as a condition of releasing the full amount of additional funding for means-tested social care, as outlined in section 11.2 above. All local authorities should have a responsibility to meet the care costs of people with moderate care needs according to the existing means-test (described above), but should only receive their full allocation of funding for this additional provision if they submit a plan for developing neighbourhood networks in their area. These plans would have to show how the council would work with local groups, parish councils (see the boxed text above) and older people to establish networks that are led by older people and draw on existing relationships and organisations wherever possible.

Neighbourhood networks are particularly well-suited to supporting older people with low or moderate care needs, helping them to maintain their independence and in some cases delaying their need for more expensive formal care (Lawton 2013). Investing in neighbourhood networks could help local authorities to meet at least part of their new responsibilities, under our proposals, to support older people with moderate care needs.

As such, local authorities should use part of their additional funding allocation for social care to fund independent neighbourhood networks. In Leeds, ongoing funding for individual networks is contingent on them achieving certain outcomes: these are judged through regular feedback and strong relationships between council officers, the networks, and other local agencies, as well as by more traditional metrics. This would be a good model for other areas to follow, but it would require some extra training and investment.

Once established, neighbourhood networks could provide the institutional backing for the extension of a strategy known as ‘local care coordination’. This involves older people being supported to develop their own packages of care and support, with the goal of enabling them to live as they want to, rather than just having their particular care or support needs met. This is in contrast to separate and narrow health and care assessments that often neglect what really matters to each individual, while also failing to tap into the resources and capacities of their network of family, friends, and neighbours. Local care coordinators are explicitly tasked with drawing on such local knowledge and connections to help older people live meaningful lives, as well as to organise packages of health and social care support.

This model of local care coordination was pioneered in Australia in the 1980s, has also been widely adopted in

Scotland, and is currently being piloted in several areas in England and Wales (Lawton 2013). Evaluations of local care coordination in Australia and the UK have demonstrated that it can deliver significant savings in health and social care budgets by diverting people away from more expensive crisis services. Derby city council has estimated that NHS and social care services saved around £800,000 in diverted care costs in the first 12 months of its local care coordination scheme (McNeil and Hunter 2014).

In Scotland, a government evaluation found that older people were able to access more of the support they wanted, including in the community, and were more likely to feel that they were being supported by a professional who was 'on their side' (Stalker et al 2007). Neighbourhood networks in Leeds are trialling a new system of local care coordination whereby support planners are funded by the council but based in local networks, making it easier for them to tap into civic and family resources. If this has the effect of reducing demand for more expensive care services over time, the resultant savings will be shared between the council and the network. This pilot is being supported by an innovative social finance model, which could be tested in other areas.

To support the development of both neighbourhood networks and local care coordination, government should establish and fund a five-year development programme to build expertise within local authorities. This could be led by an independent organisation such as Inclusive Neighbourhoods, which is currently running a support network for local areas in England and Wales that are piloting local care coordination. Older people themselves should have a strong voice in such a development programme – for instance, through a user-led board to advise local areas that want to set up neighbourhood networks and local care coordination.

CONCLUSION

This report has set out an ambitious but pragmatic agenda for social renewal rooted in the everyday hopes and struggles of people in contemporary Britain. The programme of reform we put forward recognises today's fiscal realities, but we do not allow these to constrain our aspirations for society. We have argued that by putting power in the hands of citizens and backing them to succeed, we can together build a stronger society despite our many challenges.

In drawing together the arguments and proposals contained in this report, one of our central themes is the durability of social reforms that are embodied in institutions – whether children's centres, neighbourhood networks for older people, or local providers of affordable credit. Institutions are places where relationships between people are formed, loyalties accrue, professional practices are nurtured, and traditions take shape. They put down roots in society that are hard to pull up. Although not immune to financial and political pressures, they tend to be less transient than cash transfers and more meaningful than government programmes. By bringing together people from different backgrounds, they can help to overcome social divisions and strengthen civic bonds. They help to sustain the forms of common life that open, liberal societies like Britain need if they are to achieve greater social equality.

For these reasons, we have argued for major reforms and a shift in public spending in important areas towards institutions and services, and away from benefits and piecemeal programmes. Social security benefits will continue to play a critical role in Britain's welfare state, whether through a state pension that protects against poverty in retirement, or tax credits that boost family living standards. However, where cash benefits are more marginal to the welfare state (like winter fuel payments for better-off pensioners) or less effective over the longer term (such as child benefit compared to universal childcare), we advocate a shift in strategic direction.

In particular, we call for a social investment strategy that prioritises public spending on services that promote full employment and maximise the capacities of the British people. This will be essential for helping families secure rising standards of living, paying for public services, and rebuilding public trust in the social security system. We argue for an expansion of affordable, high-quality childcare to enable parents to work; more effective strategies for boosting the employment rate of those with health conditions or disabilities; a long-term shift towards building homes rather than subsidising rents; and more resources for the care of the elderly so that older women in particular are more able to combine work and care. Greater investments in apprenticeships and training for young people, rather than access to the adult benefit system, should also be a priority for the next government.

Our proposals aim to rebuild the social norms that underpin the welfare state. The decline in public support for working-age welfare has not happened overnight: it has taken nearly 30 years. This will not be reversed by statistical myth-busting or moral argument alone. Instead, it will require reforms which demonstrate that the welfare system both promotes work and rewards contribution. That is why

we argue for a revival of the contributory principle, given new life in an independent National Insurance Fund, where all contributors are members with a stake in the system. National insurance should also offer more meaningful protection against life's major risks, so that people who have paid into the system get higher temporary benefits if they lose their job. Without reforms of this kind, based on the basic principle of 'give and take', our social security system will continue to be a source of weakness for the centre-left rather than a strength, and will be destined to further decline.

The state must be there for citizens in times of need, but citizens must also take responsibility for helping themselves, and for fulfilling their obligations to others. Building a stronger society will require shared endeavour and, at times, shared sacrifice. We must draw on the talents and capacities of everyone, and challenge dependency and exclusion from mainstream society. We have argued for a renewed commitment to contribution across society: expanding National Citizen Service for young people, establishing volunteer-led neighbourhood justice panels to tackle the root causes of antisocial behaviour, and building neighbourhood networks across the country to mobilise the time and compassion of local people to overcome isolation among the elderly.

The arguments and proposals put forward in this report have fundamental implications for the strategies, statecraft, and spending decisions of the next government. We have argued that while the state remains a powerful actor in British society, we need a different kind of state: one that seeks to create the conditions in which citizens can improve their own lives, rather than pretending it has the answer or agency to solve every problem. In particular, we need a more decentralised state that connects power and responsibility at the scale and in the places where the biggest difference can be

made. Whether it is shifting from 'benefits to bricks', tackling long-term worklessness, diverting young adults from a life of crime, or overcoming deep exclusion, the man or woman in Whitehall does not always know best.

The package of reforms set out in this report is fully costed and we show how they could be funded through a mix of spending cuts, switches and tax rises for the better-off. Indeed, one specific conclusion that follows from the insights in this book is the need for a very different kind of spending review to take place after the 2015 general election. Given the depth and length of the 2008/09 recession, there remains a large deficit in the public finances. Whoever forms the next government will have to make significant further cuts to public spending and put up taxes in order to get the public finances back onto a sustainable footing. Meanwhile, the fiscal pressures that arise from an ageing society will continue to mount. In this context, a business-as-usual spending review will fail to create the conditions for the reforms that we call for in this report.

If the next spending review were to follow the patterns established during the current parliament, it would give the NHS, schools and overseas aid budgets relative protection, and make significant cuts in every other area. The Treasury would continue to hold the purse strings, parcelling out spending reductions to departments, which would then be passed on to local services. The welfare budget would be further reduced through a combination of below-inflation uprating and a series of populist raids, rather than by addressing the real drivers of rising spending. The consequences would be predictable: the same balance of services and entitlements but with value and quality progressively diminished.

This kind of 'business as usual' approach to the next spending review would mean that no strategic decisions are taken about which services and investments should be

prioritised and which scaled back. The balance of power and responsibility would not be substantially reconfigured. No new space for innovation or creativity would be opened up; no new opportunities or expectations would be created for mobilising the energies and talents of people and places behind a shared mission of social renewal.

By contrast, driving forward the proposals in this report will require a different kind of spending review. Rather than ringfencing Whitehall departments, it would devolve power and resources in significant areas – including housing, back-to-work support and parts of the criminal justice system. It would be accompanied by longer-term financial settlements for local areas, with the flexibility to pool budgets across geographic and service boundaries. These are essential steps for enabling the leadership and action of local areas to deliver real spending efficiencies, shift resources into early intervention and prevention, and prepare our public services for the challenges of the next parliament and beyond. It would enable local people to make the right choices for their own areas, and to exercise greater power over their own lives, as individuals and members of the community.

Successful social renewal ultimately depends on good economic policy. No amount of social activism can overcome the hopelessness of unemployment, or ensure that working people share in the fruits of rising national wealth. However, social policy and social activism can help create the conditions for prosperity, particularly in supporting employment, enabling family life to flourish, and investing in our productive potential as a country. Furthermore, the right kinds of government intervention and social mobilisation can overcome market failures, such as a lack of affordable housing or the misery of being trapped in a cycle of unaffordable debt. Social and economic renewal must go hand in hand.

We are optimistic about Britain. It is not broken. Its people are compassionate and resourceful. We face major challenges as a society – not least in reforming our economy and tackling entrenched inequalities. But our country has powerful traditions of inventiveness, enterprise and mutual endeavour to build on, and a history of adapting to social and economic change in peaceful, creative ways. An abundance of civil associations and social organisations dot the landscape of the UK. They have a critical role to play in Britain's emergence from austerity and its path to future strength, just as they have sustained it through tough times and supported social renewal in the past. They must take their place alongside a reformed state and markets that work in the common interest in enabling all of our citizens to contribute to building a better British society in the years ahead.

SUMMARY OF RECOMMENDATIONS

CHAPTER 6 – FAMILIES: RAISING CHILDREN AND NURTURING RELATIONSHIPS

1. Working fathers should be given the chance to play a bigger role in early parenting, through an entitlement to four weeks of leave following the birth of their child, paid at least the national minimum wage, as well as paid time off for antenatal appointments.
2. An affordable childcare place should be guaranteed for all parents of preschool children from the age of one, with a universal entitlement to free, part-time, year-round care for all those aged between two and four, paid for by restricting pension tax relief, freezing child benefit for school-age children and scrapping the marriage tax allowance.
3. To further improve the quality of early-years provision, all staff working with two-year-olds should hold at least a level 3 child development qualification, and 30 per cent should hold a degree in early-years education.
4. Child benefit should rise with prices for children under five, to protect family incomes when parents want to work fewer hours; but it should be frozen in cash terms for school-age children, to be invested in childcare.

5. A separate work allowance should be introduced into universal credit to make work pay for second earners, which would promote dual-earning and a balance of work and care within couples. This should be paid for by slightly increasing the rate at which universal credit is tapered away.
6. Every adult should have a lifetime entitlement to one course of couples counselling to help sustain relationships when times are tough. The government should also give a little extra help to couples when they get married, by ending marriage notice fees.

CHAPTER 7 – YOUNG PEOPLE: ENABLING SECURE TRANSITIONS INTO ADULTHOOD

7. For 18–21-year-olds, existing out-of-work benefits should be replaced by a youth allowance that provides financial support conditional on looking for work or completing education, targeted at those from low-income families.
8. A youth guarantee for 18–21-year-olds should be established that offers access to education or training plus intensive support to find work or an apprenticeship, with compulsory paid work experience for those not earning or learning within six months.
9. The National Citizen Service programme should be expanded so that half of young people aged 16 and 17 are taking part by 2020, using money saved from holding down cash benefits to families with older children.
10. The remit of youth offending teams should be extended to those aged up to 20, in order to provide locally-led, integrated support to help keep young adult offenders out of prison, cut reoffending and prevent them from entering a life of crime.

CHAPTER 8 – WORKING LIFE: PROMOTING WORK AND REWARDING CONTRIBUTION

11. The National Insurance Fund should be given institutional and financial independence from government, with a responsibility for ensuring that national insurance contributions are sufficient to finance contributory benefit entitlements over the long term.
12. As a step towards reviving the contributory principle, the rate of contributory JSA should be increased by £30 a week, and those entitled to it should also gain access to help with mortgage interest payments if they become unemployed.
13. The next phase of the Work Programme should focus on supporting long-term jobseekers and those recovering from temporary health conditions, with contracts based on meaningful economic geographies and a job guarantee to prevent long-term unemployment.
14. Those with a long-term health condition or disability that reduces their capacity to work should participate in ‘New Start’, a new, locally-led supported employment programme for ESA claimants, with integrated budgets and incentives for success.
15. Small firms should be able to recover sick pay costs for employees hired from ESA. In addition, there should be greater back-to-work engagement between individuals and employers during sickness absence, matched by a longer period of employment protection.
16. An independent, non-state Affordable Credit Trust should be established to capitalise and mobilise local, non-profit lenders capable of providing low-cost loans, while also supporting low-income households to build up savings of their own.

CHAPTER 9 – HOUSING: MOBILISING LOCAL LEADERSHIP TO BUILD MORE HOMES

17. Towns and cities with an appetite for growth should be given new powers to unblock stalled sites so that land can be used for housing, including designating ‘new homes zones’ that fund development by capturing the resulting increases in land values.
18. Councils should be able to retain and reinvest a share of any savings achieved by local action to reduce housing benefit spending in their area. In addition to their existing powers, they should also be given greater freedom to borrow responsibly against their housing assets and income.
19. Local areas entering into an earn-back deal with the Treasury should be able to determine the level of housing benefit available in the private rented sector, to prevent landlords overcharging the taxpayer in low-cost areas.
20. Housing capital budgets should be devolved to combined authorities that have agreed strong joint working arrangements and investment plans that support the goal of shifting from ‘benefits to bricks’.
21. Combined authorities should be able to take control of all public spending on housing in their area through an upfront, multi-year affordable housing fund, used to meet local affordable housing needs through building homes and subsidising rents.

CHAPTER 10 – CRIME AND EXCLUSION: PUTTING PEOPLE AND PLACES IN CONTROL

22. All victims of crime and antisocial behaviour should have an entitlement to ‘restorative justice’, which would give them a distinct voice in the criminal justice system while forcing offenders to face up to what they have done and try to make amends.

23. Neighbourhood justice panels should be established in every local area to mobilise local volunteers to help tackle the root causes of antisocial behaviour and low-level crime, and to force offenders to face up to their actions.
24. A new 'Troubled Lives' programme should be established to mobilise and coordinate local efforts to address the deep social exclusion experienced by a minority of adults, drawing heavily on the expertise of the voluntary sector.

CHAPTER 11 – OLDER PEOPLE: LIVING WELL TOGETHER IN AN AGEING SOCIETY

25. People providing a significant amount of unpaid care should have the right to adjust their working arrangements to enable them to remain in employment rather than relying on the benefit system.
26. Entitlement to care services for those on low incomes should be extended to older people with moderate needs, to enable them to stay at home and live independently. This should be paid for by limiting entitlement to winter fuel payments to those who are eligible for pension credit.
27. An independent review should consider how the national insurance system could be used to progressively lower the planned cap on care costs and raise the asset threshold, using the principles of contribution and risk-pooling to help finance long-term care costs.
28. Groups of older people who want to establish a community-run neighbourhood network in their area should be backed with money and support, with the aim of building such institutions across the country to bring people together and help overcome isolation and loneliness among older people.

REFERENCES

INTRODUCTION

IPPR (2014) *A fair deal on migration for the UK*, London. <http://www.ippr.org/publications/a-fair-deal-on-migration-for-the-uk>

Lawton K (ed) (2013) *The Condition of Britain: Interim report*, London: IPPR. <http://www.ippr.org/publications/the-condition-of-britain-interim-report>

CHAPTER 1 – OUR GOALS FOR SOCIETY

Anderson E (1999) ‘What is the point of equality?’ *Ethics* 109(2): 287–337

Galston G (2010) ‘Realism in political theory’, *European Journal of Political Theory* 9(4): 385–411

Honohan I (2002) *Civic Republicanism*, Oxford: Routledge

IPPR (2014) *A fair deal on migration for the UK*, London. <http://www.ippr.org/publications/a-fair-deal-on-migration-for-the-uk>

Lawrence M and Cooke G (2014) *Jumping the shark: Building institutions to spread access to affordable credit*, London: IPPR. <http://www.ippr.org/publications/jumping-the-shark-building-institutions-to-spread-access-to-affordable-credit>

Lawton K (ed) (2013) *The Condition of Britain: Interim report*, London: IPPR. <http://www.ippr.org/publications/the-condition-of-britain-interim-report>

Pearce N (2013) ‘What should social democrats believe?’ *Juncture* 20(4): 101–110

Pearce N and Taylor E (2013) ‘Government spending and welfare: changing attitudes towards the role of the state’, in Park A, Bryson C, Clery E, Curtice J and Phillips M (eds) *British Social Attitudes: The 30th report*, London: NatCen Social Research

Stears M (2011) *Everyday democracy: Taking centre-left politics beyond state and market*, London: IPPR. <http://www.ippr.org/publications/everyday-democracy-taking-centre-left-politics-beyond-state-and-market>

Unger RM (2013) ‘Deep freedom: why the left should abandon equality’, *Juncture* 20(4): 93–100. <http://www.ippr.org/juncture/deep-freedom-why-the-left-should-abandon-equality>

CHAPTER 2 – THE CONDITION OF BRITAIN

- Adams A, Hood A and Levell P (2014) 'The squeeze on incomes', in Emmerson C, Johnson P and Miller H (eds) *IFS Green Budget 2014*, London: Institute for Fiscal Studies
- Browne J, Hood A and Joyce R (2014) *Child and working-age poverty in Northern Ireland over the next decade: an update*, London: Institute for Fiscal Studies. <http://www.ifs.org.uk/publications/7054>
- Clifton J and Cook W (2012) *A long division: Closing the attainment gap in England's secondary schools*, London: IPPR. <http://www.ippr.org/publications/a-long-division-closing-the-attainment-gap-in-englands-secondary-schools>
- Commission on Social Justice [CSJ] (1994) *Social Justice: Strategies for national renewal*, London: Vintage
- Cooke G and Davies B (2014) *Benefits to bricks: Mobilising local leadership to build homes and control the benefits bill*, London: IPPR
- Cooke G, Pennycook M and Stirling A (2014) *Promoting contribution: Boosting employment opportunities for all* [provisional title], London: IPPR
- Dean H (2012) 'Welcome relief or indecent subsidy? The implications of wage top-up schemes,' *Policy and Politics* 40(3): 305–321
- Department for Communities and Local Government [CLG] (2012) 'Statistical data set: Live tables on house building', data tables, updated 15 May 2014, London. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>
- Department for Education [DfE] (2014) *Statistical First Release: NEET Quarterly Brief, January to March 2014*, London
- Department for Work and Pensions [DWP] (2013) 'Tables 6.1tr-6.7tr (Trends)', spreadsheet, *Households Below Average Income 1994/95 to 2011/12*, London. <https://www.gov.uk/government/publications/households-below-average-income-hbai-199495-to-201112>
- Department for Work and Pensions [DWP] (2014a) *Jobseekers' Allowance and Employment and Support Allowance Sanctions: Decisions made to December 2013*, London
- Department for Work and Pensions [DWP] (2014b) 'Benefit expenditure and caseload tables 2014', spreadsheet, London. <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2014>
- Fuller E (ed) (2013) *Smoking, drinking and drug use among young people in England in 2012*, London: Health and Social Care Information Centre
- Home Office (2013) *Drug Misuse: Findings from the 2012 to 2013 crime survey for England and Wales*, London
- Johnson P (2013) 'Pensioner incomes in the UK', presentation to the first CEPAR annual conference, 2 July 2013, University of New South Wales, Sydney. http://www.ifs.org.uk/conferences/pensioner_incomesUK_pj2013.pdf
- Joyce R and Sibieta L (2013) 'Labour's record on poverty and inequality', London: Institute for Fiscal Studies. <http://www.ifs.org.uk/publications/6738>
- Lawton K (ed) (2013a) *The Condition of Britain: Interim report*, London: IPPR. <http://www.ippr.org/publications/the-condition-of-britain-interim-report>

- Lawton K (2013b) 'Growing up and becoming an adult', in Lawton K (ed) *The Condition of Britain: Interim report*, London: IPPR. <http://www.ippr.org/publications/the-condition-of-britain-interim-report>
- Lawton K and Lanning T (2013) *Sharing profits and power: Harnessing employee engagement to raise company performance*, London: IPPR. <http://www.ippr.org/publications/sharing-profits-and-power-harnessing-employee-engagement-to-raise-company-performance>
- Lawton K and Pennycook M (2013) *Beyond the Bottom Line: The challenges and opportunities of a living wage*, London: IPPR and the Resolution Foundation. <http://www.ippr.org/publications/beyond-the-bottom-line-the-challenges-and-opportunities-of-a-living-wage>
- Muir R and Parker I (2014) *Many to many: How the relational state will transform public services*, London: IPPR. <http://www.ippr.org/publications/many-to-many-how-the-relational-state-will-transform-public-services>
- Nomis (2014) 'Census 2011 tables', online database. http://www.nomisweb.co.uk/census/2011/data_finder
- Office for National Statistics [ONS] (2013a) *The Effects of Taxes and Benefits on Household Income 2011/12*, Newport
- Office for National Statistics [ONS] (2013b) *Statistical Bulletin: Crime in England and Wales, Year Ending March 2013*, Newport
- Office for National Statistics [ONS] (2013c) *Working and Workless Households 2013*, Newport
- Office for National Statistics [ONS] (2013d) *Births in England and Wales, 2012*, Newport
- Office for National Statistics [ONS] (2014a) 'Table A01: Summary of labour market statistics', spreadsheet, *Labour Market Statistics, April 2014 release*, Newport. <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-304635>
- Office for National Statistics [ONS] (2014b) *Young people not in education, employment or training, February 2014 release*, Newport. <http://www.ons.gov.uk/ons/rel/lms/young-people-not-in-education--employment-or-training--neets-/february-2014/statistical-bulletin.html>
- Social Justice Policy Group [SJPG] (2006) *Breakdown Britain: Interim report on the state of the nation*, London. <http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20Exec%20summaries/Breakdown%20Britain.pdf>
- University of Stirling, Alcohol Health Alliance UK and British Liver Trust (2013) *Health First: An evidence-based alcohol strategy for the UK*, Stirling: University of Stirling

CHAPTER 3 – SPREADING POWER AND RESPONSIBILITY

- Cox E and Davies B (2013) *Still on the wrong track: an updated analysis of transport infrastructure spending*, Newcastle: IPPR North. <http://www.ippr.org/publications/still-on-the-wrong-track-an-updated-analysis-of-transport-infrastructure-spending>
- Cox E, Turley A, Davies B and Harrison M (2013) *Love thy neighbourhood: People and place in social reform*, Newcastle: IPPR North. <http://www.ippr.org/publications/love-thy-neighbourhood-people-and-place-in-social-reform>
- Gash T, Randall J and Sims S (2014) *Achieving political decentralisation: Lessons from 30 years of attempting to devolve political power in the UK*, London: Institute for Government
- IPPR North and the Northern Economic Futures Commission [NEFC] (2012a) *Northern prosperity is national prosperity: A strategy for revitalising the UK economy*, Newcastle: IPPR North. <http://www.ippr.org/publications/northern-prosperity-is-national-prosperity-a-strategy-for-revitalising-the-uk-economy>
- IPPR North and the Northern Economic Futures Commission [NEFC] (2012b) *Northern prosperity is national prosperity: NEFC interim report*, Newcastle: IPPR North. <http://www.ippr.org/publications/northern-prosperity-is-national-prosperity-nefc-interim-report>
- Jeffrey C (2011) 'Wales, the referendum and the multi-level state', St David's Day lecture 2011, the Wales Governance Centre, Cardiff University, 8 March 2011
- Lessman C (2011) 'Regional inequality and decentralisation: an empirical analysis' *Environment and Planning A* 44(6): 1363–1388
- Muir R and Parker I (2014) *Many to many: How the relational state will transform public services*, London: IPPR. <http://www.ippr.org/publications/many-to-many-how-the-relational-state-will-transform-public-services>
- OECD (2012) *Promoting Growth in All Regions: Lessons from across the OECD*, Paris
- Parkinson M, Meegan R, Karech J, Evans R, Jones G, Tosics I, Gertheis A, Tönkö A, Hegedüs, Illés I, Sotara M, Ruokolainen O, Lefèvre C and Hall P (2012) *Second Tier Cities In Europe: In An Age of Austerity Why Invest Beyond The Capitals?*, Liverpool: Liverpool John Moores University
- Peck L (2014) 'The cooperative council', in Smith Institute (ed) *Labour and Localism: Perspectives on a new English deal*, London: Smith Institute
- Sandford A (2014) 'Local government: shared services, outsourcing, unitary authorities', standard note 05950, London: House of Commons Library
- Sawford A (2014) 'The power of localism', in Smith Institute (ed) *Labour and Localism: Perspectives on a new English deal*, London: Smith Institute
- Wilcox Z and Sarling J (2013) *Ways and Means: Money management and power in local government*, London: Centre for Cities
- Wilson T and Gallagher P (2013) *Community Works: Putting work, skills and enterprise at the heart of Community Budgets*, London: Centre for Economic and Social Inclusion
- Wyn Jones R, Lodge G, Jeffrey C, Gottfried G, Scully R, Henderson A and Wincott D (2013) *England and its two unions: The anatomy of a nation and its discontents*, London: IPPR. <http://www.ippr.org/publications/england-and-its-two-unions-the-anatomy-of-a-nation-and-its-discontents>

CHAPTER 4 – FOSTERING CONTRIBUTION AND RECIPROCITY

- Birch S, Gottfried G and Lodge G (2013) *Divided democracy: Political inequality in the UK and why it matters*, London: IPPR. <http://www.ippr.org/publications/divided-democracy-political-inequality-in-the-uk-and-why-it-matters>
- Bowles S and Gintis H (2013) *A Cooperative Species: Human Reciprocity and its Evolution*, Princeton: Princeton University Press
- Clery E, Lee L and Kunz S (2013) *Public Attitudes to Poverty and Welfare, 1983–2011: Analysis using British Social Attitudes data*, London: NatCen Social Research
- Clifton J (ed) with MacAlister J, Olsen A and Crehan L (2013) *Frontline: Improving the children's social work profession*, London: IPPR. <http://www.ippr.org/publications/frontline-improving-the-childrens-social-work-profession>
- Clifton J and Thorley C (2014) *Think Ahead: Meeting the workforce challenges in mental health social work*, London: IPPR. <http://www.ippr.org/publications/think-ahead-meeting-the-workforce-challenges-in-mental-health-social-work>
- Cooke G (2013) *On the front foot: Designing a welfare cap that reforms social security*, London: IPPR. <http://www.ippr.org/publications/on-the-front-foot-designing-a-welfare-cap-that-reforms-social-security>
- Cox E, Turley A, Davies B and Harrison M (2013) *Love thy neighbourhood: People and place in social reform*, Newcastle: IPPR North. <http://www.ippr.org/publications/love-thy-neighbourhood-people-and-place-in-social-reform>
- Lawton K and Cooke G (2013) 'Finding a decent job and achieving financial security', in Lawton K (ed) *The Condition of Britain: Interim report*, London: IPPR. <http://www.ippr.org/publications/the-condition-of-britain-interim-report>

CHAPTER 5 – STRENGTHENING SHARED INSTITUTIONS

- Browne J, Hood A and Joyce R (2014) *Child and working-age poverty in Northern Ireland over the next decade: an update*, London: Institute for Fiscal Studies. <http://www.ifs.org.uk/publications/7054>
- Crowe D, Gash T and Kippin T (2014) *Beyond Big Contracts: Commissioning public services for better outcomes*, London: Collaborate
- Department for Work and Pensions [DWP] (2013) 'Tax Credit Expenditure in Great Britain', London. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223090/gb_tax_credit_estimates.pdf
- Lawton K (2013) 'Raising a family', in Lawton K (ed) *The Condition of Britain: Interim report*, London: IPPR. <http://www.ippr.org/publications/the-condition-of-britain-interim-report>
- Machin S and McNally S (2008) 'The literacy hour', *Journal of Public Economics* 92: 1441–1462
- McNeil C (2012) *The Politics of Disadvantage: New Labour, social exclusion and post-crash Britain*, London: LankellyChase Foundation. http://www.lankellychase.org.uk/assets/0000/1508/IPPR_Report.pdf

- McNeil C and Hunter J (2014) *The generation strain: Collective solutions to care in an ageing society*, London: IPPR. <http://www.ippr.org/publications/the-generation-strain-collective-solutions-to-care-in-an-ageing-society>
- Muir R and Parker I (2014) *Many to many: How the relational state will transform public services*, London: IPPR. <http://www.ippr.org/publications/many-to-many-how-the-relational-state-will-transform-public-services>
- Newton B, Meager N, Bertram C, Corden A, George A, Lalani M, Metcalf H, Rolfe H, Sainsbury R and Weston K (2012) *Work Programme evaluation: findings from the first phase of qualitative research on programme delivery*, research report 821, London: Department for Work and Pensions

CHAPTER 6 – FAMILIES: RAISING CHILDREN AND NURTURING RELATIONSHIPS

- Alakeson A and Cory G (2014) *Careers and Carers: Childcare and maternal labour supply*, London: Resolution Foundation
- Ben-Galim D (2014) *No more baby steps: A strategy for revolutionising childcare*, London: IPPR. <http://www.ippr.org/publications/no-more-baby-steps-a-strategy-for-revolutionising-childcare>
- Brewer M, Browne J and Jin W (2011) *Universal Credit: A preliminary analysis*, IFS briefing note 116, London: Institute for Fiscal Studies
- Brind R, Norden O, McGinigal S, Oseman D, Simon A and La Valle I (2012) *Childcare and Early Years Providers Survey 2011*, London: Department for Education
- Browne J, Hood A and Joyce R (2014) *Child and working-age poverty in Northern Ireland over the next decade: an update*, London: Institute for Fiscal Studies. <http://www.ifs.org.uk/publications/7054>
- Cooke G and Henehan K (2012) *Double Dutch: The case against deregulation and demand-led funding in childcare*, London: IPPR. <http://www.ippr.org/publications/double-dutch-the-case-against-deregulation-and-demand-led-funding-in-childcare>
- Del Carmen Huerta M, Adema W, Baxter J, Han W J, Lausten M, Lee R and Waldfogel J (2013) 'Fathers' Leave, Fathers' Involvement and Child Development: Are they related? Evidence from four OECD countries', OECD social, employment and migration working paper no 140, Paris: Organisation for Economic Cooperation and Development
- Department for Business, Innovation and Skills [BIS] (2013) *Shared parental leave and pay administration consultation – impact assessment*, London. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/110692/13-651-modern-workplaces-shared-parental-leave-and-pay-impact-assessment2.pdf
- Department for Work and Pensions [DWP] (2013) 'Tables 4.3db–4.4 db (composition)', in *Households Below Average Income 1994/95 to 2011/12*, London. <https://www.gov.uk/government/publications/households-below-average-income-hbai-199495-to-201112>

- Dickerson A and Popli G (2012) *Persistent poverty and children's cognitive development: Evidence from the UK Millennium Cohort Study*, London: Institute of Education
- Ellison G, Barker A and Kulusuriya T (2009) *Work and Care: A study of modern parents*, Manchester: Equality and Human Rights Commission
- European Commission (2013) *Your Social Security Rights in Denmark*, Brussels. http://ec.europa.eu/employment_social/empl_portal/SSRinEU/Your%20social%20security%20rights%20in%20Denmark_en.pdf
- Eurostat (2013) 'EU Labour Force Survey 2012', dataset, Brussels. http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database
- Eurostat (2014) 'EU Labour Force Survey 2013', dataset, Brussels. http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database
- Goodman A and Greaves A (2010) *Cohabitation, marriage and relationship stability*, briefing note BN107, London: Institute for Fiscal Studies
- Hill A (2012) 'Trapped: the former couples who can't afford to move on', *Guardian*, 20 November 2012. <http://www.theguardian.com/society/2012/nov/20/trapped-couples-partners-relationships>
- Johnson P (2012) *Fairer by design: efficient tax reform for those on low to middle incomes*, London: Resolution Foundation
- Johnson P (2014) *Costly and Ineffective: Why pension tax reliefs should be reformed*, London: Centre for Policy Studies
- Lawton K and Pennycook M (2013) *Beyond the bottom line: The challenges and opportunities of a living wage*, London: IPPR and the Resolution Foundation. <http://www.ippr.org/publications/beyond-the-bottom-line-the-challenges-and-opportunities-of-a-living-wage>
- Lawton K and Thompson S (2013) *Tackling in-work poverty by supporting dual-earning families*, York: Joseph Rowntree Foundation. <http://www.jrf.org.uk/sites/files/jrf/employment-poverty-families-full.pdf>
- Moss P (ed) (2013) *International Review of Leave Policies and Research 2013*, London and Brussels: International Network on Leave Policies and Research. http://www.leavenetwork.org/lp_and_r_reports/
- National Institute for Health and Clinical Excellence [NICE] (2008) *Antenatal care: Routine care for the healthy pregnant woman*, NICE clinical guideline 62, London
- Office for National Statistics [ONS] (2013) *Marriages in England and Wales (Provisional) 2011*, Newport
- Pareliussen JK (2013) *Work Incentives and Universal Credit: Reform of the benefit system in the UK*, Paris: Organisation for Economic Cooperation and Development
- Parker I (2013) *Early developments: Bridging the gap between evidence and policy in early-years education*, London: IPPR. <http://www.ippr.org/publications/early-developments-bridging-the-gap-between-evidence-and-policy>
- Pensions Policy Institute [PPI] (2013) *Tax relief for pension saving in the UK*, London
- Plunkett J, Hurrell A and D'Arcy C (2014) *More than a minimum: The review of the minimum wage – final report*, London: Resolution Foundation. <http://www.resolutionfoundation.org/publications/more-minimum-review-minimum-wage-final-report/>
- Ruhm C and Waldfogel J (2012) 'Long-term effects on early childhood care and education', *Nordic Economic Policy Review* 1: 23–51

- Scholl P (2013) *How is austerity affecting our relationships? Relationships: Our support systems in good times and bad*, Doncaster: Relate
- Sylva K, Melhuish E, Sammons P, Siraj-Blatchford I and Taggart B (2004) *The Effective Provision of Pre-school Education (EPPE) Project: Final report*, London: Department for Education and Skills
- Tavistock Institute of Human Relations [TIHR], National Foundation for Educational Research, Thomas Coram Research Unit and Qa Research (2014) *Relationship Support Interventions Evaluation*, London: Department For Education
- Thompson S and Ben-Galim D (2014) *Childmind the gap: Reforming childcare to support mothers into work*, London: IPPR. <http://www.ippr.org/publications/childmind-the-gap-reforming-childcare-to-support-mothers-into-work>
- ## CHAPTER 7 – YOUNG PEOPLE: ENABLING SECURE TRANSITIONS INTO ADULTHOOD
- Ben-Galim D and Silim A (2013) *The sandwich generation: Older women balancing work and care*, London: IPPR. <http://www.ippr.org/publications/the-sandwich-generation-older-women-balancing-work-and-care>
- Blinder S (2014) *Naturalisation as a British Citizen: Concepts and Trends*, Oxford: Migration Observatory, University of Oxford
- Clifton J (ed) (2013) *Excellence and equity: Tackling educational disadvantage in England's secondary schools*, London: IPPR. <http://www.ippr.org/publications/excellence-and-equity-tackling-educational-disadvantage-in-englands-secondary-schools>
- Cooke G (2013) *No more NEETs: A plan for all young people to be learning or earning*, London: IPPR. <http://www.ippr.org/publications/no-more-neets-a-plan-for-all-young-people-to-be-learning-or-earning>
- Department for Education [DfE] (2014) 'NEET statistics quarterly brief – January to March 2014', London. <https://www.gov.uk/government/publications/neet-statistics-quarterly-brief-january-to-march-2014>
- Department for Work and Pensions [DWP] (2012) *Impacts and Costs and Benefits of the Future Jobs Fund*, London
- Ministry of Justice [MoJ] (2014) *Proven Reoffending Statistics Quarterly Bulletin: England and Wales April 2011 to March 2012*, London. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/276104/proven-reoffending-apr11-mar12.pdf
- Muir R (2014) *Everyday justice: Mobilising the power of victims, communities and public services to reduce crime* [provisional title], London: IPPR
- NatCen Social Research, Office for Public Management and New Philanthropy Capital (2013) *Evaluation of National Citizen Service: Findings from the evaluations of the 2012 summer and autumn NCS programmes*, London: NatCen Social Research
- Office for National Statistics [ONS] (2014) *Quarterly Labour Force Survey, Q1–Q4 2014*, Colchester, Essex: UK Data Archive
- Richard D (2012) *The Richard Review of Apprenticeships*, London: Department for Business, Innovation and Skills

- Sanghani R (2013) 'British citizenship test is just a "bad pub quiz"', *Telegraph*, 13 June 2013. <http://www.telegraph.co.uk/news/uknews/immigration/10119281/British-citizenship-test-is-just-a-bad-pub-quiz.html>
- Student Loans Company (2013) 'Student support for higher education in England, academic year 2013/14 (provisional)', Glasgow. <http://www.slc.co.uk/media/694170/slcsfr052013.pdf>
- Thompson S (2013) *States of uncertainty: Youth unemployment in Europe*, London: IPPR. <http://www.ippr.org/publications/states-of-uncertainty-youth-unemployment-in-europe>
- Transition to Adulthood [T2A] (2012) *Pathways to crime: Ten steps to a more effective approach to young adults in the criminal justice process*, London

CHAPTER 8 – WORKING LIFE: PROMOTING WORK AND REWARDING CONTRIBUTION

- Cooke G (2011) *National salary insurance: Reforming the welfare state to provide real protection*, London: IPPR. <http://www.ippr.org/publications/national-salary-insurance-reforming-the-welfare-state-to-provide-real-protection>
- Cooke G, Pennycook M and Stirling A (2014) *Promoting contribution: Boosting employment opportunity for all* [provisional title], London: IPPR
- Cooke G and Stirling A (2014) *Rewarding contribution: Reviving the national insurance ideal* [provisional title], London: IPPR
- Davies B and Raikes L (2014) *Alright for some? Fixing the Work Programme, locally*, London: IPPR. <http://www.ippr.org/publications/alright-for-some-fixing-the-work-programme-locally>
- Department for Work and Pensions [DWP] (2012) *Impacts and Costs and Benefits of the Future Jobs Fund*, London. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223120/impacts_costs_benefits_ffj.pdf
- Department for Work and Pensions [DWP] (2014a) 'Work Programme Official Statistics to December 2013', London. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/271077/work-programme-statistical-release-dec13.pdf
- Department for Work and Pensions [DWP] (2014b) 'Tabulation Tool', online database. <http://tabulation-tool.dwp.gov.uk/100pc/tabtool.html>
- Department for Work and Pensions [DWP] (2014c) 'Tabulation Tool: Employment and Support Allowance', online database. http://tabulation-tool.dwp.gov.uk/flows/flows_on/esa/tabtool_esa.html
- Department for Work and Pensions [DWP] (2014d) *European Social Fund Operational Programme for England 2014-2020: Public consultation*, London
- Department for Work and Pensions [DWP] (2014e) 'The Health and Work Service', London. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/317377/health-and-work-service-specification.pdf
- Department of Health [DoH] (2013a) *Improving Outcomes and Supporting Transparency: Part 1a: A public health outcomes framework for England, 2013-2016*, London

- Department of Health [DoH] (2013b) *The Mandate: A mandate from the Government to the NHS Commissioning Board: April 2013 to March 2015*, London
- HM Revenue and Customs [HMRC] (2013) *Capital Gains Tax (CGT) Statistics*, London
- HM Revenue and Customs [HMRC] (2014) *Direct effects of illustrative tax changes*, London
- HM Treasury [HMT] (2013) *Autumn Statement 2013*, London
- Lawrence M and Cooke G (2014) *Jumping the shark: Building institutions to spread access to affordable credit*, London: IPPR. <http://www.ippr.org/publications/jumping-the-shark-building-institutions-to-spread-access-to-affordable-credit>
- McGuinness F (2014) 'Work Programme', standard note SN/EP/6340, London: House of Commons Library
- National Audit Office [NAO] (2012) *Regulating consumer credit: Report by the Comptroller and Auditor General*, London: the Stationery Office
- Newton B, Meager N, Bertram C, Corden A, George A, Lalani M, Metcalf H, Rolfe H, Sainsbury R and Weston K (2012) *Work Programme evaluation: Findings from the first phase of qualitative research on programme delivery*, DWP research report no 821, London: Department for Work and Pensions
- Riley T, Bivand P and Wilson T (2014) *Making the Work Programme work for ESA claimants*, London: Centre for Economic and Social Inclusion

CHAPTER 9 – HOUSING: MOBILISING LOCAL LEADERSHIP TO BUILD MORE HOMES

- Cooke G and Davies B (2014) *Benefits to bricks: Mobilising local leadership to build homes and control the benefits bill*, London: IPPR
- Cooke G and Hull A (2012) *Together at home: A new strategy for housing*, London: IPPR. <http://www.ippr.org/publications/together-at-home-a-new-strategy-for-housing>
- Department for Communities and Local Government [CLG] (2012) *High Income Social Tenants: Pay to Stay consultation paper*, London. <https://www.gov.uk/government/consultations/high-income-social-tenants-pay-to-stay>
- Griffith M (2011) *We must fix it: Delivering reform of the building sector to meet the UK's housing and economic challenges*, London: IPPR. <http://www.ippr.org/publications/we-must-fix-it-delivering-reform-of-the-building-sector-to-meet-the-uks-housing-and-economic-challenges>
- Griffith M (2014 forthcoming) *Land market reform* [provisional title], London: IPPR
- Homes and Communities Agency [HCA] (2014) 'Affordable Homes Programme 2011-2015', webpage. <http://www.homesandcommunities.co.uk/affordable-homes>
- Shelter (2009) 'A Postcode Lottery? Part 1 of a study monitoring the implementation of Local Housing Allowance', London. http://england.shelter.org.uk/_data/assets/pdf_file/0007/167434/A_Postcode_Lottery_LHA_Research_Briefing.pdf
- Shelter and KPMG (2014) *Building the Homes We Need: A programme for the 2015 government*, London: KPMG. http://www.shelter.org.uk/_data/assets/pdf_file/0019/802270/Building_the_homes_we_need_-_a_programme_for_the_2015_government.pdf

CHAPTER 10 – CRIME AND EXCLUSION: PUTTING PEOPLE AND PLACES IN CONTROL

- Anderson S (2011) *Complex Responses: Understanding poor frontline responses to adults with multiple needs: A review of the literature and analysis of contributing factors*, London: Revolving Doors Agency
- Bowcott O (2014) 'Former director of public prosecutions calls for victim's law', *Guardian*, 3 February 2014. <http://www.theguardian.com/law/2014/feb/03/former-director-public-prosecutions-victims-law-keir-starmer>
- Corner J (2013) 'Under pressure: how to survive a decade of austerity', *Juncture* online, 4 December 2013. <http://www.ippr.org/juncture/under-pressure-how-to-survive-a-decade-of-austerity>
- Criminal Justice Joint Inspection [CJJI] (2012) *Facing Up To Offending: Use of restorative justice in the criminal justice system: A joint thematic inspection by HMIC, HMI Probation, HMI Prisons and the HMCPSI*, London
- Cuthbertson S (2013) *Analysis of complete 'You be the Judge' website experiences*, London: Ministry of Justice
- Fitzpatrick S, Johnsen S, and White M (2011) 'Multiple exclusion homelessness in the UK: key patterns and intersections', *Social Policy and Society* 10(4): 501–512
- Little G (2013) 'Update on Community Budgets and Troubled Families', report to Manchester City Council Economy Scrutiny Committee, 16 October 2013, Manchester: Manchester City Council. www.manchester.gov.uk/download/meetings/id/15709/5_update_on_community_budgets_and_troubled_families
- Making Every Adult Matter [MEAM] (2009) *A four-point manifesto for tackling multiple needs and exclusions*, London
- McInnes R (ed) (2013) 'Social indicators', research paper 13/16, London: House of Commons Library
- McNeil C (2012) *The politics of disadvantage*, London: LankellyChase Foundation
- Ministry of Justice [MoJ] (2013) *Code of Practice for Victims of Crime*, London: the Stationery Office
- National Audit Office [NAO] (2013) *Programmes to help families facing multiple challenges*, London: the Stationery Office
- Office for National Statistics [ONS] (2014) *Crime in England and Wales, Year Ending September 2013*, Newport
- Restorative Justice Council [RJC] (2011) 'What does the Ministry of Justice RJ research tell us?', London. <http://www.restorativejustice.org.uk/resource/mojresearch/>
- Rix A, Skidmore K, Self R, Holt T and Raybould S (2011) *Youth Restorative Disposal Process Evaluation*, London: Youth Justice Board
- Shapland J, Chapman B and Johnstone J (2007) *Restorative Justice: the views of victims and offenders: The third report from the evaluation of three schemes*, London: Ministry of Justice
- Shewan G (2010) 'A Business Case for Restorative Justice and Policing', London: Restorative Justice Council. <http://www.restorativejustice.org.uk/resource/the-business-case-for-restorative-justice-and-policing/>
- Turley C, Kerr J, Kenny T, Simpson I and Keeble J (2014) *Process evaluation of the Neighbourhood Justice Panels*, London: Ministry of Justice

Victim Support (2011) *Left in the dark: Why victims of crime need to be kept informed*, London

CHAPTER 11 – OLDER PEOPLE: LIVING WELL TOGETHER IN AN AGEING SOCIETY

- Ben-Galim D and Silim A (2013) *The sandwich generation: Older women balancing work and care*, London: IPPR. <http://www.ippr.org/publications/the-sandwich-generation-older-women-balancing-work-and-care>
- Bickerstaffe S (2013) *Towards whole person care*, London: IPPR. <http://www.ippr.org/publications/towards-whole-person-care>
- Browne J, Hood A and Johnson P (2013) 'Options for cutting spending on social security', in Emmerson C, Johnson P and Miller H (eds) *The Green Budget 2013*, London: Institute for Fiscal Studies
- Cabinet Office (2013) 'Giving Time and Money – Excel tables', spreadsheet, 2012–13 Community Life Survey, London. <http://communitylife.cabinetoffice.gov.uk/explore-the-data.html>
- Carers in Employment Task and Finish Group [CETFG] (2013) *Supporting Working Carers: The Benefits to Families, Business and the Economy: Final Report of the Carers in Employment Task and Finish Group*, London: Carers UK. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/232303/Supporting_Working_Carers_Final_Report_accessible_.pdf
- Carmichael F, Charles S and Hulme C (2010) 'Who will care? Employment participation and willingness to supply informal care', *Journal of Health Economics* 29: 182–190
- Curry N, Holder H and Patterson L (2013) *Caring for an ageing population: points to consider from reform in Japan*, London: Nuffield Trust
- Department for Work and Pensions [DWP] (2013) 'Winter Fuel Payment: caseload and household figures, 2012/13', webpage. <https://www.gov.uk/government/publications/winter-fuel-payment-caseload-and-household-figures-201213>
- Department for Work and Pensions [DWP] (2014) 'Outturn and forecast: Budget 2014', spreadsheet, London. <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2014>
- Fernandez J-L, Snell T, Forder J and Wittenberg R (2013) *Implications of setting eligibility criteria for adult social care services in England at the moderate needs level*, London: Personal Social Services Research Unit, London School of Economics and Political Science
- Fry G, Singleton B, Yeandle S and Buckner L (2011) *Developing a clearer understanding of the Carer's Allowance claimant group*, DWP research report 739, London: Department for Work and Pensions
- Hegewisch A (2009) *Flexible working policies: a comparative review*, Manchester: Equality and Human Rights Commission
- Heitmuller A (2007) 'The chicken or the egg? Endogeneity in labour market participation of informal carers in England', *Journal of Health Economics* 26: 536–559
- HM Government (2012) *Caring for our future: progress report on funding reform*, Norwich: the Stationery Office

- Humphries R (2013) *Paying for social care: Beyond Dilnot*, London: King's Fund
- Institute and Faculty of Actuaries [IFoA] (2014) *How pensions can help meet consumer needs under the new social care regime*, London. <http://www.actuaries.org.uk/research-and-resources/documents/how-pensions-can-meet-consumer-needs-under-new-social-care-regime-f>
- Johnson P (2013) 'Pensioner incomes in the UK', presentation to the first CEPAR annual conference, 2 July 2013, University of New South Wales, Sydney. http://www.ifs.org.uk/conferences/pensioner_incomesUK_pj2013.pdf
- King D and Pickard L (2013) 'When is a carer's employment at risk? Longitudinal analysis of unpaid care and employment in midlife in England', *Health and Social Care in the Community* 21(3): 303–314
- Lawton K (2013) 'Getting older and staying connected', in Lawton K (ed) (2013) *The Condition of Britain: Interim report*, London: IPPR. <http://www.ippr.org/publications/the-condition-of-britain-interim-report>
- Linders L (2010) 'Autonomy and dependency on informal care', presentation, Ambient Assisted Living (AAL) Forum, Odense, Denmark, September 2010. <http://www.aalforum.eu/wp-content/uploads/2013/04/162-LilianLinders.pdf>
- Lloyd J (2013) *A Cap That Fits: The 'capped cost plus' model*, London: Strategic Society Centre
- McNeil C and Hunter J (2014) *The generation strain: Collective solutions to care in an ageing society*, London: IPPR. <http://www.ippr.org/publications/the-generation-strain-collective-solutions-to-care-in-an-ageing-society>
- Muir R and Parker I (2014) *Many to many: How the relational state will transform public services*, London: IPPR. <http://www.ippr.org/publication/55/11865/many-to-many-how-the-relational-state-will-transform-public-services>
- Nomis (2014) 'Census 2011 tables', online database. http://www.nomisweb.co.uk/census/2011/data_finder
- Parker I (2013) *Defining ambitions: Shaping pension reform around public attitudes*, London: IPPR. <http://www.ippr.org/publications/defining-ambitions-shaping-pension-reform-around-public-attitudes>
- Platt R, Aldridge J and Washan P (2013) *Help to Heat: A solution to the affordability crisis of energy*, London: IPPR. <http://www.ippr.org/publications/help-to-heat-a-solution-to-the-affordability-crisis-in-energy>
- Social Care Institute of Excellence [SCIE] (2013) *Fair Access to Care Services (FACS): Prioritising eligibility for care and support*, London
- Stalker K, Malloch M, Barry M and Watson J (2007) *Evaluation of the Implementation of Local Area Coordination in Scotland*, Edinburgh: Scottish Executive
- Tipping S, Chanfreau J, Perry J and Tait C (2012) *The Fourth Work-Life Balance Employee Survey*, London: Department for Business, Innovation and Skills

PUBLIC ENGAGEMENT

While compiling this report, we sought to draw on the insights and expertise of a wide range of people across Britain, and we are incredibly grateful to everyone who gave up their time to share their experiences with us. The people and organisations named here do not necessarily support any of the arguments made in this report, but we want to share our gratitude for their advice and support.

We would particularly like to thank the following individuals and organisations who helped us to arrange a series of invaluable study visits:

Birmingham

- Jon Yates and colleagues at The Challenge Network, and the young people taking part in National Citizen Service
- Professor James Arthur and colleagues at the Jubilee Centre for Character and Values at the University of Birmingham
- Lee Kilgour, colleagues and students at Aston University Engineering Academy
- Lynette Cutting and colleagues at Birmingham Metropolitan College

Glasgow and North Lanarkshire

- Robin Turner, colleagues and clients at Routes to Work
- Etienne d’Aboville and colleagues at the Glasgow Centre for Inclusive Living

- John Downie and colleagues at SCVO, and all those who participated in a seminar on employment support hosted by SCVO

Leeds

- Mick Ward and colleagues at Leeds city council
- Monica Ward, colleagues, volunteers and older people at Garforth Neighbourhood Elders' Team
- Cherril Cliff, volunteers and older people at Caring Together in Woodhouse and Little London
- Guy Turnbull from Care and Share Associates
- All those who took part in a roundtable meeting on social care and ageing

London

- Charles Fraser from St Mungo's, Dominic Williamson from Revolving Doors Agency and colleagues and service users who attended a discussion group on the challenges facing people with multiple, complex problems

Luton

- Glenn Jenkins and colleagues at Marsh Farm Outreach
- David Blakeman at Luton Town football club
- Cllr Hazel Simmons and colleagues at Luton borough council
- Fiona McGlone, colleagues and young people at Tokko Youth Space

Manchester

- Debbie Koroma, colleagues and parents at Benchill children's centre
- Staff, volunteers and service users at Woodhouse Park Family Centre

- Richard Leese and colleagues from Manchester city council
- All those who attended a roundtable meeting on families and young people

Swindon

- Simon Evans, colleagues and volunteers involved in the Swindon neighbourhood justice panel

We also benefited from discussions with the following individuals during the course of the Condition of Britain programme:

- Alastair Ballantyne, Big Society Capital
- George Bangham, Acevo
- Anne Baxendale, Shelter
- Paul Beardmore, Manchester city council
- Andy Bell, Centre for Mental Health
- Laurie Bennan, Sheffield city council
- Neil Berry, Locality
- Helena Brice, Centre for Mental Health
- Martin Bright, The Creative Society
- David Chinn, McKinsey & Company
- Steve Clare, Locality
- Julian Corner, LankellyChase
- Dan Corry, New Philanthropy Capital
- Annabel Davidson-Knight, Calouste Gulbenkian Foundation
- Tim Davis and colleagues, Big Lottery Fund
- Stuart Etherington, Acevo
- Stephen Evans, Working Links
- Leon Feinstein, Early Intervention Foundation
- Rosie Ferguson, London Youth

- Dan Finn, University of Portsmouth
- Alex Fox, Shared Lives Plus
- Dan Gregory, Social Enterprise UK
- Justin Griggs, NALC
- Malik Gul, Wandsworth Community Empowerment Network
- Moussa Haddad, Child Poverty Action Group
- Jo Hay, NSPCC
- Anton Hemerijk, University of Amsterdam
- Oliver Henman, NCVO
- William Higham, Save the Children
- Oliver Hilbery, Make Every Adult Matter
- Peter Holbrook, Social Enterprise UK
- Katie Howe, NCVO
- Joe Irvin, Navca
- Steve James, Avenues Group
- Neil Jameson, London Citizens
- Olof Jonsdottir, Social Enterprise UK
- Lindsay Judge, Child Poverty Action Group
- Ben Jupp, Social Finance
- James Kelly, Ingeus
- Emma Kenny, NCS Trust
- Michael Lynas, NCS Trust
- Ralph Michell, Cabinet Office
- Geoff Mulgan, Nesta
- Vicky Nash, Mind
- Jemima Olchawski, London Borough of Newham
- Carey Oppenheim, Early Intervention Foundation
- Tracey Paul, NCS Trust
- Rachel Perkins

- Jules Pipe, London Borough of Hackney
- Tom Pollard, Mind
- Cliff Prior, UnLtd
- Tom Quinn, Save the Children
- David Robinson, Community Links
- Matt Robinson, Big Society Capital
- Roy Sainsbury, University of York
- Neera Sharma, Barnardo's
- Chris Sherwood, Relate
- Chloe Stables, NCVO
- Rob Trotter, Scope
- Kate Webb, Shelter
- Graham Whitham, Save the Children
- Toby Williamson, Mental Health Foundation
- Tony Wilson, Centre for Economic and Social Exclusion
- Chris Wright, Catch22

PUBLICATIONS IN THE CONDITION OF BRITAIN SERIES

All Condition of Britain publications are available from
<http://www.ippr.org/major-programmes/condition-of-britain>

The Condition of Britain: Understanding the real pressures and hidden potential in today's society

IPPR

13 February 2013

Criminal justice reform: A revolution on the American right

Pat Nolan and Sadiq Khan

12 April 2013

Who's breadwinning? Working mothers and the new face of family support

Dalia Ben-Galim and Spencer Thompson

4 August 2013

10 principles for better government

David Robinson

6 August 2013

The sandwich generation: Older women balancing work and care

Dalia Ben-Galim and Amna Silim

25 August 2013

Love thy neighbourhood: People and place in social reform

Ed Cox with Mark Harrison, Bill Davies and Anna Turley

12 November 2013

No more NEETs: A plan for all young people to be learning or earning

Graeme Cooke

20 November 2013

The Condition of Britain: Interim report

Kayte Lawton (ed)

12 December 2013

Jumping the shark: Building institutions to spread access to affordable credit

Mathew Lawrence and Graeme Cooke

21 April 2014

The generation strain: Collective solutions to care in an ageing society

Clare McNeil and Jack Hunter

24 April 2014

Alright for some? Fixing the Work Programme, locally

Bill Davies and Luke Raikes

June 2014

Benefits to bricks: Mobilising local leadership to build homes and control the benefits bill

Graeme Cooke and Bill Davies

June 2014

Rewarding contribution: Reviving the national insurance ideal

Graeme Cooke and Alfe Stirling

June 2014

Promoting contribution: Boosting employment opportunities for all

Graeme Cooke, Matthew Pennycook and Alfie Stirling
June 2014

Everyday justice: Mobilising the power of victims, communities and public services to reduce crime

Rick Muir
June 2014

Mass collaboration: How we can transform the impact of public funding

Matthew Pike
July 2014

Relationships, community and purpose: A new approach to tackling deep exclusion

Clare McNeil and Jack Hunter
Forthcoming 2014





THE
CONDITION
OF BRITAIN

The Condition of Britain: Strategies for social renewal sets out a comprehensive new agenda for reforming the state and social policy to enable people in Britain to work together to build a stronger society in tough times.

This landmark report argues for a new approach to politics and public action driven by the goals of spreading power, fostering contribution and strengthening shared institutions.

Covering a wide range of policy issues, it makes proposals for reshaping the systems of support for families, young people, older people and those facing deep exclusion from society, while also setting out reforms to social security, employment support and housing policy.

The agenda laid out here is ambitious and optimistic, rooted in today's challenges while learning the lessons of the past. This is essential reading for all those interested in the future of British society.

“I welcome publication of IPPR’s Condition of Britain report, which sets out both the scale of the challenges facing our country and some bold ideas for tackling them. This is an important contribution to the debate about how to spread power, reward hard work and create a more equal society.”

ED MILIBAND, LEADER OF THE LABOUR PARTY