



THE MERITOCRAT'S MANIFESTO

Dominic Raab MP

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FIRST PUBLISHED BY

The Social Market Foundation, June 2014

ISBN: 978-1-904899-91-4

11 Tufton Street, London SW1P 3QB

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DESIGN AND PRODUCTION

Pistachio Design

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PRINTED BY

Diversified Global Graphics Group

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ACKNOWLEDGEMENTS

My thanks to Emran Mian, David Makinson and Ariane Poulain for comments on earlier drafts.

ABOUT THE AUTHOR

DOMINIC RAAB MP

Dominic Raab is the Conservative MP for Esher and Walton. From Dr Challoner's Grammar School, Dominic studied law at Oxford and international law at Cambridge. He started his career as a business lawyer at Linklaters in the City, and later spent six years at the Foreign and Commonwealth Office (FCO), including heading the FCO's war crimes team in The Hague.

Following an open primary, Dominic was elected as the MP for Esher and Walton in May 2010. He currently serves on the House of Commons Education Select Committee, and is the author of several books including *The Assault on Liberty – What Went Wrong With Rights*.

FOREWORD

There is a radical view of merit, that the amount we have is determined by luck and so it is a common good rather than a personal distinction. As Louis Blanc, the French politician, historian and, let's say it, socialist, famously put it, the implication of this view is that a society should receive "from each according to his abilities" and provide "to each according to his needs." Karl Marx took up that principle. More recently, it is an important feature of Pierre Rosanvallon's book *The Society of Equals*. Rosanvallon quotes many of Thomas Piketty's findings on income and wealth inequality but he is alert to the following paradox: we know that our society is marked by high inequality, it has been for some quite considerable time, but on the whole we seem to accept this. Why might that be?

Part of the reason is that we take a different view of merit, we do not think it is all down to luck. People rise because of their own efforts as well as their endowments. If anything, we are not a sufficiently meritocratic society, the merits of some people – for example, those from disadvantaged backgrounds – are less likely to be recognised, nurtured and rewarded than those of others. By contrast, some of those who are already powerful or wealthy have their merits recognised all too easily and receive rewards in excess of what they deserve.

This pamphlet by Dominic Raab MP is an attempt to address both these distortions of merit, to level up the rewards for those whose merits are not recognised sufficiently and to level down the rewards for those whose merits are over-compensated. But he is concerned about more than merit, throughout this account individual liberty functions as what some philosophers would call a side constraint, that is, designs by which merit get its proper reward must be limited in their impact on liberty.

Liberty is a major challenge for the alternative view of merit. If all our individual merits are held in common for the common good, the rewards from which are to be distributed only in accordance with need, then perhaps the individual becomes a means rather than an end, a tool in society's grander design rather than the political sovereign. Blanc resisted this, suggesting that pitting individuals against each other was hardly making them free and that organising individuals into cooperatives was the solution.

In the end, social and economic institutions are vital to recognising, nurturing and then rewarding the merits of individuals. It is no surprise that Raab makes proposals here for schools, apprenticeships, the professions and the voluntary sector. They shape the merits of individuals and can erode the advantages of privilege and power. But it is not enough to create only first chances; as he puts it, we should aspire to be a second chance society too. This chimes with Ed Miliband's slogan for Labour, to be the party of the "forgotten 50%", those young people who do not go to university.

Obviously, there is a lot on which Raab and people from the left will disagree. His purpose is to craft a centre-right vision for combatting inequality, which means first defining what inequality matters (his pamphlet begins with a critique of the evidence and the premise of *The Spirit Level* by Richard Wilkinson and Kate Pickett), remembering the importance of liberty and then describing a policy agenda which makes some progress on the former without offending the latter.

There is one significant omission: inheritance. It is hard to tally the inheritance of wealth from one generation to the next (and the next and the next after that) with the vision of a meritocrat. Privilege persists, to a remarkable extent, as for example Greg Clark's extensive research across different societies and time periods in *The Son Also Rises* tends to show. That said, in the year



before a general election, I doubt there will be any politician who makes sharp proposals on taxing inheritance.

Emran Mian

Director, Social Market Foundation.

EXECUTIVE SUMMARY

To strengthen social mobility and meritocracy in Britain, the government should:

LET THE BRIGHTEST ACCESS THE BEST SCHOOLS

1. Require public schools, as a condition of charitable status, to either subscribe to the Sutton Trust's Open Access Scheme or take 25% of their pupils on a selective – and means-tested – basis, to give more low and middle income children access to the best education on merit.
2. Allow free schools to make a profit (so long as 50% is reinvested in the school), and give new free schools in urban areas, with high deprivation and low-performing schools, the option to select.

DITCH THE SNOBBERY THAT EQUATES UNIVERSITY WITH SUCCESS

3. Continue the Apprenticeship Grant for Employers beyond 2014, to encourage businesses to provide apprenticeships for 16 to 24 year olds not currently in work or employment.
4. Revive Young Apprenticeships for 14 to 16 year olds.
5. Widen access to the professions, including by:
 - expanding and supporting innovative local outreach schemes like MedEx (which encourages school pupils from disadvantaged backgrounds to study medicine);
 - endorsing ILEX Professional Standards as the regulator for legal executives so they can work independently from solicitors; and

- approving legal apprenticeships, developed by BPP Law School, which offer a paid, non-graduate, route to becoming a solicitor.

REWARD WORK ETHIC, ENCOURAGE ENTERPRISE

6. Ensure hard work pays for the low paid, by raising the national insurance employees' threshold in line with the income tax personal allowance; and making employment tribunal fees recoverable from the losing employer, in successful claims for unpaid wages.
7. Encourage more youngsters to start their own businesses, by:
 - exempting them from a range of taxes and regulations for 3 years;
 - supporting angel investment into start-ups by cutting their national insurance contributions and increasing tax relief under the Enterprise Investment Scheme to 50%;
 - allowing applicants accepted onto schemes like Entrepreneur First, which support and mentor young entrepreneurs in the tech sector from scratch, to take a student loan for one year;
 - developing an industry Kitemark to encourage large retailers to sign up to schemes like PitchUp, allowing retail start-ups to access their buyers; and
 - cutting the regulatory burden on crowdfunding investment for start-ups.
8. Abolish stamp duty on homes under £500,000 to support home ownership.

NURTURE A SECOND CHANCE SOCIETY

9. Support charities helping NEETs into work or training, by:
 - enabling them to fully recover the VAT they pay;
 - pooling a limited budget from the Home Office, Ministry of Justice and Department for Work and Pensions to match fund the national expansion of practices from innovative local charities; and
 - reforming payment-by-results, so that it takes greater account of preventative schemes that save the taxpayer externalised costs, which are not born by the agency directly funding the work.

10. Support those granted refugee status to find work and learn English, by:
 - ensuring they receive a national insurance number automatically with confirmation of their immigration status;
 - providing specific employment advice; and
 - making language courses available immediately once immigration status is confirmed.

HOLD THE ELITES TO ACCOUNT

11. Strengthen shareholder powers to check exorbitant executive pay by enabling binding votes on individual executive pay packages, adopting claw-back policies, and giving shareholders the right to sack incompetent chief executives without a pay-off.

12. Overhaul the honours system to make it independent from political influence and more transparent, ending quotas and only awarding honours for truly outstanding achievement or exceptional public service.



13. Make political appointments to run quangos and civil service departments, or serve as a UK judge on an international court, the subject of prior and public Parliamentary scrutiny of short-listed candidates.

INTRODUCTION

As Britain grapples with the difficult choices inherent to a prolonged period of austerity, the debate about socio-economic fairness has become even more relevant and hotly contested. The traditional tensions between freedom and equality, equality of opportunity and equality of outcome, have been compounded by the vexed question of inter-generational fairness. For example, the National Institute for Economic and Social Research estimated that the national debt inherited by the coalition in 2010 meant, in practical terms, that each child growing up today would inherit a slice equivalent to a £200,000 tax bill over the course of their lifetime, just to enjoy the same benefits as previous generations.

The case for socio-economic equality has been made in strident terms by Richard Wilkinson and Kate Pickett in their acclaimed book, *The Spirit Level*, arguing that more equal societies – like Japan and Sweden – are better for all their members than less equal ones like Britain and the US¹. Inequality, they contest, is responsible for shorter, unhappier, unhealthier lives, the corrosion of social ties, and even the depletion of the environment. Not only does greater equality benefit the least well off in society, it also benefits the better off as well.

Their contribution has sparked lively debate. *The Spirit Level* has been widely criticised for its use of empirical evidence.² Others question the means required to deliver more equal ends. In an otherwise sympathetic review, author and commentator Lynsey Hanley points to the threat to individual liberty, as the social engineering needed ‘make it intensely difficult for individual citizens to protest against the conformity produced by, and required

1 *The Spirit Level: Why Equality is Better for Everyone*, Richard Wilkinson and Kate Pickett, Penguin, 2009.

2 See, for example, *Beware False Prophets*, Saunders and Evans, Policy Exchange, 2010.

to sustain, equality'.³ In addition, Hanley argues, such socially-engineered egalitarianism may also help explain higher suicide rates in Sweden and Japan compared to less equal countries.

Furthermore, it is difficult to see how such socio-economic engineering would in practice be tolerated by those with the most – superficially at least – to lose. In a globalised economy, the brightest, most ambitious, skilled and diligent in any country will be courted by other countries that can offer higher salaries, lower taxes as well as better quality of life. Those required – through taxation or other measures – to give up what they have, in order to configure a more equal society, may well vote with their feet. Modern international flows of migration, and the evident attraction of more unequal countries like Britain and the US, bring The Spirit Level up against the reality of the brain drain threatening its idealistic vision.

Wilkinson and Pickett also claim that public opinion – in the US and UK – is overwhelmingly behind their push for greater socio-economic equality, suggesting they are riding with the zeitgeist rather than cutting against the grain of popular consensus.⁴ This is difficult to reconcile with recent research by YouGov, which found that 63% of people in Britain think that fairness is people getting what they deserve. Just 26% think fairness means equal treatment.⁵ 85% backed fairness as meritocracy, compared to 41% who associate it with an egalitarian vision of society. By four to one, the public agree that social fairness can include inequality – so long as it includes equality of opportunity.

3 The Guardian, 14 March 2009.

4 Writing in The New Statesman, 11 November 2010.

5 Just Deserts? Attitudes to Fairness, Poverty and Welfare Reform', Neil O'Brien, Policy Exchange, April 2011. See also Northern Lights: Public Policy and the Geography of Political Attitudes, Neil O'Brien and Anthony Wells, Policy Exchange, 2012.

Popular culture too, from the Dragons' Den and The Apprentice to X-Factor, suggest a British soft spot for meritocratic competition, particularly where it affords the underdog a chance to rise to the top.

The various ethical and practical objections to egalitarian social engineering do not, however, apply to the emerging consensus, across the political spectrum, that more could and should be done to make British society more meritocratic. But is social mobility still a problem in Britain? In fact, there is a wealth of evidence to suggest that British society has become less meritocratic, as the social mobility of the post-war era has given way to more entrenched and ossified class strata.

The leading UK research has been conducted by Jo Blanden and Stephen Machin at the Centre for Economic Performance at the London School of Economics. Their studies suggest that the life chances of a child born into a poor home in 1970 were worse than those born into a similar household in 1958: the earnings of individuals born in 1970 were more strongly related to the income of their parents than those born in 1958.⁶ A follow up study for those born in 2000 and 2001 suggested that, measured by educational attainment and behavioural indicators, declining social mobility since the earlier studies has levelled out, but not yet started to improve.⁷ On these measures, social mobility has declined since the 1950s and remains flat.

Some question these findings. Professor Peter Saunders has criticised the methodology and, making international comparisons based on income mobility, contests that 'Britain is about average

6 Intergenerational Mobility in Europe and North America, Jo Blanden, Paul Gregg and Stephen Machin, Centre for Economic Performance, April 2005.

7 Recent trends in intergenerational mobility: Will the downward trend continue?, Jo Blanden and Stephen Machin, CentrePiece, Autumn 2008.

when compared with other developed countries⁸. Saunders believes that Britain has less of a social mobility problem, and more of an 'underclass problem'. He argues that the real issue is not about the absence of opportunities in modern Britain, but social decay arising from the decline of manufacturing, welfare dependency, family breakdown, and drug and alcohol addiction.

Yet, even on that analysis, British meritocracy is no better than mediocre. It appears that at least some of the traditional ladders of opportunity in post-war Britain have been eroded. Despite enormous investment under the last government, the UK state education system has been through a period of steady decline, according to the OECD's international PISA rankings of numeracy, literacy, and science for fifteen year olds. Over a longer period, the removal of the assisted places scheme in private schools, coupled with the curtailment of grammar schools, have removed two concrete ways for those of humbler means to gain the best education available. Likewise, the ability to set up a new business, as an entrepreneurial route to success, is more difficult because of complex layers of regulation that stifle innovation. The modern need for, and dearth of, credit or venture capital for small businesses, also appears to hold entrepreneurs back. Similarly, home ownership used to be considered a means by which – through hard-work and savings – people could work their way up the social ladder and transcend more modest beginnings. Today, despite low interest rates, elevated house prices, higher stamp duty, and greater restrictions on mortgage lending in the aftermath of the financial crisis mean that home ownership increasingly feels beyond the reach of many young aspirational Britons.

A further, often under-stated factor is the erosion of the recognition and value placed on having a strong work-ethic. With the debilitating 'prizes for all' culture imbued in the classroom,

8 Social Mobility Delusions, Professor Peter Saunders, Civitas, June 2012.

the increase in welfare dependency and higher marginal rates of taxation, financial and cultural incentives to work hard have been reduced over time.⁹ This is particularly damaging for social mobility. Regardless of background, IQ or academic qualifications, a youngster can choose whether or not to work hard to improve their lot in life. The less relevant this classless quality becomes, the more damaging it is for inter-generational mobility.

The political debate on social mobility has been fired up recently by former Prime Minister Sir John Major who lamented the dominance of ‘every single sphere of British influence’ by the ‘affluent middle class’ and those educated in private schools.¹⁰ In particular, he noted: ‘Our education system should help children out of the circumstances in which they were born, not lock them into circumstances in which they were born’.

Around the same time, London Mayor Boris Johnson joined the debate, with a wide-ranging speech to the Centre for Policy Studies. He looked at the causes of declining UK social mobility, and advocated a string of policies to tackle the problem – from reviving the assisted places scheme and the expansion of apprenticeships, to promoting shared-equity schemes to help families onto the property ladder.¹¹

If social mobility remains a significant issue, what should be done about it? A recent report by the All Party Parliamentary Group (APPG) on social mobility argued that a three-pronged policy response is required.¹² First, picking up on Professor Saunders’ analysis, more needs to be done to help those from disadvantaged backgrounds ‘break out’ of a social rut. Second, everyone should

9 See *Britannia Unchained*, Kwarteng, Patel, Raab, Skidmore and Truss, Palgrave Macmillan, 2012.

10 Speech to South Norfolk Conservative Association, widely reported including in the Daily Telegraph, 10 November 2013.

11 28 November 2013.

12 Seven Key Truths about Social Mobility, APPG on Social Mobility, 1 May 2012.

have an opportunity to 'move on up', reaching their potential through the education system. Third, we need to nurture outstanding talent regardless of background. In terms of finding practical policy solutions, the APPG stressed: the importance of good parenting for children between 0 and 3 years old; the rigour of the state education system, and in particular the calibre of teaching; the value of extra-curricular activities outside the classroom; access to university for the brightest; and the relevance of personal resilience and emotional wellbeing.

Since 2010, the coalition has taken a range of measures motivated, at least in part, by a desire to try to revive social mobility in the UK. These include the extension of free nursery care for two-year olds; reform of the state school system to improve discipline, standards and local innovation by head-teachers; the pupil premium providing £600 extra for children on free school meals; the expansion of the right to buy for council tenants; expanding investment in apprenticeships; and measures to take 2.7 million of the lowest paid workers out of income tax.

These valuable reforms provide important foundations to build on. The purpose of this report is not to offer an exhaustive analysis of the state of social mobility, or a comprehensive menu of policies to improve it. The aim is more modest: to propose a non-exhaustive list of tangible and deliverable policy measures that could strengthen British meritocracy and improve social mobility across academic education, vocational training, non-graduate routes into the professions, tax incentives, entrepreneurial opportunity, home ownership, charities supporting youngsters from tough backgrounds, and the treatment of refugees. In addition, it offers some ideas on how to correct the public perception that meritocratic principles do not apply to the elite, at the highest echelons of business, politics and public service.¹³

13 This report builds on the analysis and recommendations set out in *Unleashing the Underdog: 10 Bets on the Little Guy*, Dominic Raab, Centre for Policy Studies, 2012.

The centre-right in British politics needs to build a compelling, substantive and coherent narrative on social fairness at a time of austerity. The answer to the left's call for greater socio-economic equality, through social engineering, re-distribution of wealth and positive discrimination should be an alternative vision – rooted in basic principles of meritocracy - that champions the underdog, breaks through glass ceilings, and re-defines the mandate of an 'enabling state' to maximise social mobility, replacing the left's dependency culture with a 'leg up' culture that rewards self-help and prizes personal responsibility.



LET THE BRIGHTEST ACCESS THE BEST SCHOOLS

1. PUBLIC SCHOOLS AND PUBLIC BENEFIT

Education remains one of the key linchpins of social mobility. However, UK state schools have fallen down the international rankings for educational performance for 15 year olds in maths, reading and science.¹⁴

The coalition has responded with a reform agenda designed to strengthen standards of teaching, allow good schools to innovate, expand parental choice, and focus investment on children from deprived backgrounds through the pupil premium. Nevertheless, there currently remains a yawning gap separating the state and independent sectors.

According to the Sutton Trust, the brightest 10% of state school students aged 15 years old are 1.1 years of schooling behind their private school peers.¹⁵ Only 7% of children go to private schools, but they produce over half of the country's journalists, medics, bankers, government Cabinet members and judges.¹⁶ And yet, private schools are beyond the financial reach of 90% of parents.

As well as improving standards of state education, broadening access to private schools on a meritocratic and means-tested basis would help strengthen social mobility. Two particular policy measures would help achieve that.

First, the Sutton Trust has already pioneered the Open Access scheme, which would award places at leading independent secondary schools to children at 11 years old based on academic merit alone, selected through verbal and non-verbal reasoning tests.¹⁷

¹⁴ See the OECD PISA rankings, 2000 to 2010.

¹⁵ Page 6, Open Access: Democratising entry into Independent Day Schools, The Sutton Trust, March 2012.

¹⁶ Page 8, *ibid.*

¹⁷ *Ibid.*

It would be voluntary, although over 80 leading schools have already signed up to the plan in principle – including King Edward’s (Birmingham), Westminster, Lady Eleanor Holles, Manchester Grammar, Leeds Grammar and Royal Grammar Newcastle. Parents on the lowest incomes would pay nothing. Those on higher incomes would pay a sliding scale to ensure meritocratic access and affordability. By freeing up state school provision and means-testing, the Sutton Trust estimate that a pilot extended to 100 independent schools - comprising 62,000 pupils - would cost £180 million per year, or 0.3% of the Department for Education’s annual budget.

From 2000 to 2007, the plans were piloted at Belvedere School, an independent girls’ school in Liverpool. In 2005, the year the first cohort sat GCSEs, the school achieved its best results and became the top performer in Liverpool. The same year of children went on to achieve impressive A Level results, with most going on to top universities including Oxford and Cambridge. The social mix of the school also changed as dramatically. In the first year, 70% of children received fee support.

Polling shows popular support for an expansion of this groundbreaking scheme.¹⁸ It offers the opportunity of the very best education to those who would otherwise not be able to afford it, based on strict merit. It would strengthen social mobility, and help diversify the social mix of pupils attending public schools.

In addition to the Open Access scheme, there has been considerable recent discussion of the merits of reviving the Assisted Places Scheme (APS), introduced by the Conservative government in 1980 and abolished by Labour in 1997. Under the APS, independent schools were subsidised by the government in return for accepting

18 Polling conducted by MORI found public support of 3:1 for taxpayer funded support to enable children to go to private schools schools, while over half of parents would like to send their children to private schools if they could afford it.

pupils from lower income backgrounds, whose parents could not afford to pay full fees. The discount to parents was calculated based on fee remission scales set out under regulations. The discount could cover the whole fees or a proportion, depending on the level of parental income. APS was voluntary and the numbers of children and the criteria for admissions varied according to the policy of individual schools.

Recent research for the Sutton Trust has reinforced earlier evidence on the positive impact of the scheme.¹⁹ APS pupils were more likely to gain good A-Levels, go to a top university, and graduate into a good job. Over 40% of APS pupils were found to be earning over £90,000 per year. Sutton Trust Chairman, Sir Peter Lampl, has argued for a revival of a variant of the APS.²⁰

Author and head-teacher, Anthony Seldon, also makes a powerful case for opening up access to the independent sector. In a recent paper for the Social Market Foundation, he argued that all independent schools should be required to offer 25% of their places to those from the least affluent quartile in the UK.²¹ Under this plan, if over-subscribed, independent schools would be allowed to select on merit. The government would fund the shortfall in fees, subject to a cap at 50% above the cost of educating the child in the state sector.²² The benefits would, Seldon argues, include: targeting the best education at the most deprived in society, overcome the exclusivity of public schools, and boosting social mobility.²³

19 Lasting Benefits: The Long-term Legacy of the Assisted Places Scheme for Assisted Place Holders, Power, Sims and Whitty, The Sutton Trust, October 2013.

20 Reported Daily Telegraph, 4 October 2013.

21 Schools United – Ending the divide between independent and state, Anthony Seldon and Claudia Hupkau, Social Market Foundation, 19 January 2014.

22 The report does not contain an assessment of the costs to the taxpayer of subsidising the independent sector, but the APS scheme would cost around £200 million per year in today's prices.

23 A variant of this idea was also backed by Matthew Parris, The Times, 14 December 2013.

These ideas are compelling. Most independent schools are not private sector businesses. They enjoy substantial tax breaks as a consequence of their charitable status, which is in turn conditioned on the provision of a 'public benefit'.²⁴ It would be reasonable to define 'public benefit' so as to require independent schools to satisfy the condition of charitable status by either (a) subscribing to the Open Access scheme, or (b) taking 25% of their pupils from families that cannot afford to pay full fees on a meritocratic – i.e. selective - basis.

A sensible variant of Anthony Seldon's proposal would be to open access, under option (b), to any family who could not afford full fees, reviving the concept of fee remission scales from the APS. This would democratise the proposal, opening it up to both low and middle income families, avoid having to set an arbitrary ceiling on access based on deprivation, and reduce the cost.

Together, these two measures would strengthen educational meritocracy, creating important new ladders of opportunity for those from humbler backgrounds.

2. FREE UP FREE SCHOOLS

The government's educational reform agenda has seen a renewed focus on academic rigour, class-room discipline, and the broadening of vocational alternatives. In addition, the drive to give local head-teachers, governors and communities greater autonomy in the running of schools has seen 174 free schools opened and 3,654 new academies since May 2010.²⁵ Meanwhile, the pupil premium targets investment at pupils from the most deprived backgrounds, with the explicit aim of helping to raise their attainment.

24 The Public Administration Committee heard evidence in 2008 from Dame Judith Mayhew Jonas, Chair of the Independent Schools Council, that the tax breaks were worth around £100 million per year to UK independent schools, 2 July 2008.

25 Open Academies Spreadsheet, Department for Education, 1 February 2014; and Successful applications and open schools, Department for Education, 27 January 2014.

By introducing greater autonomy and innovation, free schools and academies are also helping improve the standards in state schools. Schools regulator Ofsted has found that three quarters of free schools are 'good' or 'outstanding', compared to 64% of all schools under Ofsted's new inspection regime.²⁶ On average, pupils at academies also do better than other maintained schools.²⁷

Evidence of improved educational standards of attainment from free schools in Sweden is also strong.²⁸ In addition, Department for Education analysis also shows that between 2005/6 and 2010/11, pupils in academies with an external sponsor improved at a substantially faster rate than other schools, including other academies.²⁹

Improving standards of state education across the board is critical to boosting social mobility. Can these reforms be extended to strengthen the potential gains in this area? Two incremental steps would help.

The first draws on the value added by sponsors. Charities and businesses have already proved effective sponsors for academies and free schools. They can harness expertise and secure additional investment. However, investment is currently constrained by bars on sponsors making a profit, which is particularly limiting for the chains of academies that have proved especially effective at raising standards.³⁰ In other areas of the educational sector, profit-making businesses are already allowed to provide nursery education, special educational needs schooling and pupil referral units. Why the arbitrary limit on schools?

26 Reported, Daily Telegraph, 1 August 2013.

27 The Academies Programme, Comptroller General, National Audit Office, 2010. See also comparative data on GCSE results in the Department for Education's Annual Report 2011/12.

28 See the recent evidence from a review of almost 400 free schools in Sweden: Independent Schools and long-run educational outcomes, Böhlmark and Lindahl, 2012.

29 Attainment at Key Stage 4 by Pupils in Academies 2011, Department for Education, June 2012.

30 For a more detailed consideration of the value of chains, see Competition Meets Collaboration, James O'Shaughnessy, Policy Exchange, 2012.

International experience suggests that enabling profit-making is an important element of raising standards. A majority of Swedish Free Schools and US Charter Schools are operated by for profit companies, which is widely attributed to their success. There is also compelling US and Swedish evidence to suggest that the profit element is particularly relevant to raising standards in poorer neighbourhoods, thereby strengthening their impact on social mobility.³¹

UK public opinion is cautious about profit-making companies delivering schooling. However, research by the Parthenon Group found 60% of parents would be willing to consider sending their children to such a school.³² More generally, a poll commissioned by Reform in 2011 found that 52% of parents felt that companies doing a better job of running public services than the government deserved to make a profit.³³

Given the understandable sensitivity of introducing the 'profit motive' into schooling, it would be sensible to proceed carefully in this area. There are, nevertheless, sound practical reasons for wishing to encourage businesses – including chains – to help provide the additional places and choice that parents wish to see, as well as contributing expertise that can help generate higher standards of teaching in the state sector – particularly in poorer neighbourhoods.

Government should, therefore, lift the bar on free schools and academy sponsors making a profit, subject to three safeguards. First, a requirement that a minimum of 50% of any profit be invested back into the school. Second, a requirement that dividends only be paid if a set of educational performance standards are met. Third, a

31 See Learning on the Job, S.F. Wilson, Harvard, 2006; and Schooling for Money, Gabriel Sahlgren, Institute of Economic Affairs, 2010.

32 Academies, What does the Future hold?, Parthenon Group, 2010.

33 Attitudes to Private Sector Involvement in Public Services, Reform, 2 to 3 May 2011.

bar on the sale for commercial gain – as opposed to reinvestment – of school assets purchased with taxpayers' money.

Another contentious area is the question of academic selection. In December 2013, plans to extend two grammar schools - Invicta Grammar in Maidstone and Weald of Kent in Tonbridge – in line with demographic growth were turned down by the Education Funding Agency.³⁴ Meanwhile, Chief Inspector of Schools, Sir Michael Wilshaw, recently criticised grammar schools for being 'stuffed full of middle-class kids', serving just '10% of the school population', and taking just 3% of children on free school meals, adding: 'Anyone who thinks grammar schools are going to increase social mobility needs to look at those figures'.³⁵

Wilshaw bluntly highlights the weak flank of the case made for the revival of grammar schools – namely that they benefit a middle-class few. However, the main reason the benefits of grammar schools are so narrowly focused is that their number has shrunk dramatically.

In 2009, wider evidence surrounding the comparative value and attainment of pupils at grammar schools compared to comprehensive schools was evaluated by former Chief Inspector for Schools, Sir Chris Woodhead.³⁶ He found very clear evidence of the higher attainment at grammar schools. For example, in 2008, while two-thirds of pupils sitting A Levels went to comprehensive schools and 12% grammar schools, of those achieving three grade A's, 36% went to comprehensive schools and 21% grammars. Woodhead also rebuts the myth that grammar pupils do better at the expense of other pupils in the same area. In his recent evidence to the Education Select Committee, Andreas Schleicher, Deputy

34 Reported, Daily Telegraph, 13 December 2013.

35 Reported, The Guardian, 14 December 2013.

36 A Desolation of Learning, Sir Chris Woodhead, Pencil-Sharp, 2009.

Director for Education and Skills at the OECD – and responsible for their international PISA rankings – argued that the international evidence supported selective admissions, so long as they are done on the basis of objective tests, with later opportunities for further selection.³⁷

It is fair to point to the middle-class migration to areas with good schools, yet this affects good comprehensive schools just as much as grammar schools. Likewise, for all the concern about the lack of state school children attending Oxbridge, the figures would be far worse, but for the achievements of grammar school pupils.³⁸

The fact is that there is already widespread academic selection: across the independent sector, in existing grammar schools, at 16 in many state schools for A Levels, and at 18 into university. There are good educational reasons for such systematic academic selection. The question is how it is implemented, and making sure it is done in a fair way, taking into account how the benefits might be spread more widely beyond a privileged few. A significant step in the right direction would be to give free schools in urban areas the option to select, where there are relatively high levels of deprivation and comparatively poor levels of achievement in state schools. Coupled with the removal of the bar on making a profit and effects of the pupil premium, this would open up the possibility of extra investment going towards providing a new form of grammar school, focused specifically in those areas that need it most – and where the scope for improving social mobility is greatest.

37 5 March 2013.

38 See Degrees of Success: University Chances by Individual School, Sutton Trust, July 2011.

DITCH THE SNOBBERY THAT EQUATES UNIVERSITY WITH SUCCESS

3. FOCUSED APPRENTICESHIP SUPPORT FOR YOUNGSTERS

Whilst education is vital, it is the means to greater social mobility – not the end in itself. The goal is providing tried and tested avenues through which youngsters from lower income homes or disadvantaged backgrounds can make a success of themselves, based on talent and hard graft.

The target for sending 50% of young people to university, introduced by the previous government, was an arbitrary distraction. It led to the expansion of mediocre courses at average institutions, rather than broadening the range of credible options for youngsters. The coalition was right to discard it.

It has become a worrying feature of British snobbery that too many feel a young person must go to university to be successful. University may be right for some students, and essential for certain professions. However, channelling youngsters into university for the sake of it risks raising expectations that will not be met on graduation, dumbing down standards of teaching at university, and leaving skill gaps in the economy not catered for by university courses.

Equally, for some children – irrespective of background - the academic curriculum will fail to inspire or motivate them. Whilst the promotion of basic literacy and numeracy is essential for all children, there need to be wider options tailored for ambitious but non-academic youngsters. The absence of choice is particularly stark for those from lower income households, as they have less financial support to fall back on.

The coalition has sought to address this gap, creating over 230,000 more apprenticeship places in 2012/13 (compared to 2009/10), and establishing new University Technical Colleges to provide technical education to 14-19 year-olds.³⁹

Nevertheless, an increasing number of trainee apprenticeships are taken up by those aged over 25.⁴⁰ The British Chambers of Commerce (BCC) explain that firms hiring younger apprentices take higher risks (given their lack of work experience), and face a longer wait to yield the return on their investment.⁴¹

The Apprenticeship Grant for Employers (AGE) incentive scheme was established to encourage businesses to hire more youngsters. Under the scheme, a grant of £1,500 is available to businesses with up to 1,000 employees to recruit an apprentice aged 16-24 who is currently not in full time education. The grant is in addition to the training costs of the Apprenticeship framework, which are met in full for those aged 16-18 and in part for those aged 19-24. The firm must not have recruited an apprentice in the last 12 months, and must commit to take on the apprentice for a minimum of a year or for the length of the apprenticeship, whichever is greater. Under the coalition, 40,000 grants were made available until December 2014, with employers being able to access up to 10 grants.

This temporary scheme has proved successful. In addition, according to the BCC, demand for apprenticeships is outstripping supply by 12 to 1. Given the need to incentivise firms to offer more apprenticeships, the AGE scheme should be made permanent, subject to ongoing review, offering up to 40,000 grants per year. First priority could be given to applications from Small and Medium Sized Businesses, employing up to 250 staff, where the cost-benefit

39 See Apprenticeships Policy, Standard House of Commons Library research note, 13 December 2013.

40 Ibid.

41 BCC 2014 Budget Submission: Proposals to boost Growth, BCC, February 2014.

analysis of taking on an apprentice is more marginal. This measure would cost £60 million per year, and help increase the supply of apprenticeships offering a credible vocational route focused on youngsters.

4. BACK YOUNGSTERS WHO ARE BRIGHT, BUT NOT BOOKISH

Unfortunately, for some children, even expanding the choice of vocational options at 16 will come too late. Recent truancy statistics show a 58% rise in truancy amongst all state educated children aged 14-16, and a 36% spike amongst those already classified as persistent truants in the same age groups.⁴² This is an age when increasing numbers of children become disconnected from what they are learning in school. Once disaffected from class-room study, it becomes an uphill struggle to re-engage this group in positive study or training. Research for the Audit Commission highlights the risk, finding that each teenager not in employment, education or training (NEET) aged 14-16 generates social costs averaging £56,000, mainly as a result of welfare claims and crime.⁴³

In response to such concerns, Sir Chris Woodhead, a former chief inspector of schools, argues in favour expanding vocational alternatives at an earlier age:

'If a child at 14 has mastered basic literacy and numeracy, I would be very happy for that child to leave school and go into a combination of apprenticeship and further education training and a practical, hands-on, craft-based training that takes them through into a job.'

42 Pupil Absence in Schools in England, Autumn 2012 and Spring 2013, Department for Education/ ONS, 15 October 2013.

43 Estimating the life-time cost of NEET: 16-18 year olds in Education, Employment or Training: Research undertaken for the Audit Commission, Coles, Godfrey, Keung, Parrott and Bradshaw, University of York, 2010.

*Does anybody seriously think these kids, who are truanting at 13, 14, are going to stay in school in a purposeful, meaningful way through to 18. It just seems to me the triumph of ideological hope over reality.'*⁴⁴

Rather than closing off vocational alternatives for this age group, we should be expanding them. The idea that all youngsters need to be cosseted in formal full-time academic education until 18 is misplaced.

There are compelling economic reasons for enabling earlier access to apprenticeships too. Whilst employers say they are deterred from hiring young people because they lack the requisite skills, recruiters like Manpower point out that the skills gap at this age risks leaving deficiencies in the workforce for decades. In addition, the UK Commission for Employment and Skills (CES) report skills 'potholes', with 1 in 3 vacancies for trades such as electricians, plumbers and chefs hard to fill. The vocational route into these trades shouldn't be viewed as some second class alternative to joining graduate professions - not least since they can serve as a stepping stone to setting up a potentially lucrative business in the future.

The last government developed a credible scheme to plug this gap, but regrettably phased it out. In 2004, Tony Blair's government set up Young Apprenticeships (YA) for those aged 14-16, to offer greater flexibility and choice. The YA typically offered a two year programme, combining study for GCSE level English and Maths, other optional subjects at the equivalent level and 50 days' workplace experience, the equivalent of 2 days per week.⁴⁵ The Learning and Skills Council funded the YAs via local authorities. This vocational route became increasingly popular, with the numbers rising from 1,000 at its inception to 9,000 seven years later.

44 Reported by the BBC, 3 October 2011.

45 See Rising Marks, Falling Standards – An investigation into literacy, numeracy and science in primary and secondary schools, Richmond and Freedman, Policy Exchange, 2009.

Ofsted praised the scheme following reviews in 2007 and 2012.⁴⁶ The Department for Education and Skills commissioned its own research, which found that YAs and other vocational and work-based placements would help keep disaffected youngsters in education, because they are often more motivated by 'hands-on rather than conceptual' learning.⁴⁷

A further evaluation by the Young People's Learning Agency reported impressive results.⁴⁸ 78% of YA students achieved five good GCSEs (at grades A* to C), well above the national average level. Interestingly, those with lower levels of prior attainment among YA participants appeared to gain even more relative to their peers outside the programme. Of the cohort evaluated, virtually all of those tracked went into further education, training, full apprenticeships or a job. Just 1% became unemployed. More recently, the cross-party House of Commons Education Select Committee took further evidence on the YA's scheme and recommended its expansion.⁴⁹

At their peak, YAs cost just under £30 million more than the current alternatives, but would offer a broader educational choice to youngsters. YAs should be revived.⁵⁰ As the independent educational foundation, Edge, argue, limiting the choice of 14 to 16 year olds:

... is inherently unfair, and in a rapidly changing economic climate, it is not sensible either. Young people need to be able to take academic and vocational courses in varying combinations linked to their aims and interests.⁵¹

46 The Young Apprenticeships Programme 2004-7: an evaluation, Ofsted, December 2007. See also Apprenticeships for young people: a good practice report, April 2012.

47 Page 6, 90% Participation Project Desk Research, Department for Education and Skills, March 2007.

48 Evaluation of the Young Apprenticeships Programme, Young People's Learning Agency, November 2010.

49 Page 19, Participation by 16-19 year olds in education and training, House of Commons Education Committee, July 2011.

50 Research by the House of Commons library, June 2012.

51 Submission by Edge to the Wolf Review, October 2010.

5. WIDENING ACCESS TO THE PROFESSIONS

Expanding opportunities for youngsters should include, but not be limited to, technical and skilled apprenticeships. Many parents dream that their children might become doctors, accountants or lawyers, but struggle to provide the financial support to realise those aspirations.

In a report for the government on access to the professions, Alan Milburn estimated that the professions would account for 83% of new jobs in Britain in the next decade.⁵² He stated:

Across the professions as a whole, the glass ceiling has been scratched but not broken. The professions still lag way behind the social curve.⁵³

He added:

[T]he graduate grip on the labour market is still strong. There needs to be a far bigger drive to open up the professions to a wider variety of people with different qualifications.⁵⁴

Milburn noted modest progress in opening up the civil service, legal profession and journalism, but poorer progress in other sectors like medicine and politics.

There are examples of individual firms pioneering bespoke schemes. For example, KPMG run a six year school leavers' programme into the accountancy profession, which combines part-time university study with professional training and a financial support package to appeal to those who might otherwise discount the normal graduate route into the profession.

52 Page 1, Fair Access to Professional Careers: A progress report by the Independent Reviewer on Social Mobility and Child Poverty, Alan Milburn, May 2012.

53 Page 3, *ibid.*

54 Page 7, *ibid.*

Similarly, the MedEx Scheme is a medical work experience scheme at Chelsea and Westminster Hospital, run in partnership with Imperial College London, which targets 16-17 year old students from disadvantaged backgrounds via a network of outreach schools. Academically able students are invited to take part in the MedEx Summer School. 30 work experience places are available, normally for 16-24 year olds. The scheme comprises a week-long programme of activities that includes shadowing doctors, participating in lectures and diagnosing medical cases. For those over 17, there are further opportunities to oversee surgical procedures. Students who then wish to apply to study medicine are given support. Imperial College London medical students help with mock interviews and preparation for the Clinical Aptitude Test. The scheme runs on a modest budget of £500 a year at the Chelsea and Westminster Hospital NHS Trust (donated by various medical societies). Medical professionals give up their time on a pro-bono basis. This kind of innovative outreach should receive greater support with best practice spread nationally, to encourage and assist medical students applying from disadvantaged backgrounds.

As well as broadening the graduate route, greater efforts should be made to facilitate non-graduate routes into the professions. Take the legal profession. The development of the Chartered Institute for Legal Executives (CILEX) has allowed 22,000 qualified legal executives to enter the profession, mostly via a non-graduate route. The legal executive has specialist training in niche areas – compared to the solicitor's broader qualification – which is typically spread over 4 years of part-time study and work. With a further two years qualifying period of work, a trainee can become a fully-fledged and authorised legal executive. For the trainee, it is cost-effective, costing around £7,000 over four years compared to the much higher cost of pursuing a law degree before entering the profession as a solicitor or barrister.⁵⁵ It is already proving an

55 Page 36-8, Social Mobility Toolkit for the Professions, Spada, March 2012.

important driver of social mobility into the legal profession. Over 80% of CILEX members have parents who did not go to university, and just 2% have parents who are, or were, lawyers. Around half of legal executives surveyed said that the university route into the legal profession would have been prohibitive for them on financial grounds.⁵⁶

Legal executives specialise in a range of fields – from conveyancing and family law to probate and litigation. However, there remain glass ceilings on the ambitions of budding young lawyers who take this non-graduate route. Much of the work legal executives do has to be supervised or conducted by a solicitor, irrespective of the length of experience or ability of the individual. In practice, this is a major disincentive to legal executives setting up their own practices in specialist areas, in order to operate independently. This makes little sense. From the consumer's point of view, this barrier to market entry chokes off the provision of high street legal services - like probate and conveyancing - at more competitive rates. If solicitors believe they can provide a better service, they should compete on price and quality. From the legal executives' point of view, it places a limit on their aspirations and checks their ability to compete with solicitors on a level playing field. 94% of CILEX members regard limitations on 'practice rights' as a key issue for the institute to address.⁵⁷

In December 2013, the ILEX Professional Standards (IPS) was approved by the Legal Services Board to become an approved regulator, capable of awarding the right to legal executives to break into this uncharted territory – and provide independent advice on probate, conveyancing, immigration and litigation. Yet, it is still awaiting approval from the Lord Chancellor and Parliament. Having satisfied the Legal Services Board about the quality of legal

56 Fair Access to the Professions: Progress Report, Institute of Legal Executives, June 2011.

57 Page 9, 'Market Analysis Report – ILEX Professional Standards', CFE, 2012.

advice to the public, such approval should be given. There will always be resistance from vested interests within the professions to expanding access to newcomers offering competitive services. However, this should not be allowed to bar a measure that would offer greater choice to consumers, and strengthen social mobility.

Another alternative is to create a new route to becoming a solicitor, which does not require a university degree. BPP Law School is pioneering just such an approach through a tiered legal apprenticeship, which would enable non-graduates to become fully legally qualified to practice in five years. The scheme would be run by the law firms, with the apprentices working and training at their premises. Apprentices would be full-time and paid a living wage, enabling them to earn and study without incurring debts. BPP have secured the backing of 30 law firms for this legal apprenticeship model, but are awaiting approval from the SRA. Subject to demonstrating the rigour and professional standards required to become a solicitor, the legal apprenticeship route should also be approved.

REWARD WORK ETHIC, ENCOURAGE ENTERPRISE

6. ENSURE HARD-WORK PAYS

A person may not be able to change their background or innate intelligence, but the vast majority of people have the capacity to further themselves through hard work. This is particularly important for those who have not been blessed with the easiest start in life. One way to transcend a less privileged background is through hard graft and saving. It is important that those from more disadvantaged backgrounds, who embrace this route, see as much of the fruits of their labour as possible.

The coalition has embarked on a program of welfare reform, coupled with extending the income tax personal allowance, with the explicit aim of increasing the net incentive to take on work, rather than relying on the easy option of claiming state benefits. Having capped the amount of welfare a household can claim in line with average earnings, the government increased the personal allowance to take 2.7 million low paid out of income tax.⁵⁸ Aided by the economic recovery, this has proved a successful policy combination, with record numbers of people in work. There is extensive ongoing debate around how best to build on these achievements. With a view to strengthen economic meritocracy, it is important to continue to find further, incremental, ways to make sure that hard-work pays – especially for the low paid.

Liberal Democrat leader, Nick Clegg, has proposed further raising the personal allowance under income tax, so that no-one earning the minimum wage would pay income tax.⁵⁹ This would effectively extend the personal allowance, in 2015/16, from £10,000 to £12,500. However, although presented as a measure to help the low paid, it does not target those at the bottom of the income

⁵⁸ Income Tax Personal Allowance, HMRC, 2013.

⁵⁹ Liberal Democrat party conference, reported 15 September 2013.

ladder. The five million earning below £10,000 would gain nothing. Only around 10% of the cost of the policy would go towards those earning between £10,000 and £12,500.⁶⁰

Addressing the same issue, Labour party leader, Ed Miliband, has advocated a 'living wage' of £7.65 per hour. However, this would raise costs for businesses, estimated at £2,500 per year per worker, which would risk increasing unemployment.⁶¹ A recent Treasury impact assessment estimated that raising the minimum wage to £7 per hour would cost 14,000 jobs. As *The Economist* observed in the context of Labour's proposal: 'Firms are not flush: the trade off between pay and jobs is a real one. That means making workers more costly would be dangerous.'⁶²

A more effective measure to support the lowest paid would be to raise the threshold for employees' national insurance contributions, from its current level of £7,755 to the level of the personal income tax allowance. As the Resolution Foundation argues, this would better target the lowest paid without threatening the recovery.⁶³ Raising the employee national insurance threshold to £10,000 in 2014/15, in line with the income tax personal allowance, would save a worker - earning £10,000 - £269 per year.⁶⁴ The government should adopt the idea.

A further, practical, issue for the low paid arises from the unscrupulous behaviour of a minority of employers of employees on low wages. There is evidence that new employment tribunal fees, designed to prevent businesses from facing vexatious or

60 See the analysis by James Plunkett, Resolution Foundation, *The Times*, 15 October 2013.

61 *The Economist*, 9 November 2013.

62 *Ibid.*

63 See footnote 60.

64 Based on data for 2013/14, derived from *Direct effects of illustrative changes*, HMRC, March 2013. The calculation of the amount of tax saved on earnings of £10,000 dates from 2014/15, when the personal allowance is extended.

spurious employment claims, are also deterring low paid workers from pursuing open and shut claims for unpaid wages.⁶⁵ In some cases, including those involving nursery assistants, bar attendants, fast-food employees, delivery men and cleaners, firms have refused to pay staff for work done, apparently calculating that the size of the claim is not worth the cost of the tribunal fees paid by the employee. The tribunal fees in Type A cases (claims for unpaid wages, redundancy and similar small claims) are £160 to issue the claim and then £230 to secure a hearing, with remission for applicants earning up to £1,085 per month.

Such mercenary behaviour by a minority of firms is morally wrong and risks undermining the government's efforts to make work pay, particularly for the low paid, and denying those towards the bottom of the income scale hard-earned rewards. The twin aims of deterring spurious claims whilst preventing unscrupulous behaviour by rogue employers should be addressed by making the tribunal fees paid by a successful claimant in a Type A claim recoverable from an employer who loses the case at tribunal. Generally, the parties before an employment tribunal pay their own costs. In Type A claims, the tribunal should be given the discretion to require a losing employer to pay the applicants' tribunal fees. That way, meritorious applicants in straightforward claims for earned wages would not be deterred by the tribunal fees.

7. BOOSTING THE ENTREPRENEURIAL AVENUE

Britain has a proud tradition of self-made entrepreneurs from humble beginnings. People like Lord Sugar, Tony Pidgley and Duncan Bannatyne inspire young entrepreneurs. But, many argue that red-tape, access to credit and cultural inhibitions have made it far harder to repeat such journeys today. And yet, with youth

65 For example, a recent submission by the Walton, Weybridge and Hersham Citizens Advice Bureau, 12 February 2014.

unemployment stubbornly stuck at 1 in 5, and the more widely acknowledged social cost of young NEETs, there are compelling reasons to look to revive the entrepreneurial avenue.

In terms of new employment opportunities, there is evidence from the Federation of Small Businesses that unemployed people are more likely to find work through self-employment than a large firm.⁶⁶ In its recent research, the Royal Society of Arts (RSA) has found that young entrepreneurs face three key challenges: too few budding entrepreneurs act on their ambitions; of those who do, too few make it to the stage of taking a business venture forward; and the dropout rate is too high.⁶⁷ What can be done to overcome these inhibitions?

First, all those under 30 starting up a business could be exempt from a range of taxes (as start-ups in local enterprise zones already are) and regulations for a maximum period of three years (or until a certain income ceiling is reached). Mark Littlewood at the Institute for Economic Affairs (IEA) has argued that start-ups should be able to treat staff as self-employed for 3 to 5 years.⁶⁸ This would reduce the costs of getting a business started from scratch.

Second, the government should support innovative schemes like 'Entrepreneur First', a not-for-profit enterprise which takes on final year students and graduates – albeit with no minimum academic requirements – and nurtures them to enable them to start up a business in the tech sector. The program was established in 2011 and is funded by 20 angel investors. Entrepreneur First selects 30 to 40 people based on entrepreneurial and technical talent – without expecting a business idea at this stage. For those accepted, the first six months of the program is spent networking,

66 Back to work: The role of small businesses in employment and enterprise, Urwin and Buscha, Federation of Small Businesses, 2012.

67 Page 14, A Manifesto for Youth Enterprise, RSA, October 2013.

68 Submission to Department of Business Innovation and Skills, Red-tape challenge, 19 September 2012.

developing ideas and meeting potential business partners, with a view to developing ideas for a business plan. The second six months is spent turning it into a reality. Entrepreneur First fund their living costs and provide seed capital for the start-ups (in return for an 8% equity stake in any business), and provide office space in London, technical support, advice and huge networking opportunities. At the end of the program, the young entrepreneurs have the chance to pitch their plans at an investor day. Around 75% of the participants in the program have started their own business, and all the rest have gone onto employment. What more can be done to support the scheme?

To start with, the government could encourage the expansion of Entrepreneur First and angel investor schemes in other sectors, by cutting their national insurance employer contributions, and increasing the tax relief available through the Enterprise Investment Scheme from 30% to 50% for investors in start-ups run by under 24 year olds.⁶⁹

Next, given they are only paid limited subsistence, allow Entrepreneur First participants to take out a student loan for the year, which would help prospective applicants – particularly from less well-off backgrounds – to bridge the gap between graduation and acceptance onto the scheme (which takes place in February).⁷⁰

Another innovative scheme is PitchUp, established as part of StartUp Britain, a national campaign launched in 2011, to harness private sector investment for start-ups. PitchUp selects around 100 applications from start-up businesses, which are sent onto affiliated retailers – currently John Lewis and Sainsbury – who then choose the best 10 to 12, support and mentor them, and then give them an opportunity to pitch their business ideas to their senior buyers. One idea to expand the program would be for government and

69 See also the BCC 2014 Budget Submission: Proposals to boost Growth, BCC, February 2014.

70 Proposal from Matt Clifford, co-founder of Entrepreneur First.

businesses to collaborate on developing an industry Kite-mark, analogous to Investors in People, that gives formal recognition to those large retailers who are willing to commit to opening up their businesses in this way, to give start-ups direct access to their buyers.

Finally, an increasingly popular alternative to traditional means of raising finance for start-ups is crowdfunding. Crowdfunding allows firms to raise money through an online site, or platform, to finance an enterprise. It can be loan or equity based, often attracting a multitude of relatively small investors. Investment-based crowdfunding platforms (like Seedr and CrowdCube) are more typically used to help start-ups and younger businesses. In 2013, the Financial Conduct Authority (FCA) estimated the crowdfunding market was worth £10million in 2012, and could have doubled by the end of 2013.⁷¹ Yet the regulation facing start-ups seeking to attract crowdfunding investors can be onerous. In order to pitch financial promotions to the public, a firm must be a publicly-listed company regulated by the FCA. The latter can cost around £10,000 and the new proposed regulations are estimated to cost each firm around £3,000.⁷² For investment-based crowdfunding, the FCA decides on a case-by-case basis how to regulate platforms. For many start-ups, this chokes off an innovative form of investment. As Mark Littlewood at the IEA has set out, this regulatory burden is too high and should be reduced to unleash the full potential for start-ups to access this innovative new form of investment.⁷³

8. BRICKS AND MORTAR: SOCIAL STEPPING STONE

Another traditional route of social mobility in Britain has been through home ownership. The ability to work hard and to save

71 Financial Conduct Authority, Consultation Paper: The FCA's regulatory approach to crowdfunding (and similar activities), October 2013.

72 See footnotes 68 and 71.

73 Ibid.

towards purchasing a home, an asset that can also be leveraged to invest in other things, remains an aspiration for many Britons.⁷⁴ Yet the ability to get a foot on the housing ladder has been diminishing. This reflects a combination of factors relating to both supply and demand. The UK population has been steadily rising. Yet, in 2009, house-building in England and Wales reached its lowest level since 1924.⁷⁵ In addition, family breakdown has raised demand for the number of housing units, and changed the nature of demand.

According to the Centre for Social Justice:

'House prices increased in real terms by more than 150% between 1997 and 2007. Taking the ratio of lower quartile earnings to lower quartile house prices – the best measure of affordability for first time buyers – there was a change in this ratio from 3.65 in 1997 to 7.25 in 2007. In short, in the last ten years, the unaffordability of housing for first time buyers has nearly doubled. Within this, there has been significant geographical variation: from an increase of 93% in the North East to 130% in London.

*The result has been a halt to the steady increase in home-ownership charted over the last century. The number of families with mortgages fell significantly between 2000 and 2007. Younger families have been hit the hardest. In 1991, 34% of 16 to 24 year olds were mortgagees, but that figure fell to 16% by 2007.'*⁷⁶

74 For a critical assessment of the link between home ownership and social mobility, see Social Mobility and Home Ownership – a risk assessment, New Horizons Research Programme, Department for Communities and Local Government, 2007.

75 UK Housing Review: Briefing Paper, Savills, 2011.

76 Page 13-14, Housing Poverty – From Social Breakdown to Social Mobility, Centre for Social Justice, November 2008.

Official estimates suggest that the average deposit for a typical first-time buyer rose from 16% of annual income in 2000 to 64% in 2009.⁷⁷ This is now a major obstacle, especially for younger prospective buyers, who are trying to get a foot on the housing ladder. As a result, while 95% of Britons want to own their own home, just 49% of under 35's own property today, compared to 59% in 2001.⁷⁸

One important factor is the rising burden of stamp duty deterring prospective home-buyers, especially first-time buyers. Under the last Labour government, stamp duty revenue rose from £4.9 billion in 1997/98 to a peak of £16.3 billion in 2007/08, which then amounted to 2.6% of total UK tax revenue (up from 1.1%).⁷⁹ More recently, between 2009/10 and 2012/13, stamp duty revenue increased by £800 million in real terms.

The Labour government introduced the £125,000 (1%) and £250,000 (3%) thresholds and rates.⁸⁰ The stamp duty rate on properties over £250,000 was designed to catch the wealthy. Today, because of fiscal drag, it is a punitive tax on aspirational home-buyers.

Analysis provided by London Central Portfolio in conjunction with Cass Business School highlights the impact. The average UK home price in 2000 was £109,558.⁸¹ By 2012, it had reached £249,958. Since 1997, the nominal cost of the average property has trebled. What does this mean in practice for home-buyers?

77 Housing Affordability – a fuller picture, National Housing and Planning Advice Unit, February 2010.

78 Chapter 5, After the Coalition, Kwarteng, Patel, Raab, Skidmore, Truss, Biteback, 2011.

79 HMRC Stamp Tax statistics, September 2013. Total stamp duty revenue is not broken down by land and shares until 2001/2.

80 The £125,000 threshold was introduced in 2006/07, rising from the £120,000 introduced in 2005/06, which replaced the £60,000 threshold which was introduced in 1993. The £250,000 threshold was introduced in 1997 and was then incrementally raised from a rate of 1.5% to 3%, in 2000, where it has remained since along with the £125,000 threshold and 1% rate.

81 Data provided by London Central Portfolio, residential experts, in conjunction with Cass Business School, October 2013.

In 2000, 391,499 home sales were exempt from paying stamp duty. By 2012, only 152,398 escaped the tax. In 2000, only 6% of purchases under £500,000 paid the 3% rate. By 2012, 25% of households were caught. In 2000, £725 million was collected through the 3% band for homes over £250,000 - whereas in 2012, £1.9 billion was collected.

2013 was the first year that the average house price rose above the 3% threshold of £250,000.⁸² Far from a tax on the rich, this year, the 3% rate will hit the average home-buyer for a stamp duty bill of around £7,500 – up from £2,500 a year ago.⁸³

International comparisons highlight the scale of these trends. According to the OECD, property taxes in Britain are the highest in the OECD, double the international average.⁸⁴ The case for reform is compelling, on grounds of fairness and economic efficiency.

There are also strong regional differences: almost half of first-time buyers in London pay the 3% rate or higher – up from a quarter six years ago. The average house price in Greater London is now £475,000.⁸⁵ In many parts of London and the South East, what may appear to be very high prices elsewhere, have become the norm for far more modest apartments and houses.

The acute shortage of homes in the UK needs to be addressed through both increased supply and tax reform. The scale of fiscal drag since 1997 has been compounded by its forecasted continuation. The arrival at a tipping point where the price of an average home is caught by the 3% rate, along with regional disparities, provides a strong economic and social case for cutting stamp duty now.

82 According to Land Registry data, Q3, 2013.

83 For the future effects of fiscal drag on home-buyers, see Stamp Duty Prices, Research Note 120, Taxpayers Alliance, August 2013.

84 Taxing Issues?, Reducing housing demand or increasing house supply, Policy Exchange, November 2013.

85 BBC reporting, based on Land Registry data, October 2013.

The 1% rate on properties between £125,000 and £250,000, and the 3% rate on properties between £250,000 and £500,000, should be abolished. Based on HMRC data, this would cost £2.4 billion. These changes would end the punitive fiscal drag, remove distortions in the housing market, and responsibly support home-buyers – particularly first-time buyers – by leaving them with more cash (rather than debt) to put towards a deposit. This would help ease a major blockage to home ownership as a ladder of social mobility.

NURTURE A SECOND CHANCE SOCIETY

9. BACK THE UNDERDOG, FIGHT FOR PEACE

From the lows of the August 2011 riots to the highs of the 2012 London Olympics, the case for grassroots sport to engage and inspire youngsters has never been stronger. Fight For Peace, a charity based in Rio de Janeiro and London which promotes boxing and martial arts is one of the most innovative programs around.⁸⁶ Whether your aim is giving the underdog a shot or preventing disaffected kids becoming a costly social problem, Fight For Peace delivers a Heineken effect, reaching neighbourhoods that clunking councils and Whitehall bureaucrats cannot. Its 'Five Pillars' model combines boxing and martial arts training and competition with personal development and education, youth support, job training and access, and youth leadership. This model is designed to help those who have veered off the right track to regain some focus, by expanding their opportunities. It is a motor of social mobility for those caught in a rut.

Austerity inevitably means an end to the old reliance on grants by voluntary sector organisations. However, under coalition reforms, charities should have greater opportunities to deliver mainstream work, competing with the private and public sector to show they can add value. New guidelines require councils to consider the 'social value' of providers, millions are being invested to help the voluntary sector bid for contracts, and the Big Society Bank is using dormant accounts and donations from high street banks to back the push.

Justice Secretary Chris Grayling pioneered this approach with welfare-to-work at the Department for Work and Pensions, and wants to deploy the same thinking to reverse stubborn prisoner re-offending rates. There are two challenges.

⁸⁶ The author is a Trustee at Fight For Peace.

First, Whitehall blinkers can over-value short-term cuts compared to long-term savings. Take Eco-Actif, a community interest company based in Sutton, which provided training and support to help the jobless, ex-prisoners and those recovering from alcohol and drug abuse get back into the workforce. It was wound up, because it could not afford to wait 18 months to be 'paid by results' without some bridging finance that neither the government nor the banks were willing to provide. If the idea is to level the playing field, barriers to entry risk stifling some of the most innovative small charities. Government needs to get smarter about how it calculates value for money, or help charities break into a monopolised market place.

The state's fixation on the short-term is compounded by bureaucratic silos, which externalise costs. In 2000, the Home Office estimated the total cost of crime in England and Wales was £60 billion per year - spanning policing, courts and prisons, plus wider costs to the businesses, hospitals, councils, insurance companies and households left to clear up the mess. Our prisons became a dumping ground for social ills ducked by other agencies.

If inventive charities can cut re-offending, they'll be saving the taxpayer and society enormous costs, while providing a spring-board for youngsters to turn their lives around. In this context, payment-by-results is still too crude to factor in all the external costs recouped when less police and court time is wasted, fewer victims turn up at A&E, insurance premiums fall, and businesses in tough neighbourhoods thrive.

There is a glimmer of hope in a recent report by Laureus, a sports foundation, which seeks to quantify savings made by sporting projects as a result of crime prevention. Along with Fight For Peace, Laureus evaluated a football project in Brent, a boxing program in Berlin and a midnight basketball project in Milan. Overall, the report estimated that £1 invested in such programs saved £5 in

costs related to reductions in crime, truancy and ill health. In 2011, it estimated that Fight For Peace avoided 175 crimes, saving over £1 million. A further evaluation by the University of East London found that 73% of those enrolling at Fight For Peace, who were NEET, progressed into work or study - with 46% finding a job within 6 months of completing their course.

Fight For Peace has expanded its programme to 120 communities around the world blighted by violent crime. But, so far, it remains a local project in Britain. That is about to change. The academy has drawn up plans to establish a centre for training and development at their Newham base, develop beacon projects across the country, train volunteers and encourage community workers to adapt the five pillars approach to existing sports clubs in hotspot areas with high levels of NEETs.

With existing grants being cut, finances remain tight. But, at a time of austerity, credible preventative models for tackling crime and social exclusion are more – not less – vital, both to deal with a pressing social ill and to give youngsters from some of the most deprived areas a second chance to make a success of their lives. What can be done to back charities like Fight For Peace?

One simple way would be to allow them to fully recover the VAT they pay – just as local authorities are entitled to do. Such a scheme operates successfully in Canada and would be easy to replicate in the UK. If full recoverability of VAT were confined to charities specifically aimed at getting NEETs into training or work, the cost would be limited to around £25 million per year.⁸⁷

Second, the Home Office, Department of Justice and Department of Work and Pensions should consider pooling a limited amount of resources to support these kinds of initiative. For

⁸⁷ This estimate is based on a combination of the Charity Tax Group's estimate of VAT paid by charities, and the Charity Commission's register of charities working with NEETs.

example, as Fight For Peace expands from being a local, Newham-based, project to spreading its training and best practice to support other local community sports clubs – using its Five Pillar model – government should strive to provide at least some matched funding. Government may not be able to provide grants in the way it used to. But, where local charities have a proven track record using a model capable of being expanded nationally, government should seek to support that spread of best practice.⁸⁸

Third, and critically, we need to reform the payment-by-results model so that it takes better account of ‘externalised’ costs that charities like Fight For Peace save businesses, government, individuals and the wider taxpayer, through its preventative model. The Treasury and Cabinet Office should work with external consultants to develop a more accurate method for determining value added and money saved. It would save taxpayers’ money, and help pioneering charities like Fight For Peace, which can be powerful engines of social mobility.

10. SPRINGBOARDS FOR REFUGEES

Britain has a proud tradition of providing a safe haven for those fleeing persecution from despots and dictators. The number of refugees accepted to Britain is a tiny fraction of overall UK immigration. In 2013, 5787 people were granted refugee status or humanitarian protection (compared to gross annual immigration of around half a million).⁸⁹ Yet, starting again for refugees, who may have lost everything, can present major financial, social and cultural challenges. The two greatest challenges are often finding work and learning English. These ought to be addressed in order to help some of the most vulnerable in our society, who have fled their homes in fear, stand on their own two feet, take advantage

88 It was recently reported that the Treasury have pledged a grant of £500,000 to support the expansion of Fight For Peace, London Evening Standard, 8 April 2014.

89 Immigration Statistics, October to December 2013, Home Office, February 2014.

of their new found freedoms in Britain, and climb the ladders of economic and social opportunity on offer.

When it comes to finding employment, the British Red Cross report that one third of their destitute clients have refugee status, but nevertheless wait 6 to 9 months before they receive the national insurance number that affords them a right to work.⁹⁰ The Refugee Council and Refugee Action also cite the delay in receiving a national insurance number as a common problem for successful asylum seekers.⁹¹ This bureaucratic delay is the result of a lack of joined-up cooperation between the Home Office and Department for Work and Pensions. Systems and coordination between the Home Office and DWP should be improved so that, as a matter of course, legitimate refugees who have been granted asylum in the UK automatically receive a national insurance number at the same time as their asylum status is confirmed by the Home Office.

At the same time, once their status has been confirmed, refugees ought to be given bespoke support to find work, so they do not slip into welfare dependency. The Refugee Integration and Employment Service (RIES) used to help refugees with benefits claims, social services, housing, employment advice and wider social mentoring. The RIES was closed in 2012 as part of savings made at the Home Office, with responsibility for supporting refugees transferred to local authorities. Whilst a decentralised approach has merits, central government should continue to make specific funding available for the employment advice service RIES used to provide, which would only cost around £2 million per year.⁹² That would enable the state to encourage and support new refugees – many of whom face enormous challenges - to find work.

90 Based on discussions with the British Red Cross.

91 Understanding the informal economic activity of refugees in London, Community Links and The Refugee Council , April 2011; and submission to the Education Select Committee of the House of Commons, by Refugee Action, July 2012.

92 Written answer from Home Office Minister, Mark Harper MP, to Dominic Raab MP, Hansard, 17 January 2014. The £2 million figure is roughly a third of the annual cost of funding the RIES.

A related challenge is learning English, which is crucial for refugees to find work and integrate in the UK. As Jonathan Ellis, of the Refugee Council, argues, it is vital for new arrivals to learn English so they can 'speak with their neighbours, support their children in their school work, continue in their education or training, and to get a job'.⁹³ However, a 2004 Home Office study found that 61% of refugees could understand spoken English "slightly" or "not at all". Similarly, 64% could only speak English "slightly" or "not at all".⁹⁴ 75% of refugees surveyed by the Home Office between 2005 and 2009 attended language courses in the first 21 months after being granted leave to remain.⁹⁵ Yet, a further Home Office report found that there were long waiting lists for language classes and identified a shortage of qualified ESOL teachers as a factor behind this.⁹⁶ A further study by Birmingham University, in 2007, found 25% of refugees in the city identified waiting lists as an obstacle to learning English. Some respondents said they had had to wait up to a year in order to access a course.⁹⁷ At present, ESOL courses are free for those on Job Seekers' Allowance and Employment Support Allowance, while 50% fee contributions are paid for those on other benefits.⁹⁸

The cost of addressing the long waiting lists and shortage of trained language teachers would not be great. For example, it would cost around £1 million per year to fund enough courses at City Lit to enable those refugees who cannot understand English to learn the basics.⁹⁹ Equally, funding 500 new ESOL teachers would

93 Quoted in the Sunday Times on 23 October 2011.

94 Skills audit of refugees, Home Office, 2004.

95 Spotlight on refugee integration, Home Office, July 2010.

96 English language training for refugees in London and the regions, Home Office, 2003.

97 Now I do it for myself: Refugees and ESOL, Dr J Phillimore, Dr E Ergun and Dr L Goodson, University of Birmingham, March 2007.

98 See the Written Ministerial Statement from Skills Minister, John Hayes MP, 18 July 2011.

99 Based on costs at City Lit, and estimates in Research Report 37: Spotlight on Refugee Integration, Home Office, July 2010.

cost in the region of £10 million.¹⁰⁰ This would help ensure that refugees arriving in Britain can get to first base, equipping them with the basic English they need to find work and integrate.

The cost of providing this language training and reviving the employment service formerly run by RIES should be recouped by cutting translation services in the public sector, which are geared towards those who come to the UK with no English and do not learn any on arrival. There is a fundamental difference between a refugee fleeing torture, arriving in Britain with little English, and economic or other migrants who could learn the basics before arriving, but decide not to. The government has introduced stricter language requirements for UK visas. They should be set at a level so that newcomers have enough English to get by, apply for work and be a part of their community - rather than remain isolated and dislocated from the population at large. That would free up at least £60 million per year spent on translation services in government departments, councils, NHS trusts and police forces.¹⁰¹ That would easily cover the costs of teaching refugees basic English on arrival, as well as renewing funding for specialist employment advice.

100 The starting salary for a teacher of English as a second language is between £14,000 and £25,000. The cost of 500 teachers would be between £7 and 12.5 million. See English as a foreign language, Prospect website, 2011.

101 Data was collated from Freedom of Information (FoI) requests published in the Sunday Times on 23 October 2011. The actual total translation costs are likely to be much higher, given the selective nature of the FoI requests.



HOLD THE ELITES TO ACCOUNT

11. STRENGTHEN SHAREHOLDER DEMOCRACY

As well as giving a leg up to the most vulnerable in our society, greater effort should also be put into strengthening meritocratic accountability for those at the top of the business, public service and political elites.

Take executive pay. There has been strong public reaction against high levels of executive pay, particularly in the banking sector. In the thirty years up to 2011, the boss of Barclays Bank saw his pay rocket by almost 5,000%. Yet, the link between pay and performance looks tenuous. In 2010, FTSE 100 executive pay rose by half, despite sluggish economic growth and falling share prices.

Supporters of the free-market should feel just as frustrated as anti-capitalist protesters. Chronic over-payment of mediocre directors warps capitalism and harms growth. It means less money for businesses to invest in capital or research and development, and smaller returns for investors. Performance related pay is a good thing. We should defend rich rewards for great innovators, like Steve Jobs, who benefit millions. But, research across FTSE 350 directors suggests scant correlation between executive earnings and market capitalisation, pre-tax profits or earnings per share. Chief Executive pay appears particularly disconnected, dramatically outpacing average director as well as employee earnings.

The root problem is that investor behaviour has outgrown the traditional corporate model. The increase in the number of people owning shares, the role of institutional investors, rapid buying and selling, the scattering of shareholders across the globe and the complexity of information released by businesses - especially on executive pay - have weakened the role of investor oversight. The frayed relationship between shareholders and the board needs to be repaired.

In a competitive global economy, investors – not bureaucrats or politicians – should run businesses and set pay. Both management and shareholders have incentives to scrutinise junior pay. But the incentive for management to inflate senior pay has gone unchecked. Shareholder scrutiny needs to be strengthened, following innovative new practice in places like the US and Switzerland.

Since 2010, the coalition has already strengthened reporting requirements to improve transparency. Simplifying the byzantine structure of pay packages, and introducing more performance-related benchmarks, will help. In addition, in October 2013, the coalition introduced binding shareholder resolutions on executive pay policy. These are important steps in the right direction. There are signs of an increasing appetite for shareholder scrutiny of executive pay, such as institutional investor Fidelity International's criticism of Barclays Bank's £2.4billion bonus pot for 2013, and the reaction of Co-operative Group members to executive bonuses.¹⁰²

Such activist shareholder scrutiny should be encouraged and empowered. First, the government should legislate to enable shareholders to take binding votes on individual directors' pay packages. With new modes of information communication, flexible use of Extraordinary General Meetings (held on 3 week's notice), teleconferencing and e-voting, the opportunity for investors to sanction individual pay packages for the highest earners opens up - without either holding up rapid recruitment of top talent or leaving shareholders facing a *fait accompli*. Companies belong to their shareholders. They should be empowered to check profligate pay.

Next, more should also be done to deter excessive rewards for egregious failure. Nothing grates more than the exorbitant

102 Reported, City AM, 11 March 2014 and BBC online, 9 March 2014.

remuneration received by the bosses of failed banks, like Sir Fred Goodwin, or Adam Applegarth of Northern Rock, who walked away with a £760,000 pay off and other perks. The US and Swiss are already strengthening shareholder accountability in this area. Britain should follow and require listed companies to adopt 'claw back' policies to recover remuneration which has been paid out to incompetent executives on the basis of flawed information, or where the directors are responsible for misconduct that causes serious financial loss to the firm in question. Major US banks such as Morgan Stanley, JPMorganChase and Goldman Sachs have already implemented similar policies.¹⁰³ The Bank of England has also recently recommended consideration of more robust claw-back measures.¹⁰⁴

Likewise, shareholders should be empowered to sack negligent, incompetent or under-performing chief executives without being required to pay them more than their contractual notice period. As City AM Editor, Allister Heath, argues:

*'In general, large firm CEOs should be paid handsomely, as determined by supply and demand – but in return they should be willing to accept "employment at will" contracts, with shareholders having the right to dismiss them at any time without a payout. Such arrangements are not the norm today – and a strict application would actually probably be illegal under unfair dismissal rules ... [W]ith high rewards should come high risks, not a corporatist easy life that culminates in a massive, guaranteed exit package.'*¹⁰⁵

The Swiss recently voted for tougher rules in this regard, following a referendum. Britain should adopt the same principles.

103 Reported, CNN Money online, 14 March 2013.

104 Reported, Financial Times, 13 March 2014.

105 Editor's letter, City AM, 4 March 2013.

12. OVERHAUL THE HONOURS SYSTEM

The principle of honouring Britons who have achieved something outstanding, or demonstrated exceptional public service, is grounded in sound civic and meritocratic ideals. Unfortunately, too often, the honours system is perceived more as a symbol of the establishment than a genuine reflection of meritocracy.

The number of honours awarded has risen by a third since 2005, reaching 2,446 in 2013. Common criticisms include that the process and justification for honours is shrouded in mystery, that too many are awarded thereby diminishing their value, that honours can be bought by donating to a political party, civil servants receive them automatically at certain grades, and privileged groups receive set quotas. On the left, Peter Tatchell has criticised the banking executives implicated in the financial crisis receiving honours, as well as celebrities honoured without having done anything extraordinary.¹⁰⁶ Equally, centre-right commentator, Harry Phibbs, argues 'too many of the honours go to the wrong people', such as the head of Thames Water, whose company has been widely criticised for ripping customers off.¹⁰⁷ Like Tatchell, Phibbs calls for greater rigour and transparency over the process. The case for reform was considered in detail and endorsed by the cross-party House of Commons Public Administration Committee (PAC) in 2012, which found that just 44% of the public felt the system was 'open and fair to all'.¹⁰⁸

The honours system needs reform. It should be made more clearly independent of political influence, as advocated by the PAC, by removing the strategic guidance provided by the Prime Minister, and establishing an independent honours commission

¹⁰⁶ Blogpost on Peter Tatchell's blog, 30 December 2012.

¹⁰⁷ Writing on ConHome website, 15 June 2013.

¹⁰⁸ The Honours System, Public Administration Committee report, 31 August 2012.

(with broader membership) making recommendations directly to the Queen. Greater explanation should be given of the grounds for honours. The practice of awarding automatic honours for certain civil service roles and quotas for different sectors should be abolished. Each nomination should be considered on its merits, and honours only awarded for truly outstanding achievement or exceptional public service – well beyond ‘doing the day job’. Learning the lessons from the Fred Goodwin case, the existing Honours Forfeiture Committee should also be overhauled, so it is clearly independent of political influence, chaired by a retired judge and capable of sanctioning the removal of honours based on far clearer criteria.

13. GREATER SCRUTINY OF PUBLIC APPOINTMENTS

In addition to honours, senior appointments to quangos, the civil service, and international courts lack transparency and public scrutiny, notwithstanding the massive rise in their taxpayer-funded remuneration.¹⁰⁹ The politicisation of both the appointments and removals has been the subject of renewed debate, given recent criticism of Lord Smith, chief executive of the Environment Agency, and the removal of Baroness Morgan as chair of Ofsted.

Similarly, bureaucratic inertia and obstacles in delivering key coalition policies, such as welfare reform, have rekindled active consideration of the idea of adding a measure of political control over the appointment of heads of government departments, known as permanent undersecretaries. Meanwhile, the lack of transparency over the appointment of the UK judge at the European Court of Human Rights in Strasbourg, in 2012, has led to a similar debate about the scrutiny of appointments to the increasingly politicised international courts.

109 For detailed consideration of this issue, see *Accountability and Responsiveness in the Senior Civil Service: Lessons from Overseas*, Institute for Public Policy Research, 2013; *Civil Service Accountability to Parliament*, Paun and Barlow, Institute for Government, 2013; and *Reforming Public Appointments*, Pinto-Duschinsky and Middleton, Policy Exchange, 2013.

In all of these instances, a key issue is whether the relevant appointment is being made on merit, and the right balance is being struck between professional calibre and any wider political considerations. Prior Parliamentary scrutiny of short-listed candidates for appointments to quangos and international courts would provide greater public transparency and meritocratic scrutiny, and help inform the final decision. If politicians assume the power to appoint permanent undersecretaries, the same principle should apply. Such scrutiny should be conducted in public sessions through the relevant House of Commons Select Committees.

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ISBN: 978-1-904899-90-7

£10.00

