



# Pointmaker

## UNLEASHING THE BRITISH UNDERDOG

### 10 BETS ON THE LITTLE GUY

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#### SUMMARY

- The Conservative vision of fairness should focus on backing the “underdog” – people who work hard to compete on merit, overcome vested interests and succeed against the odds.
- The following ten policies will widen opportunity and improve social mobility for the underdog:
  1. **Extend Open Access**, the scheme that sponsors talented children from all backgrounds to go to independent schools.
  2. **Fast-track Troops to Teachers**, to encourage more schools staffed by veterans to be set up in areas of deprivation.
  3. **Give VAT tax breaks to charities such as Fight for Peace** which help turn round the lives of disaffected youngsters.
  4. **Re-instate Young Apprenticeships**, so that non-academic children have a better range of vocational options.
  5. **Expand opportunities for “legal executives”**, to encourage wider non-graduate entry into the profession.
  6. **Give start-ups and micro-businesses tax breaks**, such as exemptions on employers’ NI contributions and cuts in business rates.
  7. **Extend the 0% band on stamp duty to £250,000**, to help first time buyers get a foot on the housing ladder.
  8. **Release ‘dead equity’ for tenants in social housing**, to incentivise home ownership and finance new social housing.
  9. **Teach refugees English on arrival**, so they can find work and integrate into the community.
  10. **Introduce a simple tax allowance for employers of disabled people** to cover the cost of workplace adaptations.
- The cost of the above measures (about £1.6 billion) can be covered six times over by a range of regulatory and bureaucratic reforms (worth at least £10 billion).

## INTRODUCTION

During a period of austerity, following the worst recession since the war and the application of the brakes to over a decade of rising public spending, it is unsurprising that politicians are wrestling with renewed vigour for ownership of the basic idea of fairness.

Those on the left scrutinise the fairness of cuts to public spending for a disproportionate impact on certain socio-economic groups or the lower paid. Those on the right question the fairness of leaving a huge debt legacy to the next generation, along with the economic and social sustainability of government spending. The left clings to the concept of redistribution of wealth with a view to achieving greater equality of outcomes – but it remains tenaciously opposed by many conservatives and liberals. Yet, if redistributive and egalitarian ideals remain contentious, at a theoretical level at least, all the main political parties regularly profess their commitment to improving social mobility in Britain – the basic idea that your lot in life should not be pre-determined by the income of your parents, class or social background.<sup>1</sup>

This consensus is underwritten by popular support. Recent research by YouGov found that 63% of people think that fairness is people getting what they deserve. Just 26% think fairness means equal treatment.<sup>2</sup> 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.

Yet, evidence suggests social mobility in Britain has declined since the second world war. Research by economists at the Centre for Economic Performance shows 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.<sup>3</sup> For example, the earnings of individuals born in 1970 were more strongly related to the income of their parents than those born in 1958. 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.<sup>4</sup> On that measure, social mobility has declined since the 1950s and remains stalled.

Some dispute the relevance of the issue. Professor Peter Saunders questions the methodology of some of the research making international comparisons, based on income mobility, arguing that 'Britain is about average when compared with other developed countries'.<sup>5</sup> Saunders believes that Britain has less of a social mobility problem, and more of an 'underclass problem'.<sup>6</sup> He argues that the 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

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<sup>1</sup> The All Party Parliamentary Group on Social Mobility, interim report, *Seven Key Truths About Social Mobility*, 1 May 2012.

<sup>2</sup> Neil O'Brien, *Just Deserts? Attitudes to Fairness, Poverty and Welfare Reform*, Policy Exchange, April 2011. See also Neil O'Brien and Anthony Wells, *Northern Lights: Public Policy and the Geography of Political Attitudes*, Policy Exchange, 2012.

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<sup>3</sup> Jo Blanden, Paul Gregg and Stephen Machin, *Intergenerational Mobility in Europe and North America*, April 2005.

<sup>4</sup> Jo Blanden and Stephen Machin, *Recent trends in intergenerational mobility: Will the downward trend continue?*, CentrePiece, Autumn 2008.

<sup>5</sup> Professor Peter Saunders, *Social Mobility Delusions*, Civitas, June 2012.

<sup>6</sup> *Ibid.*

alcohol addiction. In particular, he opposes suggestions that top universities should be pressed to take more children from state schools (and less from independent schools) as anti-meritocratic and irrelevant to the problem at hand.

Whilst tokenism or formal quotas will do little to facilitate the rise of genuine talent from more disadvantaged backgrounds, and Professor Saunder's wider diagnosis of UK social problems is compelling, it is not a reason for settling for mediocre levels of social mobility in the UK. In fact, it provides a convincing argument for expanding opportunity on a meritocratic basis, especially for those from tougher backgrounds.

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. Such measures include the extension of free nursery care to disadvantaged two-year olds; radical 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 plans to take two million of the lowest paid workers out of income tax. These are important steps in the right direction. But, they represent a point of departure, not arrival.

In addition to the overriding economic priorities of cutting the structural deficit and restoring UK economic competitiveness, Britain needs to strengthen social mobility and meritocracy. The Conservative Party ought to make this a priority in its approach to social reform. That ought to include re-affirming the original design of the welfare state, so that it is focused on protecting the poorest and most vulnerable, rather than serving as a vehicle for

redistribution of wealth. However, just as there is a liberal case for enforcement of competition law in a free-market to remove barriers to entry for new businesses, prevent monopolistic behaviour and safeguard consumer choice, those on the centre-right should promote policies that will provide economic and social ladders for those from more disadvantaged backgrounds to climb, based on talent and hard-work.

This intellectual underpinning is not new. But the philosophical tenets have not yet been sufficiently backed up by concrete policies, tailored to modern Britain and knitted together by an overarching narrative defining the Conservative vision of a fair society. This ought to be both a unifying theme for today's social reforms, and the motivation for developing policy for the Conservative Party Manifesto in 2015.

Beyond policy-making, the Conservatives need to establish themselves as the natural political home of the underdog. The British public instinctively embrace an underdog, whether it is popular films like *Billy Elliot* and *Rocky*, sitcoms like *Only Fools and Horses* or reality television shows such as *X-Factor*, *The Apprentice* and *Dragons' Den*. Businessmen like Alan Sugar and Tony Pidgley provide celebrated examples of entrepreneurial underdogs rising to the top echelons of British business, whilst the London Paralympics provides a world stage to recognise those who have overcome serious disabilities to achieve sporting success.

The Conservative vision of fairness ought to celebrate such achievements against the odds, embrace the protagonists as role models, and strive to perpetuate their success. It should leave Labour to feed off the politics of envy, seizing on any data that can show some form of socio-economic inequality, and

subscribing to unrealistic and unsustainable increases in public spending in pursuit of ivory tower egalitarian policies.

The Conservatives should therefore offer a more inspiring and tangible alternative vision, championing the underdog, standing up for the 'little guy' – whether it is in business, the professions or any other walk of life. It ought to be the party that breaks down glass ceilings and monopolistic vested interests. Above all, this agenda ought to appeal to those who prize the work ethic as a value that transcends class, ethnicity, faith or other social differences.

Whilst some of the policies required to drive social mobility may increase tax revenue in the long run, cost nothing or are relatively inexpensive, others will require funding. But even – or especially – during a period of austerity, that challenge presents an opportunity to re-define the role of the state to a more focused 'self-help' mandate that seeks to widen opportunity rather than engineer socio-economic equality.

In connecting with the aspirations of the underdog, the financing required should be transferred from the worst features of the UK's intrusive nanny state and bloated bureaucracy. In making a virtue of being the party of aspiration rather than redistribution of wealth, the Conservatives should offer to reverse such misguided policies and abolish the costly bureaucracy serving them.

The following ten practical policy ideas would make a good start in promoting the great British underdog.

## 1. FROM COUNCIL ESTATE TO PUBLIC SCHOOL

A critical driver of social mobility is education. For too long, the state sector has suffered falling standards amidst grade inflation and a loss of academic rigour, widely reported by leading universities and employers. As a result, Britain has plummeted down the international rankings for educational performance at 15 years old in maths, reading and science.<sup>7</sup>

The Coalition has taken a range of steps to strengthen standards of teaching, to allow good schools to innovate and to expand parental choice. Yet, there remains a chasm 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.<sup>8</sup> Privately educated pupils make up just 7% of school pupils, but comprise over half of the country's journalists, medics, bankers, Cabinet members and judges.<sup>9</sup> Currently, private schools are beyond the financial reach of 90% of parents.

That gap will not be bridged overnight. Raising standards in the state sector is a long-term challenge. Yet, alongside current reforms, more could be done in the near term to create ladders for the brightest from tougher backgrounds and lower income families to benefit from the highest standard of education.

The Sutton Trust has pioneered a scheme in pursuit of that vision. Their Open Access project would award places at leading independent secondary schools to children at 11 years old based on academic merit alone,

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<sup>7</sup> See the OECD PISA rankings, 2000 to 2010.

<sup>8</sup> The Sutton Trust, *Open Access: Democratising entry into Independent Day Schools*, March 2012.

<sup>9</sup> Ibid.

selected through verbal and non-verbal reasoning tests.<sup>10</sup> 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, while 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 estimates that extending the pilot 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, this idea was 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 – with 99% of pupils achieving five good GCSEs. The same year of children went on to achieve impressive A Level results, with most going to top universities including Oxford and Cambridge. The social mix of the school also changed as dramatically as their academic results. In the first year, 70% of children received fee support.

Polling shows popular support for an expansion of this ground-breaking scheme.<sup>11</sup> It is easy to see why. It offers the dream – out of reach to the vast majority of people in Britain – of seeing talented children get the very best education irrespective of how much money their family

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<sup>10</sup> Ibid.

<sup>11</sup> Polling conducted by MORI found public support of 3:1 for taxpayer funded support to enable children to go to private schools, while over half of parents would like to send their children to private schools if they could afford it.

has. It would help bridge the class divide, both by creating a ladder to promote social mobility and diversifying the social mix of children in class rooms in the independent sector.

Whilst academic selection has been frozen in the state sector, it thrives in the independent sector. Open Access would simply democratise existing academic selection. If anything, the potential ‘losers’ would be less able children from well-off backgrounds, who are currently in a better position to compete for places because so much talent from less well-off families is excluded. But, there is nothing to stop them paying for a private education in non-selective independent schools.

## 2. TROOPS TO TEACHERS

As well as catering for the brightest, a concerted drive to increase social mobility should target children from troubled – not just less well-off – backgrounds.

The riots across Britain in August 2011 brought into sharp focus the lack of moral checks amongst the rioters, many of whom – though certainly not all – came from difficult backgrounds. According to the Ministry of Justice, 35% of adult rioters were claiming benefits, and three quarters of those prosecuted had a criminal track record. Amongst the youngsters involved, 42% of were on free school meals, while over a third had recently been excluded from school.

In response to the inevitable call that “something must be done”, one idea was for troops to be put on our streets to restore law and order. But before we do that, we should consider putting them in our schools: a *Panorama* programme last year demonstrated how former soldiers have worked miracles in America’s violent inner-city schools.<sup>12</sup> It showed

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<sup>12</sup> This *Panorama* programme was first broadcast on 28 February 2011.

how young boys and girls respond to male role models they can trust, which are all too often lacking in areas of high welfare dependency.

In England, a new Free School is now being planned in Oldham.<sup>13</sup> This will be a comprehensive secondary school serving pupils aged 11 to 18. All staff will be ex-service personnel chosen for their integrity and proven ability to mould young men and women into functional members of society.

As ex-soldiers, all staff will have lived by the Army's values of courage, discipline, respect for others, integrity, loyalty and selfless commitment. As teachers, they will be expected to embody these values, and to encourage, enforce and draw out the same standards of behaviour from their pupils. They will, in short, be positive role models to their students.

Nor should we worry that this will be some sort of "boot camp": modern volunteer military forces maintain discipline by consent. They have to, otherwise everyone would leave at the first opportunity. The days of National Service are long gone, as are harsh punishments and mindless obedience.

At the Phoenix Free School, pupils will be grouped vertically in each subject according to academic achievement, rather than age. Progress will be continuously monitored with oral and written quizzes as well as formal tests. All pupils will be given the opportunity to excel and will be pushed out of their natural comfort zone. A competitive spirit will be encouraged throughout the school, fostering co-operation,

teamwork, leadership and problem solving through competition between groups.

The Phoenix Free School will seek the closest possible links with the community. After school, local people will be encouraged to teach their skills, much as they did under previous adult education programmes. These classes will be open to everyone, not just Phoenix pupils.

Unfortunately, the application to open the first Phoenix School in 2013 has just been turned down by the DfE. The founders have been invited to re-apply in 2014. Should this first school get approval from the DfE, then it could be the first of many such schools across the country, increasing opportunities and social mobility in the most deprived communities in the land. It represents an opportunity to offer troubled youngsters from disadvantaged backgrounds the academic rigour, class room discipline and mentoring to make a success of themselves. As such, it is essential that the DfE gives a pilot such as the Phoenix School as much practical support and encouragement as possible to go ahead.

### **3. SECOND CHANCE SALOON**

More can also be done to promote the charities and social enterprises working to get youngsters from tough neighbourhoods into work and training. The vicious cycle of family break-down, under-achievement at school and welfare dependency is difficult to break. However, action to get young NEETs and those who have had brushes with the law out of the habits and routines that lead to long-term unemployment and crime would help boost social mobility.

One of the most inspiring charities in this field is *Fight for Peace*, founded by former English amateur boxer Luke Dowdney in 2000 in the favelas of Rio de Janeiro, Brazil. Luke's experience of boxing taught him that sport can be an effective tool to overcome division and

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<sup>13</sup> For more details, see Captain Affan Burki and Tom Burkard, *Something can be done: troops in our schools will do more than troops on our streets*, CPS, 2011. This policy has recently been endorsed by Labour's Shadow Education Secretary, Stephen Twigg MP.

violence and promote the potential of young people most in need.

Since its establishment in 2000, *Fight for Peace* has developed a prevention and rehabilitation model to confront the problem of child and youth participation in crime, gangs and gun violence in disadvantaged communities. This strategy is based on the 'Five Pillars' model combining: boxing and martial arts training and competition, personal development and education, youth support (including mentoring), job training and access, and youth leadership. Based on the success of the Rio academy, in 2007 Luke set up a London academy in Woolwich tailored to the needs of the local community, based on a similar strategy.

Charities like *Fight for Peace* are particularly effective in reaching individuals and communities that local authorities may struggle to connect with. This author spent six weeks in 2012 at *Fight for Peace* in Woolwich as a volunteer providing mentoring on a one-to-one basis. The academy offers youngsters who may have struggled with school first time around a second chance to get some basic qualifications (with a particular focus on English and Maths), as well as offering practical support to help them find appropriate training courses and jobs. In addition, the ethos of the academy also helps to instil the kind of soft skills – like punctuality, eye contact, organisation, self-confidence – that, when lacking, deter employers from taking a chance on youngsters from poor areas or troubled backgrounds. Evaluated by the University of East London in 2009, the Woolwich academy was found to have been particularly effective in strengthening self-esteem, confidence and promoting a stronger sense of personal responsibility, drawing

youngsters away from anti-social behaviour and crime and into positive activities.<sup>14</sup>

Whilst it is inherently difficult to quantify risks that do not materialise, charities like *Fight for Peace* save local communities substantial amounts of taxpayers' money in preventing crime and anti-social behaviour, and at the same time offer disaffected youngsters a second chance to get into training or work – a major spur to social mobility. Their independence from central and local government is part of their comparative advantage, so an over-reliance on grant funding would be counter-productive.

However, one simple way to promote charities helping NEETs into work or training 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.<sup>15</sup> This tangible measure of support for the voluntary sector would strengthen the network of community organisations – like *Fight for Peace* – that offer a springboard to disadvantaged youngsters that would strengthen their long-term prospects of getting a job and staying on the straight and narrow.

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<sup>14</sup> University of East London, *The Fight for Peace Academy – an independent assessment*, 2009.

<sup>15</sup> 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.

#### 4. YOUNG APPRENTICESHIPS

Whilst education is vitally important, it is the means not the end as far as social mobility is concerned. The end is providing tried and tested avenues through which youngsters from low-income homes or disadvantaged backgrounds can make a success of themselves, according to their talents and tenacity.

The 50% target for young people going to university, introduced by the previous government, was inevitably a 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.

Today, there is a perceived need for a young person to obtain a university degree in order to get a good job. This serves neither the economy nor youngsters looking to equip themselves for an increasingly competitive labour market. The major flaw over the last decade has been the missed opportunity to develop and expand credible and ambitious non-graduate routes of education and training.

Equally, with the raising of the school leaving age to 18 years old, we risk failing to learn the lessons of recent experience – unless it is flexible enough to accommodate the transition into work via apprenticeships and other vocational training. Some children (regardless of social background) are neither inspired nor motivated by school and the academic curriculum. Non-academic youngsters need wider options. The absence of choice is particularly stark for those from lower income households, because they have less financial support to fall back on.

In 2004, the Labour Government set up Young Apprenticeships (YA) for 14 to 16 year olds, 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 two days per week.<sup>16</sup> 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.

Ofsted praised the scheme following reviews in 2007 and 2012.<sup>17</sup> It noted strong personal development of the students, high levels of motivation and attendance, good relationships with teachers and positive feedback from employers. At the same time, 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.<sup>18</sup>

A further evaluation by the Young People's Learning Agency reported impressive results.<sup>19</sup> 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

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<sup>16</sup> See Tom Richmond and Sam Freedman, *Rising Marks, Falling Standards – An investigation into literacy, numeracy and science in primary and secondary schools*, Policy Exchange, 2009.

<sup>17</sup> Ofsted, *The Young Apprenticeships Programme 2004-7: an evaluation*, December 2007. See also *Apprenticeships for young people: a good practice report*, April 2012.

<sup>18</sup> Department for Education and Skills, *90% Participation Project Desk Research*, 2007.

<sup>19</sup> Young People's Learning Agency, *Evaluation of the Young Apprenticeships Programme*, 2010.

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 YAs scheme and recommended its expansion.<sup>20</sup>

In opposition, the Conservatives advocated expanding YAs.<sup>21</sup> Yet, surprisingly, the last Labour Government wound down rather than extended the YA programme. There appears to be a belief on the left that formal academic education leading to a university degree – whatever its value to the student or credibility with employers – ought to be the priority. This is consistent with the moves towards increasing the school leaving age to 18.

Truancy statistics for 2010/11 offer a stark reality check, showing: a 20% rise in truancy amongst all state-educated children between 14 and 16, and a 33% spike amongst those already classified as persistent truants in the same age groups.<sup>22</sup> There is evidently an age at which increasing numbers of children become disconnected from what they are learning in school. So, why not at least give youngsters the choice of a YA between 14 and 16 years old?

As Sir Chris Woodhead, a former chief inspector of schools, recently argued:<sup>23</sup>

*'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.*

*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.'*

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

Today, fewer people are working fewer hours. The rising number of people not in active employment being supported by those in work is economically unsustainable. We need to be promoting a wider range of routes into the workplace, including appealing to children who do not want to go down an academic or graduate path, and not deterring youngsters who want to take on more personal responsibility for their lives.

At their peak, YAs cost just under £30 million more than the current alternatives, but would offer a broader educational choice to youngsters.<sup>24</sup> The programme should be revived. As the independent educational foundation, *Edge*, argue, limiting the choice of 14 to 16 year olds:<sup>25</sup>

*'... 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.'*

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<sup>20</sup> House of Commons Education Committee, *Participation by 16-19 year olds in education and training*, July 2011.

<sup>21</sup> Conservative Party, *Get Britain Working*, 2009.

<sup>22</sup> ONS, *Pupil Absence in Schools in England 2010/11*, March 2012.

<sup>23</sup> Reported by the BBC, 3 October 2011.

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<sup>24</sup> Research by the House of Commons library, June 2012.

<sup>25</sup> Submission by *Edge* to the Wolf Review, October 2010.

## 5. ACCESSING 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 or lawyers, but struggle to provide the financial support needed to realise those aspirations.

In his recent report for the Coalition on access to the professions, Alan Milburn estimated that the professions would account for 83% of new jobs in Britain in the next decade.<sup>26</sup> He stated:<sup>27</sup>

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

In particular, 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.'*

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 numerous examples of individual firms pioneering bespoke schemes. For example, KPMG runs 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.

Elsewhere, some professions are moving in the right direction. Take law. The development of the Chartered Institute of 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.

Training is typically spread over four 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.<sup>28</sup> It is already proving an important entry route 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.<sup>29</sup>

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 the 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.

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<sup>26</sup> Alan Milburn, *Fair Access to Professional Careers: A progress report by the Independent Reviewer on Social Mobility and Child Poverty* May 2012.

<sup>27</sup> Ibid.

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<sup>28</sup> Spada, *Social Mobility Toolkit for the Professions*, March 2012.

<sup>29</sup> Institute of Legal Executives, *Fair Access to the Professions: Progress Report*, June 2011.

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 competitive prices. From the legal executives' point of view, this restriction 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.<sup>30</sup>

So long as they are properly qualified and regulated, why shouldn't a young school leaver aspire to a non-graduate route towards setting up their own business? There are likely to remain a wide range of legal services that remain the preserve of solicitors, given the level of high quality advice and specialist expertise they can offer. But, that should be distinguished from the many high street legal services – from probate to conveyancing – that legal executives have the skills and experience to perform at competitive rates.

CILEX is applying to the Legal Services Board to become an approved regulator, capable of awarding the right to legal executives to break into this new territory. Subject to meeting the criteria to ensure proper regulatory supervision, the application should be approved. Allowing qualified and experienced legal executives to set up their own independent practices would reduce legal costs, expand consumer choice, increase the earning power of legal executives and enhance the attractiveness of this career option. It would cost the taxpayer nothing, and serve as a pioneer for non-graduate access into the professions.

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<sup>30</sup> CFE, *Market Analysis Report – ILEX Professional Standards*, 2012.

## 6. A BIG BREAK FOR SMALL START-UPS

Setting up a small business used to be a well-trodden path to success for enterprising, hard-working risk-takers in Britain. Lord Sugar provides one of the most celebrated examples of a young man leaving school at 16 years old, starting up his own business, and through trial and error becoming a thriving entrepreneur. Unlike the professions and many other fields of employment, academic qualifications are no prerequisite for success.

Lord Sugar laments the dwindling number of self-made entrepreneurs who, from humble beginnings, have worked their way up to the top. As he acerbically notes:<sup>31</sup>

*'We want to try and show that you can start something from nothing and get away from this culture of university, then go on a gap year for two years, then get a job at some consultancy and then go on the dole.'*

The entrepreneurial avenue is particularly important for commercially-minded people from poorer backgrounds. Yet, today, start-ups and small businesses report three major impediments to getting started:

- the difficulty in securing finance;
- the burdens of excessive red-tape; and
- the burden of taxation.

The Coalition has established a National Loan Guarantee Scheme and an Enterprise Investment Scheme to increase access to credit and to encourage more angel investment. It has also introduced an Enterprise and Regulatory Reform Bill, designed to reduce the burden on small businesses. In a previous CPS publication, this

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<sup>31</sup> As reported by *Digital Spy*, 18 October 2011.

author made wider proposals to cut employment and social regulation.<sup>32</sup>

When it comes to taxation, the Coalition has cut both the main and small business rate of corporation tax. Nevertheless, recent surveys by the Federation of Small Businesses (FSB) revealed that their members regard cutting payroll taxes such as National Insurance and business rates as their top priority, for the purposes of business expansion and job creation.<sup>33</sup>

The Coalition set up a National Insurance holiday for start-up companies hiring up to ten employees. However, it was confined to certain regions of the country and attracted criticism for its relatively low take-up.<sup>34</sup> The FSB has proposed a National Insurance tax break on employer contributions for up to three extra staff hired by businesses with between one and four employees.<sup>35</sup> The idea is to directly encourage the smallest businesses to hire extra staff.

This would be a major shot in the arm for existing small businesses, helping them to expand. In addition, however, in order to encourage entrepreneurs, with a creative idea and a viable business plan, who are actively deliberating whether they can afford to start their own business in the first place, more radical tax breaks could be offered to micro-businesses – companies with between 1 and 10 staff – in order to help them get up and running.

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<sup>32</sup> Dominic Raab, *Escaping the Strait Jacket – Ten Regulatory Reforms to Create Jobs*, CPS, November 2011.

<sup>33</sup> See the surveys commissioned by the Federation of Small Businesses in 2009 and 2011.

<sup>34</sup> As reported in the *Daily Telegraph*, 31 July 2011.

<sup>35</sup> FSB, *NICs holiday scheme*, September 2011.

It would cost in the region of £460 million per year to exempt all start up micro-businesses from National Insurance employers' contributions for their first four employees, in their first year.<sup>36</sup> In addition, scrapping business rates for all micro-businesses in their first year, which would cost in the region of £600 million per year, would provide an extra boost for those entrepreneurs with limited financial backing who are trying to get a business off the ground.<sup>37</sup> These proposals make wider economic sense, given the need to drive business growth. But, they would also help drive social mobility by reducing the costs of starting a business from scratch, thereby creating the conditions for entrepreneurial success.

## 7. A LEG UP ONTO THE HOUSING LADDER

Another traditional route of social mobility in Britain has been through home ownership. The ability to save towards purchasing a home, an appreciating asset that can also be leveraged to invest in other things, remains an aspiration for many Britons.<sup>38</sup> 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 2005, house-building in England and Wales reached its

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<sup>36</sup> Estimate based on data provided by the Department for Business, Innovation and Skills and the ONS.

<sup>37</sup> Estimate based on data provided by HM Treasury, the ONS and the Department for Business, Innovation and Skills.

<sup>38</sup> For a critical assessment of the link between home ownership and social mobility, see New Horizons Research Programme, *Social Mobility and Home Ownership – a risk assessment*, Department for Communities and Local Government, 2007.

lowest level since 1924.<sup>39</sup> 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:<sup>40</sup>

*'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.'*

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.<sup>41</sup> 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 35s own property today, compared to 59% in 2001.<sup>42</sup>

At the last election, the Conservatives pledged to increase the stamp duty threshold to £250,000 for first-time buyers, estimating that this would take 9 out of 10 of them out of stamp duty altogether. The coalition introduced this policy in 2010, but removed the relief in 2012 based on a report by HM Revenue and Customs suggesting that it had not had a significant impact.<sup>43</sup> That assessment largely reflects wider levels of current debt and challenges in potential home-buyers gaining access to mortgage loans, particularly in the aftermath of a financial crisis that has led to banking reforms which require higher banking capital ratios and more stringent lending. The Government is taking steps to facilitate access to credit.

Over the long term, a range of measures are necessary to tackle the housing shortage in the UK. Nevertheless, home ownership remains the aspiration for most people in Britain. Extending the zero band for stamp duty (for first time buyers only, on a permanent basis) from £125,000 to £250,000 would represent a significant contribution towards the cost of a deposit, thereby giving first time buyers an important stepping stone towards greater social mobility.

## **8. A RIGHT TO OWN**

Since its establishment, under the Thatcher Government, the Right to Buy scheme has allowed over 1.8 million social housing tenants to realise their dream of home ownership. However, it has had its smallest impact in large estates, where two-thirds of social housing is

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<sup>39</sup> Cambridge Centre for Housing and Planning Research, *Historical Statistics of Housing in Britain*, 2005.

<sup>40</sup> Centre for Social Justice, *Housing Poverty – From Social Breakdown to Social Mobility*, 2008.

<sup>41</sup> National Housing and Planning Advice Unit, *Housing Affordability – a fuller picture*, 2010.

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<sup>42</sup> Biteback, *After the Coalition*, various authors, 2011.

<sup>43</sup> HMRC, *Evaluating the Impact of Stamp Duty Land Tax First Time Buyer's Relief*, November 2011. The cost of the relief in 2010/11 was £150 million.

located – with only 12% of such flats being sold under Right to Buy.

In addition, mobility through the social housing market has stagnated, with only 9% of social renters having lived in their home for less than a year, compared to 38% of private renters.<sup>44</sup> Some 8% of English families are on a housing waiting list. There is a major shortage of stock, compounded by a lack of turnover. This is pronounced on large council estates, where 60% of social housing tenants live on housing benefits.<sup>45</sup> For many, the dream of home ownership seems out of reach.

The Coalition recently announced an increase in the discount for council property tenants, of up to £75,000. It is subject to various conditions, and does not extend to housing trust tenants. Other proposals to extend the Right to Buy to housing association tenants have been made by politicians from both sides of the political spectrum.<sup>46</sup>

However, from the point of view of both creating more housing stock and promoting social mobility, a more radical option would be to promote a Right to Own. The Peruvian economist, Hernando de Soto, has done ground-breaking work showing the beneficial impact of giving the poorest people in shanty towns title over their unregulated and untradeable properties. In *The Mystery of Capital*, de Soto estimated there was \$9.3 trillion of ‘dead capital’ in the developing world. Governments from Egypt to the Philippines have taken up his theme, instituting large-scale property-titling campaigns.

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<sup>44</sup> Biteback, *After the Coalition*, various authors, 2011.

<sup>45</sup> Ibid.

<sup>46</sup> David Davis and Frank Field, *Right to Buy 2.0*, IPPR, January 2012.

Giving title to the poor over sprawling homes and other assets – such as businesses – otherwise caught up in a legal no-man’s land can free up credit and encourage investment.

The situation in Britain is far removed from the poor countries de Soto has in mind. Our legal and property systems are well-developed. Nevertheless, the assets that comprise the social housing sector are massively under-utilised. There are around 4 million social homes in England worth around £250 billion. A Right to Own scheme could unlock that under-utilised capital and incentivise home ownership for those excluded from the bottom rung of the housing ladder.

One option is a scheme that gives tenants an equity stake in their home that could be either realised on sale – and put towards a deposit – or transferred to a shared ownership scheme (combining equity and renting). Giving tenants an automatic share in ownership of the property – scalable according to variables including income, deprivation, and length of tenure – would incentivise those in work to save, sell up and buy a new home. That would also free up existing stock by enabling proceeds from the remainder of the sale to be reinvested in building new social housing. By releasing ‘dead equity’ – in the same way that de Soto advocates releasing ‘dead capital’ – there is an opportunity to promote social mobility for those who would otherwise remain excluded from home ownership.

## 9. TEACHING REFUGEES ENGLISH

Of those fleeing torture or persecution – whether rich, middle-class or poor – many arrive in Britain with nothing, and have to rebuild their lives from scratch. In a sense, they are victims of criminally-enforced downward social mobility and disenfranchisement. Britain has long been regarded as a safe haven for those escaping despots and tyrants. However,

a range of financial, social and cultural challenges face those foreign arrivals who are starting again. The first is language. 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'.<sup>47</sup>

Compared to the overall level of immigration, the number of refugees that come to the UK is relatively small. In 2010, 3,570 people were granted refugee status or humanitarian protection.<sup>48</sup> Unsurprisingly, language is a major issue. 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".<sup>49</sup>

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.<sup>50</sup> However, 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.<sup>51</sup> 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.<sup>52</sup> (At present,

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<sup>47</sup> Quoted in the *Sunday Times*, 23 October 2011.

<sup>48</sup> 'Control of Immigration' statistics, available at: <http://data.gov.uk/dataset/control-of-immigration-statistics>

<sup>49</sup> Home Office, *Skills audit of refugees*, 2004.

<sup>50</sup> Home Office, *Spotlight on refugee integration*, July 2010.

<sup>51</sup> Home Office, *English language training for refugees in London and the regions*, 2003.

<sup>52</sup> Dr J Phillimore, Dr E Ergun and Dr L Goodson, *Now I do it for myself: Refugees and ESOL*, University of Birmingham, 2007.

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).<sup>53</sup>

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. Equally, funding 500 new ESOL teachers would cost in the region of £10 million.<sup>54</sup> This would be more than enough to ensure that refugees arriving in Britain can get to first base, equipping them with the basic language skills they need to find work and integrate into the community.

The cost of providing this language training could 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 world of difference between a refugee fleeing torture, arriving in Britain with little English, and economic or other migrants who could learn the basics before entering Britain, but choose not to. The Coalition is rightly introducing stricter language requirements for visas. They should be set at a level so that newcomers have enough basic English to get by, apply for work and be a part of their community, rather remain than isolated and dislocated from the population at large. As well as promoting community cohesion, that would free up the £180 million spent on translation

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<sup>53</sup> See Written Ministerial Statement from Skills Minister John Hayes MP, 18 July 2011.

<sup>54</sup> The starting salary for a teacher of English as a second language is between £16,000 and £23,000. See Prospect's website, at: [http://www.prospects.ac.uk/english\\_as\\_a\\_second\\_language\\_teacher\\_salary.htm](http://www.prospects.ac.uk/english_as_a_second_language_teacher_salary.htm).

services over the last three years in government departments, councils, NHS trusts and police forces.<sup>55</sup> That is a fraction of the cost of teaching refugees basic English, and would easily provide the funding needed to ensure they can enrol on a basic language course immediately on arrival.

## 10. TAX BREAKS TO HELP THE DISABLED INTO WORK

One group often overlooked by reviews of social mobility that focus on class or income mobility are the disabled. Since many disabilities are not hereditary, such research inevitably overlooks them. However, they represent one of the most vulnerable groups in our society, often underdogs in the struggle for jobs in an increasingly competitive climate. Equally, political debate in this area often tends to focus on preserving levels of welfare benefits, rather than support in the workplace to promote employment and independence. This is exacerbated by the current equality and diversity agenda, which advocates positive discrimination rather than trying to equip the disabled to compete on meritocratic terms wherever possible.

For disabled people capable of working, employment is a critical route to a normal life in both economic and social terms. According to research by the Royal National Institute for the Blind in 2004, around half of all unemployed people who say they want to work are disabled – which equates to over a million disabled people wanting to get a job.<sup>56</sup> The current state support for promoting employment is a grant-based scheme called

‘Access to Work’, set up in 1994, which shares the costs of special equipment or work-place adaptations between the employer and the state, according to a complicated tapering system.

The rationale for the scheme – subsidised investment in the workplace to encourage employers to hire disabled recruits – is sound. After flexible working-time, changes to work area, equipment or building modifications are the highest priority for those with a disability who are seeking work.<sup>57</sup> However, the Access to Work scheme has failed to get more disabled people into work. The numbers of people benefiting have dropped over the last eight years.<sup>58</sup> The scheme is complicated and bureaucratic. 74% of employers surveyed had never heard of it.<sup>59</sup> A government-commissioned review in 2011 found onerous administrative burdens, gaps in availability and eligibility, and recommended that the scheme ‘radically simplify assessment, thereby saving time, money and bureaucracy’.<sup>60</sup>

In addition, certain capital allowances in the UK are available for adjustments that might facilitate disabled access in the workplace, but they are piecemeal and limited. There is no all-encompassing tax break to incentivise and

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<sup>55</sup> This data was collated from Freedom of Information (Fol) requests published in the *Sunday Times* on 23 October 2011. The total translation costs will be much higher given the selective nature of the Fol requests.

<sup>56</sup> RNIB, *Access to Work*, August 2004.

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<sup>57</sup> See tables 7.6 and 7.8, Office for Disability Issues, *Life Opportunities Survey – Wave one results, 2009/11*, December 2011.

<sup>58</sup> According to a written ministerial answer on 11 December 2003 by the Department of Work and Pensions Minister, Maria Eagle, the number of people benefiting from the scheme in 2002/3 was 36,606. According to *Access to Work – Official Statistics*, April 2012, 35,830 people benefited in 2010/11.

<sup>59</sup> *Ibid.*

<sup>60</sup> Liz Sayce, *Getting in, Staying in and Getting On*, Department of Work and Pensions, June 2011.

support the hiring of those with disabilities.<sup>61</sup> By contrast, the US operates two federal schemes offering business tax breaks for employing disabled employees, to promote bespoke investment to make business premises more accessible and remove other barriers to employing disabled staff.<sup>62</sup> The scheme has significant benefits, although a report to Congress by the US General Accounting Office also highlighted substantial scope for improvement – including through better advertising of the scheme amongst employers, simplifying the administration, expanding eligibility to cover ICT adaptations and larger businesses, and increasing the levels of relief to encourage take-up.<sup>63</sup>

The UK's Access to Work scheme is not delivering. It should be replaced by a simple, clear and substantial tax allowance for employers to pay for adaptations, equipment and other work-place support when employers hire disabled staff. In particular, the current £105 million annual funding for Access to Work should be doubled and re-invested in the new employers' disability tax allowance, to increase the incentives for businesses to take on talented disabled staff who need some material work-place support. The allowance should be backed up by a concerted effort to advertise it to employers.

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<sup>61</sup> The Confederation of British Industry, Federation of Small Businesses and the Disability Commission called for such a tailored tax break, as reported in the *Daily Telegraph*, 18 October 2004.

<sup>62</sup> There is a Disabled Access Credit under section 44 of the IRS Code, and a Barrier Removal Scheme under section 190.

<sup>63</sup> US General Accounting Office, *Business Tax Incentives – Incentives to Employ Workers with Disabilities Receive Limited Use and Have an Uncertain Impact*, December 2002.

## THE COST OF LEVELLING THE PLAYING FIELD

Many of the proposals set out above are cost neutral or may over the long term generate revenue. However, others will require funding. The total cost of the policies identified amounts to an estimated £1.655 billion per year. So, given the priority to reduce the deficit, it is necessary to find savings from other areas of public spending that at least match this sum.

Investment in social mobility and meritocracy should be funded by making a start at dismantling unnecessary and corrosive bureaucracy. In particular, those elements that engage in social engineering, positive discrimination and other overweening or intrusive rule-making should be prime targets.

Take the equality and diversity agenda in the UK. Whilst robust rules that ban discrimination on grounds of gender, race, religion or sexuality are necessary, the Equality Act 2010 has gone further, by sanctioning positive discrimination and burdensome diversity reporting requirements on 25,000 hard-pressed schools, police forces, councils and other public bodies.<sup>64</sup> The Government Equalities Office and the Equality and Human Rights Commission have become state-funded lobbying groups for policies that promote positive discrimination, social quotas and other socially-engineered egalitarian outcomes. The Government Equalities Office serves little purpose. It should be abolished, saving £63 million per year, and any residual functions hived off into the Ministry of Justice.<sup>65</sup> Likewise, the Equality and Human Rights Commission should be re-focused on its core task of

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<sup>64</sup> Dominic Raab, 'Equality quotas will tick all the wrong boxes', *The Sunday Times*, 21 November 2010.

<sup>65</sup> Government Equalities Office, *Annual Report and Accounts 2010-11*, 14 July 2011.

monitoring UK anti-discrimination laws, rather than developing policies to promote socio-economic equality and positive discrimination. Its administration budget is almost four times the cost of its programme budget, suggesting a bloated bureaucracy. The total budget could be scaled back, over and above existing cuts, saving at least £10 million a year.<sup>66</sup> At the same time, scrapping the new public sector equalities duties would save thousands of public bodies up to £26 million per year.<sup>67</sup>

Next, the budget of the Health and Safety Executive (HSE) should be reviewed. The cost to business of new health and safety regulations introduced since 1998 has been estimated at £4 billion, of which £2.5 billion derives from UK as opposed to EU regulation.<sup>68</sup> Beyond the economic costs, the HSE has contributed to the health and safety culture that has seen pancake day races cancelled, conkers banned in schools and shops refusing to put up Christmas lights because of the costs and fear of being sued.<sup>69</sup> Ensuring safety standards in high-risk sectors of industry and other professions is important, but the overweening – if well intentioned – approach of the HSE has imposed huge costs and undermined personal responsibility. Around 89% of the HSE budget is still currently consumed by administration costs.<sup>70</sup> Just

reducing its current administrative expenditure by a further 15% would save £43 million a year.

The flow of new environmental rules and regulations has also imposed heavy new costs on UK business and energy consumers, which hits some of the poorest households the hardest. The UK government has two environmental departments, the Department for Energy and Climate Change (DECC) and the Department for the Environment, Food and Rural Affairs (DEFRA). Leaving aside substantive regulation, it is difficult to understand why Britain needs two separate and independent environmental departments. If anything, it generates inter-departmental competition and undermines an integrated overarching approach to environmental policy. DECC currently spends £2.2 billion per year on capital spending and administration, while DEFRA spends £1 billion on the same. Therefore, without touching their programme spending, it should be possible to save £1 billion per year by merging the two departments and reducing spending on capital and administration by less than a third. This would cut bureaucracy whilst helping to drive a more coherent overarching UK environmental strategy.<sup>71</sup> In a similar vein, UK development policy could be returned from the Department for International Development (DfID) to the Foreign & Commonwealth Office (FCO). DfID has tended to run a shadow foreign policy, undermining a coherent strategic approach to UK international relations. It spends over £1.7 billion per year on capital spending and administration. So, even leaving its programme spending entirely intact, returning its functions to the FCO could save around £1 billion a year in unnecessary bureaucracy. Equally, there is a case for scrapping the Department for

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<sup>66</sup> See written response by Lynne Featherstone MP to John McDonnell MP, Hansard, 10 January 2012.

<sup>67</sup> Government Equalities Office, *Creating a single set of specific duties to underpin the new Public Sector Equality Duty*, Impact Assessment, 27 June 2011.

<sup>68</sup> See Corin Taylor, *Health and Safety – Reducing the Burden*, Policy Exchange, 2010.

<sup>69</sup> For an overview, see Dominic Raab, *The Assault on Liberty – What Went Wrong with Rights*, Fourth Estate, 2009.

<sup>70</sup> Health and Safety Executive, *Annual Report and Accounts 2010/11*, 30 June 2011.

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<sup>71</sup> See the respective 2011-15 Business Plans for DEFRA and DECC, published May 2011.

Business, Innovation and Skills, and having any essential functions into the Treasury, especially if a substantial proportion of its £18 billion annual budget could be used to stimulate enterprise and start ups by cutting business taxes.

Beyond Whitehall, massive savings could be made if the European Union were required to show the kind of discipline exercised by many national governments. By merely limiting the UK's net contribution to the EU budget to the average for 2005-11, a net annual saving of almost £2.5 billion could be achieved compared to current spending.<sup>72</sup> If the unnecessary second headquarters in Strasbourg – that sits unused for more than 300 days per year – was scrapped, the UK would save over £20 million per year.<sup>73</sup> Finally, if the UK repatriated its contribution to EU structural funds – the scheme for redistributing money to poorer regions, which has been plagued by fraud and mismanagement – it would save £3.5 billion per year.<sup>74</sup>

If all of these relatively modest savings could be secured, it would account for £10.1 billion per year – over six times the cost of the funding required for the social mobility agenda set out in this report. The purpose of this section is not to set out a detailed financial plan. However, it shows that the UK state can be reduced in size and shape in a way that

would allow the overall burden of taxation to be reduced, whilst at the same time investing in a range of policies to strengthen social mobility and meritocracy – giving the underdog more opportunities in a freer and fairer society.

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<sup>72</sup> HM Treasury, *European Union Finances 2011*, December 2011. The figures for the UK's EU budget contribution do not include the additional cost of recent Eurozone bailouts.

<sup>73</sup> See Ashley Fox MEP, *Scrap Strasbourg*, writing on [conservativeeurope.com](http://conservativeeurope.com), 2012.

<sup>74</sup> See Open Europe, *Off Target – The case for bringing regional policy back home*, January 2012. See also the investigation into EU structural funds by the *Financial Times*, November-December 2010, which found systematic fraud, negligence and abuse.



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