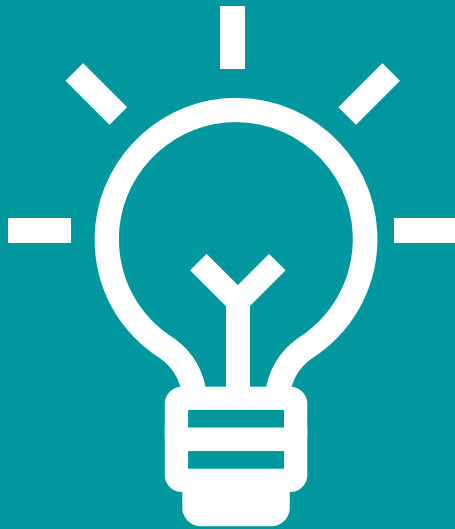

PLANS FOR POWER

**FABIAN IDEAS FOR
TRANSFORMING BRITAIN**

ANDREW HARROP



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The logo consists of a solid black square. Inside the square, the words "FABIAN" and "SOCIETY" are stacked vertically in a white, bold, sans-serif font. "FABIAN" is on the top line and "SOCIETY" is on the bottom line.

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INTRODUCTION

Think tanks are not political parties. Most of the time we examine policy problems one by one. It is not our role or responsibility to construct comprehensive political programmes.

But there are occasions when it is important to take a step back and put some of the jigsaw pieces together. Now is one of those moments, as a decisive general election draws into view, and with it the prospect of Labour moving from opposition into power for the first time in 27 years.

The Fabian approach to policy thinking is made for such a time. Our research is carefully calibrated to bring together an understanding of left-wing political values, technical policy detail, and a clear-headed appraisal of public opinion. We avoid unworkable proposals and ‘blue skies’ ideas that will not survive contact with either political reality or the reality of people’s lives. But we always offer answers that are sufficient in their scale and ambition to respond to the problems the country faces.

This pamphlet is a compilation of some of the most important ideas developed and championed by the Fabian Society in recent years. It is a ‘mix tape’ of our best proposals: from early years to pensions and from the future of work to public service reform. We say ‘plans for power’ deliberately because many of the recommendations are things that a new government should do once it has won, not things to put in a manifesto in opposition. Some of the ideas are too long-term, technical or expensive to feature in an election programme. But they could prove vital in the first term of a Labour government.

The policies presented are broad and diverse but they are not comprehensive. Like all think tanks we need to pick and choose the topics we work on. In particular, we have not published recent policy recommendations on the UK’s path to net zero, although this is the highest priority facing the nation and the planet. Our recent work on climate change has focused on winning

hearts and minds.¹ But there is no shortage of policy detail from other institutions, and all of the plans in this pamphlet need to sit alongside measures to rapidly and equitably decarbonise the British economy.

Another vital issue we do not touch on is the UK's future relationship with the EU, although rebuilding economic ties with Europe is an essential prerequisite

for any future national rejuvenation. The list of gaps also includes national and personal security, food and agriculture, migration, schools and universities. But what is here is a big and important agenda for a reforming government of the left. The pamphlet is not trying to cover all bases, but these are significant proposals that would make a huge difference to people's lives.

Key proposals in Plans for Power

1. **Stewarding the public finances (UK/England):** an Office for Value for Money; better capital expenditure decisions; improved spending reviews; place-based budgeting and audits; long-termism in all spending decisions.
2. **Public service reform (England):** public services based on stronger public character and ethos; devolution of trust and power to places, institutions, frontline employees and citizens; greater performance and value through data, peer-led improvement, early intervention and joined-up provision.
3. **Early years inequality (England):** a cross-government strategy to cut under-fives inequality; comprehensive local early years services; new health and development checks; 30 hours a week of free childcare for all disadvantaged children aged 9 months to 5 years.
4. **A National Care Service (England):** a new partnership between national government, councils and care providers offering help to everyone who needs assistance, with fair funding, new rights and nationwide terms and conditions for care workers.
5. **A living standards commission (UK):** to advise the government on minimum income adequacy thresholds, poverty reduction targets and strategies for raising living standards, all informed by the perspectives of citizens.
6. **British employment insurance (UK):** a new system of income protection, to be built over 10 years, with time-limited benefits and statutory pay schemes that replace at least half of people's usual earnings when they are sick, caring for babies, unemployed or carers.
7. **Good pensions for all (UK):** higher minimum employer pension contributions; opt-out pension saving for all workers including the self-employed; automatic conversion of pension savings into lifelong retirement incomes.

8. **Homes people can afford (England):** more than one third of new homes to be affordable; capital grants to build 90,000 social homes per year; new communities on well-connected green belt; councils to purchase private rented homes for social housing.
9. **Workers and technology (UK/England):** an integrated adult skills system with an offer for every business and worker; updated rights for technology-enabled work; expanded collective bargaining; new partnerships between employers and worker representatives.
10. **Economic devolution (England):** every part of England able to take on the powers currently devolved to Greater Manchester and the West Midlands; nationwide bus franchising; fair financing for mayors; local revenue-raising measures; beefed up financial accountability.
11. **A review of taxation (UK):** examine loopholes and tax reliefs; consider whether there is a case to reform taxes on assets, businesses and non-employee income; debate earmarked health taxes; start to explore long-term integration of social security and personal taxes.

Some of these proposals have already been adopted by Labour as have other Fabian ideas that did not make it to this list of 'greatest hits'. The party's programme includes Fabian recommendations covering an Office for Value for Money, the design of a National Care Service, fair pay agreements, broadband social tariffs, an industrial strategy focused on good work, development on the green belt, bus franchise reform and the fair taxation of private schools.

There are also issues that Labour has said are important and that it will tackle in power, where Fabian research has built the case for action – including early years, pensions and skills. We know that these plans are not all things that a political party can or should sign up to in opposition. But all of them are a resource for a Labour government in power.

AMBITIONS FOR POWER

Stepping back from the policy detail, it is vital first to ask: what should be the ambition of a new government of the left? The Labour party has set out its stall by committing to five 'missions' for a future administration, covering economic growth, clean energy, health, safety and opportunity.

But the left's ambition can actually be expressed even more simply. The core task of government for the next decade should be to deliver just two things: 'good growth' and 'good society'.

Good growth means significantly and sustainably increasing living standards for everyone, while making rapid progress towards net zero carbon emissions. **Good society** means transforming the UK into a country that is much healthier, better educated, safer, greener, more caring and

nurturing, and more fair, equal, resilient and united.

On both of these ambitions, an incoming government needs to show it will bring real change. People feel the country is stuck, or going downhill, and they sense that a big re-set is needed. But they are also insecure and sceptical about the capacity of politics to make things better. Labour politicians need to simultaneously provide reassurance and convince that they offer a genuine break from the Conservative years, with a scale of transformation sufficient to reduce the risks people face and change their lives for the better.

People sniff out 'sticking plasters' and gimmicks that are clearly not commensurate with the size of the problems the nation faces. Politicians need to avoid hundreds of small promises that individually won't change much but together might look as if they cannot be achieved. Instead an incoming government should promise a limited number of things that are big, specific and memorable. That is the thinking behind Keir Starmer's five missions, as an organising framework for the party's electoral promises.

Collapsing all the differences between political parties and playing down the size of the challenges facing the country will not create belief in a left-wing project of government. It will breed cynicism and play into the view that nothing can make a difference. Labour should only seek to reduce the gap between party positions, or practice 'small target' politics, on issues that are not strategic. So the party should not get sucked into culture war controversies deliberately

concocted to place it on the wrong side of dividing lines from the median voter.

But on fundamental questions that will define the future of the country, the left must speak up and be clear about the difference it will bring. Politicians cannot over-promise where the economic and fiscal constraints are real. But nor should they under-promise out of an abundance of political caution. Labour's recent wobble over whether to support life-saving air pollution interventions is a case in point. Principled and distinct positions will give people good reason to vote, earn permission to exercise power boldly, and generate the ideas needed to transform the country from government. The change promised must be believable. But credibility can best be established by talking about 'who you are' and 'how you will do it', not by scaling back ambition.

CHANGE OVER A DECADE

The next government should set itself a series of goals that it will seek to achieve over 10 years. They should reflect the greatest challenges facing the UK and feel relevant both to the country as a whole and to individual families. Together they would specify what it will take to achieve good growth and good society.

This is mission-oriented government and Labour's five missions are an important first go at creating such long-term direction. As they stand, they are designed as much with winning as governing in mind. But they will develop over time as the final version of 10-year goals can only be determined in government.

Possible 10-year goals for a new government

Good growth

1. **Declining carbon emissions** – emissions below one quarter of 1990 levels and net zero electricity.
2. **Rising living standards** – household incomes rising in line with the post-1945 average and catching up with other rich nations.
3. **Narrowing regional inequality** – a measurable fall in geographic gaps in economic output, earnings and household incomes.
4. **Falling poverty** – ending destitution and halving the proportion of people living in poverty
5. **More affordable housing** – a fall in rents and house prices relative to earnings and a million more homes for subsidised rent.

Good society

1. **Better health** – healthy life expectancy rising in line with the post-1945 average, health inequalities narrowing, better mental health and wellbeing, and restored confidence in the NHS.
2. **Better educated** – a rise in the number of young people and adults acquiring qualifications at every level and much narrower socio-economic attainment gaps.
3. **Safer** – less crime, less fear of crime, less vulnerability to cyber and security threats, and greater confidence in the police and justice system.
4. **More caring and nurturing** – more support and time together for families; high quality, affordable childcare and social care that meets levels of need.
5. **Fairer and more equal** – a fall in inequalities in income, wealth and power; greater social mobility; and institutions built on integrity, openness, fairness and respect.

Such long-term goals should be stretching. Incoming ministers should be able to say: “These are the things that matter. They are difficult. We may not achieve them all. But even if we come close, we will change the country for the better.”

In some cases, we have a pretty good idea of how to achieve the goals a new government might set. It is just that the barriers to progress are formidable. A good example is carbon emissions

where the world-leading work of the UK Climate Change Committee has set out a clear policy roadmap. The major contours of a comprehensive anti-poverty strategy are also well understood, not least because many of the elements were put in place by the last Labour government before being undone by the Conservatives.

In other fields ministers will need to experiment, learn and adapt as they go. That is certainly the case when it

comes to growing productivity and earnings. A new government will be able to increase growth by correcting some obvious errors made over the last 13 years – and in some cases much longer. But we do not have comprehensive answers to why the UK's economic output per hour of work has grown so little, or how to close the gap with peer nations.

Progress on some goals will depend on significant increases in public spending. Here immediate achievements may be limited because a new administration will face unavoidable economic and political constraints. Progress will depend on the economy growing fast enough to generate the necessary new revenues. It may also require politicians to make the political case for extra taxes. These fiscal constraints will apply to goals relating to the NHS, care, education and poverty: other things will have to be going right for ambitious objectives on these issues to become possible.

Achieving other 10-year goals won't be down to public money but political leadership. Reducing emissions, increasing earnings, helping people to lead healthy lives and making housing more affordable are all things that rely on government regulation, coordination and direction much more than public spending. On these matters, there are powerful political and behavioural barriers that stand in the way of change: vested interests, a hostile media and attachments to old ways. But the public finances are not the constraint. There is also low-hanging fruit to be grasped because previous Conservative inaction has often arisen from ideology and division. An incoming Labour administration can start here. While the scope for solving problems with public spending is highly constrained, the possibilities for change via regulation and public leadership are in principle boundless.

Big reforms that will require zero or minimal public spending

1. Automatic social tariffs for energy and broadband
2. Bus regulation and local franchising
3. Clearing the asylum backlog and enabling more applicants to work
4. Closer economic relationship with the European Union
5. Consumer protection and competition reforms
6. Decent sick pay paid for by employers
7. Democratic second chamber
8. Devolution in England and more powers for Scotland and Wales
9. Ending restrictions to onshore wind and solar power
10. Expanding workplace pension contributions and eligibility
11. Low emission zones, congestion schemes and road pricing
12. National living wage increases
13. Planning and land compensation reform
14. Public health regulation targeting obesity, tobacco and alcohol
15. Restored trade union rights and expanded collective bargaining

16. School curriculum and assessment reform
17. Sentencing and rehabilitation reform
18. Tenant rights and protections
19. Unlocking private sector patient capital
20. Zero-carbon requirement for new buildings

On other issues, progress can be made if Labour tackles the short-termism of the British state. Borrowing that creates public assets should be treated differently from borrowing that does not: this would fundamentally change how decisions are made about investment, infrastructure and social housing. And making decisions from a 10-year viewpoint would skew policy making towards preventing need and solving the underlying causes of problems.

A long-termist perspective is also needed to secure permanent change. Some of the best achievements of the last Labour government were quickly undone by its successors. Policies have the best chance of standing the test of time if they are enshrined within strong institutions and are understood and cherished by the public. So a new government must build popular institutions not just pull levers that can be reversed. In particular, creating more dispersed centres of power within the public sector and stronger partnerships involving businesses, unions and the third sector will make it harder for the right to unpick progress in the future, that has been built through

shared endeavour by a varied tapestry of actors.

The challenge will be to work out where immediate action is needed, and where long-term plans need to be put in place. A fresh administration will need to act fast where it has to make critical 'rescue' interventions; where tough choices are needed that a new government is best placed to sell; and where power needs to be given away (something politicians find easiest when they first take office). But in many other cases, what matters will be a clear vision and carefully sequenced reforms sustained over many years: exactly what has been lacking under successive Conservative administrations.

This is a decisive moment for the UK where the nation feels that political change is possible. There is no room for complacency. Labour will need to make tough tactical choices before the election and be ruthless in its pursuit of power. But the party also needs to be ready to provide transformational change if it does win, ready to solve the fundamental challenges the country faces by working on a 10-year timescale. Plans for Power is a resource that will help make that happen.

CHAPTER 1

STEWARDING THE PUBLIC FINANCES

(UK/ENGLAND)

The next government will face very significant financial constraints and will need to prove it can be trusted with the public's money. It will also inherit a public finance apparatus that leads to bad decision-making and inadequate scrutiny. When money is tight, ensuring that every pound is well spent will be absolutely essential, both for achieving the government's strategic goals and maintaining economic credibility.

Work by the Fabian Society dating back over the course of a decade contains a wide range of ideas to modernise how financial decisions are made and scrutinised across government, public services and local public bodies.

Key proposals include:

Create an Office for Value for Money working within central government to support the Treasury and government departments to make effective spending decisions and ensure they translate into results. This would be a powerful independent-minded cross-government body, tasked with championing good financial decision-making and evaluation,

driving productivity and performance improvements, supporting government to set and monitor outcome goals, and encouraging innovation in public services. The body would improve the use of public spending and help build trust in public services.

Make better investment decisions.

Fundamental change is needed to the way capital investment decisions are made, to stop short-term and sometimes arbitrary fiscal constraints leading to the UK making the wrong decisions for the long-term – whether that is the recent decision to slow down the delivery of HS2 or past choices to get investment off the government's books through the private finance initiative. Public investments should be made whenever there is a strong financial, social and environmental return, even in tight fiscal conditions. Appraisals should be conducted by expert independent bodies (for individual large projects or categories of investment) involving the Infrastructure Commission, the Climate Change Committee, the OBR

and the new Office for Value for Money. Special attention should be given to investments that will increase economic growth and therefore tax revenues, or reduce future spending needs. In this context, the OBR should provide advice on the long-term impacts of investment decisions on the public finances (outside the immediate budgeting period). Investment decisions that create public assets should be treated differently than other forms of spending. This could be achieved by replacing a single headline measure of public debt with a scorecard that includes public sector net worth (a measure which counts government assets as well as liabilities).

Improve spending reviews. Ministers should commit to a regular cycle of multi-year strategic spending reviews. Compared to recent Conservative spending reviews, these should look more broadly across the public finances and take a longer term perspective. As well as presenting plans for departmental spending they should set out the direction for tax, social security and non-fiscal policy with major implications for tax or spend. Each spending review should set detailed departmental budgets for three years, and indicative budgets for a further two. This five-year timeframe will stop ministers from making unrealistic assumptions about the public finances after the spending review period, as the Conservatives are currently. Capital investment plans and the broad outline of tax and spending should also be set for five years. Subsequent budgets would then be used to lay out the detail.

Tax and spending decisions should be subject to the same scrutiny as each other, by government and parliament, especially tax allowances and reliefs that have equivalent goals to public spending. Likewise, non-fiscal alternatives to tax or spending, especially regulation, should always be considered. Spending reviews should be more open and participative, which implies a multi-stage process. They should begin with the publication of a set of principles to act as tests to guide individual decisions; and a long-term expenditure statement (to show the link between ministers' immediate plans and their views on the evolution of spending over decades). At department level, time should be built in for consultation on options and bottom-up participative processes.

Introduce place-based budgets and financial accountability. Ministers should create a new financial framework that establishes the conditions for strong local leadership, innovation and accountability, as part of devolution in England. Decisions about public spending in each locality and region should be made and scrutinised in the round, with local public bodies required to coordinate their spending plans for communities and to align or pool budgets wherever appropriate. Local and regional authorities should be required to establish local 'public accounts committees' that examine the effectiveness and value of all spending in their area. The government should establish a successor to the Audit Commission to audit all local public spending, to assess the impact

of overall spending in each area, as well as overseeing audit for individual local public bodies. Going further, where there is the appetite and capability, ministers should be open to devolving all public service budgets to city regions.

Bring long-termism to all spending decisions. Public spending needs to be more focused on achieving results over the medium and long term, with a focus on future outcomes, prevention and technology. All spending decisions should include a '10-year test' which considers long-term impacts, including the effects of decisions on wider society and other public agencies, with public bodies required to assess the 'year 10' costs of all major decisions. Local arrangements for coordinating and scrutinising budgets should always assess decisions with respect to prevention and long-term impacts in the locality. Across key public services,

ministers should consider mandating budget holders to top-slice a proportion of their annual spending to allocate to early intervention (as proposed by the Fabian Society in the case of adult social care). Capital investment budgets should also be set at levels that will support investment in technology, infrastructure and modern public service facilities. Better budgeting practice should reflect the long-term assets and liabilities created by financial decisions.

Further reading

Prizing the Public Pound; 2030 Vision: The Final Report of the Fabian Commission on Future Spending Choices; The Fiscal Alternative: Public Finance Choices for the Left

CHAPTER 2

PUBLIC SERVICE REFORM (ENGLAND)

New ministers elected next year will face very high expectations to restore and modernise public services, at a time when money will be tight and the technology-driven possibilities for innovation are huge.

Modernisation and reform should be based on three interlocking principles, which offer an alternative to the prevailing dogmas of recent decades – top-down control and market-based reform. Together these principles embody what it means to be a ‘public’ service – ie delivering value for the public, involving the public in what happens, and embodying a special public character and spirit.

PRINCIPLE 1: STRONG PUBLIC CHARACTER

Strong purpose, ethos and values should be reflected in public services’ aims and ways of working. In a 2014 report, *Going Public*, the Fabian Society proposed six maxims that every public service should seek to follow:

1. Help people acquire capabilities so they can thrive
2. Serve the collective interests of society
3. Champion equality, dignity and respect
4. Set direction through democratic politics and ‘shared ownership’
5. Act through collaboration
6. Uphold transparency and probity

To bring these six maxims to life, a new ‘statecraft’ is needed to build enduring, values-rich institutions, rather than manipulating providers with the sticks and carrots of markets or top-down control. Public services and public interest organisations may fall short of these maxims but in principle they offer a dividing line between the public sphere and the free market. The first maxim is derived from international human rights law and practice regarding social and economic freedoms which are poorly embedded within UK law and institutions.

Actions to consider:

- Implement the Equality Act duty for public bodies to address socio-economic inequality.
- Introduce social, economic and cultural rights into UK law as constitutional guarantees of public service purpose and minimum standards.
- Support each public service to collaboratively develop a ‘constitution’ along the lines of the NHS constitution setting out its public purpose, values and key promises to citizens – and promote similar conversations and processes at local level.
- Review governance arrangements in all public services to embed public ethos, stakeholder participation and institutional accountability and autonomy.
- Legislate to bar the outsourcing of large public service systems; and consider either excluding for-profit delivery from more areas of public service or creating presumptions in favour of public or non-profit delivery.
- Promote non-market partnership models that enable public services to develop long-term relationships with each other and independent non-profit institutions dedicated to the public interest.

PRINCIPLE 2:

TRUST AND EMPOWERMENT

Trust and power should be spread downwards and outwards to citizens, employees, public service institutions

and sub-national government. Each level, from national government to the frontline employee, needs power and a commitment to empower others.

Service providers should seek to create equal frontline relationships with citizens and involve users in the design, planning and evaluation of their work. This requires motivated, empowered employees, who are able to focus on two-way relationships and professional excellence. Employers should focus on their workforce’s long-term vocational development to support frontline practice, adaptation and judgement.

Each public service institution should be partly self-governing to create space for deliberative decision-making involving citizens, employees and other stakeholders. This will enable them to be adaptive, self-improving organisations with the autonomy to collaborate in flexible local networks. This is critical when it comes to applying technology and data, and in working together to offer early, personalised and seamless support.

National government should lead through two-way dialogue with public services and by founding or repurposing autonomous public service institutions. Ministers should develop the response to long-term strategic challenges and set a limited number of national guarantees, entitlements and service improvement priorities. Local and regional layers of government should be the ‘ring-masters’ of local public services, with the power to steer the priorities of all local services, drive collaboration and provide scrutiny and support.

Actions to consider:

- Establish national and local leadership councils for each public service, made up of politicians, public service leaders, citizens and employees.
- Redesign audit, regulation and service improvement arrangements to focus on the perspectives, experiences and contributions of citizens and employees.
- Support employees in all public service occupations to found autonomous national professional institutions, where they do not already exist, to define excellent practice and support learning.
- Designate in law that councils are the ‘ringmasters’ for all public services in their community and create a duty for all local services to collaborate with them; and establish a process for individual councils or sub-regional tiers to bid to take over the commissioning of nationally controlled public services.

**PRINCIPLE 3:
INNOVATION, PERFORMANCE
AND VALUE**

New priorities and possibilities, rising demand and increasing cost pressures require a permanent commitment to innovation, performance and value in public services. This does not mean a ‘race to the bottom’ through cuts to service expectations, capital investment or employee conditions. Instead improvements should be pursued by innovating to continually raise performance, restrain costs and think strategically about demand. In our 2014 report we suggested this requires:

1. Focusing on outcomes for the citizen not functional activities
2. A long-term perspective, including a major focus on early intervention.
3. A whole-place approach, looking across organisational boundaries at the value public services bring collectively
4. Transparency and good use of evidence, in diagnosis and tracking progress
5. The promotion of innovation, learning and risk-taking, with appropriate autonomy, support and rewards

All of this needs to be supported by innovation in the collection and use of data, and the development and application of technology. Sometimes improving performance, containing costs and addressing demand issues may be achieved through incremental developments. But it may also take significant change to public service models, to carry out new tasks or act in new ways – eg adopting new technology and practices to seamlessly join-up services around people. This is particularly true when it comes to measures designed to change patterns of demand – ie early intervention and prevention; redesigning systems to prevent ‘repeat business’ and avoidable use of services; creating conditions in which individuals, families and communities are enabled to meet their own needs.

Actions to achieve ‘innovation, performance and value’ overlap with ideas already discussed for ‘stewarding the public finances’ (chapter 1). Other actions to consider include:

- A limited set of new national standards, improvement priorities and data requirements, across the public services.
- A new right for citizens or employees to trigger an early inspection or local scrutiny of any public service when they have concerns about its performance or ethos.
- New decentralised machinery for supporting service improvement:
 1. Inspectorates and regulators to lose most of their improvement (as opposed to minimum compliance) functions.
 2. Each public service to establish its own independent sectoral

improvement agency, free from direct ministerial control, where these do not exist.

3. Sub-national tiers of government to provide local support and challenge to public services, with accountability to elected politicians.

Further reading

Going Public: The Left's New Direction for Public Services, Public Service Futures: Welfare States in the Digital Age

CHAPTER 3

EARLY YEARS INEQUALITY (ENGLAND)

Our early years define our future. More than one million babies and toddlers live in poverty in the UK – and there is a clear link between low family income during early childhood and educational attainment, physical health, emotional development and wellbeing.² To develop solutions, the Fabian Society convened a cross-party commission on early years, working with the centre-right think tank the Centre for Social Justice. Its manifesto was published in 2021.³

The best antidote to early years disadvantage is to increase parents' incomes through earnings and social security. Young children will be among those most to benefit from proposals for higher living standards and better parental leave (see chapters 5 and 6). But good public services can also make a huge difference. The record of the last Labour government's Sure Start programme was very impressive. The Institute for Fiscal Studies found it reduced hospitalisations, supported safer home environments, and tackled behavioural problems, with benefits continuing to be measurable into adolescence.⁴

The evidence is clear. Investment in high-quality, accessible, and well-funded services for parents, babies, and toddlers tackles inequalities and helps children to grow up happy, healthy and successful. Under the Conservatives more than 1,000 children's centres have closed and early years spending has plummeted. Increased childcare funding has not made-up the gap, because it has mainly targeted a slightly older age-group and has provided most help to households where everyone works, who on average have more money. But where investment in early years has continued, the results are striking: the London boroughs of Hackney and Newham have been able to almost close the educational attainment gap between children on free school meals and their peers by, among other things, maintaining substantial investment in children's centres and providing free meals to all nursery children.⁵

Fabian Society ideas, developed for the early years commission and subsequent projects, include the following proposals:

A cross-government strategy for the early years. This would set goals, for example to eliminate preventable infant mortality, improve child health, boost school readiness, improve the home learning environment and reduce the number of children at risk or in need of local authority care. The strategy should set expectations for joint working across public bodies and create a framework for the effective and secure collection, use and sharing of data. Stronger partnership working and interoperability between NHS and local authority services, based on shared goals and systems, would be the key outcome.

Create comprehensive early years services. All young children and their parents should be entitled to early years support, led by local authorities and designed to work from conception to age five. A universal, non-stigmatising service, with an open door for all families, is the best way to reach the most disadvantaged. The focus should be on broadening and deepening the services and support available not on buildings. But convenient local centres should remain at the heart of the offer (whether they are called children's centres, family hubs, Sure Start or something else does not matter). The new entitlement should include access to baby and parental mental and physical health services, parenting support programmes, childcare, and help on the home learning environment. There should be an emphasis on peer-to-peer support that encourages parents, grandparents and carers

to provide mutual help and advice to new parents. Additional funding will be needed to realise these entitlements – but the long-term investment case is more compelling here than almost any other area of public spending. In the context of tight expenditure constraints, if new money needs to be phased in, the early focus should be on the most disadvantaged communities.

Enhance health and development checks. The Healthy Child Programme delivers public health services to children and families from conception to the age of five, including five mandated health visits and checks. These identify health risks and extra support needs and are an opportunity to support broader child development. But there are currently no checks between the age of one and two-and-a-half, and between two-and-a-half and the start of reception. The checks are also primarily focused on health not educational development or family support. The next government should integrate health and education support for young children and introduce two new mandatory age-based visits or checks at around 18 months and three-and-a-half. The additional checks should focus on improving the home learning environment and school readiness, especially for children living in disadvantaged families. The whole programme of checks should be underpinned by data integration with respect to information about each child, and the support they have received. Where children are not meeting expected levels of development, or a disability is identified, this should always trigger additional help.

30 hours a week of free childcare for disadvantaged children. Children from low-income families should be entitled to 30 hours a week of high quality childcare from the age of 9 months to the start of primary school. This should be irrespective of parents' employment status, so as to provide early education, reduce the stresses and pressures of parenting and enable families to access childcare when preparing for work or education. Alongside this, and to make it feasible, local authorities should have stronger powers and funding to ensure there is sufficient provision of childcare places in their community. Only around half of local authorities have enough childcare

places even for parents working full-time, and more disadvantaged areas often have the particular problems with supply.⁶ Immediately, local authorities should have more flexibility to establish maintained nurseries if they wish to, and they should have greater obligations to ensure the availability of places for children, especially those who are disabled or have parents who work long or non-standard hours.

Further reading

The Early Years Manifesto; A Good Life in all Regions: Uniting Our Country to End Poverty

CHAPTER 4

A NATIONAL CARE SERVICE (ENGLAND)

Care and support services should help all adults to lead a good life if they experience disability, impairment or frailty. But after 13 years of this government, England faces an adult social care emergency. The hospital discharge crisis during the winter of 2022–23 was a symptom of much wider problems. Spending has fallen hugely when compared to levels of need, with poorer communities bearing the brunt of cuts. Access to care has been unfairly rationed with people not receiving the services they are entitled to and levels of support frequently insufficient. Widely praised principles of prevention, wellbeing, personalisation and control were written into the Care Act 2014 but have not been translated into practice.

Due to funding cuts, councils are often not paying enough for safe and sustainable care, let alone for investment in new facilities. Some providers are guilty of poor quality care, exploitative workforce practices and unacceptable commercial behaviours. Poor pay and conditions are among the factors that have triggered a staffing

crisis in the sector, with around 150,000 vacancies.⁷

Unpaid family carers are bearing the brunt of the system's failures, and people receiving support are paying charges they often find punishing.

Without action things will get even worse because the number of people in late old age and with complex lifelong disabilities is rising fast. Billions of pounds of extra money will be needed just to replicate today's level of provision, as inadequate as that is. But extra spending is not enough. Money must come with reform.

As a response the Fabian Society has developed plans for a National Care Service for England that could transform care and support.⁸ The research was carried out for Unison and the Labour party and our proposals would amount to the most significant and comprehensive set of changes to adult social care in a lifetime.

Under the plan, care would become a partnership between national government, local authorities and independent providers. There would

be a new set of duties for the secretary of state, mirroring those that exist with respect to the NHS. Ministers would take on expanded responsibilities with respect to people's entitlements, the workforce, local funding, the pricing of services, provider standards and capital investment. Such national leadership and coordination will give people who require support and their unpaid carers clear and consistent guarantees, it will help expand the quality and quantity of the care workforce, and it will shape and grow the landscape of care provision to meet people's needs.

The NHS and adult social care would remain separate though interconnected services. They would have a new joint responsibility for managing emergency care needs and hospital discharge. Local government would lead the local planning and delivery of care, working with people requiring support, their carers and local providers. National government would only exercise additional functions where this was needed.

Independent providers would continue to deliver a large proportion of adult care. They would face stronger expectations and requirements as delivery partners working within a national public service. Local authorities would be free to expand the use of in-house or non-profit services.

From the start, the service would be for everyone not just those with low incomes. In other words, the National Care Service will be there to offer support and peace of mind to all. Over time, this support would become more affordable: reform of care charges should not be the first priority for extra money; but reductions in care fees can be progressed gradually alongside other changes.

Building a National Care Service will be a long-term project that will likely take up to a decade to complete. First steps will be needed immediately after the next general election to stabilise care services and to ensure that people start to see initial improvements quickly. This should involve a sector-wide workforce agreement on pay and minimum conditions.

Meanwhile the government should embark on consultation, planning and legislation. Once the reform process is underway and ministers can point to visible change, the new service should have an official launch when the new national 'brand' for social care goes live. We suggest this could be 5 July 2028 – the 80th anniversary of the NHS.

Further reading

Support Guaranteed: The Roadmap to a National Care Service

The position now	Fabian Society proposals
Local authorities supposedly in charge but without the money or powers they need	National ministerial responsibility and leadership working in partnership with strong councils
Unclear entitlements that are often not realised in practice	Clear rights and entitlements and the ability to enforce them
Inconsistency in access to support and quality of care	Nationwide entitlements and geographic consistency
A fragile, fragmented and sometimes extractive 'market' of care providers	Commissioners and partners working together as part of a public service
Support only for people with limited means	Support and peace of mind for everyone
Inadequate funding and emergency cash injections	Long-term and sustainable approach to finance
Insufficient development of specialist housing and modern care homes	Long-term certainty and funding to build new facilities
Inadequately rewarded staff and a recruitment and retention crisis	National terms and conditions working towards parity with the NHS
Unaffordable fees and inability to pool risks	Improvements to affordability by reducing the scope of charging over time

CHAPTER 5

A LIVING STANDARDS COMMISSION (UK)

Living standards for low-income families are higher in Slovenia than the UK and levels of poverty here have barely changed in two decades.⁹ The reason is not low hourly pay. The UK now has one of the highest minimum wages in the world, and this is set to increase further in the future.¹⁰ Nor is it because of our pension system, which has improved significantly for poorer pensioners over the last 25 years. Instead we have low living standards and high poverty due to failures in our labour and housing markets, avoidable illness and disability, and inadequate social security for people below pension age.

To address these challenges more people need to be in good work and to work more hours. Housing costs need to be lower relative to incomes. Health and education strategies need to address the long-term drivers of restricted earning potential. And, above all, social security needs to do more to meet people's essential needs.

It will not be possible to translate economic growth into higher living standards in the bottom half

of the income distribution unless we reform and increase the generosity of social security payments. This will take very significant public expenditure, which will not be available immediately given current economic conditions. But an incoming government needs the institutional architecture for substantially and sustainably increasing living standards over time.

The Fabian Society's proposal is for ministers to create a Commission for Living Standards and Financial Security that would set the conditions to raise living standards over the long term. The new body would play a role similar to the last Labour government's short-lived Child Poverty Commission which was fatally undermined when the Conservatives took office. But it would cover the whole population not just children and it would focus on living standards and financial security not just poverty.

This commission should be modelled on the Climate Change Committee, which is an independent body that measures progress against government

climate objectives and recommends what to do next. Unlike the CCC, however, the new living standards commission should be an organisation where ordinary citizens have a loud voice – because lived experience and democratic deliberation are both key to establishing a fair and stable settlement on higher living standards.

The commission should provide advice to government on the following:

Income adequacy thresholds.

The commission should determine through data gathering, expert evidence and public deliberation the minimum amount that people can be expected to live on in different circumstances. It could start by establishing an ‘essentials’ baseline: a financial benchmark which no one should fall below that is sufficient for bare essentials (when supplemented by the rent required for a modest home). In 2019/20 the Fabian Society suggested that a minimum threshold for a single person might be £100 per week plus rent.¹¹ The Joseph Rowntree Foundation and Trussell Trust have presented detailed evidence to back a figure of £120 per week plus rent for one adult in 2023/24.¹² Couples and families obviously need more.

The commission would set and annually update this essentials benchmark to act as a target for minimum social security levels for people without other income. Ministers would set a timetable for meeting this threshold so long as economic circumstances permit. This would follow the approach used in recent years to gradually increase the national living wage towards two thirds of median earnings. After the target was reached

ministers would consider whether to accept annual recommendations for increases, as they do with proposals from the Low Pay Commission or public sector pay review bodies.

The proposed commission could also determine higher income adequacy thresholds which households might obtain in specified circumstances – eg if they are working all the hours that can be expected of them, or for people out of work because of maternity or permanent disability. These thresholds could be based on the minimum income to which pensioners are entitled, to obtain parity between age-groups. Or they could replicate the Joseph Rowntree Foundation’s ‘minimum income standard’ that is determined by the public’s views on what people need to live a modest but decent life.

Poverty targets. The commission should advise the government on targets to reduce the number of people with inadequate living standards. It could advise on the feasibility of a headline poverty reduction target, mirroring Tony Blair’s famous goal to halve child poverty. This time there should be specific goals for children, disabled people, older people and working households. Progress would need to be staged. For example, in the first five years the government could pledge to end destitution, in-work poverty and baby poverty. Initially, such targets might be based on the standard international measure of poverty.¹³ But the commission could also explore more accurate and comprehensive ways of measuring inadequate living standards – including measuring the number

of people below the income adequacy thresholds it adopts. As with the climate change framework, the government would take the political decisions about what targets or dates to commit to. The living standards commission would advise and monitor progress.

Advice on strategy. Alongside advising on thresholds and targets, the new commission should provide analysis, recommendations and scrutiny on living standards policies and strategies. The government should have a new statutory responsibility to publish and maintain two strategies, following consultation with the commission – one on living standards and financial security; the other specifically on reducing child poverty. The commission would provide analysis, advice and options for policy, and then monitor progress on delivery. Two early priorities would be to provide advice on:

- **Reform of universal credit and other working-age benefits**, to improve their design and operation, ensuring they maximise incomes, treat people with dignity and increase employment opportunity.
- **Minimum annual uprating policies for social security**, with a view to introducing parity between pensioners and non-pensioners. Options to consider include uprating all payments in line with earnings;

or adopting a revised ‘triple lock’ for all age-groups, where benefits rise by the highest of earnings, inflation or 2.5 per cent per year, measured over the previous five years (not 12 months as is now the case).

Lived experience. The proposed commission should act as a watchdog for people with low living standards, especially those eligible for social security, to take account of and represent their views. In this respect it would be modelled on the Children’s Commissioner for England. The last decade has taught us that social security should always be designed around the lived experience of recipients and have respect for users built in. This can be achieved best if reforms are co-designed with citizens, and if the system contains continuous opportunities for voice and participation. The commission would be a channel for people’s voices and would hold ministers to account for embedding participation into all aspects of government strategy and delivery.

Further reading

Where Next: Reforming Social Security Over the Next 10 Years

CHAPTER 6

BRITISH EMPLOYMENT INSURANCE

(UK)

The UK is terrible at replacing earnings when people have to stop working. Most rich countries have well-established systems of non-means-tested income replacement which provide security to people if their pay stops temporarily, or they leave a job. Britain is an outlier, with a system that replaces as little as 13 per cent of average earnings for people who lose their job because of illness or unemployment. Minimum sick pay replaces 17 per cent of average earnings and maternity pay replaces as little as 27 per cent.¹⁴

This means that people who stop working face financial hardship and anxiety – and employers fail to retain and recruit the workers they need. Universal credit provides threadbare means-tested support for households with low incomes and high living costs, but most people in work have almost no protection against the risk of losing their job.

A major Fabian Society study, published in 2023, proposed a complete

overhaul – to return the UK to routinely providing income protection on the basis of people’s earnings, as was the case from the mid-1960s to the early 1980s. Our plan draws inspiration from the UK Covid-19 furlough scheme and is loosely modelled on Canada’s employment insurance system.

British employment insurance would combine statutory pay schemes run by employers and new time-limited state insurance benefits. People who stop working would typically be paid half their current or recent earnings (with a cap on the amount payable to high earners). Fifty per cent of earnings is a low replacement rate compared to many other countries but it would be a huge step forward for the UK – and for low-income households it would be available alongside universal credit. In the case of sick pay, we go further and recommend that employers should pay 80 per cent of earnings because existing practice is generally much better than the legal minimum.

The suggested duration of entitlements would be:

1 week – carer leave

2 weeks – paternity leave

6 months – unemployment insurance, sick pay, maternity leave or insurance (reserved for the mother), parental leave or insurance (for each parent), business interruption furlough scheme

12 months – carer insurance, sickness insurance

Eligibility for these entitlements would be drawn broadly, seeking to cover almost everyone with a current or recent connection to work. This would end the exclusions that restrict access to paid leave schemes and national insurance benefits at present. In particular, self-employed workers would be major beneficiaries of the proposal since they have little protection now.

Most of the costs of this extra support would be borne by government (with the option of new payroll taxes to defray the expense). The main exception would be sick pay, which would be funded directly by larger employers, since so many businesses pay decent levels of sick pay already. Small employers would receive government help toward the costs of long-term sickness absence. Ministers should also introduce a new entitlement to free occupational health support for SMEs, the self-employed and people out of work to support rapid returns to work and limit time lost to illness.

The complete plan is designed to be implemented over a decade. It could

not be included in full as part of a costed manifesto when there are acute public finance pressures. But there are a number of cheap options that could be considered that would be staging posts on a journey towards full-scale employment insurances.

Measures that incur costs for employers but generate money for government:

- Pay statutory sick pay from the first day of sickness
- Increase the value of statutory sick pay
- Extend statutory sick pay to workers with very low weekly earnings
- Introduce one week of paid statutory carer's leave funded by employers

Measures that require modest government spending:

- Introduce job seeker's allowance, paternity pay, adoption pay and shared parental leave for the self-employed
- Extend statutory maternity pay to workers with very low weekly earnings
- Introduce free occupational health support for SMEs, the self-employed and people out of work
- Reform and rebrand employment and support allowance, to turn it into a sickness benefit available from the first day of illness

Further reading

In Time of Need: Building Employment Insurance for All

CHAPTER 7

GOOD PENSIONS FOR ALL

(UK)

The last Labour government built the foundations for a sustainable pension system with the potential to endure for generations. But the process of change is incomplete. If people in work today are to enjoy good incomes in retirement, the next government needs to introduce an ambitious new wave of reforms.

In the 2000s Labour legislated to reform both state and private pensions. The state pension was guaranteed to rise at least in line with earnings. A framework for automatic enrolment workplace pensions was also created: for those workers eligible pension contributions became compulsory for employers and opt-out for employees. As a result participation in occupational pensions has rocketed.¹⁵

However many private sector workers are receiving only the minimum permitted contribution, which in most cases comes nowhere near to providing adequate pension saving. Worse still, some workers do not need to be covered at all – people in a job with low annual

earnings, those aged under 21 or over 65, and the self-employed.

The Conservative record on pensions has been patchy. Working with the Liberal Democrats, they accelerated the pace of state pension reform and converted Labour's earnings link into the 'triple lock'. But they also fast-tracked increases in the state pension age just as rises in life expectancy started to stall. They implemented Labour's auto-enrolment policy but showed little interest in building on it. Tory ministers have also been slow to work with the pension industry to ensure that the nation's growing pool of savings is used to support investment in Britain. And worst of all, the Conservatives recklessly deregulated the way pension funds can be accessed, ending the principle that pension savings should secure an income for the whole of retirement: these days many people just convert their defined contribution workplace pension into cash.

The Fabian Society examined options for the next government in our 2022 report *Good Pensions for All*. The next government has a significant opportunity to boost private pension incomes with little or no impact on the public finances by pursuing these recommendations:

Increase pension contributions.

The vast majority of workers without a defined benefit pension are saving too little for their retirement. Contributions into workplace pensions need to increase in three ways.

1. First, pension contributions should be deducted from every pound people earn. Today deductions only need to be taken from earnings over £6,240 per year. This dents everyone's saving and can halve contributions for low earners.
2. Once this has happened, minimum employer pension contributions should be gradually increased from three per cent of total earnings to seven per cent. The minimum employee contribution should remain at 5 per cent, meaning that unless people opt-out they will save 12 per cent of their complete earnings.
3. Ministers should also push more employers to provide pensions that go beyond the minimum – through collective bargaining, sector-level pension initiatives and voluntary accreditation standards. Voluntary pension improvements by firms could include new collective pensions that share risks more effectively than existing defined contribution schemes.

Extend workplace pensions to more people. Ministers should ensure that almost everyone in work has access to an opt-out workplace pension. Auto-enrolment pensions should be automatically extended to people earning less than £10,000 per year, and to those aged under 21 and over 65. People who are employees under tax law but also defined as workers not employees should receive full employer and employee contributions – as should people on maternity or parental leave.

Going further, the government should introduce an opt-out pension for the self-employed linked to HMRC's new system of regular digital tax reporting. Everyone earning more than a minimum level of self-employment income would be required to link their tax record to a nominated pension fund. They would then make a pension contribution each time they made a tax payment unless they opted out. People who make a contribution of 5 per cent or more of their reported earnings would receive from the government a bonus of 3 per cent of their earnings (up to an annual maximum). This matching contribution will encourage saving and is equivalent to the tax relief employees receive on employer pension contributions.

Secure pensions for life. New ministers should work quickly with the pensions industry to ensure that almost everyone in retirement receives an income for life from their workplace pension. They should encourage employers and sectors to develop new collective pensions that offer a lifelong income. And they should

support new ways of converting defined contribution retirement funds into pensions. To achieve this, in the run up to retirement small and medium-sized pension funds should be automatically combined into single pots for each individual. Then as people retire, as a default, their funds should be converted into a whole-of-retirement pension plan, with an income for life that rises in line with inflation.

Pension investment for Britain.

The nation's pension savings should be invested in ways that support economic growth and transformation in the UK. Increasing overall levels of saving is part of the answer. But more action is also needed to improve how savings are invested. Smaller pension funds need to be consolidated into a number of very large schemes that have the scale and time horizon to invest in more illiquid

and sometimes riskier investments as part of diversified portfolios. Big defined contribution funds should allocate more of their funds towards infrastructure and unlisted businesses, including those with high growth potential, following the example of Australia. This will require new products, appropriate regulation and sometimes risk-sharing with public sector lenders. Mature defined benefit schemes should be supported to invest in infrastructure that produces secure fixed returns. Often this will require schemes to be consolidated or transferred from employers to insurers.¹⁶

Further reading

Good Pensions for All: The Left's Agenda for Private Pensions

CHAPTER 8

HOMES PEOPLE CAN AFFORD (ENGLAND)

England does not have enough homes where they are needed and the cost of housing is out of control. For people on low incomes we need more social and affordable housing, and for everyone we need new and expanded communities close to jobs and economic growth. Insufficient and inadequate housing is an issue that affects every part of the country, and it was a major focus of the Fabian Society's recent commission on poverty and regional inequality.¹⁷

At least 300,000 homes should be built every year in England and we are falling well short of that number.¹⁸ Things get even worse when it comes to social housing (ie homes with subsidised rents set with reference to a local low income). Nearly 4.2 million people are in need of social housing, with 615,000 families forced to privately rent a property in a condition that puts their health seriously at risk.¹⁹ But the stock of social housing has fallen by 5 per cent over the last decade. In 2021–22 fewer than 8,000 homes for social rent were built, when we need at least 90,000 each

year. Last year more than half of local authorities failed to build a single council home.

The Fabian Society has five proposals that will together transform housing policy:

At least 35 per cent of new homes to be social or affordable housing.

Planning law must be changed to require that all new developments include a minimum number of social or affordable homes to rent or buy. Local authorities should be responsible for determining a target in their local plans, but where they fail to do so a default of 35 per cent should be applied nationally. Within this a minimum number of homes for social rent should also be specified. There would be no exceptions to these rules because of the commercial viability of a development: the price of land needs to adjust to reflect this binding requirement. Permitted development rights which allow commercial buildings to be converted into (often low-quality) homes without an affordable housing requirement should also be scrapped.

Significantly increase grants to build homes for social rent. Grants for councils and housing associations to build homes should be increased to deliver 90,000 new social homes per year. These grants should be counted as capital spending under government fiscal rules, as this is spending that creates assets and reduces future government spending (ie the social security payments required to help people afford market rents). These grants will leverage more funding, by enabling social landlords to borrow additional funds and unlocking private investment in mixed-tenure developments.

Reduce the costs of buying land. When public bodies make a compulsory purchase to assemble land for house-building, landowners are often entitled to an elevated sale price that reflects the possibility that they might have been able to build for themselves – even if they didn't have planning permission to do so. This is called 'hope value' and it can add significantly to the costs of projects or even make it uneconomic to build social housing. Future ministers should replace 'hope value' with a new compensation framework for public sector land acquisition that is based on existing use value plus a low percentage uplift that provides landowners with a small share of the value arising from change of use. This policy will reduce the cost of developing social and affordable housing at scale, in some cases by up to 40 per cent.²⁰

Build new communities on well-connected green belt. Future ministers should designate for development land with excellent

public transport connections that is currently green belt, agricultural or golf courses. This would mean re-zoning sites 800 metres or less from a train station, where the journey time is under 45 minutes from London or another growing English city. Landowners of golf courses with less good transport connections would also be allowed to change use voluntarily. All land with amenity or environmental value would be excluded – ie national parks, areas of outstanding nature beauty, sites of special scientific interest and public recreation areas. In the case of large packets of land, publicly-owned development corporations, accountable to the affected local authorities, should take on development rights and planning control to masterplan new communities. This proposal could lead to 2 million high-quality new homes. At least 35 per cent of these new homes should be for social rent and at least 10 per cent of the released land should be devoted to publicly accessible green spaces.

Buy existing homes for social housing. A future government should provide local councils and housing associations with £15bn in capital spending over 10 years to purchase 500,000 rented homes from private landlords who no longer wish to let them. This scheme would largely or exclusively focus on purchasing homes that are empty, non-decent or energy inefficient. This would create a good option for private landlords who are not in a position to maintain high standards or meet regulatory requirements for energy efficiency. This will benefit private landlord if they cannot comply with

stronger responsibilities towards tenants (including security of tenure) or with energy-related requirements, both of which need to be introduced in the next parliament. As part of the scheme social landlords should have the right of first refusal over any home on the market that is licensed for multiple occupation or was formerly bought from a social landlord under right to buy. Following refurbishment and modernisation, this initiative would turn low-quality,

insecure private housing into decent, energy efficient social homes. It will be particularly important early in the life of a new government, given the time required to develop a large pipeline of newbuild social housing.

Further reading

A Good Life in all Regions: Uniting our Country to End Poverty

CHAPTER 9

WORKERS AND TECHNOLOGY (UK/ENGLAND)

Between 2018 and 2020 the Fabian Society and the trade union Community convened an inquiry on the implications of technology change for workers over the next 10 to 15 years. The commission on workers and technology was chaired by Yvette Cooper MP and the commissioners included Paul Nowak, now the TUC general secretary.

Back then, some of the issues we examined still seemed distant or niche – like the potential for machine learning to automate cognitive as well as manual work. The world has moved on fast. During the life of the project, other trends were hugely accelerated by the Covid pandemic, especially moves to remote and digital working. The solutions the commission developed are more timely now than ever.

The Labour party has already said it will take forward some of the commission's recommendations. This includes the promise of a renewed industrial strategy, led by a council for economic growth, bringing businesses and trade unions together in partnership.

There will be a specific focus on delivering good jobs in high-employment sectors, both where work is being transformed by technology, as with retail, and where it is less affected, such as care. The party has also adopted the commission's recommendation to increase sectoral collective bargaining, starting with a fair pay agreement for adult social care.

Other Fabian Society proposals for improving work in response to changing technology include:

Action on earnings inequality.

Automation and new technologies bring the risk of increasing pay inequalities between and within firms. On the other hand higher pay is a positive spur to better use of technology and increased productivity. Solutions for raising low and middle earnings, while reducing pay gaps, include: firm-level reporting of pay ratios and commitments on earnings inequality; continuing to raise the national living wage relative to median earnings; and extending the scope of collective bargaining.

An integrated adult skills system with a training offer for everyone.

To achieve a breakthrough in lifelong learning, after decades of only modest progress, we need a coordinated approach where there is an offer for every business and every individual. There should be many interconnected routes: short job centre courses; free further education; reformed apprenticeships; regular on-the-job training for all workers; sector-led training and accreditation pathways; and mid-life higher education for career change. We suggest that the spine of the system could be personal digital skills portals for individuals and specialist skills advice for employers. Future measures could include a ‘work and train’ offer for everyone on out-of-work benefits; financial support for people who are training while working part-time or self-employed; broadening apprenticeships into intensive in-work training available to all; free access to FE courses, with current nationwide entitlements topped-up by additional local eligibility tailored to economic needs; and new requirements for employers to support and plan the development of their workers’ skills.

Updated rights for technology-enabled work. Regulation, enforcement and voluntary partnership initiatives need to keep up with rapid changes in the world of work. The operation of anti-discrimination law needs to respond to bias by algorithm. As technology transforms working arrangements, there should be a universal right to seek flexible work for all

job applicants and workers (including non-employees). A platform economy council should be established to shape good practice, involving gig economy firms and trade unions. The boundaries of employment status should be clarified, with rights improved both for people with ‘worker’ status and for the genuinely self-employed. Finally, rules on automated decision-making and workplace monitoring should be properly enforced and updated over time.

Partnership between employers and workers. Rapid, flexible innovation and technology adoption will only work in workers’ interests where there is strong dialogue and partnership between employers and worker representatives. Major national, sectoral and regional leadership bodies should be transformed into tri-partite social partnership institutions with strong business and worker representation. Trade union rights to access, organise and bargain should be improved and updated to reflect advances in technology (including online access to workers and electronic balloting). Workplace technology and training should become mandatory elements of collective bargaining agreements. Looking beyond workplaces with recognised trade unions, sector-level partnership bodies and bargaining should be extended to more parts of the economy, all employers with more than 100 staff should be required to formally consult with workforce representatives, and options for worker representation on boards should be examined.

Economic devolution also has a critical role to play (see our proposals for economic devolution England in chapter 10). Every part of the country should have the powers and functions to set up integrated business support services bringing together innovation, business development, technology adoption and workforce skills. To serve individuals, Jobcentre Plus responsibilities should

be devolved so that places can create integrated 'work and skills' services that combine support related to work search, health, careers and skills for people in and out of work.

Further reading

Sharing the Future: Workers and Technology in the 2020s

CHAPTER 10

ECONOMIC DEVOLUTION

(ENGLAND)

The UK is the most geographically unequal country in the developed world.²¹ We have regions and communities with low productivity and not enough good jobs – and we have an overheating capital with plentiful, productive jobs but high inequality and living and housing costs that trap people in poverty. These problems can't be solved by one-size-fits-all national policies and Whitehall has a poor record at regionally targeted initiatives. It is too siloed, short-termist and over-stretched to bring strong, coordinated economic leadership to English communities.

Recent Conservative governments have recognised these weaknesses but failed to address them. George Osborne, Boris Johnson and Michael Gove had strong rhetoric but slight policies. Successive administrations have rolled out a piecemeal programme of English devolution, handing only limited power and money to city region mayors in a series of negotiated deals. The next government needs to deepen and broaden this process,

learning lessons from other wealthy countries which have much stronger regional government.

The Fabian Society has made the following proposals, as part of the recommendations of our commission on poverty and regional inequality:

Devolution everywhere. Every city, town and village in England should be covered by a strong sub-regional devolution settlement. The model of a directly-elected mayor who leads a combined authority (made up of the councils in their area) is now well established. But ministers do not need to insist on it in all cases, and should agree alternatives where needed. By the end of the next parliament every part of England should have the opportunity to request powers recently announced for the West Midlands and Greater Manchester. These cover transport, skills, innovation, housing and energy efficiency and a role in employment support. At the same time the government should partner with councils and combined authorities

to support the recruitment, secondment and training of professionals to assess and design local economic policies.

New transport powers. Transport has suffered more than most areas from over-centralisation and fragmentation. This applies particularly to buses, where deregulation in the 1980s means whole transport networks are slowly disintegrating. An incoming government should implement bus franchising across the country, working with mayors and councils to put them in charge of their bus networks, following the model of Transport for London. This is starting to happen in Greater Manchester. Whitehall should also devolve more rail powers to city-regions and regions over time, by taking the guarded proposals in the current government's devolution deals much further.

A fair financial framework.

Existing laws permit the transfer of powers from government departments or local councils to regional authorities. However new legislation is needed to create a fair and transparent financial framework for English devolution. The recent deals for Greater Manchester and the West Midlands created single mayoral budgets, granted direct from the Treasury. But these are bespoke, negotiated arrangements for just two areas. They will only be possible to scale up nationwide with the introduction of a fair, transparent and efficient funding system. An England-wide economic development budget should be set at each spending review with the large majority devolved by default. This money would cover areas including skills, transport, employment support,

housing and innovation. Within the budget, each of these priorities could have indicative sums specified, as a reference point for local budget decisions and a reassurance for national spending departments.

A financial formula should then be used to allocate the national economic budget between areas, based on population, deprivation and economic needs. Places should not have to constantly submit bids or negotiate deals for centrally distributed funds or powers. They should be required to set out an economic plan that prioritises raising living standards and addressing poverty. Then there should be five-yearly joint reviews to assess progress against these plans. Ideally the formula to allocate the budgets between places should be agreed consensually among local and regional authorities rather than imposed by national government. This reform should sit alongside new formulae for allocating funding to other local public services, especially for local government, as current arrangements do not adequately reflect geographic differences in need.

Revenue-raising powers. Councils and regional authorities should have the power to raise money locally to supplement their allocation of the national economic budget, without any interference or permission from ministers or parliament. They should have the ability to implement the following revenue-raising measures: tourism or hotel taxes; higher council tax on second homes and empty homes; workplace parking levies; road pricing, low emission and congestion charges;

business rate premiums (following consultation with business); and land value capture schemes. Localities would be able to retain all the revenue raised and these charges would not be accompanied by equalisation measures to redistribute funds. This is because these taxes and charges are relatively small in scale and well aligned to local economic pressures. The current system of local business rates retention should be wound-up as it is an unfair and ineffective form of fiscal devolution. Larger moves to localise and reform revenue raising, including a new system of business and residential property taxes, should only proceed alongside a national equalisation system that fairly matches each area's financial resources and spending requirements.

Accountability. Combined authorities have developed in a piecemeal way and have weaker processes for democratic scrutiny and financial accountability than conventional local authorities. This has been exposed by concerns raised regarding property deals brokered by the Conservative

mayor of Tees Valley. The Conservative government's proposed quid pro quo for a single funding pot for the West Midlands and Greater Manchester is more accountability to the Treasury and to Westminster parliamentary committees. This undermines the point of devolution and would be impossible to scale-up to every part of England. An incoming government should not proceed with Conservative arrangements but instead strengthen local checks and balances – for example by setting up powerful, independent, remunerated scrutiny committees for combined authorities. Regional and sub-regional bodies would also be covered by the Fabian Society's proposed successor to the Audit Commission, which will examine financial conduct and long-term value for money in local public services (see chapter 1).

Further reading

A Good Life in All Regions: Uniting Our Country to End Poverty

CHAPTER 11

A REVIEW OF TAXATION

(UK)

Tax policy-making is dysfunctional. Decisions are taken very frequently – once or twice a year – at secretive fiscal events, often with zero consultation. There is no long-term strategy or framework for individual tax changes, and scrutiny of specific policies and their cumulative effects is minimal. Under the Conservatives, announced tax plans have often stretched credulity in order to massage fiscal forecasts.

Given this backdrop, it is hardly surprising that the UK's tax system has serious problems. It fails two fairness tests: first, it is not progressive – it does not tax people who have more a higher proportion of their income or assets, compared to those with less; second, it frequently treats people in similar situations differently for no good reason. Loopholes, tax reliefs and structural defects artificially distort behaviours in ways that suppress both economic growth and government revenues. Tax design is not keeping up with the possibilities created by new

technologies. And tax policy is not as effective as it should be at reducing socially-undesirable activity with respect to the environment and public health.

Tax is difficult to talk about before elections. But after winning power the next government should embark on a fundamental review of tax policy. New ministers should develop a five-year strategy for taxation supported by gradual implementation at subsequent budgets, based on pre-announced principles and criteria. Fiscal purity will not always be possible, because tax policy is highly political – losers always shout harder than winners, and immediate unannounced increases will sometimes be necessary. Nevertheless, clearly articulated principles and a long-term framework will lead to better decisions.

Reform is needed irrespective of whether the overall tax burden is going to rise or fall. But a comprehensive review of tax policy is especially

important because tax is very likely to rise as a share of economic activity over the next 10 to 20 years. The ageing of the population requires spending on pensions, health and care to increase as a percentage of GDP; and as a society we need to at least maintain the proportion of output we spend on national security, economic investment and education. These inevitable trends make it particularly important that we work towards a tax system that is fair, efficient and commands public support.

Future ministers should consider the following Fabian Society proposals and ideas:

Examine loopholes and tax reliefs.

Tax loopholes, reliefs and allowances add up to hundreds of billions of pounds of forgone government revenue.²² Each one should be assessed, from the perspective of the policy objectives they are intended to support and their costs, distortions and distributional effects. Any policy that would not pass muster if it was government expenditure should be scrapped or replaced with an alternative measure.

Consider raising taxes on land and assets. Wealth is taxed far less than income, even though wealth inequalities are much greater. Ministers should examine the case for new and reformed taxes relating to wealth, with a view to both raising more revenue and increasing fairness. Options to consider include replacing council tax with a proper property tax, where tax liabilities are proportional to the value of land or buildings; reforming capital gains tax, by removing loopholes and making the

tax's main rate closer to income tax; and reforming inheritance tax by tackling exemptions relating to agricultural and business assets, trusts and lifetime gifts. The government could also examine the case for a one-off wealth tax on people with more than £2m in assets, either to support increased spending over the course of five years or to create a permanent sovereign wealth fund.²³

Explore more equal taxes on different forms of income.

Income arising from a standard employee job is taxed more than income from self-employment, dividends, rents or pensions, once national insurance as well as income tax is accounted for. Ministers should ask whether reforms would lead to a fairer system. They could consider increasing the self-employment rate of national insurance (in the context of additional protections for the self-employed). They could explore a 'tax swap', where the main and higher rates of national insurance are cut and equivalent income tax rates are raised by the same amount. And they could assess the merits of levying national insurance on private pensions to help pay for health and care in old age. All these options would be politically sensitive but there is a powerful case for acting from the perspective of inter-generational and distributional fairness, and parity between different forms of economic activity.

Review the taxation of business.

Businesses mainly pay taxes on their profits, premises and employees. This leads to distortions including artificial incentives to use non-employee

labour, advantages for digital over bricks-and-mortar businesses, and options for multi-national firms to create complex tax structures that artificially suppress their UK profits. VAT rules and exemptions also lead to an uneven playing field in consumer markets. Some improvements have been made in recent years, including international action on minimum taxation and better tax incentives for investment. The Labour party is also committed to reforming business rates. But new ministers could examine the whole of business taxation in the round.

Reform the taxation of pensions.

More than half the income tax and national insurance reliefs for pension contributions go to higher rate tax-payers.²⁴ Previously governments have feared that wholesale reform would undermine private sector defined benefit pensions, but these now account for a small percentage of contributions into pension schemes. The case for action is therefore stronger than in the past. A future government could consider how to provide the same tax incentive for pension saving, regardless of someone's tax band or whether their contributions were made by an employee or employer. Any extra money raised could in part be recycled into providing extra government subsidy to support pension saving by low earners and the self-employed.

Earmark health taxes to secure public consent. In 2000 the Fabian Society commission on taxation and citizenship recommended hypothecated health taxes to secure public consent for raising revenues to increase healthcare

spending.²⁵ At the time, the Labour government increased national insurance to support the NHS but did not support full hypothecation. Fast forward 20 years and in 2022 Boris Johnson legislated to introduce a health and social care levy, as an additional element of national insurance. The policy was abandoned with Johnson's fall from power but there remain strong arguments for earmarking taxes to areas of spending that are popular and will need to rise in future. A new government might therefore consider full hypothecation of taxes for health and adult social care. However national insurance would be the wrong tax instrument as it is not paid by older people, who use these services the most and are under-taxed compared to other age-groups. Instead income tax and VAT could both be split in two, so that a health and care tax appears on every payslip and shop receipt in England.²⁶

Explore the long-term integration of tax and social security. In 30 or 40 years' time it is very likely that personal taxation and social security will be a single system, using the same technology and personal data to oversee payments both to and from government. This could significantly improve the efficiency and targeting of the two regimes, as automatic payments relating to people's circumstances could replace poorly designed tax reliefs and allowances that often create very high marginal tax rates. A combined system would also reduce the stigma and under-claiming associated with social security. Steps have already been made towards integration, especially the creation of universal credit which is powered

by PAYE tax data. A new government could commission a long-term feasibility study to examine the measures required over time to bring the two systems closer together.

Further reading

Tax for Our Times: How the Left Can Reinvent Taxation

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