Making British poverty history

Executive summary

New Labour came to power promising to deliver both social justice and economic efficiency. But over the past decade, the evidence shows that they have failed to deliver either of those goals.

Tony Blair and Gordon Brown promised to cut the bills of social failure. They said that making Britain a fairer country wasn’t just the right thing to do, it was economically efficient too. But their approach has failed. Millions are trapped on benefits, reliant not on their own skills and endeavours to raise their standard of living but on state handouts. Their abilities are going to waste – a collection of individual tragedies that together make up an historic failure.

By treating the symptoms of social breakdown and not the causes, the bills of social failure have risen, not fallen. This is a chronic waste of human potential, it is neither just nor efficient, and it represents a profound moral and economic failure by this Labour Government.

No one doubts the sincerity of Labour’s intentions on social justice, but their approach is failing:

- Child poverty is rising, by 100,000 last year, with this year’s statistics delayed again
- The number of people in severe poverty has risen by 600,000 since 1997
- Poverty amongst working age people without dependent children is the highest ever
- And broader measures of poverty are all pointing in the same negative direction – for example, Britain has the lowest levels of child well-being and social mobility in the developed world.

Labour’s one-dimensional approach, relying on means-tested benefits to offset the effects of poverty, is ultimately unsustainable. By undermining work incentives and increasing benefit dependency it could even make poverty worse in the long term.

Our aim should be more ambitious. As well as correcting low wages and family poverty after the event, we should be building a Britain in which people are helped to fulfil their aspirations for themselves and their families, and to lift themselves out of poverty through their own efforts.

Conservatives share the aspiration to halve child poverty by 2010 and eliminate it by 2020, but we need a new approach that tackles the underlying causes of poverty, not just the symptoms. This means addressing deep-rooted problems such as educational failure, family breakdown, drug abuse, indebtedness and crime.
Labour’s record

Labour’s record is based on a narrow measure of poverty…

Labour’s record is based on a narrow measure of poverty, defined as having less than 60 per cent of average (median) income, adjusting for family size. It is on this basis that the Government has set a target of halving child poverty by 2010 and eliminating it altogether by 2020. When Gordon Brown claims to have lifted 600,000 children out of poverty, this is the definition he uses.

We welcome this achievement, and we have set ourselves an aspiration to meet the child poverty targets. However, looking only at the headline numbers on poverty does not tell the whole story. Progress to date in reducing official poverty has largely been achieved by moving hundreds of thousands of people who were receiving a few pounds a week less than the poverty line to a position in which they receive a few pounds more. A small, but welcome, increase in income has meant that a large number of people are officially no longer poor.

This is shown in Figure 1 which compares the income distributions in 1994-95 and 2003-04 with a vertical line indicating the 60 per cent poverty threshold.

Figure 1: Falling poverty has come from movements around the 60 per cent target

Source: Breakdown Britain, Centre for Social Justice, 2007
But the converse also applies. Even a small reduction in income for people just above the official poverty line plunges large numbers back into the category of being officially in poverty. This is particularly relevant to Gordon Brown’s abolition of the 10p rate of income tax. According to the Institute for Fiscal Studies, the people who face biggest loss from the abolition of the 10p rate are those whose incomes are £149 a week. This corresponds almost exactly to the Government’s official poverty line, which for an individual is £145 a week.

It almost seems that Labour’s poverty policy has been thrown into reverse. It is as if the tax change had been finely tuned to cause the maximum possible damage to the Government’s policy objectives.

…but even on their own measure they are failing…

Even on the Government’s own terms it is failing to tackle poverty. After falling for several years child poverty is now rising – last year by 100,000 using the Government’s preferred measure.¹

This trend is widely expected to continue when this year’s data (for 2006-07) are published. For example the Institute for Fiscal Studies calculate that the growth in entitlements to state support for families with children in 2006-07 was significantly lower even than the previous year when child poverty rose by 100,000.² The publication of this year’s statistics was originally due in March, but was subsequently delayed until 2 May, the day of the mayoral and local election results. The Government has now been forced to admit it now will not be publishing the statistics until June.

As a result of rising child poverty, the Government missed its target last year to reduce child poverty by a quarter from 1998-99 levels. The Government is now falling even further behind its target of halving child poverty by 2010. In fact, the Department for Work and Pensions has admitted that the target to halve child poverty by 2010 is “unlikely to be fully met”.³

The Government is also making slow progress on its other main focus, pensioner poverty. The latest figures show that, if pensioner poverty is measured as 60 per cent of contemporary median income before housing costs – the measure Gordon Brown uses to test the success of his own child poverty targets – the reduction since 1996-97 is only 200,000, to 2.2 million.⁴

What is more, figures from Eurostat show that Britain’s pensioners are some of the most likely in Europe to be at risk of poverty. Britain is the fourth worst country in the EU on

¹ *Households Below Average Income Survey - Revised*, DWP, May 2007
² IFS, Poverty and Inequality in the UK, 2007
⁴ *Households Below Average Income Survey*, DWP, March 2007
the at-risk-of-poverty rankings produced by the EU. Only pensioners in Cyprus, Spain and Latvia are more likely to fall into poverty. This position has deteriorated since 1997.5

…and broader measures are all pointing in the same negative direction

Broader measures of poverty paint a fuller picture of what has been happening to Britain’s poorest people. Sadly they tell a much more depressing story than the Government’s chosen measure alone.

The number of people living in severe poverty, defined as less than 40 per cent of median income, has risen by 600,000 under Labour.6 Measured after housing costs it is at its highest level for 30 years at 5.2 million people, or 8.8 per cent of the population,7 and 40 per cent of all people in poverty are now in severe poverty.8 The proportion of children living in severe poverty (below 40 per cent of median income) has also grown since 1998-99, up from 5 per cent to 6 per cent.9

What is more, the poorest are actually getting poorer. The average incomes of the poorest 10 per cent are lower than they were in 2001. Over the same period the average incomes of the richest 10 per cent have risen by more than £2,000 a year.10 The Prime Minister’s own strategy unit has admitted that “the very poorest have not shared in recent growth”.11

While the Government’s policies have focused support through means-tested benefits on children and pensioners, poverty amongst working age people is rising. Poverty amongst working age adults rose by 700,000 last year to 7.2 million and has risen overall since 1997.12 Amongst working age people without dependent children the picture is even worse. Poverty rates for working age adults without dependent children rose last year to their highest levels since records began in 1961. Four million working age people without dependent children are now in poverty – 800,000 more than in 1998-99.13

Poverty amongst young people has also risen by 400,000 since Labour came to power. Two million 16 to 24 year olds are living below the poverty line – nearly one in three young people.14

Perhaps most damningly of all, the broadest measures of poverty, well-being and social mobility are all pointing in the same direction. For example, according to a recent report by UNICEF, the UK is rated the lowest out of 21 OECD countries for child well-being. This was based on an assessment of material well-being, health and safety, educational

6 IFS analysis, March 2007
7 DWP data, taken from the poverty site, http://www.poverty.org.uk/01/index.shtml
8 IFS, Poverty and Inequality in the UK, 2007
9 Hansard, 6 Mar 2008, Col. 2816W
10 DWP, Households Below Average Incomes data 2005-06, March 2007
11 Strategic Priorities for the UK: The Policy Review, Prime Minister’s Strategy Unit, 23 November 2006
12 Households Below Average Income Survey, DWP, March 2007, plus revised figures placed in House of Commons Library and issued in April 2007
13 IFS, Poverty and Inequality in the UK, 2007
14 Hansard, 28 Jan Col 63W
well-being, family and peer relationships, behaviours and risks and subjective well-being.\textsuperscript{15}

Research by the Sutton Trust on social mobility has shown that a poor child born in Britain in 1970 is less likely to escape its upbringing than a poor child born in 1958, and that Britain has the lowest social mobility in the developed world.\textsuperscript{16} And the difference between the life expectancy of the richest and poorest in our country is now greater than at any time since Queen Victoria’s reign.\textsuperscript{17} The relative gap in infant mortality rates between the poorest social groups and the population as a whole has increased by four per cent since Labour came to power.\textsuperscript{18}

**Labour’s failure to tackle the underlying causes of poverty**

Labour’s narrow approach to tackling poverty is failing because it only addresses some of the immediate symptoms of poverty. Targeted support through means-tested benefits may reduce poverty on the Government’s measure in the short term, but it completely fails to tackle the underlying causes of poverty and, through spreading very high marginal tax rates, reduces the incentives for people to work and increase their earnings.

It is increasingly recognised that the Government’s one-club approach is not a sustainable way to tackle poverty. Former Labour Health Secretary Alan Milburn has said “poverty has become more entrenched”.\textsuperscript{19} And the Joseph Rowntree Foundation has concluded that “the strategy against poverty and social exclusion pursued since the late 1990s is now largely exhausted”.\textsuperscript{20}

So what exactly is wrong with Labour’s approach?

**Work is the only sustainable route out of poverty**

First, Labour have failed to tackle the persistent worklessness and benefit dependency that are the biggest immediate cause of poverty. The Treasury itself says: “Worklessness and low pay are the biggest direct causes of poverty. Living in a family where no adult is working puts a child at a 58 per cent risk of poverty ... Work remains the most sustainable route out of poverty: a child’s risk of being in poverty falls from 58 per cent to 14 per cent when one or both of their parents is working.”\textsuperscript{21}

It is not good enough that after fifteen years of global economic growth almost five million people are on out-of-work benefits. That includes 2.6 million people claiming Incapacity Benefit and almost 800,000 people claiming Jobseeker’s Allowance.\textsuperscript{22}

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\textsuperscript{15} *An overview of child well-being in rich countries*, UNICEF, February 2007  
\textsuperscript{17} *British Medical Journal*, 30 April 2005  
\textsuperscript{18} *Hansard*, 9 October 2006, Col. 622WA  
\textsuperscript{19} *Hansard*, 28 March 2006, Col. 710  
\textsuperscript{20} *Joseph Rowntree Foundation*, Monitoring poverty and social exclusion 2007, 3 December 2007  
\textsuperscript{22} DWP, *Press Release*, 16 April 2008
It is well known that worklessness and benefit dependency put children and young people at risk of a cycle of poverty. Yet Britain has a higher proportion of its children living in workless households than any other EU country. One in five children grow up in households dependent on out-of-work benefits. Youth unemployment is up by 11 per cent since 1997, with 1.2 million young people aged 16-24 not in work or full-time education.

...yet Labour policies have undermined work incentives...

By relying on means-tested benefits to tackle poverty, Labour have undermined incentives to work. The Institute for Fiscal Studies has found that “despite the Labour government’s stated aim to ‘make work pay’, the extension of means testing has weakened incentives for many people to stay in work and increase their earnings”. While relying on means-tested benefits may reduce measured child poverty in the short run, they say, “its indirect effect might be to increase poverty through weakening incentives for parents to work.”

Labour’s reforms have weakened both incentives to be in work at all and incentives for those in work to increase their earnings. On average, tax and benefit changes since 1997 mean that someone choosing to work harder gets to keep 2½p less of each extra £1 they earn.

The IFS point out that the weakest work incentives are faced by people on low incomes who face having their means-tested benefits or tax credits withdrawn if they increase their income. Over two million workers in Britain stand to lose more than half of any increase in earnings to taxes and reduced benefits. 160,000 would keep less than 10p of each extra £1 they earned.

The abolition of the 10p rate has made the matter worse. The 2008 Budget showed that 2,255,000 people now face marginal tax rates over 60 per cent, an increase of 145,000 compared to the previous year. The Treasury Select Committee Report on the Budget said: “We further recommend that the Treasury commission research into whether the withdrawal of the 10p income tax band and high marginal deduction rates are creating disincentives that could frustrate the Government’s welfare to work objectives.”

...the tax credits system is in chaos...

These problems are made worse by the administrative chaos and complexity of the tax credit system. Fraud, error and overpayments in the tax credit system have led to £5 billion being wasted. And in the last year for which we have data, over half of all tax

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23 Share of Persons aged 0-17 who are living in households where no-one works, Eurostat, 2006
24 ONS data series AGOL AGPM, April 2008
27 Budget 2008, Table 4.2, p.62, and Budget 2007, Table 4.2, p.102
28 House of Commons Treasury Committee, The 2008 Budget, 1 April 2008, P45, paragraph 62
credit payments were incorrect. Almost two million people a year receive the wrong tax credit payment and face having money clawed back.²⁹

Many people do not claim the tax credits to which they are entitled, either because of the complexity involved, the fear of being asked to give back overpayments, or simply because they are not aware of their entitlement. This problem is particularly severe amongst people without children – the group most affected by the abolition of the 10p tax rate. Take up of Working Tax Credit amongst people without children is only 22 per cent.³⁰ As well as increasing poverty, this will make it harder for the Government to use tax credits to compensate the 5.3 million families who lost out as a result of the abolition of the 10p rate.

...and as a result Labour are failing to reduce “underlying” poverty

A strategy that relies on means-tested benefits to reduce poverty is ultimately unsustainable because it weakens work incentives and does not address the underlying causes of poverty.

The result is that tax credits are masking the extent of underlying poverty in Britain today. As Alan Milburn has said, tax credits “cushion the blow of poverty, rather than help people escape from it.”³¹ Of course, tax credits are an essential part of a modern welfare policy – it is obviously better to increase someone’s income in work than to see them either in poverty or out of work. But something has gone badly wrong with our economy – and our society – when more and more people every year are unable to earn enough to keep themselves and their families out of poverty.

The benefits system is having to run harder and harder simply to stand still. Figure 2 shows that, while tax credits move around one million children in working families from below the poverty line to just above it, a million more children need this support than a decade ago. This is not a cure for poverty, just masking its symptoms.

Our aim should be more ambitious than this. As well as correcting low wages and family poverty after the event, we should be building a Britain in which people are helped to fulfil their aspirations for themselves and their families, and to lift themselves out of poverty through their own efforts.

³⁰ HMRC, [http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-take-up2005-06.pdf](http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-take-up2005-06.pdf), Table 10
³¹ Speech to the IPPR, 09 November 2004
Labour has failed to address the deep roots of poverty…

The only sustainable way of reducing poverty is to tackle its roots. Yet Labour has failed to address the fundamental causes of poverty such as educational failure, family breakdown, drug abuse, indebtedness and crime.

…such as educational failure…

Despite huge increases in funding, this country has one of the highest levels of educational inequality in the Western world and the attainment of our lowest achievers has not improved significantly since 1998.32

Educational failure is deeply ingrained, depending upon one’s parental background. According to the latest figures, only 25 per cent of pupils whose parents are employed in the unskilled sector – what the Department for Children, Schools and Families call a ‘routine job’ – will be in full time education by the time they are 19, compared with 61 per cent of those born to higher-level professional workers. At a time when access to higher education is the strongest indicator of future economic success, only 9 per cent of children of parents who are in the poorest fifth of the population graduate from university by the age of 23 compared with 46 per cent of children in the richest fifth.33

What is more, educational inequality is getting worse under Labour. In 2005, the proportion of pupils in the most deprived areas gaining five good GCSEs (A*-C, including English and maths) was 28.2 per cent, compared with 56.2 per cent of pupils in

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32 Breakdown Britain, p.50, 2007
33 Blanden, J., and Machin, S., Recent Changes in Intergenerational Mobility in Britain (December 2007) http://www.suttontrust.com/reports/mainreport.pdf
the least deprived areas – an attainment gap of 28 percentage points. But in 2007, pupils in the 10 per cent most deprived areas fell back to 25.3 per cent gaining five good GCSEs, while those in the 10 per cent least deprived areas pulled away, with 68.4 per cent gaining this level.34

Behaviour is also worse in deprived areas. The rate of exclusion for violence against an adult is ten times higher in the most deprived areas compared with the 10 per cent least deprived, and nearly 35 times higher for violence against a pupil. There were 210 exclusions in the 10 per cent least deprived areas in 2004-5, compared to 7,250 in the 10 per cent most deprived areas.35

…family breakdown…

The link between family breakdown and the risk of poverty is well established, yet Britain has by far the highest proportion of lone parents in Europe, and one of the highest rates of family breakdown in Europe.36 The cost of family breakdown is now well over £20 billion per annum, a significant proportion of which is paid in benefits to lone parents.37

Nothing could be more symptomatic of Labour’s failure to deal with family breakdown than the fact that the benefit system makes couples better off if they split up. A study by Frank Field MP for the think-tank Reform found that two-parent households need far greater earnings than a lone parent to move past the poverty line. He found that two parents with two children had to earn £240 a week to have a net income of £295 and lift themselves above the poverty line. By contrast, a lone parent with the same number of children needed to earn just £76 a week to gain a net income of £230, £5 above the poverty line.38

Because the Government’s policies discriminate so heavily against families with two parents, it is harder for couple families to escape poverty. As a result the risk of poverty for children in two-parent families actually rose last year from 21 per cent to 23 per cent. In addition, 60 per cent of poor children live in couple families.39

…drug abuse…

Alcohol and drug abuse present huge barriers to those attempting to escape from poverty, yet the current prevalence of alcohol and drugs is historically unprecedented. According to the Centre for Social Justice, young adults are engaging in “a new culture of intoxication.”40

34 GCSE and Equivalent Results and Associated Value Added Measures in England 2004/05 (Final), DFES, 29 June 2006; DCSF: National Curriculum Assessment, GCSE and Equivalent Attainment and Post-16 Attainment by Pupil Characteristics, in England 2006/07, 27 November 2007
35 Hansard, 26 March 2007, Col.1296WA
36 Social Justice Policy Group, Breakdown Britain, 26 March 2007
37 Social Justice Policy Group, Breakdown Britain, 26 March 2007
38 Welfare Isn’t Working – Child Poverty, Reform, 14 June 2007
39 Ibid.
40 Social Justice Policy Group, Breakdown Britain, 26 March 2007
Alcohol consumption has doubled in 50 years and by 15 per cent in the last five years alone. Young women have doubled their consumption in the last ten years, and children’s alcohol consumption has doubled in the last fifteen years.\(^{41}\)

A report by the independent UK Drug Policy Commission found that the UK has the highest level of problem drug use and the second highest level of drug-related deaths in Europe.\(^{42}\) The number of people using Class A drugs has gone up by a quarter, from 2.7 per cent in 1998 to 3.4 per cent in 2006-07.\(^{43}\) And at least 350,000 children now live in households headed by drug addicted parents.\(^{44}\)

…indebtedness…

The conclusion of a recent YouGov poll was that “personal debt is the most serious social problem facing the UK”.\(^{45}\) And debt problems are only likely to get worse following the credit crunch and recent increases in the cost of debt.

Personal debt in Britain now amounts to £1.4 trillion – greater than our GDP - and is rising by £1 million every four minutes.\(^{46}\) More people were declared insolvent in the last three months on record than in the whole of 1997.\(^{47}\)

The poorest groups in society are especially vulnerable to problem debt. They are much more likely to gain access to credit through doorstep lending, pawnbrokers, sale and buy back shops and mail order catalogues. There may be 3 million regular users of these types of credit and the size of the doorstep lending market may vary between 2 and 3 million people. One problem with these market is that lenders tend to charge interest rates of 100-400 per cent, or even greater.\(^{48}\)

…and crime

Families in poverty often suffer the most from Labour’s failure to tackle crime. Violent crime has doubled under Labour,\(^{49}\) and gun crime has nearly doubled. In 2006-7, a gun crime was committed every hour in England and Wales. The total number of gun crimes (excluding air weapons) has increased by 4,399 or 80 per cent.\(^{50}\)

Knife crime is also up sharply in the last two years. A study by the Centre for Crime and Justice Studies found that the lowest estimate of the actual use of knives in violent incidents, based on data from the British Crime Survey, has increased from 116,000 incidents in 2004-05 to 148,000 in 2006-07, a rise of 28 per cent.\(^{51}\)

\(^{41}\) Ibid.
\(^{44}\) *Breakdown Britain*, p.16, 2007
\(^{46}\) Bank of England.
\(^{47}\) Council of Mortgage Lenders
\(^{49}\) Home Office, *Crime in England and Wales 2006/07*, July 2007, Table 2.04
\(^{50}\) Home Office, *Crime in England and Wales 2006/07*, p.63
\(^{51}\) Centre for Crime and Justice Studies, ‘*Knife Crime*: A review of evidence and policy', 19 December 2007
Conservatives will tackle the root causes of poverty

Despite their good intentions, Labour’s approach to tackling poverty is failing. A one-dimensional approach, relying on means-tested benefits to offset the effects of poverty, is ultimately unsustainable. We share the aspiration to halve child poverty by 2010 and eliminate it by 2020, but we need a new approach that tackles the underlying causes of poverty, not just the symptoms. Our approach will take into account the importance of families, communities and incentives to work.

Supporting families by ending the couple penalty in the tax credits system

We support in-work benefits such as tax credits, but the system needs reform to achieve the twin goals of social justice and economic efficiency. We will reform the administration of tax credits to address the over-payments and errors that cause misery for millions of families.

We will end the couple penalty in the tax credits system that pays couples more benefits if they split up. We will increase the Working Tax Credit that couples currently receive from £3,430 to £5,385 – an increase of up to £38 per week. This will cost £3 billion, and 1.8 million of the poorest couples with children will gain, on average, £32 a week. The direct effect will be to lift 300,000 children in two-parent families out of poverty, even before the indirect effects of lower rates of family breakdown. We will pay for it as the savings accrue from our radical programme of welfare reform.

Welfare reform

Work is the best route out of poverty and Labour’s welfare policies are failing people who want to work. There are dozens of pockets of worklessness in Britain where more than half of working age adults are on benefits.52

Labour’s failure to get to grips with welfare to work is most shockingly shown by the fact that one in five children in Britain today are growing up in households dependent on out-of-work benefits.53 Hundreds of thousands of children are growing up with no idea of what it is like to have their parents get up in the morning and go out to work each day. Many of these children will be living in families below the poverty line.

Poverty is not the only price Britain’s communities are paying for worklessness. Nearly £4 billion has been spent on New Deal but this year has been its worst year yet, with two thirds of young people not getting sustainable jobs54. Despite its claims, the Government

53 Nationally 2.2 million children live in households claiming out of work benefits, or 19.9 per cent of children, (Hansard, 6 Feb 2008, Column 1241W).
54 The New Deal programmes have cost £3.86 billion since 1997 in total (Hansard, 6 February 2008, col. 1240W). Only 33 per cent of New Deal for Young People moved into sustainable jobs in 2006 (Hansard, 11 December, 2007, Col 470W).
has not got to grips with welfare reform, which is why many of the underlying drivers of poverty are getting worse.

To tackle poverty, Britain needs a work-for-welfare policy which changes the culture of our welfare state by doing three things that Labour’s welfare policy fails to do:

- Every claimant potentially able to work should be engaged in full-time activity as part of the back to work process, including mandatory community work for the long term unemployed.
- Introduce much tougher sanctions for those not willing to participate in the return to work process.
- Private providers of welfare to work services need to have the freedom to innovate and encourage without being stifled by central planning, so under our plans they will be paid by their results they achieve. At the moment, Labour’s system is limited by Treasury dogma to offering help to only a small proportion of people on benefits at any one time.

Our radical programme of welfare reform will be the biggest change to the welfare state since the war and will provide ladders of opportunity for millions of British people condemned to poverty by Labour. Combined with our commitment to end the couple penalty in the tax credits system, we believe our plans will help to lift almost half a million children out of poverty.

**School reform**

If we are truly serious about ending the blight of child poverty, we must break the stubborn and persistent link between economic and educational poverty. It must be a priority of our education system to close the educational poverty trap that is located in some of our poorest areas. Schools should be the engines of social mobility, allowing every child to achieve the best, and creating new opportunities for the poorest pupils to help lift them out of long term poverty.

We need to tackle the widening gap in our schools if we are to break the cycle of child poverty. The Conservative Party has set out our proposals on how this might be achieved through our Green Paper, *Raising the Bar, Closing the Gap*. We have set out the necessary steps that need to be taken now, providing instant action that can improve standards in every school.

There must be a recognition that educational failure begins at an early age. The ability to read must be the foundation to later and indeed lifelong learning: pupils must learn to read so that they can read to learn. This is sadly not the case at the moment. 40 per cent of pupils left primary school last year without having mastered the basics in the 3Rs. And yet we have the means and the method to tackle reading failure. Synthetic phonics, recommended by the Rose review, has been proven to eradicate reading failure. In Britain, the experience of both Clackmannanshire and West Dunbartonshire – the latter a particularly disadvantaged area – shows that near-universal literacy can be achieved if proper methods are deployed. Teaching reading using synthetic phonics, which had been
stigmatised for years by the educational establishment, helped all children read more quickly and comprehensively and helped those from poorer backgrounds most of all, closing the attainment gap which had existed before.

We must also place greater focus on what goes on inside the classroom: the teaching methods that are employed and what is taught in schools. There is strong empirical evidence that it is precisely by embracing teaching methods once derided as stuffily conservative that we can give children from poorer backgrounds a better start in life. In America, an educational initiative called ‘Project Follow Through’ charted the progress of over 75,000 children from poorer families from 1967 to 1995. The best results were achieved by those children taught using traditional methods, including learning to read using phonics, being regularly tested to ensure that knowledge had been absorbed before moving to the next level, as well as being held to account for every incident of bad behaviour. America’s KIPP (Knowledge is Power Program) schools apply a similar philosophy, with high academic expectations of their broadly black and Hispanic intake, a strict approach to behaviour management which instantly penalises poor discipline, and hugely impressive results.

Our proposals to create New Academies will also help create over 220,000 good new school places in new schools run by educational charities, livery companies, philanthropists, teachers and parents and open to all. We anticipate that these will be targeted at the poorest pupils, with more money made available for children from the poorest backgrounds through a ‘pupil premium’, which will ensure that extra funds follow those pupil to the school that educates them. The New Academies that we have proposed, like existing Academies and other schools within the maintained system, will thus be incentivised to seek out and accept pupils from more challenging backgrounds. As part of these plans, we will also insist that any maintained schools that are deemed to be persistently failing to provide their pupils with a satisfactory education will be taken out of local authority control, handed over to an independent, voluntary or co-operative provider and turned into Academies.

A rehabilitation revolution

We need a new approach to reducing crime, one which targets criminals and makes sure they are less likely to offend again. We will fundamentally reform the rehabilitation service to end the devastating cycle of re-offending, which at present destroys lives, splits up families, and weakens communities. We will do this in three ways: by making the people who run prisons accountable for reducing their prisoners’ re-offending; by bringing the two stages of prison and probation together; and by ensuring that the market in offender management and rehabilitation services is fully opened up. We will ensure that there is true diversity of provision, with private and voluntary sector organisations competing on a level playing field in the offender management marketplace, able to partner with probation and prison authorities to deliver effective rehabilitation and resettlement services, both inside and after prison.

We are proposing a new and innovative payment mechanism to underpin the rehabilitation revolution and to unlock the potential of private and third sector providers of rehabilitation services. For the first time, all institutions in the system – prisons, the probation service, public, private and voluntary agencies – will have one clear incentive:
to stop individuals re-offending once they have left prison. To make this change, we will introduce a 'payment by results' mechanism. If they are successful, rehabilitation providers will be able to earn more money. If they are not, they will still receive payments to cover their costs. Prisons will be able to earn a payment which will only be paid if they are able to keep individuals from re-offending over a set time period after release.

Our ambition to achieve a step change in reducing re-offending cannot be met by the current structures and the conventional probation monopoly. We need to encourage a diversity of providers. Interventions to aid resettlement and reduce the risk of re-offending comprise a minority of the budget and staffing of the service, yet probation officers are frequently overwhelmed by their caseload and unable to provide the flexible and needs-sensitive attention an ex-offender requires. We want to see new providers brought in to aid the probation service in that vital work, especially in the resettlement of short-term prisoners where the probation service currently has no role, but where there is strong evidence that the lack of support for recently-released short-term prisoners is a key driver of re-offending.

**Health visitors**

The evidence increasingly suggests that the early years of life are crucial for life chances. Labour is planning an increase in outreach workers at Sure Start centres, as one way of supporting parents with young children. We believe that instead of more untrained outreach workers, we need more trained professionals who really know what they're doing. A Conservative Government will keep the funding of more outreach workers within the Sure Start budget, but spend it instead on 4,200 extra health visitors.

A Conservative Government will provide a universal health visiting service to all parents. We will radically increase the number of health visitors so that every family can count on the proper, professional support they need, with money set aside for proper training and extra help for families in the most deprived areas. This is what it could mean for every new mother:

- Six hours home support in the first two weeks.
- A visit every two weeks in the first six months.
- Monthly visits in the next six months
- Two visits a year between the ages of 1 and 5.

We want to make Sure Start work better. Labour will spend £200 million on a new army of outreach workers with no medical training. Instead of endlessly dreaming up extra things for the state to do, we believe in making sure the state does the things it is supposed to do, well. Health visitors are a sensible, practical, personal support that people trust.
Tackling problem debt

The Conservative Party is working with groups such as the Citizens Advice Bureau to break the cycle of poverty, financial distress and over-indebtedness.

First, we are committed to tackling the high cost of credit in the doorstep lending sector, which is affecting millions of the poorest families. As a recent Competition Commission report has found, a lack of competition in this market means that home credit customers are being overcharged by up to £100 million a year. We are working with the industry to require home credit companies to share credit data, which would encourage competition and help drive down charges and costs.

Second, we have set out the bold aspiration to teach financial literacy in schools to all children between the ages of 11 and 18. As the FSA has found, the average person could gain up to £700 a year by making better financial decisions, which would have a disproportionately beneficial impact on the poorest.

Achieving this aspiration means equipping our teachers with the skills they need to teach finance effectively, and not just in isolated financial literacy lessons. It also means making use of the resources and expertise of bodies, and the Citizens Advice Bureau and other groups have agreed to work with us to achieve our goal. And it also means making the most of the current schools enterprise budget. We are currently exploring whether the remit of the existing schools enterprise budget should be broadened to include financial literacy.

Third, we give people the tools to borrow responsibly by requiring credit card companies to provide much clearer information to the public about the cost of credit card debt. Under a Conservative government, credit card marketing, application forms and monthly statements will explain exactly how much it will cost to borrow money, how long it will take to be paid back if only minimum repayments are made, and how much they will save over the long-term if they repay slightly larger amounts each month. This will help more people escape the vicious cycle of debt and poverty in which all too many are currently trapped. To help those struggling with difficult choices, we will launch Britain’s first free national financial advice service, providing impartial and independent guidance on financial issues via face-to-face sessions, telephone advisers and online information.

Finally, we will take nine out of ten first time buyers out of stamp duty by lifting the threshold for first-time buyers to £250,000. The dream of home ownership is an aspiration for millions of poor families, yet when they do manage to save for a deposit they find that much of it disappears in tax, adding to their mortgage debt. Our policy will save around 200,000 first-time buyers a year up to £2,500 each to help them save for their future and achieve their dreams.