

Government's response to the
annual report of the Social
Mobility and Child Poverty
Commission

Cm 8827



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Presented to Parliament
by the Secretary of State for Education
by Command of Her Majesty
March 2014

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Foreword by the Deputy Prime Minister



Everyone, whatever their background or circumstances, should have the opportunity to rise as far and high as their talents and ambitions allow them. This is the fundamental belief which drives the Coalition Government's work to improve social mobility in this country, and it's been one of my biggest priorities in government over the last four years. Central to that is my commitment to build a stronger economy and fairer society. Neither can happen without the other. This is why, since the Coalition was formed in 2010, we've worked hard to tackle Britain's deficit and sow the seeds of a sustainable recovery. As a result, our economy is growing again and record numbers of people are in work.

At the same time, we've also pursued a radical social agenda. This includes creating the Social Mobility and Child Poverty Commission to hold Government's work to account in tackling these two entrenched problems in British society.

This document sets out our detailed response to the Commission's 2013 State of the Nation Report. In particular, it focuses on the progress made so far to support Britain's low and middle income families such as raising the personal allowance and increasing the availability of free, high-quality childcare.

This includes Government's commitment to meet 20% of the childcare expenses for working families, up to £10,000 a year. In addition, we're increasing the support working families who are on Universal Credit receive towards their childcare cost to 85%, to help them make their wages go further.

We've seen our education reforms, especially the Pupil Premium, start to close the generations-long attainment gap between poorer school children and their more well-off classmates. We're now extending this support to disadvantaged 3 and 4 year olds in early years' education.

Our university reforms have secured the financial future of our Higher Education system, whilst ensuring that no student has to pay their fees upfront. Now more young people, from poorer backgrounds, are going to university than ever before.

We've created record numbers of apprenticeships, launched traineeships, and our new reforms to vocational education will help many more 16 to 24 year olds, from all backgrounds, to develop the essential skills they need.

Yet, we know there is more we can do. Right from the start, we've been clear that the profound economic and social changes needed to ensure every person in Britain gets a fair chance cannot be achieved in a single Parliament. It will take decades of committed, focused action from Government, as well as from schools, universities, businesses and third-sector organisations. This report, therefore, also outlines those areas such as opening up access to Britain's leading professions where, we believe, greater partnership and efforts are needed.

Together, with the Commission's help, we will get there: ensuring every child can achieve the happy, fulfilling and healthy life they deserve.

A handwritten signature in black ink that reads "Nick Clegg". The signature is fluid and cursive, with a long horizontal stroke at the bottom.

The Rt Hon Nick Clegg MP
Deputy Prime Minister

Foreword by the Secretary of State for Work and Pensions



This Government is committed to ending child poverty and improving social mobility, bringing about the kind of change that makes a lasting difference now and in the future.

For too long, successive governments have been content to measure their progress on this agenda by the amount of money they spent, with scant attention paid to what impact that spending was having at the other end. The Coalition set up the Social Mobility and Child Poverty Commission to establish an independent body that could provide external challenge to government. We value the transparency and accountability that this provides, and in responding to the inaugural report, thank the Commissioners who have volunteered their time to carry out this vital role.

The Commission's first annual report provided a detailed and thorough assessment of progress on ending child poverty and improving social mobility. Our Child Poverty Strategy makes clear that children's lives cannot be transformed through income transfers alone, and I welcome the fact that the Commission also acknowledged this. In their words: "the previous strategy of relying heavily on income transfers was running out of road even before the recession".

A growing consensus shows that the doctrine of 'poverty plus a pound' failed because it provided a sticking plaster to treat the symptoms of poverty, rather than addressing its causes.

Our recently published draft Child Poverty Strategy sets out how we will reduce child poverty in 2014-2017 by tackling poverty at its source – be it family breakdown, educational failure, addiction, debt or worklessness. We will transform lives by reducing worklessness and improving educational attainment for the poorest, helping people reach their full potential and secure their future. We are clear that this task starts from the earliest stages in a child's life, and are investing heavily in early years education and the Pupil Premium. By tackling the barriers faced by disadvantaged children, raising educational attainment and leaving no child behind, we can break the destructive cycle of poverty.

Work also continues to be a focus in our vision for tackling child poverty. We are making real progress, with fewer children in workless households now than at any time since records began, having fallen by 290,000 under this Government. We welcome the Commission's recognition of the importance of work, and like them, want to do more to help the in-work poor. That is why we have approved a rise in the National Minimum Wage to £6.50 per hour later this year, the biggest cash increase since 2008. Universal Credit too will provide an effective route out of poverty by simplifying the benefits system and making work pay. We have recently announced that all families on Universal Credit will be able to receive 85%

support on childcare costs, up from 70%, so that more and more parents will find that it pays to get a job.

Also welcome is the Commission's acknowledgement that future progress will depend on a renewed collective effort from parents, employers and government alike. We know that government cannot solve these problems alone. So whilst this response focuses on the action that this Government is taking, I would also call on others to bring their experience and expertise to the fight against poverty. Harnessing inspirational local leadership and building strong partnerships is vital, if we are to make real headway.

To this end, I look forward to working together with the Commission in the coming year to make further progress in transforming the lives of the poorest in our society.

A handwritten signature in black ink, appearing to read 'Iain Duncan Smith', with a stylized flourish at the end.

The Rt Hon Iain Duncan Smith MP
Secretary of State for Work and Pensions

Introduction

This document provides the UK Government's formal response to the first annual report of the Social Mobility and Child Poverty Commission.

About the Commission

The Social Mobility and Child Poverty Commission (the Commission) monitors the progress of government and others in improving social mobility and reducing child poverty in the United Kingdom. They provide advice on measuring socio-economic disadvantage, social mobility and child poverty and undertake activities to act as advocates for social mobility. The Commission is chaired by the Rt Hon Alan Milburn and deputy chaired by Baroness Gillian Shephard. It includes eight other members drawn from across business, academia and the voluntary sector.

About this document

This document responds to the Commission's first annual report 'State of the Nation 2013: social mobility and child poverty in Great Britain' which was published on 17th October 2013. The report itself can be found at <https://www.gov.uk/government/publications/state-of-the-nation-2013>.

We are grateful to the Commission for producing this thorough and comprehensive report. The report covers a wide variety of topics ranging from the importance of the early years to the role businesses and schools can play in transitioning young people into the workplace and the professions.

The report contains around 30 recommendations to which we have provided individual responses. We acknowledge that some recommendations are partially or wholly directed towards bodies other than the UK Government. In these cases we provide the Government's perspective but do not seek to respond on the behalf of others.

Devolved Administrations

The UK Government aims to reduce child poverty and improve social mobility across the United Kingdom, whilst recognising that many of the policy levers are the responsibility of the Devolved Administrations. Each of the Devolved Administrations is responsible for producing and acting upon their own strategy on child poverty.

The Commission's report provides a commentary on specific progress made by Scotland and Wales¹. The decision whether to respond to any issues relating to devolved matters highlighted in this report is that of the relevant Devolved Administration and the UK Government has not attempted to respond on their behalf. However, the Government will continue to work closely with the Devolved Administrations to reduce child poverty and improve social mobility across all parts of the United Kingdom.

¹ Following amendments to the Welfare Reform Act 2012, the Social Mobility and Child Poverty Commission's ability to comment on devolved matters relating to Northern Ireland and the appointment of a Commissioner by Northern Ireland Ministers must be activated by Order. This Order has not been made so there is no requirement on the Commission to include information about Northern Ireland in their report.

Government Response

This section of the response corresponds to Chapter 2: ‘The Challenging Context’ of the Commission’s report.

Introduction

The UK has been hit by the most damaging financial crisis in generations and the government inherited the largest deficit since the Second World War. Through this period of uncertainty, the government’s long-term economic plan ensured economic stability and provided the foundations for the UK’s economic recovery. The plan is working. The UK had the fastest growth of the G7 economies in the year to the fourth quarter of 2013 and an increase in private sector employment of over one and a half million since the first quarter of 2010. The government has continued to take the difficult decisions needed to secure a resilient recovery for all, build a fairer society and to help equip the UK to succeed in the global race.

Recommendation 1: Continue to focus on returning the economy to growth with the accent now on securing a balanced recovery between different parts of the United Kingdom.

Response:

The Government’s long term plan builds a stronger, more competitive economy, a fairer society and secures a better future for Britain. We are taking decisive action through cutting the deficit, fixing the welfare system, and helping Britain’s businesses create jobs to ensure the recovery reaches every region across the country.

1.7 million private sector jobs have been created in the last three years,² and employment is above its pre-recession peak.³ Since 2010, employment has increased in every region with 75% of the rise in private sector employment coming from outside London⁴ and GDP growth in the year to the fourth quarter of 2013 was broadly based across the main sectors of the economy.

To support local growth and help to create jobs, we are increasing the funding for business led Local Enterprise Partnerships and we are creating a Single Local Growth Fund with over £2 billion of budgets from skills, housing and transport for 2015-16. We have established 24 Enterprise Zones which have created over 7,500 new jobs and secured nearly £1.2 billion of extra private sector investment. To further support Enterprise Zones we announced at Budget 2014 that the availability of business rate discounts and enhanced capital allowances in zones will be extended by three years.

² Labour Force Survey November-January 2014

³ Labour Force Survey November-January 2014

⁴ Labour Force Survey, Public Sector Employment, Q4 2013. Royal Mail was reclassified from the public sector to the private sector in Q4 2013. It is therefore included in the public sector for Q3 2013 and earlier periods, but not for Q4 2013, therefore the latest comparable quarter is taken to be on Q3 2013.

We have also concluded the first wave of City Deals, which we estimate will create 175,000 jobs over the next 20 years and 37,000 new Apprenticeships. In addition, the Government has already signed City Deals with 16 Wave 2 cities, supporting mid sized cities to take advantage of freedoms and flexibilities that will unlock local economic growth. We have also allocated £2.6 billion through the Regional Growth Fund to more than 450 projects and programmes, which have pledged to deliver 550,000 jobs and £14.7 billion of private sector investment.

Recommendation 2: Prioritise child poverty and social mobility in future fiscal consolidation and secure a fairer balance of consolidation between the generations and between better-off and worse-off families.

Response:

This Government is committed to ending child poverty and improving social mobility, through increasing access to education and training, building a simpler and fairer tax system, and ensuring that work pays.

We agree with the need to ensure a fair consolidation between better-off and worse off families. The personal allowance will increase to £10,000 from April 2014, one year earlier than planned and further to £10,500 from April 2015. This means that from April 2015, an adult on the National Minimum Wage (NMW) of £6.50 per hour working 31 hours a week will no longer pay income tax – and someone working full time (35 hours a week) on the October 2014 NMW will have seen their income tax bill cut by nearly two thirds since 2010.

At the same time we have increased taxes on the very rich with the top 1% of earners paying 30% of all income tax. Meanwhile, the share of income tax paid by the poorest 25% has been cut by 15%. The measures announced in the Budget 2014 ensure that the Government will increase revenues from those with the highest incomes. The richest 20% of households will make the greatest contribution towards reducing the deficit, while on average, the poorest 20% of households will receive over five times as much support from public spending as they contribute in tax.⁵

Fairness is also at the heart of this Government's programme of welfare reform and our long-term economic plan will secure a fair balance between the generations. We are helping more young people enter employment along with 1.6 million new Apprenticeships since May 2010. At the same time we are protecting our support for pensioners, including the triple lock which has increased the State Pension by £650.

Recommendation 3: Actively engage employers in improving earnings so that, over time, the burden of tackling in-work poverty starts to shift from taxpayer-funded benefits compensating for low pay towards higher minimum levels of pay and better career prospects.

Response:

The Government is keen that lower paid workers benefit from the emerging recovery; our aim is to have a minimum wage rate that helps as many low-paid workers as possible, while striking the right balance between higher earnings and protecting jobs.

The Government has approved a rise in the National Minimum Wage (NMW) to £6.50 per hour later this year, the biggest cash increase since 2008. For example, someone working full-time (35 hours a week) on the adult NMW would see their annual salary increase by over £300 a year. In response to the Business Secretary's request for the Low Pay Commission (LPC) to carry out an assessment on the conditions needed to see faster increases in the NMW, the LPC have provided new guidance on the future path of the NMW. This gives us a

⁵ HMT (2014) Impact on households: distributional analysis to accompany Budget 2014.

much better understanding of how an economic recovery can be translated into faster and significant increases in NMW for low paid workers, without costing jobs.

But improving earnings is not something that Government can do alone. Employers have a key role to play in helping people into work, enabling them to work enough hours and earn enough to be out of poverty, for example offering flexible working and providing training. Employers who are doing the right thing are able to access the widest range of skills and talents, recruit the best people, and increase productivity.

We are working with employers through the Social Mobility Business Compact, which aims to ensure that all young people have fair and open access to employment opportunities. More than 150 businesses have so far signed up to the Social Mobility Business Compact, from sectors including legal, retail, finance and energy. We are also carrying out a review to tackle abuses of zero-hour contracts.

Recommendation 4: Give further consideration to how to help reduce the costs of living faced by low-income families – improving living standards and helping to reduce pressure on the public finances.

Response:

We are committed to our long-term economic plan as it is the only sustainable way to raise living standards. It is already delivering low mortgage rates and the Government has been able to support British families by raising the personal tax allowance, freezing council tax and cutting fuel duty. And we want to do more to help families with their costs of living, for example we are reducing the typical energy bill in 2014/15 by around £50 on average. We are also giving some low-income families money off their bills each year (£140 in 2014/15) through the Warm Home Discount, which has been extended to 2015/16 and we are reducing the amount of fuel they need to pay for by making their homes more energy efficient.

We are reducing food costs for low-income families through Healthy Start Vouchers for young children, free school meals for all infant school pupils, breakfast clubs in deprived areas and free fruit and vegetables at school for primary school children.

We are tackling rising housing costs by increasing the supply of housing – at Budget 2014 the government announced measures to support and accelerate over 200,000 new homes. We are increasing access to affordable credit through expanding credit unions, protecting consumers by cracking down on pay day lending (including by imposing a cap on the cost of credit) and tackling problem debt by providing budgeting advice through Universal Credit and the Money Advice Service.

Our recently published consultation on the 2014-17 draft Child Poverty Strategy has more information on how we are taking action to support living standards.

This section corresponds to the recommendations from Chapter 3 ‘Poverty Today’.

Introduction

Poverty matters. Whilst some children thrive despite the poverty they grow up in, for many children growing up in poverty can mean a childhood of insecurity, under-achievement at school and isolation from their peers. Children who grow up in poverty all too often become the parents of the next generation of children living in poverty. The evidence is clear that the root causes of families being in poverty are worklessness or low earnings (either not working enough hours or not being paid enough).⁶

Recommendation 1: The UK Government should use the next child poverty strategy, due to be published in March 2014, to produce an ambitious detailed step-by-step plan for how it will meet the 2020 targets, including making clear its underlying assumptions about parental employment rates, earnings, hours of work and in-work poverty risks.

Response:

The Government remains committed to ending child poverty by 2020. Our draft Child Poverty Strategy, which is currently out for consultation, achieves this by setting out a comprehensive three year plan to lay the foundations for a new and more effective approach to poverty. Better work and education are the best ways to tackle these root causes. As part of the Strategy we set out how we plan to increase parental employment rates, earnings, working hours and to decrease in-work poverty.

Recommendation 2: The UK Government should continue its efforts to get more people off welfare and into work, but should give new priority to ensuring that work pays and that parents who ‘do the right thing’ are able to escape in-work poverty. In the short-term, it should consider changing the remit of the Low Pay Commission with a view to delivering a higher minimum wage. For the medium-term, it should produce a clear and costed plan to ensure that, over time, there is sufficient in-work support in place to provide a new guarantee that every family meeting the UK Government’s expectations about their hours of work will be able to live free of poverty. Other steps could also help: for example, paying job agencies for the earnings people receive rather than the number of jobs found.

Response:

The Government agrees that work is the most sustainable route out of poverty.

The introduction of Universal Credit will improve work incentives by allowing individuals to keep more of their income as they move into work. Work remains the best route out of poverty, with children in workless families three times as likely to be in relative poverty than in families where at least one parent works.⁷

Universal Credit will provide an effective route out of poverty by reducing the financial and administrative barriers to work that exist in the current complex system of benefits and tax credits. The financial incentives to work in the current benefits system can be very weak with around 800,000 households facing the prospect of losing between 70% and all of their earnings if they move into work of ten hours a week at the National Minimum Wage (NMW).

⁶ HM Government (2014) An evidence review of the drivers of child poverty for families in poverty now and for poor children growing up to be poor adults.

⁷ DWP (2013) Households Below Average Income: An analysis of the income distribution 1994/5 – 2011/12

We are firmly on the side of hard-working families which is why we have cut the tax paid by a basic rate taxpayer by £805 so that people can take home more of what they earn and capped benefits so no household can receive more in out-of-work benefits than the average family earns. And our support with childcare costs means that more and more families will find that it pays to get a job, from taking the first few shifts back at work, right up to working full-time.

The Government is keen that lower paid workers benefit from the emerging recovery; our aim is to have a minimum wage rate that helps as many low-paid workers as possible, while striking the right balance between higher earnings and protecting jobs.

The Government has approved a rise in the (NMW) to £6.50 per hour later this year, the biggest cash increase since 2008. For example, someone working full-time (35 hours a week) on the adult NMW would see their annual salary increase by over £300 a year. In response to the Business Secretary's request for the Low Pay Commission (LPC) to carry out an assessment on the conditions needed to see faster increases in the NMW, the LPC have provided new guidance on the future path of the NMW. This gives us a much better understanding of how an economic recovery can be translated into faster and significant increases in NMW for low paid workers, without costing jobs.

Recommendation 3: The UK Government should adapt its Universal Credit plans and examine its wider welfare reform programme to ensure they are capable of delivering a bigger impact on in-work poverty. A good first step would be to switch resources for subsidised childcare in Budget 2013 from higher income families to ensure those who will be receiving Universal Credit have 85% of their childcare costs covered, further incentivising parental employment.

Response:

Universal Credit will provide enhanced financial incentives to work and allow people to keep a higher proportion of their earnings as they move into work. The net impact of Universal Credit will be to redistribute income to households with lower incomes and encourage people to increase their earnings. We estimate between 0.5 and 2.5 million extra hours will be worked by those currently in work once Universal Credit is fully implemented. The vast majority of these extra hours will be worked by parents. This will improve the lives of some of the poorest families in our communities, making three million households better off and lifting up to 300,000 children out of poverty.⁸

Last year we consulted on a proposal to increase the rate of childcare support under Universal Credit for taxpayers. The government has since announced that all families in Universal Credit will be able to receive 85% support on childcare costs, up from 70%. Offsetting savings to fund this expansion will be found from within the Universal Credit programme with further details to be set out at Autumn Statement. This change will see 300,000 working families getting more out of the money they earn. More and more families will find that it pays to get a job, from taking the first few shifts back at work, right up to working full-time.

At Budget 2014, we announced 20% support on childcare costs up to £10,000, an increase on the previous limit of £6,000. This means eligible parents can benefit from greater support; worth up to £2,000 per child per year. The scheme will open in autumn 2015 and be available to around 1.9 million working families with children under 12 by the end of its first year of operation.

Recommendation 4: Employers and their representative bodies should actively collaborate with the UK Government to determine what action – statutory and non-statutory – will be required to lift earnings without damaging employment.

⁸ HM Government (2014) Consultation on the Child Poverty Strategy 2014-17

Response:

The Government agrees that only by working together can we lift earnings without damaging employment. Employers have a key role to play in helping people into work, enabling them to work enough hours and earn enough to be out of poverty. For more detail on our plans for the National Minimum Wage and how we are working with employers see the response to recommendation 3 in the previous section of this document.

This section corresponds to the recommendations from Chapter 4: ‘Social Mobility and Life Chances’

Introduction

Fairness is a fundamental value of this Government and that is why we created the Commission to hold the Government to account for how effectively we improve it. For too long social mobility has stagnated, with the prospects for those from the poorest families declining. Tackling this is an enormous challenge and there are no easy solutions. However, we are determined to break down the barriers to social mobility at all stages of a person’s life, from when they are born right through into adulthood.

Recommendation 1: That the UK Government commits to ending child poverty and improving social mobility as its shared top-line mission, not just two goals among others. To that end the Government should more actively seek to mobilise the whole range of players including parents, schools, employers, the professions, local government and charities behind these ambitions.

Response:

Improving social mobility continues to be the principal goal of this Government’s social policy. Many central government departments are working together to make important changes and provide services that will help improve social mobility. We are working to remove barriers in every stage of life, to give people equal access to opportunities and help give second chances to those who need them.

Organisations outside of government are also playing their part, including schools, further education colleges, universities, businesses, professional bodies and a wide range of third sector and voluntary organisations.

The Government has encouraged thousands of people to get involved in social action and volunteering. Over 70,000 young people have taken part in the National Citizen Service and this will continue to expand. The Social Action Fund has awarded £20 million to help proven models of social action to scale up and grow. Nearly 2,000 community organisers have been recruited in the most deprived communities and the government is committed to increasing this number.

Reforms have also been introduced to support the essential work that charities do to promote social mobility. Making donations has been made easier through donations at ATMs and a consultation on encouraging payroll donations has been published. Claiming Gift-aid has been made easier by allowing claims to be made online as well as for small cash donations. And, through Big Society Capital, £600 million has been committed to provide finance to social enterprises across the country.

Through the Social Mobility Business Compact the Government has brought together 150 employers from a wide range of sectors to sign up to a set of fairer recruitment and employment practices. The Government will continue to expand the Compact and encourage employers and professions to open their doors to the best young people and talent, not just those with the right contacts or resources.

Recommendation 2: That the Government brings greater clarity to its social mobility agenda by identifying defined goals, supported by a definition of success, and a timeline for reaching milestones with greater coherence through a single senior Cabinet minister responsible to a full Cabinet Committee (along the lines of the Social Justice Committee which has given focus to efforts to tackle entrenched disadvantaged). In addition the Office of Budget Responsibility

should be charged to produce independent analyses of tax and spending decisions for their distributional and opportunity impacts upon social mobility.

Response:

In 2011 the Government published its Social Mobility Strategy setting out clear objectives for improving social mobility at each stage of the lifecycle. Alongside this we highlighted key indicators that we would use to, as far as possible, monitor the progress being made in each of these areas. Since then the indicators have been updated on an annual basis and in 2012 a further document was published looking in detail at the progress that had been made. The Government will continue to work towards these objectives and use the indicators to ensure our progress is scrutinised in an open and transparent way.

The Government agrees with the Commission that more work needs to be done to ensure the indicators provide as clear a picture as possible of the progress being made. A review of the indicators has been conducted and a number of them are being re-developed. These changes will improve the speed with which they reflect changes as well as how accurately they are targeted.

The Social Mobility agenda has been at the heart of the Government's policy agenda. The Deputy Prime Minister chairs and will continue to chair a group of key Ministers in this area to maintain momentum for change.

This Government has taken unprecedented steps to assess the effects of its policy decisions on inequality, by publishing analysis of the effects across the income distribution of the tax and welfare measures announced at each fiscal event since the June Budget 2010.

This commitment to transparency and evidence-based policy making, has been welcomed by the Treasury Select Committee and external commentators, such as the Institute for Fiscal Studies.

Whilst the Government understands the committee's recommendation to publish analyses of the effects of policy decisions on social mobility, such analysis should be considered carefully. Measurement of the implications of policy decisions on social mobility are very difficult to achieve, as social mobility can only be measured on a long-term, inter-generational basis.

Recommendation 3: That the Government broadens the focus of its social mobility agenda to open up further opportunities for average-income families as well as low-income ones, to support children at risk of low attainment as well as those at risk from low incomes, and to do even more for those with the potential to get to the top as well as those who are currently struggling at the bottom.

Response:

Social mobility is about everyone fulfilling their potential, from a bright child in a poor family, to a less able child in a middle class family. The Government agrees with the Commission that everyone should be supported to achieve their potential irrespective of their background. That is why we are working not only to help the poorest in society but also to ensure all children have access to the support they need.

We have announced five increases to the personal allowance from £6,475 in 2010 to £10,500 in 2015/16. This has helped reduce the tax burden for millions of low and middle income families.

From autumn 2015, eligible families with children aged under 12 will also now qualify for tax-free childcare and all parents will soon have access to flexible parental leave. From

September 2014 all infant school pupils will be eligible for free school meals, after pilots demonstrated the significant impact having a healthy meal had on educational attainment.

The Government's education reform plan has been focused on improving attainment across the board, not only on closing the gap between disadvantaged pupils and their peers. More details of the steps we are taking is given in the section on schools.

The cap on undergraduate student numbers will be lifted in the 2015/16 academic year. Across recent years, growth in student numbers has been accompanied by growth in the proportion of students from the least advantaged quintile of society (from less than 10% to 17% in the last ten years). Lifting the cap will allow more people from disadvantaged backgrounds to access Higher Education, without expecting those from advantaged backgrounds to give up their places.

This section of the response corresponds to Chapter 5 'Early Years'

Introduction

Children's future attainment, wellbeing, happiness and resilience are profoundly affected by the quality of their experiences during early childhood. Parents are the most important influence, but high quality early education can also make a big difference to children's life chances. Improving the support that children receive in their early years is central to the Government's aims of greater social mobility and reducing the number of children in poverty. A child's experiences during their early years provide the essential foundations for schooling, and their development in later life – physically, intellectually and emotionally.

Recommendation 1: The Government must increase its focus on the role of parents in improving children's early outcomes. In particular it should urgently review how best to communicate with low-income parents and improve their take-up of information services. To that end it should bring together organisations from across the third and private sectors to develop an innovative parenting campaign with clear strategies to target those at the lower end of the income spectrum.

Response:

The Government agrees that parental involvement in their child's learning is a powerful way to improve attainment and early outcomes. This is why we have simplified the early years curriculum to make clear the importance of working with parents throughout the foundation years.

We agree that providing information to parents in the best possible way is key. We have commissioned research to find out parents' views on information about childcare and early learning. This research will involve parents from deprived communities, as well as more affluent ones. The research findings will be used to inform future decisions on integrating and improving information for parents.

We want to see greater support for parents with children before they start school. All families should be able to access and benefit from parenting classes if they choose, creating a culture where seeking help to strengthen parenting skills is seen to be the norm. That is why we have set up a trial of parenting classes – CANparent. The trial aims to stimulate the market in parenting education as well as encourage a range of providers offering evidence-based universal parenting classes. A recent evaluation showed that the trial is doing just that, with 99% parents who completed their course saying they would recommend CANparent classes to others.⁹ We are continuing to work closely with the providers in all the trial areas to deliver high quality classes to parents.

We have also provided funding to support the work of the Early Intervention Foundation which has a specific focus on children aged 0 – 5 years and specifies the importance of parental engagement to support children's learning.

Recommendation 2: The Government should set out a long-term plan for narrowing gaps in children's development in the early years, including how it will prioritise the quality of early education and the role of parenting. If the ambition is to move towards a Nordic-style system of universal, high-quality, affordable childcare, the Government should identify clear milestones and timescales for delivering it.

⁹ DfE (2014) CANparent Trial Evaluation: Second Interim Report

Response:

We agree we need to narrow the gaps in children's development in the early years. We know that good quality early years education matters from the independent reviews we commissioned from Frank Field and Graham Allen – both of whom emphasised the vital importance of the early years in determining children's future life chances. This is why we are taking action to deliver affordable and high-quality childcare by funding 15 hours of early education places a week for all three and four year olds (up from 12.5 hours). We are now extending the 15 hours of funded education a week to 260,000 two year olds from low income families. This will better prepare these children for school by reaching those who need it most even earlier.

We know that early years education is more effective in high quality nurseries and other early years settings. To ensure more children get the early education they deserve, we are introducing new and better qualifications for those working with babies and young children. We have simplified the early years curriculum and we have introduced a new progress check for two year olds so we can identify children who face difficulties earlier. We are also starting to send top graduates into pre-schools to teach in the most disadvantaged areas through Teach First. And we have established an independent Early Intervention Foundation to create a robust, well understood evidence base of what works in early intervention programmes.

Recommendation 3: Local authorities and central government should act quickly to improve the (currently) lower take-up of the free early education offer by low-income parents. Of the new funding allocated for the Budget 2013 childcare proposals, 80% will go to households in the top half of the income distribution. The Commission believes that these resources could be spent more effectively within Universal Credit to further incentivise parental employment.

Response:

We agree that take-up of free early years education is important. Take up of the three and four year old entitlement is high – at 96% nationally – but it is lower among more disadvantaged groups. From September 2013, the government extended funded early education to 20% of two year olds focusing on the most disadvantaged. By October 2013, just one month into the new entitlement, already 92,000 children were benefitting from places. From 2014 this will be extended to 260,000 children including those from low income working families (40% of all 2 year olds).

From 2015 we are changing the way the funding works in order to incentivise local authorities to achieve high take up of early education places.

Last year we consulted on a proposal to increase the rate of childcare support under Universal Credit for taxpayers. The government has since announced that all families in Universal Credit will be able to receive 85% support on childcare costs, up from 70%. Offsetting savings to fund this expansion will be found from within the Universal Credit programme with further details to be set out at Autumn Statement. This change will see 300,000 working families getting more out of the money they earn. More and more families will find that it pays to get a job, from taking the first few shifts back at work, right up to working full-time.

At Budget 2014, we announced 20% support on childcare costs up to £10,000, an increase on the previous limit of £6,000. This means eligible parents can benefit from greater support; worth up to £2,000 per child per year. The scheme will open in autumn 2015 and be available to around 1.9 million working families with children under 12 by the end of its first year of operation.

Recommendation 4: The Government should consider ‘stretching’ the Pupil Premium funding into early years education, to incentivise the use of high-quality provision and the narrowing of development gaps earlier in a child’s life. This would involve taking the allocation of the Pupil Premium and extending it to children receiving the free childcare offer who meet the entitlements for free school meals – with Ofsted assessing how it has been spent.

Response:

A new Early Years Pupil Premium will be introduced in 2015 to help ensure children get the best possible start in life. £50 million will be invested in 2015/16 giving early years providers more support to help 3 and 4 year olds from the most disadvantaged backgrounds.

We have invested heavily in early years education for poor children through providing 15 hours of free early years education for 260,000 disadvantaged two-year olds. To ensure quality, the Government expects local authorities to fund places in providers which Ofsted judges to be outstanding or good wherever possible.

We want to ensure high-quality provision for all children. The Government is improving the quality of those working in early years education through introducing a new, more rigorous Early Years Educator qualification, making 1,000 bursaries available for apprentices aspiring to a career in early years education and recruiting more than 2,300 trainees to become Early Years Teachers.

Recommendation 5: New local accountability mechanisms should be developed, including on local delivery of children’s centres and the availability and quality of free early learning places for two, three and four-year-olds. Ofsted could centrally collate and report on a wider set of data on the state of provision in each local authority area, including the number of providers, qualifications of staff, hours of opening, quality of service and the population served.

Response:

Local authorities have a duty to ensure that there are early education places available for any eligible child whose parents want to access it, and they are accountable to their local communities for making sure this happens. This is why we publish national information on the availability and quality of funded early education. Local authorities can use this to compare themselves to their neighbours and it can also be used by parents and communities to hold local authorities to account. The Government expects all local authorities to report annually on the availability of childcare in their area and what they are doing to address any shortfalls.

The Government recognises the benefits of being able to look at the overall impact of local networks of children’s centres as part of the broader effort to raise children’s outcomes, and we are discussing this with Ofsted.

This section of the response corresponds to Chapter 6: 'Schools'

Introduction

How well poor children do at school has the biggest impact on their future incomes.¹⁰ Pupils who achieve five A*-C grades at GCSE earn around 10% more than those who do not and are more likely to be employed.¹¹

Gaps between poor children and other children's attainment are important as they help to determine how well they will do in the future compared to their peers. The education a child gets before they start school and how good the school is matters. The quality of schools and teachers can make a real difference.¹² To end child poverty and increase social mobility we want all poor children to get the best education.

That is why we are giving schools more freedom and funding, holding them to account for attainment, ensuring all children have better quality teachers and targeting support on children who fall behind.

Recommendation 1: The UK Government should ensure that raising standards and closing attainment gaps are the twin objectives for all teachers and all schools (free schools included) through the standards it sets, the inspection regimes it sanctions, the league tables it publishes and the reward mechanisms it deploys.

Response:

The Government agrees that raising standards and closing attainment gaps are both key. This is why we will hold all schools (including free schools) to account for the attainment and progress of all their pupils through performance tables, clearly set out standards, and Ofsted inspection, combined with government targeting of underperformance.

We are also now holding schools to account for the outcomes they secure for poor children, through a combination of three measures: the attainment of poor children; their progress; and the in-school gap in attainment between poor pupils and their peers. These measures will be used by Ofsted in school inspections, published in the schools' performance tables, and used in letters sent by Ministers to schools regarding their performance. From this year, schools will generally not be judged 'outstanding' unless their disadvantaged pupils are making good progress. Ofsted will require Pupil Premium reviews of schools which are failing to use the Pupil Premium effectively to narrow gaps.

We have consulted on a new framework for holding primary schools to account from 2016, including setting a higher bar for expected attainment and putting greater emphasis on how much progress children make, which will reflect the challenging intakes of some schools. This new accountability framework will set out clear expectations of what every child needs to achieve to be ready for secondary school.

¹⁰ Blanden, J., Gregg, P. and Macmillan, L. (2007) Accounting for Intergenerational Income Persistence: Non-Cognitive Skills, Ability and Education.

¹¹ Jenkins, A., Greenwood, C. and Vignoles, A. (2007) The Returns to Qualifications in England: Updating the Evidence Base on Level 2 and Level 3 Vocational Qualifications.

¹² Sylva, K. et.al (2012) Effective Pre-School, Primary and Secondary Education 3-14 Project; Chetty, R., Friedman, F. and Rockoff, J. (2011) The Long Term Impact of Teachers: Teacher Value Added and Student Outcomes in Adulthood.

At secondary schools, we are moving from the flawed five A* to C measure which encourages schools to focus on the pupils on the C/D borderline. Instead, from 2016 we will introduce a new progress measure which will look at pupils' progress over eight subjects. This will encourage schools to improve their teaching for all pupils, identify underperforming schools in a fairer way taking into account the circumstances of each school and encourage schools to teach a broad curriculum to their pupils while retaining a strong focus on English and maths.

Recommendation 2: Local authorities, schools and the UK Government should focus harder on eliminating the 'geographical lottery' in school performance by introducing new area-based approaches like London Challenge, further adopting reforms like academies, strengthening incentives for the best teachers to teach disadvantaged students in poorly performing areas, and broadening the school failure regime.

Response:

We agree we should eliminate the 'geographical lottery' by making all schools good schools. We want all schools to focus harder on their own performance; this is the responsibility of each individual school, regardless of location. We are supporting schools to know what works by funding the Education Endowment Fund who publish robust evidence.

We agree we need the best quality teachers teaching in the most disadvantaged schools and those schools should have the best leaders. Over the next couple of years we're matching 100 high-quality school leaders to schools which need to improve through the Talented Leaders programme. And we have announced our support for Teach First's goal to train 1,500 high-quality graduates in 2014 to 2015, sending them to the most challenging schools; tripling the number who took part in the programme in 2010. As of 2014/15, Teach First will be placing teachers in every region of England.

We agree more children should benefit from the increased freedom offered through our Academy programme – results in sponsored Academies are improving at a faster rate than other state funded schools. Over 50% of all maintained secondary schools are either open or in the pipeline to become academies and over 2.2 million pupils now attend academies.

We are overhauling the entire accountability system to raise aspirations, evaluate schools more fairly and drive the right teaching incentives. We are setting clearer and tougher targets for all schools (including further education), reforming the national curriculum to make sure all pupils receive a broad and balanced education and are making sure inspections identify schools and colleges that need to improve so we can intervene and make sure they do improve.

Making more information about schools and colleges accessible to parents, pupils, school staff and governors will make them more accountable. This is why we are opening up access to data so that parents and pupils can monitor their school's or college's performance and compare it with the performance of others. We are introducing a single accessible website that brings together all the information about schools and colleges and we will continue to publish school and college performance tables every year.

Recommendation 3: Schools, local authorities and the Government should prioritise low attainment as a threat to children's life chances, including enabling the Pupil Premium to be focused on low- and middle-income children who aren't poor but who are at risk of failing on core benchmarks at school.

Response:

We agree the need to prioritise low attainment however all schools should be addressing general underachievement of their pupils as part of providing a high quality education for all. The Government's education reform programme is entirely focused on raising the attainment of all pupils, and closing the gap between disadvantaged pupils and their peers.

The Pupil Premium is especially designed to overcome the specific barriers poor children face. Poor children are four times as likely to become poor adults than other children.¹³ We know that disadvantaged children from poor families perform worse than their peers; the proportion of children on free school meals¹⁴ getting five A*-Cs (including English and maths) at GCSE is 38% compared to 65% for those who don't receive free school meals.¹⁵ This is why the Pupil Premium is targeted at these children – these are the children that need it most.

We are also supporting all children at risk of falling behind at key points, for example we provide secondary schools with a £500 catch up premium for each child (regardless of family background) who doesn't make the expected standard at Key Stage 2 in reading and/or maths.

Recommendation 4: The UK Government should provide additional resources to schools to provide high quality careers services, whilst schools should ensure that they build long-term relationships with businesses and improve work-experience opportunities and Ofsted should assess and report on their performance.

Response:

We agree that all young people should receive advice and guidance about all of the education and training options open to them. We have protected the schools budget despite fiscal constraints and we are revising statutory guidance for schools so they can inspire pupils about their futures and help them make fully informed decisions. We want schools to work with local businesses to improve the job prospects of all children and give them greater experience of the world of work. We have asked the National Careers Service to help schools and businesses build these relationships. In addition, the introduction of 16-19 Study Programmes, Traineeships and Supported Internships will lead to a significant expansion in the demand for work experience placements.

Careers guidance in schools is one of the areas that Ofsted inspectors consider when assessing the effectiveness of the school's leadership and management. They also consider how schools work in partnership with the community, including business, to extend the curriculum and increase the range and quality of learning opportunities for pupils.

We want to know how successful a school has been at preparing its pupils for the future. This is why we publish Destination Measures, which show where pupils move on to after school, whether they are continuing their education or training (including through an apprenticeship), going into employment, or not in education, employment or training.

¹³ Blanden, J. and Gibbons, S. (2006) The Persistence of Poverty across generations, A view from two British cohorts.

¹⁴ The measure we use for poor children's educational attainment is the attainment of children on free school meals.

¹⁵ DfE (2014) GCSE and equivalent attainment by Pupil Characteristics in England, 2012 to 2013.

This section of the response corresponds to Chapter 7: 'Moving from Schools to Work'

Introduction

The UK Government wants to make sure that all young people succeed in the labour market. Young people not in work, education or training (NEET) are at greater risk of becoming poor adults, meaning it is vital that we support all children to stay on in education or training.

The consultation on the draft Child Poverty Strategy 2014-17 provides additional information on action the Government is taking to help young people in their transition from school to work.

Recommendation 1: The Government should set challenging aims of eliminating long-term (12 month+) youth unemployment, and reducing the proportion of young people who are NEET to below the European average.

Response:

We are making the long-term changes needed to make sure young people have the skills they need to get into work and ensure they don't fall into welfare dependency.

Youth unemployment is falling and the levels of 16-18 year old NEETs are the lowest since comparable records began.¹⁶ The majority of young people make a successful transition from school to the labour market – eight out of ten of people aged 16 to 24 are in work or full-time study.¹⁷ The UK rate of employment for people not in education aged 20-24 year olds is better than the OECD average – 71% compared to 67%.¹⁸ And the proportion of 16-17 year olds who were NEET in Q3 2012 and Q3 2013 are both lower than in any comparable quarter in the previous decade.¹⁹

Expanding Apprenticeships, the Youth Contract, work experience places and wage incentives ensure we provide long-term careers for young people, and our plan is working. The latest figures show long-term youth unemployment reducing by 21,000 since August-October 2013 to 246,000 in November-January 2014.²⁰ The youth claimant count has fallen nationally for the 21st consecutive month²¹ and the number of young people in work has risen 43,000 on the quarter which means more people getting their foot on the career ladder.²²

Recommendation 2: As a first step the Government and business leaders should work together to set a joint strategic goal for half of firms to offer high-quality Apprenticeships and work experience. Central and local government can help to lead this process by offering more Apprenticeships to fill high-skill roles and using procurement to drive greater private sector provision.

Response:

We have secured 1.6 million Apprenticeship starts since May 2010 and the Government is making it as easy and rewarding as possible for employers to take on an apprentice, for example, we are encouraging businesses with up to a thousand employees to take

¹⁶ NEET Statistics Quarterly Brief: October to December 2013.

¹⁷ Labour Force Survey November-January 2014.

¹⁸ Excluding students, OECD Education at a glance 2013.

¹⁹ NEET statistics quarterly brief: July to September 2013.

²⁰ Labour Force Survey November-January 2014.

²¹ Youth Jobseeker's Allowance claimant count data for February 2014.

²² Labour Force Survey November-January 2014.

on young apprentices by giving them an Apprenticeship Grant of £1,500 for the first ten apprentices aged 16-24 they recruit and at Budget 2014 we announced an extra £85 million in both 2014/15 and 2015/16 for over 100,000 grants to employers. We are also reforming Apprenticeships to make them more rigorous and responsive to the needs of employers.

As well as the work experience offered through the Youth Contract, employers are being encouraged to offer high quality work experience placements as part of Traineeships and study programmes. An extra £20 million is being made available to the Government's new Traineeships programme to support even more young people into Apprenticeships and other jobs. From April 2015 we will also abolish employer national insurance contributions for under 21s earning less than £813 a week to make it easier for businesses to employ young people.

We agree that central and local government have a key role to play as employers. Government departments offer high quality Apprenticeships in a variety of different areas, for example the new Fast Track Apprenticeship scheme recruited a hundred 18-21 year olds this year, with the numbers increasing to 500 to match the graduate Fast Stream.

Recommendation 3: For the cohort of young people entering the labour market without prior work experience, it is reasonable to expect them to be 'earning or learning' provided opportunities are made available to match obligations. So the Government should consider introducing a youth credit (or participation payment), conditional on their participation in high quality work-related support and educational programmes, perhaps along the lines of current traineeships (with funding drawn out of the Bursary Fund and Child Benefit for 16 and 17 years olds and out of Jobseeker's Allowance for the over-18s).

Response:

The Government agrees with the Commission's recommendation that if young people don't have a job or an Apprenticeship, they should be in school or college. A life on benefits shouldn't be an option. We want to move young people away from the benefits trap by providing them with a set of choices. This is why we are piloting new requirements for unemployed 18-21 year olds claiming Jobseekers Allowance who don't have level 2 (A*-C at GCSE) qualifications in English or maths, who will be required to complete additional learning; and also for 18-21 year olds who are still claiming benefits after six months who will be required to participate in additional training, work experience, a traineeship, or a Community Work Placement.

Recommendation 4: For young people aged 18-24 years old with prior work experience, the Government should cap the amount of time they can spend jobless on benefits by putting in place a guaranteed job placement opportunity under the Work Programme.

Response:

We agree some young people need support to get into work. The Work Programme provides personalised support for claimants to help them into sustained work. Young people aged 18-24 are required to attend the Work Programme after nine months of claiming Jobseekers Allowance. Those most in need of support, e.g. those young people who are struggling to make the transition between education and work, are offered early access to the Work Programme.

The Work Programme is designed to support jobseekers with an expert tailored plan and is shown to be working much better than previous schemes where the focus was on a 'job guarantee'.

From April 2014, those who haven't moved into work whilst on the Work Programme will be put onto the new 'Help to Work' scheme. They will be given intensive support to overcome

barriers to finding work. This may include a Community work placement which will consist of a six months placement for 30 hours a week, alongside provider-led job search.

Recommendation 5: Local partnership organisations should be created to identify, track and reengage NEETs as a possible step towards an integrated youth work and education system along the lines of the Netherlands and Denmark, which have among the lowest youth unemployment in Europe.

Response:

Local authorities have statutory duties in relation to 16 to 19 year olds, including supporting those who are not in education, employment or training. They offer a variety of services for young people and work with education providers, jobcentres and the voluntary and community sector. Announced in last year's Autumn Statement, Government will pilot extending Jobcentre Plus (JCP) support to 16/17 year old NEETs, not in receipt of benefit. JCP will work in partnership with local authorities and voluntary sector organisations to re-engage young people with education, training or employment with training such as an Apprenticeship. Those young people furthest from the labour market will receive more intensive support to enable them to engage with existing provision. Since local authorities have the statutory responsibility for NEETs, the pilot will look at how JCP can support rather than duplicate existing local authority youth services.

Local authorities are also responsible for tracking young people's participation in education and training. They record information about their current activity as well as their characteristics and aspirations to help them to support young people to engage in education and training.

Recommendation 6: A UCAS-like system for the 'other 50 per cent' should be introduced to make access to vocational education simpler alongside a payment-by-results approach in further education, based on students' labour market outcomes, with the Government setting a long-term goal to narrow the gap in funding between academic and vocational education.

Response:

The Government agrees that high-quality vocational training is vital. We are preparing young people for work with new vocational schools. 44 new Studio Schools and 45 University Technical Colleges will be linked directly with industry and businesses helping young people to prepare for work whilst ensuring they have key skills and good qualifications.

Every local area will provide access to a single website to help young people make choices about the training, Apprenticeships, courses or other work-based programmes available in their area. This will allow people to more easily find out about and apply for all the options available to them in their local area. Local authorities will be responsible for keeping the information up to date, and ensuring that there is a guaranteed place in education or training for all young people.

We already have a centralised system for linking learners to Apprenticeship opportunities. The Apprenticeship vacancies service on the National Apprenticeship Service website has seen an increase in the number of vacancies being posted and the number of applicants registering, so recognition and use of the service is already high. We are also transforming vocational education so that qualifications are more rigorous and command the respect of employers. We are removing perverse incentives for providers to offer easy, low-quality courses by moving funding from 'per qualification' to 'per learner'. From summer 2014, we will only recognise qualifications that have rigorous assessment, offer breadth and depth, provide good progression opportunities and have a proven track record.

We are enabling schools and colleges to be held to account through our new Destination Measures. These will show what proportion of a school or college's students' enter and stay in further education, higher education, Apprenticeships or employment.

There is no gap in funding between academic and vocational education. In fact some vocational courses are funded at a higher rate due to the increased cost of providing more practical courses such as engineering or construction.

Recommendation 7: All Russell Group universities should agree five-year aims to close the fair access gap, all universities should adopt contextual admissions processes and evidence-based outreach programmes, and the Government should focus attention on increasing university applications from mature and part-time students.

Response:

The Government is already committed to widening access. We want more students with the ability and potential from disadvantaged backgrounds to go to prestigious universities and for the universities themselves to take action to achieve this. Recent evidence shows that more disadvantaged students are now accessing the most selective universities than ever before²³ and the access gap between disadvantaged students and their peers is narrowing.²⁴

Our new framework gives more responsibility to universities to widen access. Universities that charge tuition fees above £6,000 have to agree their plans with the independent Director for Fair Access in access agreements. They must set out the steps taken to attract students from under-represented groups, how progress is to be monitored and how much money they will invest. Universities have committed to spending over £700 million a year by 2017/18 through access agreements on measures to widen participation and increase student success. We have also made graduate contributions more affordable and are delivering more help with living costs for students from families with incomes of £25,000 or less.

We want more mature and part-time students to attend university. Part-time students can access non-means tested loans to cover tuition fees for the first time, removing financial barriers to part-time study. We have also encouraged university applications from mature and part-time students through the National Careers Service and through extending the Student Finance Tour – which informs potential University students about University fees and what support is available to them.

²³ UCAS (2013) End of cycle report.

²⁴ OFFA (2014) Trends in young participation by student background and selectivity of institution.

This section of the response corresponds to Chapter 8: 'Access to the Professions'

Introduction

Too many of our talented young people, especially from poorer backgrounds, find it hard to turn their promise into a successful career. They don't know anyone like them, who has the job they'd love and they don't know how to get their foot in the door. As a result, their future plans remain defined not by their skills, but by the circumstances of their birth.

Changing that outdated reality and making sure our country gets the full benefit of these young people's talents has been a principle priority of this Government.

Recommendation 1: Business relationships with schools need to be more long-term and strategic. The Commission encourages schools to appoint a business engagement advocate within the senior leadership team, and encourages businesses to develop local relationships that are more evenly spread throughout the country. These sustained relationships should start earlier, be sustained over time rather than one-off, and be multi-pronged (for example, mentoring and work experience together rather than either one on its own).

Response:

The Government recognises the importance of building relationships between businesses and schools and recently launched the 'Inspiration Vision' setting out how schools and businesses will work together to inspire young people about the world of work. For more information please see our response to Chapter 6 of the Commission's report.

Mentoring support is important in building the confidence and character needed to ensure a successful career, and we have called on schools to make more inspirational mentoring opportunities available to pupils as part of their duty to provide careers guidance. We are making it easier for schools to provide work experience. This includes removing health and safety rules which prevent students going on expeditions or work experience, and removing requirements which limit the length of the school day and term to make it easier to provide activities.

Recommendation 2: It is time to put an end to informal unpaid internships. The Commission believes that firms should openly advertise internships and pay interns a wage, not just as a matter of legal compliance but because it will enhance their ability to identify and develop talent from a wider range of backgrounds.

Response:

The Government agrees with the Commission that all internships should openly advertise, and encourages firms to pay all interns.

All employers must comply with National Minimum Wage (NMW) legislation. If an intern has obligations to perform work duties they are considered a 'worker' and it is the law that they are paid at least the NMW. Alternatively, interns may be volunteers, genuinely helping out on a voluntary basis. In these cases, they can be reimbursed for out-of-pocket expenses.

Employing unpaid interns instead of workers in order to avoid the NMW is wrong and we are cracking down on employers who fail to pay their workers. That is why HMRC prioritise all calls about interns to the Pay and Work Rights Helpline and since 1st October 2013 (in addition to increasing the financial penalty for non-compliance) we publicly name and shame all employers who flout NMW law.

The Government has supported the development of the Common Best Practice Code for High-Quality Internships, which was updated and re-launched in October 2013. The Code has been developed as a guideline for organisations seeking to ensure fair, open and high-quality internships as a means of improving social mobility and enabling organisations to access wider talent pools. It sets out guiding principles in the areas of pay, recruitment, induction, supervision, mentoring and feedback.

An accompanying guide for interns was published on the National Careers Service website in November, as part of a wider Department for Business, Innovation and Skills (BIS) campaign with 4Talent, to inform young people about their interns' rights and responsibilities, including entitlement to NMW. Following its launch, enquiries to the Pay and Work Rights Helpline regarding interns and pay doubled on previous months.

Paid internships have been promoted by the Government funded Graduate Talent Pool. 100,000 graduates have registered with the Talent Pool and 57,000 vacancies have been advertised.

Recommendation 3: More employers need to change their recruitment and selection practices to remove inadvertent barriers to fairness. The Commission would like to see graduate employers in particular widening the net of universities from which they recruit, reduce crude use of UCAS points for screening out candidates, and using school- and university-blind application processes.

Response:

The Government agrees with the Commission that all employers should operate fair and open recruitment practices. Through the Government's Social Mobility Business Compact, 150 large businesses have committed to eradicating bias in their recruitment processes, ensuring that people are not inadvertently screened out because they went to the wrong school or come from a different ethnic group. As a result of this, where appropriate, there has been an increased use of name-blank and school-blank applications. We are currently exploring how to strengthen and build on the Compact.

The Government is also determined to ensure that its own practices adhere to the highest standards in open recruitment. For the Civil Service Fast Stream Graduate Programme and Fast Track Apprenticeship scheme, the focus of the selection process is on testing individual capability against set competencies, via online and Assessment Centre tests, rather than academic qualifications. For the Summer Diversity Internship Programme the Government engages with students and careers advisory services at more than 92 universities and particularly targets universities with high achieving students from under-represented groups to increase the number of BME applicants and applicants from wider socio economic backgrounds.

Further research has been commissioned into employers' approaches to graduate recruitment and is due to be completed in Summer 2014. This will investigate the issues related to improving practices and set out recommendations for possible next steps.

Recommendation 4: Opening up entry routes for non-graduates should become the norm across the professions. Greater use of Apprenticeships is one means, but there are many others. Importantly, new entry routes should have clear career progression built in, so that non-graduates' future options are not later limited by artificial barriers.

Response:

The Government has made it a priority to improve non-graduate career routes and we will continue our investment in this area. As the Commission indicates, increasing the number

of Apprenticeships is an important part of this. This Government has seen 1.6 million new Apprenticeships with over 200,000 workplaces investing in the future growth of their business through Apprenticeships.

Apprenticeships already provide an important vocational route for people to develop their employment skills and progress at work. The changes we have made to Higher Apprenticeships now provide a clear work-based progression pathway into Higher Education and professional careers. We have announced £20 million over 2 years to support Apprenticeships up to postgraduate level. Higher Apprenticeships have the potential to deliver high level skills tailored specifically to individual business requirements.

We are determined to raise the quality of all Apprenticeships so they are rigorous, responsive and become a new benchmark for excellence. Eight Trailblazer projects were announced as part of our Apprenticeships reforms, which are setting out stretching new standards for Apprenticeship occupations in the following sectors: Aerospace, Automotive, Digital Industries, Electrotechnical, Energy and Utilities, Financial Services, Food and Drink Manufacturing and Life Science & Industrial Sciences. More than sixty employers are involved in the first phase of projects, and their initial success suggests they could provide a model that could be used across the whole of the economy.

In addition to Apprenticeships, other efforts are being made to improve the vocational education offer by making the system more rigorous and responsive. A number of new elite training centres have been created, such as the recently announced Manufacturing Technology Centre facility in Coventry and the HS2 College, which will deliver the specialised training and qualifications needed for high speed rail. Funding of such projects demonstrates the Government's commitment to raising the status of vocational education.

The Government's Social Mobility Business Compact encourages firms to improve skills and create jobs by providing opportunities for all young people to get a foot on the ladder. Non-graduate routes are a key part of this and many of the signatories to the compact have reported back progress in opening up these routes.

Traineeships were introduced from August 2013 for 16-23 year olds, aimed at giving young people the skills and experience they need to be able to compete for Apprenticeships or other jobs. At the core of Traineeships are: work preparation training, English and maths and a high quality work experience placement.

Recommendation 5: The UK Government should re-energise its engagement with the professions. It should raise the bar on expectations of signatories to the Social Mobility Business Compact and encourage the relevant Departments and agencies to ensure enforcement of National Minimum Wage guidelines. Both central and local government should also consider introducing social mobility requirements into the tendering practices of the Government Procurement Service so that its role as a purchaser of goods and services becomes a lever to make access fairer in those employers with which it spends public money.

Response:

The Business Compact has played an important role in encouraging behaviour change in businesses, to ensure jobs are open to everyone. The Government agrees with the Commission that there is scope to raise the bar on the expectations of Compact signatories, and we are currently exploring how to strengthen and build on the Compact.

The Government has recently launched new guidance to interns uncertain about their pay rights and announced a further crackdown by HMRC on unfair practices.

The UK's public procurement policy is to award contracts on the basis of value for money for the taxpayer, which means the optimum combination of cost and quality over the lifetime of the project. Public sector suppliers are of course required to comply with their legal obligations including payment of the National Minimum Wage. Wider policy objectives such as skills provision or the hiring of apprentices can be included where relevant and proportionate to the individual contract concerned. However, Government has stripped back the myriad of wider policy objectives delivered through procurement. This has resulted in the process becoming faster, less costly and more efficient, and has opened up procurement to a more diverse range of suppliers including small and medium size businesses and the voluntary sector.

Public bodies are also required to comply with The Public Services (Social Value) Act 2012, which requires them to consider the full social, environmental and economic impact of their public services procurements at the pre-procurement stage, and to consider consulting service users. Public bodies are also required to have regard to equality issues in their procurement activity under the Equality Act 2010, and the Cabinet Office issued a Procurement Policy Note in 2013 providing further advice to procurers.

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