



ADAM SMITH
INSTITUTE

Nothing New Under the Sun

Half a Century of Pro Youth Policy

Siddhi Badole and Sam Bidwell

ABOUT THE AUTHORS

Sam Bidwell is the Director of the Next Generation Centre. He has worked as a Parliamentary Researcher, and as a Press and Research Consultant for the Commonwealth Enterprise and Investment Council. His writing on foreign affairs has been published internationally, including in Australia, Pakistan, and Bangladesh, and he was a contributor to the 2023 Commonwealth Security Review.

Siddhi Badole is a Research Associate at the Adam Smith Institute. She will study a BSc in History and Political Economy at King's College, London.

ABOUT THE NEXT GENERATION CENTRE

Across Britain today, young people increasingly feel that the economic status quo isn't delivering for them. Whether it be because extortionate housing and renting costs are denying them the opportunity of owning their own home, or because higher education no longer meets their needs, they are turning away from the ideas and institutions that made Britain so successful.

That's why the Adam Smith Institute launched the Next Generation Centre, which proposes bold new ideas, by young people and for young people. Alongside building on the ASI's existing body of work on issues that affect young people, the Centre commissions research from 'Next Generation' fellows, building lasting relationships with the policy-makers of the future. They'll be producing research on issues ranging from housing and taxation to nightlife and the environment.

The Adam Smith Institute has an open access policy. Copyright remains with the copyright holder, but users may download, save and distribute this work in any format provided: (1) that the Adam Smith Institute is cited; (2) that the web address adamsmith.org is published together with a prominent copy of this notice; (3) the text is used in full without amendment (extracts may be used for criticism or review); (4) the work is not re-sold; (5) the link for any online use is sent to info@adamsmith.org.

The views expressed in this report are those of the authors and do not necessarily reflect any views held by the publisher or copyright owner. They are published as a contribution to public debate.

Copyright © Adam Smith Research Trust 2024. Some rights reserved.

Published in the UK by ASI (Research) Ltd.

23 Great Smith Street, London, SW1P 3DJ, 02072224995, info@adamsmith.org

FOREWORD:

“The thing that hath been, it is that which shall be; and that which is done is that which shall be done; and there is no new thing under the sun.”

- Ecclesiastes 1:9

In 1997, the Adam Smith Institute commissioned research with Ipsos Mori to learn about the Millennial Generation. We found that young people wanted to start and run their own business, to become millionaires if they could by the age of 30. What they wanted was opportunity.

We conceived and researched policies that would make it easier for them to pursue those goals. We successfully urged the removal of the rules and barriers that thwarted enterprise.

We wanted young people to be able to research and publish the ideas that would make it easier for people to pursue their ambitions. We gave them a platform on which their ideas could be listened to.

Along with the late Julian Simon, we believe that the ultimate resource on Earth is human talent, its inventiveness and ingenuity. This is what will solve the world’s problems, if properly harnessed and given space to develop. And it is young people who will spearhead that drive.

We stand ready to help them.

- Dr Madsen Pirie, Co-Founder and President, Adam Smith Institute

Over four — nearly five — decades, the Adam Smith Institute has produced hundreds of radical policy ideas. Yet I am surprised how many of them, detailed in this research archive, have focused on making life better for younger people.

Perhaps I should not be so surprised. Too many public policies spare little thought for the young. After all, those policies are usually dreamed up and implemented by older people in the senior echelons of government.

That generation has protected its nice homes with planning laws that make housing unaffordable for the young. It has given itself ‘free’ health and social care that younger people are expected to pay for. It enjoys a Ponzi Scheme triple-lock state pension that will be long bankrupt before young people get anywhere near it.

Here you will find a compendium of ideas on how to deal with such policy failures.

Isn’t it time we acted on them?

- Eamonn Butler, Co-Founder and Director of the Adam Smith Institute

EXECUTIVE SUMMARY

- In Britain's social economy, young people are increasingly neglected, especially when compared to older generations. The government has not taken sufficient action, or introduced effective policies, to address this.
- Young people who are already burdened by student loans and low starting wages, also grapple with a financial landscape that disrupts their economic mobility and quality of life:
 1. Often earning the lowest, young people are unnecessarily hindered by frozen Income Tax thresholds and a high tax burden, including Value-Added Tax (VAT) and National Insurance. High taxes can significantly reduce young people's savings and income, making it harder for them to manage during a cost of living crisis, to pay off their debts, and to achieve financial independence.
 2. The housing market poses formidable challenges, with rental costs taking up a very high proportion of most early salaries. Limited tenant rights and insecurity compound the housing crisis, further underscoring the precarious situation faced by young renters. This is particularly bad for young people as it becomes harder to afford to have a family or to build wealth.
 3. The cost of rail travel has skyrocketed in recent years. Young people, with promising job or university offers across the country, are deterred from relocating or commuting – this worsens geographic immobility and stunts overall economic growth.
 4. In politics, the elderly appear to have disproportionate influence over their preferences. Older age groups are more likely to vote, so governments have prioritised their demands. This especially overrules younger citizens' ability to impact decisions that shape their lives, and eventually, brings down their enthusiasm to support the UK.
- For decades, the Adam Smith Institute (ASI) has been at the forefront of pushing policy recommendations that encourage the government to support working-age people, who have been disadvantaged by Government policy. Over 100 research papers from the 1990s to today are focused on issues facing young people, and often, the British labour force at large.
- In this piece, we focus on 46 key research papers, from a wide range of authors, relevant to the economic problems facing young people in Britain today, such as the housing crisis, attitudes to government and poor value-for-money education.

- Proposal examples include:
 1. **Improving** the financing of all education stages and childcare benefits
 2. **Reforming** housing regulations, and increasing supply
 3. **Encouraging** foreign talent and taking inspiration from successful foreign policies
 4. **Boosting** productivity and wages to mitigate intergenerational inequality
 5. **Reducing** inefficiency in tax distribution, especially to support education and healthcare
- It is evident that our call to help the next generation can only succeed with a co-operative effort from the government. As policy-makers scramble to think of new schemes for Britain, the ASI is here to gently remind them that such ideas already exist.

Works Cited:

Affordability of Housing and Transport	The Tax Burden
1994 - 20-20 Vision	1996 - Singapore versus Chile: Competing models for welfare reform
1997 - Underground Revolution	1999 - Public, Private and People
2000 - Housing Benefit: What the Government ought to do - but won't	2001 - Medical Savings Account
2005 - No Way to Run a Railway	2004 - Flat Tax: the British case
2013 - Cash in the Attic	2005 - A flat tax for the UK – a Practical Reality
2016 - Network Fail: Getting UK Rail Back on Track	2006 - Road Map to Reform: Health
2017 - A Millennial Manifesto	2007 - Depoliticizing the NHS
2017 - Children of When	2011 - Taxing talent: How Britain can attract and retain the world's best workers
2018 - A Third Way for Britain's Railways	2017 - A Millennial Manifesto
2019 - Size Doesn't Matter: Giving a green light to micro-homes	2020 - Young hit hardest by lockdown, want tax cuts
2022 - Boomer and Bust: Realigning Incentives to Reduce Intergenerational Inequality	2022 - Boomer and Bust: Realigning Incentives to Reduce Intergenerational Inequality
2023 - Homes for All: A Debt Free Solution to the Housing Crisis	
2023 - Innovative Answers for Britain's Barriers	Education and Taxation:
2023 - Rooms for Debate	1998 - The Millennial Generation
2024 - Boosting Brownfield	1999 - The Next Leaders?

2024 - My Generation: Introducing the Next Generation Centre	2002 - Access to Achievement
2024 - Cooped Up: Quantifying the Costs of Housing Restrictions	2002 - Education Cheque
THE OBSERVATIONS, OPINIONS AND POLICY RECOMMENDATIONS INCLUDED IN THIS PAPER ARE ACCREDITED TO THE AUTHORS THAT HAVE WRITTEN OR CONTRIBUTED TOWARDS THE RESEARCH LISTED HERE.	2002 - The Standards of Today
	2002 - Customers not Bureaucrats
	2003 - Better Science at Less Cost
	2006 - Transforming Higher Education
	2007 - The Right to Choose: Yes, Prime Minister
	2012 - Parent-led Protection: Market-based Solutions to Child Protection
	2014 - Made in the UK: Unlocking the Door to International Entrepreneurs
	2016 - The UK and the World in 2050
	2017 - A Millennial Manifesto
	2017 - Updating student finance
	2018 - Prices not Points: A Post-Brexit Immigration Solution
	2021 - Singapore-on-Thames: What the UK can learn from the Lion City
	2021 - School's Out: How microschools boost educational choice and quality
	2022 - Broken Britain: 16 Problems Facing the Country
	2023 - Optimising for our Openness: The Economic Effects of Visa Auctions in the UK
	2023 - Leave them kids alone! The Next Steps on Childcare Reform

INTRODUCTION

In all Classical mythology, amongst the most evocative characters is that of Cassandra. A Trojan Priestess, Cassandra incurred the wrath of Apollo, and was cursed to utter true prophecies but never to be believed. Despite her foresight, Cassandra is doomed to watch her friends and relatives suffer gruesome and tragic fates, both unable to save them and unable to hide away in blissful ignorance.

Like Cassandra, the Adam Smith Institute has spent decades raising the alarm about Britain's failure to deliver prosperity and opportunity to the next generation - and yet cloth-eared policy-makers have too often failed to take notice.

Today, we find ourselves in the midst of an acute housing crisis, while graduate wages stagnate, and fewer young people find themselves able to start a family. The prosperity that was available to many now-older people during the boom years of the 20th century is a mirage for the young. Widespread political failure to address these new economic realities has led many working-age people to doubt the merits of our economic system altogether. Without the ability to accrue capital, build assets, and invest in the future, why should we expect young people to have faith in the system?

For far too many, the siren song of socialism is an appealing alternative.

In February, we launched our new Next Generation Centre, a policy unit dedicated to developing policy by young people, for young people. Now more than ever, with faith in capitalism waning amongst the next generation, it is important that politicians are equipped with the solutions needed to change this dangerous paradigm.

Yet, this was by no means the beginning of the Adam Smith Institute's efforts to deliver prosperity and opportunity for the next generation. In fact, long before the issue of intergenerational inequality reared its head in the halls of power, the Institute recognised the unique role that young people play in driving growth and innovation, and raised the alarm about the failure of politicians to deliver appropriate opportunities to play that role.

This paper summarises just some of the Institute's extensive contributions to this field, and sets out just some of the ways in which politicians today can work to improve the lives of young people.

We hope that modern policymakers will have the foresight to take heed where their forerunners erred, drawing on this work and the future work of the Next Generation Centre to deliver tangible improvements in the lives of young people. The vitality of market-oriented politics depends on it.

AFFORDABILITY OF HOUSING AND TRANSPORT

The Problems - Housing

Britain now faces an acute housing crisis, particularly in London and the South-East, detrimentally impacting the living standards and career prospects of younger people.

“Many are now forced to endure long commutes, live in overcrowded shared flats, or leave the city. In the past 20 years, London’s population has grown by 25%, but the number of homes by only 15%.”¹ Around 2025, approximately three and a half million of those living in London will be in rented housing; an expected statistic considering 79% of the adults who moved to London in 2018 were renting.”² This creates nonsensically high demand, pushing up rent bills and house prices.

My Generation: Introducing the Next Generation Centre (2024) highlights that the “crisis of affordability is beginning to have a direct impact on levels of homeownership amongst younger people.”³ The case is realised to be worse when private renters, seeking an alternative to homeownership, still spend over 30% of their salary on housing costs, and a higher 40% in London.⁴

Shockingly, James Lawson, Chairman of the ASI, calculates that the UK’s Cost of Rent day in 2024 falls on the 5th of May, which means that renters work 125 days to solely pay their annual rent bill.⁵

In Cooped Up: Quantifying the costs of housing restrictions (2024), McClements and Hausenloy explore how excessive planning restrictions are doing more harm than good: “the construction of a new, average-sized house in London costs £300,000, yet average prices are £685,000, as a result of excessive planning restrictions.”⁶ The paper also concludes that planning restrictions in the present cost the government £15,000 to provide infrastructure to every new person who moves to a city, including the use of education, healthcare and pharmacy, transport, and utilities facilities.⁷

This does not only impact living standards, but branches into further externalities such as the future labour market and the burden of tax on the younger workforce. Sabisky makes an interesting link in *Children of When (2017)*, connecting fertility rates

¹ V. Kichanova, *Size Doesn’t Matter: Giving a green light to micro-homes*, 2019, pg. 1

² Ibid pg. 6

³ Ibid pg. 9

⁴ S. Bidwell, *My Generation*, 2024, pg. 9

⁵ J. Lawson, *Cost of Rent day 2024*, 2024, pg. 3

⁶ McClements & Hausenloy, *Cooped Up: Quantifying the costs of housing restrictions*, 2024, pg. 1

⁷ Ibid pg. 1

to the availability of affordable, convenient housing. *“International evidence shows that housing markets have substantial effects on fertility: rising house prices may boost fertility for homeowners, but slash fertility amongst renters – between 1996 and 2014, 157,000 children were not born due to the cost of living space.”*⁸

If housing affordability can be tied to fertility rates, then a lack of the former will undoubtedly contribute to Britain’s ageing population, forcing a much smaller number of future young generations to ‘carry’ the economy. Sabisky adds, *“there are increasingly far too many elderly people relative to the numbers of working-age taxpayers. The tax burden on the latter group is likely to rise, due to the increasingly expensive health and social care needs of the former.”*⁹

His conclusion is drawn from a comparison between fertility rates and home ownership rates in the UK: Sabisky carefully mentions that fertility has been below the replacement rate for decades, (approx 2.08 children per woman),¹⁰ never matching or exceeding the replacement rate since 1972. However, a *“large variation in TFR (the fertility rate) exists within the London area, ranging from Barking & Dagenham (2.41) to Camden (1.22). Some of this variation can be linked to population differences resulting from immigration, since women not born in the UK tend to have higher fertility rates than those born here.”*¹¹

Around the exact same period, rates of homeownership among young people have continued to fall, and the average age at which a first home is purchased has risen; it is now 30, and 32 in London. This is a rapid decline in reflection of 1991, when two-thirds of 16-25 year olds had purchased property.¹²

The authors of *Boomer and Bust: Realigning Incentives to Reduce Intergenerational Inequality* (2022) support this concept with figure 1 below, and add that in the 1980s and 1990s, the average thirty-year-old first-time buyer could save enough for a mortgage deposit in three years, but in 2022, it would take nearly 20 years to achieve the same goal.¹³

⁸ A. Sabisky, *Children of When: Why housing is the solution to Britain’s fertility crisis*, 2017, pg. 1

⁹ Ibid pg. 2

¹⁰ Ibid pg. 2

¹¹ Ibid pg. 3

¹² A. Sabisky, *Children of When: Why housing is the solution to Britain’s fertility crisis*, 2017, pg. 4

¹³ S. Dickson, J. Macdonald & Dr M. Turner, *Boomer and Bust: Realigning Incentives to Reduce Intergenerational Inequality*, 2022, pg. 3

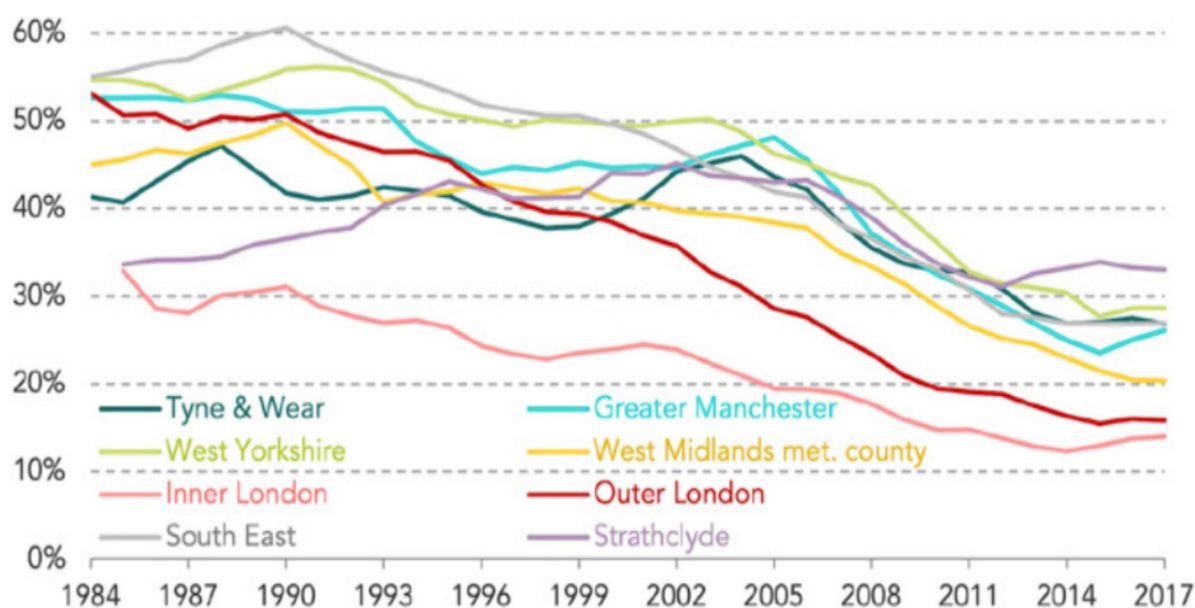


Figure 1: Home ownership rates for families headed by 25-34 year olds, by region

Whilst the observation may be criticised as a case of correlation rather than causation, Sabisky makes a strong argument towards human psychology, in that home ownership convinces couples to have children earlier than they may otherwise consider; *“the rising value of [a person’s] home gives them greater confidence that they will be able to afford another child”* but for renters, the cost of living is too high to consider childcare at all.¹⁴

For those unable to afford housing at all or are suffering unemployment, the housing benefit system is riddled with flaws: complexities in delivery and administration, lack of understanding among tenants about entitlements, inconsistent performance of local authorities, administrative delays causing tenant concerns and landlord cash flow issues, significant fraud, disincentives for employment and a lack of tenant responsibility due to a reliance on benefits.¹⁵

Housing Benefit: What the government ought to do – but won’t (2000) emphasises that fraud, estimated at £840 million per annum [2000],¹⁶ is only possible because of the complexity of the housing benefits system, allowing both landlords and tenants to take advantage.¹⁷ Complexity is not an exhaustive reason for why housing benefits are not serving working-age people, however, there are also problems such as attitudes to tenants based on age, circumstances and tenure,¹⁸ as well as producer capture – *“the ability of landlords to have payments made direct to them gives them considerable control*

¹⁴ A. Sabisky, *Children of When: Why housing is the solution to Britain’s fertility crisis*, 2017, pg. 5

¹⁵ Dr P. King, *Housing Benefit: What the government ought to do – but won’t*, 2000, pg. 18

¹⁶ Ibid pg. 18

¹⁷ Ibid pg. 18

¹⁸ Ibid pg. 20

over the benefit system, because of their ability to set rents.”¹⁹

The Solutions - Housing

Building more homes is a popularly backed recommendation, and according to *Boomer and Bust*, research conducted September 2021 revealed that 38% of participants in Britain supported building more homes in their local area. Polling data in 2023's *Rooms for Debate* shows a huge increase from this, where 53% of participants support building in their local area.²⁰

But the call to ‘build more homes’ is rather vague, and offers very little indication of direction or methodology. It is also important to not only build, but build more efficiently by easing planning restrictions. *Cooped Up* (2024) calculates that removing density restrictions would increase real UK GDP by 6.1%.

In *Size Doesn't Matter: Giving a green light to micro-homes* (2019), Dr Kichanova observes that *“the land in central, more densely populated areas, is also used in a highly inefficient way—half of Londoners live in buildings with just one or two floors. Adding more high-rise buildings could allow millions of economically active people to live closer to their offices, reducing the pressure on public transport.”*²¹

Kichanova also introduces the idea of micro homes, already practised in large cities like Tokyo, New York, and Hong Kong. With no strict definition in the UK, these micro homes would likely have a floor area below 37 square metres, but are *“not the same as a cramped sub-division of existing units: they are smart, modern, custom designed units that make good use of space which have won prestigious architectural awards.”*²²

Although this measure currently does not conform to the British Property Federation's current minimum space standards, *“the second — and no less important — part of the definition implies that a microhouse has to be purpose-built and should provide some communal shared spaces and additional services.”*²³

These homes would be designed with *‘private and public areas clearly separated’*²⁴: shared spaces for work, exercise, and socialising encourage voluntary interaction, but personal rooms offer more privacy than simply flat-sharing. Micro homes appear to promise more diverse options to choose from, allowing renters and buyers both to satisfy their needs and help them find an appropriate place to live, easing down tight commuting schedules and excessive transport expenditure. For young people who

¹⁹ Ibid pg. 20

²⁰ JL Partners & ASI, *Rooms for debate*, polling on the housing crisis, green belt and planning system, Pg. 18

²¹ V. Kichanova, *Size Doesn't Matter: Giving a green light to micro-homes*, 2019, pg. 6

²² Ibid pg. 8

²³ Ibid pg. 8

²⁴ Ibid pg. 12

often move to big cities for their careers, a micro-home with social spaces is a great way to keep loneliness at bay whilst staying close to the best attractions that cities offer.

The provision of choice is key in such policy recommendations; care has been taken to assess the timeframe of implementing them, and Kichanova clarifies that micro housing only serves as a policy shortcut, and should be coupled with a long-term goal to remove excessive regulations, planning restrictions and the ‘NIMBY’ mindset,²⁵ as these are majorly responsible for the housing shortage.

A Millennial Manifesto additionally submits the idea to introduce 3-year leases on rental properties. Landlords who agreed to 3-year leases would be protected by an Act, exempting them from liability to further security of tenure, or from being forced to sell the property.²⁶

*“This would give tenants the security of not having to move as each year’s lease expired, and give landlords the security of being able to stick with known and trusted tenants without prejudice to their property. Properties do not earn landlords any money in the period between tenancies, so the measure to allow longer-term lets would benefit them financially.”*²⁷ Longer leases solve the problem that most young people have with housing insecurity: many have contracts that expire after a year, and constantly moving home on a graduate salary is incredibly stressful and expensive.

Another perspective taken by the authors of *Homes for All: A Debt Free Solution to the Housing Crisis* (2023) is to determine a fair way to build housing where people want to live, benefitting both local and future residents, and land-owners. Under the ‘Homes for All’ scheme, the government would use *“Compulsory Purchasing Orders (CPOs), a legal tool to compulsorily buy land or property to support development that is in the public interest, to purchase metropolitan green belt land. Shares would be issued to land owners, local residents, central and local Government, which can be traded on the stock market.”*²⁸

Trading shares offers a profit incentive; Marlow and Saltiel examine that with a Government set-up development corporation, development of the land could increase the value of the shares by approximately x14.9.²⁹ This could encourage the free market mechanism to raise approximately £985 billion for the Exchequer (returns up to £938 billion³⁰) and build 3.8 million houses over the next 15 years.³¹

²⁵ Ibid pg. 18

²⁶ Dr M.Pirie, *A Millennial Manifesto*, 2017, pg. 4

²⁷ Ibid pg. 4

²⁸ M. Marlow & M. Saltiel, *Homes for All: A Debt Free Solution to the Housing Crisis*, pg. 3

²⁹ Ibid pg. 3

³⁰ Ibid pg. 9

³¹ Ibid pg. 3

In essence, the scheme could increase the availability of affordable housing, increase investment in local government budgets and investment in local community infrastructure. Polling for the Adam Smith Institute undertaken by JL Partners, to measure the popularity of the ‘Homes For All Policy’, found that young people and renters are the most supportive of this housing solution.³²

Criticism for this scheme and polling data from JL Partners (graph below) asserts that Brownfield sites should be the focus of development, rather than prioritising development of the Green Belt.

Building on greenfield land is opposed in every region; however there are high levels of net support for building on brownfield sites

How much would you support or oppose building new housing in your local area if...

	North East	North West	Yorkshire & Humberside	West Midlands	East Midlands	Eastern	London	South East	South West
It meant building on greenfield land	-15	-27	-26	-15	-36	-57	-15	-46	-40
It was designed to fit in with the surroundings	+51	+52	+52	+53	+56	+38	+59	+47	+52
It was limited to brownfield sites	+62	+46	+52	+54	+60	+45	+41	+54	+53
It made local housing more affordable	+73	+56	+51	+52	+72	+41	+66	+55	+62

The ASI and PricedOut focus on this argument in *Boosting Brownfield: Full Expensing for Brownfield Development (2024)*, and urge the extension of Full Expensing “to the development and house building sector to build on brownfield sites.”³³ This would mean that UK-based companies would be able to deduct the cost of machinery and mechanical equipment from their corporation tax bill, over a number of instalments.

The reasoning behind this rests on the fact that building on brownfield sites is expensive, despite its necessity: “Owing to the UK’s stringent environmental regulations on development and the often deleterious state of many brownfield environs, clean-up costs can be considerable. Viability for sites is not guaranteed, meaning that any investment in clean-up could go to waste, further disincentivising development on brownfield sites... these risks and large disincentives remain the primary blocker to Brownfield redevelopment, especially as gaining planning permission to build in these areas is significantly easier and thus less costly than fresh greenfield development.”³⁴

Boosting Brownfield’s model calculates that this extension of Full Expensing means

³² Ibid pg. 3

³³ ASI & PricedOut, *Boosting Brownfield: Full Expensing for Brownfield Development*, 2024, pg. 3

³⁴ Ibid pg. 3

150,000 brownfield houses could be constructed per year, resulting in 450,000 over three years.³⁵ This huge expansion of housing supply would push down rent costs and enormously benefit young people, especially those seeking employment after graduation. Furthermore, the model depicts that the Treasury would receive £4.3bn in downstream tax from the growth of the sector and economic development near brownfield sites:³⁶ an increased spending budget would multiply the Chancellor's ability to allocate more funding towards key sectors involving the next generation.

Additionally, *Cooped Up (2024)* proposes an adjustable infrastructure levy to fully fund the additional infrastructure required for every new person who moves to a city. The tax “substantially decreases the need for any building on greenfield sites, maintains the quality of local infrastructure and enriches homeowners, not housebuilders, while decreasing prices for renters.”³⁷

In a different thread, *Housing Benefit: What the government ought to do – but won't* delves into a further analysis of how significant changes to housing benefits are necessary to create a more equitable and tenant-oriented housing market, and curb the annual loss of taxpayer funds due to fraud and error³⁸ – the overpayment amount in the financial year of 2022-23 was estimated to be around £820m.³⁹

Divided into two stages, the suggested reforms address institutional disparities and producer capture:⁴⁰

Stage One:

- End supply side subsidies, saving £4 billion per annum
- Create a single rental market with uniform tenancy
- End the single room rent restrictions for under 25's
- End direct payments to landlords

Stage Two:

- Flat rate benefit at 105% of local benchmark rent
- Ending differential entitlements on the basis of household types
- Shifting housing benefit administration to the Department of Work Pensions

³⁵ Ibid pg. 3

³⁶ Ibid pg. 4

³⁷ McClements & Hausenloy, *Cooped Up: Quantifying the costs of housing restrictions*, 2024, pg. 5

³⁸ Dr P. King, *Housing Benefit: What the government ought to do – but won't*, 2000, pg. 18

³⁹ Department for Work and Pensions, *Fraud and error in the benefit system Financial Year Ending 2023*, <https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2022-to-2023-estimates/fraud-and-error-in-the-benefit-system-financial-year-ending-fye-2023>

⁴⁰ Dr P. King, *Housing Benefit: What the government ought to do – but won't*, 2000, pg. 20

The first stage focuses on equalising rents by removing supply-side subsidies from local authorities and housing associations. Alongside the establishment of a single market and direct payments to tenants (including those under 25) rather than landlords, this change should increase competition among landlords,⁴¹ resulting in fairer rents, standardised tenancy and more care given to tenants' needs.

In the second stage, Dr King explains that *“removing the administration of housing benefit from local authorities would save £350 million per annum and remove the peculiarity of local authorities acting as landlord and administrator of benefits for its own tenants.”*⁴² Instead, the administration would be handled by the Department of Work and Pensions, through *“the integration of housing benefit into the income support system”*,⁴³ potentially also distributing a housing allowance to low-income families with consideration of their earnings.

Furthermore, although the suggestion of a flat rate benefit would enable households to rent more expensive property, it also offers tenants much more choice by allowing them to keep the difference between the benefit rate and the actual rent, if they were to choose a cheaper living space.⁴⁴

This dual structure hopes to encourage tenants to seek affordable housing, and confirm the relationship between landlords and tenants as a purely contractual one. Ultimately, these reforms work in favour of both tenants and landlords by creating a more efficient and fair housing market while saving the government significant amounts of money.

Dr King concludes with another idea of a potential third stage, involving the eventual abolition of a separate housing allowance altogether, but rather integrating a *“notional housing element into income support.”*⁴⁵ This would remove the influence of housing benefit on rent levels, giving all households the same choices and responsibilities regardless of income or employment status.

In theory, the ASI's policy recommendations for housing appear to form a self-fuelling pattern; building more homes and reforming planning permissions leads to lower rent costs, cutting down geographic immobility, and enabling more young people to afford children. This in turn directs the economy towards a larger, flexible labour market.

Although the trade-off rests at a short-term loss of Government corporation tax revenue, the projected long-term growth of the sector will create more opportunities for market-based innovation. Furthermore, in combination with other tax and

⁴¹ Ibid pg. 25

⁴² Ibid pg. 30

⁴³ Ibid pg. 30

⁴⁴ Ibid pg. 30

⁴⁵ Ibid pg. 30

spending reforms, total government tax revenue may not significantly suffer.

Additional savings from reforms to housing benefits and a sympathetic attitude towards homelessness or unemployment may mean future Government spending rises in education and healthcare, further complimenting young individuals.

The Problems - Transport

Iain Murray in *No Way to Run a Railway* (2005) believes that the present railway industry cannot meaningfully be called ‘privatised’. *“The combination of regulatory structure and public ownership of the track and station infrastructure makes it impossible for the private sector operators to employ genuine private-sector disciplines and strategies in improving the service to travelling customers.”*⁴⁶

Public control over a privatised railway is a case of government and regulatory failure,⁴⁷ not market failure. *Network Fail: Getting UK Rail Back on Track* (2016) is inclined to agree that empowering the railway as national monopoly, without heed to its failing structure, was a serious failing at privatisation.⁴⁸

The privatisation of British Rail and its accompanying franchising system initially showed promise by attracting private sector train operators. But as Adrian Quine explains in *A Third Way for Britain’s Railways* (2018), franchising faced criticism for its restrictive nature; operators are tightly bound by government specifications.⁴⁹ The Department for Transport outlines exactly what a franchised train company service includes: *“dictating timetables, frequency, stopping patterns and even minor details such as whether a train has a catering trolley or not.”*⁵⁰

This leaves operators with limited freedom to innovate or adapt to changing market demands, for example, having a different service tier for regular business commuters, compared to students on a budget or occasional travellers.

Additionally, the absence of competition – a crucial component of success – allows franchise train operators to exploit their situation to maximise revenue, which ultimately harms passengers, especially young people on low incomes who are forced to commute rather than pay high rents in cities like London. Each operator becomes a monopoly, with the power to decide fares.

Quine takes the example of Virgin Trains, which by 2018 had implemented significant restrictions on off-peak travel, leading to a substantial fare gap between regulated

⁴⁶ I. Murray, *No Way to Run a Railway*, 2005, pg. 4

⁴⁷ Ibid pg. 23

⁴⁸ N. Hawkins, *Network Fail: Getting UK Rail Back on Track*, 2016, pg. 3

⁴⁹ A. Quine, *A Third Way for Britain’s Railways*, 2018, pg. 12

⁵⁰ Ibid pg. 4

off-peak and full anytime fares. Passengers as a result would be heavily constrained in their travel options, with limited off-peak windows and steep price hikes for peak flexible tickets.⁵¹

This trend is not unique to Virgin, as Quine explains that most operators in 2018 including Great Western Railway had similarly raised unregulated anytime fares, with some routes experiencing fare increases of up to 270% since 1995.⁵² These companies are paying “*ever higher premium payments back to the government and face greater commercial risk with diminishing margins. This has resulted in operators hiking walk-on ‘unregulated’ anytime fares to levels that would not stand the scrutiny of a free market.*”⁵³

Furthermore, this price hike appears worse further outside of London. Cross country trains are characterised by their sluggishness; they are expensive and price-wise do not compete with driving or flying.⁵⁴ The diagram below, of single cross country fares booked 24 hours before travel, shows the comparison that planes are ironically more cost-efficient and time-efficient for passengers.

Example Comparison of Cross Country Fares Trains vs Air

Edinburgh to Bristol

Company	Fare	Journey Time
CrossCountry (Rail)	£223.60	6 hours 21 minutes
EasyJet	£62	1 hour 15 minutes

A lack of competition impacts more than just train fares. Virgin Trains, once known for its emphasis on customer service and positive passenger experiences, later experienced a decline in both punctuality and customer satisfaction.⁵⁵ A sharp increase in complaints and negative press coverage, with passengers feeling penalised for minor infractions and facing aggressive ticketing tactics raised concerns among independent watchdogs like Transport Focus, who have criticised Virgin’s approach to ticketing terms and conditions and its handling of passenger complaints. Quine thinks this can be pinned to Virgin’s monopolistic position on the West Coast mainline,⁵⁶ highlighting the need for railway competition to serve as ‘natural checks and balances’ against such practices.

According to *Cash in the Attic* (2013), Network Rail runs, maintains and develops approximately 20,000 miles of railway track, 40,000 bridges/tunnels, the signalling

⁵¹ Ibid pg. 50

⁵² Ibid pg. 50

⁵³ Ibid pg. 51

⁵⁴ Ibid pg. 51

⁵⁵ Ibid pg. 51

⁵⁶ Ibid pg. 31

system, multiple level crossings and operates 17 core stations.⁵⁷ But, its huge level of spending, most of which depends on taxpayer funding, has intensified net debt, resting at £59.1bn in the financial year of 2022-23.⁵⁸ To be sympathetic, managing a sprawled network this large with bureaucratic checks at every corner forces the state to act as a ‘jack-of-all-trades’, leaving each area half-done in pursuit of managing them all. It appears that a profit incentive from a true privatised edition of Network Rail is required to make much-needed efficiency improvements.

Focusing on London, the Underground is not doing much better, and such has been the case since 1997, when *Underground Revolution* was written as a hope to modernise it through Public-Private partnerships. “*Despite substantial investment in the core network in the 1980s and 1990s, delays and service interruptions are regularly publicised.*”⁵⁹

In 2003, London Underground Limited (LUL) became a subsidiary of Transport for London (TfL), and in the 2020s, strikes, motor failure, and congestion still persist, aggravating many commuters on a daily basis.

Kenneth Irvine points out that executives of LUL/TfL would pin underperformance on underfunding, “*particularly a failure to clear an investment backlog estimated at £1.2 billion, and to provide consistent funds to update the network.*”⁶⁰

It is increasingly obvious that the current models for public transport are failing to deliver, and when looking at the financial situation of many students, graduates and young professionals, it is unlikely they will be able to boycott trains altogether — cars are expensive, fuel is expensive and driving long distances is tiring and environmentally more harmful than public transport. What the UK needs is not to backtrack into 1980s British Railways, but push ahead to a competitive, truly private Network Rail.

The Solutions - Transport

A Third Way for Britain’s Railways asserts that “*By creating choice, fares will be lowered, service standards will be raised and costs can be reduced proving a ‘win win’ for both passenger and taxpayer.*”⁶¹

The first step for creating choice can only mean sidelining today’s railway franchising model and instead taking steps towards true privatisation. *Cash in the Attic* understands that even in the best case scenario, it would be difficult to earn public approval for the state selling all of Network rail, but even selling off 49.9% could bring in £7 billion for

⁵⁷ N. Hawkins, *Cash in the Attic*, 2013, pg. 24

⁵⁸ Network Rail, Annual report and accounts, 2023, pg. 13

⁵⁹ K. Irvine, *Underground Revolution*, 1997, pg. 1

⁶⁰ Ibid pg. 1

⁶¹ A. Quine, *A Third Way for Britain’s Railways*, 2018, pg. 4

the Treasury.⁶²

Hawkins suggests preparing a 15% initial offer of shares to leading financial institutions – *“in order to judge the underlying appetite of investors.”*⁶³ If supported, an additional 15% and 19.9% of offers could then be undertaken.

Receiving such a sum of money, the state has to be cautious with where it realistically goes – *“despite the heavy investment [from Network Rail] over the last decade, notably the notorious £9 billion West Coast Main Line upgrade project, much of its asset base remains in a poor condition, especially many of its railway bridges.”*⁶⁴ As mentioned before, the sheer size of a state-owned rail system makes it incredibly difficult to micro-manage each area of the UK.

A more effective approach, seen in a *Third way for Britain’s Railways*, assumes Network Rail should become a set of independent, private operators and not ‘monopoly’ franchisees. The approach would involve replacing fixed access charges for train tracks with direct government grants. The only power this gives the state is simply an ability, as funder, to convince operators *“into making efficiency savings through a mix of better working practices, tighter procurement, better planning.”*⁶⁵ but gives freedom to operators to ‘fix’ what they see value in fixing.

This could encourage a more surgical investment in infrastructure, compared to the current fragmented and bureaucratic system which holds back progress toward a more modernised network.

Murray follows the same pathway as Quine – agreeing that the regulatory burden must be lightened. Bringing into consideration the American railroad industry in 1980 post-deregulation, *“services expanded, infrastructure investment increased and the economy benefited considerably. It is time for the UK to look again at what is best for the railways.”*⁶⁶

Quine inevitably calls to attention that in areas where a small niche ‘non franchised’ ‘Open Access’ operator has limited access to the network, it creates some real competition. Wherever competition exists, even if less than 1% of the market, *“fares have dropped, passenger satisfaction is up and rail has attracted new users.”*⁶⁷

He concludes that operators should be more flexible in the way they sell tickets, and offer a range including ‘part time’ and ‘off peak’ fares plus ‘carnets’ for regular business

⁶² N. Hawkins, *Cash in the Attic*, 2013, pg. 22

⁶³ Ibid pg. 25

⁶⁴ Ibid pg. 24

⁶⁵ A. Quine, *A Third Way for Britain’s Railways*, 2018, pg. 16

⁶⁶ I. Murray, *No Way to Run a Railway*, 2005, pg. 4

⁶⁷ A. Quine, *A Third Way for Britain’s Railways*, 2018, pg. 5

and leisure travellers. Smart ticketing criteria is beginning to take root in government, so that a distinction can be made between the daily ‘same train, same route every day’ commuter and other travellers that require a more flexible service.⁶⁸

To reform the London Underground (now part of TfL), Irvine declares that costs need to drastically come down. Eliminating ‘unnecessary’ management and ‘head office bureaucracy’ would make a starting dent,⁶⁹ which would ramp up TfL’s funds for maintenance. Passengers can only hope that TfL uses this to refurbish old tubes, and replace conductor rails, signals and faulty motors.

He later suggests a more drastic measure, that the state decide on “*three to five concessions to private consortia to design, modernise, finance and operate services, stations and infrastructure.*”⁷⁰ TfL would remain as a publicly-owned holding company and lease tube stations and infrastructure to private companies for the duration of their contracts”

A possible structure for four vertically integrated businesses would be”

1. Metropolitan, District, Circle, Hammersmith & City;
2. Jubilee and Bakerloo;
3. Piccadilly and Central;
4. Northern and Victoria.

An alternative structure to facilitate the construction of the Chelsea-Hackney line would be:

1. Metropolitan (Circle partner), Hammersmith & City;
2. District (Circle partner) Piccadilly & Central;
3. Jubilee, Bakerloo;
4. Northern and Victoria.

The concession lengths would be determined through competitive bidding, hoping to minimise government contribution or any operating subsidies.

On a summarising thread, Dr Pirie in *20-20 Vision (1994)* keeps a goal for 2020s Britain to be linked internally by “*trains which travel at over 200mph.*”⁷¹ There is no doubt in his claim that better transport relieves pressure on roads, but, more importantly, green belts. Fast and reliable transport means people are more willing to live further away, reducing ‘urban sprawl’⁷² and balancing out further north the concentration of house builds in the south of the UK.

⁶⁸ Ibid pg. 41

⁶⁹ K. Irvine, *Underground Revolution*, 1997, pg. 2

⁷⁰ Ibid pg. 2

⁷¹ Dr M. Pirie, *20-20 Vision*, 1994, pg. 10

⁷² Ibid pg. 10

Railways are a crucial part of the economy, enabling social mobility, cutting geographic immobility and are an environmentally conscious way that thousands, if not millions of commuters, especially young people, choose every day.⁷³ In short, if there is anything the government must focus on, Network Rail is amongst the top contenders.

Analysis - Housing and Transport

In terms of priority, kick-starting construction and reducing planning regulation emerge as immediate and practical solutions to address the housing crisis. These policies directly tackle the shortage of affordable housing and can have a tangible impact on rental costs and geographic immobility.

SHORT TERM

Longer Leases on rental properties give stability for renters and landlords alike and reduce the stress and financial burden associated with frequent moves. This policy directly addresses the insecurity faced by many young renters and can contribute to a more stable housing market.

Reforming planning permissions and increasing the number of homes, especially in densely populated areas like London, can alleviate pressure on the housing market and reduce rental costs. However, it requires careful planning permissions to ensure efficient use of land and resources, such as extending upwards.

Integrating Housing Benefit into the income support system, administered by the Department of Work and Pensions, saves costs. This could also become a separate 'housing allowance' for working households on low income, inserted into their tax credit and personal allowance.

A Flat Rate Benefit, when based on a local benchmark rent, would incentivise tenants to seek cheaper accommodation and increase their choice, while maintaining a flat rate for all households.

Housing benefit payments given directly to tenants establishes personal responsibility, rekindles competition between landlords, and makes rent levels a significant part of the landlord-tenant relationship.

Distributing direct Government grants for track use instead of making train operators pay fixed fees gives them money and more freedom to invest in and improve railway tracks.

Railway Regulatory Flexibility means allowing private operators to face less regulation

⁷³ A. Quine, *A Third Way for Britain's Railways*, 2018, pg. 7-8

would encourage competition, reduce fares and give better passenger service in the long run. Operators would be able to come up with new ideas for customers by reducing the strict rules they have to follow.

Open Access for smaller train companies to use the tracks even if they're not part of the big franchises could lead to lower prices and better service as more companies compete.

Flexible ticketing options for train travel, like part-time or off-peak fares, would give passengers more choice and affordability, especially if they do not travel often.

Reducing bureaucracy and management costs for TfL would free up money to fix and upgrade the Tube network.

LONG TERM

Micro-Homes offer a creative solution to maximise living space in urban areas and provide affordable housing options for young individuals. But nuances such as regulatory standards and community acceptance may hold back their widespread popularity.

The Homes for All Scheme works by leveraging Compulsory Purchasing Orders to purchase metropolitan green belt land and issuing shares to stakeholders, this policy aims to stimulate investment in affordable housing. However, challenges related to land acquisition and stakeholder coordination may arise.

Boosting Brownfield Development means focusing on brownfield sites for housing development, and can optimise land use and minimise environmental impact. By incentivising development through Full Expensing, this policy attempts to navigate high costs associated with brownfield cleanup and regulatory hurdles may pose challenges to implementation.

Finland's 'Housing First' model, if brought to the UK, would involve the provision of basic housing, addiction therapy and physical healthcare. 'Tenants' would be given help and advice from trained social workers about housing, renting and personal finance.

Pushing true Railway privatisation means moving away from the current franchising private-public system of Network Rail, perhaps with the Government selling off 49.9% of Network Rail to raise money for the Treasury to improve railway infrastructure.

Private management for Tube lines is similar to the one above.

THE TAX BURDEN

The Problems - Income, Savings and Healthcare

As *Boomer and Bust* (2022) signals, intergenerational inequality is not just a gentle issue of fairness between the elderly and the young. “*The ways in which it is expressed are a drag anchor on the productivity and economic growth that Britain desperately needs; drastic reforms to planning, tax, welfare and education are needed to boost productivity, wages and prosperity...*”⁷⁴

For young people and those starting their careers, the tax burden permeates every facet of living: Income tax, a twenty-percent VAT, National Insurance Contributions, Excise duties, Council tax, Vehicle tax, amongst others, all build up to cost the next generation a huge portion of their first earnings. In *A flat tax for the UK – a Practical Reality* (2005), a survey of 18-22 year olds showed that the high levels of tax was their biggest worry, approximately 81% (above war, the environment, and tuition fees).⁷⁵

Working-age people also suffer a stealth tax, where frozen income tax thresholds coupled with high inflation rates mean that they inadvertently end up paying more to the Treasury than previous years.

Maxwell Marlow, Director of Research at the ASI, calculates that the UK’s Tax Freedom day in 2024 falls on the 10th of June, which means Brits are working 161 days solely to pay taxes — this is an increase from pre-pandemic 2019, when Tax Freedom day fell on May 22nd.⁷⁶

In addition, over a half (51%) of survey participants in *Boomer and Bust* (graph below) disagreed that they even receive good value for money from the state for their taxes.⁷⁷

⁷⁴ S. Dickson, J. Macdonald & Dr M. Turner, *Boomer and Bust: Realigning Incentives to Reduce Intergenerational Inequality*, 2022, pg. 1

⁷⁵ R. Teather, *A flat tax for the UK – a Practical Reality*, 2005, pg. 2

⁷⁶ M. Marlow, Tax Freedom Day, <https://www.adamsmith.org/taxfreedomday>

⁷⁷ S. Dickson, J. Macdonald & Dr M. Turner, *Boomer and Bust: Realigning Incentives to Reduce Intergenerational Inequality*, 2022, pg. 14

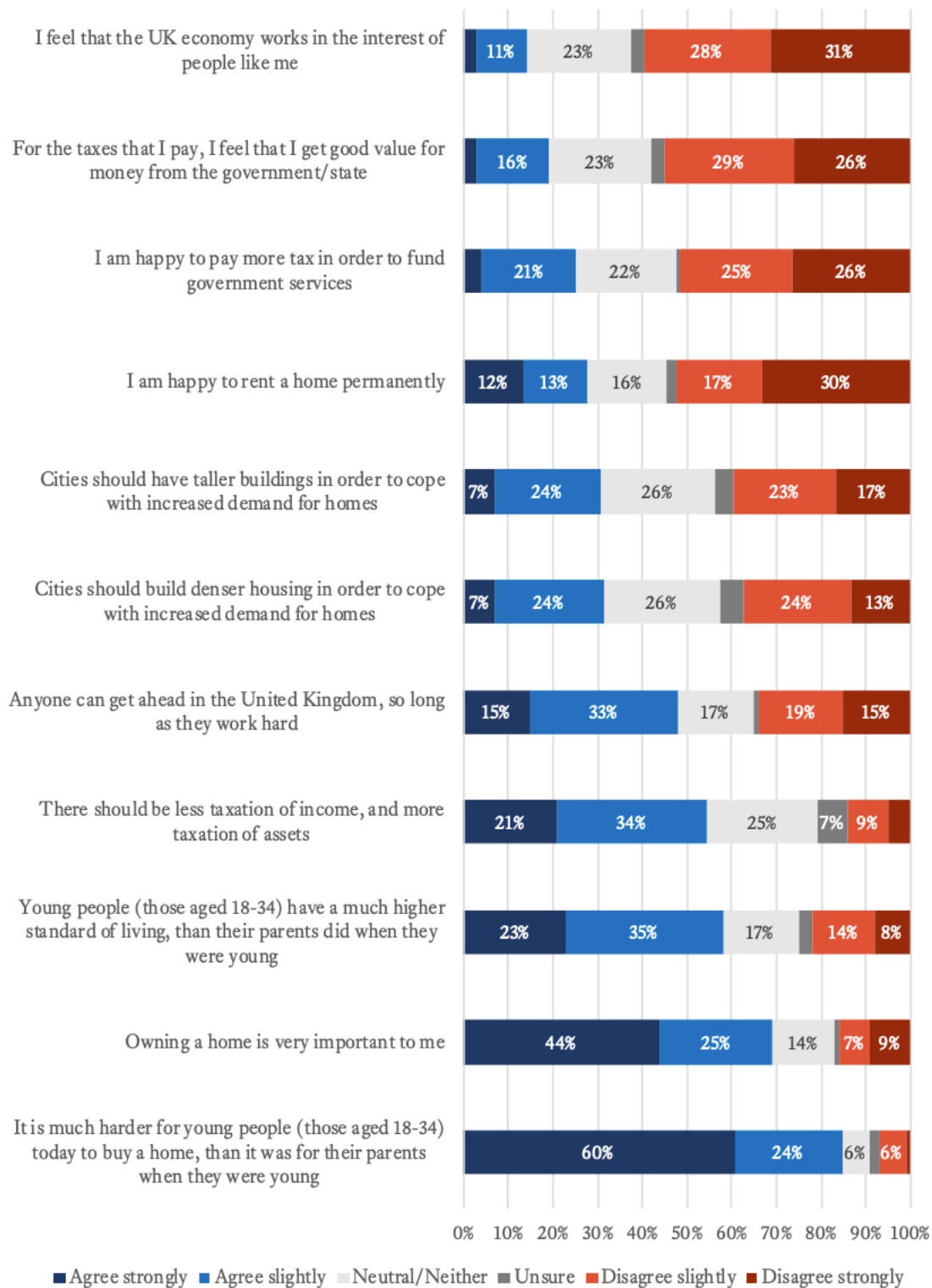


Figure 2: “Do you agree, or disagree with the following statements?” (Freshwater Strategy/ASI polling)

Boomer and Bust begins to explain how the next generation receives increasingly less value from the state for increasingly more contributions: “since 2010, pensioners have been the net beneficiaries of changes to benefits and pension spending. Much of this spending has been funded not by taxation, but by debt financing – passing on the cost of current spending commitments to future generations.”⁷⁸

⁷⁸ Ibid pg. 4

Despite a historically high tax burden, and record NHS spending, patients still face long waiting lists, with some services either rationed or restricted altogether. Medical professionals, especially junior doctors and recent graduates, feel undercompensated for their long hours, with a large portion of their earnings going back into the Treasury.

The authors of *Medical Savings Account* (2001) observe that nearly all NHS patients are also taxpayers, paying more tax than they need because of the wasteful over-demand for trivial services. Patients also pay in time and anxiety spent queuing for NHS services. *“With delays at every stage, a number of patients simply give up and go to the private sector for consultations or treatment instead.”*⁷⁹

Public, Private and People (1999) confirms that such inefficiency has lay steady over decades; in 1999, doctors criticised the NHS for long waiting times, diagnostic mistakes, and its poor record on treating heart disease, cancer, and other serious illnesses.⁸⁰ This is born out of underfunding, overdemand, inefficient planning, and a lack of thought towards medical staff.⁸¹

However, according to *Medical Savings Account*, there exists a strong public commitment to the NHS.⁸² Most people do not want to be forced to go private. It’s only right that those paying into the system expect good public services in return.

There additionally exist distributional discrepancies in quality and experience received by patients in a public healthcare system. *“Data from the Office for National Statistics shows a considerable geographical variation in health experience, with a cluster of local authority districts with high levels of good or fairly good health in South East England. By contrast, the ten local authorities with the lowest rates were concentrated in parts of South Wales and Northern England.”*⁸³ This puts another dimension of unfairness towards working-age people in the north, who may consequently suffer career and personal setbacks compared to their peers in the south.

It’s also important to consider that the tax burden is a *“crucial factor influencing highly skilled migrants’ choice about where to emigrate to.”*⁸⁴ Ulrich, the author of *Taxing talent: How Britain can attract and retain the world’s best workers* (2011) asserts that migration is critical to the UK economy. *“Because of the UK’s ageing population and the structure of the state pensions system, Britain will have to attract about 270,000 migrants each year between 2005 and 2050 to avoid a pensions crisis.”*⁸⁵

⁷⁹ Dr E. Butler & C. Ramsay, *Medical Savings Account*, 2001, pg. 27

⁸⁰ ASI, *Public, Private and People*, 1999, pg. 1

⁸¹ *Ibid* pg. 2

⁸² Dr E. Butler & C. Ramsay, *Medical Savings Account*, 2001, pg. 27

⁸³ M. Goldsmith & D. Gladstone, *Road Map to Reform: Health*, pg. 9

⁸⁴ A. Ulrich, *Taxing talent: How Britain can attract and retain the world’s best workers*, 2011, pg. 1

⁸⁵ *Ibid* pg. 1

Ulrich determines that these highly educated migrants come from non-OECD, developing, and other fast emerging economies. As these countries get wealthier and transition toward knowledge-based economies, fewer incentives will remain for individuals with tertiary education to move to the UK.

Whether this involves young people such as international students, graduates or entrepreneurs, the best persuasion for such to migrate to the UK are improvements in what they value the most: wages, employment, professional development prospects and socioeconomic and political conditions. Within these, the tax burden remains one of the few variables that can be influenced successfully in the short run.⁸⁶

The Solutions - Income, Savings and Healthcare

The authors of *Boomer and Bust* suggest a policy to curb the burden of tax that has forcibly increased intergenerational inequality, which is to unfreeze income tax thresholds. *“The Government should take the poorest workers out of tax altogether by pegging the Personal Allowance and National Insurance threshold to the National Minimum Wage rate, and begin pulling higher rates in line with inflation.”*⁸⁷

This measure could exempt the average 18-21 year old from paying income tax, and significantly reduce the burden of tax for those under 30. The authors of *Boomer and Bust* calculated a £250 annual saving if both income and national insurance thresholds were indexed for inflation.⁸⁸

In a 2020 survey titled *Young hit hardest by lockdown, want tax cuts*, younger cohorts appeared the most supportive of reducing taxes post-lockdown to help boost the economy and jobs: between the ages of 18-34, forty four percent ‘strongly support’ this, compared to just one-third of those over the age of 65.⁸⁹ It is evident that unfreezing thresholds would sit positively with the younger generation.

An additional weight exists through National Insurance contributions at 12 percent on all earnings above £8,164 per year.⁹⁰ *A Millennial Manifesto* recommends that the government *“levy it at a lower rate on those aged under 25. Instead of charging them 12 percent, they could introduce a ‘youth band’ at 8 percent. For a young person earning £21,500 per year, this would represent a saving to them of £533, or more than £10 a week.”*⁹¹

Council tax, also, is not insignificant. In 2017, the average council tax for a band

⁸⁶ Ibid pg. 1

⁸⁷ S. Dickson, J. Macdonald & Dr M. Turner, *Boomer and Bust: Realigning Incentives to Reduce Intergenerational Inequality*, 2022, pg. 1

⁸⁸ Ibid pg. 15

⁸⁹ M. Kilcoyne & M. Lesh, *Young hit hardest by lockdown, want tax cuts: A survey of the U.K. population*, 2020, pg. 1-2

⁹⁰ Dr M. Pirie, *A Millennial Manifesto*, 2017, pg. 7

⁹¹ Ibid pg. 7-8

D property in the UK was nearly £1,600, and there's significant variation between areas, with desirable ones often having higher taxes. Young people generally make fewer demands on local services compared to older adults, yet they're still liable for full council tax if not exempted as students or apprentices.⁹²

Again, in *A Millennial Manifesto*, Pirie advises that introducing a 50 percent council tax discount for those under 25 could ease the financial burden on young adults starting out in their careers, allowing them time to build up earnings before facing full tax rates. This could be funded by adjustments for higher earners or through central government grants.⁹³

For young people facing early career challenges, such policies would no doubt make a huge difference and allow them to improve their standards of living. They would be able to afford better housing, as examined in the last chapter, but also afford further education, professional development opportunities and participate in society for amenities that may have felt far too expensive before.

Of course, criticism manifests that tax revenue would surely decline, detracting critical funding from state services like healthcare and education. *A flat tax for the UK* reinforces *Boomer and Bust* by explaining that studies depict faster economic growth through tax reduction, “*resulting in increased wealth for the population and (in time) increased tax revenues. As an estimate, this increased economic growth means that tax revenues will recover in just over 3 years.*”⁹⁴

This estimate is based on a tax reduction of 1% of GDP, creating a 0.3% increase in trend GDP growth.⁹⁵

A flat tax for the UK instead calls for income tax to be simplified into a flat rate of 22%. Depending on the level of personal allowance chosen, the total tax loss for various options is as follows:⁹⁶

⁹² Ibid pg. 9-10

⁹³ Ibid pg. 10

⁹⁴ R. Teather, *A flat tax for the UK – a Practical Reality*, 2005, pg. 5

⁹⁵ Ibid pg. 5, reviewed in *The negative impact of taxation on economic growth*, Leach, Reform, 2003

⁹⁶ R. Teather, *A flat tax for the UK – a Practical Reality*, 2005, pg. 4

New PA (£)	Reduced tax revenues p.a.		
	Increasing PA	Abolishing HR tax	Total
	£ million	£ million	£ billion
£7,500	11,735	18,107	29
10,000	26,285	16,592	42
15,000	49,970	13,561	63
20,000	65,795	12,182	78

Derived from Inland Revenue data, 2004/5

Teather expands that “although the figures look large, to put them into perspective the tax loss from a flat tax with a personal allowance of £15,000 is roughly 6% of GDP. The Taxpayers’ Alliance identified £81 billion of annual savings, enough to fund the full package with a £20,000 personal allowance; even the James Review identified nearly £35 billion of administrative savings.”⁹⁷

He makes it clear that the policy would not merely serve as a tax break for the rich. Those on below-average earnings would see their after-tax income increase by over 12%, while the average benefit for the top third of earners would be barely 0.5%:⁹⁸ the goal is for those on low incomes, most often recent graduates and young people, to benefit the most. Teather’s policy recommendation would pull approximately 10 million taxpayers from the tax net, “ending the ridiculous situation of those on the minimum wage paying tax.”⁹⁹

Similarly, *Flat Tax: the British case* (2004) by Andrei Greco also follows the argument towards a flat tax, recommended between 13% and 33%. This treats everyone equally, ensuring low earners pay nothing while the rich pay their fair share.¹⁰⁰ Because the rate is low, people find it easier to pay taxes instead of using complex methods to avoid them, meaning an overall rise in tax revenue. This simplicity also encourages economic growth because it rewards earning more, and “unleashes all the talent and enterprise being held back by a devious and complex system”.¹⁰¹

Greco examines the case for the Channel Islands, in that both Jersey in 1940 and Guernsey in 1960 transitioned from the British income tax system to a flat tax of twenty percent, applied to both personal and corporate income. The updated system also offers allowances for individuals, including those who are single, married, or have children or dependent relatives.¹⁰² Evidence shows that the flat tax was successful: Guernsey’s GDP has more than tripled since 1965, while Jersey’s GDP experienced

⁹⁷ Ibid pg. 4

⁹⁸ Ibid pg. 8

⁹⁹ Ibid pg. 8

¹⁰⁰ Ibid web summary

¹⁰¹ A. Greco, *Flat Tax: the British case*, 2004, web summary

¹⁰² A. Greco, *Flat Tax: the British case*, pg. 13

a 90 percent increase in real terms between 1980 and 1990, with Jersey's income tax receipts making up an impressive 90% of total government revenue, benefitting the treasury.¹⁰³

Alternatively, Grecu theorises that Britain could instead house a dual fiscal system similar to that of Hong Kong: *“Under this system, British taxpayers would be able to choose between a graduated three-bracket system with all its reliefs and deductions, and a simple flat tax with a generous personal allowance, but with no deductions.”*¹⁰⁴

But when it comes to the previous problem of whether taxpayers actually get good value from their contributions, the NHS is the primary subject that comes to mind. In *Medical Savings Account*, Ramsay and Butler identify the demand problem: free healthcare is theoretically designed so that everyone has access when in medical need, regardless of income. But equally, *“the fact that people have no financial reason to curb their use of the Service leads to an enormous level of demand, which doctors and hospitals struggle to satisfy.”*¹⁰⁵ Private health insurance doesn't necessarily fare better: *“Once again, people have no financial reason to curb their demand for services if an insurer is going to pay for them all; while doctors in this system have every incentive to over-treat.”*¹⁰⁶

A robust healthcare system that working-age people can rely on in return for their tax contributions remains a necessity, as the total economic cost of illness and subsequent loss of productivity is estimated to be over £100bn.¹⁰⁷ Conflict between both public and private healthcare opens up space for a third solution, that marries both ideologies into the concept of Medical Savings Accounts (MSAs). A currently implemented example is the Medisave Account, *“working for over 15 years as part of Singapore's compulsory pensions and insurance system.”*¹⁰⁸

Co-written by the Adam Smith Institute's Dr Eamonn Butler, Medical Savings Account breaks down the structure of MSAs. *“The insurance element – Either private medical insurance or a state-run system such as the NHS – is re-focused to concentrate on the larger and more expensive medical needs. Along with this, families are given cash savings accounts which they can use to pay any other medical expenses that are not covered by the state or the private insurer.”*¹⁰⁹

Currently, a large portion of NHS resources go into the administration of minor

¹⁰³ Ibid pg. 13

¹⁰⁴ Ibid pg. 21

¹⁰⁵ Dr E. Butler & C. Ramsay, *Medical Savings Account*, 2001, pg. 4

¹⁰⁶ Ibid pg. 5

¹⁰⁷ Public Health England, *Health and work infographics*, 2020, pg. 3

¹⁰⁸ Dr E. Butler & C. Ramsay, *Medical Savings Account*, 2001, pg. 4-5

¹⁰⁹ Ibid pg. 5

services to millions of patients.¹¹⁰ The MSA system, instead, enables patients to receive over-the-counter outpatient care, so that both the NHS and private clinics are able to focus on major medical treatment and reduce the welfare loss of health insurance. Similar to the British Pension Scheme, MSA users can release any money unspent on healthcare, so there is an incentive to only demand what is believed necessary, and not more tests, medicines and services just because they are free.

For young people in the UK, this could create a “*systematic incentive to give up life-threatening lifestyles, maintain a healthy diet, use preventive medicine, and act more responsibly about their health — since by remaining healthy and avoiding the health care system, they will be able to keep and enjoy the money they save.*”¹¹¹ In essence, MSAs potentially render health-related nanny-statism unnecessary, opening a conversation to cut down Excise Duties in the long run, giving young people more lifestyle freedoms.

Singapore versus Chile: Competing models for welfare reform (1996) expands on Singapore’s pension-only plan becoming a comprehensive package of social insurance benefits. Members own three accounts: “*an Ordinary account which can be used towards home purchase, insurance, and higher education, a Medisave account for medical expenses, and a Special account for old age and contingencies.*”¹¹²

Here, it appears harder for politicians to abuse power when savings rest under the scrutiny of individual cash savings account holders. The collective pay-as-you-go system in the UK almost “*invites governments to dip into its impersonal funds for their own benefit*”,¹¹³ with young people often on the losing end of the deal.

Two other discussions for the NHS appear in *Road Map to Reform: Health (2006)* and *Depoliticizing the NHS (2007)*.

The former, a part of the Adam Smith Institute’s influential *Road Map* series, pays attention to the NHS’s apparent principle that everyone should be able to access quality healthcare at no charge when they are in need; chances are, those on graduate salaries may not be able to afford extortionate private fees. The authors, Dr Goldsmith and Gladstone, agree that Britain should seek a public-private partnership of healthcare, with the new role for the government to “*finance, regulate and educate for healthcare, but not necessarily to provide all of it.*”¹¹⁴

The paper takes inspiration from how efficient healthcare is achieved in other countries, as of 2004, to understand which may potentially fit into Britain. Pennsylvania, USA introduced health vouchers to mitigate waiting lists. Through the adultBasic scheme,

¹¹⁰ Ibid pg. 5

¹¹¹ Dr E. Butler & C. Ramsay, Medical Savings Account, 2001, pg. 25

¹¹² Dr E. Butler, M.I Asher & K. Borden, Singapore vs. Chile: Competing models for welfare reform, 1996, pg. 10

¹¹³ Ibid pg. 10

¹¹⁴ M. Goldsmith & D. Gladstone, Road Map to Reform: Health, Pg. 6

a public-private partnership which provides “*basic healthcare coverage for 36,000 poorer individuals who do not qualify for Medicaid*”,¹¹⁵ everyone on the adult Basic waiting list is eligible for a hundred dollar voucher to help pay for healthcare costs. Similarly in Auckland, New Zealand, vouchers began appearing to ensure the right treatment is provided at the right time.

In Sweden, on the other hand, healthcare funding operates on a decentralised countywide taxation system in accordance with individual family incomes, with counties responsible for primary care and service provision under fixed annual budget, in which they reimburse private practitioners.¹¹⁶

Under this system, healthcare organisations compete based on quality and accessibility, with various types of managed care organisations offering care to large patient groups for a fixed fee.

Additionally, the authors emphasise competition in healthcare provision, suggesting county commissioners procure services from a range of providers including existing NHS trusts, private treatment centres, and independent providers.¹¹⁷

Local autonomy has fostered innovation, as seen in the case of St. Goran’s Hospital in Stockholm, which achieved greater efficiency and improved outcomes through privatisation, resulting in enhanced staff conditions, salaries and productivity. “*Medical and administrative staff and unions, originally opposed to the changes, are now overwhelmingly in favour of them.*”¹¹⁸

Dr Goldsmith and Gladstone follow onto the specifics of Medical staff: they endorse increased places for medical and nurse education, however mention that “*new measures should be developed to increase entries to postgraduate specialties like occupational health and others where shortages are causing bottlenecks and delays in treatment nationwide.*”¹¹⁹ This also means re-evaluating costly medical and nursing personnel appropriate.

Depoliticizing the NHS, also giving importance to medical personnel, advocates to transfer the task of managing the NHS’s medical empire and controlling its budget, from the government to a panel of quality health professionals.¹²⁰ It must be noted that “*before transferring operational control to the independent health panel, the Department of Health would have to draw up a constitution or charter laying out the responsibilities and objectives of the health board*”,¹²¹ which takes inspiration from the Monetary Policy

¹¹⁵ Ibid pg. 17

¹¹⁶ M. Goldsmith & D. Gladstone, Road Map to Reform: Health, Pg. 15

¹¹⁷ Ibid pg. 34

¹¹⁸ Ibid pg. 15, referenced from F. Erixon, Timbro, Swedish Health Care Reforms, presentation to Seminar on Public Services, 2005

¹¹⁹ M. Goldsmith & D. Gladstone, Road Map to Reform: Health, Pg. 38

¹²⁰ ASI, Depoliticizing the NHS, 2007, pg. 2

¹²¹ Ibid pg. 3

Committee, whose success is linked to a clear mandate outlining their duties.

The hypothesis behind such a radical change is that ministers value “*headline-grabbing changes to advance their careers*”,¹²² and even the most competent will not necessarily understand how to give management guidance or allocate taxpayer funding towards the various and complex channels within the NHS.

Once medical experts are in charge rather than politicians, more professional freedom and responsibility would be given to doctors, hospital managers and other medical staff: “*healthcare would cease to be an ideological battleground, freeing up health professionals to focus on giving the best possible treatment to their patients, regardless of whether those services were being provided by the public, independent, or private Sector.*”¹²³

Pirie recommends that the Department of Health should still have influence, albeit a reduced role; every five years the government would produce an annual healthcare budget, to be debated or amended in Parliament, and accounted for in real terms.¹²⁴

A YouGov poll showed 69 percent in favour and only 12 percent against such a policy.¹²⁵

Healthcare is a non-negotiable part of young people’s lives, and a public-private partnership appears the most reasonable solution. *Public, Private and People* (1999) holds that “*the NHS ideal cannot be met by the NHS alone. It will require a genuine sharing of responsibilities between public, private, and personal sectors on the basis of long-term, strategic vision.*”¹²⁶

Naturally, it can be said that tax reforms and a revamped healthcare system can entail the employment of foreign talent in the UK, filling the need to keep and attract highly-skilled workers that *Taxing Talent* stresses. A lower tax burden and good value for tax contributions would not only give the British labour force a better standard of living, but also make the UK a more appealing destination for foreign graduates, entrepreneurs and young professionals.

¹²² Ibid pg. 1

¹²³ Ibid pg. 2

¹²⁴ ASI, *Depoliticizing the NHS*, 2007, pg. 3

¹²⁵ Ibid pg. 3

¹²⁶ ASI, *Public, Private and People*, 1999, pg. 4

The Solutions - Income, Savings and Healthcare

In terms of priority, addressing the tax burden on young people through discounts and unfreezing income tax thresholds appears to be the most feasible approach.

SHORT TERM

Unfreezing Income Tax Thresholds work to eliminate fiscal drag by pulling tax thresholds in line with inflation and the national minimum wage rate, exempting low-income earners from paying income tax and reducing the tax burden for those under 30. There is broad support among the younger population starting their careers and could ease financial pressure.

Reduced National Insurance Contributions for those under 25 would provide immediate relief for young workers, allowing them to keep more of their earnings.

Council Tax Discounts or a ‘youth-band’ for those under 25 could help alleviate living costs, especially considering the significant variations in council tax rates across different areas. However, the impact may vary depending on local government funding and policies.

Healthcare vouchers attempt to ease long waiting lists by allowing individuals a choice in provider. They have been tested in action within other countries, but their feasibility depends on an individual UK basis taking consideration of cost control, administrative complexity and regulatory challenges.

LONG TERM

Implementation of a Flat Tax could simplify the tax code and potentially stimulate economic growth, but it may require careful consideration of its impact on different income groups. This policy needs further analysis and debate before being prioritised.

A Dual Fiscal System offers taxpayers a choice between different tax systems and could mean flexibility and cater to individual preferences. But, it may also introduce complexity and administrative challenges.

Medical Savings Accounts (MSAs) are a novel approach to healthcare financing, potentially incentivising young people to make more informed healthcare choices and reducing the strain on public healthcare systems. However, the transition to such a system would require significant restructuring and may face resistance.

Depoliticising the NHS would mean shifting management control and budget oversight to healthcare experts to improve efficiency and reduce political interference within the NHS, which prioritises effective healthcare delivery over short-term

political agendas.

County commissioned healthcare consists of managed hospitals and clinics competing based on quality and accessibility, who are reimbursed for providing individual patient care by the local council. Counties responsible for primary care and service provision are given a fixed annual budget by taxing individuals in the county dependent on income.

EDUCATION AND TECHNOLOGY

The Problems - Education and Careers

As the DNA of both societal and individual progress, the education system helps to determine the future of Britain's youth. At each stage of growth, persistent problems exist; the burden of student debt, unaffordable childcare costs, excessive restrictions against international graduates and entrepreneurs, lack of equal choice in schooling and overall weakness in education quality have all highlighted the crucial need for comprehensive change.

The *Standards of Today (2002)* paints a bleak image of the current situation. *“The conventional wisdom is that the English education system might have failed pupils of average or below average ability, but that we have always been rather successful when it comes to the more able. This simply is not true.”*¹²⁷

Woodhead asserts that education remains a lottery, with achievement and results varying hugely between schools,¹²⁸ leading to inconsistencies in pupils' skills beyond secondary school, impacting higher education and career prospects.

Despite the introduction of phonics screening checks, at least 21% of five-six-year-olds do not meet the expected standard,¹²⁹ so a portion of children leaving primary school still lack the reading proficiency necessary to meet the challenges of secondary education, making them fall behind their peers.

Even the most gifted students are not pushed to reach their full potential, particularly those from disadvantaged backgrounds. After years of lacklustre education, there is no room for arguments against change.

Stage 1: Childcare

According to data from OECD, *“The cost of childcare in the UK is the joint-highest in the OECD, pushing parents out of work or depriving them of much needed income. This is despite the additional £4 billion a year provided by the government to subsidise childcare.”*¹³⁰

The authors of *Leave them kids alone! The Next Steps on Childcare Reform (2023)* describe Britain's childcare system as a blend of majority private facilities, informal

¹²⁷ C. Woodhead, *The Standards of Today*, 2002, pg. 10

¹²⁸ Ibid pg. 9

¹²⁹ GOV.UK, Everything you need to know about phonics in schools, 2023, <https://educationhub.blog.gov.uk/2023/10/12/everything-you-need-to-know-about-phonics-in-schools/>

¹³⁰ M. Marlow & S. Risino, *Leave them kids alone! The Next Steps on Childcare Reform*, 2023, pg. 1 referenced from OECD, *Net Childcare Costs*, 2023

care and volunteering, with substantial Universal Credit reimbursements for registered childcare. Despite additional schemes subsidising childcare, the cost burden for many families raises debate about whether childcare options really ‘work’ for working-age people at all.¹³¹

Leave them kids alone! breaks down an example: as of January 2023, the average workweek is 36.4 hours, resulting in a single parent earning the highest tier of the minimum wage receiving just £345.80 per week. Following the adjustment to a 5:1 child-to-staff ratio, childcare costs for one child amount to at least £225, leaving only £120.80 to cover essential expenses such as food, transportation, and rent.¹³²

Such an expense leaves parents on low incomes little choice but to sacrifice their own careers; *“for the past two years, the UK has fallen behind in women returning to work, with 1.47 million not returning to, quitting, or reducing hours at work to care for their children or homes.”*¹³³ This not only stunts a mother or father’s career, but also detracts from early social exposure for the child, possibly leading to difficulty settling into primary schooling.

Stage 2: Primary and Secondary Education

During the COVID-19 pandemic, *“the youngest cohorts went on to face a significant and permanent cost to education, spanning from interrupted early-years schooling to unsatisfactory and low-engagement ‘Zoom’ lectures at universities.”*¹³⁴ According to *Boomer and Bust*, this could literally be likened to graduating in a recession, with greater long-term unemployment and a decline in lifetime earnings.

In Broken Britain: 16 Problems Facing the Country (2022), Pirie notes that in many schools, class sizes are far too large for each student to receive adequate attention and guidance. Insufficient attention is also given to essential core subjects, failing students from being able to secure jobs and higher education.¹³⁵ As claimed by *School’s Out* (2021), Ofsted rated many state schools as ‘inadequate’ — often attended by pupils from poor families. However, there is no threat to staff of losing their jobs as a result of this; *“an ‘inadequate’ state school can persist indefinitely, failing to properly educate generations of children who are effectively forced to attend it.”*¹³⁶

There is also the problem of unequal opportunities. In 2002, according to *Access to Achievement* by Chris Lambert, the case was that local-authority rationing

¹³¹ M. Marlow & S. Risino, *Leave them kids alone! The Next Steps on Childcare Reform*, 2023, pg. 2

¹³² Ibid pg. 3

¹³³ M. Marlow & S. Risino, *Leave them kids alone! The Next Steps on Childcare Reform*, 2023, pg. 3 referenced from House of Commons Library, *Women and the UK economy*, 2023

¹³⁴ S. Dickson, J. Macdonald & Dr M. Turner, *Boomer and Bust: Realigning Incentives to Reduce Intergenerational Inequality*, 2022, pg. 4

¹³⁵ Dr M. Pirie, *Broken Britain: 16 Problems Facing the Country*, 2022, pg. 2

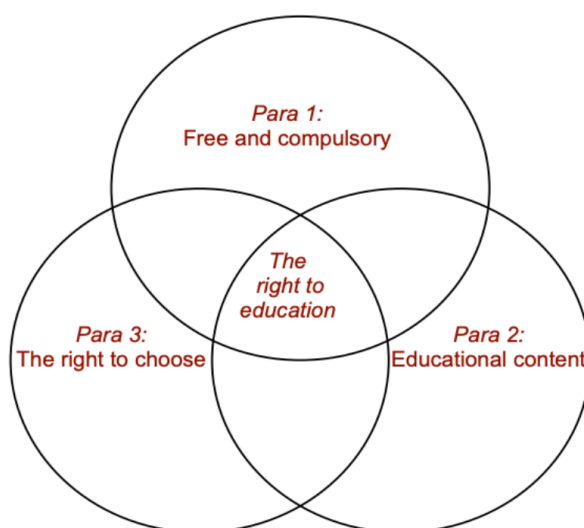
¹³⁶ S. Sandor, *School’s Out: How microschools boost educational choice and quality*, 2021, pg. 9

meant parents had no guarantee that their child would be taught in a state school of their choice – the ‘surplus places’ rule meant the most desirable schools were oversubscribed but not allowed to expand to meet their demand.¹³⁷ Unhappy parents could either move house to fit into a catchment area, go through the appeal process, or if they could afford to, turn to private schooling.¹³⁸ However, in the most deprived areas, parents cannot afford to move to a better catchment area or to go for private schooling, so are left with no choices at all for their children.

When the government scrapped the assisted places scheme, where children of low-income families would be able to attend independent school with all or part of their fees covered, it “*ended the last possibility of escape.*”¹³⁹ Lambert explained that although the scheme was flawed, there was no direct replacement that actually gave “*fairer and broader*” access to education for low-income families, despite the introduction of ‘Education Action zones’.

In 2002, according to a MORI survey, only 18% of parents opposed using state funding for widening access for lower-income groups to independent schools –¹⁴⁰ a cause still relevant today.

The Right to Choose: Yes, Prime Minister! (2007) brings Article 26 of the Universal Declaration of Human Rights (1948), agreed and sanctioned by the United Nations and the wider international community, into the conversation, with a simple diagram below to summarise its clauses.¹⁴¹



¹³⁷ C. Lambert, *Access to Achievement*, 2002, pg. 4

¹³⁸ *Ibid* pg. 5

¹³⁹ *Ibid* pg. 4

¹⁴⁰ *Ibid* pg. 8

¹⁴¹ Compiled by J. Stanfield with M. Sandström, J. Tooley & P. Dixon, *The Right to Choose: Yes, Prime Minister!*, 2007, pg. 17

Stanfield writes, “An argument that was important to the acceptance of [education] reforms in Sweden and other EU countries is that parental choice in education is recognised by the United Nations as a fundamental human right. That argument has been neglected in Britain.”¹⁴²

An analysis follows that the UK’s method of funding education, where taxpayer money is distributed to state schools instead of individual parents, conflicts with Article 26. Although it guarantees free and compulsory education, it makes little attempt to protect the right of parents to choose their children’s education.¹⁴³ Essentially, the right to education is therefore being denied, and morally if anything, this is the most convincing call for action.

Stage 3: Higher Education

Another survey report by MORI and the Adam Smith Institute of 16–21 year-olds called *The Millennial Generation* (1998) showed that back then, young people believed that “education and determination count towards success, but a privileged background does not.”¹⁴⁴ This attitude is still somewhat relevant today, with the demand for university courses rising; a “decline in job security has made people more conscious about the hard commercial value of a university education.”¹⁴⁵

However, in reality, the inequality and lack of choice for parents with children in secondary education can still greatly impact university prospects. Those who were either able to afford private schooling, move to a different catchment area for a preferred quality state school, or had external tutoring often had better opportunities for higher education.

The Next Leaders? (1999) explains the phenomena of university education well: “We have taken what used to be a luxury for a tiny and privileged élite, and made it generally available to society with only a marginal drop in quality. In a calculus of gain, the slight drop in value to the few is outweighed by the life enriching opportunities which higher education can now offer to the many.”¹⁴⁶

Although in current figures, the numbers from under-privileged backgrounds going to university have increased,¹⁴⁷ there is more to be done to help all students cope, and learn, better.

The burden of student debt follows those who are convinced to attend university, and

¹⁴² Ibid pg. 12

¹⁴³ Ibid pg. 13

¹⁴⁴ Dr M. Pirie & R. M. Worcester, *The Millennial Generation*, 1998, pg. 20

¹⁴⁵ Ibid pg. 15

¹⁴⁶ Dr M. Pirie & R. M. Worcester, *The Next Leaders?*, 1999, pg. 8

¹⁴⁷ Dr M. Pirie, Discussion paper: Updating student finance, 2017, pg. 2

many do not even benefit financially in graduate careers. Pirie, in *Updating student finance (2017)* calculates that for a 3-year degree, students upon graduating could face a debt of £50,000; in 2016 the average student debt at graduation was £44,000.¹⁴⁸ It is unarguably upsetting for young people who know that they are graduating and entering their first job with such a substantial debt.

Repayment is altogether another complex issue, with the government expecting a 45% default rate,¹⁴⁹ or in the worst case, 75% not fully paying off their loans.¹⁵⁰ *Updating student finance* mentions that “*high earning graduates could pay an additional £40,000 in interest added to the amount borrowed by the time their loan is paid off.*”¹⁵¹

Even after going through the process of higher education and stacking up debt, students are left with no guarantee that they will be employed. Each university differs in their career advice and whether they support students at all; internships and graduate schemes are not a promise.

Stage 4: Professional development

Made in the UK: Unlocking the Door to International Entrepreneurs (2014) contains a survey that explores international students’ experiences and opinions regarding their entrepreneurial aspirations while studying in the UK.¹⁵² Only 17% of students seeking to start businesses felt their school offered sufficient entrepreneurial support. Additionally, only 46% were confident their school could endorse them for a Tier 1 (Graduate Entrepreneur) visa, despite 101 out of 163 UK universities being certified by the Home Office for this exact purpose.¹⁵³

The professional development problem begins here: visa restrictions to post-study work and a lack of guidance for entrepreneurial graduates mean the UK risks losing talent and inhibiting economic growth in the long term.¹⁵⁴

Made in the UK’s investigation was spurred after the Tier 1 (Post-Study Work) visa category ended, where non-EEA graduates in Tier 4 must now secure a job from a Tier 2 (General) Sponsor, or get a Tier 1 (Graduate Entrepreneur) or Tier 1 (Entrepreneur) visa before their current visa expires to stay in the UK.¹⁵⁵ However, it appears that “*Tier 2 is stringent in the type of work that can be undertaken and at what pay, which has*

¹⁴⁸ Ibid pg. 1

¹⁴⁹ Ibid pg. 2

¹⁵⁰ Dr M. Pirie, *Broken Britain: 16 Problems Facing the Country*, 2022, pg. 2

¹⁵¹ Dr M. Pirie, Discussion paper: *Updating student finance*, 2017, pg. 2

¹⁵² P. Salter, *Made in the UK: Unlocking the Door to International Entrepreneurs*, 2014, pg. 8 with survey by the National Union of Students in partnership with The Entrepreneur’s Network.

¹⁵³ P. Salter, *Made in the UK: Unlocking the Door to International Entrepreneurs*, 2014, pg. 5

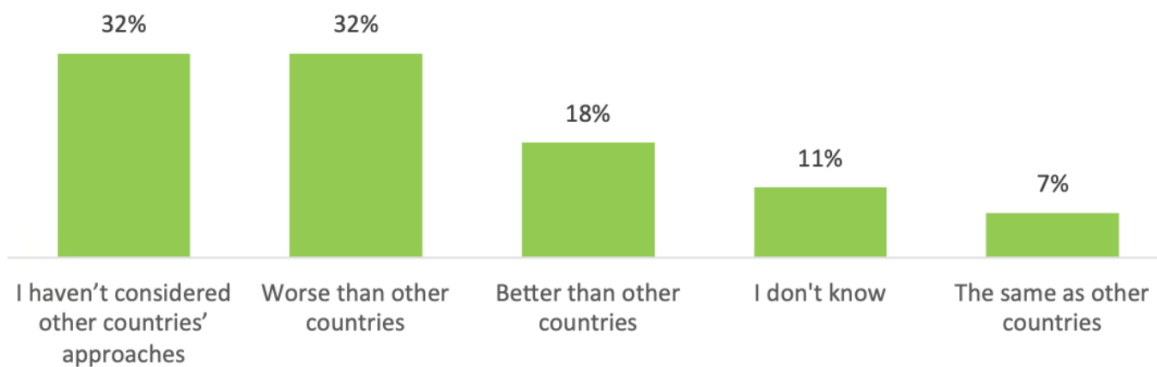
¹⁵⁴ Ibid pg. 8

¹⁵⁵ Ibid pg. 8

limited the opportunity for international students who wish to gain experience working in a UK business before beginning their own.”¹⁵⁶

The opportunities for international graduates are not even catered towards their subjects of expertise; the requirements needed for creative arts students and engineering students are distinct from one another,¹⁵⁷ yet both types of graduates rely on meeting the financial requirements of an inappropriately decided Tier 1 (Graduate Entrepreneur) visa.

Excessive restrictions like these are likely to damage attitudes towards Britain, consequently depriving it of the foreign talent the economy needs to support an ageing population. Take for example the graph below, produced after asking international students about their perception of the UK for work and entrepreneurship:¹⁵⁸



Base: 1,599 respondents.

18% of students believe the UK's post-study process for international students is better than other countries,¹⁵⁹ which is a concerningly low figure when considering how other countries have extensive and attractive graduate recruitment opportunities.

Immigration both to the UK and from the UK is an inevitable topic when discussing career and professional prospects in today's incredibly globalised world. *Prices not Points: A Post-Brexit Immigration Solution (2018)* confirms that reducing immigrant inflows altogether, particularly of highly skilled immigrants, would create “considerable economic costs in the short and long run.”¹⁶⁰ With that being said, whilst removing restrictions on foreign talent is crucial, the career prospects of British natives must still stand at an equivalent if not more sympathetic level.

UK immigrants on average appear to have higher education levels than natives, but empirically “immigration has had a negligible overall effect on natives' employment,

¹⁵⁶ P. Salter, *Made in the UK: Unlocking the Door to International Entrepreneurs*, 2014, pg. 8

¹⁵⁷ Ibid pg. 15

¹⁵⁸ Ibid pg. 10

¹⁵⁹ Ibid pg. 16

¹⁶⁰ P. M. Orrenius & M. Zavodny, *Prices not points: A post-Brexit immigration solution*, 2018, pg. 1

and wages.”¹⁶¹ However, as stated by *Prices not Points*, a few studies conclude that the labour opportunities of less-skilled native-born workers have been harmed by immigration.¹⁶² Here the topic becomes a tautology: uncompetitive education harms native Brits, and results in less labour market prospects for less-skilled jobs, which can only be ‘fixed’ by a better education and skill set.

The solution here is not to cut off immigration, but perhaps focus on two points. Improve early years education for natives, but also encourage only high-skilled immigration for foreign talent.

The Solutions - Education and Careers

The solution here is not to cut off immigration, but perhaps focus on two points. Improve early years education for natives, but also encourage only high-skilled immigration for foreign talent.

Stage 1: Childcare

Leave them kids alone! suggests various childcare reforms aimed at cutting costs, boosting quality and increasing parental choice.

One such reform is to build on the Chancellor’s decision in January of 2023, to ease child to staff ratios to 5:1 for 2-3 year olds, potentially saving families up to £40 per week on childcare expenses. The authors note that the UK still maintains one of the strictest ratios in Europe, contributing to the high cost of childcare, and so even a 5:1 ratio needs to be relaxed further. By doing so, staff wages can be spread across more children, ultimately lowering childcare expenses.¹⁶³

To make a relaxed ratio safer and reassure parents, the paper maintains that the government ought to better advertise qualifications and careers in childcare.¹⁶⁴ Furthermore, “Ofsted should continue to roll-out the privatisation of early years inspections, drastically removing friction and waiting times for to-be practitioners”, with the expenses of these inspections eligible for tax deductions from future profits.¹⁶⁵

Another recommendation urges that the Free Early Education Entitlement program should be restructured. Usually, this offers 15 or 30 hours per week to eligible children but is limited to 38 weeks per year and only usable with approved childcare providers.¹⁶⁶

¹⁶¹ Ibid pg. 1

¹⁶² Ibid pg. 1

¹⁶³ M. Marlow & S. Risino, *Leave them kids alone! The Next Steps on Childcare Reform*, 2023, pg. 3

¹⁶⁴ Ibid pg. 4

¹⁶⁵ Ibid pg. 7

¹⁶⁶ Ibid pg. 6-7

While it costs providers £7.49 per hour, the government pays them only £4.89 per hour¹⁶⁷ - this underfunding, coupled with the scheme's limitations, forces many providers out of the market.

Leave them kids alone! pulls out a better solution to replace the scheme with direct cash payments to parents, allowing them to choose their childcare services. Alternatively, “employers who set up and operate a creche service, with either child-minders or early years practitioners, should be able to claim back tax credits for the costs of operation.”¹⁶⁸ This could mean greater flexibility for parents and childcare practitioners alike.

With the internet and social media present at every stage of growth, parents should be aware of internet safety, but also should be trusted to know what is best for their children especially at early points in their childhood.

Parent-led Protection: Market-based Solutions to Child Protection (2012) understands that parents may need help in seeking as much information as possible about how to “manage, monitor, and understand how their children get online, use their mobile phone, or what they do while they are online”,¹⁶⁹ but ultimately, parents should have this control on censorship and internet safety, not the government. There is redundancy in having a government block dedicated to safeguarding children online, as “the market already provides a large number of solutions that are comprehensive, freely-available and effective.”¹⁷⁰

In light of this, Lazanski, in association with the Adam Smith Institute, has compiled a guide of current software for mobile phones, iPads, computers etc. that can be used for monitoring and protecting children while they use them (below).¹⁷¹

¹⁶⁷ Ibid pg. 6-7

¹⁶⁸ Ibid pg. 6

¹⁶⁹ D. Lazanski, *Parent-led Protection: Market-based Solutions to Child Protection*, 2012, pg. 1

¹⁷⁰ Ibid pg. 1

¹⁷¹ Ibid pg. 2

Filtering & Monitor Products		
Name	Website	Cost
AntiPorn	http://www.tueagles.com/anti-porn/	\$29.97
CyberPatrol	http://www.cyberpatrol.com/	\$39.95
Big Mother	http://www.tupsoft.com/big.htm	\$29.00
Bit Defender	http://www.bitdefender.co.uk/	from £39.99
BlockSmart	http://blocksmartsoftware.com/	free
bsecure	http://www.bsecure.com/	\$49.95
Content Barrier	http://www.intego.com/contentbarrier	£34.95
Covenant Eyes	http://www.covenanteyes.com/	from \$8.99/mo
CyberSitter	http://www.solidoak.com/	\$39.95no
eSurveiller	http://www.e-surveiller.com/	from \$34.95
F Secure	http://www.f-secure.com/	from £39.95/year
FamilyConnect	http://www.familyconnect.com/	\$4.95/mo or \$49.95/year
iambigbrother	http://www.iambigbrother.com/	\$29.95
iBoss	http://residential.ipantom.com/	\$49.95
imView	http://www.imview.com/	from \$9.99/mo
JuniorWatch	http://www.juniorwatch.com/	free - up to \$4.99/mo
K9 by Blue Coat	http://www1.k9webprotection.com/	free
Kaspersky	http://www.kaspersky.co.uk/	from £39.99/year
KidsWatch	http://www.kidswatch.com/	\$45.95
McAfee Family Protection	http://home.mcafee.com/store/family-protection	£30.99
Net Nanny	http://www.netnanny.co.uk/	from £19.99
Norton Online Family by Symantec	https://onlinefamily.norton.com/familysafety/loginStart.fs	Free - premier costs \$29.99/yr
OpenDNS	http://www.opendns.com/home-solutions/	\$19.95/yr
Optenetpc	http://www.optenetpc.com/	\$39.95
Panda	http://www.pandasecurity.com/homeusers/solutions/global-protection/	\$91.99

Stage 2: Primary and Secondary Education

The appeal of education vouchers is not new, with *Education Cheque* (2002), *The Standards of Today* (2002) and *Customers not Bureaucrats* (2002) all advocating for the distribution of an education voucher. *Education Cheque* by Stuart Sexton suggests replacing direct funding to state-maintained schools with an “education cheque” distributed to parents, which they would then use to pay for their children’s education at any school, including independent ones.¹⁷² A cheque, or voucher-style programme specifically only redeemable in schools, becomes a safer promise that parents cannot be tempted to spend it elsewhere, sidelining their children’s education.¹⁷³

By making schools financially dependent on parental choice, free market dynamics prove that competition in education would convince schools to improve the quality of academia they provide.

¹⁷² S. Sexton, *Education Cheque*, 2002, pg. 4-5

¹⁷³ Ibid pg. 4

Although the value of such a cheque would ideally cover the average cost of education in state schools, parents are given the option to ‘top-up’ fees privately if they are able to afford independent schooling.¹⁷⁴

Sexton is careful to point out that factors such as learning difficulties or whether English was a second language would increase the value of the cheque,¹⁷⁵ ultimately helping families who face more obstacles to still receive the best possible education. Despite this, *Education Cheque* warns that excessive complexity in the voucher system should be avoided.¹⁷⁶

The Standards of Today and Customers not Bureaucrats (2002) agree with the philosophy behind an education cheque: “Vouchers are merely one example of school choice - giving parents, rather than bureaucrats, the power in education; and, critically, giving less well off parents the same power to choose as those whose control stems from the ability to open their cheque books.”¹⁷⁷

There is also much to dispute about the actual distribution of the taxpayer-funded education budget. In *Customers not Bureaucrats* (2002), Stephen Pollard begins to criticise that bureaucracy is one of the suspects behind state education’s inefficiency. Pollard claims that in 2002, “total state spending on primary and secondary schools in England was £27 billion, of which schools get under £18 billion directly. The Department for Education and Skills and Local Education Authorities spend the other £9 billion on their behalf. That’s a third of the budget.”¹⁷⁸

Although some of this money is spent wisely on support services, the majority of taxpayers’ contributions are deducted before they even reach education providers.

This phenomena is not experienced within independent schools, because for private businesses, it is non-negotiable that the money must be allocated efficiently, costs must be controlled and each pupil’s needs must be looked after, or the school risks losing funding from parents.¹⁷⁹ The same cannot be applied to state schools.

But Pollard believes that state schools still should have the same freedom to manage themselves as independent schools do, but the current attempts from the government are not radical enough. “If the money currently spent by the Department for Education and by Local Education Authorities on behalf of schools was actually given to the schools

¹⁷⁴ Ibid pg. 7

¹⁷⁵ S. Sexton, *Education Cheque*, 2002, pg. 6

¹⁷⁶ Ibid pg. 6

¹⁷⁷ S. Pollard, *Customers not Bureaucrats*, 2002, pg. 4

¹⁷⁸ Ibid pg. 11

¹⁷⁹ Ibid pg. 11

to spend, their budgets would increase by more than £600 per pupil or nearly 15%.”¹⁸⁰ An extra £600 per pupil is a huge change, and would help state schools to have more control in their costs, staff and equipment, and learn efficiency.

The Right to Choose: Yes, Prime Minister! (2007) instead emphasises the way education is handled in Sweden, encouraging the UK to follow suit and create a country where “public finance, representing about 70% of the per-student cost of state education, would be available to all schools on the basis of the number of students they could attract.”¹⁸¹ The theme is a free-market approach to education, where competition for government funding and priority over parents’ opinions would consequently breed an innovative and results-driven system.

Sandström explains that in the Swedish system, any kind of organisation, including for-profit, are allowed to manage schools. Although for-profit schools had a strong incentive to expand compared to non-profit schools,¹⁸² the environment meant a larger variety of schools, including for-profit, charter, parochial and state,¹⁸³ would be open for children. Milton Friedman’s support for such an open-market system is quoted, “Neither you nor I is imaginative enough to dream of what real competition, a real free market, could produce, what kind of innovations would emerge.”¹⁸⁴

Similarly, *Singapore-on-Thames: What the UK can learn from the Lion City* (2021) shows evidence that a move towards decentralisation is entirely possible. By 2000, there were 18 autonomous schools operating in Singapore. “The Minister for Education at the time, Teo Chee Hean, praised the model for being successful in providing quality education.”¹⁸⁵ In Singapore, the private education sector thrives as a billion-dollar industry, offering a variety of private schools and often parent-endorsed tutoring organisations providing additional classes,¹⁸⁶ outside of the state system. Cheang observes that Singapore has seen significant improvements in literacy rates, rising from 72.7% in 1970 to 96.7% in 2014. Additionally, a large percentage of students now enter universities or polytechnics, with 75.8% of annual cohorts in 2013 compared to only 9% in the early 1980s.¹⁸⁷

The Right to Choose concludes by acknowledging that the government should also develop an ‘attractive regulatory framework’ to complement an open-market education. Rather than relying solely on the Department for Education, the establishment of a business association for education companies operating in the

¹⁸⁰ Ibid pg. 12

¹⁸¹ Compiled by J. Stanfield with M. Sandström, J. Tooley & P. Dixon, *The Right to Choose: Yes, Prime Minister!*, 2007, pg. 3

¹⁸² Ibid pg. 7

¹⁸³ Ibid pg. 25

¹⁸⁴ Ibid pg. 25 with reference to M. Friedman, *Choice & Freedom*, 2003

¹⁸⁵ Dr B. Cheang, *Singapore-on-Thames: What the UK can learn from the Lion City*, 2021, pg. 21

¹⁸⁶ Ibid pg. 22

¹⁸⁷ Ibid pg. 22

UK is recommended to facilitate collaboration between schools and other education institutions, and allow them a role in educational policy making.¹⁸⁸

In recent years owing to online-schooling and social distancing that became the norm during the various lockdowns of COVID-19, Sophie Sandor in *School's Out: How microschools boost educational choice and quality* (2021) highlights the potential that microschools offer to children.

*"The school closures of March 2020 have led to great learning losses for children, a significant number of whom completed only between zero and one hour of school work per day whilst locked down at home."*¹⁸⁹ The 2020 and 2021 International Baccalaureate, A Level and GCSE exams were cancelled. Parents and teachers, in response, began to form 'microschools' which were hosted at a student's home and involved between three and twelve students.

Microschools offer a tailored approach to education, accommodating diverse parental preferences and increasing overall educational standards. This particularly benefits pupils from disadvantaged backgrounds who often face challenges in the traditional state school system.¹⁹⁰

While 'Free schools', introduced in 2010, were intended to create an environment of innovation and competition, regulation has stunted their effectiveness – *"Ofsted has closed many free schools it deemed substandard, despite the continued support of the parents whose children attend,"*¹⁹¹ and even private schools which are saturated by parental support, are at risk of being shut down by Ofsted. *"The 'direction of travel' is for tighter government control of education, not the liberalisation that would allow microschools to flourish."*¹⁹²

Sandor urges that regulatory barriers must be removed to allow microschools to thrive. This would offer parents and students better educational options and promote higher standards through increased diversity and competition.

A chapter of *The UK and the World in 2050* (2016) imagines a hopeful glimpse of what early education could look like in Britain by 2050. Pirie theorises there will be a move away from the government as provider of education, towards its role as enabler: it will not own schools or directly employ teachers, but rather, simply monitor the performance of schools and fund them depending on the results. *"Children will still be entitled to a free education, but it will be a better education."*¹⁹³

¹⁸⁸ Ibid pg. 22

¹⁸⁹ S. Sandor, *School's Out: How microschools boost educational choice and quality*, 2021, pg. 1

¹⁹⁰ Ibid pg. 1

¹⁹¹ Ibid pg. 13

¹⁹² Ibid pg. 13

¹⁹³ Dr M. Pirie, *The UK and the World in 2050*, 2016, pg. 19

Stage 3: Higher Education

Dr Bryan Cheang uses Singapore's model in *Singapore-on-Thames* (2021) to exemplify educational assistance, such as the Ministry of Education (MOE) Financial Assistance Scheme which covers tuition fees and materials for students from lower socioeconomic backgrounds.¹⁹⁴ But beyond this, the theme that Singapore follows is an emphasis on educational savings accounts; the Edusave account (note: very similar to the aforementioned Medisave account) “provides \$4,000 for educational enrichment such as learning trips or external courses. Additionally, the Post-Secondary Education Account, which aims to help parents save for their children's post-secondary education, provides a savings match of up to \$12,000 for students aged 7 to 20”.¹⁹⁵

This creates discipline both by families and the government to facilitate long-term financial planning for secondary and higher education. For university students, this means that they can better manage the financial burden of tuition expenses through prudent savings and matching state contributions.

A complementary idea to Edusave accounts can be found in *Boomer and Bust*, which suggests that the government should offer an option for school leavers to apply for a personal development loan of £6,000 per annum income over 3 years to school leavers. The authors believe the student loan system should be neutral for school leavers, creating a possibility for young people to pursue other motives, for example, entrepreneurship, and removing bias for choosing university.¹⁹⁶

But in terms of financing university education, the student loan system in the UK could take a page out of Australia's handbook, although they come from the same seedling. As explored in *Updating Student Finance*, Australian students don't pay fees upfront; and lower interest rates, cheaper fees, higher wages, and a quicker repayment schedule make student loans feel less burdensome.

Instead, students have to agree to pay a graduate tax once their income reaches a certain threshold, starting at AU\$50,000 (£30k) annually, with a 4% deduction increasing to 8% for incomes above AU\$100,000 (£60k).¹⁹⁷

This tax lasts until the education cost is repaid or until death, functioning more like a ‘credit entry than an actual loan’, and the ‘money’ offered initially for tuition is interest free. It is a win-win situation as Australian students likely don't think they are building up so much debt during university, but are still financially liable to taxpayers in return for their investment.¹⁹⁸

¹⁹⁴ Dr B. Cheang, *Singapore-on-Thames: What the UK can learn from the Lion City*, 2021, pg. 19

¹⁹⁵ Ibid pg. 19

¹⁹⁶ S. Dickson, J. Macdonald & Dr M. Turner, *Boomer and Bust: Realigning Incentives to Reduce Intergenerational Inequality*, 2022, pg. 1

¹⁹⁷ Dr M. Pirie, *Discussion paper: Updating student finance*, 2017, pg. 4

¹⁹⁸ Dr M. Pirie, *A Millennial Manifesto*, 2017, pg. 6

Additionally, universities in Australia are allowed to charge different fees for different courses, in that some are more costly to provide.¹⁹⁹ Medicine, for example, demands more expensive equipment than Sociology, and therefore it is only fair to agree that sociology students in this case face an unnecessarily large charge.

Dr Terence Kealey explains how to bring on tuition fee freedom with more detail in *Transforming Higher Education* (2006), stating that the best universities are the independent ones in America. “American universities have far more substantial means than those of European universities – on average, two to five times higher per student.”²⁰⁰ Kealey suggests that for the UK to follow the US route, the government should abolish the Higher Education Funding Council for England (HEFCE).²⁰¹ By eliminating the HEFCE’s research fund and giving it to the actual Research Councils, and redirecting the teaching fund to the Student Loans Company (SLC), the government can ensure a higher budget is made available in universities for grants and loans. According to Kealey, this would enable universities to take on needs blind admissions just like American universities – students would be offered a place based solely on academic merit (and hopefully less the case of international fees giving bias), with financial assistance provided on an individual basis.

The explanation above creates a stable foundation for universities to begin tweaking their fees based on the subject or course studied. However, Kealey iterates that any fee increases should be accompanied by efforts to build endowments, ensuring continued support for needs blind admissions. That too, fees should not rise faster than the university is able to build an endowment.²⁰²

The ultimate goal is for universities to emulate those in the US, which partially depend on huge endowments from private investors and alumni to finance students’ education. “Moving to a system of, effectively, topped-up vouchers, will create a climate by which potential donors will not feel they are gratuitously supporting government-supported institutions but, rather, are supporting independent bodies. Independent bodies are much more likely to attract private donations than dependent [state] ones.”²⁰³

In essence, a successful implantation of needs blind admissions and tuition fee freedom has empirically led to a fairer higher education system for students.

As referenced in the previous section, *The UK and the World in 2050* (2016) also imagines what higher education could look like in 2050: it will be much less

199 Ibid pg. 6

200 T. Kealey, *Transforming Higher Education*, 2006, pg. 1 with reference to the Commission of the European Communities, *The Role of the Universities in the Europe of Knowledge*, 2003

201 T. Kealey, *Transforming Higher Education*, 2006, pg. 2

202 Ibid pg. 2

203 Ibid pg. 3

streamlined than today,²⁰⁴ giving young people choice in the type of institution and course they want. *“Some will compress the course to two years by eliminating much of the vacations, others will offer 4-year degrees that lead straight to a master’s degree.”*²⁰⁵ Pirie hopes that solutions in future Britain will be technological.²⁰⁶ Rather than forcing people to live more limited lifestyles, 2050 will bring diversity in education routes, and eventually, careers.

Stage 4: Professional Development

Beginning with career prospects for native working-age Brits, a proposal in *A Millennial Manifesto* follows that the government should *“seek to reach agreement with Canada, Australia and New Zealand, and if possible the United States, so that young people under the age of 30 would be allowed to stay and work in each other’s countries for up to 2 years without the need for work permits or visas.”*²⁰⁷

Pirie understands that there may be security concerns, but he adds that the current requirement for an ESTA (Electronic System for Travel Authorization) for visitors in the US already answers this.²⁰⁸ But overall, this ‘freedom of movement’ would encourage young people to not only pick up valuable work experience, but also inter-cultural connections.

Recently, the UK-Australia Free Trade Agreement²⁰⁹ has fulfilled Pirie’s policy proposal, with the Department for International Trade confirming that *“Brits aged 18 to 35 will be able to travel and work in Australia with a Working Holiday Maker Visa for up to 3 years,”*²¹⁰ and that Australia will introduce a *“new visa scheme for UK citizens, allowing early career workplace exchanges of up to one year for graduates between 21 and 45.”*²¹¹ This FTA opens up opportunities for similar deals with other countries.

For the majority of international students, however, Lord Bilimoria CBE writes that *“international students should be allowed to stay and work in Britain after graduating from British universities, using their skills to benefit our economy, for at least a period of time.”*²¹² He remains convinced that international students can build potentially world-leading new businesses in the UK, but in truth, the current system in place is simply not working.

²⁰⁴ Dr M. Pirie, *The UK and the World in 2050*, 2016, pg. 22

²⁰⁵ Ibid pg. 22

²⁰⁶ Ibid pg. 48

²⁰⁷ Dr M. Pirie, *A Millennial Manifesto*, 2017, pg. 5

²⁰⁸ Ibid pg. 5

²⁰⁹ Department for International trade, *Mobility in the UK-Australia Free Trade Agreement*

²¹⁰ Ibid pg. 1

²¹¹ Ibid pg. 1

²¹² P. Salter, *Made in the UK: Unlocking the Door to International Entrepreneurs*, 2014, foreword

Made in the UK builds on this to recommend that the British government remove the Tier 4 ban on self-employment for those working within an institutional programme (curricular or co-curricular). Furthermore, the financial requirements for the Tier 1 (Entrepreneur) visa, which graduates require after exhausting the Tier 1 (Graduate Entrepreneur) visa, should reflect sector-specific financial needs, rather than the standard amounts of £50,000 and £200,000.²¹³

Additionally, the government should dedicate more time and resources into marketing and advertising that lists the advantages of studying and starting businesses in the UK. There should be a clear outline to students of all entrepreneur visa pathways,²¹⁴ so that more are encouraged to stay in the UK to pursue their academic and business goals. The paper urges that there be a possibility to “reinststate a post-study work visa, decoupled from the sponsor system, to allow international students to explore markets and industry before finalising their business idea for the Tier 1 (Graduate Entrepreneur) application.”²¹⁵

Removing barriers to both outward and inward international employment, along with promotional efforts to attract and retain international talent can make the UK a more welcoming and competitive destination for young people.

The Problems - Technology and Innovation

Innovation and technology are the background code for the UK’s prosperity, but *Optimising for our Openness: The Economic Effects of Visa Auctions in the UK* notices that employers often struggle to pay for and manage all the extra benefits that come from technological advancement. “Current positive externalities of innovation exist today, meaning that the market will under-provide basic research. Scientists are currently the most important factor for basic research.”²¹⁶

In simple words, this means that the benefits of innovation that spill over to society are already happening now. Because of this, the market won’t invest enough in basic research on its own.

Better science at less cost (2003) by Tim Ambler brings out the table below, showing the direct costs of various research councils, but excluding any part-time volunteers.²¹⁷

²¹³ Ibid pg. 6

²¹⁴ Ibid pg. 6

²¹⁵ Ibid pg. 6

²¹⁶ Dr B. Cheang & D. McClements, *Optimising for our Openness: The Economic Effects of Visa Auctions in the UK*, 2023, pg. 11

²¹⁷ T. Ambler, *Better science at less cost*, 2003, pg. 5

Research Council	Staffing	Gross Cost £m	Net Cost £m
Biotechnology and Biology	3,283	231	212
Central Laboratory	1,683	98.1	3.2
Economics and Social	97	78.4	72.2
Engineering and Physical Sciences	287	432.7	413.1
Medical	3,800	382.9	321.1
Natural Environment	2,602	234.8	225.3
Particle Physics and Astronomy	279	208	203
Arts & Humanities			70
Total	12,031	1,665.9	1,518.9

Ambler points out that the table excludes counting the value of time that academics spend in “submitting formal proposals, peer reviewing them and contributing to the administrative burden in other ways.”²¹⁸

This broken-down £1.5bn cost is accurate as of 2001, and government R&D spending is estimated to reach up to £20bn by 2024-25 according to the Chancellor’s 2022 Autumn Statement.²¹⁹ But this spending is still wrought with bureaucracy. Take for example, according to Ambler’s graph [2001], the Biotechnology and Biology Sciences Research Council employed 2,076 people across eight research institutes, with an additional 1,214 in other positions. Of the [2001] £234 million funding they received, (£210m from the Treasury and £24m from other sources), £230 million goes to research institutes and universities combined, but a huge £14.3 million is lost through administrative costs.²²⁰

Even then, grant applications undergo peer review, with a success rate of one-third to 40%.

According to this paper, the House of Commons Select Committee pointed out that they had found evidence of poor financial management and planning within the Medical Research Council, with “too many funds committed over long periods leading to large numbers of top quality grant proposals being turned down. The MRC has introduced misguided strategies for its research support that have discriminated against young researchers and some disciplines. It has been guilty of inconsistent and inadequate communication which have hampered our ability to assess the MRC’s performance and

²¹⁸ Ibid pg. 5

²¹⁹ Royal Society, Representations to the spring budget, 2024, pg. 2

²²⁰ Ibid pg. 8

*misled its research community.*²²¹ This has harmed the council's reputation and caused great inconvenience to the research community that it depends on.

Furthermore, Ambler is thorough in assessing that academics are often recruited and promoted based on the publications they produce and less weight is given on the quality and impact of their teaching. There appears to be no requirement for a tertiary level teacher to know anything about the subject they teach, even though teaching is most of what most academics are expected to do.²²²

The Solutions - Technology and Innovation

One way of managing research budgets and wages for scientists in the UK could be to separate teaching from research in universities. Taxing talent suggests that if universities were able to operate as fully privatised research companies, they could become more competitive and create new revenue streams, eventually being taken off of taxpayer tuition funding.²²³

The teaching part of the universities, subsidised or not, would then be able to hire researchers from the research part of the university or any other sources to teach. *"The researchers would then be paid by the hour/week or term – to provide a certain amount of teaching hours. The rest of the time the researcher/teacher would of course be free to earn money through the research department or any other individual arrangements."*²²⁴

Better science at less cost adds that the government must fund science through general funding and grant-giving to universities, and *"demand-led commissioning of research directed to practical goals."*²²⁵

Researchers should be given better commission fees and more secure careers, with exceptional ones receiving discretionary funding for exploratory work. Ambler advocates for businesses to handle technology development (*"converting science to profits"*)²²⁶ privately, whilst maintaining tax incentives for research and development departments.

Alternatively, *Optimising for our Openness: The Economic Effects of Visa Auctions in the UK (2023)* put forward a proposal to try issuing 1,000 visas every year based on an exam,²²⁷ to pick out the best candidates that will contribute to rapid innovation and productivity. The trial requires that every year, at least half of the candidates are

²²¹ T. Ambler, *Better science at less cost*, 2003, pg. 8

²²² Ibid pg. 12

²²³ A. Ulrich, *Taxing talent: How Britain can attract and retain the world's best workers*, 2011, pg. 13

²²⁴ Ibid pg. 13

²²⁵ T. Ambler, *Better science at less cost*, 2003, pg. 13

²²⁶ Ibid pg. 13

²²⁷ Dr B. Cheang & D. McClements, *Optimising for our Openness: The Economic Effects of Visa Auctions in the UK*, 2023, pg. 11

under 25 and another 20% of visas go to candidates with household incomes under the World Bank's extreme poverty line.²²⁸

McClements and Dr. Cheang elaborate on the exam structure, which will be split into increasingly difficult sections, with the first as a *“basic English literacy test in multiple-choice form.”*²²⁹ For applicants that do not clear preliminary sections, exam retakes would cost a small fee (to fund at least some of the marking expenses incurred through this whole process).

Noting how time-intensive and expensive marking is, they suggest that examiners only mark the progressing section of those candidates who have managed to pass all previous sections.

*“Similar to the existing Chevening visa programme, the top 1,000 applicants will be given a grant to fully-fund their university education if they have not yet completed it and/or research.”*²³⁰

Optimising for our Openness admits that wide scale implementation of such visa exams could lead to some candidates cheating. McClements and Cheang suggest that all candidates are made to sit the exam at the same time, regardless of timezone. The administrators would also set an alarm on each box of papers, which would only be released one hour before that section of the paper was sat; *“later sections would only be released after candidates were already being monitored during the opening sections, removing the possibility of cheating absent invigilator-candidate collusion on the scale of an entire test centre.”*²³¹

Exam-based visas will no doubt collect the world's underutilised talent and jumpstart British research.

But a key step in any of this is to also encourage British children to take up an interest in science and technology, which feeds into their higher education and careers. In *Wired to Learn* (2002), Tom McMullan writes that *“significant technological weaknesses permeate schools – although 99% of them are connected to the internet, “the vast majority of such connections are narrowband, with far too many computers per school connected via relatively slow links.”*²³² Although now in 2024, connectivity has obviously improved, a 2019 article by the BBC described a report that computing as a subject in schools is facing a ‘steep decline’ – *“hundreds of thousands of students, particularly girls and poorer students, will be disenfranchised from a digital education over the next few years,”*

²²⁸ Ibid pg. 11

²²⁹ Ibid pg. 11

²³⁰ Ibid pg. 11

²³¹ Ibid pg. 12

²³² T. McMullan, *Wired to Learn*, 2002, pg. 4

said Peter Kemp.”²³³

Wired to Learn urges for the provision of a diverse and quality content marketplace, with at least some that are free. The UK needs to encourage private sector investment in digital content to meet the diverse needs of the educational system and to maximise the commercial opportunities of export markets²³⁴ – this means a call to end ‘backdoor nationalisation’ of the UK educational content marketplace.

The introduction of an e-credits system, which provides money to schools to invest in digital educational resources, would push up demand for educational content.²³⁵ This could be so impactful in reaching the lives of many more children, even in failing schools that do not have quality computing and ICT teachers.

If education in the UK is to benefit fully from what technology can do to improve standards, it must, in other words, not “*just computerise existing practice: change the practice to fully exploit the new opportunity. That points to the need to consider the opportunity for fundamental curriculum reform.*”²³⁶

Analysis - Education, Technology, and Careers

Overall, these policy recommendations aim to address various challenges from early childhood to higher education, by promoting affordability, choice and quality.

SHORT TERM

Relaxing Child-to-Staff Ratios can reduce childcare expenses on staff wages, making it more affordable for families. But the safety and quality of care provided must be ensured.

Allocating Funding Directly to Schools creates financial autonomy and efficient resource allocation. This could hold schools to more accountability and responsiveness towards parents and pupils.

Education Vouchers empower parents to choose the school that best meets their child’s needs. This promotes competition among schools and incentivises them to improve their quality and academic results.

Privatisation of Early Years Inspections can streamline the process, reducing administrative burdens on childcare providers and potentially improving efficiency.

²³³ R. Cellan-Jones, BBC, Computing in schools in ‘steep decline’, 2019

²³⁴ Ibid pg. 5

²³⁵ T. McMullan, *Wired to Learn*, 2002, pg. 16

²³⁶ Ibid pg. 23

However, safeguards should be in place to ensure rigorous standards are maintained.

Restructuring of Free Early Education Entitlement means direct cash payments to parents or tax credits for employers who provide childcare services. This could increase flexibility and choice for families, allowing them to choose the most suitable childcare options for their needs.

Personal Development Loans to school leavers provides an alternative to traditional student loans and supports entrepreneurship. This expands options for school leavers and promotes a more diverse range of career pathways.

Regulatory Framework for independent schooling: Establishing a supportive regulatory framework encourages innovation and collaboration in higher education, fostering a dynamic and responsive educational ecosystem.

Exam-based visas involve issuing 1,000 visas every year based on merit, giving talented young people from abroad the chance to work in the UK.

An e-credits system provides money to schools to invest in digital educational resources, giving a wider spread of children access to lessons on Computing and Technology, potentially even encouraging them to pursue it as a future career.

Ending ‘backdoor nationalisation’ of the UK educational content marketplace could nudge private investment into creating educational and curriculum-focused content for schools, tutors etc. to meet their needs and bridge the gap between poorer students and those from schools who can

LONG TERM

Adopting the Swedish Model of Education Financing: Following the Swedish model promotes diversity in school types and fosters innovation through competition for government funding. It also provides parents with greater choice in selecting schools.

Supporting Microschools means supporting personalised education, and microschools cater to diverse learning needs. Removing regulatory barriers can encourage their growth and contribute to educational diversity and quality.

Advertising of Childcare Careers and Qualifications can attract more individuals to the profession, potentially increasing the pool of skilled childcare providers.

Adopting Singapore’s Education Assistance Model could promote educational savings, alleviate the financial burden on students and encourage long-term planning for higher education.

Adopting Australia's Graduate Tax Model gives a more flexible and potentially less burdensome approach to financing higher education. It ensures that students contribute to the cost of their education based on their income levels.

Redirecting Higher Education Funding (inspired by the US) to universities and abolishing intermediary bodies can streamline the distribution of educational resources and increase transparency and efficiency in where the funding goes.

A privatised system for research councils means that businesses will handle the practical development of technology, whilst universities and research institutes will handle the theoretical research and development of technology.

CONCLUSION

For decades, the Adam Smith Institute has worked to develop cutting-edge new ideas by young people, for young people. Long before the issue of intergenerational inequality was producing eye-catching headlines, the ASI was working to craft policy designed to unleash the natural creativity and entrepreneurship of young people. Then as now, we understood that the best way to create intergenerational harmony is to allow young people to fully exercise these virtues. Equipped with our trademark ambition and irreverence, we look forward to continuing in that spirit in the decades to come.

These ambitious ideas are now more necessary than ever before. It is no secret that, at time of publication, the centre-right in the UK is busily preparing itself for a period of rebuilding and reconstruction. As it does so, it should heed the lessons of the past - the ASI's very own Dr Eamonn Butler puts it best:

*“Back in 1982, disappointed by the slow pace of reform by Mrs Thatcher’s fledgling government, the Adam Smith Institute commissioned a series of policy reports in what became known as its Omega Project. The reports involved the work of a hundred experts, including economists, policy analysts, journalists, and politicians. They covered every aspect of government — health, education, transport, local government, agriculture, welfare, taxation, employment, and more. The 500–page result was a complete blueprint for government; over a hundred of the ideas it contained later became government policy, though not all in Mrs Thatcher’s time.”*²³⁷

While this paper does not form a comprehensive programme for government as the Omega Project once did, it serves as a useful reminder of the breadth and extent of ideas already developed and available for implementation, should policymakers have the courage to do so.

We hope that policymakers, busily engaged in a process of revival and renewal, will regard this paper as a useful starting point when considering how the government can reinvent itself in the current, challenging context. We also hope that this will serve as a provocation to young policymakers, who might be induced to update and promote these ideas in the novel context of the 21st century.

It is also a reminder that there really is nothing new under the sun. The challenges that we now face are not entirely novel - though history does not repeat itself, it certainly rhymes.