

Fami-lies

Why you can't trust the Tories

by Will Straw and Jo Cox



Left Foot Forward

Contents

- 1) Introduction
 - 2) Labour's record of helping the family
 - 3) The Conservative approach
 - 3.1 Child Trust Fund
 - 3.2 Sure Start
 - 3.3 Child Tax Credits
 - 3.4 Flexible and family friendly working
 - 3.5 The marriage tax break
 - 4) Summary
- About the authors
- Acknowledgments

1) Introduction

In January, David Cameron spoke to an audience in Gillingham:

“And let me just say something about the organisation that I think is the most important of all in fighting for, and delivering, a responsible society and that is the family. I want the next Government to be the most family friendly Government we’ve ever had in this country and that is about everything we do to support families and it’s about supporting every sort of family.”

He went on to list his support for Sure Start, flexible working, and maternity leave—all areas that Labour has introduced or extended, and which Cameron or his party have largely opposed.

And scratch beneath the surface on his new commitment to the family and David Cameron has something to hide. Each of these policies plus his approach to Child Tax Credits is undermined by the reality of the Conservative party’s policy position.

Behind the rhetoric of focusing services on “the parents that really need it”, the Conservatives are masking cuts and threats to the vital services that have helped families to help themselves for a decade or more.

Meanwhile, the only firm, new commitment that David Cameron has for the family is a commitment to “recognise marriage in the tax system”, an expensive policy that judges families; is an ineffective way of targeting support to those who most need it; and according to most research will not increase marital rates.

In summary Tory proposals include:

- A cut to Child Tax Credits for middle-income earners.
- A cut in Sure Start services which risks stigmatising those who use them.
- An end to universal free childcare entitlements for 3 and 4 year olds.
- All but the poorest families missing out on Child Trust Funds.
- Hard fought extensions to flexible and family friendly working put at risk by the Tories’ isolationist EU policy.
- Cohabiting couples, single parents, and poorer families losing out from the planned marriage tax break.

The analysis shows that several of the spending cuts the Conservatives are proposing *only* affect families with children, withdrawing assets from all but the very poorest – while their policy on inheritance tax will help some of the wealthiest estates to increase their already considerable wealth. In George Osborne’s own words, their marriage tax break is “not about children, but commitment.”

The Conservative party’s rhetoric on the family and the reality of their policy and voting record are at odds. In short, the Tories cannot be trusted on the family.

2) Labour's record of helping the family

Labour's thirteen years in office have seen a huge expansion in support for families. Although contested or opposed by the Tories at the time, virtually every measure introduced by Labour has now become part of the political consensus with no party committed to its abolition. Labour has valued parents, regardless of their family structure, and helped them to make work pay, make work flexible, and give children the best start in life.

In making work pay, Labour introduced the Child Tax Credit and Working Tax Credit, which includes an additional childcare element that pays up to 80 per cent of childcare costs for low income families. Labour has also created and repeatedly raised the national minimum wage. Together, these policies have meant that hundreds of thousands of children have been lifted out of poverty. Because two thirds of the beneficiaries of the minimum wage are women this policy has played a substantial part in narrowing the gender pay gap, though much remains to be done. Each of these policies was opposed at the time by the Conservative opposition.

In making work flexible and family friendly, Labour has introduced an unprecedented number of new workplace rights. Maternity pay has been doubled and maternity leave has been extended to a full year – with payment guaranteed for 39 weeks. Fathers and lesbian partners can now take up to two weeks of paid paternity leave – a policy which David Cameron opposed but was happy to use when his son was born. New regulations providing parents with the choice of making the last six months of maternity leave transferable to the father have recently become law. Many employees are now able to request the right to work flexibly, including parents with children aged under-16, carers, and parents of disabled children. Part-time and fixed-term workers now have the same rights as all other employees. Parents have the right to take unpaid parental leave, and all employees have the right to take reasonable time off in emergencies to support a dependent.

And so parents can return to work, Labour has guaranteed a free nursery place to every three and four year old. In 1997 there was no free entitlement and only 34 per cent had a free place. Take up is now 86 per cent and from this September all three and four year olds will be entitled to 15 hours a week free childcare for 38 weeks a year—they will also be able to suit their own individual circumstances by “stretching” their free entitlement over more than 38 weeks. For all young children, Labour introduced Sure Start Children's Centres and there are now 3,500 designated centres offering services to around 2.7 million young children and their families.

And so children have the best start in life, the Government's Equalities Unit estimates that Labour has invested £25 billion in transforming early years and childcare services since 1997. Labour has invested to bring down class sizes. In 1997, 476,000 5-7 year olds were in classes with more than 30 pupils. In 2010 it was just 29,000—and most of those have extra teaching assistants and will only be in the large class for one year. In 1997, half of all secondary schools had fewer than 30 per cent of pupils gaining five good GCSEs including English and Maths. In 2009, it was one in twelve. School buildings have also been rebuilt with 1,600 new schools since 1997. The introduction of the Child Trust Fund means that every child aged 7 or under will have a nest egg available on reaching adulthood.

3) The Conservative approach

The table below outlines the Conservative party's response to each of Labour's reforms which have helped the family. They show a party which - for more than a decade - has been uncomfortable supporting the family.

| Labour reforms | Tory position |
|------------------------------|---|
| Introduced Child Tax Credits | Opposed |
| Created Sure Start | Opposed |
| Created Child Trust Funds | Passed without much parliamentary contestation |
| Flexible working | Opposed extending maternity leave. Broader support for paternity leave although a large number including David Cameron voted against. |

The Conservative party manifesto will continue this trend with a series of policies that hurt the family. This report examines each in detail.

By only protecting spending on international development and the NHS, the Tories are effectively accepting cuts to the schools budget. By contrast, Labour is committed to protecting spending on sure start, free childcare, and schools.

The Tories have also explicitly said that they will cut Child Tax Credits and the Child Trust Fund. While the Tax Credit cuts are currently focused on those higher up the income scale, reducing the generosity of the scheme makes further future cuts more likely – and it remains far from clear how the Conservatives' stated savings can be achieved without middle income families being affected. Cutting the Child Trust Fund would affect many families on lower incomes, including many of the married couples that the Conservative tax break policy purports to help. And while withdrawing low-paid families' access to this asset-based welfare scheme, the Conservative's inheritance tax policy will help those who are already the wealthiest to build their considerable assets still further.¹

Whatever the Tories say about supporting the family, you can't trust them.

3.1 Child Tax Credit

What are the Tories proposing?

¹ Ruth Lister and Fran Bennett, The new champion of progressive ideals? Cameron's Conservative Party: Poverty, family policy, and welfare reform, *Renewal*, Vol 18, No. 1/2 2010

In his 2009 conference speech, George Osborne said:

*“we can no longer justify paying means tested tax credits to families with incomes over £50,000.”*²

What it would mean in practice?

At the time, a Conservative party press release said:

“According to the Institute for Fiscal Studies this would save £400 million a year or £2.0 billion over the next Parliament.”

But the IFS have since said:

*“It is likely that the estimate from the government is more accurate because the IFS estimate assumed full take-up of the child tax credit. Without access to HMRC data, it is not possible for us to say precisely how much money would be raised by the Conservative Party’s proposal having allowed for incomplete take-up, but it can be stated confidently that it would be less than £400m”.*³

Calculations carried out by the Institute for Public Policy Research’s tax/benefit calculator show that the Conservative’s policy would only save £65 million assuming full take-up of the family component. If take up was 73 per cent, the relevant HMRC figure in 2005-06, the total saving would fall to £47.5 million.⁴

Since Philip Hammond has been adamant to Channel 4 Fact Check that this policy will deliver significant cuts,⁵ we can only assume that the Tories would go beyond the policy set out in Osborne’s conference speech.

A Parliamentary Answer on 9 December 2009⁶ from Treasury Minister Stephen Timms said that:

“To reduce total annual tax credit expenditure by £400 million, it is estimated that the second income threshold would need to be reduced to around £31,000.”

And although the Conservatives have had a number of chances to outline how else they hope to gain £400 million from cutting tax credits, the public is still in the dark.

3.2 Sure Start

What are the Tories proposing?

The Tories’ draft family manifesto says:

² George Osborne, Conservative party conference speech, 6 October 2009.

³ Institute for Fiscal Studies, The IFS Green Budget, 3 February 2010, p. 168

⁴ <http://www.leftfootforward.org/2009/11/tory-tax-credit-policy-in-disarray>

⁵ <http://blogs.channel4.com/factcheck/2010/02/05/tory-budget-cuts-half-amount-promised>

⁶ Hansard, 9 December 2009: Column 407W

“We will take SureStart back to its original purpose of early intervention, increase its focus on the neediest families and better involve organisations with a track record in supporting families...”

“We will bring all funding for early intervention and parenting support into one budget, to be overseen by a newly created Early Years Support Team within the Department for Children, Schools and Families.”⁷

They also plan to withdraw £200 million from the Surestart budget. This puts at risk one in five Sure Start centres.⁸

The Tory-aligned Taxpayers Alliance said that Sure Start hasn't worked well enough.⁹ As evidence, they use school results, but as Left Foot Forward revealed on 18 March, the children whose test results were being quoted were too old to have been affected by Sure Start, whose first wave sites were not operational until 2002.

They have also said it isn't supported by parents, but a NetMums survey showed that Sure Start was the most popular Government family programme, with seventy-one percent of parents who had used a children's centre had said that it had helped them.¹⁰ A separate survey found that 54 per cent of parents would be less likely to vote for a party that removed or limited funding for Sure Start.¹¹ The vast majority of parents surveyed found using a Sure Start Children's Centre was a very positive experience. Levels of satisfaction were very high with 92 per cent of all users saying they were satisfied (68 per cent were very satisfied).¹²

Recent academic research has shown that Sure Start has had an impact in improving parenting, children's behaviour, immunisation rates and social development of children.¹³ OFSTED have also said that parents “strongly prefer” Sure Start's single-site model for children's services.¹⁴ Another recent survey has shown that the gap between the lowest achievers and their peers is narrowing.¹⁵

What would it mean in practice?

When public services are being squeezed, a “focus on the neediest families” implies service cuts or reductions in access. Sure Start children's centres are open to all families who live in an area, whether they are poor or not. This openness promotes good relationships between parents from different communities. If the Tories “increase its focus” on poor children – whether by reducing universal services or reducing access for better-off families – they risk stigmatising people who use

⁷ Conservative party, Draft Manifesto: Making Britain more family friendly.

⁸ <http://www.guardian.co.uk/society/2010/mar/16/sure-start-government-funding>

⁹ Press release, 16 March 2010

¹⁰ NetMums, 3 Men and a Baby political survey, fieldwork Dec 2009 – January 2010

¹¹ Daycare Trust, ‘Keeping mum: childcare as a vote winning issue’, 29 March 2010.

¹² Hansard, Parliamentary Answer from Dawn Primarolo, 25 March 2010, Column 565W

¹³ Impact of Sure Start local programmes, National Evaluation Summary, National Evaluation of Sure Start research team, March 2008

¹⁴ Sure Start Childrens Centres, memorandum for the CSF Select Committee, OFSTED 14 January 2010

¹⁵ http://www.dcsf.gov.uk/pns/DisplayPN.cgi?pn_id=2009_0188

children's centres, and drive the poorest away rather than give them the help they need.

The same is true of their promise to refocus outreach spending to increase the numbers of health visitors. While more health visitors are needed, cutting the outreach budget will hurt the most vulnerable, not help them. Sure Start outreach means staff can go out into communities to find those who are unable or unwilling to come into a children's centre – the parents who are often the most in need. Cutting that service to fund universal health visiting is the opposite of increasing the focus on the neediest families.

3.3 Child Trust Fund

What are the Tories proposing?

George Osborne used his 2009 conference speech to say:

“We should continue paying them to the poorest families who often have no savings, and encourage them to use them more – but, let me tell you today, handing out new baby bonds to the rest of the country is a luxury we can no longer afford.”¹⁶

They have since set out that families earning more than £16,000 a year will miss out.¹⁷ They estimate this will save £300 million a year although the Institute of Fiscal Studies say it will only save £225 million.¹⁸ This is comparatively small in the context of a £167 billion budget deficit.

What would it mean in practice?

Shortly after birth, every child in the UK receives a voucher from the government, which can be invested by their parents. The amount depends on family wealth, and ranges from £250 to £500. Every child receives a further contribution from the government at age seven. Parents, friends and family can make additional tax-free contributions to accounts of up to £1,200 in total each year. The accounts are in the child's name and cannot be touched until the child is 18.

The Child Trust Fund (CTF) is a means of (re)capitalising young adults as they enter Higher Education or the world of work. Given ongoing concerns about those “not in education, employment or training” (NEETs), youth unemployment and threats to University funding, the CTF is a strategic approach to an area of policy that is facing acute spending restraint.

The CTF provides value for money for taxpayers. Well over a third of accounts receive additional top-ups from parents of all incomes. And so families have been encouraged to save more for their children as a result of a modest government investment. Taxpayers are certainly receiving ‘bang for their buck.’

¹⁶ George Osborne, Conservative party conference speech, 6 October 2009.

¹⁷ Alan O'Sullivan, This is Money, ‘Beginning of the end for Child Trust Funds’, 7 October 2009.

¹⁸ <http://blogs.channel4.com/factcheck/2010/02/05/tory-budget-cuts-half-amount-promised>

The CTF puts power in the hands of the individual and respects the autonomy of young people. Given the need for individuals and governments to promote prudent saving in difficult times, the CTF symbolises a strong partnership between the state and society based on mutual obligation and respect.

The CTF is very popular. Not only are 75 per cent of accounts directly opened by families, suggesting very high levels of buy-in, recent surveys highlight that 96 per cent of families support the policy.¹⁹ Another recent survey found that 57 per cent of adults would consider voting against a Government that removed or limited funding to the CTF.²⁰

3.4 Flexible and family friendly working

What are the Tories proposing?

The Conservative's draft manifesto says:

*“we will extend the right to request flexible working to every parent with a child under the age of eighteen. We will introduce a new system of flexible parental leave which lets parents share maternity leave between them, including taking some of the leave simultaneously, and ensure that the public sector becomes a world leader in flexible working.”*²¹

What would it mean in practice?

In practice, the Tories' policy is not a huge expansion on existing practice. Flexible working is already available for parents with children aged up to 16, parents of disabled children aged under 18 and for a number of people caring for someone. The reality is that Conservative policy amounts only to an extension of flexible working to parents of non-disabled 17 year olds. This is far short of opening up the right to request to all employees, for which a number of progressive groups are calling.

But although the Tories appear committed to flexible working, their policies towards Europe and the public sector undermine their claim. It is Conservative policy “to negotiate the return of Britain's opt-out from social and employment legislation” from Europe. This could involve removing important family friendly rights including equal treatment rights for part-time and fixed-term workers, improved parental and maternity leave, and improved access to paid holidays.²²

The Conservative party wish to see faster and deeper cuts to the fiscal deficit with a greater focus on public spending cuts, instead of tax rises. This will inevitably mean more job losses in the public sector. The public sector is already a leader in flexible

¹⁹ <http://www.fairinvestment.co.uk/News/investment-news-Child-Trust-Fund-spending-cuts-criticised-18470407.html>

²⁰ Daycare Trust, 'Keeping mum: childcare as a vote winning issue', 29 March 2010.

²¹ Conservative party, Draft Manifesto: Making Britain more family friendly.

²² David Cameron, A Europe that people can believe in, 4 November 2009.

working practices,²³ while there are more women working in the public sector.²⁴ The result of sweeping public sector cuts will therefore be a real reduction in flexible working opportunities.

Finally, the Conservatives are already undermining their claim to value family friendly work. The Conservatives have consistently opposed key aspects of the Equality Bill, which includes important new provisions around gender pay and gender equality. And senior Conservatives have made no commitment that a Conservative Government would lay regulations to implement the provisions of the Act. Meanwhile, during the recent Lords debate on new parental leave regulations a Conservative Shadow Minister indicated his opposition to the implementation of such proposals in 2011.²⁵

3.5 The marriage tax break

What are the Tories proposing?

The Tories draft families manifesto says:

“We will recognise marriage and civil partnerships in the tax system in the next Parliament.”²⁶

After months of confusion, they have finally fleshed out what this means: a tax break worth up to £150 a year (£3 per week) for married couples where one partner is earning between £6,555 and £43,955, and where the second earner’s income is no more than £5,805 a year. The policy is costed by the Institute for Fiscal Studies at £550 million.²⁷ Only 29% of working age couples would gain from this policy.

What would it mean in practice?

This is an expensive policy, costing the Exchequer £550 million, which will not deliver help to those families who need it most. For example, the poorest decile will benefit by less than all but the richest third of families. This policy offers certain kinds of families – those where the parents are married and one of them stays at home, or retired couples - £3 a week. But the Tory commitment to cut tax credits and the Child Trust Fund will leave the same families £500 a year worse off.

The policy will not help most families with children. According to the IFS, “only 35% of the families who gain from the policy have children, and only 17% have children under 5.” In George Osborne’s own words, their marriage tax break is “not about children, but commitment.” Indeed, several of the spending cuts already outlined in this document *only* affect families with children.

²³ Ariane Hegewisch, Equality and Human Rights Commission, ‘Flexible working practices: a comparative approach’, Spring 2009.

²⁴ Audit Commission, Surviving the crunch, 23 March 2010.

²⁵ Hansard, HL Debate, 18 March 2010, c731

²⁶ Conservative party, Draft Manifesto: Making Britain more family friendly.

²⁷ Institute for Fiscal Studies, ‘Conservatives to recognise one third of marriages in the tax system’, 9 April 2010.

The evidence that marriage makes the difference between good and bad outcomes is extremely weak. For example, Denmark and Sweden both have high numbers of single parents and positive child outcomes. And in those countries, like the UK and the US, where marriage has been recognized by the tax system in the past, there is no evidence that marriage rates increased. Indeed, in the UK marriage went into decline during these years.^{28 29} The Tories are at risk of mixing up correlation and causation.

The IFS have questioned whether financial incentives make a difference to people's relationship decisions. However there is some evidence that this policy will produce *disincentives* for second earners to go to work – as their income will be taxed from the first earned pound. Analysis in the Guardian by Tom Clark shows that, “spouses who move back into work will find the rewards blunted by the withdrawal of the stay-at-home subsidy.”³⁰ The Tories clearly favour one kind of family – the breadwinner family where a woman's tax status is dependent on her partner's earnings. Cameron may have said this policy is more about the message than the money.³¹ But what kind of message is this for the 21st century?

If the Tories want to support hard-working families, there are far better and more targeted ways of achieving this goal, with the same price tag, through the tax credit and benefits system.³² And at a time when the focus should be on paying down the deficit, is it really appropriate to use a levy on wholesale lending to pay for such a dubious policy? It feels like short-term electoral gain not long-term concern for the economy.

²⁸ Gingerbread, 'Single parents, equal families', December 2009.

²⁹ <http://www.leftfootforward.org/2010/01/young-and-poor-among-losers-of-conservative-marriage-policy>

³⁰ Tom Clark, The Guardian, 'Conservative tax break: Is it right to reward matrimony', 10 April 2010

³¹ David Cameron, Supporting parents, 11 January 2010.

³² Mike Brewer, James Browne and Robert Joyce, Analysis of tax and benefit changes affecting families with children for Gingerbread, December 2009.

4) Summary

| | Labour | Conservative |
|------------------|--|---|
| Tax credits | Building on their strong record on child tax credits, Labour announced in this year's Budget a new toddlers tax credit worth £4 a week to support families with young children. | The Tories have committed to cutting £400 million from Child Tax Credits, which could mean 1.3 million families losing out. |
| Sure Start | Labour has delivered 3,500 Sure Start Children's Centres available for all families with children under 5 and allocated £270 million for Outreach Workers whose job is to make sure the most vulnerable families know the centre is there to help them. Labour has protected the Sure Start budget until 2013. | The Tories have no national target for Sure Start Children's Centres so there is no guarantee that all Centres will remain open. They have refused to protect the budget and have instead said they would cut £200 million each year to take the centres back to a time when they benefited fewer than 20 per cent of poorer children. They have committed to recruiting 4,200 new Sure Start Health Visitors part funded by reducing outreach work by £70 million. It is not clear where the rest of the money will come from but if it comes from the Sure Start budget this will mean cuts in the number of Centres. |
| Childcare | Labour is committed to maintaining universal free childcare entitlements for 3 and 4 year olds and, in addition, to expanding free nursery places for 2 year olds. | The Tories have refused to protect spending on universal free childcare entitlements for 3 and 4 year olds. |
| Child Trust Fund | Labour will maintain Child Trust Funds for all families and from next month Labour will make additional payments of £100 into the Child Trust Fund accounts of disabled children. | The Tories have pledged to take Child Trust Funds away from families on modest and middle incomes. |
| Flexible working | Labour has introduced extensions to paternity leave. They are also encouraging every employer to champion the rights of employees to work flexibly. | Extend flexible working to parents of non-disabled 17 year olds. But many existing rights are under risk from the Tories stance on European policy. |

About the authors

Will Straw is Founding Editor of Left Foot Forward and a Fellow at the Center for American Progress. He was a 2007-08 Fulbright Scholar, and for four years at HM Treasury. He was a governor at a primary school and children's centre.

Jo Cox is Director of the Maternal Mortality Campaign. She was previously head of policy at Oxfam and was an advisor to Glenys Kinnock in Brussels. She is writing in a personal capacity.

Acknowledgments

The authors are grateful to Oli de Botton, Howard Reed, and Sonia Sodha for their help and advice. We are also grateful to a number of people, who for various reasons chose not to be named, for their invaluable advice and drafting suggestions.