



Renewal
A JOURNAL OF
SOCIAL DEMOCRACY

Renewing Britain's Economy: Tribune Group Perspectives

IN THIS ISSUE

Louise Haigh MP

Yuan Yang MP

Jim McMahon MP

Noah Law MP

Jeevun Sandher MP

Lauren Edwards MP

Polly Billington MP

Maya Ellis MP

Andrew Ranger MP

Vol. 34 • Special Issue

2026

Renewal

Renewing Britain's Economy: Tribune Group Perspectives

Renewal Special Issue – Spring 2026

- 4 Foreword | *Morgan Jones, David Klemperer, Jack Jeffrey, and Lise Butler*
- 5 Introduction | *Louise Haigh MP and Yuan Yang MP*
- 8 A new fiscal framework to renew Britain | *Louise Haigh MP*
- 17 Rebuilding the UK tax system: fairness, growth, and the renewal of the social contract | *Louise Haigh MP*
- 25 Household resilience | *Yuan Yang MP*
- 35 Growth and productive investment | *Yuan Yang MP*
- 45 The UK's economy needs a democratic renewal | *Jim McMahon MP*
- 49 Progressive tax for workers, high streets, and communities | *Noah Law MP*
- 55 Responsible economics, affordable Britain: a whole-economy approach to affordability | *Jeevun Sandher MP*
- 60 No town left behind: inclusive growth across the UK | *Lauren Edwards MP*
- 63 Place-based economic development | *Polly Billington MP*
- 67 A Labour vision for SME policy | *Maya Ellis MP*
- 71 Hospitality, a nationwide answer to the youth employment challenge? | *Andrew Ranger MP*

Editorial Advisory Board:

Anthony Barnett	James Meadway
Craig Berry	Nick O'Donovan
Mark Cooke	Nick Pearce
Jon Cruddas	Karl Pike
Will Davies	Emily Robinson
Sally Davison	Kate Alexander-Shaw
John Denham	James Stafford
Cathy Elliott	Marc Stears
Alan Finlayson (Chair)	Will Stronge
Nick Garland	Florence Sutcliffe-
Eunice Goes	Braithwaite
Ben Jackson	Paul Thompson
Mathew Lawrence	Lea Ypi
Clive Lewis MP	

Co-Editors: Lise Butler, Jack Jeffrey, Morgan Jones, David Klemperer

Contributing Editors:

Joe Chrisp, Ben Glover, Rebecca Goldsmith, Gerry Hassan, Sacha Hilhorst, Steven Klein, Neal Lawson, Lynton Lees, Sean McDaniel, Colm Murphy, Martin O'Neill, Parth Patel, Frederick Harry Pitts, Neil Warner

Business Manager:

Peter Dowson

Special thanks to Karl Baddeley and Dan Julian for their work putting together this essay collection

Designed by Damiaan Melis

Typeset by e-type, Liverpool

Printed in Devon by ImprintDigital

Renewal welcomes contributions

We will consider articles from anyone involved with the process of politics and ideas. These can be in the form of new articles and essays, or 'feedback' pieces on existing published articles. We also welcome suggestions for articles and potential authors. To submit or discuss articles please email renewaleditors@gmail.com.

For subscriptions, promotions and advertising please email: peterdowson@compassonline.org.uk.

ISSN 0968-252X

ISBN 978-1-0684750-3-0

Published by Renewal Journal Ltd
Company No.16180381
www.renewal.org.uk

Renewal is powered by

 **Compass**

10 Salamanca Place
London, SE17HB
www.compassonline.org.uk

Follow Renewal on BlueSky:
[@renewaljournal.bsky.social](https://bsky.app/profile/renewaljournal.bsky.social)
ISSN 0968-252X
ISBN 978-1-0684750-0-9

© Renewal Ltd, 2025

Each article © the author, 2026

All rights reserved. Apart from any fair dealing for the purpose of private study, research, criticism or review, no part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, electrical, chemical, mechanical, optical, photocopying, recording or otherwise, without prior permission of the copyright holders.

EDITORIAL STATEMENT

Renewal: A Journal of Social Democracy is a quarterly journal of policy and politics. From its launch in 1992 the journal has consistently advanced and examined the conditions for a radical and emancipatory vision of social democracy. We are grounded in a commitment to real freedom and equality for all, an end to the commodification of nature and daily life, and the extension of democracy and solidarity across Britain, Europe and the world.

The present moment is defined by crises of capitalism, climate, technology and global order. These are intensified by a crisis of politics itself as people seek meaning and identity in private lives, closed communities and virtual worlds rather than through participation in public life. The moment calls for new analysis, new ideas and new strategies for action. Only a pluralist, democratic and intellectually confident left can bring about the radical change we need, and create the conditions for human dignity and flourishing.

Across the globe social democratic parties face existential political and electoral challenges as they struggle to articulate a compelling vision of the future. In the absence of hope, reactionary parties exploit despair and sell resentful visions of an imagined past. *Renewal's* task is to host, initiate and organise reflection not only on the short-term challenges of social democracy, but also on the deeper renewal of its intellectual project, drawing inspiration from both within and beyond our own tradition.

In its latest incarnation, *Renewal* will publish long-form writing that confronts the challenges of today with an open mind and an eye for detail. Our writing is theoretically eclectic and empirically rigorous. Avoiding mere critique, we offer new policies, paradigms and strategies to an international readership of citizens, activists and elected representatives. We analyse both the possibilities for social democratic politics, and the concrete conditions for their realisation.

Renewal is published by Compass but is editorially independent. We invite support and encourage contributions from all who share our objectives.

Foreword from the Renewal Editors

As we write this, *Renewal* re-launched one year and one day ago. In the editorial which accompanied that re-launch, our first as co-editors, we wrote that Labour found itself in a strange position of simultaneous strength and weakness, possessed of a commanding majority but beset by scandal and lacking a clear sense of identity or direction. One year in, despite some meaningful legislative achievements for the government, the situation has precipitously deteriorated.

There are many lessons to draw from the first two years of the Labour government. Among them is that a government without direction is vulnerable to shifting headwinds. The position of Labour after the local elections is of a party that must find a strong course if it is to salvage the remainder of its term in power and make the most of the opportunities of government.

A year ago, we wrote that social democrats needed both “an intellectual openness to new ideas” and a “clear sighted analysis of the political terrain”. It is in this spirit that we are delighted to publish this collection by the Tribune Group of Labour MPs, which lays out their economic thinking, and grapples with how to apply it to the urgent issues facing the Labour Party and our country.

Insofar as *Renewal* has a theory of change and influence, it is that successful social democracy requires its practitioners to think both practically and ideologically: in that spirit we are happy to present this set of essays – which we believe offers just that kind of thinking.

Morgan Jones, David Klemperer, Jack Jeffrey, and Lise Butler have co-edited Renewal since 2025.

Introduction

Louise Haigh MP and Yuan Yang MP

Britain's economic settlement is no longer delivering what it once promised.

For too many people, hard work no longer guarantees rising living standards. Growth has been too weak, too uneven, and too often driven by asset inflation rather than productive investment. Wealth has become more concentrated even as economic insecurity has spread. Public services, after years of underinvestment under the Conservatives, have been stretched to breaking point. And confidence that politics can improve people's lives has been eroded.

These problems did not begin with this Parliament, nor can they be explained by any single government or crisis. They have deep roots in the economic model that has taken shape since the Global Financial Crisis – a model that has struggled to generate broad-based prosperity, and too often relied on redistribution to compensate for structural weaknesses in how the economy creates wealth in the first place.

That is why incremental change within the existing framework is unlikely to be enough.

This contribution from Tribune Labour MPs begins from a simple proposition: if we are serious about delivering the change people voted for in 2024, then we must be willing to interrogate the system that has too often prevented it.

This is not a manifesto or a settled blueprint. It is an attempt to develop a clearer theory of economic change – one that tests how growth, fairness, and credibility can be better aligned, and how economic policy can deliver tangible improvements in people's lives within the institutional and political constraints Britain faces.

It starts from a political economy grounded in a clear set of priorities.

An economy should work first and foremost for those who earn their living through their labour rather than through rent-seeking. It should back entrepre-

neurs and businesses that invest, innovate, and take productive risks over the long term. And it should support communities that have too often seen living standards stagnate while opportunity has become more concentrated elsewhere.

That means asking difficult questions about the balance between work and wealth in the tax system; about whether our economic institutions and fiscal rules are fit for long-term renewal; about how we support productive investment rather than rent extraction; and about the role of the state not simply in managing decline, but in building productive capacity and economic resilience.

It also means recognising that trade-offs are unavoidable. Not every interest can be protected simultaneously. Building a coalition for economic change requires being clear about whose side economic policy is on – and being willing to challenge interests that benefit from scarcity, asset inflation, or regulatory gaps.

The contributions collected here begin by exploring those questions through four broad themes.

First, whether Britain's economic institutions and fiscal framework are suited to an era that requires long-term investment, rather than short-term crisis management.

Second, how to build a tax system that is fairer, simpler, and better aligned with modern sources of wealth and economic activity.

Third, how social investment and market reforms can reduce the cost of living, making households more resilient, and increasing the long-term demand in the economy.

And fourth, how to support stronger, broader-based growth by creating a stronger, more active state that is capable of stabilising inflation, generating investment, and sparking dynamism.

The supplementary chapters will zoom in on specific areas of the economy: youth employment, small and medium-sized enterprise, progressive tax reform, democratic renewal, inclusive growth, affordability, and place-based economic development.

Across each of these runs a common thread: that economic reform is not simply a technical exercise, but a question of political economy and democratic renewal.

Too often, debate in recent years has treated growth, fairness, and fiscal credibility as competing objectives. The argument running through this collection is that they must instead be understood as mutually reinforcing.

We do not present this as the final word. They are an invitation - to challenge assumptions, test ideas, and help build a broader coalition for economic renewal.

Because the economic status quo is no longer defensible. And if politics is to regain trust, it must offer more than better management of decline.

It must offer a path to economic renewal.

Louise Haigh has been the Labour MP for Sheffield Heeley since 2015, and is a member of the Executive Committee of the Tribune Group of Labour MPs.

Yuan Yang has been the Labour MP for Earley and Woodley since 2024, and is Secretary of the Tribune Group of Labour MPs.

A new fiscal framework to renew Britain

Louise Haigh MP

For too long, people in our country have felt powerless. Since the Global Financial Crisis, living standards in the UK have stagnated.¹ Brexit scarred our economy while dividing our communities, and was soon followed by the hits to our public and personal finances produced by the pandemic and Putin's invasion of Ukraine. Labour entered government in 2024 against this backdrop, and has since had to deal with numerous shocks to energy markets and the world trading system.

None of this is new, but it bears repeating – because it defines the stakes of the challenges that we face today. Our economic institutions and fiscal framework are designed for short-term firefighting when long-term renewal is required.

A new economic model

Central to our economic and political turbulence is that our model of growth, largely unchanged since Margaret Thatcher, has run aground. The state's capacity to play an active role in economic development was hollowed out, replaced by a framework that prioritised market allocation while limiting political discretion. Over time, this has produced an institutional settlement in which governments are held responsible for economic outcomes but lack the tools to shape them effectively. The result is a persistent gap between political expectation and economic delivery, reflected in weak productivity growth, stagnant living standards, and deepening regional inequalities.

This is not a uniquely British phenomenon. Across advanced economies, similar trends have emerged as states retreated from direct economic coordination and relied more heavily on liberalised markets and complex regulatory regimes. For a time, globalisation helped to mask these weaknesses, sustaining growth despite declining domestic investment and state capacity. But since the Global Financial Crisis, that model has come under increasing strain. As growth has slowed and

volatility has increased, the limits of this approach have become more visible – and politics has begun to catch up with the reality that existing economic frameworks are no longer delivering rising living standards or broad-based prosperity.

So, we must look to reduce regulatory barriers, especially those that are holding back new and innovative businesses wishing to scale up. We have incredible strengths in high value sectors across every part of the UK, and we should not be afraid to back them. Industrial strategy sceptics need only look at the strength of our financial services to see what can be achieved with coherent regulatory strategy and consistent economic development. In John Fingleton’s review of nuclear regulation, we have a model for how we can strip back rules which do not serve us in an industry which offers massive opportunities to places like Sheffield.² We could match this ambition in areas like biotechnology, advanced manufacturing, and the creative industries.

The constraints on building new homes and the transport infrastructure that links people to opportunities that match their ambition and talent has stifled growth across the country and limited our advantage in key productive sectors. What’s more, it has created unforgivable social harm with 170,000 children currently homeless in England.³ The Government’s existing planning reforms are not a peripheral issue, but central to any credible growth strategy. For as long as we have warehouses being built in London in place of housing, we must double down and go further on reform.

The failure to invest over decades, whether in housing, energy, or transport, and the constraints we have applied to the investment that does happen, have together made us poorer and left us more vulnerable to inflation. The UK remains persistently underinvested relative to comparable advanced economies, with public investment levels historically around 2-3% of GDP. This is well below those of many OECD peers, where investment has often been closer to 3-4% of GDP, leaving the UK near the bottom of the G7 on this measure.⁴ This underinvestment by the public sector is mirrored in the private sector. The consequence is that we are not only failing to close the gap with our competitors, but actively entrenching weaker growth prospects over time.

British myopia

We cannot hope to address this prolonged underinvestment unless we reform the thinking at the heart of our economic institutions

A central weakness in the UK’s economic model is the systematic undervaluation of what might be termed “preventative” investment – spending that

reduces future fiscal pressures while raising long-term growth. Our institutions, appraisal frameworks, and political incentives are poorly configured to recognise these benefits, tending instead to favour interventions with immediate, easily measurable returns. Rather than prioritising investments and supply-side reforms that expand the productive capacity of the economy and lower long-term costs, policy has too often defaulted to short-term savings. By contrast, social and council housing, childcare, and skills provision are intrinsically long-term bets but act as powerful economic multipliers - increasing productivity, labour market participation and reducing demands on the state over time.⁵

At the heart of our economic policymaking is a tension, between having to prove our credibility to the financial markets who lend us money, and delivering change to the electorate that put their trust in us in 2024. In practice, this tension has historically been mismanaged, leading to a pattern in which governments prioritise meeting near-term fiscal targets over delivering long-term economic improvements. For example, when faced with deteriorating forecasts, Chancellors, with the notable and welcomed exception of Rachel Reeves, have repeatedly chosen to scale back or delay public investment - particularly in infrastructure, housing, and local growth programmes - in order to preserve a narrow margin of “headroom” against their fiscal rules. While this may reassure markets in the short term, it weakens the very growth prospects on which fiscal credibility ultimately depends. The result is a cycle in which credibility is pursued through short-term restraint, but undermined by the long-term stagnation that follows. This is the definition of managed decline.

This is not an attack on our fiscal rules. The primary constraint on public investment today is not in any government’s gift to change: it is the cost of borrowing itself.⁶ After the disastrous Liz Truss mini-Budget, markets have become more sensitive to UK fiscal credibility – not only because they perceived a lack of seriousness in the way we conducted economic debates in this country, but also because it drew attention to the structural weaknesses in our economy.

These weaknesses are downstream of decisions taken by the very institutions that claim to want to foster economic growth, but who have been found wanting time and again since the financial crisis. This means that there is no route out of the current economic malaise that does not involve looking at the role and mandate of organisations such as the Office for Budget Responsibility, the Treasury, and the Bank of England.

It is therefore possible for two things to be true at once: that the current institutional framework is ill-suited to supporting long-term growth, and that the immediate constraint on government action is the cost of borrowing in financial markets. A credible reform agenda must address both – improving the frame-

work over time while demonstrating, in the near term, that public investment will strengthen, rather than weaken, fiscal sustainability.

Since 2008, we have embedded an austerity mindset into the very structures of our economic policymaking. The 2010s obsession over the exact size of the budget deficit meant that an organisation dreamed up by the Tories in opposition aided and abetted the dismantling of investments like Sure Start because it determined that there were no costs to cutting them, only immediate savings. We now know that Sure Start centres, for example, delivered £2 of savings for every pound spent – yet their closure under Osborne was never flagged as a fiscal risk.⁷ Nor, ultimately, did such moves help eliminate the deficit, and our public debt has now ballooned to over 96% of GDP.

The sole reliance on rolling five-year forecasts embeds short-termism into our decision-making.⁸ Investments whose benefits accrue beyond this window are deprioritised, while spending cuts that generate immediate savings are favoured.⁹ The result is a pro-cyclical bias in fiscal policy and a persistent tendency toward underinvestment. Long-term investment is systematically undervalued.¹⁰

There are biases too within the investment that is made. Areas of the country that need development are overlooked for funding because those projects cannot compete with London and the South East on value for money grounds. This leads further entrenches disparities among regions, and widens the gulfs between the life chances of people across the UK. This is not simply a technical flaw, but a political one: it entrenches spatial inequalities by systematically dis-advantaging projects in areas where returns are longer-term but no less real.

In this, the role of the Treasury is key. The concentration of fiscal authority within the Treasury reinforces this short-termism. Faced with the dual mandate of maintaining fiscal control and supporting economic growth, the institution defaults toward caution, prioritising near-term debt dynamics over longer-term economic outcomes.

Furthermore, we are facing extremely high gilt yields in part because of structural features of the UK's debt stock. Decisions taken in the 2010s – most notably the large-scale issuance of inflation-linked gilts under George Osborne – have left the UK unusually exposed to inflation shocks, creating an inflation-sensitive debt structure that now costs the Exchequer billions each year. This has led to a government like ours with a clear mandate finding itself with one hand tied behind its back because of the disastrous decisions taken by Osborne.

Crucially, these institutional dynamics do not operate in a vacuum. In a context of elevated borrowing costs, they amplify rather than alleviate the underlying constraint, limiting the government's ability to respond effectively. Higher

borrowing costs raise the threshold that public investments must meet to be considered fiscally sustainable. As a result, fewer projects appear to ‘pay for themselves’, even where their long-term economic returns remain substantial.

In short, the problem is not just policy choices, but the framework shaping them.

A revised fiscal framework

The question is not simply what the optimal fiscal framework looks like, but how reform can be sequenced in a context of elevated borrowing costs and heightened market sensitivity.

The first step is to move away from five-year forecast windows to a longer horizon of ten years. As I have written before, this will help rebalance incentives from short-term cuts by increasing the visibility of the benefits of sustainable investment, making it harder to invent fiscal fictions, and better rewarding supply-side and tax reform. In doing so, it will also increase transparency for investors and show that the UK is serious about fiscal sustainability.

Evidence suggests that public investment reaches a ‘breakeven point’ for the Exchequer within a relatively short period of time, with higher tax receipts offsetting initial costs after only a few years, and generating net fiscal returns over a longer horizon. A fiscal framework anchored to a five-year window is therefore structurally incapable of capturing these effects, biasing decision-making against projects whose benefits accrue over time. It would allow projects that generate long-term returns to be properly accounted for, and reduce the pressure for repeated short-term consolidation.¹¹

This is not a means of kicking the can of consolidation down the road. We must stay the course on reaching a balanced current budget or surplus for the first time since 2001. This is crucial to mending Britain’s reputation and rebuilding our resilience to future shocks. It is also only fair to future generations, and honest with the public about what it costs to run our country. Only once we have achieved this can we look to further reform our fiscal rules.

At that stage, we should reform the debt targets from the current three- and five-year rolling windows to a longer horizon of ten years. To truly deliver renewal we need to have the confidence to seek funds from the markets to deliver on projects that will bear fruit beyond a given Parliament. For example, to deliver a new fleet of gigawatt nuclear reactors, and to do so in a way which can establish local supply chains and achieve programme efficiencies, is a two- or three-decade endeavour.

Crucially, this would not weaken fiscal discipline: the Office for Budget

Responsibility would continue to independently assess the fiscal and economic impact of investment decisions, including their effect on debt sustainability over the longer term. A longer horizon would therefore improve, rather than undermine, the credibility of the framework by aligning it more closely with the real dynamics of growth and public finances, as has been argued by a number of leading fiscal experts.¹²

We must also make clear that we will no longer make short term decisions to hit some arbitrary target in the future. Cutting capital investment in the 2010s was one of the cardinal sins of the Conservative-Lib Dem Coalition – one that even George Osborne now admits to – and we must more clearly ringfence this investment during fiscal consolidation. We must begin to treat investment as a central part of our fiscal strategy, and not merely as residual spending once all else has been allocated.

Finally, we must reduce our reliance on rigid, point-in-time targets which are highly sensitive to small changes in forecasts, distorting policy decisions by creating a misleading sense of precision.¹³ Moving towards rolling targets or fiscal principles, and shifting away from the much maligned ‘headroom’ figure towards overall public spending sustainability, would substantially improve policymaking.

There is a genuine trade-off. If not carefully handled, reforming the Government’s fiscal approach in a period of market volatility risks undermining credibility. Yet maintaining the current framework risks locking in underinvestment and weak growth. The question is therefore not whether to reform, but how to do so in a way that strengthens, rather than weakens, market confidence. Ultimately, a framework that suppresses growth may weaken, rather than strengthen, fiscal credibility.

The role of our economic institutions

Fiscal reform alone, however, is insufficient without institutional change, since the current institutional architecture is increasingly misaligned with the demands of long-term economic strategy.¹⁴

On the one hand, the Treasury combines responsibility for fiscal control with a nominal mandate to promote growth – creating an inherent tension typically resolved in favour of caution. There is a reason why no other country in the world has such an imperial finance department as we do. On the other hand, despite ever more presidential politics, we have an underpowered Downing Street, in which the Prime Minister needs the agreement of the Chancellor to push ahead with the priorities on which they were elected.

We must therefore reopen the discussion of removing the growth mandate from the Treasury, while creating an economic development ministry capable of coordinating across Whitehall. Opponents will say that only the Treasury has the power to corral other departments into thinking about growth. I would gently point to the anaemic growth figures since 2008 as a sign that maybe we should not expect our Chancellors to be able to do it all. Passing the public budgeting function to a beefed-up Number 10 would also ensure that at every spending round, the Prime Minister would be empowered to set departmental budgets based on his or her priorities for the upcoming three-year cycle. There is a strong case for separating these functions, and for strengthening a central economic strategy capability (whether in a reformed Treasury or a dedicated growth ministry), while also ensuring that fiscal discipline remains robust.

Alongside this, we should enable the newly established National Wealth Fund to borrow against their existing balance sheet outside of the fiscal rules.¹⁵ This would separate long term investments in areas like renewable energy from day-to-day government spending, and would alleviate the fiscal pressures experienced by the Exchequer. It would bring the UK closer to international best practice, and would enable investment at scale without undermining fiscal credibility. Specifically, this would support increased investment in strategic, growth-generating sectors – such as clean energy, advanced manufacturing, and critical infrastructure – where the UK needs to crowd in private capital and rebuild its industrial base. A core function of the Fund should therefore be to take on greater risk in areas where private markets are unwilling to invest at the necessary scale, thus addressing persistent financing gaps and catalysing wider economic activity. Crucially, this would not represent a departure from fiscal discipline: investment decisions would be governed by clear mandates, strong oversight, and transparent reporting, with returns expected to materialise over the medium to long term – consistent with a longer fiscal horizon and the objective of strengthening the public balance sheet.

The Chairs of Legal & General, Aviva, and the Universities Superannuation Scheme have similarly argued that the development corporations tasked with building New Towns and developing the Oxford-Cambridge Arc must be permitted to borrow outside of the fiscal rules.¹⁶ Their argument reflects a broader point: where projects generate long-term, asset-backed returns – such as land value uplift in large-scale housing and infrastructure schemes – constraining them within short-term fiscal targets not only limits delivery but also deters the private capital that could otherwise be mobilised alongside public investment.

Finally, we must better coordinate fiscal and monetary policy to avoid the Bank of England pursuing policies that actively damage the government's balance sheet. At present, decisions such as Quantitative Tightening – where the Bank sells government bonds back into the market – can increase the cost of borrow-

ing for the Exchequer just as the Treasury is seeking to finance investment. This reflects a broader institutional gap. While monetary and fiscal authorities are formally independent, their actions are deeply interdependent in practice, but coordination remains limited.

This is not an argument against central bank independence, which rightly retains widespread support. Rather, it is a call for recognition that the interaction between monetary and fiscal policy has significant implications for public finances, and that there is therefore a case for revisiting aspects of the institutional framework to ensure better coordination between the two.¹⁷ As we approach the 30th anniversary of Gordon Brown giving the Bank operational independence to set interest rates, the time is right to re-examine the mandate and see whether better coordination and a greater focus on economic growth should also be included.

Reform vs stagnation

The status quo is not sustainable. A Labour government with a mandate to pursue a decade of national renewal must reshape the state to deliver on its electoral promises. This is not to say we should disregard the bond markets or pursue reckless borrowing – far from it. I am very conscious, having sat in Cabinet after the election, of the dire state of the public finances that we inherited. But the continuation of the current system will only lead to further stagnation.

The current fiscal framework is unfit for purpose and unable to deliver the economic renewal we in the Labour Party believe our country needs. The status quo is not a neutral baseline – it is a path to continued stagnation. Longer time horizons, new and better empowered institutions, and a greater investment capacity for those parts of the state that already exist should be the building blocks of a credible growth plan that would in turn buy us trust from the markets.

The task is not to abandon fiscal discipline, but to redefine it, so that it supports, rather than constrains, the long-term renewal the UK economy urgently needs. Our goal is simple. A new framework that delivers growth, resilience, and visible improvements in living standards across the country can and should be how this Labour Government makes good on its promise of ‘change’. In July we will have been in office for two years. We cannot afford to wait any longer before we change the system we inherited and start writing a new chapter in the economic history of our country.

Louise Haigh has been the Labour MP for Sheffield Heeley since 2015.

Notes

1. Resolution Foundation, 'Britain's great living standards slowdown has left typical family incomes growing by just £140 a year since 2010', www.resolutionfoundation.org, 28 June 2024.
2. Department for Energy Security and Net Zero and Ministry of Defence, 'Nuclear Regulatory Review 2025', www.gov.uk, 24 November 2025.
3. Shelter, 'Number of children homeless in England the highest since records began', www.england.shelter.org, 16 October 2025.
4. Office for Budget Responsibility, 'International comparisons of government investment', www.obr.uk, March 2020.
5. Olivier Blanchard and Daniel Leigh, *Growth Forecast Errors and Fiscal Multipliers*, International Monetary Fund, January 2013.
6. International Monetary Fund, *Fiscal Monitor: Putting a Lid on Public Debt*, International Monetary Fund, October 2024; Office for Budget Responsibility, *Economic and Fiscal Outlook*, Office for Budget Responsibility, October 2024.
7. Pedro Carneiro, Sarah Cattan, Gabriella Conti, Claire Crawford, Christine Farquharson, and Nick Ridpath, *The Short- and Medium-Term Effects of Sure Start on Children's Outcomes*, Institute for Fiscal Studies, May 2025.
8. Joseph J. Minarik, *Fiscal Risks, Fiscal Sustainability and Rethinking Fiscal Rules*, OECD, June 2024.
9. 'IFS Green Budget 2024: Full Report', www.ifs.org.uk, 10 October 2024; Thomas Pope, Peter Hourston, and Shaina Sangha, 'Current UK fiscal rules', www.instituteforgovernment.org.uk, 19 November 2024.
10. Andrew M. Warner, *Public Investment as an Engine of Growth*, International Monetary Fund, August 2014; Jean-Marc Fournier, *The Positive Effect of Public Investment on Potential Growth*, OECD, 2016; George Dibb and Luke Murphy, 'Now is the time to confront UK's investment-phobia', www.ippr.org, 20 June 2023.
11. Andy King, *Reflections on Fiscal Targetry and Long-Term Sustainability*, Office for Budget Responsibility, 2022; Jagjit S. Chadha and Adrian Pabst, *Designing a New Fiscal Framework: Understanding and Confronting Uncertainty*, National Institute of Economic and Social Research, 2021.
12. Julien Acalin, Virginia Alonso, Clara Arroyo, Raphael Lam, Leonardo Martinez, Anh Dinh Minh Nguyen, Francisco Roch, Galen Sher, and Alexandra Solovyeva, *Fiscal Guardrails against High Debt and Looming Spending Pressures*, *International Monetary Fund*, September 2025.
13. Gita Gopinath, *A Strategic Pivot in Global Fiscal Policy*, International Monetary Fund / Central Bank of Ireland, September 2024; International Monetary Fund, *Fiscal Policy under Uncertainty*, International Monetary Fund, April 2025.
14. Iain Begg, *Rethinking the UK fiscal framework: lessons from elsewhere*, London School of Economics European Institute, 2025.
15. OECD, *National Development Banks and Public Investment*, OECD, 2018.
16. 'Rachel Reeves warned to relax fiscal rules to avoid 'massively inhibiting UK growth'', *GB News*, 8 February 2026.
17. Office for Budget Responsibility, *The Fiscal Impact of Monetary Policy*, Office for Budgetary Responsibility, 2024.

Rebuilding the UK tax system: fairness, growth, and the renewal of the social contract

Louise Haigh MP

For nearly two decades, ambition and aspiration in our country have been held back. There is an increasing sense of a country where people cannot get on, where hard work goes unrewarded; of a system stacked against them.

Britain's economy should reward those who work, build, and contribute. This sense of unfairness is felt in everyday life. But if you are a small business owner – the backbone of the everyday economy – you can be disincentivised from growth by arbitrary VAT thresholds or strangled by punishing business rates while huge corporations pay less tax than you do in total, never mind proportionally. If you are a young family in the North East you may be paying the same council tax rate as a wealthy overseas investor in London as the services you depend on deteriorate. And if you are a worker you may find yourself paying higher tax rates than those whose income comes from wealth and assets. All of these people instinctively see a system stacked against them.

The purpose of the reforms I am setting out is simple: effort should lead to a better life, and the rules should not be rigged against those who follow them. It is ambitious, but it is also essential to restore fairness, support work, incentivise investment, tackle avoidance, and deliver sustainable funding for public services. As I have said elsewhere, the route out of our economic malaise cannot rely purely on a tax-and-spend approach; tax reform is an essential part of the solution.

For too long, fundamental reform has been ducked. Our tax system has evolved incrementally over decades, producing a framework that is increasingly complex, inconsistent, and poorly aligned with the demands of a modern economy. Spanning thousands of pages of legislation and guidance, it is characterised less by strategic coherence than by piecemeal adaptation.

This matters because taxation is not merely a mechanism for raising revenue. It is a central instrument of economic policy, shaping incentives to work, invest, and allocate capital. When poorly designed, it can entrench inequality, distort economic behaviour, and undermine long-term growth. Conversely, a well-designed tax system can support productivity, enable public investment, and sustain a fair social contract.

When the link between contribution and outcome weakens, trust in both the tax system and the wider economy begins to erode. Restoring that connection is essential – not only for fairness, but for rebuilding confidence that economic growth will benefit all parts of the country.

The UK faces a particularly acute challenge. Since the Global Financial Crisis, our economy has been marked by persistently low productivity growth, high regional inequality, and a legacy of underinvestment in both physical and social infrastructure as a result of 14 years of Conservative austerity.¹ At the same time, the tax burden has been steadily rising, now to historically high levels, yet without delivering sustained improvements in public services or any meaningful change in how the system itself operates.² This combination has contributed to a growing sense that the tax system is both ineffective and unjust.

In order to deliver meaningful economic renewal a fundamental redesign of the UK tax system is required. No more tinkering round the edges, but a full-scale reform agenda. Such a transformation must go beyond incremental adjustments to establish a coherent framework grounded in clear principles: supporting work and productivity, incentivising investment and risk-taking, reducing avoidance and complexity, and ensuring sustainable funding for public services. The challenge is not technical but political, requiring careful sequencing, clear communication, and sustained commitment.

The case for Reform: fairness, efficiency, and legitimacy

The case for tax reform in the UK rests on three interrelated grounds: distributional fairness, economic efficiency, and political legitimacy.

First, the current system performs poorly on distributional grounds. Wealth in the UK is highly concentrated: as of 2022, the top 10 per cent of households hold approximately 43 per cent of total wealth, while the bottom 20 per cent hold around 0.5 per cent.³ Moreover, this disparity has widened significantly in recent years, with estimates suggesting that the wealth gap has increased by around 50 per cent since the mid-2010s.⁴ For many households, this is not an abstract imbalance but a lived experience: the sense that work is taxed more heavily than wealth, and that the system does not reward effort in the way it should.

Second, the system generates significant economic inefficiencies. Differences in the treatment of labour and capital income create incentives for tax avoidance and exploiting loopholes, encouraging individuals and firms to structure their affairs in ways that minimise tax rather than maximise productivity, which in turn hits our economic performance.⁵ Features such as the VAT registration threshold introduce sharp ‘cliff edges’ that discourage firms from expanding beyond certain size thresholds. Business rates and property transaction taxes can further distort investment decisions, discouraging mobility and dampening future investment.⁶

Third, the system is increasingly perceived as lacking legitimacy. Many of its core components are outdated or poorly understood. Council Tax, for example, remains based on property valuations from 1991, resulting in highly regressive outcomes in many areas.⁷ Stamp Duty Land Tax (SDLT) makes it harder for people to move home by creating substantial transaction costs.⁸ At the same time, the proliferation of reliefs, exemptions, and differential rates has made the system opaque, reducing public trust and complicating compliance.⁹

Taken together, these issues reflect a deeper problem: the tax system has been treated primarily as a set of levers for raising revenue for the Exchequer without clearly demonstrating what citizens receive in return, rather than as a coherent framework for shaping economic outcomes for taxpayers. Addressing this requires a shift in both design and approach.

Principles for a modern tax system

A reformed UK tax system should be grounded in a clear set of principles that align fiscal policy with long-term economic performance and the renewal of the social contract. These principles should guide not only the design of individual taxes but the structure of the system as a whole.

First, the system must be fair. Those with the greatest ability to pay should contribute more, and similar types of income should be taxed in similar ways. This ensures that the burden of taxation is shared fairly and that no group can benefit from lower rates simply because of how their income is structured. Fairness is not only a moral principle: it is essential to public support for the system.

Second, the system must be simple and robust. Complexity increases costs, creates confusion, and opens the door to avoidance and evasion. A simpler system, with fewer reliefs, clearer rates, and more consistent treatment across different forms of income and assets, would be easier to understand, harder to exploit, and more trusted by the public.

Third, the system must support growth and economic security. Taxation should not discourage work, investment, or enterprise. Instead, it should create the conditions for businesses to grow, for individuals to take opportunities, and for investment to flow to the most productive parts of the economy. Stability and predictability are central to this: people and firms must be able to plan for the long term with confidence.

Fourth, the system must clearly link contribution to outcome. People are more willing to pay tax when they can see what they receive in return – whether in public services, infrastructure, or economic opportunity. Strengthening that connection is essential to rebuilding trust. While a significant share of the public supports maintaining or increasing taxation to fund public services, trust in the state’s ability to spend that money effectively remains limited.¹⁰ A credible tax system must therefore be matched by visible delivery.

Finally, the system must raise sufficient and sustainable revenue. The level of taxation should reflect the services and security that government is expected to provide. In the face of rising pressures – from an ageing population to increased demands on health and social care – the system must provide a stable foundation for public investment and long-term economic resilience.

Taken together, these principles point to a shift away from reactive, piecemeal policymaking toward a more strategic approach; one that treats taxation not purely as a way of raising revenue, but as a central pillar of economic policy and the social contract.

Priority areas for reform: restoring fairness and supporting growth

A fair tax system must ensure that work is rewarded and that individuals feel secure in the knowledge that effort will be recognised. In practice, reform should be clearly focused on three priorities: property taxation, incentivising employment, and supporting economic growth.

The central reform must involve introducing a new national property and land tax, replacing Stamp Duty, and reducing Council Tax. Reforming property taxation is central to restoring fairness and rebuilding the link between what people contribute and the services they receive. The goal is clear: to make the system fairer for households by ensuring that those with the most valuable property contribute more, while reducing the burden on those who have seen bills rise without a corresponding increase in their living standards.

As already mentioned, Council Tax is widely recognised as regressive and outdated, with property bands based on valuations from over three decades ago.

This leads to deeply unfair outcomes, where a high-value property in central London can face a similar bill to a modest family home elsewhere, despite vast differences in underlying wealth. An immediate step should be a full revaluation alongside the introduction of additional bands at higher property values, as announced by the Chancellor at the Budget in November 2025. This would shift more of the burden onto those best able to pay, while helping to ease costs for ordinary households.

However, these steps should be part of a wider shift. Rather than fully replacing Council Tax as some have argued, it should be significantly reduced and refocused so that it returns to its primary aim: funding genuinely local services. In practice, that means lower and more proportionate bills for many households, alongside a clearer link between what people pay locally and the services they receive.¹¹ The current system of Council Tax and Stamp Duty should then be complemented by a national property and land tax.

At the same time, funding for social care and other social services should be nationalised and distributed more fairly through a national funding formula, reducing reliance on regressive local tax bases. This would ensure that access to essential services is not determined by local property wealth, but by need. Stamp Duty, as a tax on moving home, discourages people from moving and means homes are not always used in the way that best suits people's needs. It should therefore be removed as part of this wider reform.¹² The system should also strengthen the taxation of land, including through measures such as taxes on undeveloped land whilst protecting agricultural land. These reforms would improve the efficiency of land use while providing a stable revenue base.

A reformed system would make clearer what households contribute and strengthen the connection between taxation and local services. Proposals to use property-based taxes to support social care funding illustrate this potential alignment.¹³

The second priority is to ensure the system stops favouring income from wealth over income from work. Differences in the taxation of employment, self-employment, and capital income allow individuals to reclassify income in ways that reduce their tax liability without creating any additional economic value.¹⁴ More complex forms of avoidance can exploit insolvency and bankruptcy rules, allowing liabilities to be minimised or deferred.¹⁵

Capital Gains Tax (CGT) should be brought closer to Income Tax rates. The current difference in rates creates incentives for individuals to shift income into lower-taxed forms, effectively lowering the rates they pay on money they earn.¹⁶ Such alignment should be accompanied by measures, such as inflation indexation, to ensure that genuine investment returns are not unduly penalised.¹⁷

This reform is central to restoring confidence that the system does not favour those able to structure their income over those earning through work. It would shift the taxation burden away from punishing work, and towards unproductive capital accumulation which does little to grow the everyday economy.

The taxation of inherited wealth raises important questions of intergenerational fairness. The current system is characterised by numerous exemptions and reliefs, limiting its effectiveness and perceived legitimacy in the eyes of the public.¹⁸ At a minimum, reforms should address specific loopholes, such as the Capital Gains Tax uplift at death, which allows unrealised gains to escape taxation entirely.

Thirdly, the tax system must actively support business growth, not hold it back. Tax reform must support visible economic improvement: higher wages, more investment, and stronger local economies. This should include targeted cuts to business rates and reforms to VAT thresholds where they discourage firms from growing.¹⁹

Reforming the VAT threshold would remove disincentives to growth, while changes to business rates could encourage investment in property and productive assets. The VAT registration threshold creates a strong disincentive for firms to grow beyond a certain size, contributing to the UK's "missing middle" of mid-sized firms.²⁰

Support must ensure that small businesses are not held back by the system, but are able to grow and succeed, so that those who work hard to build a business can expand, create jobs, and see the rewards of that effort.²¹ Targeted reforms, such as revisiting reliefs for empty property or enhancing R&D incentives, should form part of a wider strategy to support investment and innovation.²²

Across all three areas, reform must also reduce complexity and limit opportunities for avoidance. Tackling avoidance is not only about raising revenue, but about ensuring that everyone contributes fairly. This includes reducing the gaps between how different types of income are taxed, simplifying reliefs, and strengthening enforcement capacity.²³ As it stands the tax system rewards those who game it, with those businesses who play the rules forced to pick up the tab. A simpler and more coherent system would not only reduce avoidance but also improve transparency and public trust.

While there is broad agreement on the reforms needed, securing public support remains a significant political challenge. Many reforms, particularly concerning domestic properties, create identifiable losers, even where they generate broader gains for the wider economy. For that reason, public support for reform depends on people being able to see both the fairness of the changes and the benefits they

deliver in practice. Visible improvements in public services and local economies will be essential if that support is to be sustained.

The UK's tax system is no longer fit for purpose. Its complexity, inefficiencies, and perceived unfairness undermine both economic performance and public trust.

Rebuilding the UK tax system is ultimately about renewing the social contract. That, in turn, is essential to delivering both economic security and shared prosperity across every part of the country. From families who are working hard and paying their bills to business owners trying to invest in their workforce and their community, people are prepared to pay their fair share as long as they see everyone doing the same. So, whether it's the council tax bill, income, corporation or inheritance tax, we need to make sure that our tax system, across the board, is fair, incentivises work and encourages" with "is fair, incentivises work, and encourages productive economic growth.

Louise Haigh has been the Labour MP for Sheffield Heeley since 2015.

Notes

1. OECD, *OECD Compendium of Productivity Indicators 2025*, OECD Publishing, 2025.
2. *Economic and Fiscal Outlook: November 2025*, Office for Budget Responsibility, 26 November 2025.
3. *Household Total Wealth in Great Britain: April 2020 to March 2022*, Office for National Statistics, 24 January 2025.
4. Simon Pittaway, *Wealth Check: What the new Government needs to know about household wealth as it navigates the challenges ahead*, Resolution Foundation, 2024.
5. Stuart Adam and Helen Miller, *Taxing Work and Investment Across Legal Forms: Pathways to Well-Designed Taxes*, Institute for Fiscal Studies, 2021.
6. Adam Corlett, *Revenue and Reform*, Resolution Foundation, 10 September 2024.
7. Stuart Adam, Louis Hodge, David Phillips and Xiaowei Xu, *Revaluation and Reform: Bringing Council Tax in England into the 21st Century*, Institute for Fiscal Studies, 2020.
8. Pedro Serôdio and David Lawrence, *Duty Free Homes: Reforming Property Tax for Growth and Revenue*, Centre for British Progress, 14 November 2025.
9. Treasury Committee, *Tax Reliefs*, UK Parliament, 2023.
10. National Centre for Social Research, 'British Social Attitudes', www.natcen.ac.uk; Office for National Statistics, 'Trust in government, UK: 2023', www.ons.gov.uk, 1 March 2024.
11. Aditi Sriram and Carsten Jung, *Towards a fair and proportional property tax*, IPPR, 14 November 2025.
12. OECD Tax Policy Studies, *Housing Taxation in OECD Countries*, OECD, 2022; Alex Morton, *Stamping Down: Why Cutting Residential Stamp Duty is Easier than You Think*, Centre for Policy Studies, 27 October 2019; Andy Summers, Arun Advani, Carsten Jung, Chris Belfield, Dan Neidle, Hannah Peaker, James Howat, James Lawson, Robert Colville, and Ryan Shorthouse, *Tax Reforms for Growth*, Centre for Policy Studies, 2025; Tim Leunig,

A Fairer Property Tax, Onward, 17 August 2024; Pedro Serôdio and David Lawrence, *Duty Free Homes: Reforming Property Tax for Growth and Revenue*, Centre for British Progress, 14 November 2025.

13. Dan Mead, *Fixing the shop front of the state*, Labour Together, 2026.
14. Bill Dodwell, Patricia Mock, and Sally Campbell, *Thresholds in the Tax System: Policy and Administrative Considerations*, Institute for Fiscal Studies, 2024; Stuart Adam, Isaac Delestre, and Helen Miller, *Options for Tax Increases*, Institute for Fiscal Studies, 2025.
15. Stuart Adam and Helen Miller, *Principles and Practice of Taxing Small Business*, Institute for Fiscal Studies, 2019.
16. HM Revenue & Customs, 'Tax Abuse Using Company Insolvencies', www.gov.uk, 11 July 2019.
17. Office of Tax Simplification, 'OTS Capital Gains Tax Review: Simplifying by Design', www.gov.uk, 11 November 2020; Stuart Adam, Arun Advani, Helen Miller, and Andy Summers, 'Capital gains tax needs serious reform, not just more tweaks', www.ifs.org.uk, 6 October 2024; Arun Advani, Andrew Lonsdale, Andy Summers, *Reforming Capital Gains Tax: Revenue and Distributional Effects*, CenTax, October 2024.
18. Arun Advani and David Sturrock, *Reforming inheritance tax*, Institute for Fiscal Studies, 17 October 2023.
19. HM Treasury, 'Transforming Business Rates: Interim Report', www.gov.uk, 17 September 2025; HM Treasury, 'Business Rates and Investment: Call for Evidence', www.gov.uk, 26 November 2025; HM Revenue & Customs, 'Preliminary Estimate of the VAT Gap (2024–25)', www.gov.uk, 3 March 2026, HM Revenue & Customs, 'Tax gaps: VAT', www.gov.uk, 19 June 2025.
20. Resolution Foundation, 'Britain needs better taxes, rather than just higher ones, to boost fairness and economic growth', www.resolutionfoundation.org, 28 June 2023; Li Liu, Ben Lockwood, and Eddy H.F. Tam, 'Small Firm Growth and the VAT Threshold Evidence for the UK', International Monetary Fund, 16 February 2024; Alex Mengden, 'The UK Should Lower or Abolish, Not Raise, Its VAT Registration Threshold', www.taxfoundation.org, 5 September 2025.
21. Resolution Foundation, *Ending Stagnation: A New Economic Strategy for Britain*, Resolution Foundation, 2023.
22. British Property Federation, 'BPF Response to Business Rates and Investment Call for Evidence', www.bpf.org.uk, 12 February 2026.
23. National Audit Office, 'Increasingly Complex Tax System Burdens Government and Business with Billions in Admin Costs', www.nao.org.uk, 10 February 2025; *The administrative cost of the tax system*, National Audit Office, 2025.

Household resilience

Yuan Yang MP

Similar crises, different times

Our country's economy, weakened by a recent crisis, is being plunged into another. Families are struggling; those who can save are anxiously doing so. The resulting lack of demand limits overall economic growth.

At the same time, a war caused by foreign powers is pushing up the price of energy and everything else. As prices continue to rise, the Bank of England is tempted to keep interest rates high, so that homeowners face higher mortgage payments for longer. As a result of these factors and global instability, the government's cost of borrowing is high – and volatile.

We have been here before – too many times. In 2010, the economy's lack of demand became a drag on growth, as Conservative and Lib Dem austerity made people poorer. (In economic jargon, the 'output gap' widened.) In 2021, the pandemic's breakdown of global supply chains started sending inflation up, and in 2022, Russia's invasion of Ukraine spiked energy costs across Europe.

Today, we are now facing all of these crises at the same time. The easier solutions we could've tried, had we been in power back in 2010 or 2021, are no longer the right ones for us now. Our response has to include an awareness of the different times we are in and the high cost of debt.

We have to bear down on the cost of living and give households the resilience they need to feel they can spend again, lowering the UK's unusually high rate of precautionary savings post-Covid.

But we cannot tackle the cost of living without tackling costs. Fiscal subsidies alone will not work: we need to improve the supply side. To do so, we need a *productive* state that has the ability to lower costs, for example making energy cheaper for businesses as well as households.

Although it's impossible to fully detangle the two, in this chapter I will focus on households; in my following one I will focus on the wider economy.

Why is demand low – and why is that an issue?

The Government has already taken a number of steps in the November 2025 Budget to cut the cost of living: lowering energy bills for all by around £120, in addition to extending the £150 Warm Homes Discount for six million low-income households; uprating benefits and pensions, freezing the bus fare cap, and freezing rail fares.

Yet despite those measures, the current Parliament is still set to be the worst on record for disposable incomes; even before the Iran war the average family was set to be more than £500 a year worse off at the end of the Parliament than they are today.¹

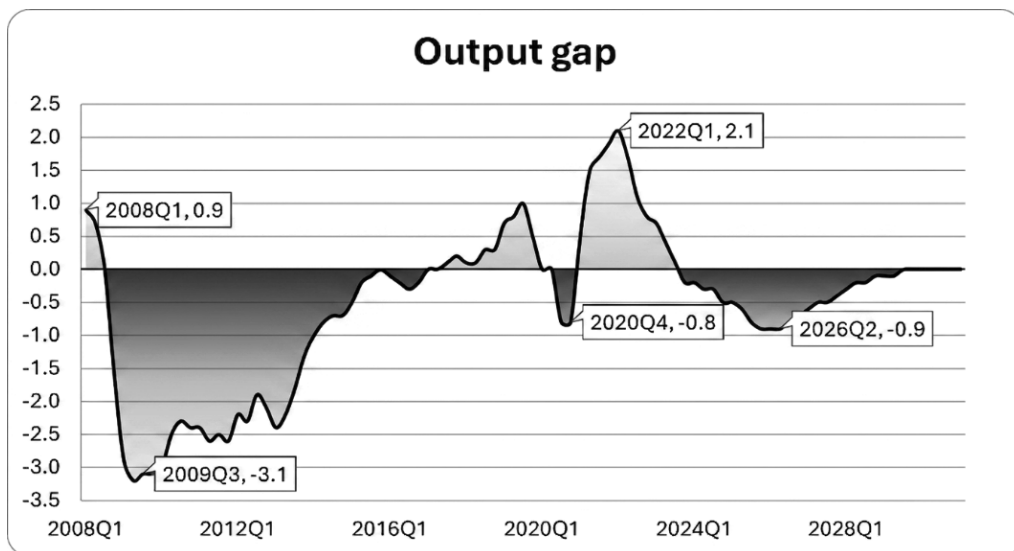
There are two causes of the affordability crisis: incomes have lagged and bills have soared. According to the Institute for Fiscal Studies (IFS), median incomes grew by just 6 per cent between 2009/10 and 2022/23 – compared to 30 per cent before the Great Recession.² This stems in part from poor productivity growth. In the 2010s UK labour productivity grew by an average of just 0.6 per cent.³

Amongst the poorest fifth of households, the median income was no higher in 2023/24 than it was 19 years previously.⁴ By January 2026, the standard allowance of Universal Credit was around its lowest ever level as a proportion of average earnings.⁵ More cuts are baked into the system after 2026, such as nominal freezes to Local Housing Allowance and the benefit cap.⁶

On the other side of the ledger, bills have soared. This is not only true of our current net imports – food and energy – where we have been subject to global instability. It is also true of our homegrown industries, such as water, housing, and childcare.

The Government has rightly made tackling the cost of living its top priority. The Prime Minister has said that ‘every minute we focus on anything other than cost of living is a wasted minute’. Without serious action to improve livelihoods, the Labour Party is unlikely to win a majority at the next election.

But the affordability crisis is not just an electoral problem – it is an economic one. Demand deficiency is keeping growth low right now, and will continue to do so well into 2029 according to the Office for Budget Responsibility’s (OBR) model.



Demand deficiency is not only caused by the current affordability crisis. Longer-term structural shifts in the economy have also led to lower demand. An ageing population with growing income inequality will spend less of its income. This is what economists in the early 2010s termed ‘secular stagnation’.

By now, British household consumption has been depressed for the best part of two decades.⁷ Our high level of precautionary savings comes from a longer-term anxiety about our economic futures. It will be difficult to change people’s outlooks. It will take not only strong action, but also strong communication of that action, to give people confidence in the future.

Tackling affordability is not just important for raising demand. An economy in which workers and families feel insecure is an economy that will fail to generate the dynamism and productivity it needs to spur growth.

On the supply side, more secure households are also more likely to be productive at work, more likely to start a business, and more insulated from external economic shocks – all of which supports better labour market turnover and job matching, which in turn generates economic growth. The foundation of a resilient economy is resilient households.

What can we do?

The cost-of-living measures taken at the 2025 November Budget were important first steps. If we were not facing a war in Iran, these measures would’ve brought

inflation back to target by April. But the world has changed, yet again. We need further action to bring down inflation, encourage further interest rate cuts and to speed up the economy.

Drawing on the criteria used in my work with the Living Standards Coalition of Labour MPs, the interventions below are progressive, benefitting the median family and the poorest families more than the richest, proportionally to their incomes; immediate, in that impacts can be felt within months; and cheap, in that they can be implemented in a way that is either fiscally neutral, or close to.

The goods and services below were chosen on the following criteria. The biggest costs facing households – housing, transport, food, and childcare for young families – deserve our attention, as well as the unavoidable costs of utilities. We should be doubly focussed on costs that also affect labour market supply, such as childcare, transport, and housing.

Finally, we should be attentive to costs that are unusually high in the UK compared to our peers, such as childcare, as well as costs that have become unusually sticky components of the UK's inflation mix, such as food. (Since childcare affects labour supply, I will cover it in my second chapter.)

Utilities

Any discussion of the future of water and energy has to reckon with the consequences of the privatisation of utilities. Far from unleashing the market forces of competition, the attempt to create artificial competition in the water sector has led to toothless bureaucracies, low investment, and high costs.

While there is no quick route back to undoing privatisation, it is important we acknowledge its ongoing costs in order to better conceptualise the trade-offs of potential solutions, ranging from nationalisation to setting up public corporations that own assets and issue debt in their own name.

For instance, consider the premium cost of private debt compared to public debt. The rate of interest that Thames Water pays on some of its recent corporate debt is 9.75 per cent, much higher than even the relatively high rates the government pays on its own debt.⁸

As a result, £28 out of every £100 that households pay Thames Water towards their bills is used to pay back the interest on the company's debt owed to private creditors.⁹ In practice, customers rarely draw the distinction between the costs they face: they see the government as broadly responsible for the cost of customer bills, the cost of taxation, and for the water industry's failures.

The Government's arms-length regulators are responsible for overseeing every aspect of the water industry; yet they have historically regulated without consideration of consumer cost, and have little power to enforce change that residents can feel. This is a prime example of the toothless, unproductive state.

The Government should be less cautious about using Special Administration Regimes (SARs) to deal with spiralling utility companies, as it did in the case of the energy company Bulb. These are the only form of corporate restructuring that take consumers' interests into account alongside creditors'.

Energy tariffs and energy market reform

The IMF has warned that the UK is uniquely vulnerable among our rich-world peers because of our over-exposure to gas. Our aim should be to make domestic energy prices lower and more stable, as an essential input for both households and businesses.

In response to our current energy crisis, we cannot repeat the Conservatives' costly mistakes from 2022. The Chancellor is right to take a targeted approach and to support the worst off, rather than to borrow to bail out the wealthy at the expense of mortgage holders and future taxpayers.

Any subsidy to the system will amplify the poor design of energy pricing; therefore the Government should fix this alongside any fiscal measures. It is no coincidence that many European countries changed their energy pricing mechanisms following the 2022 crisis.

Fixed fees such as standing charges are part of what makes the system regressive. The poorest households consume the least energy but pay the largest proportions of their income on their energy bills.

A progressive energy pricing system would lower bills for the poorest households while maintaining incentives to reduce energy consumption among higher energy users. The Government could follow Austria and others in guaranteeing a minimum essential amount of cheaper energy.¹⁰

It could then make it increasingly more expensive to buy more energy, in the form of a 'rising block tariff'.¹¹ This is not particularly radical. In fact, the majority of the world's population is covered by such a tariff.¹² The costs of such policies could thus be redistributed *within* the bill-payer base, as well as through subsidy.

The Government should also continue down its existing path of removing policy costs from electricity bills and adding them to general taxation. If applied to all

policy costs, this would cost £3bn and cut household energy bills by an additional £106.¹³ If the Government uses taxation in this way, it should also retain equity in the infrastructure it funds, so as to eventually be able to return a profit to the taxpayer.

At the same time as lowering prices, we need to reduce the volatility of prices, which in turn will help with the target of reducing overall inflation. The Chancellor's recent decision to break the relationship between gas and electricity prices through issuing contracts that stabilise prices is an example of an intervention that does both.

Institutional obstacles remain. The National Energy Systems Operator (NESO) reports that 283 GW of electricity generation and storage projects await grid connections. That is almost three times the existing generation and storage capacity the UK has in total and twice what the UK needs to achieve its goal of 95 per cent clean power generation by 2030.¹⁴

NESO considers these wind, solar, battery and hydrogen storage projects 'ready-to-build'. At the same time, the Department for Energy is currently consulting on how to best prioritise its backlog of connections for projects that consume energy, such as housing developments and manufacturing.¹⁵

Arms-length organisations like NESO need state interventions when they are failing, since the end-users of a failing energy system will blame the government for its failures regardless of who operates it.

Transport

While the Government's freeze on rail fares is a welcome intervention for inter-city travellers, the vast majority of public transport journeys are taken by bus, particularly for low-income commuters.

In 2022 IPPR said that free buses for under-25s and people on Universal Credit would cost £0.5bn. Alternatively, capping bus fares for everyone in England at £1 would have cost up to £0.9bn. Both these options are progressive, as even universal interventions that reduce bus fares create disproportionate savings for the lowest income households.¹⁶

Food

In the five years since the start of the pandemic, food prices increased by 37 per cent, significantly higher than overall UK prices overall. Since 2023, food infla-

tion has also been persistently higher than comparable European economies, due to Brexit trade frictions and Britain's higher energy costs.¹⁷

Not only are too many British families in food poverty, food prices are also economically important because they have the strongest influence on people's expectations of inflation.¹⁸ Like energy costs, this issue has become even more salient since the war in Iran. Around a third of global fertiliser usually passes through the Strait of Hormuz.¹⁹

The Government is already taking steps to improve our economic relationship with the EU, and is poised to agree sanitary and phytosanitary and veterinary deals later this year.

A bespoke customs arrangement would remove the need for rules of origin checks, which could further bring down costs. These moves could feed through to prices by 3-6 per cent by 2030 depending on the depth of alignment.²⁰

While supermarket margins remain thin, the big differentials in the kinds and prices of good stocked by corner shops and small 'express' versions of supermarket chains hurts families who don't live close to budget stores, or whose working patterns mean they shop at unusual times of day or week.

In the short run, a liberalisation of some Sunday trading laws – taken together with the Government's roll-out of Employment Rights Act protections for workers – will help. In the longer run, planning reforms can help bring more budget stores to every town centre.²¹

We also need to consider how consumers feel about their shopping experience. This is best summed up as 'rip-off Britain'. Shoppers have seen shrinkflation, loyalty cards, and misleading pricing as tricks that are being used to squeeze them even more. It is important for the Competition and Markets Authority to be able to speedily discipline the sector when needed, improving the confidence of consumers.

Property management charges

In the property management sector, a lack of regulation has led to the emergence of rogue actors who benefit from a captive audience and no effective scrutiny.

Roughly one in six families in England live in leasehold homes, and thus pay service charges, while an additional proportion are freeholders in estates built in the last two decades, which face estate charges. Between 2018 and 2023, '80 per

cent of the freehold properties built by the 11 largest housebuilders [...] are likely to be subject to such charges'.²²

The number of households affected is likely in the millions. Such households are an important part of Labour's electoral coalition of young, aspirational families. Their satisfaction provides an important test of the government's promise of new-build homes to address the housing shortage.

These management fees are often charged without transparent accounts, and it is very different to change one's property manager. In 2024, the average annual service charge bill had increased by 11 per cent to £2,300 – four times the rate of inflation for the same period.²³ The average service charge amounted to more than the average cost of all utilities (energy, water and internet) put together.

The Government could consider publishing a reference cost index for the major components of property fees, and cap fee increases to a band around the reference cost. This can be a stop-gap solution while residents are being transitioned into a legal framework that enables them to easily choose their property manager, or until a regulator is set up to enforce residents' rights.

Fiscal constraints and political economy

Even if the measures in this chapter did the best they possibly could, and fully closed the output gap, we would still only reach a disappointingly low-growth equilibrium.

In its Autumn 2025 forecast, the OBR finally downgraded its expectations for growth by an average of 0.3 percentage points for 2026 to 2029. This decision came because of weak productivity growth since the financial crisis, which has been explained in several ways, including the years of *economic scarring* from the 2010s – 'where productivity takes longer to recover after workers experience persistent unemployment or firms delay investment'.²⁴

If prolonged low demand can *scar* an economy permanently, then could high excess demand heal those scars? In other words, should the UK follow in the footsteps of the early 2020s Biden administration, and *run the economy hot*?

The majority of interventions discussed above are fairly cheap, particularly compared to the impact they offer. Taking more dramatic action requires more government spending. There are sharp trade-offs to going further by spending more. Yet the shape of these trade-offs is not fully foreseeable in advance.

The US invasion of Iran will lead to more unexpected price shocks that last an unpredictable amount of time. The global economy is already overheated – which leaves little room for us to apply the heat domestically through raising demand above equilibrium – even if we could.

To escape our low-growth equilibrium, we have to address the structure of regulation, ownership and tax incentives in the wider economy, which I will discuss in my following contribution.

Yuan Yang has been the Labour MP for Earley and Woodley since 2024.

Notes

1. Sam Tims, Chris Belfield and Camron Aref-Adib, *Weak income growth leaves people with little resistance to shocks*, Joseph Rowntree Foundation, 15 April 2026.
2. Jonathan Cribb and Tom Waters, *Past 15 years have been worst for income growth in generations*, Institute of Fiscal Studies, 31 May 2024.
3. Simon Pittaway, *Yanked Away*, Resolution Foundation, April 2025.
4. Sam Tims, Chris Belfield and Peter Matejic, *A decade of falling incomes?*, Joseph Rowntree Foundation, 25 September 2025.
5. Trussell and Joseph Rowntree Foundation, 'Guarantee our Essentials: reforming Universal Credit to ensure we can all afford the essentials in hard times', www.jrf.org.uk, 30 January 2026.
6. Alex Clegg, Louise Murphy and James Smith, *Living Standards Outlook 2026*, Resolution Foundation, February 2026.
7. *Consumer trends*, Office for National Statistics, 31 March 2026.
8. Robert Smith, 'Thames Water £3bn rescue loan gets High Court approval', *Financial Times*, 18 February 2025.
9. Analysis presented in Carmen Aguilar García, Anna Leach and Sandra Laville, 'Water firms use up to 28% of bill payments to service debt in areas of England', *The Guardian*, 18 December 2023.
10. Chaitanya Kumar, Isabel Bull and Alex Chapman, *Protecting consumers and the UK economy from an energy price shock*, New Economics Foundation, 9 April 2026.
11. Alex Chapman and Chaitanya Kumar, *A long-term policy to protect essential energy needs, reduce bills and cut carbon*, New Economics Foundation, March 2023.
12. Alex Chapman, *Outside Europe it's normal to protect basic energy needs – so why don't we?*, New Economics Foundation, 22 August 2024.
13. Chaitanya Kumar, Isabel Bull and Alex Chapman, *Protecting consumers and the UK economy from an energy price shock*, New Economics Foundation, 9 April 2026.
14. National Energy Systems Operator, 'NESO implements electricity grid connection reforms to unlock investment in Great Britain', www.neso.energy, 8 December 2025.
15. Department for Energy Security and Net Zero, 'Accelerating electricity network connections for strategic demand', www.gov.uk, 12 March 2026.
16. Stephen Frost, Luke Murphy and Shreya Nanda, *To support low-income households, it's time to reduce to the cost of daily bus travel*, Institute for Public Policy Research, 6 October 2022.
17. Dr Liliana Danila, *UK Food & Drink Inflation 2025-26*, The Food and Drink Federation, September 2025.

18. Nikoleta Anesti, Vania Esady and Matthew Naylor, *Food prices matter most: sensitive household inflation expectations*, Bank of England, May 2025.
19. UN Trade and Development (UNCTAD), 'Hormuz shipping disruptions raise risks for energy, fertilizers and vulnerable economies', www.unctad.org, 10 March 2026.
20. David Lawrence, Kane Emerson and Yuan Yang, *Ways to reduce food prices before 2029*, Centre for British Progress, 12 February 2026.
21. Ibid.
22. *Housebuilding market study*, Competition and Markets Authority, 3 November 2023
23. Hamptons, 'Service Charge Index 2024', www.hamptons.co.uk, February 2025.
24. *Forecasting Productivity*, Office of Budget Responsibility, November 2025.

Growth and productive investment

Yuan Yang MP

The productive state

When it comes to short-run economic management, we are still using a toolkit built for the 1990s. During that Great Moderation, all governments and central banks had to do was to fine-tune strong, stable economies. But history did not end there. In fact, rather a lot of history has been happening.

Global shocks affecting prices have come with increasing frequency since the 2008 Global Financial Crisis. Unsurprisingly, incumbent governments around the world have suffered the results. Over the past fifteen years, central banks have proven unable to raise demand sufficiently during austerity when the economy was underheating, while also proving unable to control inflation when the economy was overheating.

Major economic shocks that affected prices across Europe

Shocks have become more frequent and overlapping

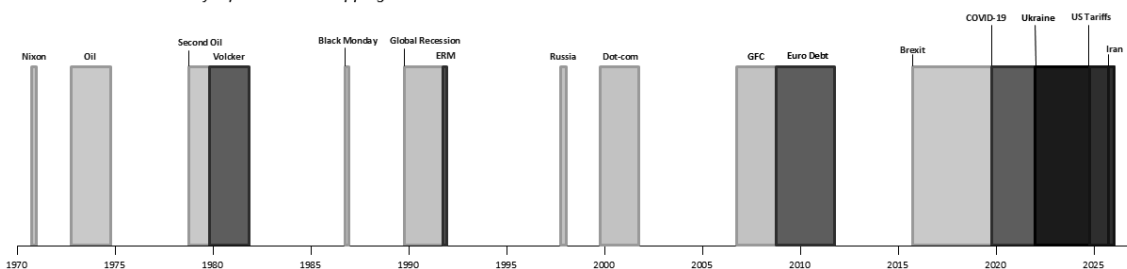


Figure 1: Timeline of Economic Shocks. Major economic shocks which changed prices from 1971–2026. Bar width indicates persistence of price shocks and bars darken where crises coincide. Based on IMF Regional European Outlook 2026.

Our country’s response to the first problem is now widely accepted as having failed: against the efforts of the central bank, the Tory-Lib Dem austerity government put the brakes on demand in the 2010s. Our response to the second problem needs to be informed by that failure.

Central banks cannot tackle external price shocks alone. Governments need to step up and take an active role in price stabilisation by developing policy levers to productively shape the economy, improve our resilience and reduce our exposure to global shocks. Much as central banks do, the Treasury should improve its monitoring of supply chains to help it intervene early when prices rise – and make more use of the intelligence gathered by the Bank of England. Our target should be a low-inflation, low-interest rates, high-investment economy.

This does not mean closing us off from international trade; on the contrary, the Labour Government’s reset of relations with the European Union, and its talks to conclude an agrifood deal, are extremely necessary. Instead, it means understanding the geopolitics of our trading blocs, and working on our vulnerabilities, such as energy import dependence.

Expanding the supply-side capacity of an economy is a notoriously long-term feat. Roads and railways take time to plan and build. While the UK has obvious regional and urban-rural inequalities, unleashing the catch-up growth from resolving these will take years.

When it comes to long-run economic policy, the old Washington Consensus has been roundly discredited. The Biden Administration in the US embraced interventionist industrial strategy. Earlier this year, the World Bank itself admitted that industrial policy can and does affect long-run growth.¹ Without a more active state, the UK risks remaining stuck in a ‘low growth trap’ caused by ‘a three-decade period of ultra-low investment’.²

While the UK centre-left have recognised this for some time, we haven’t fully spelt out what it means for the state’s role in the economy. We need an *agile* state: one that recognises the productive capacity in the economy and expands it by being a ‘market shaper’, in Mariana Mazzucato’s terminology.

While the previous chapter focused on the demand side and the cost of living, this one will broadly look at the supply side and growth.

Investment

Investment is the factor of production that changes the most quickly. In addition, there is some consensus that underinvestment is largely responsible for the growth *doom loop* the UK has been stuck in.³ In her 2026 Mais lecture, the Chancellor said: ‘the object is to turn around our medium-run productivity performance, and build an investment-led growth model for the UK’.

Yet raising investment does not mean courting any and all investors that come our way. Ownership matters, because ownership determines costs and governance styles. It makes a difference to our citizens whether our nurseries, football clubs and water companies are owned by foreign private equity consortiums, compared to local residents, co-operatives or non-profit public interest corporations.

Therefore, the state should not be agnostic in tilting the playing field towards styles of ownership with stronger public benefits. The Government already recognises this in part, with its commitment to doubling the size of the co-operative and mutual economy.

1. Private investment

Although UK private returns are high, and higher than our European peers, private sector investment has been disappointing – analysis shows the UK ranks twenty-eighth for business investment out of thirty-one OECD countries.⁴

The fall in private investment fall started in the early 2000s, long before policy instability rocked the country. Part of the explanation is ownership. Companies run on a short-term profit motive by distant owners, particularly private equity, often don't invest for the long term. This includes the private funds that buy up our utilities, housing and services, are often focussed on cutting costs at the expense of investment and service quality. In some sectors, they can get away with doing so because they have a captive market with near-guaranteed returns.

When the people who are most affected by low investment levels – workers – get a say in a company's governance then investment levels go up, as evidenced in Germany.⁵ Economists studying the impact of the German reforms say that 'shared governance may crowd in investment [...] either by facilitating cooperation, by institutionalizing communication, or through repeated interactions between labor and capital'.⁶ In other words, higher levels of worker bargaining power affects not just wages, but also investment.

As the Resolution Foundation writes: 'Where Britain stands out is the unusual lack of pressure on managers from above – via engaged owners – or below – from empowered workers – to invest for long term growth. A smaller number of larger, and more active, pension funds is what UK PLC needs, along with worker representatives on large firms' boards'.⁷

Pro-growth tax reforms that boost investment include moving to a fairer property tax, introducing an investment allowance to stop the taxing of inflationary

gains, and tightening controls on capital leakage.⁸ These measures are discussed in more depth elsewhere in this collection.

2. Public investment

High and volatile prices for government debt are constraining the Treasury's ability to borrow to invest. But that does not mean taxation is the only route to higher public investment. When comparing the UK's public investment levels with higher-achieving peers, what stands out is the lack of a powerful policy bank that can produce stable, long-term investment plans beyond the political cycle, surviving austerity-loving governments.

The Government's new investment vehicle, the National Wealth Fund, does not have the size of balance sheet to make enough of a dent in the problem of growth. That is because, as the Treasury Select Committee's inquiry notes, it is 'financed by taxation and borrowing, which means its investments are likely to attract public, political and media scrutiny'.⁹

Instead of keeping vehicles like the NWF on the Government's balance sheet indefinitely, they should be made to earn their own keep and issue their own debt, much as the French and German policy banks do. Such financial independence would not only enable them to expand the quantum of their investment, it would also allow them to take riskier, longer-term bets that don't need to pay off within a five-year Parliament. In the New Economics Foundation (NEF)'s submission to the Treasury Committee:

Currently, the NWF's total planned investment capacity of £27.8bn over nine years is trifling compared to the volumes invested by policy banks in comparable countries. The French Banque Publique d'Investissement (Bpifrance) and German Kreditanstalt für Wiederaufbau (KfW) each invest roughly 1 per cent of their country's gross domestic product (GDP) annually. If the UK did the same, that would imply the NWF investing £21bn per year by 2028–29, almost four times its current investment limit.¹⁰

More broadly, there are many productive infrastructure projects available in the UK that could be owned by public corporations. These public corporations can be run not for profit by an independent executive that aligns with a long-run government strategy. They need permission to cut through the kind of red tape the government has already been removing from planning.

Such bodies can include development corporations, which can internalise the benefits of building infrastructure and housing by owning the land around their projects, and thus profiting from higher house prices in the areas they improve.

Labour market reform

Within the short-run business cycle, the UK labour market is currently loosening, with a higher number of jobseekers per vacancy. Therefore increasing labour supply has to go in tandem with increasing jobs and training opportunities; the sequencing of measures matters.

Labour supply matters across the income distribution. Tax reforms are needed to tackle the cliff edges both at the top and bottom income bands.¹¹ This tends to hurt low-income households, while high income households reduce their hours to avoid rolling off the cliff. This hurts productivity and tax take.

1. Childcare and parental leave

Childcare is both an essential and unavoidable cost for working families, as well as a significant determinant of labour supply (the OBR said that the expansion of childcare entitlements announced in 2023 would result an increase in labour market participation of parents of young children by 60,000).¹² Thus it is a doubly important cost for the government to tackle.

The Government has doubled childcare provision from 15 to 30 hours for eligible working parents – saving parents up to £7,500 a year.¹³ Yet families in the UK still face some of the highest childcare costs in the OECD, because of a lack of public investment, high demand and low supply of childcare workers.¹⁴

The OECD estimates that working couples in the UK allocate up to a third of their post-tax income to full time childcare for two children. In Sweden, the OECD puts the net cost of childcare for a similar family at 5 per cent of income, a fifth as much as the UK.¹⁵

The fact that it is mostly mothers who stay home points to a solution that is both feminist and progressive: enabling men to parent. Statutory Paternity Pay replaces around 33 per cent for an employee father on median income, while offering two weeks of leave. By comparison on average OECD countries offer 8.1 weeks of leave at full pay.¹⁶

This poor offer produces severely unequal outcome. 60 per cent of those claiming shared parental leave are in the top 20 per cent of earners, while the bottom half of earners made just 5 per cent of claims.¹⁷

JRF estimates that the most notable growth impacts would come if the government offered men six weeks of parental leave at 90 per cent of their average weekly pay, capped at £1,200 – similar to the existing six-week offer for women.¹⁸

This would cost £1.1bn in gross terms, but generate enough tax revenue from women returning to work to only cost £220mn in net terms – with even bigger economy-wide benefits dwarfing the costs.

A cap on childcare costs at 5 per cent of household earnings would be progressive and would incentivise parents to work more hours – as their childcare costs would rise at a manageable rate as their income goes up.¹⁹ Depending on behavioural response, this would be essentially cost neutral.

2. Social security reform

The social security system, as currently constructed, doesn't allow for the flexible transitions a dynamic economy requires between work and re-training, and between jobs in different sectors.

The labour market will continue to struggle without action. Unemployment insurance and a retraining offer will help deal with the disruption of AI. We should also consider proposals for a baseline level of social security.²⁰

Because the current system focuses solely on getting people into work at the earliest opportunity, it doesn't match people with jobs they are likely to stay and grow in long-term, thus trapping people in low-productivity positions and making it more likely they lose or quit their jobs once more.

We know that relational work coaching improves pay and career progression – which is one reason this government has ramped up the number of Work Coaches to provide tailored and personalised support.²¹

Adapting key features of the Danish or Swedish style *flexicurity* models would improve macroeconomic stabilisation. Under such a system, workers are more likely to take risks and change jobs in order to progress their careers. Most people are likely to dip in and out of social security once or twice throughout their working age life – gaining the flexibility to do so on their own terms, rather than the employer's terms.

Trade unions would take a much more comprehensive role in setting wages and conditions through sector-wide bargaining, as well as determining the kinds of training to be funded.

The Scandinavian models have been co-produced with labour unions and employer associations. It is important that reforms build on our landmark Employment Rights Act and are developed in consultation with workers and their union representatives.

Higher economic security makes for a more dynamic economy.²² On the flipside, economic *insecurity* makes individuals and households less likely to take productivity-increasing job moves, and also makes it less likely that individuals will start their own business.

Economic dynamism and regulation

Turning to regulation, David Cameron's government created a *one in, one out* rule for new regulations to encourage the civil service to cut red tape. By 2016 this became *one in, three out* – a rule that has been directly linked to the Grenfell Tower fire in 2017.

Cutting red tape in this manner is not only overly simplistic, but also dangerous. Instead, we need smarter, stronger and simpler regulation, not fewer or more regulatory processes. In some areas, regulators have failed companies, creating an uncertain investment climate – whereas in others, regulators have failed consumers. Both can be true at the same time.

To increase economic dynamism, we need an understanding not only of the sectors and behaviours that we wish to encourage, as set out in the Government's industrial strategy. We also need to lay out what kinds of corporate behaviour we stand *against*, such as rip-off and zombie firms. Regulators like the Competition and Markets Authority both need to be streamlined, so they come to decisions more quickly and apply clearer criteria, but also empowered to crack down on rip-offs.

This is a process that will take time. In the meantime, in some areas with high growth potential, we should look at special channels for lightening the regulatory burden.

For example, the lab-grown meat sector has high growth potential but is finding it difficult to scale up in the UK regulatory environment. The government could create more special channels through the Regulatory Innovation Office for supervising specific companies or sectors that are deemed to have the potential for high growth and social value.

In other sectors, the existence of rip-off companies encourages an unproductive race to the bottom, incentivising companies to get better at manipulative sales techniques, rather than improving their productive or cutting costs. The Business and Trade Select Committee's inquiry into 'Rip-off Britain' was followed by a CMA crackdown on online pricing practices, such as drip-pricing and hiding costs during the checkout process.²³ This is an example of how stronger regulation results in better results for consumers and the market as a whole.

Productive reallocation

While industrial strategy is important for directing the future sectoral composition of an economy, we should not confuse it with a growth strategy.

Indeed, in recent history, productivity increases have come not from jobs moving between sectors but from people moving within them: within-sector reallocation. As Soumaya Keynes writes in the *Financial Times*: ‘in the US, the EU and the UK, most of the productivity slowdown in the 2010s was because of declining productivity within industries.’²⁴

The UK stands out among our peers by having a large tail of low-performing companies. The worst of these are termed ‘zombie firms’ – those that are staying afloat without adding any value. We are already seeing some ‘early and encouraging’ signs of the replacement of these firms.²⁵ The government should support this, making it easier to close firms and reallocate their staff and resources to more productive enterprises.

Much more work is needed to better understand the reasons behind the problem. One may be the complexity of our tax structure and the cliff-edges within it. It can be very costly for SMEs, for instance, to expand beyond the VAT threshold of £90,000 per year, and so many stay stuck below it.

Tax avoidance is another motivation for individuals. It is more profitable for a highly-paid professional to leave their company’s payroll, and to set up a private company that they restructure their income into, to pay a lower rate of Capital Gains Tax compared to Income Tax. This is commonplace in the professional services and IT sectors.

Similarly, in other sectors, workers may leave firms and set up as sole traders to avoid paying National Insurance Contributions (NICs). However, an IT consultant or a brick-layer may well be less productive trading on their own than inside a company that manages their diary, clients, orders, projects, advertising, and finances for them. Their decision to exit their firm is not rooted in economic efficiency, but in making the best out of a bad tax system. We must change the incentives so that workers and business managers don’t have to face such poor trade-offs.

Conclusion

We have to be honest: laying the foundations of long-term growth through obvious, consensus-based long-term measures is vitally important. But it will not necessarily yield results within the lifetime of this Parliament. For example,

take the Resolution Foundation's Economy 2030 Inquiry, which began in 2020, sought to find measures to progress to end the stagnation already present in the economy before the pandemic.²⁶ The timespan of its measures, capturing the broad consensus of economic views, was over a decade.

Therefore, in addition to building the foundations, we also need short-run approaches to growth: ones that unleash the productive capacity that is already latent in the economy, but are being held back by poor incentives and a lack of state capacity. In order of timing, we can increase the dynamism of our markets; unleash the right kinds of private and public investment; free up more labour supply; and train workers better to withstand long-term transitions.

Yuan Yang has been the Labour MP for Earley and Woodley since 2024

Notes

1. Ana Margarida Fernandes and Tristan Reed, *Industrial Policy for Development*, World Bank Group, March 2026.
2. Carsten Jung, *Budgeting Better*, Institute for Public Policy Research, October 2024.
3. George Dibb and Carsten Jung, *Rock bottom: Low investment in the UK economy*, Institute for Public Policy Research, 18 June 2024.
4. Ibid.
5. Simon Jäger, Benjamin Schoefer, and Jörg Heining, *Labor in the Boardroom*, National Bureau of Economic Research, November 2019.
6. Ibid.
7. Resolution Foundation & Centre for Economic Performance, LSE, *Ending Stagnation: A New Economic Strategy for Britain*, Resolution Foundation, December 2023.
8. Arun Advani, Andrew Lonsdale and Andy Summers, *Reforming Capital Gains Tax: Revenue and Distributional Effects*, CenTax, October 2024.
9. Treasury Committee, *National Wealth Fund*, UK Parliament, 28 October 2025.
10. Jaya Sood and Theo Harris, *Firing up the fund*, New Economics Foundation, 19 March 2025.
11. Ezra Cohen and Matthew Stubbs, *Rates and Wrongs: Fixing UK Tax Cliff Edges and Tapers*, Centre for British Progress, 25 March 2026.
12. *Economic and Fiscal Outlook*, The Office for Budget Responsibility, March 2023.
13. 'How to apply for 30 hours government funded childcare for working parents and find out if you're eligible', www.educationhub.blog.gov.uk, 1 September 2025.
14. Hari Menon, *Childcare in the UK: Inefficient or underfunded?*, Social Market Foundation, 19 October 2023.
15. Ibid.
16. Francisca Ladouch, *UK paternity leave, limited and unequal*, Joseph Rowntree Foundation, 16 March 2026.
17. Maya Oppenheim, "Not just broken but elitist': UK's top earners benefit most from shared parental leave;", *The Independent*, 2 December 2024.
18. Louise Woodruff, *Improving Statutory Paternity Leave would benefit families and the economy*, Joseph Rowntree Foundation, 29 April 2025.

19. Tom Pollard and Tom Stephens, *The universal family childcare promise*, New Economics Foundation, 31 July 2025.
20. Iain Porter and Sam Tims, *Protected minimum floor in Universal Credit: new policy targeting hardship*, Joseph Rowntree Foundation, 9 October 2025.
21. Hilary Cottam, *Radical Help: How we can remake the relationships between us and revolutionise the welfare state*, Virago Press, 2018.
22. Mike Brewer and Louise Murphy, *From safety net to springboard*, Resolution Foundation, September 2023.
23. Competition and Markets Authority, 'CMA launches major consumer protection drive focused on online pricing practices', www.gov.uk, 18 November 2025.
24. Soumaya Keynes, 'Would a 'mild zombie apocalypse' be a good thing for the UK economy?', *Financial Times*, 15 January 2026.
25. Ruth Curtice and Greg Thwaites, *New Year Outlook 2026*, Resolution Foundation, 5 January 2026.
26. 'The Economy 2030 Inquiry', www.economy2030.resolutionfoundation.org.

The UK's economy needs a democratic renewal

Jim McMahon MP

The UK's economy is in need of a democratic renewal. For too long, productivity has stubbornly underperformed, averaging around 0.5% a year since the 2008 financial crisis.¹ Growth has been sluggish too, with GDP expanding at around 1.5% a year since 2010, while business investment remains among the lowest in the G7.² The result has been an economy that struggles to generate rising living standards, build resilient public services, or a sense that progress is fairly shared.

At the same time, a culture of short-term extraction has too often trumped the long-term interests of the country. The shadow of privatisation in foundation industries, such as steelmaking, and utilities has failed even on its own terms. Rather than creating a 'shareholding nation', it has given way to a model dominated by private equity and infrastructure funds, too often loading with debt, extracting value, and underinvesting in long-term resilience.

England's water industry is a textbook example of how not to run a vital public service. Since privatisation, more than £80bn has been paid out in shareholder dividends. From being debt-free on transfer, the sector has accumulated over £70bn in debt, while customer bills have risen sharply and our rivers, lakes and seas are polluted with raw human sewage.³

A similar pattern plays out across our economy and in our individual lives as we shift from being owners to consumers. Housing provides a stark example, with home ownership among young adults falling dramatically, with fewer than half of 25–34-year-olds now owning their home, compared with around two-thirds in the early 1990s.⁴ Today, around 4.6 million households rent privately, often with little security.⁵

At work as at home, many people generate value they neither control nor share in. The top 10% now hold nearly half of all wealth, while millions of working people remain just a pay cheque away from crisis.⁶ At its core, this is a question of ownership and power: who *owns*, who *decides*, and who *benefits*. Who decides

when your home is made fit to live in? Who decides whether your workplace offers the pay, respect and dignity you deserve? That's why alongside good regulation, ownership matters.

This is not a new challenge. In the smoke and clatter of the industrial revolution, the Rochdale Pioneers confronted similar forces. They built a different model based on democratic ownership, shared resources and distributed power. Their principle was simple. Contribution and reward should be linked, and when people build value together, they should share in the dividend.

Progressive politics has always been concerned with power: who has it, who does not, and how it is shared. The UK remains one of the most centralised countries in the developed world, and trust in politics has eroded in part because power feels distant and unaccountable. Rebuilding trust requires more than policy tweaks. It means changing who has a stake in the economy itself.

We know the challenges we face. We need a more productive economy, with the benefits of growth felt more by those who create it. We need to build 1.5 million new homes to meet demand, at a time when England alone faces a shortfall of more than 4 million homes and families languish on housing waiting lists.⁷ And we need to win public consent for a clean energy transition to secure supply and ensure affordability.

The good news is that we are not starting from scratch. The UK's democratic economy, made up of co-operatives, mutuals, and employee-owned businesses, is already worth almost £180bn and employs around 1.6 million people. These organisations are more resilient, have higher survival rates, are rooted in communities, and focus on long-term value.⁸

As we approach the centenary of the sister relationship between the Co-operative Party and the Labour Party, there are real signs of progress. There is a commitment to double the size of the sector, including creating a million new owners of community energy through Great British Energy. New rights for communities to protect and buy local assets, alongside increased support for credit unions and community-led housing, show what is possible when government actively backs alternative ownership.⁹

Industry is moving too. The acquisition of the Co-operative Bank by Coventry Building Society, and of Virgin Money by Nationwide and its 16 million members, both widen ownership and ensure value is retained for members rather than extracted for short-term gain.¹⁰

But much more can be done.

First, this does not always require new spending. Co-operative and mutual must be afforded a level playing field, for example reforming the common bond rules for credit unions allows them to scale, serve more people and offer a wider range of services.¹¹ But if we are serious about growing the co-operative and mutual sector, we cannot allow it to be easily unwound. Asset locks and stronger limits on demutualization in financial services such as building societies, can help ensure that collective gains are preserved for the long term.

Secondly, we should rethink how government responds to economic failure. Too often, intervention comes too late and at far greater cost. When companies collapse, workers lose jobs and communities are hollowed out. Other countries take a different approach. In Italy, the Marcora Law enables workers to buy out failing firms and turn them into co-operatives, using pooled resources that would otherwise fund unemployment. Many of these businesses survive and repay the investment, creating a virtuous cycle.¹² There is no reason the UK could not adopt a similar model.

Thirdly, we need to reshape the relationship between government and community. Across the country, people already show what shared ownership can achieve. The Co-operative Party's Community Britain campaign has shone a light on the everyday acts which bind communities together. Community energy projects, local pubs, revived high-street shops, places of worship and community centres all demonstrate how collective action strengthens social and economic resilience. With greater power and targeted resources, Community Britain could go even further.¹³

An economy that works for working people must give those who create value through their efforts real power and a real stake in the future, as part of a determined democratic renewal.

Jim McMahon OBE has been the Labour MP for Oldham West, Chadderton and Royton since 2015 and Chair of the Co-operative Party since 2020.

Notes

1. Office for National Statistics, 'Productivity trends in the UK: July to September 2024', www.ons.gov.uk, 29 January 2025.
2. World Bank, 'GDP growth (annual %) – United Kingdom', www.data.worldbank.org; Institute for Public Policy Research (IPPR), 'Revealed: UK business investment second lowest in G7', www.ippr.org, 1 April 2026.
3. Valentina Romei and Sam Fleming, 'UK productivity almost flat since the financial crisis', *Financial Times*, 9 November 2023.
4. Office for National Statistics, 'Housing and home ownership in the UK', www.ons.gov.uk, 22 January 2015.

5. Ministry of Housing, Communities and Local Government, 'English Housing Survey 2022–23: Headline report', www.gov.uk, 14 December 2023.
6. World Inequality Database, www.wid.world; Office for National Statistics, 'Income and wealth', www.ons.gov.uk.
7. Samuel Watling and Anthony Breach, *The housebuilding crisis: The UK's 4 million missing homes*, Centre for Cities, 22 February 2023.
8. Cooperatives UK, 'The Cooperative and Mutual Economy 2025', www.uk.coop, 23 September 2025.
9. Cooperative Party, 'Building a democratic economy', www.party.coop.
10. Nationwide Building Society, 'Bringing Nationwide and Virgin Money together', www.nationwide.co.uk, 24 February 2026; BBC News, 'Co-operative Bank takeover cleared by regulators', www.bbc.co.uk, 28 November 2024.
11. All Together Money, formerly Association of British Credit Unions Limited (ABCUL), 'Common Bond Reforms Set to Open Credit Unions to Millions More People Across Great Britain', www.alltogethermoney.coop, 10 April 2026.
12. Co-operatives UK, 'Why we back Marcora-like legislation in the UK', www.uk.coop, 28 October 2021.
13. Co-operative Party, 'Community Britain', www.party.coop.

Progressive tax for workers, high streets, and communities

Noah Law MP

For too long, people have felt like work doesn't pay. The link between people's work and livelihoods has become increasingly frayed. Real weekly wages increased by just £16 between 2010 and 2024, whilst the tax burden has reached highs not seen since 1949-50, with tax as a share of GDP set to reach over 37%.¹ Low pay and high taxes are discouraging people from working and, at a time of great automation and labour market risks posed by AI, the cost of employment requires a rethink.

Whilst it is generally those on lower incomes who are most exposed to these trends, this is by no means exclusively the case. Meanwhile, there is a sense that even those earning a good salary are not seeing the fruits of their labour, whilst the very wealthiest get away with paying less. The Treasury is struggling to enforce the taxes we already levy, and to identify the wealth that already exists in the country.² High streets are being battered by business rates, rents, and changing retail culture, resulting in empty town centres.

We need to improve our tax system, so that it is fair, rewards hard work, and creates tax receipts that can allow the government to deliver investment at scale. We need a tax system that is pro-growth and encourages businesses to invest and expand, whilst giving high streets the chance to thrive by making sure that big businesses pay their fair share. Our party – the *Labour* Party – has a duty to deliver this.

Making work pay, making hiring work

Restoring a clear link between work and livelihood is not just a moral imperative, but an economic necessity. We know that when working people have extra disposable income, they spend it – in a way that benefits both the local and wider economy.³ Yet fiscal drag, coupled with ongoing cost of living pressures, has led to lower earners taking home less. Whilst the ballooning of the tax base (an extra

700,000 taxpayers by 2030/31) has helped stabilise the country's finances, it's directly harming living standards, and hindering economic growth.⁴ Successive governments have allowed an economically distortive situation to apply where those on lower incomes are increasingly dependent on benefits, yet also being brought into paying tax.

A truly progressive tax system will enable working people to take home more of what they earn, stimulate growth through additional spending and, in turn, improve government tax receipts. Be it a nice meal at a local café, a new gym membership or renovating a kitchen, this disposable income is spent, boosting local businesses and the economy at large. We must, therefore, end fiscal drag for the lowest earners, allowing the Personal Allowance to increase with inflation, paid for by the creation of an Additional Rate Band for Capital Gains Tax – further shifting the burden of tax onto wealth and away from work. The threshold has remained unchanged since 2021, but if it had kept up with inflation, the lowest income workers would now have around £500 extra every year.⁵ Additionally, increasing the Personal Allowance would automatically protect pensioners from paying income tax on their state pension, preventing the need for a workaround.

Those who earn more should pay more in tax, but our current system strays from this most basic maxim. The loss of personal allowance and the abrupt end to childcare provision and can result in a marginal tax rate of 60% (or 71% with student loans), meaning those earning £100,000 proportionally pay more tax than those earning millions each year. This tax cliff benefits no one: it dissuades workers from earning more, which dampens productivity, ambition, and HMRC tax receipts. Concurrently, carers face a similar tax cliff, where earning a single penny too much can cause them to lose their entire Carer's Allowance. The current system requires carers to work over 35 hours a week for only £86.45 – just £2.47 an hour. Not only does this unforgiving system trap hardworking carers in poverty, it also hampers wider economic growth.

Allowing those earning between £100,000 and £125,140 to retain their access to childcare hours whilst introducing a 3% per-child surtax would generate between £330m and £700m in additional tax revenue each year. This additional revenue could then be used to end the tax cliff edge for carers by introducing a gradual 25% taper rate at a cost of £277m annually, encouraging carers to earn more without losing their allowance.⁶

Ensuring workers take home more of what they earn is only one side of the coin. Whilst we must encourage people to work, the state must ensure it creates the conditions for there to be sufficient work available. Our Labour government's fundamental diagnosis – the UK must become a higher-wage, higher-productivity economy after years of stagnation – is sound. Investment in skills should raise

productivity in a way that helps prevent unit labour cost racing ahead of output and pricing workers out of jobs.

Yet there needs to be an appreciation that employment adjusts more readily than wages, and skills more slowly still. Labour markets face a ‘trilemma’, constrained by a hard trade-off between pay, productivity, and protections for workers – which seemingly cannot all be simultaneously maximised, at least without sacrificing employment.

The solution is to lower the marginal cost of employing lower-paid workers – not by suppressing wages, but instead by rebalancing non-wage labour costs. The relative protections built in for younger workers (via the Employer’s NICs threshold for under 21s) and for lower income workers (via the rising Employees’ NICs threshold) were much overlooked by critics of the Chancellor’s first budget, but an increase Employer NIC thresholds targeted at the most precarious parts of the workforce, would encourage businesses to increase their hiring and reduce unemployment: We can encourage youth employment by expanding the Employer NIC exemption to all those under 25 for their first year in the job, making it easier to hire the next generation.

The great wealth tax debate

To our left, the Greens are promising that a loosely thought-out wealth tax could fix every ailment our country is facing – although, given the Labour government is already putting additional investment worth £29bn into the NHS, £39bn into social and affordable homes, and over £15bn into public transport across the UK, it is not entirely clear what the Greens would spend these vast fortunes on.⁷ It is also unclear – particularly given consternation from the right over current levels of tax and spend – that higher taxation is either politically tenable, or the issue at hand. Reform UK is calling for sweeping tax cuts that would make even Liz Truss uneasy, let alone the damage it would do to market confidence in Britain and, in turn, our economy at large.

Whilst our political opposition believes money freely grows on trees, or is secretly buried beneath the North Sea, we know that wealth is produced by working people. Therefore, any tax on wealth must be levied in a manner that is efficient, pro-growth, and most importantly achievable, bearing in mind that the means to identify and value assets – and actually collect wealth taxes – are substantially underdeveloped.

At present, the Treasury lacks the capacity to correctly identify and, therefore, tax the wealth that resides in Britain. For instance, the Public Accounts Committee recently found that HMRC could not identify how much tax was paid

by billionaires residing in the UK.⁸ When investigations do take place, it can take HMRC longer than 40 months conclude them.

Before a wealth tax is introduced, there must be investment into building up the state's capacity to levy taxation and conduct investigations at pace (which would also have the additional benefit of helping tackle the tax gap in the meantime). Furthermore, the government should also introduce an exit tax, bringing the UK in line with the other G7 countries (except Italy), and recouping some of the £500m in Capital Gains Tax lost each year when shareholders depart.⁹

To be truly sustainable, however, the proceeds of any tax on wealth must also help rebuild Britain's eroded public wealth, which has tanked since the 1980s.¹⁰ A strengthened public asset base – whether that be infrastructure, public utilities or in-house services – could improve the state's capacity to deliver visible and tangible change for people, challenge growing public disillusionment about its effectiveness, and help to create the conditions for sustained economic growth.

Progressive tax for thriving high streets and communities

High streets serve as the beating hearts of our communities, and their visible decline – the empty shops and tired buildings – is a stark reminder of the changing model of retail, the long-standing failure of business rates policy, the cost of the Conservatives' stagnant economy, and the scarring from crises such as the pandemic. The revitalisation of our high streets is critical not only to local economic growth across Britain, but to restoring parts of a public realm which are crucial to people's pride in place.

Many institutional high street landlords have failed to adjust for the devaluation of their high street businesses as a consequence of a pandemic-hastened shift to online retail shopping, resulting in a reluctance to reduce rents which further hamper their capital values. With few tenants and a difficult market, they are then disincentivised from investing in improving their properties. Smaller businesses, meanwhile, not only face expensive rents, but are also having to compete with large warehouse businesses operated by multi-national corporations. The current business rates system fails to appreciate this, and the recent attempt to reevaluate property value led to rates skyrocketing.

Tweaks to the business rates system have not been radical enough to reverse the rapid decline of our high streets. Smaller businesses must be given a fairer footing to allow them to compete, or at least co-exist, with the larger companies. Replacing the current £90,000 VAT cliff edge – which discourages businesses from expanding – with a gradual taper would generate additional revenue for

business, whilst also increasing tax receipts. Additionally, because of the unique public benefits that high street shops provide to communities, high streets should be designated as Special Economic Zones, where the tax set and raised in those areas is earmarked for local investment.

Whilst recent changes to multipliers made the business rates system more progressive in theory, significant rises in valuations post-pandemic rendered this shift largely moot in practice. In the immediate term, the government could make fuller use of the differential between retail, hospitality and leisure and 'other' property multipliers within the existing provisions of the recent Non-Domestic Ratings Act. This could ultimately be funded through the creation of a 'large distribution and logistics' category, rather than grouping warehouses with offices and factories, reflecting their intensive economic footprint.

Much has been made of the need to level the playing field between the high street and online giants. Some have suggested a more progressive slicing which eliminates the obvious, inefficient cliff edges in the system. However, broader questions should also be asked about whether the business rates system should be replaced, as per the ambition in our manifesto. The government should explore replacing business rates with a Land Value Tax which would remove the investment penalty baked into the current system, encouraging growth and investment in high streets.

Finally, council tax remains one of the most regressive taxes borne by working people in Britain. Based on property valuations frozen in 1991, it places a far heavier burden on households in modest homes than on those sitting on substantial, and often unearned, housing wealth. Recent extensions to the top end of the system in the form of the 'mansion tax', have marginally improved progressivity, but liabilities still fail to reflect contemporary property values. Revaluation alone is long-overdue and would ensure greater fairness.

However, council tax revaluation would also be an opportunity to change its basis to that of a Land Value Tax, shifting the burden away from labour and investment and onto the underlying value of land – the component created not by individual effort, but by collective economic activity and public investment. Done carefully, with transitional protections for those on low incomes, such reform would reward work, support productive investment and thriving communities, and ensure that wealth – not wages – carries a fairer share of the load.

Noah Law has been the Labour MP for St Austell and Newquay since 2024.

Notes

1. Sarah Taaffe-Maguire, 'Weekly real wage growth just £16 since 2010 but minimum wage one of the world's highest - Resolution Foundation', www.news.sky.com, 25 June 2024; Adam Corlett, *It's personal (taxation)*, Resolution Foundation, 27 October 2025.
2. Public Accounts Committee, 'Taxing the wealthy: HMRC does not know how many billionaires pay tax in the UK', www.committees.parliament.uk, 16 July 2025.
3. Christopher D. Carroll, Jiri Slacalek and Kiichi Tokuoka, 'The distribution of wealth and the marginal propensity to consume', www.ecb.europa.eu, March 2014.
4. Antony Seely, 'Income tax: freezing the personal allowance and the higher rate threshold', www.commonslibrary.parliament.uk, 10 February 2026.
5. Charlene Young, 'What five years of tax freeze has cost you', www.ajbell.co.uk, 7 April 2026.
6. Ezra Cohen and Matthew Stubbs, *Rates and wrongs: fixing UK tax cliff edges and tapers*, Centre for British Progress, 25 March 2026.
7. HM Treasury, 'Spending Review 2025', www.gov.uk, 11 June 2025; Ministry of Housing, Communities & Local Government, 'January 2026 progress update: Delivering a decade of renewal for social and affordable housing', www.gov.uk, 28 January 2026; HM Treasury, 'Biggest ever investment in city region local transport as Chancellor vows the 'Renewal of Britain'', www.gov.uk, 4 June 2025.
8. Public Accounts Committee, 'Taxing the wealthy: HMRC does not know how many billionaires pay tax in the UK', www.committees.parliament.uk, 16 July 2025.
9. London School of Economics, 'UK should have an "exit tax" like Australia and Canada', www.lse.ac.uk, 8 October 2024.
10. World Inequality Database, 'The Declining Share of Public Wealth', www.wid.world, September 2025.

Responsible economics, affordable Britain: a whole-economy approach to affordability

Jeevun Sandher MP

Sixty years ago, on a chilly November evening, an eminent Labour economist took to the stage. It was just months after an historic election victory, and a Labour Government were slumping in the polls. ‘One of the basic economic facts which has increasingly entered into national consciousness is the relatively slow rate of economic growth of Britain’, was how Nicholas Kaldor put it.¹ He went on to set out his laws of growth: that higher spending and investment leads to a nation producing more, which in turn leads to even more spending and investment, and so on.

We would do well to heed Kaldor’s words today: in the face of the Iran crisis, higher spending and investment can get growth rising and inflation falling, with the added benefit of our debt burden falling in the process.

I have written elsewhere (and often) about specific policy interventions needed to get living standards rising. But the scale of the affordability crisis we face today also requires a ‘whole-economy’ approach. We have two structural problems that have reduced living standards – a fossil fuel-based economy has left inflation too high, and a failure to listen to Nicholas Kaldor has left growth too low. Both have led to an unacceptable rise in our debt burden, making it harder to use government spending to raise living standards.

We can fix this with a whole-economy approach that improves living standards by raising growth and getting inflation down, which in turn will reduce our debt burden. To do this, we implement pro-growth and anti-inflation investments in clean energy and social housing, alongside windfall tax-funded affordability payments that are consistent with fiscal rules. With fiscal responsibility at its core, this is the whole-economy approach this government will take to make life affordable again.

Why did living standards fall – the ‘whole-economy’ view

Living standards fell over the past 14 years because George Osborne’s cuts to both spending and investment led to lower growth and the highest inflation in the G7.

Osborne’s cuts meant the economy ran at less than capacity, and this damaged both growth and living standards. Some examples are helpful here: imagine what happens when we stop using a building for years on end. The damp starts building, the weeds start growing – leaving it derelict makes it more difficult to use it in the future. There is a permanent scarring effect.

When you add up all the buildings, and people, and machines that aren’t being used to full capacity, you get an economy-wide scarring effect. Productivity is lower because investments that could’ve been made were put off, workers that could’ve been working were instead unemployed and losing their skills, businesses that could’ve been bigger were instead smaller and less efficient. Similar to the post-Thatcher economy, austerity led to long-term scarring effects. Today, we *still* have an economy that is operating below capacity, with post-industrial areas and non-graduates still not fully employed. That means less growth, lower wages, and lower living standards.

The second great sin of austerity left us with an economy that has structurally higher prices. Osborne and Nick Clegg famously blocked both nuclear and onshore wind projects. This, in turn, has left us dependent on natural gas, with the highest domestic and industrial inflation in the developed world as a result. That now means lower living standards directly, through higher prices, and indirectly through lower growth.

Put together, lower growth and higher inflation also mean a higher debt burden. A nation’s debt burden is much like your debt burden. What matters is not your total debt, but your debt *relative* to your income. If I owe £100,000 and my income is only £10,000, I have a high debt burden. If I owe £100,000 but my income is £1,000,000 then I have a low debt burden.

For a country, our debt burden is measured as total debt (interest payments) *relative* to total GDP. The higher the ratio of total debt to GDP, the less affordable interest payments are. Cuts that reduce growth (and so GDP) are *irresponsible* as they lead to a higher debt burden. Similarly, cuts to clean energy that led to higher prices were also *deeply irresponsible* as they drove up interest payments. Even worse, as much of our debt is inflation-linked, so that higher prices today lead to automatically higher debt repayments. Osborne’s cuts were highly irresponsible, and we’re still paying the price.

What this means today – the Iran problem

The crisis in Iran means it is even *more* important to build a responsible whole-economy approach. As people spend more on energy bills and less on local services, this means an economy that is operating even further under capacity with lower growth and wages. Money that would have been spent down the shops is instead going to fossil fuel producers around the world. Similarly, as inflation rises, this means lower incomes and a higher national debt burden². Those who say we should do little risk repeating the same irresponsible mistakes of the Osborne era.

Responsible economics today

The Government can use its budgetary powers – our tax, spending, and borrowing – to maximise growth and reduce inflation, especially in this new post-Iran era.

Maximising growth is important for living standards, both now and in the future. More growth today means higher total wages and higher employment. And as Kaldor pointed out on that cold November night, higher growth today gets us higher productivity in the future. It prevents the damaging scarring we saw under Osborne, and it gives businesses the revenue they need to invest in more efficient production. We use up today's spare capacity to grow, and we build new capacity through higher productivity in the future. Growth reduces our debt burden today, and by even more in the future.

At this moment, to run the economy at capacity in a responsible manner, the Government can (and already does) borrow in a time-limited manner to invest in higher growth and lower inflation. This can (and is) being done consistently with the current fiscal rules, by ending extra borrowing before the third year of the forecast i.e. when the fiscal rules bite.

Investments in the clean energy economy or building social homes that get prices down are both examples of short-term borrowing that leads to long-term benefits through greater growth, lower inflation, and so a lower debt burden. As these do not constitute ongoing expenditure, they set out a credible and responsible path for bond market traders. Expanding these programs gets growth rising *and* the debt burden down, which in turn helps us meet the fiscal rules.

Aside from borrowing, there are more subtle ways to get growth rising. For any given level of taxation and expenditure, we can redistribute from the wealthiest households to low- and middle-income households. As poorer households spend more of their income, this both raises affordability directly for them, and raises growth in our economy.

Let us start with tax. Our economy has become increasingly dominated by wealth, which has doubled relative to national income, but we keep taxing the income of workers. When we have shifted taxation toward the income from wealth and away from income from work, that means more spending by workers and higher growth.

Similarly, we can allocate more spending to people and places that are more deprived to raise both affordability and growth. People with lower incomes spend more of their income leading to a further rise in living standards for others, while spending in more deprived areas has a greater impact on growth because there is more unused capacity.

Directly, we can allocate this spending in clever ways that *directly* reduce inflation. This is what the energy bill reduction at the Autumn Budget did. Those payments directly reduced inflation by almost half a percentage point, helping to lower the interest rate payments, and then lower the cost of our debt burden.

The purest and most effective form of wealth-funded affordability payments that have raised growth and reduced inflation were the energy bill reductions, funded by a windfall tax on energy companies.

There is another added benefit of directly lowering inflation through affordability bill reductions – lower interest rates. The Government has no *direct* control over interest rates, *but* the Bank of England is far more likely to cut these rates when inflation is closer to target. The Bank of England is given ‘space’ to cut rates, which leads to lower financing costs to households, businesses, and government. It leads to higher growth, lower inflation, and higher living standards.

We can create a responsible whole-economy policy that delivers growth, lower inflation and a lower debt burden. Taken together, this will help to raise living standards across the country. This is more, not less, important in this period following Iran. To do this we can invest more in short-term capital projects that raise growth and lower inflation. We can also fund direct payments to households in a way that gets inflation down, paid for by taxes on windfall profits as we’ve already done with energy profits. All of this adds up to rising living standards built upon responsible economics.

Jeevun Sandher has been the Labour MP for Loughborough since 2024

Notes

1. Nicholas Kaldor, *Causes of the Slow Rate of Economic Growth of the United Kingdom*, Cambridge University Press, 1966.
2. Because a quarter of our debt is index-linked, higher inflation makes it more difficult to 'inflate away' our debt stock.

No town left behind: inclusive growth across the UK

Lauren Edwards MP

Since Labour's election win in 2024, the dominant economic narrative has been about prioritising long-term economic growth. But since the start of 2026, the Government has also sought to relieve short-term cost-of-living pressures. The shift in focus reflects the electoral reality that economic insecurity is affecting Labour's support across the spectrum. Recent research by the Nuffield Politics Research Centre and the Joseph Rowntree Foundation found that people who feel financially insecure are leaving Labour in disproportionate numbers.¹ Prioritising an 'economic feel-good factor' is therefore crucial to Labour winning back support. And that means more than simply putting money into peoples' pockets; it's also about small business confidence, tackling empty shops on high streets, and restoring the feeling that if you play by the rules, you will be rewarded.

The challenges with delivering that 'economic feel-good factor' are both the ongoing impact from war in the Middle East, and the fact that fixing the foundations of the economy after 14 years of Conservative mismanagement means the fruits of growth were always unlikely to be delivered swiftly. There is an inherent tension here that needs to prompt more honest conversations about trade-offs, and what can realistically be delivered in the short-term. We also need to open the national conversation about who helps generate economic growth and how it manifests in our respective communities.

The government's Modern Industrial Strategy is providing the strategic framework for long-term economic growth that has been missing in the UK for too long.² It prioritises eight sectors, some in which we are already world-leading, and others that are innovative industries of the future in which we must grow our capabilities to remain globally competitive. Driving growth by gearing your economic resources to expanding markets is an accepted part of economic orthodoxy. But it is also important to recognise that not everywhere can be the new silicon roundabout, AI Growth Zone, or life sciences hub. As Giles Wilkes writes in a recent report for the Institute for Government, 'the new and cutting edge is only a small part of any attempt to improve dynamism [...] growth comes from every sector, not just the exciting new ones'.³

The Chancellor's entrepreneurship adviser was criticised in February for seemingly downplaying the importance of small and medium businesses by saying, 'you wouldn't put the same tyres on a McLaren as a Ford Fiesta'.⁴ It is fair to say most people would not expect the same approach for every size of business and that her perspective reflects her role in boosting entrepreneurship. However, it hit a nerve with a SME business community that feels misunderstood by government as it faces multiple financial and employment challenges simultaneously.

It is important to recognise that the Government is providing support to those businesses crucial to our 'everyday economy.' It has introduced policies to tackle overdue payments to small businesses in supply chains, is investing in left-behind areas through Pride in Place Funding, and is introducing Local Growth Plans for Mayoral Strategic Authorities to support the needs of local economies and businesses.

But what is also required is a stronger narrative to link these approaches together and demonstrate that we understand the perspective of small and medium enterprises (SMEs) and the challenges they face, including responding to recent tax and National Insurance changes. Many SMEs are struggling to survive and have been since the pandemic. To SMEs, growth is not a quarterly national GDP figure; it is having a system that incentivises them to take on more young people, remove a staff member from the shop floor for a few days to attend a training course, and take the risk to invest in new technology or equipment.

It is well-known that the US had strong GDP figures under Biden before the last election. Trump's subsequent election was because people did not feel the benefit in their communities. I would also argue he had a strong narrative that made people feel he was on their side. Both are reminders for Labour that the meaning of the well-known Clinton-era phrase 'it's the economy, stupid' has become a bit more nuanced since 1992. Even putting money directly into people's pockets would have limited benefit if they did not have a vibrant high street in which to spend it.

We also need to better articulate the role of local government in creating the conditions that drive economic growth. The Local Government Association estimates that local authorities across England have at least £276bn of untapped economic opportunity – equivalent to more than a tenth of national output.⁵ Councils are the enablers to the smooth running of local commerce through licensing and trading standards, business support programmes, and by providing enabling infrastructure to bring forward development sites that would otherwise remain stalled. And by running the public services that people rely on, they are also vehicles for supporting social cohesion and restoring pride in place. But too often their role is underplayed in the national conversation about economic growth and its effects on local communities.

The demise of Local Enterprise Partnerships under Rishi Sunak means that in many areas not yet covered by devolution agreements, regional conversations about investment opportunities and infrastructure requirements are not happening in the way they should. The Labour Government's Local Growth Plans for Strategic Mayoral Authorities will re-introduce this, with an added focus on private sector investment. But these are currently out of reach for non-devolved areas, which in England still have up to £77bn of untapped economic potential.⁶

Economic growth across the UK cannot be driven by the Treasury alone. We need not only a cross-Whitehall approach, but one that puts place-based economic growth facilitators like local government, and businesses of all sizes, at the heart of the national conversation. The Government's Mission Boards could be such a vehicle but have seemed too opaque, their outcomes unclear and their survival now questioned. The forthcoming High Street Strategy provides an opportunity to re-set our approach. We should recognise that people are more understanding of difficult choices and unpopular policies if they can see that you have considered things 'in the round' and have involved the people who will be affected. This is also the approach we need to take if we are to have bolder conversations about issues like council tax reform, tax incentives that drive self-employment rather than business creation, and greater local government retention of taxes to fund local priorities.

Delivering the 'economic feel-good factor' between now and the next General Election needs to be understood in broader terms, involve our communities more directly, and be realistic about government's capacity to deliver in the short-term while pursuing the prize of long-term economic growth.

Lauren Edwards has been the Labour MP for Rochester and Strood since 2024

Notes

1. Nuffield Politics Research Centre, 'Economic security as Labour's electoral foundation', www.jrf.org.uk, 24 November 2025.
2. Department for Business and Trade, 'The UK's Modern Industrial Strategy 2025', www.gov.uk, 23 June 2025.
3. Giles Wilkes, 'Why does the UK struggle with growth?', www.instituteforgovernment.org.uk, 28 January 2026.
4. Simon Keegan, 'Government adviser defends tax reforms and urges investors to place bets on growth sectors instead of 'slow' SMEs saying, "You wouldn't put the same tyres on a McLaren as a Fiesta"', www.insidermedia.com, 25 February 2026.
5. Local Government Association, 'A force for growth: Spotlighting the role of councils in enabling inclusive economic growth', www.local.gov.uk, 10 December 2025.
6. *Ibid.*

Place-based economic development

Polly Billington MP

Labour MPs know future electoral success is dependent on the material improvement of people's hometowns. Macroeconomic growth might be how the Treasury measures success, but people's confidence for the future is closely linked to their experience of where they live. This is what President Biden experienced at a town hall meeting, when a chart showing growth elicited the response: 'that's not my GDP'

In 1981, Chancellor Geoffrey Howe urged Margaret Thatcher to abandon Liverpool to "managed decline", but Michael Heseltine knew better: he pushed a comprehensive regeneration strategy. Later, he said: "If you want to have dynamic cities, you have to build comprehensively on their strengths, eradicate their weaknesses, seize their opportunities." The same could be said for any part of the country.

Yet regional inequality has continued to grow. In the 1980s, London's productivity was about 125% of the UK national average – now it's more like 170%. Imagine the impact if we were able to close the gap across our nations and regions, between our towns and our cities.

The case for a 'place-led' approach

The reality is that a one-size-fits-all approach still dominates Britain, characterised by centralised taxation, regulation, and funding pot bidding wars. In 2023, Whitehall ludicrously invited councils to bid for £2,500 to install a chess board in a local park.

This has done a huge disservice to coastal areas like the place I represent, which experience unique challenges in comparison to inland neighbours. Historically, national policy has been based on metropolitan assumptions about connectivity, land availability, labour markets, and the ability of growth to "spill over"

from cities. In many coastal communities, that spillover never arrives. If wealth is expected to ‘trickle down’ from urban centres, you cannot be further from the font of wealth than if you live at the edges of the country. Thanet has far more in common with Blackpool or Scarborough than it does with Kentish neighbours like Tunbridge Wells.

The statistics speak for themselves. Since the financial crash coastal areas have underperformed national economic growth by 20%. To their credit, the government are increasingly recognising the importance of place in their agenda, but to deliver true transformation we must think bigger.

Picking winners

Policymakers often see coastal economies through the lens of tourism and retirement; as places of consumption rather than production. Somewhere you visit, not somewhere you invest.

Yet coastal Britain contains huge, untapped potential: ports, logistics corridors, energy infrastructure, creative clusters, and a growing digital economy driven by remote working. If these were properly harnessed, coastal areas could be the drivers of economic growth instead of merely the recipients of economic aid. While many of these sectors are in the industrial strategy, the plan is largely place-blind, undermining the potential to deliver for often overlooked places.

Hull has demonstrated how renewable energy can generate thousands of local jobs, while ports are already major employers. In Thanet, the Turner Contemporary has invigorated a thriving creative community and delivered £100 million of economic value over its 15 years of existence. The biggest challenge is ensuring that towns don’t merely host this infrastructure while value is captured elsewhere; instead becoming places where supply chains and skilled employment are anchored.

A special economic zone for the coast

The next step is ensuring industries aren’t bound by national regulations that don’t make local sense. The government should designate the area within 5km of the coast a Special Economic Zone that would allow different rules to be set to support growth sectors.

This is not about a bonanza of off-the-shelf Thatcherite deregulation, which would miss the point that place-led approaches start with the communities they serve. Coastal areas need the ability to coordinate investment, unlock land, trial

policy reforms, and build new economic clusters. They must be able to flexibly pilot different approaches, such as localised tax breaks for key industries; coastal hospitality businesses, for example, face a challenging seasonal trading environment not shared with major cities.

Local leaders should also be free to set regulation such as local tourism zones, with a licencing scheme for short-term holiday lets, or different trading hours or rules about outdoor dining. Putting more power in local hands would allow places to figure out what works for them.

Long-term stability, strategy, and investment

But who gets to pick the right economic strategy for an area, and how do we ensure investment follows? Regeneration succeeds when there is a delivery body with the long-term authority and structure to assemble land, coordinate infrastructure, attract investment, and act at scale. Allowing towns within the special economic zone to establish development corporations would enable them to do just this.

Britain has long used development corporations to deliver renewal, from post-war New Towns to the London Docklands. Development corporations create a single point of engagement and a long-term pipeline of projects to invest in, breaking the cycle of a place being seen as an economic loser. They provide a single accountable institution with the remit to deliver change, sitting separately to short-term electoral cycles but still accountable to local leaders and communities.

This is why major investors have urged the Chancellor to relax Treasury constraints on borrowing by development corporations for major projects like the Oxford-Cambridge Arc, arguing this low-risk borrowing wouldn't spook bond investors. There is no reason why such rules could not be relaxed – within sensible constraints – for smaller development corporations in other parts of the country.

Development corporations could also be implemented within the existing devolution agenda, ensuring local communities in deprived areas remain in the driving seat, and preventing hoarding at the centre of large unitary authorities or mayoralities.

The future of left behind areas

The story of the last thirty years has been of an increasingly unbalanced Britain, but there is no greater mission for a Labour government creating a more equal

future. In coastal areas like mine, bold new thinking is needed to break the cycle of frustration and disappointment. If we are ambitious and open to new ideas, we can deliver renewal for some of our most left behind areas.

Polly Billington has been the Labour MP for East Thanet since 2024.

A Labour vision for SME policy

Maya Ellis MP

By any serious measure, small and medium-sized enterprises are the backbone of the British economy. They make up 99.9 per cent of all businesses, employ over half of the private sector workforce, and are responsible for most net job creation.¹ And yet, our economic policy conversation still too often treats them as an afterthought, spoken about warmly, but designed around someone else.

Britain's growth problem cannot be solved without SMEs, but too much of our current policy architecture is built with investors, not business builders, at its centre. Equity finance is vanishingly rare outside a narrow slice of high-growth, tech-oriented firms, and well over 90 per cent of small firms never take on equity investment of any kind.² So why does policy so often start with the needs of investors rather than the realities of SMEs?

In part, because government finds it easier to listen to a relatively small number of organised, well-resourced actors. Big funds speak loudly, with coherence and confidence. Small business owners speak quietly, between payroll runs and late-night invoicing. But if we are serious about inclusive, resilient growth, that asymmetry has to change.

Here are three questions the Government needs to answer if SME policy is to be genuinely fit for purpose.

1. What is the incentive to start and keep reinvesting in a small business?

Starting and re-investing in a business is a risk. Owner-managers routinely defer earnings, reinvest profits, and absorb uncertainty in ways employees simply do not. But too often our tax and regulatory systems treat that sacrifice as incidental. We should be incentivising problem-solving businesses and not treating them the same way as passive capital gains.

We need to consider a Labour vision of starting a business, that is, how do you give every person the equal opportunity to start and make a living from a busi-

ness? Part of that argument has to understand how much easier the risk is to take when you have other wealth to fall back on. So, when we discuss the incentives to start or scale a business, as a Labour Government we cannot just evaluate the financial impact of various schemes, we must also evaluate how those incentives create equitable access to being willing and able to take the risk to run a business in the first place.

Do we truly understand the psyche of why a working-class graduate might get a job over choosing to build that idea they had developed during their degree? There are things that numbers can't tell us, but decent research might.

Many of my colleagues refer to being Labour politicians because there may be someone in their constituency who, for example, could cure cancer with the right education. By the same logic, it is critical that a Labour Government makes the risk of starting a business palatable to anyone, as that business could go on to solve some of our most critical problems.

Labour policy has recently focussed so hard on deprivation that we have depleted the investment in growth that is needed alongside it. That is most evident in how 1000s of business support jobs and ecosystem infrastructure have recently been removed from universities and local councils for spinning out and scaling businesses, with the closure of the Shared Prosperity Fund (which itself replaced extensive EU economic development funding). That leaves areas like mine in Lancashire with no equalising force to access knowledge and connections to start a business.

Alongside supporting equal opportunity to get a good job, we must support equal opportunity to create a grow a useful business. Fair growth requires that risk be part of the fairness calculation. If we want founders to keep reinvesting, in skills, equipment, premises and people, then the eventual upside must remain credible.

2. What role do we believe businesses play in our communities?

For millions of people, SMEs are not abstract economic units. They are butchers, cafés, manufacturers, care providers. The institutions that give a place texture and resilience. Family businesses, in particular, behave differently. UK research shows they are more likely to retain jobs during downturns, invest locally, and take a longterm view precisely because ownership and identity are bound together.³

Governments often have a blind spot in understanding how small businesses function as social as well as economic actors. These businesses are not inefficient

holdovers. They are repositories of skill, trust and local knowledge that markets struggle to replicate.

This is where the cooperative tradition offers something vital. Cooperatives embed many of the behaviours we say we want: longtermism, shared value, community commitment, into their ownership structures.⁴ Labour's commitment to doubling the size of the cooperative and mutual economy is welcome, but the real opportunity lies in applying cooperative principles more widely: patient capital, stakeholder governance, and a clearer recognition that businesses are social organisms, not extraction machines.

3. What is the incentive for an 18 or 21yearold to become an entrepreneur?

Young people have some of the best ideas, yet we make entrepreneurship a risky choice for young people. For most schoolleavers or graduates, starting a business means combining financial precarity, student debt, limited access to capital and a welfare system that still treats selfemployment as a deviation rather than a legitimate path.

This matters, because interest in entrepreneurship among young people is not the problem. More than half of 18 to 24yearolds say they would like to start a business. But only around 4 per cent manage to do so successfully on their first attempt.⁵ Research consistently shows that fear of failure, lack of role models, and limited access to early capital are decisive barriers.

As we rightly increase our efforts to reduce youth unemployment it would be incredibly shortsighted to not include routes to entrepreneurship in that strategy. With the SEND and mental health crises rife throughout this age group, entrepreneurship can help everyone, but especially those with different ways of seeing the world, to find a route to contribute and thrive.

But we must also start much earlier than that. If innovation creates growth, and creativity drives innovation, then creativity must be at the heart of our education system if we truly want an economy that's 'Made in Britain.' That means more play for longer in primary schools and holding ourselves to account to improve our Creative Thinking PISA rankings, where socio-economic inequalities are particularly stark.

If risk is structurally concentrated on the young, then we should not be surprised when ambition narrows.

Listening to our communities

I am a Labour MP because I believe in fair growth: growth that spreads risk as well as reward, that values work and care alongside capital, and that recognises how deeply our economy is embedded in relationships. SMEs understand this instinctively. They live it every day.

This Government is getting lots of technical, data-led decisions on business right, but it risks missing the social impact, both in terms of how businesses are incentivised to be productive in the first place, and then on how those businesses serve socially in the wider wellbeing of local communities.

We have diverted most of our economic development funding to Pride of Place funding. In doing so, we forget that some of the greatest pride comes from what we create. If we don't put greater focus on those smaller businesses, we risk never empowering communities enough to lead their own futures, which in turn leads the future of this country.

The task for government is simple to state, and hard to execute: to design policy that listens not just to those who own capital, but to those who build things slowly, locally, and at risk.

Maya Ellis has been the Labour MP for Ribble Valley since 2024.

Notes

1. Department for Business and Trade, 'Business Population Estimates for the UK and Regions 2024', www.gov.uk, 3 October 2024.
2. Department for Business and Trade, 'Longitudinal Small Business Survey 2024', www.gov.uk, 25 September 2025; British Business Bank, 'Small Business Equity Tracker 2024', www.british-business-bank.co.uk, 11 July 2024.
3. Enterprise Research Centre, 'State of Small Business Britain 2024', www.enterpriseresearch.ac.uk, 25 March 2025.
4. Cooperatives UK, 'Cooperative and Mutual Economy 2025', www.uk.coop, 23 September 2025.
5. Urban Foresight, 'Unlocking £10 Billion: How Backing Young Entrepreneurs Can Power UK Growth', www.urbanforesight.com, 26 June 2025.

Hospitality – a nationwide answer to the youth employment challenge?

Andrew Ranger MP

When we talk about ‘getting on in life’ in our society, discussions often turn to white-collar professions that, for the past 75 years, have fit a particular criterion in Britain of what is deemed aspirational. But within that discussion, a measurement of success has developed that underestimates and demeans industries that, while not always as rigorous in qualifications and requirements, can equally – or even more so – deliver what is deemed as success.

The hospitality sector, of which I am a proud 30-year alumnus, suffers more than most from what could be called ‘low-skilled stigma’. This stigma has not been helped by successive governments, whose focus has largely remained on pursuing academic potential as opposed to vocational pathways. I am incredibly proud of the upward social mobility created by the 50 per cent university target achieved by the Labour government of 1997-2010, but I fear it also contributed to low-skill stigma and negative perceptions around vocational education.

This government has a unique chance to reset our relationship with what we deem successful career paths, and hospitality offers a real opportunity within this. We can offer young people what is often barrier-free, quick progression and employment in areas outside the traditional power bases of London, Manchester and Birmingham. However, this can only be achieved through policies that cut across government and actively support and incentivise the industry.

Barriers? What barriers?

For most white-collar professions, to stand any chance of success in entering the industry, a ‘foot in the door’ is often required, typically in the form of connections, networking, or internships. A poll of more than 1,200 graduates last year showed that over half had completed an internship, but only 36 per cent of them

came from working-class backgrounds, compared to 55 per cent from middle-class backgrounds.¹

This is where the power of the hospitality sector comes into play. The Social Productivity Index released last year by UKHospitality showed hospitality ranked first in careers accessible without a degree and second highest in the proportion of non-graduate managers.² Not only does it offer a route into our economy that is less convoluted, but it also gives young workers the opportunity to climb the career ladder in a manner not dictated by luck or connections but by genuine meritocracy – based on experience, hard work, and ability – while also challenging the preconception that degree equals career success. In doing so, it supports the cultural mindset shift crucial to this aim.

The term ‘everywhere economy’ is far from new, used by Whitehall and the political class for years, but it has often lacked substance. The most notable example in recent times was Boris Johnson’s levelling-up agenda. However, this failure cannot be attributed solely to Westminster but also to a private sector that too rarely moves beyond its traditional power bases in the three biggest cities. Analysis by the Centre for Cities finds that around 40 per cent of high-skilled jobs are concentrated in London and the South East, while productivity in London remains around 30-35 per cent above the UK average, according to the Office for National Statistics.³ For young people in rural and coastal communities, this often leads to the conclusion that they must leave the places they call home.

Meanwhile, hospitality truly is the ‘everywhere economy’, being a top five employer in every region of the UK.⁴ In coastal and rural economies in particular, hospitality can account for up to 20 per cent of local employment, highlighting its role as one of the most geographically distributed sectors in the UK.⁵ For areas that have suffered the disappearance of once-dominant industries, it offers – while different – the chance to thrive and progress while remaining in a local setting.

Condition creating

As positive as all this sounds, the key is how we create the conditions in which the hospitality sector is seen in the same manner as white-collar careers.

The reality is that, for a sector already struggling, there is no specific incentivisation for employers to hire young people in large numbers, particularly on a long-term basis. This is despite the sector employing over 3.5 million people (around one in ten UK jobs) and continuing to face vacancy rates above the national average.⁶

During the Covid-19 pandemic, the impact of a VAT reduction for hospitality was clear, with the temporary cut from 20 per cent to 5 per cent (later 12.5 per cent) supporting an estimated 2.4 million jobs.⁷ A lower VAT rate would encourage entrepreneurs and the opening of new businesses, helping to revitalise high streets – where around 14 per cent of retail units are currently vacant – and stimulate growth, creating space for higher employment rates.

Additionally, we could look back to the pandemic for innovative methods of support. The success of Eat Out to Help Out was undeniable, with over 160 million meals claimed and up to £1.8 billion in economic activity generated.⁸ This could serve as inspiration for giving the sector a launchpad for professionalisation, potentially targeted at areas that clearly need a boost.

Looking at education, the key priority must be professionalisation. However, perception remains a barrier, with only around one in five parents recommending hospitality as a career due to concerns around progression and stability.⁹ One initiative could be a skills passport, offering modular qualifications that are easily transferable across sectors, aligning with evidence that portable vocational skills improve long-term mobility. Another step for Government could be adopting the Social Productivity Index, particularly in the context of the UK's productivity gap – where output per hour remains around 15 per cent below the G7 average – which, if implemented effectively, could have significant implications for both policy and public understanding of value.¹⁰

Both options would complement, not detract from, already welcome initiatives such as the Youth Guarantee, the aim for two-thirds of young people to be in an apprenticeship or higher education, and foundational apprenticeships. Now more than ever, young people are entering a jobs market defined by insecurity and rapid change. Around one in three workers are now in non-standard forms of employment. A job that exists today may not exist in five years' time. This demands a serious rethinking of our economic priorities and the sectors we choose to invest in. If we are to build a more resilient and inclusive economy, hospitality must be recognised not as an afterthought but as a cornerstone – capable of providing opportunity, skills, and sustainable careers for the next generation and beyond.

Andrew Ranger has been the Labour MP for Wrexham since 2024.

Notes

1. Erica Holt-White and Carl Cullinane, 'Unpaid and underpaid internships', www.suttontrust.com, 23 January 2025.

2. UKHospitality, 'The Social Productivity Index', www.ukhospitality.org.uk, March 2025.
3. Centre for Cities, 'Cities Outlook 2024', www.centreforcities.org, 22 January 2024.
4. Ignite Economics, *The Economic Contribution of the UK Hospitality Industry*, UKHospitality, 2023.
5. Office for National Statistics, 'Regional and subregional labour productivity, UK: 2023', www.ons.gov.uk, 19 June 2025.
6. *The Opportunity Index: Education and Social Mobility Across the UK*, Sutton Trust, 2023.
7. *Labour Market Statistics*, Office for National Statistics, 2024-2025.
8. *Eat Out to Help Out Analysis*, Institute for Fiscal Studies, 2021.
9. *Workforce and Sector Reports*, UKHospitality, 2023-2025.
10. *Retail Vacancy Data*, Local Data Company, 2024.

The Tribune Group of Labour MPs

The Tribune Group is the largest caucus in the current Parliamentary Labour Party, with more than 100 members and associate members (Members of the House of Lords).

Founded sixty years ago this year, the Tribune Group has been home to many notable Labour figures such as former Labour leader Neil Kinnock and current Prime Minister Keir Starmer.

The current Executive Committee was elected at the last Annual General Meeting of the Group in November 2025. Its officers are: Debbie Abrahams, Beccy Cooper, Vicky Foxcroft, Louise Haigh, Justin Madders, Sarah Owen, and Yuan Yang.

Acknowledgements

Louise Haigh and Yuan Yang would like to acknowledge all the organisations and individuals who contributed to the thinking set out in this collection, including: Common Wealth; Centre for British Progress; Demos; Economic Change Unit; Good Growth Foundation; Joseph Rowntree Foundation; New Economics Foundation; Social Market Foundation; Women's Budget Group.

They would also like to thank Dan Julian and Karl Baddeley for their research assistance, and the team at *Renewal* for publishing this collection.