THE NEW STATESMAN

Spotlight

Thought leadership and policy

The growth issue

David Blunkett
Chi Onwurah
Andy Haldane
Liam Byrne

Igniting growth?

Later this month, the *New Statesman* is hosting *Igniting Growth*, a Westminster-based conference that seeks to answer one simple but seemingly intractable question: how can the UK foster growth?

Prime Minister Keir Starmer and Chancellor Rachel Reeves are not short of advice as the range of contributors in this issue of *Spotlight* attests. Indeed, on page 18, we ask the very question above. A handful of policy thinkers and advocates offer a series of solutions. Remedies span from regionally led initiatives to an overhaul of training and apprenticeships; from the faster adoption of technology to the warm embrace of workers' rights.

Elsewhere David Blunkett, a veteran of the Blair and Brown governments, says that given private investment is going to play a key part in any growth strategy, the UK must reacquaint itself with private-public partnerships. Acknowledging (page 13) that previous private finance initiatives had been "discredited", he insists that with "properly trained staff learning the lessons of previous contracting failures" a new approach is both possible and essential if the UK is to raise the capital it needs.

Andy Haldane, the former chief economist at the Bank of England, bluntly accuses the government of an "absence of a growth plan" (page 10). On developing our own skilled workforce, for example, he writes that it is "a generational endeavour. And, so far, the government has yet to plant a seed."

Meanwhile, technology – and artificial intelligence in particular – will play an important role in igniting growth. At least the government hopes so.

On page 5, Chi Onwurah says it is her responsibility as the chair of the Science, Innovation and Technology Select Committee to ensure tech opportunities "do not go begging". One of the biggest barriers to AI adoption – and that of other power-intensive industries – is access to energy at a competitive price. As things stand, she writes, these industries "cannot resist the gravity of high energy prices holding them down".

For the Liberal Democrats, the party's technology spokesperson, Victoria Collins (page 21), proves to be another AI enthusiast but suggests the UK is in danger of losing its competitive advantage, its unique selling point, if it neglects two key features of the technology's delivery. She writes: "If Labour wants economic growth, it must recognise that safety and trust are vital for the UK's success." ●

Contents

Spotlight

40-42 Hatton Garden
London
EC1N 8EB

THE NEW STATESMAN

Subscription inquiries:
digital.subscriptions@newstatesman.co.uk

Publisher
Peter Coombs

Sales Manager
Dominic Rae
Account Managers
Jugal Lalsodagar
Lucy Sloan
Nia Ayoade
Kalpesh Vadher

Design
Erica Weathers
Cover Illustration
Klawe Rzeczy

Senior Associate Editor
Jon Bernstein

Associate Editor
Jonny Ball
Editorial
Harry Clarke-Ezzidio
Samir Jeraj
Megan Kenyon

First published as a supplement to the New Statesman of 14 March 2025.

Registered as a newspaper in the UK and US.
The paper in this magazine is sourced from sustainable forests, responsibly managed to strict environmental, social and economic standards. The manufacturing mills have both FSC and PEFC certification and also ISO9001 and ISO14001 accreditation.

This supplement can be downloaded from: newstatesman.com/spotlight/reports

The view from parliament

Chi Onwurah MP
Chair of the Science, Innovation and Technology Select Committee

"This isn't just about growing our tech sector – it's about fixing the foundations"

The Labour government's missions can only be delivered by harnessing the full power of new technologies. As the Chair of the Commons Science Committee, my job is to make sure those opportunities do not go begging.

I am a self-confessed tech evangelist and spent two decades as an engineer before becoming an MP. Boosterish tech bros can put people off, but the recent acceleration in technological progress has been undeniable.

My conversations with scientists have hammered home the urgency of unlocking our country's innovative potential. This isn't just about growing our tech sector – already the world's third largest – but about fixing the foundations of our economy.

Consider energy. The UK has some of the highest industrial electricity prices in the developed world and we have all felt the pinch of rising domestic bills. This situation creates misery for businesses and consumers alike.

And it will create huge challenges for the government's industrial strategy. From data centres to chemicals plants, energy-intensive industries cannot resist the gravity of high energy prices holding them down.

Newcastle's proud industrial heritage inspired me to become an engineer. I want Labour's industrial renewal to inspire the next generation and create the well-paid, skilled jobs they can thrive in.

That's why I was so pleased to see Ed Miliband's bold action on new renewables, which will create good jobs in regions like the north-east, as well as new nuclear power. Small modular reactors (SMRs) are an exciting new technology that could provide reliable, safe and clean energy to bring down bills for good, complementing renewables and creating thousands of jobs.

The last government launched a process to select the best SMR technologies, which I hope this government will finally conclude in the spring. Four companies are in the running, including Rolls-Royce, a UK-based SMR champion.

Global competition will help to drive down costs further. In February, Last Energy announced it had begun the licensing process for four plants in South Wales, which would be entirely privately financed.

With energy bills slashed, our energy-intensive AI sector could be unleashed to tackle the other great challenge facing our economy: low productivity.

The International Monetary Fund estimates that AI can boost productivity by as much as 1.5 percentage points a year. According to interviews with business leaders, AI assistants can already cut the time spent on repetitive tasks by up to a fifth.

I have long encouraged the parliamentary authorities to roll out secure AI tools which could save my staff time – time that could then be spent helping constituents in Newcastle.

Given that all advanced economies will take advantage of the low-hanging fruit offered by AI to boost their productivity, we will need to go hard and fast on AI adoption to close the gap with our international competitors.

That's why I was delighted to see the Prime Minister throw the full force of government behind Matt Clifford's "AI Opportunities Action Plan", which pledges concrete steps to drive adoption in the public and private sectors.

With "AI Growth Zones", the plan also recognises the importance of place in technology policy. Regional inequality, like energy costs and low productivity, is one of the most persistent features of our economy – one that is felt personally by many of us outside the greater south-east.

There are great examples of science-led growth in regional economies, from life sciences on Merseyside to alternative proteins in Yorkshire.

Our Science Committee is conducting an inquiry into innovation, growth and the regions to encourage more such success stories. By spurring reindustrialisation, raising productivity, and forging new regional clusters, technology can help Labour transform Britain for good. ●

MARTA SIGNORI

Advertorial

Collaboration is key to ignition

Utilising public-private resources in tandem could produce major gains

By Phil Malem

In association with

+impact

Serco's advisory business

For some time, growth has dominated headlines – and for good reasons. From one of the most ambitious housebuilding programmes of recent years to increasing defence spending to 2.5 per cent and then 3 per cent of GDP, economic growth is crucial to ensuring we can make the public investments we need to make Britons better off, healthier and more secure.

The Prime Minister and Chancellor have rightly recognised the vital importance of growth, which is now their number one priority. This is a moment for industry to step forward, not just as advisers, but as partners in delivering sustainable growth solutions. So, how can we make the most of the private sector's advantages?

Public and private sectors must move beyond traditional models of engagement. Government and business need each other – not just to drive investment but to transform how we deliver services, infrastructure and innovation. The real challenge is not about whether the state or private sector should lead; it is about how we work together to ensure growth benefits everyone.

The key to unlocking growth is complex – across investment, infrastructure, energy and more, there are a multitude of issues where a new model of engaging with business could unleash Britain's full potential.

Take capital investment. Among developed economies, Britain ranks low. It's time we fixed this – there is no shortage of capital ready to be deployed into Britain's economy, and it's crucial if we are to achieve our growth ambition.

The government has already begun this vital process. Through the National Wealth Fund and pension reforms, the Chancellor has unlocked billions in capital for vital national projects. But we must go further.

The public sector, too, must be active in unlocking investment. Large-scale projects – whether in transport, energy or digital infrastructure – should be delivered through co-investment models where government de-risks projects, and private sector innovation drives efficiency and smooth operations.

This model works internationally. In the UAE, my organisation, +impact, has helped transform airport operations by embedding real-time data analytics into air traffic control and passenger-flow management, delivering major efficiency gains. We operate on a different model. We don't just consult; we deliver, with a team who have direct experience in public services and can apply this front-line expertise to deliver transformational results. If the UK is serious about global competitiveness, we must apply the same mindset.

It's a similar story with net zero, and here in Britain the government has made its ambition clear: to scale up renewables, slash carbon emissions, and create thousands of high-value jobs. But the real question is how the public and private sectors can collaborate to make this vision a reality.

The challenge is twofold. First, we must build the infrastructure to integrate clean energy at scale. Simply investing in renewable generation is not enough. Transmission and grid modernisation are the real bottlenecks – a 2024 report found Britain will need 620 miles of new power lines to meet the government's clean energy ambitions. Without resolution, new energy supply will not translate into lower costs or greater security. Second, we must accelerate the adoption of energy-efficient solutions across industries. This means decarbonising transport, retrofitting buildings, and making net-zero operations the default across public services.

This cannot be done without the aid of providers – while ministers set ambitions and policies, it is industry that best understands its own operations and how and where to cut emissions. To truly decarbonise infrastructure, it's crucial that the government partners with service operators to deliver the swift, sharp cuts they need to meet their goals.

The lesson is clear: green growth is not just about energy supply – it is about operational transformation. If the green transition is to succeed, it must work alongside industry to drive decarbonisation beyond just generation, embedding sustainability into every aspect of economic activity.

Finally, Britain cannot hope to meet its growth ambitions without addressing people. Our productivity problem is, at its core, a skills problem. It's crucial that we equip our workers with the capabilities they need to thrive in a modern, high-tech economy.

This is where the private sector must take a more active role. Too often, business has been a passive consumer of state-led skills programmes. Instead, companies must become direct partners in designing and delivering skills training aligned with industry needs.

SERCO

A new era of public-private collaboration is on the horizon

Businesses know their own workforces. They understand what skills are needed in today's economy, and how best to upskill their own people. My organisation has pioneered workforce modernisation programmes in high-stakes sectors such as aviation, defence, and emergency services. These models combine classroom training with hands-on operational learning, ensuring workers are not just certified but truly job-ready. We need to apply the same principles at scale, embedding skills academies into infrastructure projects, expanding digital apprenticeships, and using employer-led training to close skills gaps.

Britain is at a turning point. The traditional model of public-private engagement has been transactional – defined by rigid contracts and short-term cost efficiency, often at the expense of resilience and innovation. To achieve sustainable growth, we need to shift towards genuine partnership models where the public and private sectors co-invest in solutions. This means embedding private sector expertise into government transformation programmes, infrastructure projects, and national capability-building.

For too long, the debate around private sector involvement in public service delivery has been framed in binary state-versus-market terms. The reality is more nuanced. If we get this right, we can move past outdated ideological debates and focus on what really matters: delivering growth, investment and better outcomes for citizens. At +impact, we operate a different model. Our team is made up of front-line operators – people who have run critical services, managed complex infrastructure, and delivered real-world transformation.

We apply this experience to help governments and businesses design and implement policies that work, ensuring that the private sector is not just an external supplier but an active participant in solving national challenges.

We're ready to play our part, and so is British industry. Let's embrace a new era of public-private collaboration to meet our growth challenge head on.

Phil Malem is CEO of +impact, Serco's advisory business

Feature

Growing pains

How can the government's growth mission translate into rising living standards and political capital?

By Samir Jeraj

Conventional wisdom has it that when the economy is growing, voters will reward incumbent politicians with a new mandate, and that overseeing a recessions is a quick route to the political wilderness.

In the US, a growing economy and huge public investment by President Joe Biden seemed to have little impact on both his and Vice-President Kamala Harris's political survival. Ordinary people didn't feel better off, and any growth was swallowed up by inflation.

Keir Starmer's Labour government is committed to making the UK the fastest growing economy in the G7, but the first six months in power has hardly been smooth, with the Chancellor, Rachel Reeves, facing heavy criticism across the political spectrum. Labour is also losing voters who feel economically insecure, and losing them fast, according to recent research commissioned by the Joseph Rowntree Foundation.

So, what can the government do to make sure it doesn't just win on its economic spreadsheet but in the streets too?

"[Investment takes] time to feed through completely to living standards. It depends on what you're spending the money on, how quickly it goes through to wages and making sure it's regionally dispersed," said Jeevun Sandher, Labour MP for Loughborough and an economist.

He gives the example of the Warm Homes Plan, which upgrades homes to make them more energy efficient. This is a labour-intensive investment that will get money into the pockets of workers (and to the people living in those homes) quickly.

By contrast, a huge infrastructure project such as Crossrail, will deliver most of its economic benefits long after the election cycle, and maybe under a different governing party.

This is largely what happened to investment under Biden's 2021 Inflation Reduction Act, which only really came on stream in 2023, not in time for its impact to be felt by the time of the US presidential election. Sandher notes that under the British system, it is easier for governments to pass a finance bill and get money "out the door".

"We haven't had any kind of meaningful living-standards growth for 15 years," said Lindsay Judge, research director at the Resolution Foundation. She believes the government is right to focus on growth, but is keen to see prosperity spread more evenly.

Judge and her colleagues undertook a study to see if there was a way to grow the UK economy that would ensure that prosperity was spread regionally and reduced inequality in the process. They concluded that without other significant policy interventions, this simply wasn't likely for an economy like the UK's.

The Resolution Foundation spoke to people in Manchester and Birmingham and found that they were reluctant to accept a growth model that concentrated wealth and widened inequality. "They weren't anti-growth, in any sense of the word, but they were deeply, deeply sceptical and suspicious of growth that wasn't widely felt," Judge said.

Absent of an obvious growth model, policies to redistribute wealth are the next logical option. A growing economy creates jobs, and those tend to be "bottom-heavy". "There's obviously a lot the government could do to enable people to take up those employment opportunities. Childcare is a really good example," Judge said. Other examples include supporting people with long-term conditions into work, and providing additional skills so people can move into different roles.

Once in a job, pay and the experience of those at the bottom end can be improved through better conditions and by raising the National Minimum Wage, which the current government has promised to bring within 66 per cent of the median wage. "The more ambitious we are with the minimum wage, the more redistributive we are," Judge said.

Reducing the housing burden is another priority. "Housing costs are a living-standards headwind. You might be earning more, but if your rent is going up even faster than your earnings, you're no better off," Judge said. While the current government has undertaken to carry out extensive housebuilding, the commitment needs to be bipartisan and long term in order to have a meaningful effect.

One idea that the government is unlikely to consider is raising benefits. "In the in 1970s average unemployment benefits were about 30 per cent of median earnings, and today they're 15 per cent," Judge said. "The benefit offer is very poor in this country."

Meanwhile, Marcus Johns, a senior research fellow at IPPR North, argues that growth needs to be tangible on a personal, community level and regional level. "We see and feel a lot of the things that flow from growth, but people struggle to say exactly what it is that is driving that," he said. Examples might be a thriving high street, good transport links, being able to get a takeaway or go out for a nice meal.

Johns and IPPR North argue that growth needs to be linked to a sense of place. For that to happen requires "regionally led national renewal", in particular delivering economic renewal to places that have not benefited under the current model of growth. It should include regional job creation, with rising wages, and a regional industrial strategy to mitigate the impact of economic shocks.

"Growth in those places should deliver tangible things that people will experience," Johns said.

In order to do that, Johns wants to see further devolution, investment in projects such as Northern Powerhouse Rail that will fix the foundations of the regional economy, and then consistent investment. These are potentially big asks for a government that seems ever short on cash, but without them there is the prospect of further political discontent in the Red Wall.

It will take a lot for the Labour government to achieve growth at the levels it wants, especially in the current geopolitical environment. The government also has to contend with a political legacy as well as an economic one.

"Austerity was such a cynical project, in the sense that not only did it take money away from people, it took away that sort of sense of trust in 'my government will deliver for me'," Judge warned.

Delivering on growth may be the way to restore that trust.

Rachel Reeves will need more than growth alone for the UK to achieve prosperity

Expert view

"There is still time for a coherent growth strategy to emerge – but early signs are discouraging"

Two economists offer their assessment of the government's plans. Neither is optimistic

THE CHANCELLOR IS GIVING US REHEATED LEFTOVERS

Andy Haldane
Chief executive of the Royal Society of Arts and former chief economist at the Bank of England

As they entered office in mid 2024, one thing was certain about Labour's plan for growth: they did not have one. There was no recipe book, and few raw ingredients for growth were in place. Apart from a shopping list wistfully titled "securonomics", the kitchen at No 11 was bare.

With growth being the government's primary mission, the absence of a growth plan has taken many of us by surprise. It is among the reasons why the government has been hostage to repeated misfortune over its first few months, buffeted rather than shaping events. This black hole, rather than the fiscal one left by the Tories, has mattered most.

Over time, some growth-plan ingredients have started taking shape. Planning reform and housing were first out of the traps. A good AI action plan and strategy for tackling labour market inactivity were followed by a white paper on devolution and a green paper on industrial strategy. Last month, Chancellor Rachel Reeves' Oxford speech signalled a *grand projet* gearshift in the growth agenda.

While directionally sensible, these announcements leave us well short of a growth strategy. Don't take my word for it. Neither the Office for Budget Responsibility (OBR) nor financial markets – the economy's judge and jury – have shifted their views on underlying UK growth. If anything, the balance of risks to growth has shifted to the down side, as the Bank of England's recent downgrades demonstrate.

The Chancellor's major announcements have been reheated leftovers from the Treasury's freezer – from winter fuel allowances to third runways. And as the current debate around fiscal headroom shows, when faced with a hard choice, the Treasury's fiscal-first instincts prevail, with lower-growth projections risking a tightening of the fiscal stance, worsening growth prospects.

Other aspects of the growth plan are too green to give confidence about delivery or are missing entirely. An example would be industrial strategy. The government's green paper was a middling-quality undergraduate essay, and without government money as lubricant, the leap from academic words to practical action is large.

More fundamentally, the industrial strategy leaves most of the country out. In many regions, 80-90 per cent of the workforce would not be covered by the eight selected sectors. Most employment is, and will continue to be, in the foundational economy – retail, care, distribution, construction.

What is true at the sectoral level is true at the spatial level too. The Chancellor's Oxford speech offered little for anyone living north of Cambridge or west of Oxford. It was a standard Treasury-issue Golden Triangle speech.

Yet, the government has no hope of hitting its growth target unless all points on the UK growth compass are pointing due north. And what's the point of growth that fails to lift the lived experience of most of the country?

The government heralded a "Devolution Revolution" in its white paper last year. It was no such thing – rather a modest increment to local spending powers with nothing on fiscal powers. The UK will remain the most centralised nation in the Western world. Policy paternalism (the belief that those outside the M25 cannot be trusted with money) risks derailing local growth and the national growth mission.

And finally, to the largest policy gap of all – skills. Most businesses say it's their biggest barrier. All announced initiatives will fail without a skills transformation. How can we build 1.5 million homes, a third runway or supercharged sectors without architects, surveyors, builders, electricians and technicians? Growing your own skills is a generational endeavour, and the government has yet to plant a seed.

Against the backdrop of a flatlining economy, the dog's breakfast of growth initiatives has seeded more frustration than expectation. There is still time for a coherent growth strategy to emerge, but early signs have been discouraging, and the scenes in No 11 have been more *Kitchen Nightmares* than *MasterChef*. ●

RESILIENCE AND WELL-BEING SHOULD BE OUR FOCUS

Tim Jackson
Director of the Centre for the Understanding of Sustainable Prosperity

"Growth, growth, growth" is the most persistent economic mantra of the postwar years. It's been trumpeted so often and by so many that it seems like the only fixed star in a rapidly changing firmament. From the supply-side fantasies of the former Conservative chancellor of the Exchequer Kwasi Kwarteng to the demand-side prudence of the incumbent Chancellor, Rachel Reeves, it has cast its fickle spell across the political imagination.

But calling incessantly for growth is not the same thing as delivering it. Kwarteng's disastrous tax giveaway crashed the same markets he fervently believed would save us. Reeves' hike in employer National Insurance is busy undermining the livelihoods of those whose jobs she pledged to support. We're trapped in a fiscal discipline that makes George Osborne's austerity look like a generous state handout. And still we repeat the refrain.

Let's be fair. There is some method in this madness. Growth is supposed to secure us quality of life. It's supposed to bring us economic power in an uncertain world. It's supposed to wash away all ills – even those (like climate change) which growth itself has contributed to. It certainly makes the life of government easier when it comes to filling the tax coffers and paying down the public debt.

> "To all intents and purposes we are already living in a post-growth world yet we chase the dream still"

Yet those glittering prizes have proved consistently elusive since the financial crisis at least. And when Prime Minister Starmer and Reeves start channelling Liz Truss and Kwarteng, you surely have to wonder at the cross-partisan power of the underlying mantra. Particularly when, beyond the ideological crossfire, lies the distant rumble of a more sinister reality.

Labour productivity growth – the very foundation for growth in the GDP – has been on the wane in the UK since the mid 1960s. It's been hovering around zero for most of the last decade.

No political mantra, no tech-bro fantasy, no alluring macroeconomic ideology has stemmed its persistent decline. Let alone reversed it. To all intents and purposes, we are already living in a post-growth world. And yet we continue to chase the dream.

We dismantle our net-zero ambitions. We renege on our legal commitment to overseas aid. We hand over the provision of basic services to equity financiers who suppress wages, offshore profits, pollute our environment and undermine quality. We continually privatise benefits and socialise risks. We actively welcome investments from industries that systematically damage us. And in the process we wrack up enormous hidden costs. Costs to the climate, costs to our health, costs to future generations.

No political mantra will deliver us from this false economy. Repeating the same prayer in a different political language won't change the outcome. It won't deliver us salvation.

It may seem unthinkable, but what we need is a chancellor who is prepared to declare that the emperor is naked. That the god of growth is no longer listening to our prayers.

That ideology won't protect the health of the population or the future of our children. That we need to place resilience, well-being – and care – at the heart of our economic model. And learn to let go of growth. ●

Tim Jackson is author of "Prosperity without Growth" (2017) and "The Care Economy", published this month by Polity

Advertorial

Securing our national assets

The UK auto sector is a fantastic driver for productivity, growth and innovation

By Ian Constance

In association with

ADVANCED PROPULSION CENTRE UK

Strengthening the UK's industrial base is crucial to growing our economy – and so the automotive sector must be central to the government's strategy.

Many people believe that car manufacturing left the UK decades ago. The opposite is true. The automotive industry is, in fact, the UK's largest exporter of goods, accounting for 12 per cent of total exports, generating global trade worth £100bn a year.

The UK continues to manufacture a diverse range of vehicles in an increasingly competitive global market, and host international marques such as Nissan, Ford and Toyota. According to the trade association the Society of Motor Manufacturers and Traders (SMMT), eight out of ten cars produced in the UK are exported overseas, to 140 different markets worldwide. Similarly, the UK produces heavy-duty on- and off-highway vehicles like buses, lorries and diggers, as well as motors and engines – again, more than 80 per cent for export.

The sector is one of the most productive, and UK plants are among the best in the world, creating and protecting nearly 200,000 high-skilled jobs across the supply chain, supporting local economies.

The Nissan factory in Sunderland is one of the most successful in the Nissan chain, which is why it keeps attracting investment. In Northern Ireland Wrightbus has a 40 per cent share of the UK's bus market, and in the north-west Leyland Trucks are a leading manufacturer and exporter of trucks.

It is also why companies have invested intensively in the transition to net zero, reflecting the opportunity for green growth and the need to be competitive in a global market. Despite a downturn in production numbers while this takes place, it's projected that UK production will once again surpass one million cars and vans in 2028 if markets improve and electric model launches stay on track.

We have recognised expertise in electric motors, batteries, power electronics, fuel cells, hydrogen engines, and their integration into the vehicles. We are firmly on the map for innovation in green technology, one of the foundational blocks for the industry.

Investment by government and industry over 11 years through the Advanced Propulsion Centre UK (APC) alone has created or safeguarded 59,000 jobs and injected £1.64bn of funding – while the sector typically invests around £4bn each year in R&D, second only to pharmaceuticals.

However, if automotive is to continue to drive productivity, growth, and innovation, as well as decarbonise our transport system, we must secure the assets that it relies on.

This includes building our own battery production capacity to meet a demand of 93 GWh by 2035 – and ensuring domestic fabrication of high-value components like cathode active material and a source of rare earth metals from a stable supply chain.

Without this, our strategically important industry is at risk and with it the economic success of the country.

For more information go to apcuk.co.uk or follow us @theapcuk on X and Advanced Propulsion Centre UK on LinkedIn. ●

Ian Constance is the chief executive of the Advanced Propulsion Centre (APC)

The view from parliament

David Blunkett
Member of the House of Lords and former cabinet minister

“We must work together to mobilise the talent and potential of British society”

If employers were to match the skills investment of 15 years ago, there would be 20 million more learning days than there are today. Therefore, we need public-private partnership to cause an earthquake if we are going to match the government’s growth and productivity ambition.

Skills England, established as an executive agency within the Department for Education, is now led by its new chair, Phil Smith – someone with substantial private sector experience – and is underpinned by career civil servants who know their way around Whitehall. A simple “business as usual” approach is not acceptable.

Back in the autumn of 2022, the document on which I led, *Learning and Skills for Economic Recovery, Social Cohesion and a More Equal Britain*, was published. There was an absolute recognition that government and employers at every level were going to have to work together to mobilise the talent and potential of British society to meet the challenge.

With the word “migration” continuing to prove toxic, it will be necessary to skill and re-skill the people of this country and return a high proportion of the 2.8 million people currently on long-term sickness or disability benefits into employment.

This is essential if we stand a chance of lifting our economy and delivering on the key milestones set out by the Chancellor of the Exchequer Rachel Reeves and her colleagues.

One and a half million homes cannot be built without the skilled personnel and apprenticeships of the future that will carry us forward over the next five years. Major infrastructure programmes stand no chance of coming to fruition if there is not a clear plan to which everyone can sign up; fully use the resources of the growth and skills levy as well as public funding and business investment to put the jigsaw together.

Given the size of this national imperative, the Prime Minister must be the driver of this collaboration. Just as creativity is required for private capital to match investment from the Treasury in order to kickstart projects across the country, so is complementing the big-ticket investment numbers the Chancellor endorsed in January.

It is true that the previous private finance initiative was discredited by government, but with properly trained staff learning the lessons of previous contracting failures, a new approach will be essential in raising the private capital we need.

If the economy is to be balanced, and if all parts of the UK are to feel the benefit – and, with it, the political and personal optimism to counterweight the simplistic solutions of the far right – there is no time to lose in putting the industrial strategy alongside a skills revolution.

With the rapidly changing profile of the world of work, and with artificial intelligence offering both potential and risk, upskilling and progression within work will be as important as the goals set out in the *Get Britain Working* white paper.

In other words, every government department with skin in the game must make their contribution to provide a joined-up government, which has historically proven elusory and so often failed to materialise at crucial moments in our past.

In crude terms, this is an endeavour to which all parts of our economy – public and private sectors – must sign up.

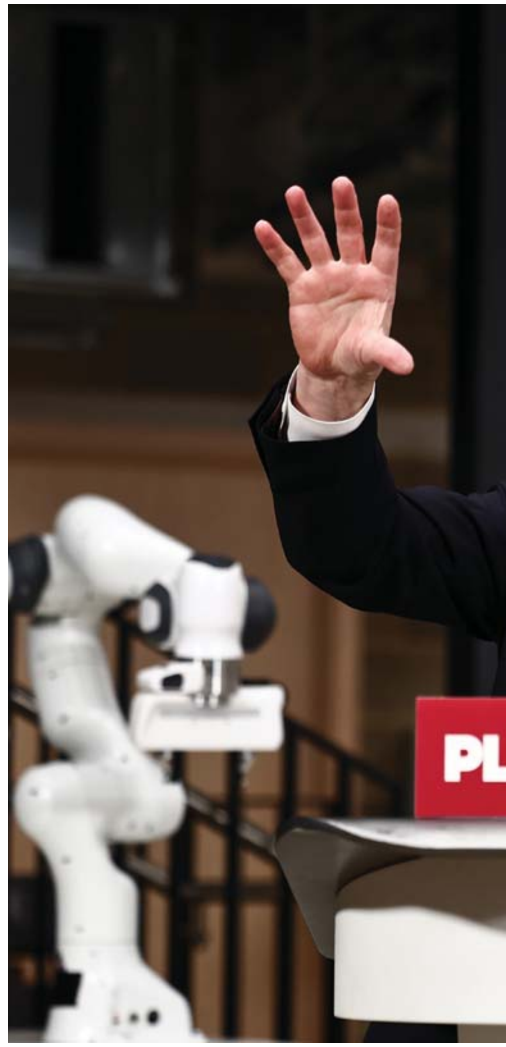
Waiting for someone else to deliver the goods simply won’t hack it.

MARTA SIGNORI

Comment

When it comes to AI and growth, scepticism is useful but don't let it atrophy into cynicism

By Jon Bernstein



The impact of artificial intelligence on the economy takes many forms. A technology leader at one of the UK's largest supermarkets, for example, tells the story of his company's first experiments in generative AI (GenAI).

Like others, he began by dabbling in the daily drudgery, those laborious tasks ripe for automation. Could his company, he wondered, use an AI assistant to relieve someone of taking minutes at the weekly management meeting. This is a process – from transcription to formulation to distribution –that can be handed over to the machines. That's the promise, at least.

Unfortunately, the first time the technology was used at the supermarket, the results were more than a little disappointing. The notes generated were disjointed, unfocused and unusable.

The question the technologist asked next was crucial to his understanding of

Keir Starmer sets out his AI plan to drive growth and "revolutionise" public services

FINNBARR WEBSTER / GETTY IMAGES

the possibility of AI. Were the underwhelming minutes a product of poor technology or did they reflect poor meeting technique? He had the self-awareness – and humility – to conclude that it was probably the latter.

The company sharpened up its meeting processes, making the gatherings shorter and more focused on outcomes and actions. The result? The minutes were shorter and more focused on outcomes and actions. The AI proved its value not only in speeding up an existing process but by improving the process. Not just faster, but better.

Artificial intelligence is exposing other areas of inefficiency that need addressing, too. Not least the quality of data that most firms possess. If AI experimentation forces organisations – not just in the private sector but in the public sector, too – to get their houses in order, then it will have served a valuable purpose even before the technology is deployed in earnest.

The tale of the supermarket minutes represents a small win within a small part of a single company. On its own, it is not going to transform productivity or kick-start growth, as the government hopes. But small wins have two big advantages. First, they add up to something larger, in aggregate, across the economy. Second, they demonstrate the potential of new technology. They challenge scepticism, validate further experimentation and adoption, and open the way to future funding.

When the Tony Blair Institute makes projections about annual £40bn productivity gains in the public sector, it is not thinking about better note-taking. Not in isolation, at least. It is talking about the fact that the NHS will use AI to screen 700,000 women for breast cancer later this year, and similarly significant projects. Nevertheless, the small gains matter too.

AI is not a productivity panacea, however. As we have discussed on these pages before, not all processes are easily transferrable from analogue to digital, or from pre-AI to AI. Moreover, sometimes the "friction" – to borrow a word from Imogen Parker of the Ada Lovelace Institute – that more manual processes impose on us elicits important discoveries, some light-bulb moments. Hard and laborious work can be an invaluable component of creativity that, in turn, leads to productivity and growth.

When the government launched its AI Opportunities Action Plan – written by tech entrepreneur Matt Clifford – in January, its response contained none of these caveats, no notes of caution.

Instead, Keir Starmer described AI as the "defining opportunity of our generation". The Prime Minister went on to insist that "in the coming years, there is barely an aspect of our society that will remain untouched by this force of change". Perhaps, but will it deliver greater efficiency, transform public productivity, and boost future growth in every instance?

This is a boosterist take on the potential of AI and it needs to be met with critical inquiry. Projections are one thing but where is the evidence that AI will deliver the productivity dividend the likes of the Tony Blair Institute forecast?

The technology industry wants us to believe in the transformative power of the products it creates and sells. It wants us to believe in the next big thing. But even when technology delivers a positive impact, progress is rarely linear. The analyst group Gartner famously talks of a hype cycle where a "trough of disillusionment" inevitably follows the initial excitement around a new technology – and is a precursor to a "plateau of productivity". In other words, where technology succeeds it rarely does so first time.

Artificial intelligence is a tool like any other technology and its utility, naturally enough, comes down to how it is used. From cancer screening scans to better meeting minutes, application is everything. We should approach Starmer's "defining opportunity" with guarded interest. Scepticism is a useful position when assessing AI's efficacy and potential downsides. Useful until it atrophies into cynicism.

The view from parliament

Liam Byrne
Labour MP for Birmingham Hodge Hill and Business and Trade Select Committee chair

"American retreat from multilateral systems offers Britain the opportunity to shape the future"

As the hunt for growth gets tougher, Britain needs a business plan. As it happens, the nation's firms, trade unions and consumer groups agree on what it needs to say.

As our Business and Trade Select Committee travels the country listening to hundreds of businesses and trade unions, economists, academics and experts, I'm struck by two big truths. First, there's a real bullishness that Britain can indeed become the fastest-growing economy in the G7. But second, we can't carry on as before, for three big reasons.

The "American retreat" from the multilateral system built after the war requires us to step up and help shoulder new burdens ranging from defence to the defence of free trade.

This will come with new costs; it also offers a wealth of new opportunities to help shape new markets of the future with allies such as the European Union, Switzerland, Japan, Australia and Canada.

The opportunities for a strong, dependable, predictable defence exporter like the UK – which happens to be a services superpower, a world-beater in tech and AI, and a green energy leader – are going to be legion if we get our story straight. We'll need to pivot from simply signing free trade deals to really deepening trade diplomacy – especially in defence, green energy and AI – and above all strike for a super-ambitious reset with our closest neighbours, the EU.

Second, the green and digital transitions demand completely new ways of working between government departments, between regulators, and between central and local government. As business tries to take new possibilities and blaze new trails – and create new jobs – firms are too often held back by disorganised and disjointed public agencies that simply aren't rowing together.

We can't afford this any longer. Which is why the comprehensive spending review needs to deliver a revolution in reinventing government for new times so that the public sector once again becomes an enabler of change.

The Office for Life Science is a good example of where we have figured out how to coordinate better. We need to make this the norm as we better coordinate skills policy, access to finance, university-business links, lower-cost energy, grid connections, digital connectivity, regional transport, planning reform – and public procurement.

Finally, we have to worry about small business much more. There's a risk – ministers have clocked it – that we don't grow as fast as we could because the economy is held back by a long tail of under-productive small firms. We need a plan to fix this. We need to revolutionise access to scale-up finance to stop our high-potential firms being gobbled up by the Americans and think much harder about ways to incentivise take-up of digital and AI technologies by busy and time-poor small-business leaders.

Britain is one of the world's best places to do business. Our entrepreneurs have been making history by inventing the future since the days of the Industrial Revolution. In these new times, we're going to need every ounce of that spirit to ensure our best days lie ahead. ●

MARTA SIGNORI

How can we foster growth in the UK?

The path to economic success includes secure jobs, place-based initiatives and the embrace of technology

WE NEED TO RETHINK THE WAY THAT WE INVEST

Chaitanya Kumar
Head of economic and environmental policy, NEF

Growth must mean more than a simple rise in GDP. Decades of underinvestment, rigid fiscal rules, and an overreliance on financial markets have left communities across the UK struggling, while the richest continue to amass wealth. We need a new model.

First, we need to change how we invest. The current fiscal rules are holding back the investment needed in public services, infrastructure, and green industries. We need an approach that allows for strategic public investment without arbitrary constraints – this would ensure growth benefits people and the planet, not just financial markets.

Reforming the Office for Budget Responsibility (OBR) is crucial – its narrow assumptions about government spending limit the potential for policies that could transform our economy. If we change the way the OBR assesses fiscal space, we could unlock billions for investment in renewable energy, housing, and transport, which in turn would create jobs and strengthen communities.

The government's National Wealth Fund (NWF) needs to be a much stronger economic actor. If we follow the example of the KfW bank in Germany, the NWF could raise £100bn over the next decade and drive the transition to a low-carbon economy.

The Bank of England must also play its part. Today, monetary and fiscal policies are pulling in opposite directions. The Treasury is expected to drive growth, yet the Bank's hikes in interest rates make borrowing more expensive and squeezes incomes. We need greater coordination between the Treasury and the Bank.

Lastly, growth must be rooted in communities. Too much power is in London and the financial sector. We need to shift investment to local economies, cooperatives, and social enterprises that keep wealth circulating. Growth should mean better lives for everyone – not just bigger profits for a few.

IMPROVED WORKERS' RIGHTS WILL FUEL THE ECONOMY

Paul Nowak
General secretary,
Trades Union Congress

Economic growth is rightly a national priority. But for most people in this country, GDP rising means little if improvements in their day-to-day lives aren't seen.

That's why the government's Make Work Pay agenda is so important. Creating more secure jobs is good for both working families and the economy.

Improving employment standards boosts productivity and innovation – both of which contribute to long-term growth. We need a new approach in this country where good jobs and rising incomes are recognised as growth drivers and measures of success. That's why the Employment Rights Bill is integral to the Labour's Plan for Change.

The bill includes important measures such as protection from unfair dismissal and access to sick pay from day one, and a ban on zero-hour contacts. These will deliver more security for workers and help shift our growth rates in the right direction.

When employment standards are higher, investment rises. Retention goes up, and companies benefit from accumulated skills and knowledge. Costs from turnover and retraining reduce. Employment rates also improve.

If more carers, parents, disabled people and those with health conditions are to move into, and stay in, work they need stable, decent jobs and incomes they can rely on.

Stronger rights at work can drive up labour market participation, improve employee health and productivity, and give working people higher living standards and secure incomes. Labour's workers' rights plans are common sense reforms that will bring the UK back in line with the international mainstream.

We cannot continue with the same failed status quo. That has been tested to destruction over the last 14 years. It's time to make work pay.

ELEVATING OUR REGIONS IS THE BEST BET FOR THE UK

Zoë Billingham
Director,
IPPR North

Growth is anchored in place. We need growth to lift communities and reduce regional inequality; the benefits must be shared and felt by people in their day-to-day lives. This is our best bet for UK growth.

Successive governments have operated with institutional and cultural defaults that have served too few people, concentrated wealth and bred political disillusionment and distrust. When governments have prioritised investment in already productive places, this has implied we should accept that some can be left behind. The promise that benefits will be redistributed across the country when the south-east grows rings all too hollow.

Growth led by our regions and which supports people's lives will require interlinking and sustained interventions.

The government needs to correct the unequal distribution of public spending. In transport alone we found that the North should have received around £86bn more over a decade if matching the per head transport investment in London.

Metro mayors must be at the centre of the government's growth plans. Mayors need the levers and financial heft to take charge of UK industrial strategy and make different decisions to government whether on transport, skills or housing in their places. This must be underpinned by support for public services delivered by local government and community organisations.

There are plenty of "big bets" outside of the south-east that have economic potential, too. Government should commit to substantial projects in the north, such as Northern Powerhouse Rail and education, housing and infrastructure. This long overdue action would signal a change of course.

Our economy needs to better serve its people. There is no national growth without regional growth and thriving regions are our brightest bet. ▸

"There's no national growth without regional growth"

AI IS THE CLOSEST THING WE HAVE TO A SILVER BULLET

Thomas Smith
Director of economic policy,
Tony Blair Institute

The government is hitting some of the right notes when it comes to unlocking growth. Planning reform could boost GDP by up to 5 per cent over the next decade – 1 per cent from infrastructure and up to 4 per cent from housebuilding.

The green economy holds potential: new analysis from Oxford Economics and the Tony Blair Institute (TBI) shows that, with the right industrial strategy, it could add up to 5 per cent to GDP by 2050.

But these gains are far from guaranteed. Labour shortages could hold back housebuilding, and the UK faces intense global competition in green industries. The government must adopt a multi-pronged strategy to maximise its chances of success.

That means unlocking growth in traditional areas and building a new engine of growth that harnesses technological progress.

TBI analysis suggests AI could boost UK GDP by 5-14 per cent over the next 25 years – outstripping other sources of growth. And that's purely from raising private-sector productivity. AI technology can also transform government, cutting costs while improving services to further support growth.

For example, AI-enabled education could lift GDP by up to 6 per cent in the long-term by freeing teachers' time, improving lesson quality, and tailoring content to pupils. A digital ID could save the exchequer £2bn annually by cutting welfare fraud, freeing resources for investment or tax cuts. Blockchain can streamline customs – reducing delays, cutting costs and boosting international trade to counter rising protectionism overseas.

Most importantly, AI tech is the disruptive tool needed to deliver the high-quality public services that voters want. It would restore faith in government and underpin stability.

There are no silver bullets for growth, but technology offers the closest thing to one.

WE NEED A WIDER, MORE AMBITIOUS SKILLS STRATEGY

Joe Dromey
General secretary,
Fabian Society

Ensuring employers can access the skills they need will be crucial to unlocking growth and to ensuring workers benefit from growth. Investment in skills has helped power growth in the past. A third of the increase in productivity in the last two decades was due to increases in workforce skills.

But investment in skills – both by employers and the state – is too low. UK employers invest half the EU average. Since 2011, employer investment has fallen by £5.5bn, while public investment in classroom learning for adults has halved.

The number of skills shortage vacancies has risen six-fold since 2011 to over 500,000. This is holding back productivity and growth.

The apprenticeship levy was introduced by the previous government to boost employer investment. It has been a disaster. Since its introduction, the number of apprenticeship starts has fallen by a third. The number of young apprentices has declined rapidly, while we've seen a surge in degree apprenticeships which often go to qualified older workers. The system is compounding inequality.

Labour has made a welcome commitment to reforming the levy. This should be both more flexible for employers and more strategic; aligned with the industrial strategy so we can turbo-charge investment in growth sectors. Investment should be rebalanced toward young people and those without high level qualifications.

We should look to reverse the decline in investment by increasing the levy, and having the state co-investing alongside employers.

The levy is just one tool, though: we need a wider and more ambitious skills strategy.

We should work with unions to boost training, through reviving the Union Learning Fund, and setting minimum training standards through sectoral collective agreements, as will be trialled in care. ●

"Investment in skills, by employers and by the state, is still too low"

The view from the opposition

Victoria Collins MP
Liberal Democrat technology spokesperson

"We must build public trust in AI and shift the culture to recognise its opportunities"

Last summer, I had the honour of joining the largest group of new MPs in modern history. Standing with my colleagues, it became clear that I was entering parliament at a pivotal moment, facing a sluggish economy and instability abroad.

Years of Conservative mismanagement have burdened the UK with stagnant growth and public services on the brink. We can no longer rely on Donald Trump's US as a reliable trade partner, given the president's penchant with potentially economically damaging tariffs.

MARTA SIGNORI

But the new industrial revolution of artificial intelligence presents a unique opportunity to tackle these crises. The government's recent AI Opportunities Action Plan acknowledges this, and while this is an important first step, Labour's current approach falls short of positioning the UK as a global leader in trustworthy technology. The UK is a leader in AI development, home to pioneering companies like DeepMind. However, we lag behind other economies in AI adoption. To bridge this gap, we must build public trust in AI and shift the culture to recognise its opportunities. This starts with ensuring the UK leads in high-quality, trustworthy AI development.

Unfortunately, the government seems to think safety and innovation can't be reconciled. This is a mistake. The two must go hand-in-hand. Without trust, AI adoption will falter, and we risk missing out on its potential.

As the Ada Lovelace Institute emphasises, trust around data and technology is crucial for both inclusion and economic growth. Last month, we heard that the government will rename the AI Safety Institute as the AI Security Institute. Perhaps this is a branding exercise – a PR move to cosy up to Elon Musk and other tech barons. But buried in the release was the startling admission that the Institute will abandon its focus on bias and free speech.

This came just days after Labour's failure to sign the Paris Agreement on AI Safety – another grave error. Instead of embracing international cooperation, as European allies have done, the government was seemingly grovelling to Trump and Musk. This position is ironic, especially given London's parallel AI Fringe event to the Paris talks, focused on a more collaborative and inclusive AI ecosystem. Such short-sightedness undermines our reputation for good governance and reliability – a reputation that supports our globally trusted legal and financial systems. If Labour wants economic growth, it must recognise that safety and trust are vital for the UK's success in services.

The government's stance on AI and the creative industries is another misstep. AI should be a game-changing tool for creatives, but by proposing that creators should submit to unlicensed use of their works for AI training, Labour has created needless conflict with a sector identified as a key growth driver. Our world-leading creatives are being asked to surrender intellectual property rights that have underpinned their success for decades. Paul McCartney and Elton John are among 40,000 creatives urging the government to reconsider.

As the third-largest party in parliament, the Liberal Democrats will be the voice pushing for an AI revolution that can deliver growth for everyone. The UK can and must lead the world in AI-driven growth. That means putting trust at the centre of AI policy, standing firm on global cooperation, and ensuring no one is left behind. ●

The view from elsewhere

Robin Tuddenham
Solace president and chief executive, Calderdale Council

"Time to realise the potential of local places to stimulate growth"

Let's be clear: a national approach to stimulating growth and raising living standards has under-delivered for decades. In the 30 years following the Second World War, our average annual growth rate was around 3.6 per cent, dropping to roughly 2.1 per cent in the following three decades. However, since the start of the financial crisis in 2007, this has fallen to an average of just 0.2 per cent per annum. Meanwhile, life expectancy in the UK has stalled or even reversed, particularly among the most deprived populations.

It does not have to be like this. Research has shown that bringing our largest cities outside London up to the level of their EU counterparts could add £100bn to GDP annually. While in 2022, the rural areas contributed an estimated £315bn in gross value added to England's economy.

The government has made growth one of its core missions, but this is only possible to deliver through shifting power and resources to local places. This is recognised, in part, in its devolution drive, with the aim to set up mayoral strategic authorities across the country. It's a positive step. But it is local councils, not strategic authorities, who have the most immediate and consequential impact through delivery in our cities, towns and neighbourhoods.

Councils are integral to shaping the conditions that allow businesses and communities to flourish. We understand the challenges our local economies face and can design and deliver effective long-term economic strategies for our communities.

In my area of Calderdale, West Yorkshire, in a mature Mayoral Combined Authority area, we have harnessed the strengths of our place – the creativity, landscape, heritage and community spirit – to drive culture-led regeneration and economic growth. Over the last ten years, we've seen a boom in filming, with productions such as *Gentleman Jack*, *Happy Valley*, and *Marvel: Secret Invasion* showcasing our borough nationally and internationally. In 2023, 31 productions did more than 100 days of filming in Calderdale, adding over £850,000 to the regional economy. Tourism is worth around £431m to the borough annually and supports some 9,000 jobs.

One key dimension to unlocking transformational growth is tackling economic inactivity – and this cannot be achieved on our own. The government's Get Britain Working White Paper highlights the importance of connecting health and economic systems to support those currently outside the workforce. Across West Yorkshire, we are already leading the way as a "trailblazer" and "accelerator", integrating health, skills, and employment initiatives with the aim of assisting 4,500 economically inactive people back into work over the next 12 months.

A collaborative, place-based approach is essential to tackling complex socio-economic issues. Across the North we have the potential to unlock 320,000 homes on brownfield land, but we need the support of the government to bring these sites to market. And it is crucial that when we do, we bring our communities with us. Councils, as the key collaborators and conveners, bring together residents, businesses, and policymakers to ensure growth is not just imposed on areas but positively shaped by local voices.

And local government could do much more to drive inclusive economic growth This is why the Society of Local Authority Chief Executives and Senior Managers and the Institute of Economic Development are calling for economic development to become a fully-funded statutory requirement for councils. However, we must recognise that this measure alone will not turn the economic tide.

While we possess the local understanding, we can sometimes falter in execution. The underfunding of local government over the last 15 years means many councils lack the confidence and capacity to fruitfully engage with the private sector and manage schemes with the potential to drive growth.

To realise the potential of our places, we need government to unlock and adequately fund decision-making at a local level. This does not necessarily mean more "new" funding. Government should use the money already in the system more effectively. By embracing local solutions, and working together – locally, regionally, nationally – we can kickstart our economy, improve living standards, and deliver positive change for our communities. ●

MARTA SIGNORI