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INQUIRY

Creating a Good-Jobs Economy in the UK

Vidit Doshi, Huw Spencer & Dani Rodrik
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Steering Economic Change

As the UK is buffeted by the economic shocks and challenges of the 2020s, The Economy 2030 Inquiry, a collaboration between the Resolution Foundation and the Centre for Economic Performance at the London School of Economics (LSE), funded by the Nuffield Foundation, is setting out a new economic strategy. To feed into this process we are publishing a series of externally-written policy essays. Each aims to provoke public debate on a specific policy area, and sketch out an agenda that will contribute towards the wider goal of the UK becoming a higher growth, lower inequality economy.

The essays cover topics ranging from the role of smarter regulation in supporting economic growth, ensuring that the goal of 'good jobs' is embedded in our national industrial strategy, and the role of the higher education sector in providing the skills needed to power our services dominated economy.

They are written by a range of leading economists and policy experts, and reflect the views of the authors rather than those of the Resolution Foundation, the LSE or The Economy 2030 Inquiry.

They have been commissioned and edited by Gavin Kelly (Chair of the Resolution Foundation and member of the Economy 2030 steering group) and various members of The 2030 Economic Inquiry team, in this case Emily Fry (Economist at the Resolution Foundation).

The Economy 2030 Inquiry

The Economy 2030 Inquiry is a collaboration between the Resolution Foundation and the Centre for Economic Performance at the London School of Economics, funded by the Nuffield Foundation. The Inquiry's subject matter is the nature, scale, and context for the economic change facing the UK during the 2020s. Its goal is not just to describe the change that Covid-19, Brexit, the Net Zero transition and technology will bring, but to help the country and its policy makers better understand and navigate it against a backdrop of low productivity and high inequality. To achieve these aims the Inquiry is leading a two-year national conversation on the future of the UK economy, bridging rigorous research, public involvement and concrete proposals. The work of the Inquiry will be brought together in a final report in 2023 that will set out a renewed economic strategy for the UK to enable the country to successfully navigate the decade ahead, with proposals to drive strong, sustainable and equitable growth, and significant improvements to people's living standards and well-being.

Background

The United Kingdom has a good-jobs challenge. The British economy falls short on inequality metrics on the one hand, and average household disposable income levels on the other (Figure 1).[1] Real pay fell at the fastest rate in 20 years in 2022 and estimates suggest that real household disposable income is set to fall by the highest amount in recorded history this year.[2] Meanwhile, low-paid workers experience greater job insecurity and lower job satisfaction, facing twice the risk of job loss compared to higher-paid workers. 22 percent are in precarious working arrangements, such as zero hours contracts or variable hours, in contrast to only 9 percent of higher-paid workers.[3]

The regional disparities that underpin this good-jobs problem is also well documented. Cities outside of London and the South East underperform the UK average in productivity, as well as underperforming compared to their European counterparts of a similar size.[4] Regional patterns in productivity play out in job quality, as we might expect. Eight of the top ten highest-scoring local authorities in the Institute for the Future of Work's Good Work Monitor are based in the South East.[5]

The UK is hardly alone in facing this challenge. Deindustrialisation, globalisation and declining protections for labour have created conditions across developed economies whereby productive technologies are held in a small number of high-performing firms and do not diffuse across all parts of the economy. We see this in the UK's much discussed long tail of low productivity firms.[6] The effect of this economic dualism is the proliferation of 'bad jobs'.

Calls to renew manufacturing are not an adequate response to this phenomenon. Automation and labour-saving innovations have resulted in lower levels of job creation in advanced manufacturing sectors. Even those countries that have maintained strong industrial sectors, like South Korea or Germany, have seen a decline in manufacturing employment as a share of total employment.[7] Services have catalysed the vast majority of new net job creation in the private sector over the past forty years.[8] Highlighting the importance of services in industrial policy runs counter to prevailing sentiment that continues to prioritise manufacturing – but it is crucial if we are to think clearly about a good-jobs agenda for the decades ahead.

What do we mean by 'good jobs'? Work that pays well enough to allow for a reasonable living standard, provides stability and security, with opportunities for career progression. Over time, good jobs equip workers with opportunities for self-development, responsibility, purpose and fulfilment. Good jobs also provide significant positive externalities: firms that produce them help to create thriving communities. Conversely, 'bad jobs' come with a range of social and economic costs that are not sufficiently priced in firms' decision-making. Adverse social consequences can take the form of exclusion, fractured families, addiction, and crime as well as reduced mental and physical well-being.[9]

1 Resolution Foundation & Centre for Economic Performance, LSE, Stagnation nation: Navigating a route to a fairer and more prosperous Britain, Resolution Foundation, July 2022.
2 X Xu, Support for Households and Living Standards, Institute for Fiscal Studies, 2022; Average Weekly Earnings in Great Britain: March 2023, Office for National Statistics.
3 N Cominetti el al., Low Pay Britain 2022: Low Pay and Insecurity in the UK Labour Market, Resolution Foundation, 2022.
4 OECD, Under Pressure: The Squeezed Middle Class, OECD, 2019.
5 Institute for the Future of Work, The Good Work Monitor, January 2021.
6 A Haldane, The UK's Productivity Problem: Hub No Spokes, Bank of England, 2018.
7 D Rodrik, An Industrial Policy for Good Jobs, The Hamilton Project, September 2022.
8 D Rodrik, On Productivism, March 2023.
9 D Rodrik & C F Sabel, Building a Good Jobs Economy, SSRN Electronic Journal, 2019.

Creating good jobs has not been a core pillar of national government strategies across the OECD, not least in the UK Treasury. But that is starting to change. The Biden administration's Good Jobs Challenge and the Scholz government's focus on the dignity of work provide two recent examples of how this shift in economic focus is playing out in other countries. A number of countries have developed a collaborative social partnership approach in response to disruption in the labour market: for instance, the Danish Disruption Council, Germany's Industry 4.0, the Swedish Job Security Council, the New Zealand Future of Work Forum.

These developments form part of a wider retooling of economic strategy that focuses remedies not only on the pre-production (e.g. schooling) or post-production (e.g. taxation) stages of the economy, but also more squarely targets production itself. The aim is to improve the quality of jobs across all regions of the UK and across all segments of the workforce.

Following the approach in Rodrik and Stantcheva, we argue that four elements should underpin any good-jobs mission in the UK.[10] First, a series of active labour market policies at the local level that are designed in partnership with firms to increase skills and employability. Second, industrial policy at the regional level that creates a suite of customisable public inputs for firms that go beyond tax incentives and subsidies. Third, innovation policy at the national level that explores how technology can complement labour as well as replace it. Lastly, an approach to international trade that enables the maintenance of high domestic labour and social standards.

Taken together, these four pillars combine to form a good-jobs strategy. While much of the emerging 'good-jobs' agenda has its roots in the United States, this essay explores how the model that underpins it can be adapted to the particular circumstances of the UK economy. We sketch out what a good-jobs economy could look like in the context of governance, innovation and growth in the UK.

Part I: Active labour market policies linked to employers

Active labour market policies help people find jobs by encouraging them to look for work, prepare for it, and boost their chances of getting hired. These policies typically fall into one of four categories: training, job search assistance, wage subsidies, or public sector work programs.[11]

On the first of these, training, the picture for the UK is stark. Government policy over the last decade has been 'short-term, piecemeal, and initiative-led'.[12] The 2010s saw a 45 per cent real-terms fall in spending in the adult education budget. Whilst some of these cuts have been reversed in recent years they still net to a significant cut in real terms today.[13] Employer-led training hasn't fared any better: nearly 40 per cent of employers train none of their staff, and overall, employer-led training has declined by a half since the end of the 1990s. Employers spend just half the EU average per worker on training.[14] Estimates suggest this will translate to a shortfall of 2.5 million highly-skilled workers by 2030.[15]

10 D Rodrik & S Stantcheva, Fixing Capitalism's Good Jobs Problem, Oxford Review of Economic Policy 37 (4): 824–37, 2021.
11 M Caliendo & R Schmidl, Youth Unemployment and Active Labor Market Policies in Europe, IZA Journal of Labor Policy 5 (1): 1, 2016
12 House of Commons Education Committee, A plan for an adult skills and lifelong learning revolution, UK Parliament, December 2020.
13 L Sibieta, B Waltmann, & I Tahir, Adult Education: The Past, Present and Future, Institute for Fiscal Studies, June 2022.
14 S Evans, Raising the Bar: Increasing Employer Investment in Skills, Learning and Work Institute, May 2022
15 D Melville & P Bivand, Local Skills Deficits and Spare Capacity, Learning and Work Institute, December 2019.

There is currently a dearth of policy experimentation on training and other active labour market policies for the UK to draw lessons from.[16] While there has been no shortage of training initiatives that have been conspicuously launched, and quietly shelved, not enough attention or resources have been given to scaling active labour market programs that have proven to work.

'Sectoral training programmes,' a relatively recent innovation in the field, differ from traditional skills training by providing a customised set of services, developed in lockstep with the interests of both employers and job-seekers. These initiatives seek to address skill gaps identified in specific industries, as well as long-term employment for those taking part, by providing a suite of complementary services such as extensive wraparound support or credentialed qualifications developed with local Tertiary and Further Education colleges. Several evaluations of these programs have demonstrated their potential to generate sustained improvements in wages, up to 40 per cent in some studies compared to those who weren't offered training.[17]

Core to the success of sectoral training programmes is a re-imagination of the relationship between business, government and training providers (both private suppliers and public institutions) and the targeting of specific industries, occupations and skills. The UK has begun pivoting towards this approach: the 'Skills for Jobs' White Paper published in 2021 set out to make technical skills training more responsive to employers' needs by bringing together local stakeholders through 'Local Skills Improvement Plans'. Putting these principles into practice are 'Skills Bootcamps' – intensive training programmes (up to 16 weeks) that lead to a guaranteed job interview. The pilot included programs for digital, technical (including engineering and manufacturing), construction, green and HGV skills and has reported promising early results - for instance, 54 per cent of participants who completed the program got new jobs or extra responsibilities at work.[18] The 2023 Spring Budget announced a further expansion in places, with skills bootcamps now expanding from 16,000 places per year in 2021-22 to 64,000 places per year from 2024-25.[19]

The challenge lies in scaling. Recent qualitative evaluation of the latest roll-out in Bootcamps suggests a decline in the standards: some Bootcamps were unable to recruit enough participants, the quality of teaching was mixed and some schemes failed to deliver on job interviews that were supposed to be guaranteed upon completion of the course. Quantitative evaluation of outcomes is hard to come by because of inconsistency and poor data gathering systems.[20]

As well as evaluating, improving and scaling its own initiatives the UK should learn from innovative programmes such as Project QUEST in San Antonio, Texas which has been running since 1992 albeit at a smaller scale. It offers more extensive wraparound services and some participants undergo basic numeracy or literacy skills before taking up more intensive specialised training.[21] The UK should also resist the temptation to centralise funding and let local economic actors drive where, and when, new Bootcamps should be launched. New trailblazer deals with Greater Manchester and the West

16 Hassel & K Thelen,. Institutional Reform for Inclusive Growth: Lessons from Germany and Sweden, Resolution Foundation, April 2023; D Card, J Kluve, & A Weber, What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations, Journal of the European Economic Association 16 (3): 894–931, June 2018.
17 S Maguire, J Freely, C Clymer & M Conway, Tuning In to Local Labor Markets: Findings from the sectoral employment impact study, Issue Lab, 2020;K Schaberg, Can Sector Strategies Promote Longer-Term Effects?, MDRC, September 2017; A Roder & M Elliott, Escalating Gains: The Elements of Project QUEST's Success, June 2018.
18 S Cowen, First Look at Skills Bootcamp Outcomes, FE Week, December 2021.
19 B Camden, Chancellor to announce 'returnerships' and bootcamps expansion in 'back to work' budget, FE Week, March 2023.
20 Ofsted, Skills Bootcamps Thematic Survey, November 2022.
21 A Roder & M Elliott, The Elements of Project QUEST's Success, June 2018.

Midlands announced in the Spring 2023 Budget are promising delivery models which should be learned from, and rolled out more widely. Both areas will take on further powers over post-19 skills (including Skills Bootcamps) and from 2024-25 will be able to spend up to 100 per cent of their relevant budgets to develop Bootcamps that meet local labour market and skills. Further devolution to develop new, bespoke programs could generate even more positive results.

While we have focussed on active labour market policies that emphasise the co-benefits of employees and employers working together, institutional re-arrangements may also be required to rebalance power between the two by experimenting with new wage and standard-setting institutions such as sectoral wage boards.[22] This doesn't just apply within relatively lightly regulated labour markets such as the US (e.g. wage councils for fast food workers in California) but also in countries such as New Zealand through Fair Pay Agreements.[23] Good jobs ultimately, however, also rely on the creation of productive work – a theme which our next section addresses squarely.

Part II: Industrial and regional policies targeting the creation of good jobs

Preparing young people for the labour market and reskilling older workers will not have the desired effect if companies are not creating a sufficient quantity of good jobs in all parts of the country. The challenge facing the UK's major cities outside of the South East may be a lack of highly productive jobs rather than a lack of university-educated workers, aside from a specific skills gap in STEM.[24] A strategy that targets the creation of good jobs across the regions of the UK will require a coherent approach to industrial policy.

Industrial strategy has seen a flurry of about-turns under recent governments. The 2017 Industrial Strategy under the May government was scrapped in 2021. The Levelling Up White Paper published in 2021 provided the biggest statement of government intent on tackling regional inequality through targeted investment since the Regional Development Agencies were created, but the missions have not received financial backing to match their ambition. The 'haphazard' permutations of industrial policy in the United Kingdom are closely tied to the ebbs and flows of the political cycle.[25] Indeed, the recent revamp of the Department for Business, Energy and Industrial Strategy into the Department for Business and Trade is a useful signal of the focus of the current UK government. But name changes do not belie the existence of industrial policy – which are pursued in some form in all developed economies regardless of nomenclature. Instead, they perhaps serve to dilute the potential impact of a joined-up approach to spurring innovation and economic development.

What does effective industrial policy look like in a good-jobs economy? It consists of a collaborative process between firms and government agencies to identify constraints and opportunities for growth, and then design interventions accordingly. Instead of simply focusing on tax incentives, government would provide a broader suite of customizable public services, ranging from business support, to skills training, to infrastructure.

22 A Dube, Using Wage Boards to Raise Pay, Economists for Inclusive Prosperity, December 2018; N Cominetti et al., Low Pay Britain 2023: Improving Low-Paid Work through Higher Minimum Standards, Resolution Foundation, April 2023; L Judge & H Slaughter, Enforce for good: Effectively Enforcing Labour Market Rights in the 2020s and Beyond, Resolution Foundation, April 2023.
23 Employment Relations Authority New Zealand, Fair Pay Agreements, 2022.
24 A Stansbury, D Turner & E Balls, Tackling the UK's Regional Economic Inequality: Binding Constraints and Avenues for Policy Intervention, QPE Working Paper, March 2023.
25 D Coyle & A Muhtar, The UK's Industrial Policy: Learning from the Past, SSRN Scholarly Paper, October 2021.

But in a good-jobs strategy, these customised public services should form part of a partnership. In return, firms would make provisional commitments on specific quantities of jobs that they would aim to create across different qualification levels. This bargain, or conditionality, would not involve the government 'picking winners'. Instead firms would be able to opt-in to such a collaboration, shaping and benefitting from the suite of public inputs that are designed. Opting out would mean firms do not have access to any specific additional services created and in turn would not have to make any commitments on jobs. This opt-in process would act as a screening mechanism to attract firms with the highest job-creation potential. The existence of projects that turn out to be failures ex post would actually be indicative of a more optimal strategy to maximise social surplus. If every project succeeds then the level of investment hasn't been sufficiently ambitious.

Building this sort of industrial policy requires dynamic mechanisms of feedback between firms and government as interventions are designed iteratively over time. There would also be an important role to play for worker and community organisations to prevent firm capture and ensure appropriate coordination between service providers on the ground. Delivery would therefore best lie with local economic areas, most likely combined authorities or equivalent, with local economic development directors taking on Advanced Research and Invention Agency ARIA-type programme director roles to oversee implementation[26].

What might the portfolio of customizable public services look like in practice? Bartik's work on the US provides an important starting point. He demonstrates that an effective business support programme along the lines sketched above creates more jobs per dollar than tax incentives.[27]

A long history of manufacturing business support in the US and the UK undergirds this argument. One study suggests that SMEs in receipt of technical and business advice from manufacturing extension centres in the US saw between 3.4 and 16 per cent growth in labour productivity between 1987 and 1992.[28] Recent forms of business support have also focused on inclusive innovation. Programmes like Genesis in Illinois, US support businesses to implement process innovation and worker empowerment concurrently, for instance through improving frontline worker supervision.[29] An evaluation found that average real wages for Genesis employees increased by 12 per cent between 2014 and 2017, closing pay gaps with industry averages from 78 per cent to 84 per cent (which the report authors note as promising given the smaller sizes of firms involved).[30]

Perhaps even more relevant to the UK context are insights on the role that industrial policy can play across the services sector. Information and communication overall appear to be 'one of the bigger contributors to the aggregate slowdown' in UK productivity.[31] Differential within-sector productivity, especially in finance and business services, appears to play a larger role in driving regional inequality than productivity differences within the manufacturing sector.[32]

26 ARIA, https://www.aria.org.uk/, accessed 26th June 2023.
27 T J Bartik, Place-Based Policy: An Essay in Two Parts, W.E. Upjohn Institute, May 2020.
28 R S Jarmin, Evaluating the Impact of Manufacturing Extension on Productivity Growth, Journal of Policy Analysis and Management 18(1), 1999.
29 N Lowe, G Schrock, R Jain, & M Conway, Genesis at Work: Advancing Inclusive Innovation through Manufacturing Extension, Local Economy 36 (3), 2021.
30 R Jain, N Lowe, G Schrock, & M Conway, Genesis at work: Evaluating the Effects of Manufacturing Extension on Business Success and Job Quality, Aspen Institute, 2019.
31 D Coyle & J-C Mei, Diagnosing the UK Productivity Slowdown: Which Sectors Matter and Why?, Economica, 2022.
32 A Stansbury, D Turner & E Balls, Tackling the UK's Regional Economic Inequality: Binding Constraints and Avenues for Policy Intervention, QPE Working Paper, March 2023.

Can productive business support policies normally associated with manufacturing also be effective for tradable and non-tradable services, especially outside of London? An evaluation of Florida's Small Business Development Center [SBDC] suggests that it worked with six times as many firms in retail and services than manufacturing.[33] One of 62 lead SBDCs in the US, the centre offers business advice around start-ups, sales, financial management, exports assistance and access to capital. The UK government has nodded to such opportunities through the creation of the Help to Grow initiative, but the potential for services-focused business support as a core pillar of industrial strategy remains underexplored. A more hands-on approach through the GrowthAccelerator programme was cut in 2015 before it was fully implemented. A revamped GrowthAccelerator programme focused on SMEs in the services sector would be an interesting place to start.

Another key component of successful local industrial policy concerns infrastructure. One Bartik study calculates that infrastructure investment is three times more cost effective than tax incentives in creating jobs.[34] A well-known longitudinal study into economic development under the Tennessee Valley Authority underscores the impact of electricity infrastructure in spurring economic growth.[35]

Infrastructure constraints are familiar to UK policymakers and businesses. Lack of public transport has been shown to hinder productivity in cities and towns alike, while the UK has among the lowest rates of ultrafast fixed broadband subscriptions in the OECD. The lack of available lab space in parts of the UK is also well-documented.[36][37]

While public transport and digital infrastructure are public policy goals that go beyond industrial strategy alone, local economic areas could offer specific infrastructure investment as an additional incentive for firms with high good-job potential. A recent report has pointed to the use of Demand Responsive Transport in boosting physical connectivity and linking residents with local job opportunities.[38] High-quality childcare provision, could similarly provide an attractive offer for a firm looking to set up in a local area.

There are opportunities here for the UK government to build on existing policy. The new Investment Zones, announced as part of the Chancellor's Budget in March 2023, explicitly focus on locally-driven public-private partnership around customizable public inputs – including business support, infrastructure and skills.[39] However, good jobs do not feature as a core goal of the policy framework and the relationship between local areas and firms is not fleshed out. Though the initial investment is limited, local areas have an opportunity to shape the trajectory of Investment Zones and could make good jobs a priority, piloting a regional industrial policy that might be scaled in the longer-term.

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33 J Harrington & M Niekus, Economic Impact Analysis of the Florida Small Business Development Center – Final Report, The Center for Economic Forecasting and Analyses Florida State University, 2020.
34 T J Bartik, How State Governments Can Target Job Opportunities to Distressed Places, W.E. Upjohn Institute for Employment Research, 2022.
35 P Kline & E Moretti, Local Economic Development, Agglomeration Economies and the Big Push: 100 years of evidence from the Tennessee Valley Authority, The Quarterly Journal of Economics 129(1), February 2014.
36 Life Sciences 2030: The Implications for Real Estate, Bidwells, 2022.
37 G Rodrigues & A Breach, Measuring up: Comparing Public Transport in the UK and Europe's Biggest Cities, Centre for Cities, November 2021; A Stansbury, D Turner & E Balls, Tackling the UK's Regional Economic Inequality: Binding Constraints and Avenues for Policy Intervention, QPE Working Paper, March 2023.
38 A Hawksbee & S H Menon, Levelling Up Locally, Onward, February 2023.
39 HM Treasury, Investment Zones Policy Offer, March 2023

Part III: Innovation policies that promote good job creation

Skills and industrial policies inevitably need to adapt over time as technology develops. As productivity-increasing changes to business practice occur, or new products and services emerge, the appropriate form of policy support will also need to adjust. That is the conventional story. A less explored approach to closing the gap between technology and skills is one that seeks to steer the innovation process itself in a direction that better matches the skills and needs of the current workforce. It is already common for government policy to actively shape innovation and technology through policy, not least in defence and environmental sectors.[40] But actively pursuing what we might call employment-friendly technologies – those that seek to complement rather than replace labour – is not currently a feature of the innovation strategy in the UK, nor indeed elsewhere in the OECD.

The first implication of prioritising technology that complements labour concerns tax policy. Like most advanced economies, the UK subsidises capital expenditure, for instance with depreciation allowances, and taxes labour through income tax and national insurance. As a consequence, firms are incentivised to invest more in capital than in labour.[41] The UK differs from most advanced economies in having lower levels of business investment in on-the-job skills development. Creating a tax regime that placed more equal weight on investment in human capital alongside physical capital could encourage firms to invest in reskilling workers to adapt to new technologies instead of being replaced by them.

Of course, the UK struggles with low levels of investment in capital as well as labour.[42] But new efforts to spur investment could aim to tackle both challenges. Australia has shown how this might be approached with their Small Business Skills and Training Boost and Technology Investment Boost.[43] The pair of measures allow small firms to deduct an additional 20 per cent of costs of digital capital investment and training investment respectively.

Aside from tax implications, investing in technology that complements labour is particularly relevant for non-tradable services, which make up 34 per cent of jobs (10.8 million) in the UK.[44] Productivity-enhancing technology will come naturally in the higher-wage knowledge economy, where jobs will be destroyed but many new jobs will likely come in their place. But lower wage sectors, like retail and care, may require a more active government role to ensure the potential benefits of automation are equitably distributed.

Retail is the largest private sector employer in the UK.[45] The work of Zeynep Ton shows how retail companies in the US that invest in their workers are often more likely to produce a high number of good jobs.[46] This suggests that the retail sector would stand to benefit from a tax regime that encourages higher levels of investment in labour. But left on their own, firms are more likely to invest in technologies that, say, increase monitoring of employees than those that support good jobs.[47] More

40 D Rodrik & S Stantcheva, Fixing Capitalism's Good Jobs Problem, Oxford Review of Economic Policy 37 (4): 824–37, November 2021.
41 D Acemoglu & P Restrepo, Artificial Intelligence, Automation and Work, NBER, January 2018.
42 G Wilkes, Business Investment: not just one big problem, Institute for Government, August 2022; P Brandily et al., Beyond Boosterism: Realigning the policy ecosystem to unleash private investment for sustainable growth, Resolution Foundation, June 2023.
43 Australian Taxation Office, Small Business Skills and Training Boost, 2022.
44 N Cominetti et al., Low Pay Britain 2023: Improving Low-Paid Work through Higher Minimum Standards, Resolution Foundation, April 2023.
45 ONS, EMP13: Employment by Industry, May 2023.
46 Z Ton, The Case for Good Jobs, Harvard Business Review, November 2017.
47 D Rodrik & S Stantcheva, Fixing Capitalism's Good Jobs Problem, Oxford Review of Economic Policy 37 (4): 824–37, November 2021.

substantial carrots or sticks are needed to shape the direction of technological innovation in non-tradable sectors.

For instance, employment considerations could be incorporated directly into existing regimes of tax incentives for R&D, with a specific focus on labour-complementary technology in retail. Embedding the Internet of Things in supermarkets could improve inventory management and food safety without reducing the need for labour.[48] Temperature and energy monitoring in storage facilities could reduce food waste, driving up sustainability and lowering costs. A Catapult focused on productivity-enhancements in the retail sector would be a strong signal that the UK government was squarely thinking about improving the quality of jobs in the rear-guard of the economy as well as pushing forward investment in the vanguard.

In the care sector, labour-complementary technology has the potential of freeing up the capacity of frontline practitioners to spend more time delivering high-quality care as well as customise the care they provide to the specific need of their patients. Take, for example, the development of a new app that is being used by health visitors in Greater Manchester to record child development assessments in real time. The app is projected to reduce hours spent on administration by approximately 30 per cent.[49] It also integrates health data into a single portal, creating a digital passport for a child containing developmental milestones that can be transferred from health practitioners to primary school teachers.

Similar technologies have enormous potential for reducing workloads and streamlining administrative burden in the long-term care sector, which saw a turnover rate of 28.5 per cent in 2021-22.[50] A recent report by the Resolution Foundation shows how technology could also be used to reduce minimum wage underpayment in the care sector.[51] Of course, at a time when funding for adult social care is under huge strain, productivity-enhancing technologies risk displacing workers if funding incentives remain the same. If workloads are reduced, a care home manager could decide to cut labour costs rather than redirect that additional capacity into providing higher quality care. A long-term care system that saw funding linked to outcomes (as well as outputs) would be more likely to channel these productivity gains into better care for patients.

Part IV: International economic policies that safeguard high domestic labour/social standards

The principles of the good jobs approach we have set out so far should be entirely consistent with the UK economy operating in an open, globalised macroeconomic environment. Boosting productivity should enhance the UK's global competitiveness and help prevent off-shoring of jobs. However, there might be an opportunity to reinforce labour and social protections in the international sphere, and become a standard-bearer in promoting the creation of 'good jobs' through trade policy. While the bulk of the 'bad jobs' problem in the UK is concentrated in the non-tradables sector, the tradable segment of the economy remains highly significant for its signalling effect.

48 McKinsey, Navigating the Market Headwinds: The State of Grocery Retail 2022, 2022.
49 Greater Manchester Combined Authority, Early Years Digitisation, 2023
50 D Foster, Adult Social Care Workforce in England, House of Commons Library, September 2022.
51 N Cominetti et al., Low Pay Britain 2023: Improving Low-Paid Work through Higher Minimum Standards, Resolution Foundation, April 2023.

The principal objective of the UK's trade strategy post-Brexit has been continuity; the government has rolled over 68 deals that it benefited from through its membership of the EU. Since then, there has been an emphasis on quantity: the government's objective was to sign new agreements covering 80 per cent of its trade with the rest of the world by the end of 2022. However, with trade talks with the US falling through, the UK has missed this target, signing just two new trade agreements with Australia, New Zealand, and enhancing two existing agreements with Japan and Singapore. Complementing this focus on quantity though, should be a real focus on quality through enforceable labour-rights provisions to prevent 'social dumping'.[52]

This is especially pertinent given some of the countries the UK is negotiating with for its next wave of trade agreements have materially different domestic social bargains. The UK is currently pursuing new deals with India and the Gulf Cooperation Council (GCC), made up of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, while also in the process of acceding to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The traditional international approach to labour and social protections, however, may no longer be sufficient. Globally, labour provisions were included in only 85 of the 293 free trade agreements in force in 2019, and many have suggested they make little or no difference to labour rights and working conditions.[53]

Instead, the UK would do well to seek to replicate the provisions in the UK-EU Trade and Cooperation Agreement, which introduced a rebalancing mechanism for the level playing field. Ironically, of course, this mechanism was pushed for by the EU side who feared an erosion of UK labour standards. If major divergence in labour and social policies emerges between the UK and EU, and this has material impacts on trade or investment, both parties have the right to take countermeasures, subject to arbitration. In simple terms, if one side raises its standards and the other does not, the former can take reciprocal action. While these clauses have not yet been tested, they form a stronger basis to avoid a 'race to the bottom' on labour standards.

For countries with a significant wage gap (which may exist for a whole host of reasons such as market conditions or productivity) these provisions would only be deployed when labour rights are being explicitly violated. The UK could borrow from the US – Mexico – Canada Agreement's (USMCA) provisions for a Facility-Specific Rapid Response Mechanism (RRM) which allows for import bans from specific factories or facilities where there are credible allegations of labour right violations to accelerate the speed with which enforcement action can be taken.

Conclusion

The 'good jobs' problem is not unique to the UK. However, many countries are managing the erosion of middle-income jobs and the rise of 'bad jobs' far better; there are ample international examples of countries who are both richer and more equal. This essay has set out what a new approach for the UK economy could look like. For a new economic model to thrive, a clear shift is required in the relationship between private and public actors. To succeed, businesses need a skilled workforce, high-quality infrastructure, actionable advice, a pro-innovation regulatory environment and international

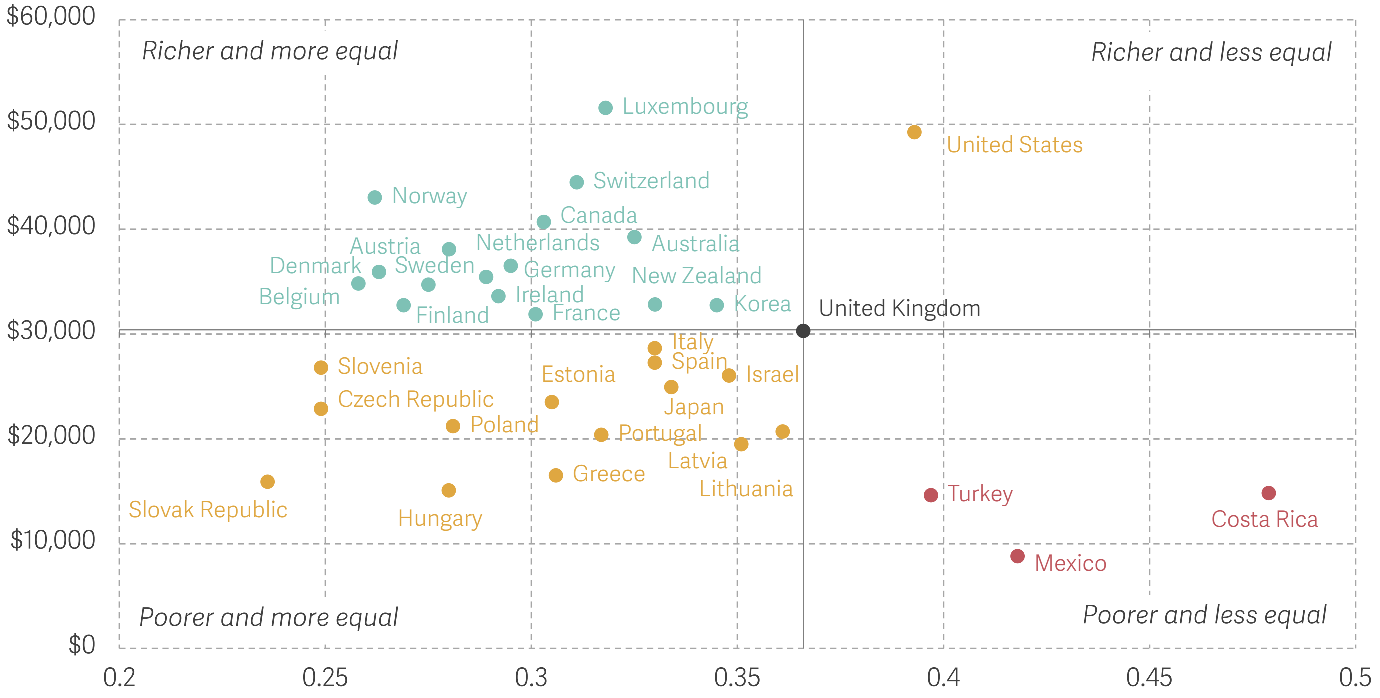
52 D Rodrik, Towards a More Inclusive Globalization: An Anti-Social Dumping Scheme, Economists for Inclusive Prosperity, December 2018.
53 M Myant, The Impact of Trade and Investment Agreements on Decent Work and Sustainable Development, SSRN Electronic Journal, October 2017.

safeguards. In return, the government expects firms to account for the externalities they create for society when making decisions on labour, investment, and innovation. What is required is a reimagination of the relationship between public and private spheres which more closely reflects the alignment of their interests and the benefits from collaboration. A dynamic set of public-private partnerships that develop locally, with the backing of central government and within the context of a national mission to create a good-jobs economy, would set the UK on a path to a more prosperous, more inclusive future.

Appendix

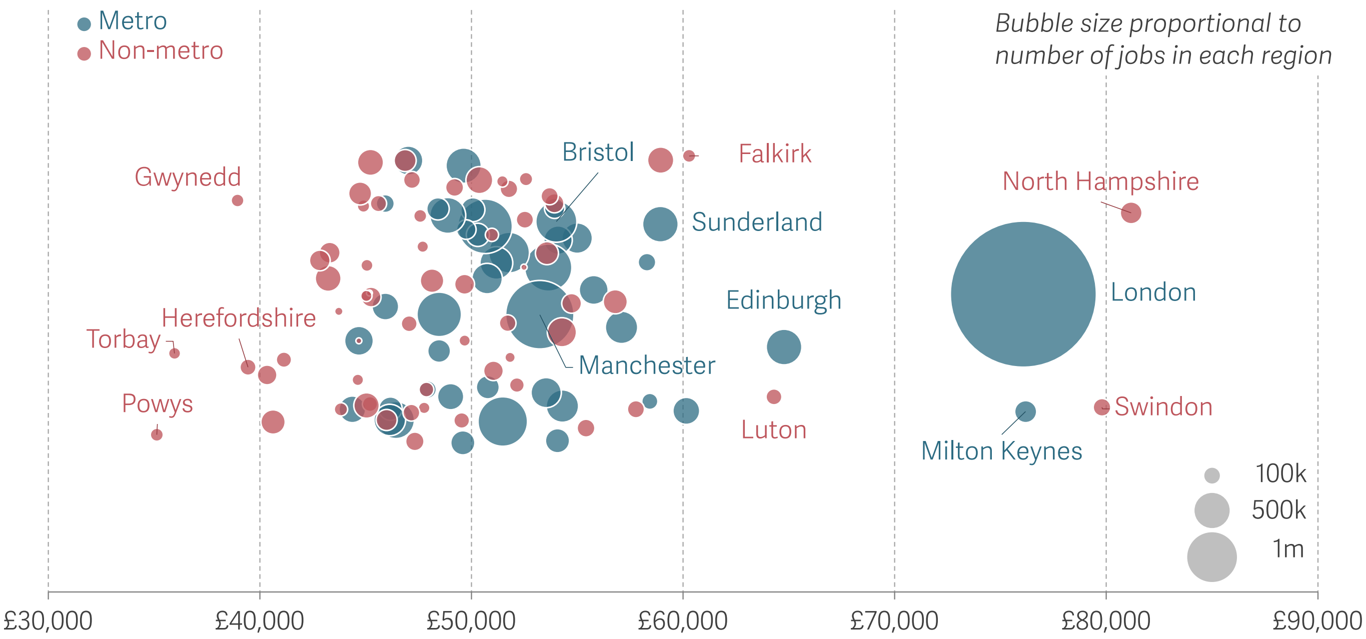
FIGURE 1: **The UK performs in the middle of the pack of OECD on income, but poorly on inequality.**

Gini coefficient and average disposable income per capita at PPP: 2018, OECD



NOTES: Income is equivalised and PPP adjusted.
SOURCE: OECD, Income Inequality Database.

FIGURE 2: **Cities outside London notably underperform UK average in productivity**
Gross value added (GVA) per job, by area: 2019



NOTES: GVA per job in 2019, calculated as gross value added divided by number of jobs by workplace. Spatial units are a combination of OECD metro areas and NUTS3 for non-metro areas.
SOURCE: Analysis of ONS, Subregional Productivity, July 2021. See also: Resolution Foundation & Centre for Economic Performance, LSE, Stagnation nation: Navigating a route to a fairer and more prosperous Britain, Resolution Foundation, July 2022; and P Swinney & K Enenkel, Why Big Cities are Crucial for Levelling Up, Centre for Cities, February 2020.

STEERING
Economic
CHANGE

THE
ECONOMY 2030
INQUIRY

Steering economic change: how policy can promote stronger growth and shared prosperity

As the UK is buffeted by the economic shocks and challenges of the 2020s, The Economy 2030 Inquiry, a collaboration between the Resolution Foundation and the Centre for Economic Performance at the London School of Economics (LSE), funded by the Nuffield Foundation, is setting out a new economic strategy. To feed into this process we are publishing a series of externally-written policy essays. Each aims to provoke public debate on a specific policy area, and sketch out an agenda that will contribute towards the wider goal of the UK becoming a higher growth, lower inequality economy.

The essays cover topics ranging from the role of smarter regulation in supporting economic growth, ensuring that the goal of 'good jobs' is embedded in our national industrial strategy, and the role of the higher education sector in providing the skills needed to power our services dominated economy.

They are written by a range of leading economists and policy experts, and reflect the views of the authors rather than those of the Resolution Foundation, the LSE or The Economy 2030 Inquiry.

They have been commissioned and edited by Gavin Kelly (Chair of the Resolution Foundation and member of the Economy 2030 steering group) and various members of The 2030 Economic Inquiry team.