Ending Stagnation: Technical Annex

Gregory Thwaites & Lalitha Try

December 2023

Acknowledgements

Citation

If you are using this document in your own writing, our preferred citation is:

Gregory Thwaites and Lalitha Try, *Ending Stagnation: Technical Annex: ,*
Resolution Foundation, December 2023

Permission to share

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.

The Nuffield Foundation

The Nuffield Foundation is an independent charitable trust with a mission to advance social well-being. It funds research that informs social policy, primarily in Education, Welfare, and Justice. It also funds student programmes that provide opportunities for young people to develop skills in quantitative and scientific methods. The Nuffield Foundation is the founder and co-funder of the Nuffield Council on Bioethics and the Ada Lovelace Institute. The Foundation has funded this project, but the views expressed are those of the authors and not necessarily the Foundation. Visit www.nuffieldfoundation.org.

Introduction

This briefing note provides technical background to Chapter 9 of Ending Stagnation, the final report of the Economy 2030 Inquiry.[1] That report sets out a strategy and package of policies to boost the nation's lacklustre growth while also reducing its high level of inequality. To demonstrate the size of the potential prize, we presented some illustrative simulations of the impact of our economic strategy on GDP and the distribution of incomes for the working-age population. This document explains these simulations in more detail, emphasising the key judgements we have made and the tools that we have used. It is not a replication guide, nor is it an exhaustive treatise on how this exercise could have been done differently. The aim is to show the interested reader how we generated our results, and why we chose our particular approach.

The goal of this modelling

Although some of the Economy 2030 Inquiry's recommendations could be implemented and take effect rapidly, in many cases the full impact would take years to be felt in full. Writing in late 2023, we cannot expect policy to greatly increase the size of the economy in the short term. We therefore try to establish what impact the Inquiry's policies might have on incomes in the longer term, specifically by 2039-40. This is ultimately an arbitrary choice (and in some cases the positive impacts would increase further beyond that year), but allows 15 full years for changes to take effect.[2]

Our analysis results in an estimate of the full impact of the Inquiry's recommendations on non-pensioner household incomes across the income distribution, and how this compares to what would happen in the absence of such policy change. This includes assumptions about the wage distribution, non-labour incomes, house prices, changes in hours and employment, and how tax and benefit changes would impact on growth across different sets of households. But we begin by assessing how much the Inquiry's recommendations could boost GDP and wages at the aggregate level.

Estimating the impact on GDP and average wages – overall framework

The organising framework for our estimates of the impact of policy on overall aggregate output and wages is an aggregate production function. Such an approach is a standard way of linking the amount of GDP the economy can produce to the amount of factors of production – specifically, capital (structures, machines and some intangibles like

---

1   See Resolution Foundation & Centre for Economic Performance, LSE, <u>Ending Stagnation: A New Economic Strategy for Britain</u>, Resolution Foundation, December 2023.
2   Box 31 of Ending Stagnation discusses some of the timescales involved. See: Resolution Foundation & Centre for Economic Performance, LSE, <u>Ending Stagnation: A New Economic Strategy for Britain</u>, Resolution Foundation, December 2023.

research and development) and labour (adjusted for how well-trained and experienced that labour is) – at its disposal, along with the efficiency with which these inputs are combined to produce output.

The precise functional form of this relationship, and even whether a stable relationship exists, is the subject of debate. For the purposes of this exercise, we choose the simplest and most standard textbook version – a constant returns 'Cobb-Douglas' production function with an exponent on capital of 0.35.[3] Cobb-Douglas production functions have the simplifying property that the proportional change to output from a proportional increase in a given factor (known as an 'elasticity') is always the same, however much capital and labour the economy starts with. A 1 per cent increase in the capital stock always boosts output by 0.35 per cent (that is the meaning of the exponent). The constant returns assumption means that doubling all inputs doubles output, the implication being that a 1 per cent increase in labour supply (the only other input) must always increase output by 1 – 0.35 = 0.65 per cent.

The upshot is that working out how much the strategy will boost GDP boils down to estimating how the policy package will affect the amount of capital and labour in the economy, and how efficiently these resources will be used.

We group the impact of our different elements of the policy package into the accounting table shown in Table 1. Each of the rows shows a different channel or group of policies. The first four columns show the contribution, in percentage points, of each policy to the change in GDP relative to the baseline counterfactual. The latter two of these four columns both relate to labour supply. Labour quantity refers to the impact of extra hours of labour input, coming through either changes in employment in heads, or higher average hours, adjusted for the productivity of the extra hours relative to the average. So to the extent that productivity is proportional to wages, and that our policy package disproportionately boosts labour input by lower-paid workers, total productivity-adjusted labour supply will rise by less than the simple increase in hours worked would suggest. By the same token, an improvement in the training levels of the workforce will result in a positive labour-quality contribution to GDP, even if the number of hours worked doesn't change.

A rise in labour supply will tend to lower the capital-labour ratio unless investment also increases. This is why a 1 per cent rise in labour supply will only increase output by 0.65 per cent. However, this increased labour supply will tend to raise the return on capital and stimulate investment. In the long run, if the investment-GDP ratio remains constant then the capital-labour ratio will come back to baseline following the increase in labour supply, such that a 1 per cent increase in labour supply will increase GDP by 1 per cent.

3   0.35 is a standard value in the literature. See for example R J Barro & X I Sala-i-Martin, Economic Growth, 2003.

But this process will take time. For accounting purposes, we assume that a 1 per cent increase in quality-adjusted labour supply results in a 1 per cent increase in GDP over the simulation horizon, and offset this by reducing reduce the contribution from a business investment rate accordingly.

Column 5 shows the total effect of each row on GDP, which is the sum of these four contributions. Column 6 shows the impact on average wages. We assume that the labour share of the economy does not change as a result of our policy package. The rise in wages is therefore equal to the difference between the increases in GDP and labour supply (i.e. the increase in labour productivity).

TABLE 1: **In total, GDP could be boosted by an extra 6.8 per cent**

Long-run impact of elements of the Inquiry policy package on GDP and wages: UK

Column	1	2	3	4	5	6
	Contributions of policy changes to higher GDP (ppts)				Total impact on GDP or wages (%)	
Policy change grouping	Total Factor	Capital deepening	Labour quantity	Labour quality	GDP	Wages
Trade	1.0				1.0	1.0
Cities	0.4	0.4	0.3		1.2	0.8
Dynamism	0.8				0.8	0.8
Business investment		0.9			0.9	0.9
Public investment		1.5			1.5	1.5
Human capital			0.3	0.7	1.0	0.0
Unemployment Insurance			-0.2		-0.2	0.0
Labour supply			2.1	-1.3	2.1	-1.3
Total	**2.2**	**2.8**	**1.2**	**0.7**	**6.8**	**5.0**

NOTES: Numbers are in percentages and shown to 1 decimal place.
SOURCE: RF calculations.

Estimating the impact of the policy package on efficiency, capital and labour supply

We now explain how we calibrated the impact of each of the eight main elements of our policy package shown in Table 1.

Trade

The Economy 2030 Inquiry paper containing our trade policy recommendations estimated that negotiating a 'UK Protocol' for goods trade with the EU could boost GDP by 1-2 per cent by lowering trade costs, thereby encouraging specialisation in those industries where the UK is relatively efficient.[4] We take the lower end of this range and assume that the UK Protocol would ultimately raise GDP by 1 per cent. This would show up as an increase in average efficiency – i.e. Total Factor Productivity (TFP) – as resources are redeployed and trade costs fall. This estimate is conservative in that it omits any efficiency gains from our proposed Services Trade Agreements, which would be qualitatively similar, and moreover is based on (lower) static rather than dynamic estimates of the efficiency benefits of lower trade costs with the EU.

Cities

Our cities recommendations involve increasing the effective size of Birmingham and Manchester through a combination of population growth, higher employment (involving a higher employment rate of local non-graduates, and a net inflow of graduates from elsewhere in the UK), transport improvements and investments in business and housing capital.[5] These reforms are expected to boost the GDP of Birmingham and Manchester. When weighted by the shares of these two cities in UK GDP, this amounts to a 0.8 per cent increase in UK GDP. However, part of this comes from an increase in capital and labour input (see scenario 3 of Annex 1 of both papers). The rise in GDP over and above the contributions from capital and labour is the contribution from TFP, which implicitly results from the agglomeration benefits of concentrating more of the same factors in one place.

Dynamism

A key plank of the strategy set out in Ending Stagnation is about making the UK economy more dynamic and allocating more resources to the most productive parts of the economy. This will show up as increased TFP, as existing resources are allocated to more productive uses. To quantify this, we need to know two things: the amount that lower

---

4   S Bhalotia et al., Trading Up: The role of the post-Brexit trade approach in the UK's economic strategy, Resolution Foundation, June 2023.

5   See P Brandily et al., A tale of two cities (part 1): A plausible strategy for productivity growth in Birmingham and beyond, Resolution Foundation, September 2023; and P Brandily et al., A tale of two cities (part 2): A plausible strategy for productivity growth in Greater Manchester and beyond, Resolution Foundation, September 2023.

dynamism has reduced GDP (or equivalently the amount that an extra 'unit' of dynamism would increase GDP); and the amount that our strategy will lead dynamism to increase. Both of these parameters are difficult to quantify, so we accordingly take a conservative approach. Recent academic research finds that reduced dynamism may have lowered US GDP by 3 per cent. We assume that our dynamism-affecting policies on tax, planning and human capital increase TFP by the equivalent of one-quarter of this fall, but we acknowledge that this judgement is especially uncertain. We do not assume any effect from a change in the sectoral composition of the economy beyond that which is implicit elsewhere in the accounting table (for example in the Cities, Trade or Human Capital rows), even though this contributed as much as 0.4 percentage points to annual GDP growth in the pre-financial crisis.[6]

Business investment

Our business investment recommendations include reforms to the business tax system, land use, the pension system and corporate governance. We assume a 1 percentage point rise in the ratio of business investment to GDP, which would close half of the gap between the rate in the UK and the average of France, Germany and the US. The proportional impact this will have on the capital stock after 15 years depends on three things – how big the capital stock is to begin with, how quickly this new investment depreciates, and how quickly the baseline growth rate of the economy shrinks the capital stock relative to GDP. We set the initial capital-output ratio equal to 2.3 (the aggregate net capital stock divided by GDP, both in current prices), the depreciation rate at a standard value of 4.6 per cent, and the baseline growth rate of GDP equal to 1.2 per cent. The result is that potential GDP is increased by around 1.5 per cent. However, in the accounting table we subtract from this the temporary rise in investment that is needed to keep the capital-labour ratio constant when extra labour is added to the economy. We also subtract half of the capital needed to deliver our Cities strategy (on the assumption that the other half comes from the public sector). Taking all of these factors into account, the rise in business investment contributes a further 0.9 percentage points to the increase in GDP after 15 years.

Public investment

We model the impact of raising the UK's ratio of public investment to GDP from the 2.2 per cent in the 2022 Autumn Statement plans by 0.8 percentage points to 3 per cent, close to the OECD average of 3.2 per cent. To estimate the impact on GDP, we take the average of the production function approach for business investment set out above, scaled by the smaller boost to aggregate investment, and taking an average of an estimate of the elasticity of GDP with respect to public capital from a survey article of

---

6   R Davies et al., Ready for change: How and why to make the UK economy more dynamic, Resolution Foundation, September 2023

empirical estimates and the elasticity of our production function approach above.[7] The survey article estimate (an elasticity of 0.1) implies that public investment is much more productive than business investment at the margin in the UK, given that the starting value of the public capital stock is so low (at around 40 per cent of GDP).[8] The result is that potential GDP is increased by around 1.7 per cent after 15 years, but 0.2 percentage points of this is already accounted for in the Cities strategy, leaving a remaining contribution of 1.5 per cent.

Human capital

The UK is an outlier, relative to other OECD countries, in its high proportion of the working-age population with qualifications below Level 3 (A-level), and low proportion with qualifications between A-levels and Bachelors' degrees (levels 4 and 5). We model an improvement in the form of a halving in the number of young people below level 3, and a doubling in the number with levels 4 and 5, while holding the graduate share fixed. To estimate the qualification levels of the current flow of young people, we average the composition of the current stock of workers between age 18 and 30, on the grounds that most lifetime education is complete by age 30. Given the age distribution of the population, we can translate this into a change in the stock of workers by qualification in 15 years' time.

Improvements in human capital boost GDP through two channels in our estimates. First, and most obviously, better-qualified workers are paid more. To the extent that pay is correlated with productivity, an improvement in qualifications will increase labour quality and potential GDP. We quantify this effect by measuring the average hourly pay rates of each qualification group using the Labour Force Survey, and then measuring the change in total average pay resulting from a change in labour-force composition. The result is that improved labour quality will boost GDP by 0.7 per cent.

Human capital also boosts GDP through employment; better-qualified workers tend to have higher employment rates.[9] We measure the employment rates of the working-age population by educational group and, analogously to average wages, quantify the impact of changing the composition on total employment. The result is that total employment increases by 0.3 per cent. We do not make any allowance for a (probably positive) increase in average hours per employee through this channel.

---

7   See P Bom & J Ligthart, What have we learned from three decades of research on the productivity of public capital?, Journal of Economic Surveys, 28/5, 2013.
8   Source: ONS, Capital stocks and fixed capital consumption, January 2023
9   Source: RF analysis of Labour Force Survey.

Unemployment Insurance

New earnings-related Unemployment Insurance is an important driver of improved economic dynamism and resource allocation in our strategy.[10] It works by enabling people who lose their jobs involuntarily to spend a bit longer searching for a new job, finding a better one and improving worker-firm matches and productivity in the process. However, alongside the positive effects on dynamism (included above), longer job searching would mean higher unemployment. We model the impact on average unemployment and hence labour supply by thinking about flows into and out from the pool of unemployed workers. Payments are only available to those who become unemployed involuntarily, so we do not model any increase in inflow rates. We estimate that around 50,000 workers would be currently eligible for the benefit, and assume that they spend an extra month searching for a job. This reduces the outflow rate from the pool of unemployed, such that the stock must get bigger to achieve the same flow in terms of number of workers. Inflows and outflows balance at an unemployment rate 0.1 percentage points higher, which reduces employment and GDP by 0.2 per cent.

Labour supply

The incidence of low weekly pay has not fallen over the past decade by nearly as much as that of low hourly pay, because many workers with low hourly pay work relatively few hours.[11] Our qualitative evidence suggests that this is in part due to the working conditions for low-paid workers, and is consistent with survey evidence that these workers' job satisfaction has fallen the most in recent decades. The strategy set out in Ending Stagnation aims to improve working conditions both for its own sake and as a means to increase labour supply and incomes.

We model an increase in average hours of one hour per week among low-paid workers in the bottom 40 per cent of the hourly-wage distribution who work below average weekly hours for their hourly wage quintile. This would be a 0.7 per cent increase in total hours worked and, on the assumption that wages are proportional to productivity, is equivalent to a 0.4 per cent increase in productivity-adjusted labour input. Turning from hours to employment, we also model the impact of a 1.5 percentage point increase in the employment rate, just over half the increase in the rate since 2008, comprised of currently non-employed people who are assumed to move into the bottom 40 per cent of the weekly-wage distribution. This amounts to a further approximately 1 per cent increase

10 M Brewer & L Murphy, From safety to springboard: Designing an unemployment insurance scheme to protect living standards and boost economic dynamism, Resolution Foundation, September 2023.
11 N Cominetti et al., Low Pay Britain 2023: Improving low-paid work through higher minimum standards, Resolution Foundation, April 2023.

in productivity-adjusted labour input. Part of the increase in employment is already accounted for in the Cities and Human Capital lines, such that the total remaining increase in GDP from quality-adjusted labour supply is around 0.8 per cent.

Total impact

As set out in Table 1, all of this adds up to an increase in GDP of roughly 7 per cent, to which the increase in labour supply contributes 2 percentage points such that productivity and average wage rates should increase by 5 per cent. Over a 15-year period, this would contribute to extra GDP growth of an average of 0.4 per cent per year. This would amount to a very material improvement in the UK economy, consistent with (and conditional upon) the adoption of a radical programme of economic reform. But it would still leave the UK well behind comparable countries: closing around 30 per cent of the average productivity gap with France, Germany and the US, and moving the UK from the 56th to the 61st percentile of the OECD per capita GDP distribution. We have been conservative in our judgements on average, most notably in assuming a relatively small rise in business investment, a small boost to GDP from lowering EU trade costs, and conservative multipliers for public investment. We have not included any separate rise in GDP from our tax measures, except insofar as they help to drive business investment and dynamism. Similarly, the macroeconomic framework is not assumed to have a separate impact here, although an improved framework for policy should reduce the impact downturns and so could raise the average level of GDP. On the other hand, it is possible that measures to boost real wages will reduce labour supply (if more prosperous workers prioritise additional leisure time), blunting their impact on GDP, in a reversal of the 2010s experience of weak real wages and rising employment rates.

Estimating the impact of the policy package on the distribution of incomes

We now turn to the impact of our policy package on the distribution of household incomes. We use the IPPR Tax Benefit Model and the DWP's Family Resources Survey data (from 2019-20) to model the impact on disposable incomes after housing costs by vigintile by successively applying changes to the parameters of a series of simulations which are consistent with the aggregate impact set out above. We focus on non-pensioners given that pensioner living standards are much less impacted by contemporary economic changes.

The baseline

Our baseline 'no policy change' scenario for the financial year 2039-40 is constructed by assuming inflation of 2 per cent per year and nominal average weekly earnings growth

of 2.9 per cent per year. This is consistent with productivity growth of 0.9 per cent, which is roughly halfway between the OBR's long-term assumptions of 1.2 per cent and the Bank of England's weaker outlook for the medium-term of 0.7 per cent. For the purpose of this baseline modelling, benefit levels and caps, housing costs and tax thresholds are all uprated from current levels up to 2039-40 in line with inflation, except for Income Tax and National Insurance thresholds, which are fixed until 2027-28; and the two-child limit, for which a full roll-out is assumed. Because our focus is on the marginal impact of the Inquiry's policies in 2039-40, this baseline is not intended to necessarily be the best possible prediction for growth up to that point – we do not include demographic change, for example – but it nonetheless provides approximate context given existing projections for real earnings.

Growth in market incomes

Given the policy impacts set out in Table 1, our 'additional growth' scenario increases the level of wages and unearned income by around 5 per cent. Figure 1 shows that the effect of raising market incomes is to increase inequality, because non-market incomes are only indexed to inflation and form a greater fraction of income towards the bottom of the income distribution.

FIGURE 1: **If we continue on our current path the outlook for income growth over the next 15 years is grim for low-income households**

Real change in net equivalised working-age household income (after housing costs) between 2024-25 and 2039-40, by income vigintile: UK
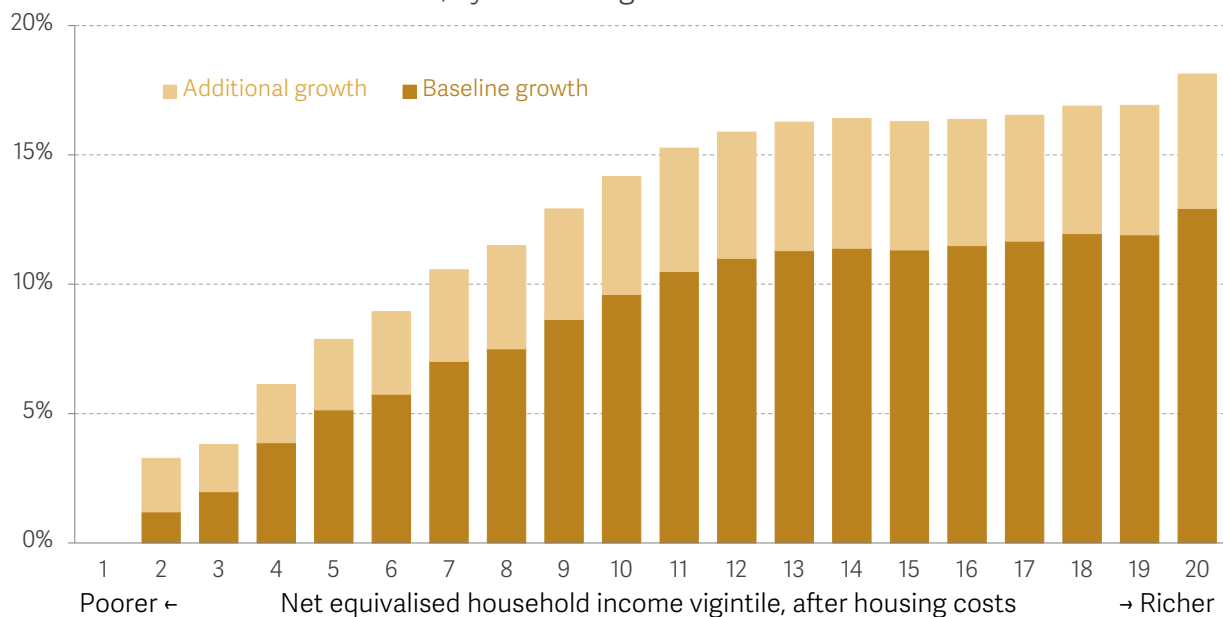
NOTES: We exclude the bottom 5 per cent due to concerns about the reliability of data for this group.
SOURCE: Analysis of DWP, Family Resources Survey, using the IPPR Tax Benefit Model.

Progressive wage growth

Our second simulation involves making these wage gains more progressive by tilting them towards the bottom of the hourly wage distribution – increasing the bottom decile by a further 6.9 per cent and reducing the top decile by 5.6 per cent (see Figure 2), such that the total change in wages due to our policies are an increase of 12.4 and a fall of 0.8 per cent respectively (ignoring baseline earnings growth). This was calibrated with reference to the flattening of the wage distribution over the past 20 years, and is driven by our recommendations for further rises in the National Living Wage, improved human capital (which will tend to raise the wages of lower-paid workers more) and greater access to trade unions.

FIGURE 2: **Further increases in the National Living Wage, improved human capital, and greater access to trade unions all contribute to pay growth becoming more progressive**

Impact of pre-distribution on hourly pay by hourly pay decile: UK
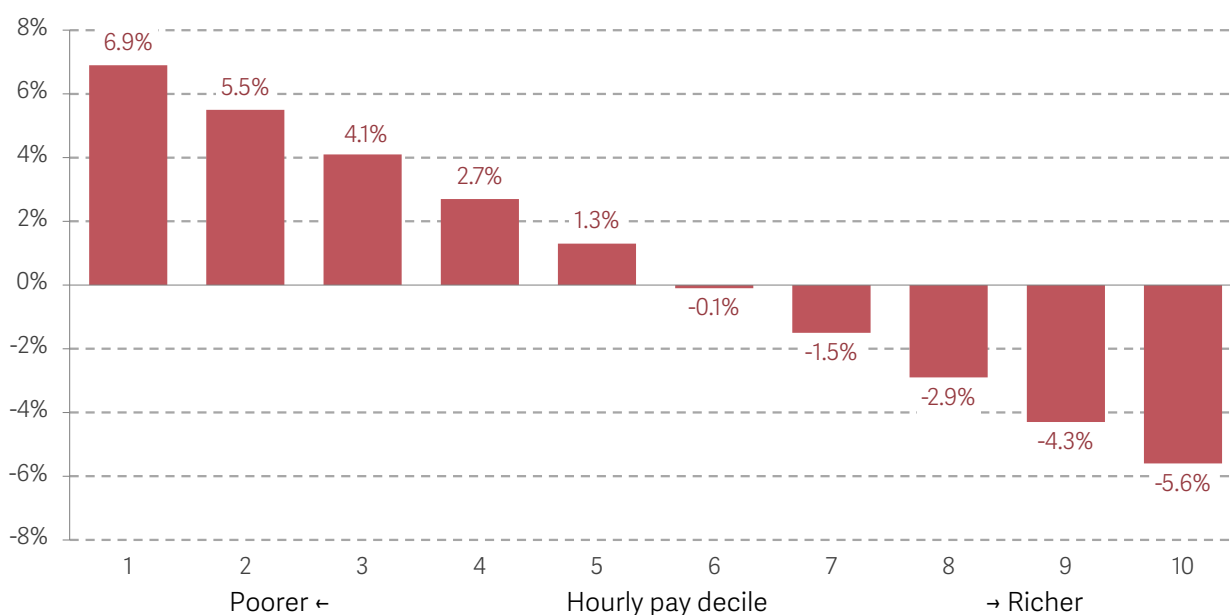

SOURCE: RF calculations.

A progressive increase in working hours and employment

Our next two simulations introduce progressive increases in hours and employment. The hours change (an increase in average hours of one hour per week among low-paid workers in the bottom 40 per cent of the hourly-wage distribution who work below average weekly hours for their hourly wage quintile) takes place first, followed by the employment change. The employment change involves moving people from unemployment into employment randomly, by matching each unemployed data observation with an employed data observation and giving the former the employment

status and earnings of the latter. Figure 3 shows that both of these changes improve outcomes in lower and middle parts of the income distribution.

FIGURE 3: **Pre-distribution shares growth more fairly but inequality still rises**

Real change in net equivalised working-age household income (after housing costs) between 2024-25 and 2039-40, by income vigintile: UK
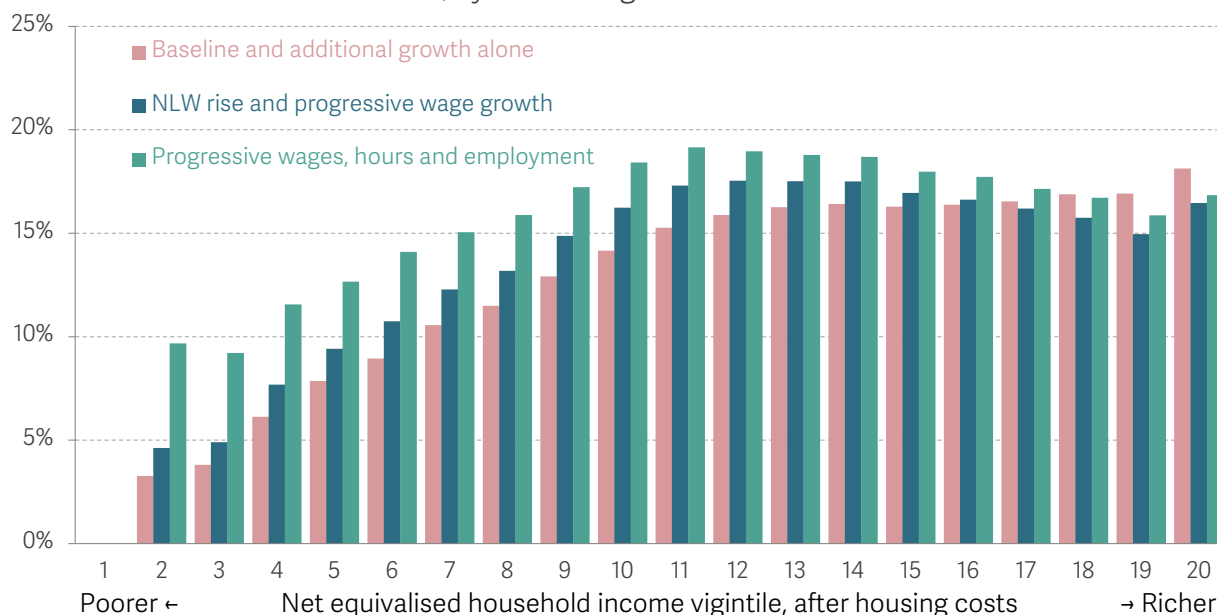
NOTES: We exclude the bottom 5 per cent due to concerns about the reliability of data for this group.
SOURCE: Analysis of DWP, Family Resources Survey, using the IPPR Tax Benefit Model.

Tax and benefit reform

On top of these changes in market incomes, we then model the effects of changes in tax and benefit policies. As discussed in Ending Stagnation, the key benefit changes (excluding housing – see below) are the uprating of non-pensioner benefits in line with average earnings (both baseline and additional earnings growth) rather than prices, and the scrapping of the two-child limit. Note that this is one of a number of ways in which the parameters of the baseline simulation affect the impact of the policy package – the higher that earnings growth is in the baseline, the more impactful a decision to uprate benefits in line with earnings will be.

Some tax policy changes set out in Ending Stagnation are not included as their distribution is uncertain or conceptually different, such as changes in Stamp Duty Land Tax or Inheritance Tax.[12] But changes to Council Tax and National Insurance are included across the distribution, as are Capital Gains Tax and non-dom tax reforms which are assumed to only affect the richest 5 per cent. The introduction of a Road Duty for electric vehicles is also included, based on the existing distribution of Fuel Duty.

---

12   M Broome, A Corlett & G Thwaites, Tax planning: How to match higher taxes with better taxes, Resolution Foundation, June 2023.

FIGURE 4: **Tax and benefit reforms ensure that economic growth is shared and inequality falls**

Real change in net equivalised working-age household income (after housing costs) between 2024-25 and 2039-40, by income vigintile: UK
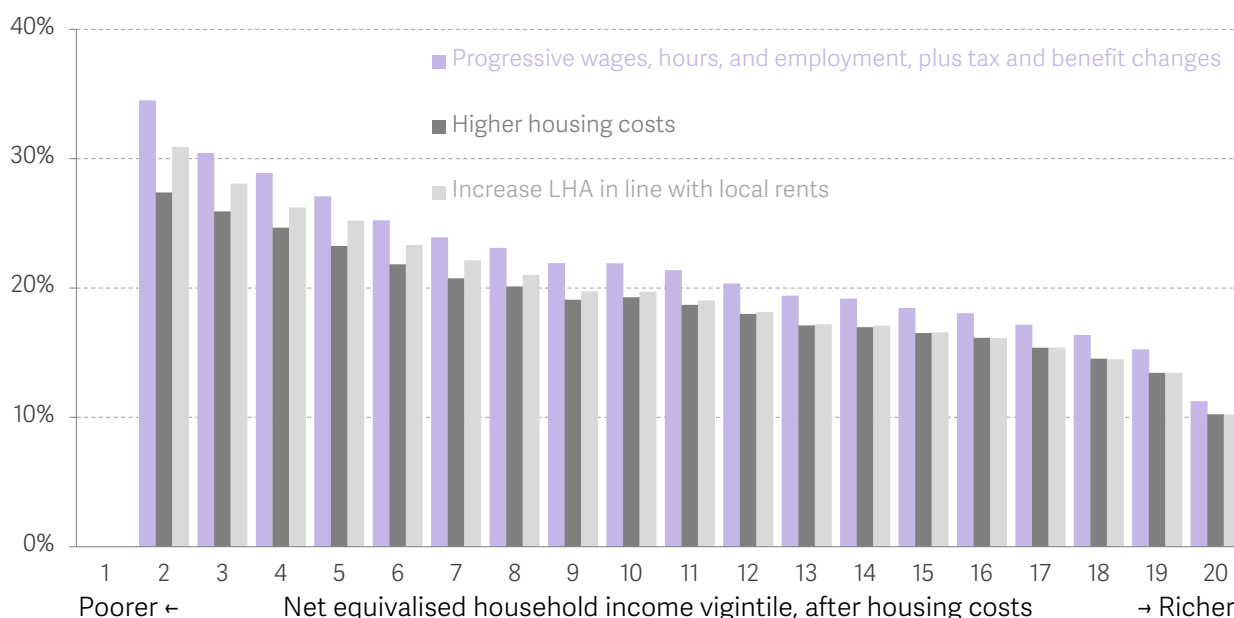

NOTES: We exclude the bottom 5 per cent due to concerns about the reliability of data for this group.
SOURCE: Analysis of DWP, Family Resources Survey, using the IPPR Tax Benefit Model.

Housing costs and Local Housing Allowance

Stronger growth in earnings will tend to raise the relative price of housing, specifically making mortgage costs and private rents higher. Households closer to the bottom of the earnings distribution are more likely to have housing costs, meaning they are more likely to be affected by these rises. We don't model the specific impact of our housing policies (excluding LHA) on the income distribution, but we do show the impact of raising housing costs in line with earnings on after-housing-cost income in Figure 5, along with the (progressive) impact of linking Local Housing Allowance (LHA) to rents (proxied by increasing these in line earnings).

FIGURE 5: **Higher housing costs will reduce incomes, but linking Local Housing Allowances to local rents will make up some of the gap for low-income households**

Change in net equivalised working-age household income (after housing costs), by income vigintile: UK, 2039-40 Notes: We exclude the bottom 5 per cent due to concerns about the reliability of data for this group.

NOTES: We exclude the bottom 5 per cent due to concerns about the reliability of data for this group.
SOURCE: Analysis of DWP, Family Resources Survey, using the IPPR Tax Benefit Model.

The indexation of LHA and working-age benefits to earnings will have a substantial gross fiscal cost. However, the net impact of the policies set out here is likely to be materially fiscally positive, for two broad reasons. First, our tax package is expected to raise revenue (around 1.3 per cent of GDP overall). Secondly, extra growth will tend to generate revenue. As explained in Ending Stagnation, this revenue will substantially exceed the extra fiscal costs associated with paying benefits and public wages at higher rates.

Our policy package achieves our twin aims of boosting growth and reducing inequality: the package significantly boosts income growth across the distribution, and also ensures that the gains are widely shared and significantly tilted towards the bottom end of the income distribution. Median household incomes grow more than twice as fast under our policy package compared to the baseline. Relative poverty falls by 1.3 million over 15 years, instead of rising by 1.1 million as it would have done under the baseline scenario. Furthermore, inequality as measured by the Gini coefficient (of non-pensioner after housing cost income) falls by 2.5 percentage points under our policy package, instead of increasing by 1.2 percentage points in the baseline scenario. Our policies also ensure above average income gains for structurally disadvantaged groups such as single parents, households with a disability, and Bangladeshi and Pakistani households.

Conclusion

In this note we have explained the judgements and modelling techniques used to quantify the impact of our policy package on growth and distribution. While the projected increases in incomes are large and progressive, they are the logical consequence of a series of modest bottom-up assumptions. Moreover, they take the UK towards, but not all the way, levels of income and inequality seen in comparable countries.

The UK is on the brink of a decade of huge economic change – from the Covid-19 recovery, to exiting the EU and transitioning towards a Net Zero future. The Economy 2030 Inquiry will examine this decisive decade for Britain, and set out a plan for how we can successfully navigate it.

The Inquiry is a collaboration between the Resolution Foundation and the Centre for Economic Performance at the London School of Economics. It is funded by the Nuffield Foundation.

For more information on The Economy 2030 Inquiry, visit economy2030.resolutionfoundation.org.

For more information on this report, contact:

Gregory Thwaites
Research Director
Gregory.Thwaites@ResolutionFoundation.org

Centre for Economic Performance

Resolution Foundation

Funded by

Nuffield Foundation