

TUC submission for the 2026 budget

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Date: September 2026

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Introduction

The Prime Minister came into office acknowledging the scale of the challenge facing our country, and the urgent need for change. As he said in his first Commons appearance:

“When it comes to the biggest issues facing the country, the economy and the cost of living crisis, people are looking for much more substantial change as promised in our manifesto and that is what I will bring.

“Britain is not where any of us would wish it to be. Things are not working as they should. Life is too expensive and too hard for too many.”¹

This is right diagnosis – the imperative now is to deliver for working people.

Too many middle earners work hard but still struggle to enjoy life. Those at the sharp end have been pushed from just keeping their heads above water to struggling to get by at all.

The affordability crisis is a problem for households and their children, and a problem for our economy.

The government inherited an unprecedented set of challenges from the Conservatives – a stagnant economy and high public debt, an historic living standards crisis, rising youth worklessness, rock bottom investment rates and decimated public services. Trump’s tariffs and the costs of conflict in the Middle East continue to impact our immediate prospects.

As the Prime Minister also set out, this did not happen by accident. It was the result of a series of choices, taken by Conservative-led governments who continued with policy failures, rather than change course:

“Political power was centralised, economic power privatised, the country deindustrialised, austerity followed, hollowing out councils and depriving them of the agency to act to reverse any of this.

“And then Brexit compounded the damage, ushering in a decade of low growth and stalled regeneration.”²

The Conservatives also took choices about who paid the price – and oversaw a cost-of-living crisis unparalleled in modern history. Time after time, workers borne the brunt of higher costs, insecure work, public sector pay squeezes, while those at the top continued to accrue wealth, and large corporations were gifted windfall profits.

¹ Burnham, Andy. (2026) “Statement to the House of Commons.”

<https://www.gov.uk/government/speeches/pm-statement-to-the-house-of-commons-1-september-2026>

² Ibid.

In the face of this bleak inheritance, and a difficult international context, the Labour government has continued to act to support living standards, grow the economy and start to improve our public services. While constrained, our economy is performing better than many of our international competitors. Investment rates are up. Despite rising pressures, employment overall is steady. Evidence shows us that change is possible, and that progress has already started.

But the pace has not been fast enough - and too many long-term challenges remain. There is much more to be done to set the country on the right path. It's time for a step-change to deliver an economy that works for working people across the country.

The living standards crisis remains the most significant issue facing households and recent high inflation, driven by international pressures, has exacerbated its impacts. So in the immediate term the government must support family budgets - both to target rising living standards and as an essential means to support stronger growth.

Alongside this, concerted action is needed to drive up investment, increase trade and reduce regional growth gaps.

In the jobs market, too many workers face a crisis of insecurity. Reducing the number of young people not in education, employment and training, closing employment rate gaps and boosting reindustrialisation must also be government priorities. Higher employment rates and more secure jobs go hand in hand – improving retention, labour market participation and incentivising much needed investment in training. More than a decade of increased insecurity at work has helped deliver today's record NEET rates – we must learn the lessons from these failures and pull every lever to drive up the quality of work.

The crucial role public services need to play in rebuilding Britain – not least in improving living standards and supporting more people into good work - must be recognised, and properly funded.

A growing economy is the best way to support a higher tax base, and increase the revenue coming into government. But with the wealthiest and banks in particular making large profits, partly due to the high interest rates that have worsened household finances, taxes on wealth should be used to finance immediate support. Beyond these immediate actions, we need reform to corporate governance rules and a debate on the fiscal framework's ability to support growth.

Despite this challenging context, the Budget is an opportunity to accelerate the pace the change. The TUC's most urgent priorities include:

- A permanent, multi-level social tariff to support middle- and lower-income households with rising energy bills.
- Action to reduce uncompetitive industrial energy costs, expanding British Industrial Competitiveness Scheme (BICS) to cover all manufacturing and shifting all or a greater proportion of 'policy costs' onto general taxation.

- An ambitious plan for reindustrialisation including a reformed National Wealth Fund.
- Re-instatement of union-led learning across the country with a new Workplace Skills Partnership Fund alongside steps to stabilise the ongoing provision of Trade Union Education - a vital delivery mechanism ensuring the new Employment Rights Act makes a real difference across the country.
- Delivery of the Employment Rights Act 2025 and the wider Make Work Pay agenda in full, supported by an uplift in funding for the dispute resolution, enforcement and implementation costs that must be met if this agenda is to be effective.
- Tackling the crisis of one million young people not in education, employment or training by following the evidence and investing in high-quality employment programmes, training and wider public services.
- A long-term public service workforce strategy developed and delivered in partnership with trade unions and employers.
- Fully funded public sector pay awards and ensuring funding settlements provide sufficient resources to maintain staffing levels and service quality.
- Increased public investment, delivered via existing fiscal rules.
- Increased taxes on wealth and corporations including by increasing the bank surcharge, equalising Capital Gains Tax (CGT) and initiating a review of corporation tax reliefs.

The importance of getting this right extends beyond growth figures and political headlines. This budget is a crucial opportunity to demonstrate that our country can be different. After years of promises, people are deeply sceptical about the possibility their living standards could improve, that their lives could get better, and even more sceptical that our current politics can deliver that improvement.

We all have a role in showing change is possible, and working together to set our country on the right course.

Trade unions, bargaining with employers to deliver improvements in workers' terms and conditions, to broker better access to training and skills and work with businesses to drive up the quality of work.

Employers, taking a chance on young workers with potential, giving them their first secure job and a foothold into the working world.

And Government, providing the immediate support to households and businesses that will help them through a cost-of-living crisis not of their making, alongside the long-term vision and investment that will bring better jobs, better public services and ensure the benefits of growth are fairly shared.

The current economic position

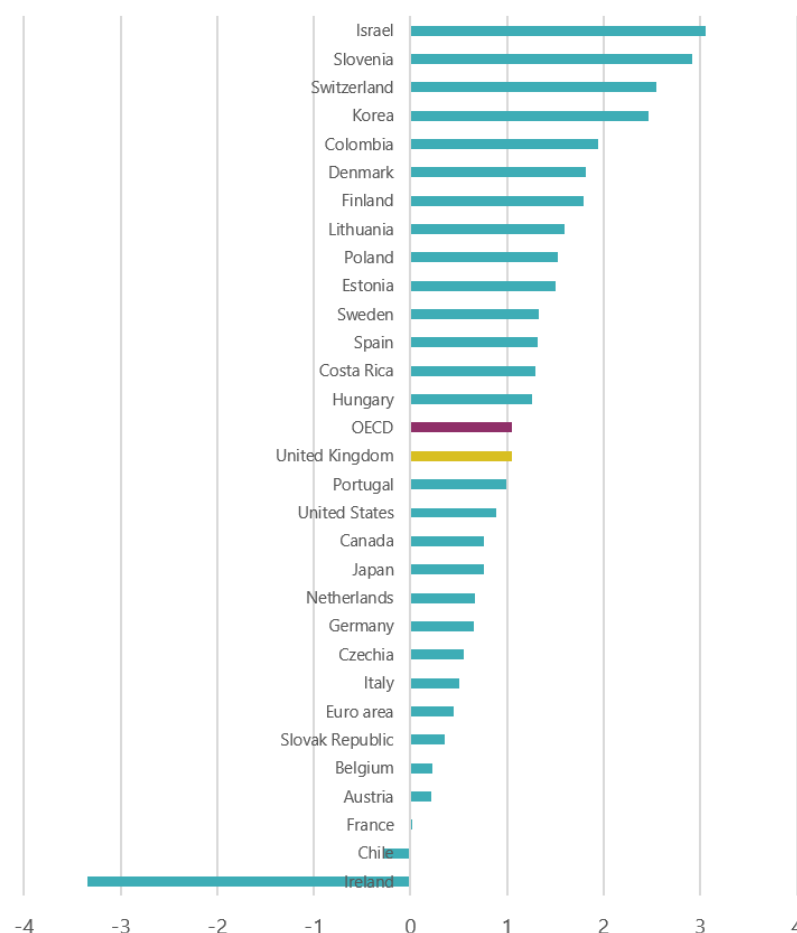
This submission sets out the TUC's assessment of the UK's current economic position and our priorities for action. It makes the case for a living standards budget that supports short-term demand while acting at pace to turn around long-term challenges. The first two sections set out our analysis of growth and living standards, and jobs and employment. Further sections outline our priorities: affordable essentials, good jobs in strong and growing industries, rising wages, incomes and quality of work, public services you can rely on and action to enable growth across the economy.

Growth and living standards

Stronger growth and rising living standards must go hand in hand.

While UK growth rates are improving, they remain historically weak. But some important improvements have been made over the past two years. 2026 began positively with growth of 1 per cent over the first half of the year. This is the fastest growth rate of all G7 economies and matches the OECD average.

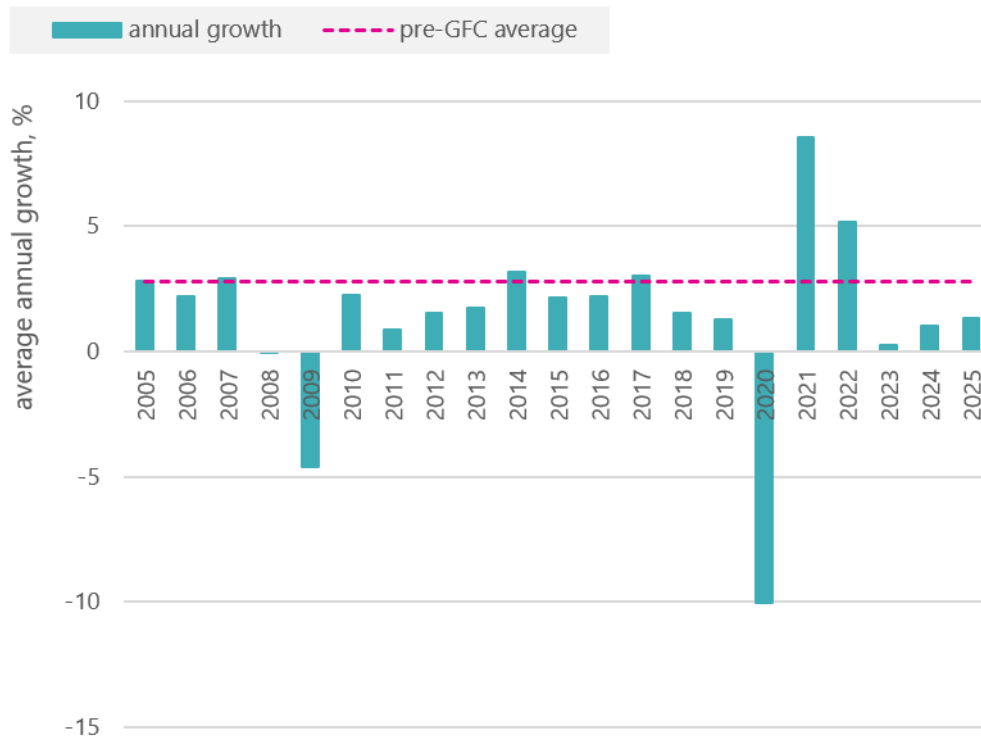
Chart 1: GDP growth over 2026 H1, per cent



Source: OECD and TUC calculations

Annually, growth had picked up a little to 1 per cent in 2024 and 1.3 per cent in 2025.

Chart 2: GDP growth, per cent



Source: ONS

These are welcome and important improvements. But our growth rate remains under half of the pre-global financial crisis average of 2.8 per cent (Chart 2) – and the Office for Budget Responsibility (OBR) forecast is for growth of 1.4 per cent this year and 1.5 per cent in all following years to 2030.

So, while progress has started, the UK still needs to break free from its post-2010 cycle of weak GDP.

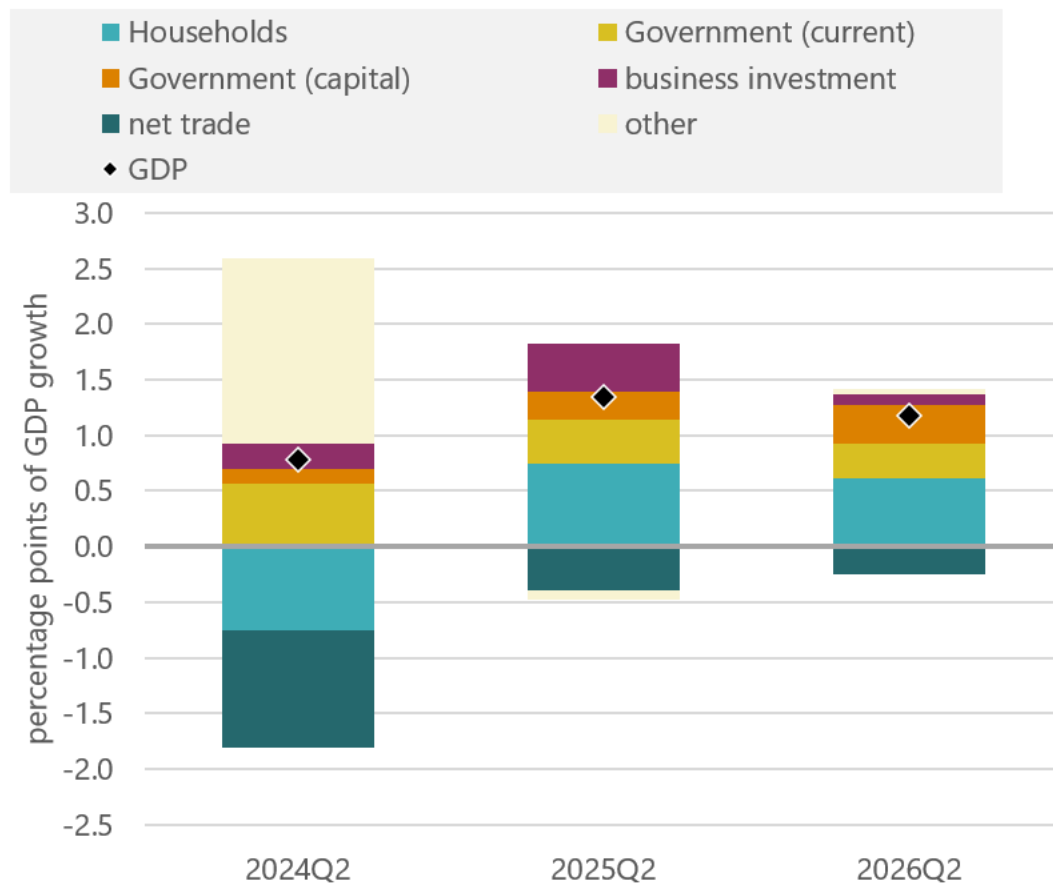
Strengthening consumer demand to boost growth

Chart 3 shows four quarter growth in GDP (and contributions to growth) according to expenditure components over the last three years. The key missing component is consumer demand. Despite some small revival, no real momentum has yet been built, meaning a major driver of growth in our economy is severely underperforming.

Ahead of the global financial crisis consumer demand contributed an average of 2 per cent percentage points a year. Ahead of the pandemic, after the worse of austerity it was 1.5 per cent percentage points a year. Since 2025 this has dropped to 0.7 per cent percentage points.

These figures starkly set out the economic impacts of a sustained cost of living crisis – driven by both poor real wage growth and persistently high interest rates.

Chart 3: Annual GDP growth: contributions of expenditure components, ppts



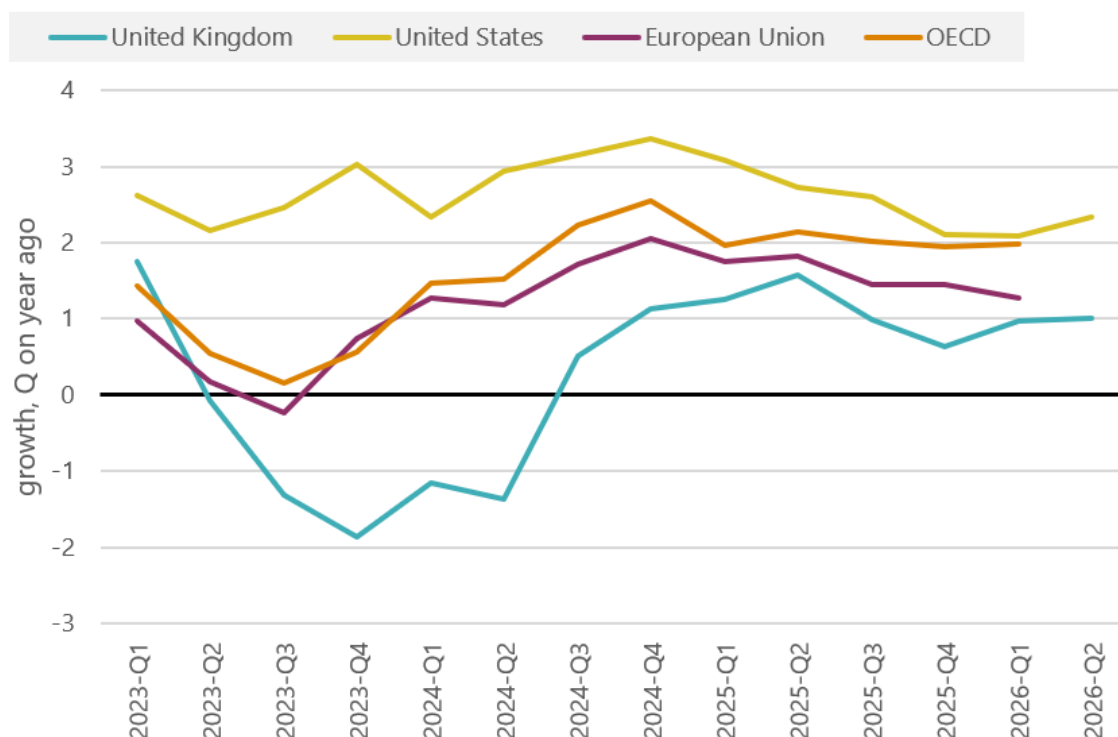
Source: ONS and TUC calculations

So stronger consumer demand is vital to restoring UK growth. This is a two-way street: higher GDP per head is needed to secure more good jobs and higher wages; and rising consumer incomes and subsequent higher spending will also make an important contribution to economic growth. Delivering strong and sustained increases in growth rates will need action to boost demand and boost our overall productive capacity.

Chart 4 shows UK consumer demand growth against the EU, OECD and US. The UK has come in the weakest in all quarters over the last three years. In the latest quarters growth is still roughly half the OECD average rate and the US. Looking at all OECD countries individually the UK ranked 33rd ahead of the Tories leaving office and now ranks 29th.³

³ Taking the average quarterly rankings over 2025Q2-2026Q1 and 2023Q3-2024Q2.

Chart 4: International comparison of consumer demand, per cent



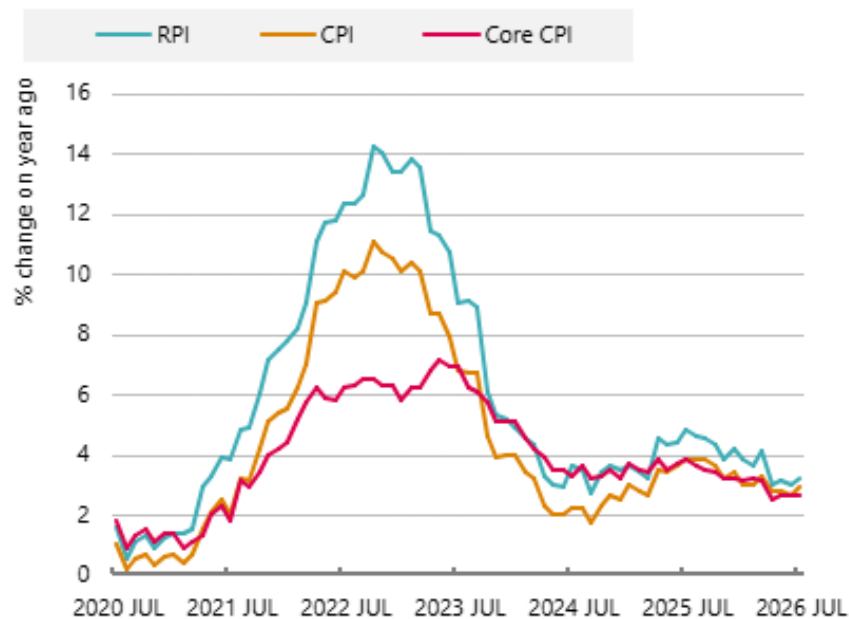
Source: OECD and TUC calculations

Living standards under huge pressure

Households have suffered successive price shocks, which follow the worst pay crisis for two centuries. In a cost-of-living crisis, households do not have the money to fuel spending that supports our economy. High inflation and high interest rates have added to the pressure on households through higher mortgage and borrowing costs, and have further constrained the Government's ability to offer support as the costs of government borrowing have increased.

Inflation surged after the pandemic, exacerbated by the war in Ukraine. It reached a peak of 11.1 per cent on CPI and 14.2 per cent on RPI, unprecedented in more than 40 years (Chart 5). After falling back, there have been renewed pressures since the war in the Middle East. So far, this latest round of inflation has not been as bad as expected. Nonetheless previous expectations that inflation would now be back at 2 per cent target have been derailed.

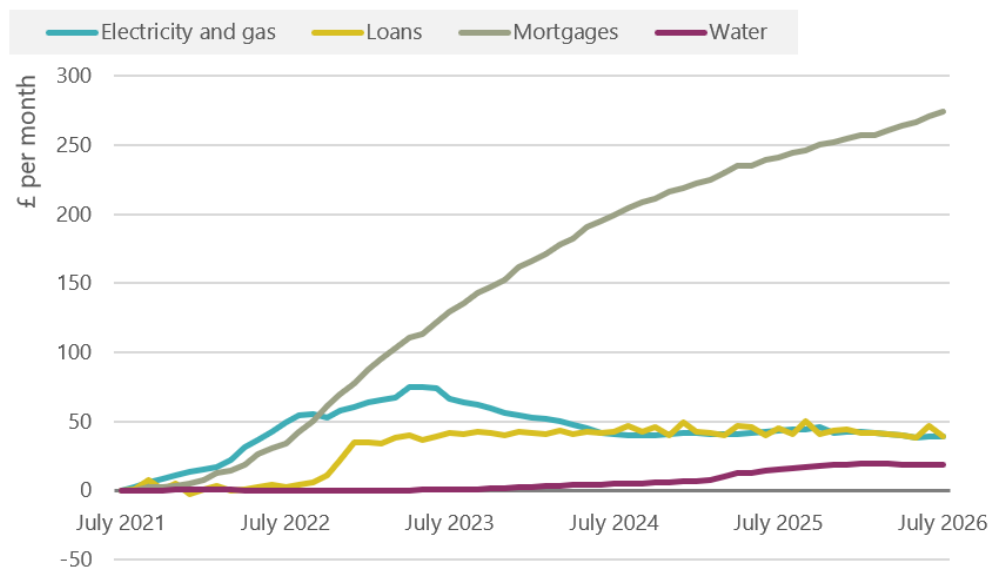
Chart 5: Inflation, annual growth



Source: ONS

In the meantime, households have faced steeply increased costs. ONS monthly direct debt payment figures show that since 2021, when the price inflation kicked in hard, average monthly energy payments are up £40, loan payments also by £40, mortgages by £275 and water by £19. The chart below shows the energy increase is lower than the peak in 2023, but mortgage costs have not yet peaked.

Chart 6: Increases in monthly direct debit payments, £



Source: ONS and TUC calculations

In total, the TUC has calculated that over the five years (between July 2021 and July 2026) households have spent an additional £2,644 on electricity and gas, £1,911 on loan repayments, £9,034 on mortgages and £372 on water (as an average of those making payments with direct debit).

Notably too, monthly payments on mortgages haven't peaked. Banks have continued to push up lending rates since the war in the Middle East began, and people are still rolling off older lower interest mortgages onto new higher interest ones. At the same time, household rents are also reflecting the increased cost of mortgage lending and of increased competition for housing that the higher costs of home ownership have caused.

Households have faced particularly steep increases in food prices. At its peak in March 2023 CPI inflation for food hit 19.2 per cent. Thankfully so far food inflation has continued to drop in the latest crisis, with the July figure at 1.3 per cent (likely supported by government action to reduce tariffs on some foods).

These trends have been exacerbated by long-run trends - under the Tories workers endured the worst pay crisis for two centuries.⁴

Even now real average weekly pay remains up by only £15 (1.4 per cent) on the 2008 peak. Had pay instead grown in line with the pre-global financial crisis trends since January 2008, average weekly earnings would now be £334 per week higher.

⁴ TUC. (2018). "17-year wage squeeze the worst in two hundred years."
<https://www.tuc.org.uk/blogs/17-year-wage-squeeze-worst-two-hundred-years>

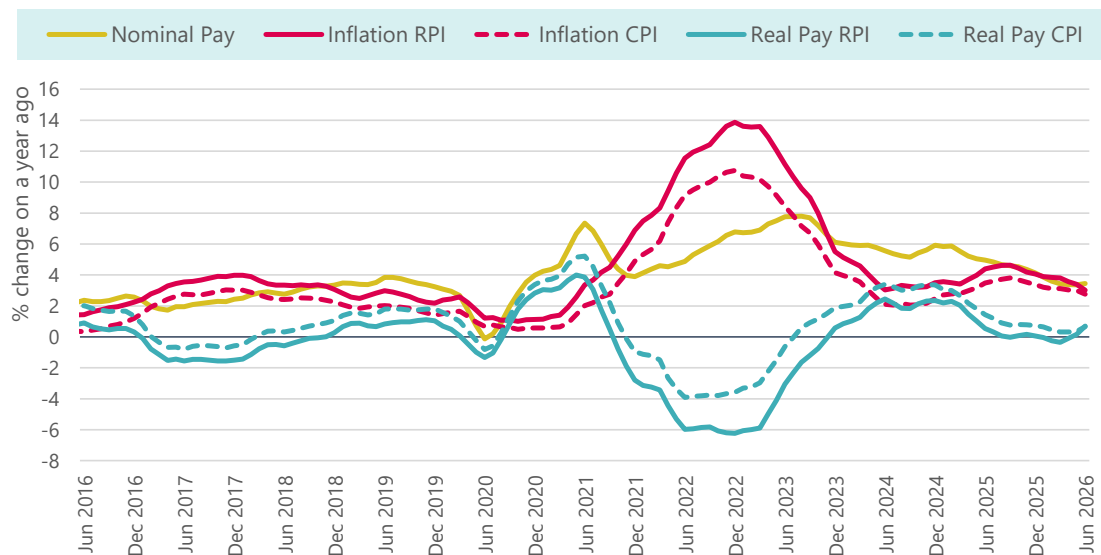
Chart 7: level of real pay, June 2026 (CPI) prices



Source: ONS and TUC calculations

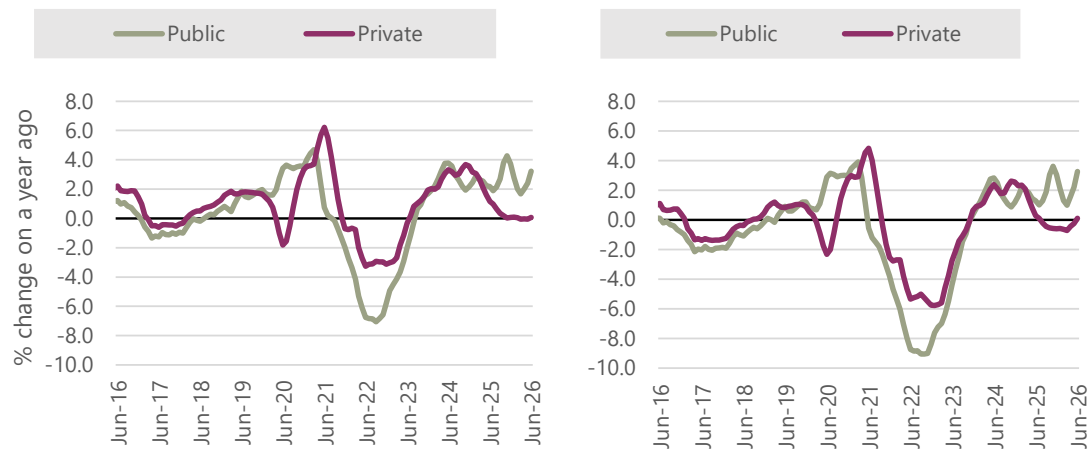
After a decade of pay stagnation, post-pandemic higher growth in nominal pay was sustained for four years. But inflation greatly undermined these gains. Real pay returned to positive territory over 2024-2025, but has now fallen back to close to zero.

Chart 8: Nominal pay, inflation and real pay



Source: ONS, AWE, RPI, CPI

Charts 9: real pay by sector



Source: ONS, AWE, RPI, CPI

Interest rates exacerbating challenges

In response to rising inflation, the Bank of England has raised rates - having been held at 0.75 and reduced further in the pandemic. Rates were increased rapidly to 5.25 and over the past two years cuts have proceeded only slowly. High rates are adding to household costs and are further exacerbating pressures on households.

While the Bank of England recognise rate increases mean greatly reduced consumer demand, they judge that the risks of embedding above-target inflation are greater. But these are steep increases in costs for households to bear, and – as spending power is reduced – are exerting downwards pressure on the economy.

So while raising rates are acknowledged by the Bank not to address the causes of higher inflation, they are holding back household spending.⁵

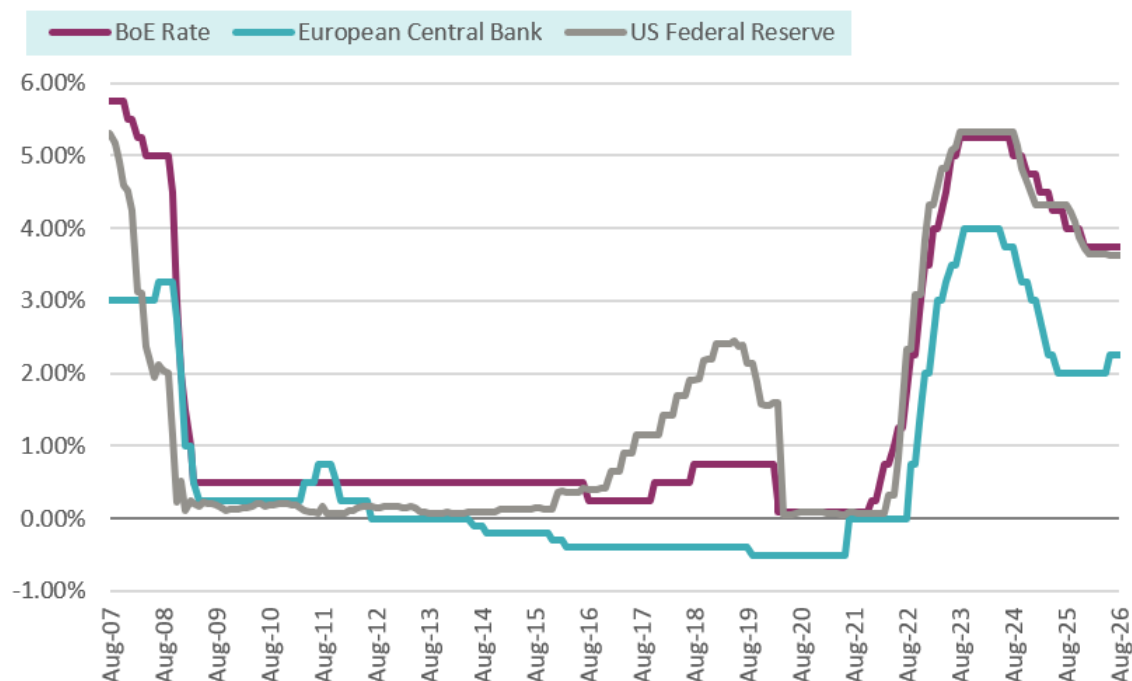
As a result, the UK is in the worst of both worlds – high interest rates causing hardship for households, high inflation as a result of global events that interest rates don't affect, and low growth fuelled by constrained consumer demand which is worsened by our high interest rate.

This is demonstrated in Chart 10 showing UK interest rates figures compared with the European Central Bank and U.S. Federal Reserve. Comparing Chart 4 on international

⁵ "I would also say very clearly that the best way to solve this situation is not through monetary policy. It is through sorting out at the source of what's going on. "Frankly, reopening the Strait of Hormuz is the best thing to do. Get the energy market back on its normal footing, as it were", from " Interest rate cuts not on the horizon, Bank of England governor says." *The Standard*, 19 Mar 2026, <https://www.standard.co.uk/business/business-news/andrew-bailey-bank-bank-of-england-benjamin-netanyahu-strait-of-hormuz-b1275702.html>

consumption, it is striking that the UK has US rather than EU level interest rates, but rates of consumer demand even lower than the EU.

Chart 10: Central bank interest rates, per cent



Source: Bank of England, European Central Bank and US Federal Reserve

So, since Labour came to power, growth has improved, but this has been in the face of severe global instability and against a backdrop of an economy that failed to recover pre-global financial crisis growth rates since 2010. Our key weakness in recent years has been a lack of consumer demand – an indication of the cost-of-living crisis and exacerbated by high interest rates, adding to the pressure on households and constraining the Government’s ability to step in and support people.

Investment rates, trade and regional growth gaps

Chart 3 above shows the important role that government has played in sustaining the economy. Following the election, the Government provided a major and welcome package of investment, balanced more towards capital rather than current spending, which has helped support growth during a challenging period. But investment rates remain far below where they need to be to deliver the changes we need – and well below our international competitors.

In 2018, TUC analysis showed UK investment third from bottom of all OECD countries, and coming in the bottom half of OECD countries for all broad categories of

investment.⁶ The IPPR has shown business investment “ranking a lowly 28th among 31 OECD countries”, and the lowest in the G7 for three years running to 2022.⁷ Net trade is also a drag on GDP, though Chart 3 shows that overall impacts of tariff policies may have been less severe than was initially anticipated. The situation speaks to the continued importance of continuing to strengthen our trading relations, particularly with our closest neighbours in the EU.

The UK remains characterised by significant regional growth gaps. Table 1 below compares growth in London with other regions and nations.⁸ London has continued to move further ahead. On both sides of the global financial crisis growth in London was faster than in all other regions and nations, 50 per cent faster than the rest of the country ahead of the financial crisis and 40 per cent faster afterwards.

Since the pandemic however London has come into line with the rest of the country, but this has happened largely through London slowing rather than growth in the rest of the country increasing. The exceptions are Yorkshire and the Humber, the North West and Northern Ireland, where growth picked up since the pandemic.

But overall, for many years under the Conservatives growth in most regions and nations has been weak, with London’s growth rate also starting to fall.

⁶ TUC. (2018). “UK third bottom of the global investment league.”

<https://www.tuc.org.uk/blogs/uk-third-bottom-global-investment-league>

⁷ IPPR. (2024). “Rock bottom: low investment in the UK economy.”

<https://www.ippr.org/articles/rock-bottom>

⁸ Regional growth tends to be measured using gross value added (GVA) rather than GDP, with minor technical differences between the two.

Table 1: Regional GVA growth, average annual per cent

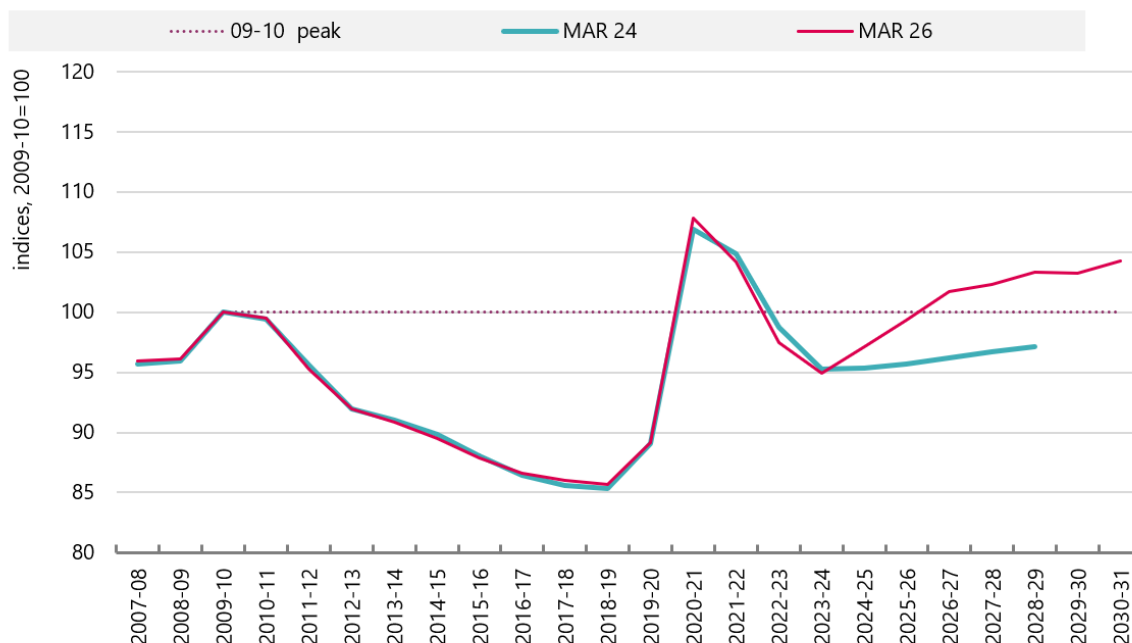
	pre-GFC, 1998- 2007	'great recession'	2010- 2019	2020- 2023
United Kingdom	2.8	-2.4	2.0	0.9
North East	2.9	-2.4	1.5	1.0
North West	2.9	-2.3	1.8	1.9
Yorkshire and The Humber	2.9	-3.6	1.5	1.6
East Midlands	2.4	-2.7	1.8	0.7
West Midlands	1.9	-2.9	2.1	0.8
East	2.9	-2.2	2.1	0.9
London	4.1	-3.0	2.7	0.9
South East	2.7	-1.1	2.3	0.5
South West	2.5	-1.8	1.8	1.4
Wales	2.5	-2.9	1.9	0.0
Scotland	2.9	-1.1	1.5	0.6
Northern Ireland	3.0	-3.5	1.5	1.6
UK excl London	2.7	-2.2	1.9	1.0

Source: ONS and TUC calculations

Public services facing shortfalls

The government has delivered important improvements in public services spending – ending the era of Conservative austerity. But these gains have only started to restore our public sector to its previous position. Chart 11 shows real departmental spending per head finally above the position in 2009-10, but (projected as) only above by 4.2 per cent in 2030-31.

Chart 11: Real departmental spending per head, indices 2009-10 = 100



Source: OBR and TUC calculations

Ambitious investment will be needed at pace to enable our health, education, local and wider services to play their part in rebuilding Britain.

Impacts of poor growth on government debt

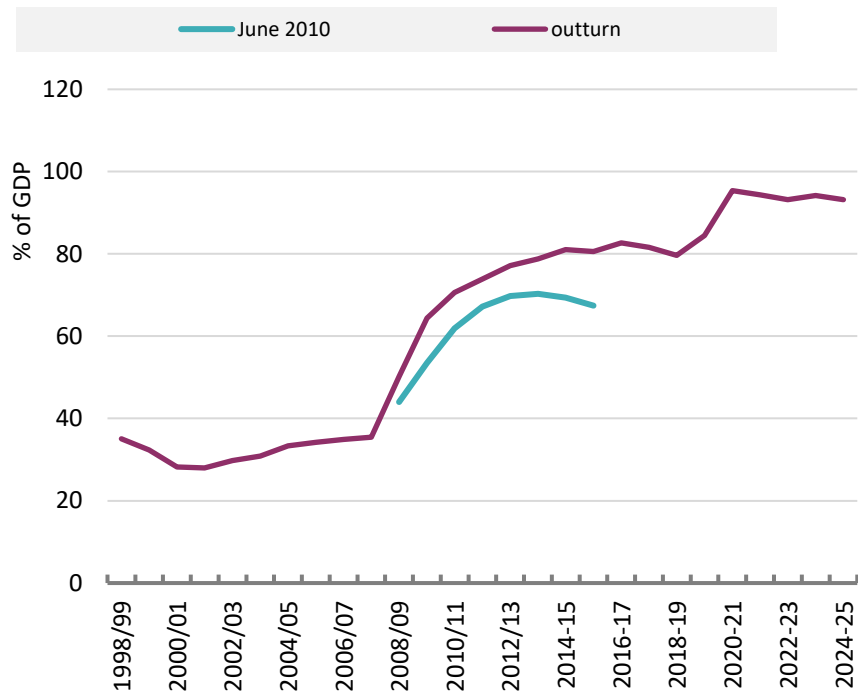
The TUC has repeatedly shown how badly the Conservative failed on reducing government debt.⁹

Chart 11 above shows the steep reduction in departmental spending under Tory austerity policies. These cuts (and others in investment and welfare spending) damaged the strength of the economy much more than expected and therefore meant a significant shortfall in government revenues. Chart 12 shows how austerity was expected to reduce public sector debt to 67 per cent of GDP by 2015-16, but instead the damage to the economy meant debt rose to 81.3 per cent. The pandemic led to a further increase in public debt. Since the Labour government has taken office the ratio of debt to GDP has been stable, annual borrowing is down, and the current budget is expected to be in surplus in 2028-29.

⁹ TUC. (2023). *"From the doom loop to an economy for work not wealth."*

<https://www.tuc.org.uk/research-analysis/reports/doom-loop-economy-work-not-wealth>

Chart 12: public sector net debt as a per centage of GDP



Source: OBR

So historic investment rates and public services spending have been too low, damaging people’s health and quality of life, but also compounding the UK’s growth problem, leading to rising public sector debt and making it harder for the Government to now increase investment to the level required.

Jobs and employment

The UK jobs market has seen some recent tentative improvements – but still faces long-standing challenges. Employment levels overall have suffered from growth challenges across the economy, but aren't historically low. These trends can however mask concerning rises in insecure work, young people not in employment, education or training, and the challenges faced by black and disabled workers, as well as parents when trying to access the labour market.

Alongside making sure work is secure and accessible, the type and location of British industries will be essential to the Government's promise to reindustrialise. The UK has deindustrialised at a much faster rate than its neighbours, languishing at the bottom of the European league table when it comes to jobs in the manufacturing sector and investment in industry. This makes Britain poorer and weaker, by lowering wages, increasing regional inequality and weakening resilience.

Overall position

Weaker growth over recent years has had some impact on jobs. The employment rate has fallen by one per centage point since before the pandemic (from 76 to 75) and has broadly flatlined over the past five years. That said, the overall UK employment rate remains historically high, and unemployment and economic inactivity rates are well below previous peaks.

Charts 13 show trends over time according to the Labour Force Survey (LFS). After the severe unemployment crisis of the 1980s, 1990s and then the global financial crisis and austerity, from the 2010s the employment rate rose in parallel to falls in unemployment and falls in inactivity. The unemployment rate is now 5 per cent and the employment rate 75 per cent.

Chart 13: LFS headline rates, per cent

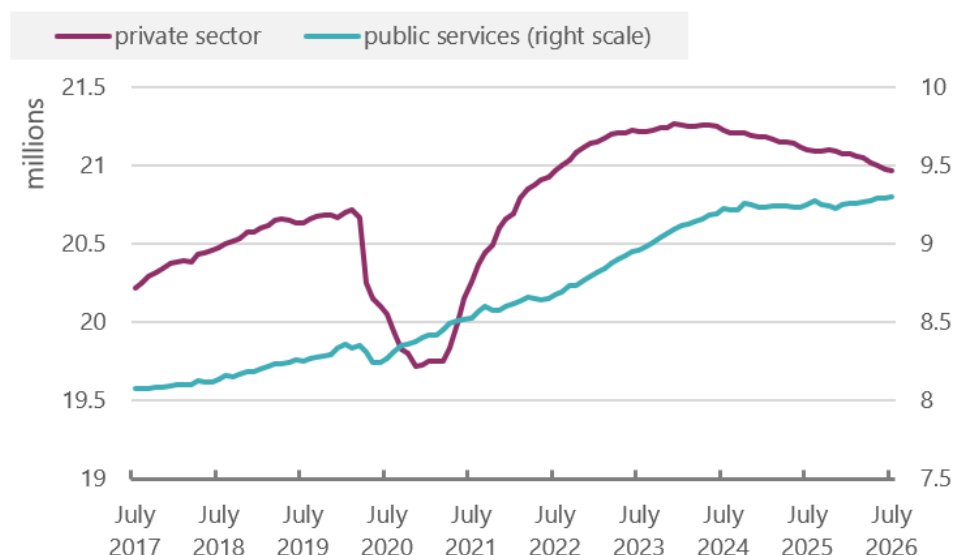


Source: ONS

Chart 14 shows a split of HMRC payrolls into private sector and public services (with the latter traditionally dominated by public sector employment). Private jobs began to slow over the second half of 2023 and to fall from December 2023. Rising roles in health, care and in wider public services supported positive outcomes for jobs overall until the end of 2024 when they level off, at which point total employees began to fall a little.

Total jobs are not on the chart but fell by 93,000 over the past year to July 2026. Into 2026 public service roles (likely to include private sector employment such as social care) have again picked up.

Chart 14: Payroll employees, millions



Source: ONS, HMRC and TUC calculations

So our current labour market shows the impacts of several years of below trend growth, and falling private sector employment that started under the Conservatives.

It is important to note that the jobs market is not seeing a rapid fall in low-paid or entry level roles – counter to some current commentary. The Resolution Foundation has looked at jobs in the context of a perceived revival in productivity growth (when basing measurement on payroll figures). It finds that gains are not driven by "low-paid jobs simply falling away", and reports ASHE figures showing "growth in below-median-paid roles was 2 per centage points stronger in the year to April 2025 than growth in jobs above median pay"¹⁰. It shows that the share of employees working in hospitality, for example, "is no lower today (6.6 per cent in Q2 2026) than it was in the late 2010s, and sits only 0.3 per centage points below its brief post-Covid peak (in Q4 2022)."

Quality of work

Although the labour market overall has not shown a severe weakening in recent years, there is an urgent need for action on security at work.

¹⁰ Resolution Foundation. (2026). "The Macroeconomic Policy Outlook: Q3 2026." <https://www.resolutionfoundation.org/publications/the-macroeconomic-policy-outlook-q3-2026/>

Insecure work is at record levels. In 2025 4.1 million people were in insecure work — around one in eight workers. This is up by 900,000 since 2011.

Between 2011 and 2025, the proportion of those in insecure work grew, from 10.7 per cent of the workforce to 11.9 per cent.

This growth in insecure work is disproportionate compared to wider employment growth over this period. Insecure work increased by 29 per cent compared to an increase in the employment level of all those in work which rose 17 per cent.

Insecure work has an enormous effect on people at work. When shifts can be offered or cancelled at short notice, it becomes harder to manage household bills, to plan ahead, and to meet caring responsibilities.

Variable hours roles have become embedded in the labour market. Variable-hours contracts are not being used to fill short-term work. Rather workers are being parked on them for months, if not years. Nearly three-in-four variable hours workers (73.1 per cent) report being at their current employer for over a year. Over half (56.6 per cent) report having worked there for two or more years. One-in-six (16.6 per cent) report being at their current employer for over a decade. Their employment is long-term, but their contracts leave them vulnerable to their hours, and therefore their incomes, changing or indeed being removed altogether with no notice.

Workers on zero- and variable-hours contracts face unpredictable earnings, difficulties accessing housing and credit, challenges balancing work with family responsibilities, and significant stress and uncertainty about their future income. According to recent polling for the TUC, more than half of all workers report not being paid the last time their hours were cancelled. This rose to two-thirds among workers on zero-hour contracts.¹¹

Improving security at work is a vital part of the answer to the UK's economic challenges – boosting consumer confidence and spending and creating the conditions for higher productivity gains.

Supporting young people into jobs

While unemployment overall remains relatively low, young people are facing a challenging labour market. This is most acute for those young people not in employment, education or training (NEET).

The TUC submission to the Milburn review¹² showed the NEET crisis has been years in the making. Young people do not lack of ambition – most who are NEET want to work. But they are being held back by a lack of quality entry-level roles, regional and local

¹¹ TUC 2025, *The experience of insecure work*, www.tuc.org.uk/research-analysis/reports/experience-insecure-work

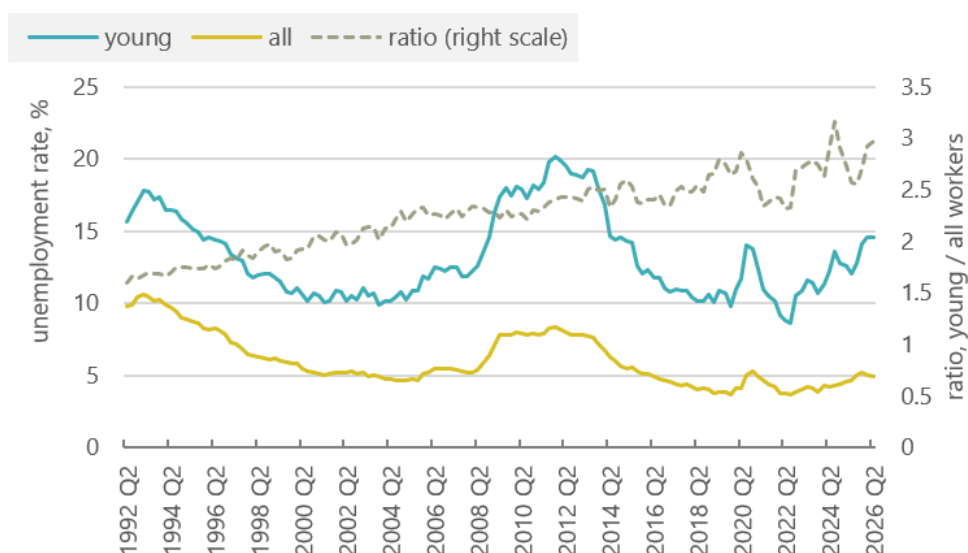
¹² TUC 2026, *Young People and Work Report: Call for evidence.* <https://www.tuc.org.uk/research-analysis/reports/young-people-and-work-report-call-evidence>

labour market inequalities and years of cuts to education, health and social security. Together, these structural challenges have created a perfect storm, making it harder for this generation to get into, and progress at, work.

Chart 15 shows the young worker unemployment rate alongside the headline unemployment rate, back to the start of the age breakdowns in 1992. While youth unemployment today is rising, it remains some way below previous peaks. That said, the risk of unemployment young people face today relative to all workers is high and has been rising for many years.

The current position of young people is exacerbated by post-pandemic falls in unemployment, where it seems likely businesses may have cut back too far on jobs, and then overcompensated afterwards – with young workers initially seeing an improvement (during a period of rapid post-pandemic hiring) and then seeing roles cut back.

Chart 15: Unemployment rates, per cent



Source: ONS and TUC calculations

A stronger economy, with rising vacancies, will disproportionately benefit young people – more of whom are looking for jobs at any one time than is the case for other groups of workers. But the evidence is clear – labour demand, quality training and education opportunities, strong public services and excellent employment support are the answer to rising unemployment rates. Improved employment protection is also part of the solution – increasing security at work, with more opportunities for progression, training and retention.

Building an inclusive labour market

Our labour market is also characterised by multiple wider employment rate gaps, and headline unemployment figures mask clear inequalities within the labour market. Disabled and Black¹³ workers in particular face higher unemployment rates.

The unemployment rate for disabled people is over twice as high as it is for non-disabled people: 8.7 per cent compared to 4.1 per cent. And a similar unemployment gap exists by ethnicity, with the unemployment rate for Black workers being over double the rate for white workers (8.3 per cent, compared to 3.9 per cent)¹⁴.

While overall economic inactivity is back close to its all-time low (Chart 13), since the pandemic there has been a 7 per centage point rise in the proportion of those who report they are economically inactive as a result of ill health.

TUC analysis has also shown Black workers are disproportionately in insecure work, and research from last year shows that 16.3 per cent of Black workers are likely to be in insecure work. This compares to 10.8 per cent of white workers. At the same time Black workers also faced a disproportionate increase in insecure employment. Black workers account for just over two-thirds of the net growth in insecure work – despite making up just 17 per cent of workers in the UK.¹⁵

Pay gaps are also significant. Closing the ethnicity pay gap is projected to add between £24 billion¹⁶ and £37 billion annually to the UK's GDP¹⁷. The pay gap is maintained through both structural and interpersonal manifestations of racial discrimination. This in turn is exacerbated where race intersects with other protected characteristics.

TUC analysis highlights that workplace racism starts as early as when young Black workers enter the labour market at 16, with young Black workers frequently being

¹³ The TUC uses the term Black throughout this report. The TUC Race Relations committee uses Black as an umbrella term to bring together people with a shared history. 'Black' is used in a broad political and inclusive sense to describe people in the UK who have suffered from colonialism and enslavement in the past and continue to experience racism and diminished opportunities in today's society.

¹⁴ Taken from ONS spreadsheets A08: Labour market status of disabled people and A09: Labour market status by ethnic group

¹⁵ TUC. (2025), "*The scale of Insecure Work*." <https://www.tuc.org.uk/research-analysis/reports/scale-insecure-work-uk>

¹⁶ McGregor-Smith, R. (2017). *Race in the workplace: The McGregor-Smith review*. Department for Business, Energy & Industrial Strategy. <https://www.gov.uk/government/publications/race-in-the-workplace-the-mcgregor-smith-review/race-in-the-workplace-the-mcgregor-smith-review-report>

¹⁷ Business in the Community. (2025, October 7). *Addressing racial disparities could benefit UK economy by £37 billion, new analysis finds*. Business in the Community. <https://www.bitc.org.uk/news/addressing-racial-disparities-could-benefit-uk-economy-by-37-billion-new-analysis-finds/>

assigned the most difficult or unpopular tasks and facing excessive scrutiny compared to white colleagues. Black workers continue to face recruitment discrimination, with Black workers reporting being unfairly turned down for a job one time in three (33 per cent), compared to one time in five (19 per cent) for white workers.¹⁸ Research by the Centre for Social Investigation at Nuffield College found that job applicants from ethnic minority backgrounds had to send 60 per cent more applications than white British candidates to receive a positive response, despite having identical skills and qualifications. Even with a first degree, Black graduates are more than twice as likely to be unemployed as white graduates.¹⁹

Once in a role, Black workers are significantly more likely to be denied promotion than their white counterparts (37 per cent compared to 31 per cent), a disparity that has worsened from 30 per cent in 2020.²⁰ Gender-specific findings reveal that 40 per cent of Black men report being passed over for or denied promotion, compared to 35 per cent of Black women. The impact for Black workers is a reluctance to apply for future promotion or resignation, with 17% Black workers reporting that they left their job after experiencing unfair behaviour, racism or harassment. More telling is that 23 per cent said they would leave but unable to do so. This is a trap of discrimination, fortified by a lack of confidence in current reporting or accounting systems for equality in the workplace, and leaves Black workers frustrated and vulnerable to workplaces that are toxic to their well-being.

The disability pay gap is now 15.5 per cent, which translates to an annual loss of over £4,000 for disabled workers compared to non-disabled workers.²¹ This gap is even wider for disabled women, as non-disabled men earn over a quarter (27.3 per cent) more than disabled women.

TUC analysis also shows that the unemployment rate among disabled people is now the highest it has been since before the pandemic - more than double the unemployment rate for non-disabled people. This highlights the failure of attempts by previous governments to support disabled people into work.

On top of higher unemployment rates and lower earnings, disabled people also face higher living costs. These include higher gas and electricity bills to keep the

¹⁸ TUC. (2021). "One in three BME workers say they have been unfairly turned down for a job: TUC poll." <https://www.tuc.org.uk/news/one-three-bme-workers-say-they-have-been-unfairly-turned-down-job-tuc-poll>

¹⁹ Centre for Social Investigation. (2019). "Are employers in Britain discriminating against ethnic minorities." http://csi.nuff.ox.ac.uk/wp-content/uploads/2019/01/Are-employers-in-Britain-discriminating-against-ethnic-minorities_final.pdf

²⁰ TUC. (2026). "No worker left behind." <https://www.tuc.org.uk/research-analysis/reports/no-worker-left-behind>

²¹ TUC. (2025). "Disability pay gap means disabled workers effectively stop earning from today." <https://www.tuc.org.uk/news/tuc-disability-pay-gap-means-disabled-workers-effectively-stop-earning-today>

homes warm; home adaptations; hearing or other sensory equipment; manual or electric mobility aids; and higher food bills to allow them to meet specific dietary requirements. On average, according to Scope analysis a disabled person has to fork out an additional £1,224 a month to secure the same standard of living as a non-disabled person.²²

Active labour market policies as explored below are needed to close these gaps, along with significant health and wider public service investment.

Reindustrialisation

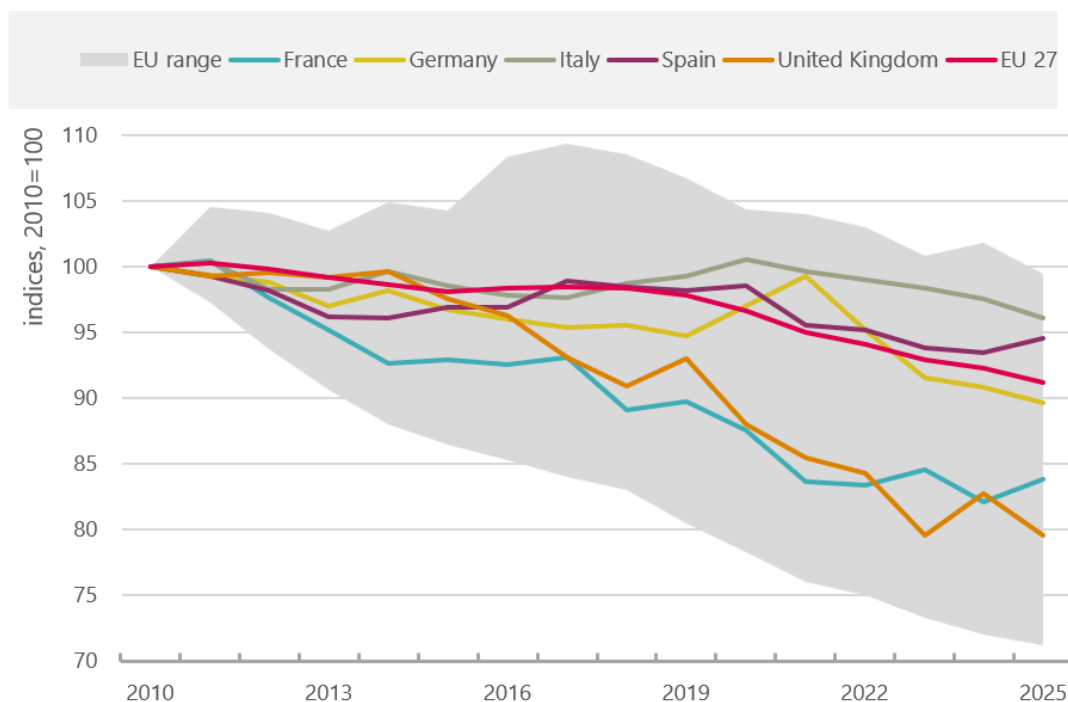
For the last forty years, the UK's manufacturing industries and communities have been structurally deprioritised by government, with devastating consequences for workers' livelihoods and the country's productivity.

The UK has deindustrialised more than its neighbours. Chart 16 shows manufacturing employment as a proportion of total employment in the UK, France, Germany, Italy and Spain as well as the EU average and range, indexed to 2010, and shows manufacturing share of total jobs in 2025.

While relative deindustrialisation has been experienced by much of Europe over this time, Spain, Germany and Italy have been able to retain a much more significant share of industrial jobs (Table 2). France and the UK have experienced particularly sharp decline, though France's share of manufacturing jobs has somewhat stabilised in recent years. Already at the bottom of the EU range in 2010, the UK share fell from 9.8 per cent to 7.8 per cent of total jobs in this period.

²² Scope. (2025). "Disability Price Tag 2025." <https://www.scope.org.uk/campaigns/disability-price-tag>

Chart 16: Manufacturing jobs as a proportion of total jobs, 2010=100



Source: TUC analysis of OECD data

Table 2: Manufacturing jobs share, per cent

Country	Manufacturing per cent of total employment in 2025
France	11
Germany	18
Italy	18
Spain	12
United Kingdom	8
EU 27	14

Source: OECD

Manufacturing jobs are crucial to country-wide prosperity. These jobs are often central pillars in their local communities, tend to be better unionised, and receive 11 per cent higher wages than regional averages.²³ Manufacturing also delivers strong wider

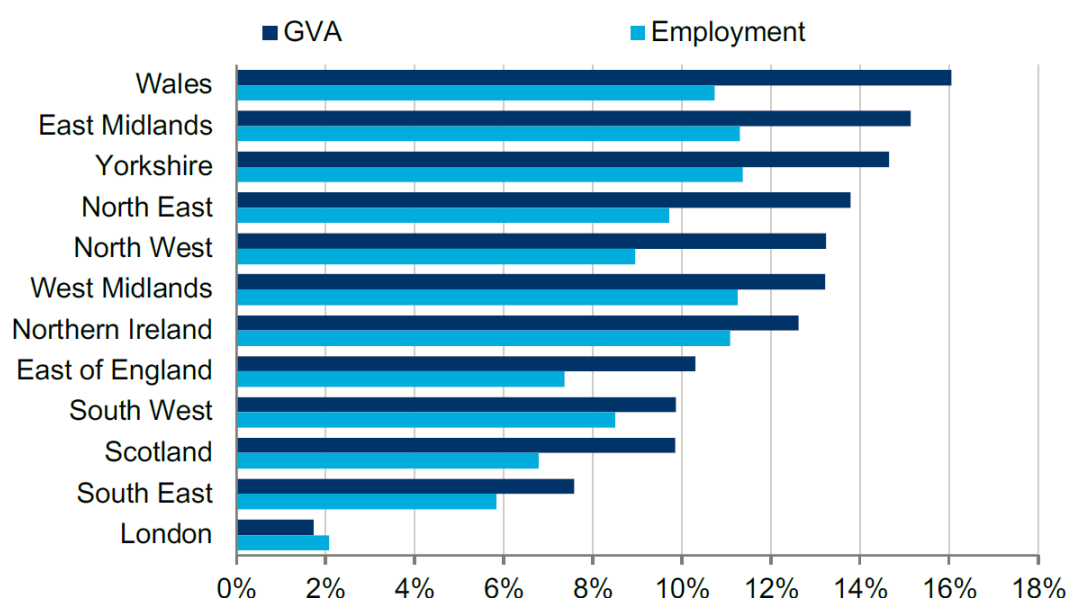
²³ Oxford Economics (2024). "The True Impact of UK Manufacturing."
<https://www.oxfordeconomics.com/resource/the-true-impact-of-uk-manufacturing/>

economic benefits.²⁴ For every job created in manufacturing, evidence suggests an additional 1.8 jobs are created in supply chains (indirect effects) and through wages spent in the local economy (induced effects), meaning that 2.2 million direct jobs in manufacturing supported a further 4.7 million in the wider economy in 2022.²⁵

The contribution of manufacturing is particularly strong in Wales, the Midlands, Yorkshire, the North East and the North West, as indicated in Chart 17. The loss of industrial employment has therefore been geographically concentrated, disproportionately affecting these areas and exacerbating regional inequality.

In certain local areas, like chemicals in Teesside, automotive in the Midlands and Merseyside, aerospace in North Wales, the role manufacturing is greater still, reaching 20 per cent of total employment in some instances.

Chart 17: Contribution of manufacturing to GVA and employment, 2022²³



Source: BRES, ONS, Oxford Economics

Taken together, the evidence points to the scale of the opportunity that the UK has so far missed. Had we followed the trajectory of our European peers since 2010, the UK could have hundreds of thousands more industrial jobs today, with the benefits disproportionately accruing to many of the places that have faced the worst impacts of industrial decline.

²⁴ Cambridge Industrial Innovation Policy (2026). "Measuring what matters: the real value of manufacturing in the UK economy." <https://www.ciip.group.cam.ac.uk/reports-and-articles/measuring-what-matters-the-real-value-of-manufacturing-in-the-uk-economy/>

²⁵ Oxford Economics (2024). The True Impact of UK Manufacturing. Available: <https://www.oxfordeconomics.com/resource/the-true-impact-of-uk-manufacturing/>

TUC priorities for change

The government inherited an unprecedented set of challenges – a stagnant economy, an historic living standards crisis, rising youth unemployment, high public debt, rock bottom investment rates and decimated public services.

Over the past two years, important progress has been made. Despite significant international headwinds, growth and investment rates have shown some improvement, broad employment rates have held steady and public services are starting to improve.

But significant challenges remain.

Although inflation has been high, driven by international pressures, the government's actions have offered some living standards protection. But despite this, according to a commonly used broad measure of living standards,²⁶ real incomes are down by 2 per cent since the end of 2024 and are still 1.3 per cent below the position six years ago just ahead of the pandemic. Ahead of the global financial crisis living standards were rising by 2.5 per cent a year.

This means that consumer demand is holding back growth.

While investment is up, it remains well below our competitors, and trade remains a net drag on GDP. Regional growth gaps are significant. Manufacturing industries, which power good jobs in structurally deprioritised communities, have long been in decline.

The number of young people not in education, employment or training remains far too high and employment rate gaps – particularly for Black and disabled workers – are not closing.

Public services have seen some recovery – but remain well below their pre-financial crisis funding position.

So urgent action is needed. We need a living standards budget that supports short-term demand and acts at pace to turn around long-term challenges.

The following sections set out the policy changes we need to meet this challenge:

- Affordable essentials, supported by immediate action to bring down costs for households and businesses, and an active state that shapes how markets work. Where government believes that market mechanisms cannot deliver fair access to essential public goods, this should include considering other mechanisms for delivery, including public ownership/greater public control.
- Good jobs in strong and growing industries. We still have a too little investment across the economy – in particular decline in manufacturing has created left behind communities and a huge opportunity gap in growth. We need to re-industrialise, making sure public investment secures good jobs, supply chains and skills. There are immediate risks we must address – including domestic and

²⁶ The ONS real household disposable income per head measure

industrial energy costs and the ongoing costs of a botched Brexit deal. These sit alongside ongoing transitions– not least the growth of AI alongside change in the North Sea – that must have good jobs growth at their hearts.

- Raising wages, incomes and quality work. Rising incomes are the bedrock of raising living standards. The Employment Rights Act is not only an upgrade in workers' rights, but good economics - getting money into workers' pockets, supporting secure employment and levelling the playing field for good employers. We need an ambitious national minimum wage, a strong social security safety net and to boost employment rates for those who cannot fairly access the labour market.
- Public services you can rely on. Strong and resilient public services are foundational to growth and raising living standards – improving people's daily experience directly and supporting people to participate in their local economies. These should be supported by investment and fair pay deals, support for the social care workforce, and insourcing and procurement reforms.
- Action to enable growth across the country. Underlying efforts to improve the living standards, investment, incomes and public service challenges will require cross-cutting action on devolution, a supportive macro-framework, greater redistribution and corporate governance reform.

The TUC's policy priorities are summarised below:

Affordable essentials

- Immediate action on the cost of living. A permanent, multi-level social tariff; free bus travel for under-22s in England; increasing child benefit to support families that have been hit by the cost of living; reducing the Universal Credit taper rate; increasing funding for the Crisis and Resilience Fund.
- Reduce uncompetitive industrial energy costs, expanding the British Industrial Competitiveness Scheme to cover all manufacturing and shifting all or a greater proportion of 'policy costs' onto general taxation.
- Reform of our energy market. De-linking electricity prices from gas, radically increasing UK gas storage capacity, and accelerating investment in energy efficiency and electrification upgrades.
- Establish public control of Thames Water while protecting workers' pensions, pay, terms and conditions.

Good jobs in growing industries

- An ambitious plan for reindustrialisation, including a Reindustrialise Britain Mission and Unit; a UK Accelerator Act; a Reindustrialise Britain Fund, delivered through a reformed National Wealth Fund, and a new procurement bill.
- Ensure each industrial strategy sector has a published jobs plan with a clear framework for partnering with unions to deliver good quality jobs. At present, only those for Clean Energy and the Life Sciences sectors have been published.
- National Wealth Fund reform should encompass changing its mandate to provide genuinely patient capital, increasing overall capitalisation, urgently

delivering £1.8bn of planned investment in ports, and setting fair work conditions on investments, ensuring it applies to all relevant schemes.

- Use procurement for capital projects to set standards on pay, conditions and skills offers. Support the Good Work Standard for Clean Energy, and ensure it applies to all relevant government spend, procurement, and licencing. Support the Warm Home Good Jobs Standard under development by the Warm Homes Plan Workforce Taskforce.
- Use the upcoming UK-EU summit to build on the Common Understanding.
- As the North Sea oil and gas sector undergoes structural decline, ensure the North Sea Future Plan is matched by an ambitious and detailed delivery programme.
- Develop a proactive agenda to ensure the benefits of AI transition are fairly shared, with workers having rights, a collective voice and a fair share of any gains that AI facilitates.
- Move towards a social partnership approach to the skills system, rooted in place, worker voice and employer needs.
- Re-instate union-led learning across the country with a new Workplace Skills Partnership Fund and take steps to stabilise the ongoing provision of Trade Union Education - a vital delivery mechanism ensuring the new Employment Rights Act makes a meaningful difference in workplaces across the country.
- Address the recruitment and retention crisis in Further Education, with additional ring-fenced funding through a multi-year settlement that delivers a clear pathway towards pay parity. Urgent intervention in the Higher Education sector to halt redundancies, protect courses and reform the system.
- Increase investment in apprenticeships and reform the Growth and Skills Levy, alongside targeted support for young people who are not in employment, education or training and greater access to flexible lifelong learning.

Raising wages, incomes and the quality of work

- Deliver the Employment Rights Act 2025 and the wider Make Work Pay agenda in full, supported by funding for enforcement through the employment tribunal system, labour market enforcement, the Fair Work Agency, government support to help businesses understand and implement the new rights, the Central Arbitration Committee, and the Equality and Human Rights Commission.
- Increase the minimum wage to £15 an hour as soon as possible, and ensure all workers are entitled to the same minimum wage regardless of age.
- A further increase to mileage rates, which continue to fall short of fuel and running costs, and regular uprating with a transparent methodology thereafter.
- Reform Universal Credit so people in and out of work receive payments efficiently and in ways that maximise their income.
- Mitigate the impacts of increases to the State Pension age on pre-retirement poverty and pursue long term reform to the pension system through the Pension Commission.

- Tackle the crisis of one million young people not in education, employment or training through investment in high-quality employment programmes and training, and a new youth learning allowance, modelled on the former Education Maintenance Allowance, to keep young people engaged in education
- Tackle exclusion and disadvantage of disabled people through disability pay gap reporting, an effective Access to Work scheme and a Personal Independence Payment system that recognises and helps meet the extra costs of disability.
- Tackle workplace racism through mandatory ethnicity pay gap reporting.
- Improve the parental leave system, increasing all forms of statutory parental pay, ensuring both parents to have a standalone right to their own individual period of well-paid parental leave, which is not dependent on the other partner sacrificing some of their leave. A first step towards this is extending current paternity leave. Ensure day one rights for all parental leave and pay entitlements regardless of earning level and employment status.

Public services you can rely on

- A long-term public service workforce strategy in partnership with trade unions and employers.
- Fully funded public sector pay awards and funding settlements that provide sufficient resources to maintain staffing levels and service quality.
- Ensure the Fair Pay Agreement in Adult Social Care and the School Support Staff Negotiating Body have long-term, sustainable and adequate funding to address recruitment and retention problems through good pay and conditions in these sectors.
- Investment in recruitment, training, career development and progression, including measures to address skills shortages and retain experienced staff.
- Action to reduce excessive workloads and work-related stress, and unsafe working conditions including rising levels of violence.
- Make public ownership and in-house delivery the default setting for public services with trade unions closely involved in determining priority sectors and/or contracts to insource. Ensure government departments and contracting authorities have adequate central government funding to implement new requirements from the Two-Tier Workforce Code. A procurement bill to support the wider insourcing agenda.

Action to enable growth across the country

- Immediate increase in investment, making the most of the existing fiscal rules that allow the government to offset the cost of borrowing by considering the value of the financial asset it invests in – increasing investment in Great British Energy, the National Housing Bank, and the British Business Bank and making it easier for them to invest. Consider adjusting the fiscal rules to bring them into closer alignment with our peers.
- Create a supportive macro framework, with an independent review of the Office for Budget Responsibility.

- Fair taxations with increases in taxes on wealth and corporations. Increasing the bank surcharge, equalising Capital Gains Tax, reviewing corporation tax reliefs, increasing funding and resources given to HMRC to ensure that the government can properly enforce existing taxes.
- Use the UK presidency of the G20 to push for reindustrialisation, employment rights and progressive taxation.
- Ensure devolution and local government reform are supported by sufficient resources, with funding for local and strategic authorities following function. Address acute constraints in local authority planning capacity.
- Fairer funding for Wales, with an updated assessment of the needs-based factor in the Barnett formula, an independent third party to resolve disputes over Barnett allocation, and a new capital borrowing limit.
- Protect public service broadcasting with a short-term intervention to safeguard BBC jobs and output until the outcomes of the 2027 charter renewal process are known.
- Reform corporate governance to incentivise long-term business investment and fair distribution of risks and rewards.

Affordable essentials

The living standards crisis – and falls in consumer demand that have followed – mean there is urgent need for action to bring down costs and support incomes in the short term. This should be targeted at households, alongside a package of support for businesses to address rising energy costs – the number one threat to much of industry.

A HoldSway poll, commissioned by the TUC, found that the cost of living is currently the top national issue. When asked to list their top three priorities for the government, the most common answer was the cost of living (56 per cent).²⁷ When people who had flagged the cost of living as a priority issue were asked which three specific prices should be a priority for government, energy bills (80 per cent) came out on top.

The salience of the cost-of-living crisis isn't new. It has consistently been the most important issue facing the public since the ONS began its Opinions and Lifestyle survey in 2022²⁸, with around 9-in-10 people reporting it as an important issue facing the country.

But as outlined above, over recent years costs have soared, both for households in rising food and energy inflation, and for businesses facing rising energy bills.

The prime minister has rightly made the cost-of-living an early priority. We welcome the government's already announced policies, such as the return to a £2 bus fare cap and the VAT cut from energy bills.

The budget is an opportunity to go further, and the TUC is calling for a package of cost-of-living support to lower the cost of essentials, support incomes and increase labour market participation.

Alongside these immediate measures, the government should address the drivers of the UK's high cost of essentials. Our dependence on global gas markets makes energy prices in the UK particularly volatile, and privatisation of water has seen profits leak to shareholders while household bills rise and infrastructure degrades. Both must be addressed as part of a long-term plan to bring down the cost of essentials.

Immediate action to bring down costs

Household bills

While there are no quick fixes, immediate support can help people afford the essentials, as well as to maintain demand in the economy and rebuild confidence in the power of

²⁷ HoldSway conducted survey questions for the TUC as part of a nationally representative of 2019 adults in Great Britain. The survey was conducted online between 24-30 July, 2026.

²⁸ ONS. (2026). *Public opinions and social trends, Great Britain: June 2026*.

<https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/publicopinionsandsocialtrendsgreatbritain/june2026>

government to do good. The TUC's priorities are policies that get money into the pockets of those who need it, remove barriers and disincentives to work, and in particular support young people to engage in work and education.

Energy bills now account for over 10 per cent of many families' entire household income and annual bills are typically up by £475 compared with five years ago. While the government's pledge to scrap VAT on electricity bills is welcome, it does not make enough of a difference to ordinary families or the economy as a whole, and will from October be wiped out by rising bills.

HMT should immediately look at increasing the bank surcharge tax rate to recoup unproductive gains and use this income to create a permanent, multi-level social tariff that directly supports two-thirds of households with up to £500 off their bills.

Revisions of the bank surcharge rate could raise up to £60bn over four years,²⁹ bringing in much needed revenue and providing a route to making currently unproductive profits into productive spending. This would also address the deep inappropriateness of banks profiting from Trump's war this year while ordinary people's bills rise for the same reason.

The social tariff model the TUC has put forward³⁰ delivers a permanent cut to domestic energy bills (by a post-calculation per centage reduction to bills that leaves the stabilising Price Cap in place) for all of those on low and middle incomes (half of households) and includes a built-in ratchet to extend support to two-thirds of households during fuel crises. It is an approach that makes energy affordable for a significant majority, while better targeting support than current approaches; that stabilises costs for household budgets and preserves energy system revenues over the long term; and that directly reduces CPI inflation by 0.3-0.4 per centage points, further supporting families and lubricating our economy.

Alongside the social tariff, the TUC supports a series of policies that offer a combination of universal support and support for those living at the sharp end, as well as support for families and young people, and that can be implemented relatively quickly:

- Free bus travel for under-22s in England. This replicates a popular existing scheme in Scotland. It not only helps with the cost of living, but supports young people to access work, training and education at a time when youth unemployment is high and over a million young people are not in employment, education or training (NEET).
- An increase in child benefit to support families that have been hit by the rising cost of living. When inflation is high, families with children can often be hit harder due to the additional costs of essentials such as food and energy.

²⁹ TUC. (2025). "*Bank Taxation*". <https://www.tuc.org.uk/research-analysis/reports/bank-taxation-2025>

³⁰ TUC. (2026). "*Futureproof social tariffs*." <https://www.tuc.org.uk/research-analysis/reports/futureproof-social-tariffs>

Increasing child benefit by £10 a week for all children gets money directly to most families. The Child Poverty Action Group estimates that this increase would benefit 11 million children and cost the government an estimated £5 billion a year.³¹

- A reduction in the Universal Credit (UC) taper rate. Under the current system, a claimant who is in work will be subject to a 'taper rate' of 55 per cent. This means that for every £1 a claimant earns, their UC payment goes down by 55p. For those with a work allowance, the taper rate only applies over the work allowance. The taper rate interacts with the tax system to create a high marginal rate of 70 per cent for some UC claimants, meaning they only keep 30p of every £1 they earn. Reducing the taper rate would help working people on UC to keep more of the money they earn and remove a disincentive to work.
- An increase in the funding for the Crisis and Resilience Fund (CRF) to help support low-income households with financial shocks and to help build financial resilience. The CRF is currently funded at £1bn a year, but only 28 per cent of councils feel that this is sufficient to meet local welfare needs. Increasing the funding by £1bn a year would allow councils to provide a stronger safety net for those facing a financial shock. Building this resilience helps to keep people out of problem debt in the long term.

Industrial energy costs

Uncompetitive energy costs are the number one threat to much of industry; addressing this is an essential pre-requisite for protecting our economy through an energy crisis and delivering reindustrialisation. Existing and planned support and exemptions do not go nearly far enough. Without bold action on multiple fronts, electricity bills for business are forecast to continue rising to 2030.³²

Taking action on energy costs would be a clear signal that government is taking reindustrialisation seriously. The British Industrial Competitiveness Scheme (BICS) in its current design will reach less than 10 per cent of 130,000 manufacturers, of which a quarter are already offshoring operations or seriously considering it.³³

Treasury should rethink how we pay for 'policy costs', including extending the BICS to cover all manufacturing industry, and shifting all or a much greater portion onto general taxation in the immediate to near term. These 'policy costs' are paying for crucial upgrades and decarbonisation of our energy system. However, levying them on other billpayers is contributing to the UK's high electricity price problem. Removing

³¹ CPAG. (2026), "Next steps on child poverty." <https://cpag.org.uk/news/next-steps-child-poverty-cpag-briefing>

³² Make UK. (2026). "Manufacturing outlook 2026 Q2." <https://www.makeuk.org/insights/reports/manufacturing-outlook-2026-q2>

³³ Energy UK. (2026). "Cutting business energy costs: A blueprint to boost growth." <https://www.energy-uk.org.uk/publications/cutting-business-energy-costs-a-blueprint-to-boost-growth/>

these hidden taxes from bills would cut approximately 20 per cent from the electricity bills for manufacturers who can't currently access the British Industry Supercharger (BIS) and BICS. Make UK estimate this would cost approximately £3.3bn per year, however the economic benefits would be of a similar scale.³³ Bringing BICS into public spend and extending support to wider manufacturing industry would bring us closer in line with the approaches of France and Germany.³⁴

Bringing down costs in the long term

While immediate support to ease the cost-of-living crisis is essential, driving up living standards will take active intervention in how markets work to bring down costs in the long term. Energy and water are two of the starkest examples of sectors where the UK is unnecessarily exposed – to volatile global gas markets and privatisation – meaning high costs are hitting households and businesses, holding back growth and affecting the UK's resilience.

Reforming our energy market

The UK has been at the mercy of global gas markets for too long. Both households and energy intensive manufacturing sectors in the UK have suffered the consequences of an energy system that is built to rely on volatile international commodities. With this volatility only set to increase, British households and businesses cannot afford to be lurching from crisis to crisis.

Alongside immediate-term support, the UK energy system desperately needs structural change and investment to fix its foundations, to make sure the system works for households and businesses and so that they don't bear the brunt of future gas price spikes. This will also mean there is less need for government to step in during each crisis.

Reforming the UK's energy system and market design will reduce the UK's industrial vulnerability to external crises, boost long-term resilience of our domestic industries, and help protect goods job for the long run.

The TUC is calling for government to de-link electricity prices from gas to move the UK from being a price-taker to a price-maker, radically increase UK gas storage capacity, and accelerate investment in energy efficiency and electrification upgrades.

Tackling soaring water bills

The water sector is one of the clearest examples of the failure of privatised public utilities. Since privatisation, 41p has been paid out in dividends for every £1 invested in

³⁴ UK Steel. (2025). *"Industrial Electricity Prices: closing the power price gap."*
<https://www.uksteel.org/electricity-prices>

infrastructure.³⁵ Debt across the sector has risen from zero to £76.3bn.³⁶ Meanwhile, household bills will rise by 36 per cent above inflation between 2025 and 2030.³⁷

Addressing the crisis at Thames Water is the immediate sector priority. The company's environmental and service failures are well-documented, but its 9,000-strong workforce has been left dealing with the consequences of decades of underinvestment and financial extraction. The continued uncertainty about Thames's future is worsening its operational and workforce capacity day by day and decisive action can no longer be delayed.

Establishing public control in this situation must mean placing the company into a Special Administration Regime and breaking the doom loop that the company and the wider industry is in. However, any intervention must provide firm guarantees that workers' pensions, pay, terms and conditions will be protected throughout transitional arrangements.

³⁵ Unison. (2024). "Clean Water: A case for public ownership"

<https://unison.org.uk/blogs/opinion-case-change-water-industry>

³⁶ Ofwat. (2025). "Monitoring Financial Resilience Report 2024-2025"

<https://www.ofwat.gov.uk/publication/monitoring-financial-resilience-report-2024-25/>

³⁷ Ofwat. (2024). "Ofwat approves £104bn upgrade to accelerate delivery of cleaner rivers and seas and secure long-term drinking water supplies for customers". <https://www.ofwat.gov.uk/ofwat-approves-104bn-upgrade-to-accelerate-delivery-of-cleaner-rivers-and-seas-and-secure-long-term-drinking-water-supplies-for-customers/>

Good jobs in strong and growing industries

Stronger growth requires improvements in investment and trade performance. The government's initial investment boost was welcome, as was the establishment of the National Wealth Fund and GB Energy, and an agenda of closer UK-EU relations. The UK's 2025 Industrial Strategy marked a significant development after decades without a coherent approach to industrial policy. Its focus on sectors with the greatest growth potential can help target resources where the UK has particular strengths, including manufacturing sectors like advanced manufacturing, defence and clean power.

But there is significant potential to go further – and ambition is needed to increase the pace of change. Continuing to increase public investment will be essential for increasing UK productivity and competitiveness, and achieving the government's ambitions of reindustrialisation and good growth in every postcode. It will be important that public investment comes with strong conditions for employment standards and local supply chains – which have started in the energy sector and should be strengthened and replicated across key industries.

Trade still suffers the damage of the Conservatives' poor Brexit deal, which has led to job losses or jobs put at risk. Supermarket prices and energy bills are higher, and workers have lost important protections. Improvements in the UK-EU relationship are welcome, and we have already seen welcome small shifts such as rejoining Erasmus+, which will provide valuable vocational training and apprenticeship opportunities for UK workers. We hope that the government will soon also be able to conclude wider agreements which will help to boost growth and improve living standards.

As industries change, the government should be active in ensuring that workers' interests are put first. This means action to put workers at the heart of AI development and the North Sea oil and gas transition, underpinned by access to skills.

Reindustrialisation

For the last forty years, the UK's manufacturing industries and communities have been structurally deprioritised and starved of investment, with devastating consequences for workers' livelihoods and the country's productivity.

The new Prime Minister has recognised the crisis that we are in, and that this is a last chance to change. The Prime Minister is right that maintaining a strong, diverse industrial base and rebuilding sovereign productive capabilities is key for economic resilience and jobs. Research into recovery of local regions across the EU in the aftermath of the 2008 financial crisis found that areas with more diverse, integrated

industrial capabilities were able to adapt and recover more quickly than those with narrow capabilities.³⁸

This decade's geopolitical instability has also demonstrated that industrial capability is a key source of economic and national security. A strong industrial base is no longer just an economic advantage but a strategic necessity, providing a triple resilience:

- *More self-sufficient domestic manufacturing*, protecting the UK from global supply chain shocks and vulnerabilities.
- *Good, secure jobs* in parts of the country that have been economically marginalised, supporting community resilience and the ability to recover more quickly after crises or downturns
- *Industrial capacity and ability to pivot production* in response to international and domestic crises causing a sudden surge in domestic requirements, for example, the Covid pandemic or wars in Ukraine or Iran.

Reindustrialisation can offer a golden thread running through many of the country's biggest challenges: creating modern, clean and competitive industries that make the UK more resilient to external shocks, creating tens of thousands of good jobs, tackling the high cost of living, providing routes into work for young people, and reducing regional inequalities.

The UK's 2025 Industrial Strategy did mark a significant development after decades without a coherent approach to industrial policy. But we have not yet seen action of the scale or breadth needed to reverse deindustrialisation. The need for greater scale is crucial, given the low levels of private and public investment into UK manufacturing, and additional hurdles to overcome including high energy costs and levels of foreign control.

One prominent example is defence spending, and there much debate about the potential for this to lead to a wider boost to the economy.³⁹ The TUC view is that this is the *rule not the exception* when it comes to government spending. But the key in all cases is that spending is not offset by cuts elsewhere and that the government ensures that spending programmes are designed to support good jobs across the supply chain.

Reindustrialisation must also extend across the breadth of manufacturing sub-sectors, the majority of which fall outside the eight prioritised by the Industrial Strategy – from food & drink to bricks and glass, chemicals and plastic to paper and cement. While the Industrial Strategy rightly prioritises sectors where the UK has particularly fast growth potential like clean power and advanced manufacturing, all manufacturing sectors

³⁸Silvia Rocchetta, Andrea Mina, Changjun Lee, Dieter F Kogler, Technological knowledge spaces and the resilience of European regions, *Journal of Economic Geography*, Volume 22, Issue 1, January 2022, Pages 27–51, <https://doi.org/10.1093/jeg/lbab001>

³⁹ OECD. (2026). *"Fiscal and macroeconomic impacts of defence spending."* https://www.oecd.org/en/publications/fiscal-and-macroeconomic-impacts-of-defence-spending_b4860378-en.html

deliver the triple resilience described in the introduction. The reindustrialisation agenda should seek to drive up industrial productive capacity across all manufacturing industry.

A broad reindustrialisation agenda should complement, empower and expand on the existing Industrial Strategy by strengthening supply chains and domestic activity, strengthening the workforce and rebuilding our country's manufacturing capability.

Unions therefore welcome the prime minister's commitment to reindustrialisation. However, delivering it will require bold and ambitious action, complimenting but reaching much further than the existing Industrial Strategy process. As well as immediate action to reduce industrial electricity prices (as above), the TUC are calling for government to:

- Establish a Reindustrialise Britain Mission and Unit: Establish a cross-government Reindustrialise Britain Mission, driven by a dedicated Unit in No.10 North and Mission Board, with the authority and capacity to set industrial expansion targets, develop national and regional investment and supply-chain plans, coordinate delivery across government and public institutions, and work with trade unions to shape industrial strategy.
- Introduce a UK Industrial Accelerator Act: Legislate for a UK Industrial Accelerator Act to actively design procurement, subsidy and industrial policies that support opportunities for UK firms and domestic supply chains, including strategic requirements in core sectors (including clean energy, defence, transport, steel) to increase domestic content over time. This should be done in close alignment with the EU to ensure mutual inclusion and cross-benefits.
- Create a Reindustrialise Britain Fund: Establish and capitalise a Reindustrialise Britain Fund, delivered through a reformed National Wealth Fund with increased capitalisation, to provide grants, concessional finance and equity on genuinely patient 15-year-plus horizons for the modernisation, expansion and decarbonisation of manufacturing and enabling infrastructure, enabled by reforms to the fiscal rules (set out below) as above/below that recognise the long-term economic and fiscal returns from productive investment.
- Introduce a new procurement bill: Legislate to support purchasing with British suppliers and to place good work requirements on all suppliers to public contracts, including to exclude those with a track record of regulatory and other labour-related infringements.

National Wealth Fund

The National Wealth Fund (NWF) has a key role to play in realising the benefits of reindustrialisation – crowding in private investment to priority areas for the UK economy and driving growth across all regions of the UK.

The NWF has significant capital allocated to it. But it is acknowledged to have been too slow to invest its allocated capital. This has delayed important upgrades of ports and the expansion of gigafactories.

The NWF has set an ambition to break even by 2031. Alongside this, it has a mandate from government to leverage £3 of private investment for every £1 of public investment. However, delivering returns to these timescales (i.e. in 5 years) limits the kinds of long-term infrastructure investments needed to reindustrialise Britain.

For example, upgrading UK ports is critical for the expansion of offshore energy, but the NWF has made few such investments as the return on port investment is slow.

HMT should:

- Change the NWF's mandate to provide genuinely patient capital, that allows it to deliver returns and leverage private capital over a longer time period of 15 years or more.
- Increase overall capitalisation of the NWF to enhance its ability to provide grants, concessional finance and equity for the modernisation, expansion and decarbonisation of manufacturing and enabling infrastructure (as above).
- Urgently deliver its planned £1.8 billion investment into ports, as insufficient dockside and laydown areas in portside facilities is a key constraint on the growth of offshore wind supply chains.
- Set fair work conditions on any investments made by the NWF, following suit from GB Energy and DESNZ's Fair Work Charter for offshore wind.

Using public investment to drive good work and UK supply chains

Procurement for capital projects can set standards that shape the pay, conditions and skills offers across tens of thousands of UK jobs.

Ensuring framework agreements are in place to shape supply chain contracting and secure higher standards is a crucial means to realising the Government's reindustrialisation ambitions. Across significant projects including Hinkley Point, HS2, Sizewell C and London 2012, benefits of framework agreements have included higher apprenticeship numbers, improved health and safety compliance and timely delivery. There is real potential for learning from these approaches to be replicated across programmes included in the wider infrastructure pipeline.

Fair Work Standards, applied consistently across large projects, provide another means to use procurement for wider economic good. The Fair Work Charter for the Offshore Wind Industry, recently negotiated between trade unions and industry, provides an example of requiring fair work criteria to access government financial support. The Clean Industry Bonus mechanism that the Charter is attached to rewards offshore wind developers who have shorter supply chains and shows how government can support local sourcing and investment, and good jobs, within international trade law.

There are concrete steps that can be taken to embed such an approach across government. The TUC would welcome an HMT Ministerial statement that good UK jobs and higher skills for the UK workforce are priorities for the national infrastructure plan.

This would be an opportunity to set out the benefits that framework agreements between unions and employers can bring.

This should be supported by a cross-government Good Work Standard, which should be applied consistently across large scale commissioning and should include recognition of the value of supporting trade union access to the workforce.

Developing the Good Work Standard for Clean Energy is a critical part of the government's agenda to ensure that clean energy industries are the home of good, unionised jobs. The Office for Clean Energy Jobs is leading this work to ensure that government strategy and spending in the net zero economy promote fair, attractive, and productive employment practices.

HMT should:

- Encourage the maturing of the Good Work Standard so it can strengthen the growing, IS8 clean energy sector.
- Ensure that the Good Work Standard applies to all relevant government spend, procurement, and licencing.

In particular, these standards should be a mandatory requirement for delivery of all clean energy and clean power projects licenced, subsidised, invested in, and regulated by this government.

The Warm Home Good Jobs Standard, under development by the Warm Homes Plan Workforce Taskforce in collaboration with trade unions and industry, should also be supported and made a basic delivery condition for all works supported by area-based schemes, social housing schemes, the Boiler Upgrade Scheme (and successors), and government-backed consumer loans. This is a key opportunity to demonstrate that government investment is delivering good jobs across the country.

The government has also committed to publish jobs plans for each industrial strategy sector. At present, only those for Clean Energy and the Life Sciences have been published. The government should take this opportunity to demonstrate how the investment it has made in industrial strategy will deliver good jobs across the country, and how it will bring workers and businesses together to shape skills and jobs development in each industrial strategy sector.

Addressing wider industrial challenges

The UK also faces wider ongoing industrial challenges. These include strengthening our EU relationship and making sure the North Sea and AI transitions work for workers.

EU relationship

With UK exports to the US facing additional tariffs, it is more important than ever that the UK can improve trade and investment with the EU, our closest and most integrated trading partner.

The TUC welcomes the priority the government has placed on building a closer UK-EU relationship.

The TUC and our sister trade unions in the EU have common objectives for a closer UK-EU relationship as affirmed in the joint statement the TUC released with the European Trade Union Confederation in June.⁴⁰ We would like to see the government use the upcoming UK-EU summit to build on the Common Understanding by:

- Removing barriers to trade in chemicals and pharmaceuticals sectors.
- Removing barriers for touring artists.
- Strengthening Level Playing Field commitments in the UK-EU Trade and Cooperation Agreement by implementing improvements to workers' rights made in the EU, so UK workers do not fall behind.
- Enabling UK companies to win contracts under the EU's Made in Europe scheme, whilst protecting the government's ability to award contracts locally and keep public services in public control.
- Enabling UK companies to win contracts under the SAFE defence scheme.

We look forward to continuing to engage with the government on UK-EU negotiations, including through our role chairing the UK-EU Domestic Advisory Group.

North Sea transition

The North Sea oil and gas sector is undergoing structural decline, and new growth industries have still not delivered on creating equivalent jobs or industrial strength.

The oil and gas supply chain faces a potential cliff-edge. The supply chain employs approximately 90 per cent of the sector's workforce. Without additional support to rapidly futureproof operations, critical North Sea supply chain capabilities and skills will likely be lost.

The North Sea Future Plan acknowledges the importance of a managed transition, but this aim has not yet been matched by an ambitious and detailed programme to ensure delivery.

Government must produce a Supply Chain Plan, with tangible, targeted measures to support oil and gas supply chain companies to diversify their operations into markets with a long-term future, and in so doing, protect tens of thousands of jobs.

This should include action from HMT to:

⁴⁰ TUC. (2026). *"Joint ETUC-TUC statement on a common sense EU-UK deeper cooperation."* <https://www.tuc.org.uk/sites/default/files/2026-07/EN%20-%20Adopted%20Joint%20ETUC-TUC%20statement%20on%20a%20common%20sense%20EU-UK%20deeper%20cooperation%20%281%29.pdf>

- *Provide fast and accessible grant funding* to address supply chain companies' lack of a financial buffer or ability to transition.
- *Boost GB Energy with greater capitalisation*, setting out plans for how, over time, this will increase from the current £8.3 billion to around £40 billion. This is the necessary scale to set GB Energy on course to be a national energy champion, comparable to our European peers. Boosting GB Energy's capitalisation will kickstart further growth, by enabling productive investment into expanding public generation and storage to bring down bills, and into futureproofing the oil and gas supply chain. The type of borrowing required to boost GB Energy's capitalisation tends to be treated favourably by institutional investors and bond markets, who recognise that it is productive investment and a downpayment on future growth and is within the government's fiscal rules.
- *Leverage GB Energy to address the lack of transitional finance* for companies to pivot their operations, including debt products to fund business development, and equity products to fund infrastructure upgrades.

AI transition

AI can improve productivity, health and safety, and access to skills and information. However, benefits will not be effectively generated or fairly shared without a proactive agenda that enables workers to have rights, a collective voice and a fair share of any gains that AI facilitates.

As this policy framework is not in place, there is both a growing public backlash to AI and very weak AI adoption across the economy: 7 in 10 of the British public are concerned about the impact of AI on the economy⁴¹ while just 1 in 6 British businesses have adopted generative or agentic AI⁴².

Currently, AI's general productivity benefits – and related labour market impacts – remain uncertain, with some studies finding little improvement and evidence of “cognitive offloading” that may reduce skill development. In high-risk professions, AI can create new ethical, liability, and governance challenges, leaving workers accountable for errors generated by automated systems. Research also indicates that AI can intensify work rather than reduce it, leading to higher workloads, faster pace of work, cognitive fatigue, and burnout. Relatedly, algorithmic management raises wider concerns around discrimination, surveillance, worker wellbeing, trade union rights, and opaque pay-setting systems.

More broadly, evidence suggests AI may shift income from labour to capital, increasing inequality and weakening the tax base unless balanced through fair taxation, collective bargaining, and labour market regulation.

⁴¹KCL 2026 - *Public have more fear than hope on AI and future of work, study finds*

<https://www.kcl.ac.uk/news/one-in-five-britons-think-ai-will-create-civil-unrest-study-finds>

⁴² DSIT 2026, *AI Adoption Research*

<https://www.gov.uk/government/publications/ai-adoption-research/ai-adoption-research>

The TUC has set out building blocks for a pro-worker AI economy. At the Budget we need to see HMT action to gear the economy such that AI is adopted to expand productive capacity over the long term and not a short term cost-cutting tool.⁴³ In particular:

- Reform corporate governance so workers sit on boards and directors are accountable to all stakeholders, not just shareholders – leading to longer term business strategies.
- Protect the intellectual property of creative workers.
- Give regulators an explicit pro-worker mandate.
- Ensure that the jobs plan for each industrial strategy sector explicitly sets out how the sector will ensure that AI adoption supports better jobs.
- Put conditions on the tens of billions in public AI research funding so that public money supports the public good.
- Mandate worker and union involvement in UKRI, Innovate UK and the Catapult Network.

Skills

Boosting skills provision is a key route to both boosting wages and raising productivity.

The UK faces a significant skills challenge at a time of profound economic and labour market change. Technological innovation, industrial transition and the move to a net zero economy are reshaping jobs and workplaces across every sector. Implementation of the Employment Rights Act also provides an opportunity to build a more productive, skilled and secure workforce.

To meet this challenge, the UK must move towards a social partnership approach to the skills system, rooted in place, worker voice and employer needs. A system where government, employers and unions have shared responsibility for priorities and investment - supported by genuine decentralisation of decision-making power and funding. This approach is supported by OECD evidence showing that countries with strong social partnership and workplace dialogue on skills achieve higher productivity and better wage outcomes.

The economic case for action is compelling. Skills England estimates that priority sectors will require an additional 1.8 million workers over the coming decade.⁴⁴ Yet significant barriers remain. Around nine million adults lack essential literacy, numeracy⁴⁵

⁴³ TUC. (2025). *"Building a pro-worker AI innovation strategy."* <https://www.tuc.org.uk/research-analysis/reports/building-pro-worker-ai-innovation-strategy>

⁴⁴ Department for Work and Pensions and Skills England. (2026). *"Skills England annual skills report and Sectoral Skills Needs Assessments 2026"* <https://www.gov.uk/government/publications/skills-england-annual-skills-report-and-sectoral-skills-needs-assessments-2026>

⁴⁵ Learning and Work Institute. (2023). *"Modelling essential skills needs across England"* <https://learningandwork.org.uk/modelling-essential-skills-needs-across-england/>

or digital skills⁴⁶, more than a quarter of young adults do not hold Level 2 English and maths qualifications⁴⁷, and around one million young people are not in education, employment or training. These skills gaps limit productivity, constrain growth and create persistent recruitment challenges across the economy.

Investing in workers – Union Led Learning Fund

To support moving towards a social partnership approach to skills, the TUC proposes a new Union Led Learning Fund. The fund would be based on our strong track record of delivering a social partnership model of brokering access to training and skills development for workers through union led learning⁴⁸. Between 1998 and 2021, UnionLearn supported thousands of learners annually to gain qualifications in a range of areas including English, Maths and ICT. 70 per cent of learners supported through union learning programmes reported they would not have engaged in learning without union support.⁴⁹

Tailored to the specific needs of local and regional economies we can leverage trade unions biggest asset – a network of 200,000 trade union reps in workplaces across the country to work in partnership with devolved and national governments, local employer and Further Education partners. Focus areas should include essential digital literacy, AI adoption, green skills for industrial transition and technical pathways for job growth sectors.

Crucially, the fund must also stabilise and support Trade Union Education as a vital delivery mechanism for the successful workplace implementation of the Employment Rights Act. Trade Union Education is currently coming under severe pressure across the country due to the fragmented devolution of the Adult Skills Fund (ASF). While regional mayors including those across Yorkshire, in Liverpool City Region, in the West of England and London have actively supported trade union education in principle, local boundary restrictions, inconsistent application of ASF guidance and college funding deficits are putting provision at risk. Without targeted action from central government, regional gaps will undermine the capacity of workplace reps to translate new legal protections introduced through the Employment Rights Act into effective industrial relations, compliance, and workplace productivity.

⁴⁶ Future.now *The essential digital skills gap* <https://futuresdotnow.uk/about-us/the-essential-digital-skills-gap/>

⁴⁷ TUC. (2026). "More than a quarter of 24 year olds do not have Level 2 English and Maths qualification" <https://www.tuc.org.uk/news/more-quarter-24-year-olds-do-not-have-level-2-english-and-maths-qualification-tuc>

⁴⁸ UnionLearn was a government funded and TUC administered fund that ran between 1998 and 2021, brokering access to workplace learning via our network of trade union learning reps. Funding was withdrawn in 2021, but devolved versions of UnionLearn still exist in Wales and Scotland.

⁴⁹ TUC. (2020). "The Future of the Union Learning Fund." <https://www.tuc.org.uk/research-analysis/reports/future-union-learning-fund>

The scheme delivers significant economic returns. In 2019, at a time when the Union Learn Fund was funded at £12 million per annum, an independent study by the University of Exeter found the training rates it achieved generated a long-run Return of Investment (ROI) of £12.87 for every £1 spent and a return to the Exchequer of £3.60 for every £1 spent.⁵⁰

If access to learning was delivered at the best rates achieved by the Fund in the 2010s, training could benefit around 180,000 workers a year – supporting 400,000 to 550,000 learning opportunities for workers over the three years of the scheme.⁵¹

Improving access to training and upskilling opportunities via Union led learning will ensure workers can enter, remain and progress through employment during this time of rapid change – with proper consideration given to their local and regional context.

Supporting Further and Higher Education

Alongside investment in workplace learning, the government must address the recruitment and retention crisis in Further Education.

Colleges are central to delivering the skills needed for growth and the Prime Minister's agenda for a new technical education programme for 14-19 year olds. However, years of underinvestment have contributed to a pay gap of around £12,500 between colleges and schools, undermining colleges' ability to recruit and retain staff, particularly in technical and vocational subjects.⁵² Demonstrating the severity of these funding pressures, further education employers and sector trade unions took the rare step in June 2026 of submitting a joint letter to the Secretary of State for Education, urging government intervention to provide the core funding required to deliver a meaningful pay award and sustain the sector's workforce.⁵³

The government should provide additional ring-fenced funding through a multi-year settlement that delivers a clear pathway towards pay parity. Without a sustainable and properly rewarded FE workforce, ambitions for growth, industrial renewal and lifelong learning cannot be delivered.

Higher education is also facing financial crisis, which is impacting the workforce, students and delivery. Half of universities are making job and course cuts. Higher

⁵⁰ Dean, S and Stevens, H. (2020). "*The Future of the Union Learning Fund*". University of Exeter. <https://www.tuc.org.uk/sites/default/files/2020-11/TheFutureUnionLearningFund.pdf>

⁵¹ TUC estimate based on based on an estimates of the cost per learner that the scheme achieved in 2019 and 2011 (adjusted for inflation). If rates of union enabled learning matched the best rates that were achieved by the ULF in the 2010s, training could be delivered to around 180 000 workers a year, supporting 400 000 - 550 000 learning opportunities over three years

⁵² [Joint-Letter-to-The-Rt-Hon-Bridget-Philipson-16-June-2026-final.pdf](#)

⁵³ FE Week. (2026). "*College staff face zero pay rise warning.*" <https://feweek.co.uk/college-staff-face-zero-pay-rise-warning/>

education trade unions are calling for urgent government intervention to halt redundancies, protect courses, and reform the broken system, underpinned by public funding and equitable distribution of students between institutions.⁵⁴

Access to quality apprenticeships

The government must also strengthen pathways into skilled employment for young people and expand opportunities for adults to retrain and upskill. Between 2017/18 and 2024/25, apprenticeship start rates for 19–24-year-olds have reduced by 14 per cent and by 30 per cent for under 19s. This is in comparison to an increase in start rates for those aged 25 and over of 17 per cent.⁵⁵

This has been driven by the sharp decline in SME investment in apprenticeships. Prior to the introduction of the growth and skills levy, SMEs accounted for the majority of apprenticeships, but the number of starts fell by almost half between 2016/17 and 2022/23 – compared to a decline of just 2 per cent at large employers.⁵⁶

Increased investment in apprenticeships and exploring ways to reform the Growth and Skills Levy so that more employers pay into the fund, as well as targeted support for young people who are NEET and greater access to flexible lifelong learning would help tackle economic inactivity, widen opportunity and create a stronger pipeline of skilled workers for sectors facing labour and skills shortages.

⁵⁴ UCU. (2026). *“Stop the Cuts: Fund Higher Education NOW!”*

<https://www.ucu.org.uk/stopthecutscampaign>

⁵⁵ TUC analysis based on data from the Department for Education: <https://explore-education-statistics.service.gov.uk/data-tables/fast-track/b73c915e-21d1-4c2e-5487-08de072d13df>

⁵⁶ Youth Futures Foundation. (2025). *“Levyng Up – How to make the Growth and Skills Levy work.”* <https://youthfuturesfoundation.org/publication/levying-up-how-to-make-the-growth-and-skills-levy-work/>

Rising wages, incomes and quality of work

As outlined in 'the current economic position', workers have suffered a fifteen year pay crisis. Real pay returned to positive territory over 2024-2025, but given rising inflation has now fallen back to close to zero. Without action, there is a risk that the war in Iran will mean inflation outpaces wage growth yet again.

While action to bring down costs is an essential part of this equality, driving up pay and job quality is the other. Stronger employment rights, a rising minimum wage, a social safety net for working age and retired workers support higher incomes, and in so doing raise living standards and growth.

The relationship between growth and fairness operates in both directions. While stronger growth supports higher pay and permits more expenditure on public services and social provision, better protections for workers and stronger public services also support growth.

Strong employment rights

The economic case to make work pay

The TUC has long argued that the Employment Rights Act is not only a transformational upgrade to workers' rights, but is also good economics.⁵⁷ The Employment Rights Act has arrived as economic theories which promoted highly flexible labour markets have become widely discredited. The consequences of failure can be seen all around us in the proliferation of low-quality, low-paid jobs and low job satisfaction for many workers. The latest academic evidence shows that better labour market protections lead to improved economic outcomes and a fairer economy.⁵⁸

The government's updated impact assessment of the Act confirms this. It concludes that the package will be positive for economic growth and employment.⁵⁹ It will lead directly to an estimated 0.04 per cent increase of GDP. It is set to raise employment by "increasing the range of jobs and working patterns that are attractive to workers". It could also lead to better job matching as workers have more security when starting a new job. It will level the playing field for good employers and drive out business models reliant on exploitative conditions. The Act also has the potential to improve productivity as employers invest rather than rely on cheap and precarious labour. This

⁵⁷ TUC. (2025). "Making Work Pay is Good Economics." <https://www.tuc.org.uk/blogs/making-work-pay-good-economics>

⁵⁸ ESRC Centre for Digital Futures at Work. (2024). "The economic effects of changes in labour laws: New evidence for the UK." <https://digit-research.org/insights/the-economic-effects-of-changes-in-labour-laws-new-evidence-for-the-uk/>

⁵⁹ GOV.UK. (2024). "Employment Rights Act 2025: impact assessments." <http://www.gov.uk/guidance/employment-rights-bill-impact-assessments>

corresponds with the latest and most comprehensive evidence on the impacts of strengthening labour law.⁶⁰

The introduction of trade union access rights, simplifying the statutory union recognition framework and the employer duty to tell their workers of their right to join a union have the potential to boost union membership and extend collective bargaining coverage, especially in the private sector. Collective bargaining not only leads to higher wages, but also raises the quality of employment, benefiting both workers and employers. Workplaces with collective bargaining⁶¹ have more training days, more equal opportunities practices, better holiday and sick pay provision, more family-friendly measures, less long-hours working, better health and safety, lower staff turnover, higher innovation, reduced staff anxiety relating to the management of change and a greater likelihood of high-performance working practices.

The impact assessment finds that costs will be only £1 billion a year, equivalent to just 0.1 per cent of the total UK pay bill. These costs will be vastly outstripped by the benefits. The wider assessment includes a thorough review of wider benefits that the legislation should be expected to deliver. These include benefits of improved workforce health and well-being, reduced workplace conflict and increased labour market participation. The assessment says "were even some of these benefits to be realised then they would mean the Bill is significantly net positive for society."

Landman Economics has done an assessment of these wider benefits estimating that they fall between £4.9bn and £15.7bn. The central estimate is £10.3bn.

⁶⁰ ESRC Centre for Digital Futures at Work. (2024). *"The economic effects of changes in labour laws: New evidence for the UK."* <https://digit-research.org/insights/the-economic-effects-of-changes-in-labour-laws-new-evidence-for-the-uk/>

⁶¹ Research on UK workplaces that took account of the characteristics of the workplace and the workforce, comparing like for like to isolate the impact of unions and collective bargaining Professor Alex Bryson (UCL) and John Forth (NIESR) TUC (2017), *"The added value of trade unions New analyses for the TUC of the Workplace Employment Relations Surveys 2004 and 2011"* <https://www.tuc.org.uk/sites/default/files/2%20WERS%20added%20value%20of%20unions%20new%20format%20main%20plus%20appendix.pdf>;
And Professor Alex Bryson (UCL) and John Forth (NIESR) TUC. (2017). *"Work/life balance and trade unions Evidence from the Workplace Employment Relations Survey 2011"* <https://www.tuc.org.uk/sites/default/files/4%20WERS%20WLB%20new%20format%20main%20plus%20appendix.pdf>

Table 2: Economic benefits of the Employment Rights Act, £millions

	Estimated benefit (£m)		
	Lower bound	Midpoint estimate	Upper bound
Reduction in days lost to stress, depression or anxiety	487	974	1,461
Improvement in wellbeing	310	930	1,550
Improved compliance (going from being paid below NMW to being paid at NMW)	42	168	293
Reduced incidence of strikes	85	170	256
Reduced workplace conflict	2,705	5,410	8,115
Increased employment for people currently looking after family or home	1,331	2,662	3,993
TOTAL	4,960	10,314	15,668

Source: Landman Economics

The cumulative impact of even modest improvements would offset the costs of the Bill and stronger outcomes could generate even greater gains.

Support enforcement of the Employment Rights Act

The TUC strongly welcomes the introduction of important new workers' rights through the Employment Rights Act 2025 and the wider Make Work Pay agenda. These reforms have the potential to raise employment standards and improve growth and productivity across the economy.

However, effective rights depend on effective enforcement. The ability of workers to secure redress when their rights are breached will be critical to the success of these reforms. Key areas of increased investment that are needed are set out below:

- *The employment tribunal system* is a vital component of the employment rights enforcement framework. There is a substantial risk that, without further investment, it will be unable to support the effective implementation of the new rights being introduced. As awareness and use of these rights increase, demand on the tribunal system is likely to grow.

- Workers already face major barriers to justice. Tribunal backlogs continue to rise, with 531,000 open cases at the end of March this year⁶², up from 444,000 three years earlier⁶³. Many cases take years to reach a hearing, leaving workers and employers alike without timely resolution of workplace disputes. If workers and employers lose confidence that tribunals can deliver prompt decisions, the deterrent and practical effect of employment rights will be seriously weakened. Addressing tribunal delays also requires sustained investment in the tribunal system itself. Additional judicial capacity, administrative staff and case management resources are needed to ensure that claims can be resolved more quickly and efficiently.
- The UK's labour market enforcement system remains significantly under-resourced. The UK continues to fall well short of the International Labour Organization's benchmark of one labour inspector per 10,000 workers. Closing this gap would require the recruitment of around 1,800 inspectors and would significantly strengthen the state's ability to deter and address non-compliance.
- The establishment of the *Fair Work Agency* represents a major opportunity to improve enforcement outcomes. However, its success will depend on a funding settlement that reflects the scale of its responsibilities and enables it to discharge its new powers effectively. The TUC strongly supported the introduction of powers allowing the Agency to recover the costs of investigations and enforcement action from employers found to have breached employment law, as well as the power to enforce tribunal awards. This mechanism can provide an important additional source of funding for the enforcement system. It is therefore vital that these powers are promptly commenced.
- Implementing the rights set out in the Make Work Pay agenda will require some level of improvement to employers' administrative practices and support for unions to inform workers' of their rights. *Government support to help trade unions and businesses understand and implement the new rights* will help to ease the transition, and will help to reduce unintentional non-compliance, thereby reducing demand on the employment tribunal system.
- Implementing the collective rights contained in the ERA will require additional resources for the *Central Arbitration Committee* (CAC). Its responsibilities are expected to expand significantly, including overseeing and enforcing new trade union access rights. Reforms to statutory recognition processes are also likely to increase both the volume and complexity of cases given strengthened protections against unfair practices. Given these expanded duties, we estimate

⁶² Ministry of Justice. (2026). "Tribunal Statistics Quarterly: January to March 2026"
<https://www.gov.uk/government/statistics/tribunals-statistics-quarterly-january-to-march-2026/tribunal-statistics-quarterly-january-to-march-2026>

⁶³ The Law Society. (2025). "Employment tribunal backlog continues to spiral"
<https://www.lawsociety.org.uk/contact-or-visit-us/press-office/press-releases/employment-tribunal-backlog-continues-to-spiral>

that the CAC will require a budget increase of around 50 per cent to carry out its functions effectively.

- The *Equality and Human Rights Commission* has the responsibility for ensuring employers comply with their legal obligations to advance workplace equality and the Equality Act 2010. The ERA also introduces new requirements for employers to produce equality action plans, including details of what pro-active steps they will take to support workers navigating the menopause. These equality actions build on the mandatory requirement for employers with over 250 staff to publish their gender pay gap. The EHRC's ability to deliver on its role and purpose have been undermined over the last decade through funding cuts and other political factors, meaning that effective enforcement and advancement of workplace equality rights in practice has been limited. The EHRC requires additional resource to ensure it is able to deliver its statutory obligations and ensure compliance with the new legislative provisions under the ERA.

National minimum wage

The minimum wage should be increased to £15 as soon as possible, and equalised for workers of all ages. This would raise pay for millions of workers, improve living standards, and shift our economy away from an over-reliance on low paid work. This is the level of ambition needed to realise the full potential of the minimum wage, and to make it a genuine living wage in line with government manifesto commitments.

The minimum wage is set to be frozen at 66 per cent of median wages for the three years to April 2027 and there is a risk this freeze continues for a fourth year. This is despite the strong body of evidence showing that minimum wages raise pay without causing negative employment effects. The government should set a bite target for the minimum wage of 75 per cent as soon as possible. Our analysis shows that a £15 minimum wage can be delivered even with modest increases that would take the bite to 70 per cent by 2029/30.

The TUC believes that all workers should be entitled to the same minimum wage regardless of age. This aligns with the government's commitment to equalise rates for all adult workers and the Low Pay Commission's recommendation to expand the National Living Wage until it includes everyone aged 18 and over. Minimum wage youth rates are discriminatory and seldom used by employers.⁶⁴ 85 per cent of 18-20 year olds are paid above the 18-20 minimum wage rate by at least 5p an hour. 63 per cent are paid at the full adult rate. The previous Conservative government gradually moved 21 to 24-year-olds onto the full adult minimum wage with no negative impact on employment.² It is right that the current government finishes this job.

⁶⁴ TUC. (2026). *""Unfair" youth minimum wage must go, says TUC – as evidence shows the youth rate is seldom used."* <https://www.tuc.org.uk/news/unfair-youth-minimum-wage-must-go-says-tuc-evidence-shows-youth-rate-seldom-used>

Mileage rates

The TUC welcomed the government's decision earlier this year to end the 15-year freeze on HMRC's mileage rates, by increasing the rate from 45p to 55p per mile for the first 10,000 miles. We also welcomed the government's continued commitment to reviewing mileage rates and were pleased to host a roundtable between union, treasury and HMRC officials this summer.

The government should deliver a further increase to mileage rates in the budget as they continue to fall short of fuel and running costs. Consultation with unions suggest a rate of around 75p is per mile is more reflective of the true costs although this is subject to change as prices shift. Looking forward, the government should implement regular uprating with a transparent methodology.

As part of its review the government should also consider some wider issues. Costs per mile do not suddenly decline after 10,000 miles, and may indeed increase, so unions support abolishing the bands and paying all miles the same rate. We are also concerned that not all employers are paying the new mileage rates, including some parts of the public sector. All parts of government should set expectations by making full use of any increased rates. Finally, the government should consider the benefits of public sector fleet provision so that workers are not pushed to rely on personal vehicles.

A strong social security safety net

Universal Credit should be designed so people in and out of work have sufficient income protection and receive payments efficiently in ways that maximise their income.

We support the government's recognition that Universal Credit needs reform, and hope the review will make progress on removing the five-week wait, enabling more regular frequent payments, and introducing longer assessment periods to reduce income volatility.

The five-week wait fails to recognise that many low-paid workers do not have savings to cover the gap. Monthly assessment periods should also be reformed because they are based on claim dates rather than pay cycles, creating a mismatch between the two. As a result, workers can receive two wage payments in one assessment period, reducing their Universal Credit. USDAW reports that 78 per cent of members on Universal Credit are paid four-weekly, meaning their payment can fall by £800 in one month each year, making budgeting harder.

In our 2022 report on reforming Universal Credit⁶⁵ we recommended the removal of the monthly assessment period designed to include a monthly payment in arrears. We also set out the need for a longer three- to-six-month assessment period to reduce

⁶⁵ TUC, (2022). "A replacement for Universal Credit." <https://www.tuc.org.uk/research-analysis/reports/replacement-universal-credit>

fluctuations and provide stability, and allowing claimants to choose more frequent payment options to better suit their budgeting needs.

The review should also consider how Universal Credit can better make work pay. Although when introduced it was presented as strengthening work incentives, its design falls short. Universal Credit has a high taper rate: while the headline rate is 55 per cent, this can rise to between 60 and 70 per cent once tax and National Insurance are included. Since Universal Credit was introduced, eligibility for work allowances has been reduced and allowance levels have changed. Second earners receive no allowance, so their earnings are tapered immediately. Because second earners are more likely to be women, this disproportionately affects women's earnings.

Options to improve work incentives and increase hours in Universal Credit include reducing the taper rate, increasing work allowances, and introducing a work allowance for second earners in couples.

Pensions reform

The need for an income that supports a decent quality of life doesn't end when someone retires from paid work, and government policy plays the central role in determining their retirement incomes. For the majority the State Pension is the biggest source of retirement income, so decisions on its level, and age at which people can receive it are crucial. The rest of their income comes largely from workplace pension schemes, which they are automatically enrolled into by their employers. Government plays a key role here by setting minimum contribution rates - which for most low and middle income workers have effectively become the default rate - and the type of pension scheme into which they are enrolled.

The TUC strongly supported the launch of the Pension Commission last year and welcomed its Interim Report.⁶⁶ This shows the need to improve expected retirement incomes, particularly for groups facing additional barriers to building up a workplace pension including women, BME workers, disabled people and the self-employed.

This will require a timetable to raise minimum employer contributions and bring more low-paid workers into occupational pensions. It will also need changes to the State Pension to improve outcomes for those out of paid work due to caring responsibilities and enable the self-employed to build up additional State Pension.⁶⁷

Occupational pensions must also do better at turning contributions into a retirement income. The government has championed the development of Collective Defined

⁶⁶ Pension Commission. (2026). "*Pensions 2050: evidence and future priorities – interim report.*" <https://www.gov.uk/government/publications/pensions-2050-evidence-and-future-priorities-interim-report>

⁶⁷ TUC. (2026), "*Pensions 2050: Evidence and future priorities - TUC response to the Pension Commission interim report.*", <https://www.tuc.org.uk/research-analysis/reports/pensions-2050-evidence-and-future-priorities>

Contribution (CDC) schemes that provide a lifetime income rather than a pot of money at retirement. To enable more workers to be upgraded from individual to collective schemes the government should establish a default CDC provider on the model of Nest, set up so all employers could access a high-quality pension scheme for auto-enrolment.

We welcome the government's commitment to the Triple Lock but believe the increase in State Pension age to 67 that started in April will worsen pre-retirement poverty. The increase to 66 from 2018-2020 raised poverty rates among 65-year-olds from 1-in-10 to 1-in-4, as those unable to work longer relied on inadequate working age benefits.⁶⁸ Some of the £15.4bn annual savings from these increases should be used to mitigate this increase in poverty rates through early access to an unreduced State Pension and Pension Credit for those approaching State Pension age who are unable to work.

Boosting employment rates

Opportunities for young people

With NEET numbers reaching one million, the Government must make the jobs guarantee more ambitious and central to its response. The TUC welcomed the adoption of our long-standing call for a fully funded, six-month paid job for eligible 18 to 24-year-olds on Universal Credit, but the scheme should go further.

Evidence shows job guarantee schemes work. Labour's Future Jobs Fund gave young people real paid work, new skills and employer references, while the Resolution Foundation finds⁶⁹ schemes like the job guarantee are significantly more cost-effective than broad based demand-side support such as changes to employer National Insurance.

The TUC is calling for eligibility to start after six months on Universal Credit, not 18, and for places to rise from 90,000 to 225,000 over three years. We estimate this more ambitious scheme would cost an additional £1bn, and deliver almost £4.6bn in long-run benefits — a benefit-cost ratio of 2.69.⁷⁰

Even a more moderate change to the criteria bringing eligibility forward to 12 months and increasing the places to 135,000 over three years would produce £2.74bn of benefits compared to an additional £337m investment, at a cost to benefit ratio of 2.67.

⁶⁸ Institute for Fiscal Studies. (2022). "How did increasing the state pension age from 65 to 66 affect household incomes?" <https://ifs.org.uk/publications/how-did-increasing-state-pension-age-65-66-affect-household-incomes>

⁶⁹ Resolution Foundation. (2026). "Take a chance on me: How can employers be incentivised to employ NEETs?" <https://www.resolutionfoundation.org/publications/take-a-chance-on-me/>

⁷⁰ TUC 2026 – Young People and Work – a call to action - <https://www.tuc.org.uk/sites/default/files/2026-09/youngworkerstucreport090926.pdf>

With these outcomes assessed over 30 years, the scheme hits breakeven within eight years. Given the caution we have taken in assessing the scheme's impacts, outcomes and long-run benefits of the scheme could well be higher.

Because the NEET crisis is structural, an expanded Youth Guarantee should be made permanent, with flexibility to grow during downturns and scale back as the economy strengthens.

Beyond support for young people already NEET, the government should take a stronger preventative approach, encouraging young people to continue to engage in learning and earning beyond the 'cliff edges' at 16 and 18 when a large number of young people disengage.

The government has recognised that finances can put people off continuing in education or training, by rightly introducing a bursary to remove a key financial barrier to apprenticeships.⁷¹

The same financial issues can often be in play for students considering further study. In evidence from 2023, the APPG for students found that FE colleges say they are seeing students in "financial desperation". A survey of FE students found 72 per cent said they were facing costs that were putting them in financial difficulty, 23 per cent said energy was the main cost pressure and 21 per cent said transport was the main issue.⁷²

While Scotland, Wales and Northern Ireland provide an Education Maintenance Allowance (EMA) to young people to discourage them from disengaging from education, England is the outlier in having no such scheme.

The TUC proposes a new youth learning allowance, modelled on the former Education Maintenance Allowance (EMA), while learning the lessons from some of the potential limitations of the former scheme⁷³. This allowance could help young people remain engaged in education and should form part of a wider package of support.

Supporting disabled people

Disabled people are too often excluded from and disadvantaged within the labour market because of barriers created by society, including inaccessible workplaces, discrimination, a lack of workplace adjustments and the additional costs associated with disability. These inequalities highlight the need for coordinated action to support disabled people who can and want to work to enter, remain and progress in

⁷¹ GOV.UK. (2026), "Government invests in young people with more opportunities close to home," <https://www.gov.uk/government/news/government-invests-in-young-people-with-more-opportunities-close-to-home>

⁷² APGG. (2023). "Further education students in England hit by extreme poverty," <https://www.theguardian.com/education/2023/jul/03/further-education-students-in-england-under-extreme-poverty-report-finds>

⁷³ Further details can be found in TUC 2026 – Young People and Work – a call to action - <https://www.tuc.org.uk/sites/default/files/2026-09/youngworkerstucreport090926.pdf>

employment, including through disability pay gap reporting, an effective Access to Work scheme and a Personal Independence Payment (PIP) system that recognises and helps meet the extra costs of disability.

The government must embed the social model of disability at the heart of economic policy, recognising that disabled people are disabled by barriers in society, not by their impairments. This requires investment in social security, workplace support and enforcement, alongside mandatory disability pay gap reporting and employer action plans developed with trade unions. It is vital that disabled people who can and want to work receive the support they need to enter, remain and progress in employment.

PIP is a non-means-tested benefit designed to meet the additional costs of disability and must not be linked to a claimant's ability to work. For many disabled workers, PIP is a vital enabler of employment, helping meet the extra costs of transport, energy, specialist equipment and support. Funding must increase so PIP reflects the true cost of disability and reform must be grounded in dignity and trust.

PIP cannot be viewed in isolation. Too many disabled workers rely on PIP to cover workplace-related costs because employers fail to provide reasonable adjustments and Access to Work support is unavailable or delayed. Addressing this requires investment across all three areas, backed by a strong, well-funded EHRC with the capacity to enforce compliance and drive systemic change.

Access to Work must be properly funded and responsive, providing timely support to prevent avoidable job loss, while the EHRC must be resourced to enforce rights, undertake investigations and ensure equality law delivers meaningful change in workplaces.

Closing race employment gaps

Racism manifests in the workplace through pay, progression and employment opportunities. Black workers face discrimination from preparing for the workplace, from recruitment to exiting the work force.

Any implementation strategy to reduce racial inequality in the workplace needs to start with legislating for mandatory ethnicity pay gap reporting for employers with more than 50 staff, as promised in Labour's 2024 manifesto, backed by annual action plans and funded support so smaller employers can collect and publish robust data. The government should ensure that a legislative timetable is in place for putting these measures in place, and ensure sufficient funding is made available for an online reporting service and the development of comprehensive statutory guidance to help employers collect data and produce evidence informed action plans.

Supporting parents

UK parental leave falls far short of average earnings and the true cost of living, and the UK has one of the least generous systems in Europe. The low rates of statutory pay means mums and primary parents go back to go work before they are ready, families

struggle with the cost of living, and many partners are unable to take leave at all. A Maternity Action survey of new mums found that 24 per cent had gone without food themselves to feed children⁷⁴. TUC research found financial barriers prevented one in five dads and partners taking any leave at all⁷⁵.

To support families with the cost of living, action should be taken to improve the system.⁷⁶

- Maternity and adoption pay should be increased to 90 per cent of salary beyond the existing 6-week period and a clear pathway to 100 per cent salary remuneration for a protected period in the long-term should be set out.
- In the future we would want to see equal entitlements to leave for both parents where relevant. As a path towards this, paternity leave should be extended.
- A new standalone, individual entitlement to parental leave should be paid at 90 per cent of salary for a fixed period with a clear pathway to 100 per cent salary remuneration in the long term.
- Statutory pay should be increased to at least the level of the real living wage.
- Ensure day one rights for all parental leave and pay entitlements regardless of earning level and employment status. This includes ensuring that self-employed, freelance and insecure workers need a means to access properly paid parental leave.
- Maternity Allowance should be treated as unearned income to address anomalies in the Universal Credit system.

⁷⁴ Maternity Action. (2025). *"Pushed into poverty"* <https://maternityaction.org.uk/wp-content/uploads/Pushed-into-Poverty-2025-FINAL.pdf>

⁷⁵ TUC. (2023). *"1 in 2 families struggle financially when dads take paternity leave – TUC poll"* <https://www.tuc.org.uk/news/1-2-families-struggle-financially-when-dads-take-paternity-leave-tuc-poll>

⁷⁶ TUC. (2025). *"Parental leave call for evidence."* https://www.tuc.org.uk/research-analysis/reports/parental-leave-call-evidence#footnote7_467nab9

Public services you can rely on

Strong and resilient public services are foundational to the government's plans for economic growth and rising living standards in every postcode. Good public services help build strong and resilient households, improving people's living standards directly by improving public health, access to education and skills, keeping communities safe, and ensuring communities can access the services they need, when and where they need them.

Healthy, skilled workers and households with access to good public services and affordable essential boost productivity. As a major employer, good quality employment in public services often plays a vital role in supporting local economies – across the UK the public sector accounts for 17 per cent of total employment, in some parts of the UK such as the North East it accounts for over a fifth of total employment. In short, when public services thrive, communities thrive.

But years of real terms cuts have left services understaffed and overstretched and taken demand out of the economy.

Years of austerity have seen public sector pay held down, with public sector workers (who make up 18 per cent of the workforce⁷⁷) experiencing real terms pay cuts, driving recruitment and retention crises across the public sector and leaving public sector workers themselves facing a cost-of-living crisis.

Further, worsening services have seen spending shift from prevention to acute care - creating a cycle in which cuts to preventative services increase demand for acute provision, intensify workforce pressures and leaving services unable to meet community needs.⁷⁸

The upcoming budget is an opportunity to reverse the decline of public service delivery; address the severe workforce crisis the sector is experiencing and make clear a long-term commitment to high-quality public services in every part of the UK, supported by a highly skilled and valued public sector workforce.

⁷⁷ ONS. (2026), "Public sector employment, UK: March 2026."

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/publicsectorpersonnel/bulletins/publicsectoremployment/march2026>

⁷⁸ The IFG Public Services tracker 2025 states that in health and care services, while spending on acute trusts grew by 29.6 per cent between 2016/17 and 2022/23, preventative services fared much worse. For example, community trusts grew by less than half this (13.9 per cent), while public health spending fell by 6.6 per cent over the same period.⁹ As a result, spending is heavily skewed towards acute services. In 2022/23, the government spent a total of £144.5 billion on acute trusts, GP primary care services, mental health services, community trusts, adult social care and public health. Of this, 62 per cent was spent by acute trusts, whereas spending on community trusts and public health was just 5.4 per cent of the total

A long-term workforce strategy

A cornerstone of strong and resilient public services is a long-term workforce strategy, supported by adequate investment and developed with trade unions and employers,

We cannot rebuild capacity, improve working conditions, and protect service quality without addressing persistent recruitment and retention pressures, which are currently weakening services across education, health, civil service, justice, probation, and fire and rescue.

- In schools, around one in 4 teachers has left teaching within three years, and one in 3 has left within five years⁷⁹

Recruitment freezes in the NHS are increasing pressure on existing staff and raising concerns about patient safety and service delivery.

- Recent research suggests at least 21,000 NHS roles in England could be cut by 2028 as trusts facing deficits try to balance their budgets. Higher workloads risk worsening burnout, sickness absence and staff departures, further stretching services.⁸⁰ This threatens the quality, safety and long-term sustainability of the NHS.

Too often public services workers report excessive workloads, stressful working conditions and low pay as reasons for leaving.

- In schools, dissatisfaction with pay level is very high, a recent union's survey of its members shows that:
 - 68 per cent have considered leaving teaching because of low pay or the unfairness of PRP (performance-related pay)
 - 73 per cent of teachers feel underpaid given their job role, responsibilities and workload.⁸¹
- In the civil service, there are serious concerns about its ability to recruit and retain the skills and expertise needed to deliver public services. Pay, career progression and working conditions are key issues.
 - 39 per cent of civil servants intending to leave cited better pay and benefit package.⁸²

⁷⁹ Department for Education (2025), *School workforce in England* <https://explore-education-statistics.service.gov.uk/find-statistics/school-workforce-in-england/2025>

⁸⁰ UNISON (2026), *More than 20,000 NHS posts to be axed over £1.1bn budget deficit* - <https://unison.org.uk/press/2026/04/more-20000-nhs-posts-be-axed-over-ps11bn-budget-deficit>

⁸¹ NEU (2025), *Teachers pay and progression survey 2025*, <https://neu.org.uk/latest/library/teachers-pay-and-progression-survey-2025>

⁸² Cabinet Office (2025), *Civil Service People Survey*, <https://www.gov.uk/government/publications/civil-service-people-survey-2025-results/civil-service-people-survey-2025-results-highlights>

In many public services, staffing levels have not kept pace with the increasing complexity of demand. For instance, in the justice sector, despite increased recruitment, the prison service still faces major shortages of experienced frontline staff. Retaining experienced staff should be as important a priority as recruitment.

In the probation service, chronic staff shortages, excessive workloads, burnout, and reliance on overtime are pushing staff to breaking point.

Ongoing underfunding has seriously weakened the fire and rescue service. Many communities now have less fire coverage, and since 2010, 12,000 firefighter jobs have been lost. As a result, fire engines often reach emergencies without enough crew to respond safely.

Public sector unions are clear that while recent pay awards have broadly matched inflation, pay remains below 2010 levels once inflation is taken into account.⁸³ Urgent workforce investment is needed to reverse over a decade of austerity and ensure the public sector workforce can deliver world-class public services in every part of the UK.

Workforce planning should be addressed alongside spending decisions. The TUC recommends all public sector pay awards be fully funded so employers do not have to absorb unfunded costs through cuts to staffing, services, or other budgets.

To improve service quality, productivity and efficiency in public services, the TUC recommends the Government:

- Develop a long-term public service workforce strategy in partnership with trade unions and employers.
- Fully fund public sector pay awards and ensure funding settlements provide sufficient resources to maintain staffing levels and service quality.
- Invest in recruitment, training, career development and progression, including measures to address skills shortages and retain experienced staff.
- Take action to reduce excessive workloads and work-related stress, and unsafe working conditions, including rising levels of violence.

Supporting the social care workforce

The TUC welcomes the government's progress on establishing a Fair Pay Agreement (FPA) in adult social care and the recognition that the adult social care workforce is foundational to building a National Care Service we can be proud of and to relieve pressures on the NHS. Putting the FPA on a strong footing from the start will be essential to realising the Prime Minister's ambitions to reform social care.

Skills England estimates that demand for priority occupations in adult social care is projected to grow by 281,000 (28 per cent) between 2025 and 2035. Further, they

⁸³ Teacher and school leader pay is estimated to be around 23 per cent lower in real terms (adjusted for RPI inflation) than in 2010. ([Joint union evidence](#) to School teachers review body 2025)

estimate that 404,000 workers are expected to leave these priority occupations over that period and will need to be replaced, bringing total demand to around 685,000 workers.⁸⁴ However, while demand is increasing the ongoing recruitment and retention crises, driven by low pay, job insecurity and lack of progression opportunities persist. Skills for Care latest data suggests there are 111,000 vacancies on any given day – a vacancy rate of 7 per cent.⁸⁵ Over a quarter of people leave their jobs in care each year and around a third of them leave the sector altogether.⁸⁶

Improving the terms and conditions of the social care workforce is essential to fixing the social care system so that those who need it can access high-quality care and support. Crucial to this is ensuring that the Fair Pay Agreement has adequate and sustained funding to ensure that workforce challenges can be meaningfully addressed. This budget is a critical opportunity to build on the initial £500 million funding already announced and commit to a long-term and sustainable funding settlement that delivers for the care workforce and the families that rely on them.

In social care, the proposed 'earned settlement' reforms will severely weaken the provision of care services and increase workers' vulnerability to exploitation, by tying social care workers to sponsoring employers for triple the length of time as a default. The TUC calls for visa reform, such as a sector-wide social care visa that supports both worker mobility and sector sustainability. The government should scrap the 'earned settlement' reforms and work with trade unions to ensure that visa design allows workers to challenge labour violations and to support sectors across the economy.

Insourcing and procurement

The TUC's position is that that public ownership and in-house delivery should be the default setting for public services with trade unions closely involved in determining priority sectors and/or contracts to insource. Evidence shows that service delivery that is directly controlled and operated by the responsible public authority, with directly employed public sector workers, can bring a range of benefits to the public authority and to public service workers, local economies and service users and value for public money.⁸⁷

⁸⁴ Skills England 2026, *Sector Skills Needs Assessment – Health and Adult Social Care*, https://assets.publishing.service.gov.uk/media/6a185b0d65bc5f798327f4c9/sna_health_and_adult_social_care.pdf

⁸⁵ Skills for Care 2025, *The 'State of' report*, <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/workforceintelligence/Reports-and-visualisations/National-information/The-State-of-report.aspx>

⁸⁶ Skills For Care, *Workforce Strategy*, <https://www.skillsforcare.org.uk/Workforce-Strategy/Overview/Executive-summary.aspx>

⁸⁷ Association for Public Service Excellence. (2019). *Rebuilding capacity: The case for insourcing contracts*

The government is uniquely placed to ensure that public money delivers good growth and decent work to raise living standards in every part of the UK. We therefore welcome the commitment of this government to deliver the biggest wave of insourcing in a generation, the introduction of the Two-Tier Workforce Code (TTWF), the Public Interest Test and the recent announcements to strengthen social value procurement criteria to deliver good quality jobs.

It is essential that government departments and contracting authorities have the adequate central government funding needed to implement new requirements stemming from the TTWF regulations and Code, which should be robust, applicable across a wide range of public services contracts, and ambitious – including provisions to ensure access to public sector quality pensions and dynamic alignment of terms and conditions. An ambitious funding package and a procurement bill is also required to support the wider insourcing agenda to move towards fully in-house delivery models and ensure that all public contracts support good work.

Action to enable growth across the economy

Immediate interventions are needed at the budget to support living standards and support public services.

But turning our growth rate around in the long term will require a significant boost to investment. This is made challenging by the levels of public debt – which rose significantly over the period of austerity and then the pandemic, and high interest rates which are adding pressure on public spending.

The Labour Government has already made welcome steps, with a major increase in investment in their first budget in office, modifying our fiscal rules, and increasing taxes on wealth to fund support for public services.

There is significant scope to go further – making the most of those changes to the fiscal rules and making it easier for public finance institutions to invest, reviewing the OBR and in particular its approach to economic modelling, going further on taxes on wealth and big business, addressing over centralisation and reforming corporate governance rules to incentivise long-term business investment and fair distribution of risks and rewards.

Immediate increase in investment

The government should make the most of changes to the fiscal rules that allow the government to offset the cost of borrowing by considering the value of the financial asset it invests in.

When the public sector puts in money to catalyse investment in the private sector, with the debt target based on the public sector net financial liabilities measure (PSNFL), the cost of investment is offset against the value of the stake the government takes, which is recognised as a financial asset. This allows for higher investment than the government has previously committed – despite the strong case for boosting demand, for example via increased capitalisation of the National Wealth Fund (NWF), Great British Energy or British Business Bank.

The TUC wants the greater potential derived from PSNFL to be used to expand investment in the economy. Most immediately, this should be done by increasing capitalisation of the National Wealth Fund, Great British Energy, the National Housing Bank, and the British Business Bank, and by adjusting the guidance to these public finance institutions to make it easier for them to invest.

A concrete example of how this could be done is by increasing GB Energy's capitalisation. The government should set out plans for how, over time, this could be boosted from £8.3 billion to around £40 billion. This is the necessary scale to set GB Energy on course to be a national energy champion, comparable to our European peers. Boosting GB Energy's capitalisation will kickstart further growth, by enabling

productive investment into expanding public generation and storage to bring down bills, and into futureproofing the oil and gas supply chain. The type of borrowing required to boost GB Energy's capitalisation tends to be treated favourably by institutional investors and bond markets, who recognise that it is productive investment and a downpayment on future growth.

This would crowd in more private sector investment, strengthen the economy and boost growth – all within the fiscal rules.

As an indication of scale, the Resolution Foundation draw attention to the former role of the European Investment Bank and a consequent shortfall in investment since Brexit⁸⁸. If the NWF matched these operations, they assess that capacity would be doubled to £35bn (from £17.8bn).

Supportive macro framework

In the longer term, the government should consider the case for updating its fiscal rules to assess debt based on public sector net worth. This would mean that the value of non-financial assets – such as publicly-owned land or buildings – would be deduced from the debt calculations.

The TUC has also called for an independent review of the OBR, and in particular in the context of present policy for a review of economic modelling.⁸⁹

While the OBR, set up by George Osborne when he was Chancellor, is officially independent of government, the TUC is concerned that the organisation's models "bake in" assumptions that encourage widely discredited austerity policies. For example, the OBR assumes that public spending will "crowd out" private spending in the economy, which is highly contentious.

The TUC is also concerned that the OBR's conservative approach regularly fails to account for the fiscal costs of social policy cuts.

For example, the OBR did not consider the impact of cutting Sure Start funding during austerity. But it is now well-evidenced that Sure Start investment saved public money in the long-term by improving children's education and employment outcomes.⁹⁰

The review should also consider the relationship between judgements made by the OBR and the Bank of England – given the OBR's forecasts also take into account the Bank's likely action on interest rates.

⁸⁸ Resolution Foundation (2026). *"Much ado about PuFins"*

<https://www.resolutionfoundation.org/publications/much-ado-about-pufins/>

⁸⁹ TUC. (2025) *TUC submission Autumn Budget 2025* <https://www.tuc.org.uk/research-analysis/reports/tuc-submission-autumn-budget-2025>

⁹⁰ IFS. (2025), *"Sure Start's wide-ranging and long-lasting benefits highlight the impact of integrated early years services."* <https://ifs.org.uk/news/sure-starts-wide-ranging-and-long-lasting-benefits-highlight-impact-integrated-early-years>

It could also consider future scope for adjusting our fiscal rule to ensure they are closer in line with those of our peers, including a move to the 'public sector net worth' measure which captured the value of non-financial assets as well as financial assets.⁹¹ While the PSNFL measure supports higher investment originating in the *private* sector that can sit on the government balance as a financial asset, the public sector net worth (PSNW) measure also incentivises more directly *public* sector investment. A key difference is the inclusion of non-financial assets, like the value of public sector land, buildings, and plant and machinery belong to public non-financial corporations.

Fair taxation

Wealth taxes

Not everyone has been hit by the cost of living crisis. Banks have made massive profits, partly due to the high interest rates that have worsened household finances. And the wealthy have continued to accumulate wealth without paying fair tax on it.

The government can raise money to fund cost of living support while keeping to its commitment not to raise the main rates of income tax, VAT or national insurance by taxing wealth.

Two key ways to do this are:

- Increasing the bank surcharge⁹². The bank surcharge is an additional 3 per cent corporation tax on profits above £100 million. This was reduced from 8 per cent in 2023 by the Conservatives. Since then, banks have raked in eyewatering profits and paid themselves the highest bonuses we've seen since the financial crisis. A windfall tax of 35 per cent would raise £60bn over four years.
- Equalising Capital Gains Tax (CGT). CGT is a tax on the profit when an asset that has increased in value is sold. It is currently taxed at lower rates than Income Tax. Equalising CGT rates with income tax rates and closing loopholes in the system would raise £11.3 billion a year.⁹³

Corporation tax

As well as setting out the need to share the tax burden more fairly between work and wealth, the TUC has begun examining the balance of tax revenue between labour and capital.

⁹¹ IPPR. (2024). *"Budget should take first step to more rigorous fiscal rules that also promote growth, IPPR urges."* <https://www.ippr.org/media-office/budget-should-take-first-step-to-more-rigorous-fiscal-rules-that-also-promote-growth-ippr-urges>

⁹² Further details here: TUC (2025). Bank taxation <https://www.tuc.org.uk/research-analysis/reports/bank-taxation-2025>

⁹³ Tax Justice UK. (2026). *"Ten tax reforms to raise over £50bn a year for UK public services"*. <https://taxjustice.uk/blog/how-to-raise-50-billion-for-public-services-our-ten-tax-reforms/>

While the previous Conservative Government increased the main rate of corporation tax (CT) to 25 per cent, extensive reliefs and deductions mean that many businesses pay considerably less. The latest figures show that, in 2023–24, gross taxable income was £682bn, but reliefs and other deductions reduced this to £378bn⁹⁴. As a result, CT payable was equivalent to just 12.2 per cent of gross taxable income, less than half of the 25 per cent headline rate.

Every tax relief was introduced for a legitimate purpose, whether to encourage science and innovation through R&D reliefs and the patent box, or to support arts and culture through creative industries relief. However, some are now being used in ways that appear to go beyond their original purpose.

A review is now needed to examine if these reliefs are effectively achieving their original aims and whether they are the best use of public funds. This review should include the following reliefs:

- Patent box: There is little evidence that the relief has delivered significant benefits for the UK economy, while its benefits have been concentrated among a small number of large firms.⁹⁵ It has also been criticised internationally for facilitating profit shifting by multinational corporations, without sufficiently encouraging productive investment.⁹⁶ The review should consider whether the relief should be reformed or removed.
- Research and Development (R&D): While the 2022 introduction of an Anti-Abuse Unit has cut substantially reduced instances of misuse, significant levels of error and fraud remain. Furthermore, the total revenue lost through this relief has risen rapidly over the past few years, driven by increased claims large firms. The review should consider the merits of narrowing the relief to focus more clearly on genuine technological and scientific advancement, strengthen action against firms submitting rogue claims, and allow the Government to recover relief obtained through historic abuse. In addition, use of these reliefs has ballooned while public investment for research and development has faced steep cuts. Business tax reliefs for R&D amounted to £8.4 bn (0.3 per cent of GDP) in 2024/25 approaching the entire budget of UK Research and Innovation (UKRI) (£8.8 bn)⁹⁷, a key funder of public sector R&D. UKRI budget cuts will have a huge industrial, societal and regional impact, including on world-leading radiotherapy research for cancer treatment and advanced computing and expert support for business, so the review should consider whether savings from R&D tax reliefs should be put towards public sector R&D through UKRI.

⁹⁴ HMRC. (2025). Corporation Tax Statistics 2025

<https://www.gov.uk/government/statistics/corporation-tax-statistics-2025>

⁹⁵ TaxWatch UK. (2025). The Great Pharma Tax Giveaway. <https://www.taxwatchuk.org/the-great-pharma-tax-giveaway/>

⁹⁶ IFS. (2013). EU Commission labels UK Patent Box harmful tax competition.

<https://ifs.org.uk/articles/eu-commission-labels-uk-patent-box-harmful-tax-competition>

⁹⁷ Prospect analysis based on HMRC and UKRI figures

- **Group relief:** Modern businesses often operate through groups of connected companies, but group relief should not become a tool for tax planning. However, the current rules allow groups to use in-year losses to shelter an unlimited amount of another group company's profits. The review should consider extending the existing £5m allowance and 50 per cent restriction on carried-forward losses to in-year group relief. This would prevent groups from using unlimited current-year losses to eliminate another group company's taxable profits, while preserving the ability to use genuine losses in future years. The Government should also strengthen existing anti-avoidance rules to prevent groups from creating or transferring losses through transactions whose primary purpose is to obtain a tax advantage.

Using international influence and G20 presidency

The UK holding the presidency of the G20 in 2027 provides an important opportunity to work with likeminded partners to discuss progressive policies on areas such as reindustrialisation, employment rights and progressive taxation. International discussions on wealth taxes were started in earnest under the Brazilian presidency of the G20 in 2024 and have continued amongst members including Brazil and South Africa, as well as guest members Spain and Norway. One of the major themes of the South African presidency of the G20 in 2025 was sustainable industrialisation based on decent jobs and investment in skills. The UK hosting the G20 will allow the government an unprecedented opportunity to build on these discussions and work with others to make progress on these crucial areas as well as others.

Devolution

The ambitious twin programmes of sweeping devolution and local government reform must be backed by the resources needed to succeed.

Councils remain under severe financial pressure. LGA data suggests that by 2028/29 councils face additional cost pressures equivalent to 22 per cent of current spending simply to stand still⁹⁸. Equally, the broad array of new responsibilities for strategic authorities will mean a sharp increase in demands on local capacity. Funding and staff must follow functions.

Devolution can support growth by giving places the power to join up transport, skills, housing and investment around the needs of local economies. Done well, it can also strengthen worker voice, raise job quality and ensure that the gains from growth are shared more widely across regions and communities.

⁹⁸ LGA. (2026). "Councils warn of £7bn funding black hole threatening local services in three years" <https://www.local.gov.uk/about/news/councils-warn-ps7bn-funding-black-hole-threatening-local-services-three-years>

The devolved authorities will only deliver the desired outcomes if they are given the resources to develop effective institutional capacity. Funding should be targeted at building capacity in economic development and project delivery – including specialist staff needed to develop investable projects and coordinate services across local government boundaries. A lot of these kinds of skills and capacity has been lost over the past two decades at a local level as a consequence of cuts to local authority budgets and the subsequent retreat by authorities away from ambitious development agendas and towards their narrow statutory responsibilities.

Planning is an acute constraint and tackling the bottlenecks here will be central to the success of the government's devolution and growth plans. UNISON research found 884 vacant planning posts across England, an 11 per cent vacancy rate, and only 21 per cent of council planning departments fully staffed.⁹⁹ The government should build on the Planning Capacity and Capability Programme with sustained investment in permanent local authority planning capacity, expanding recruitment, apprenticeships, training and specialist skills.

Local government reorganisation also carries substantial upfront costs. The £63 million of government transition funding is small relative to local estimates: Hertfordshire alone estimated costs of £54 million¹⁰⁰. These costs should be fully funded centrally, rather than met from service budgets, reserves or asset sales.

Wales

It is a long-held principle that as an equal part of the UK, Wales is entitled to public services of the same quality as those delivered in other parts of Britain. Therefore, the funding Wales receives from the UK government should reflect the higher cost of delivering public services here, just as similar parts of England receive higher levels of funding. These higher costs are due to sparsely populated rural areas, older population and higher levels of deprivation.

The UK Government's funding for the Welsh Government is calculated using the Barnett formula. Since 2016, this formula includes a significant needs-based factor, which reflects the higher costs of delivering public services here. The Welsh budget in 2027-28 is set to be over £500 million larger than it would have been because of its inclusion.

⁹⁹ Unison. (2025). *"Housing and growth threatened by council staff shortages."*

<https://unison.org.uk/press/2025/06/housing-and-growth-threatened-council-staff-shortages>

¹⁰⁰ GOV.UK. (2026). *"Local government reorganisation: update on Secretary of State's decision regarding local elections of May 2026"* <https://www.gov.uk/government/publications/local-government-reorganisation-update-on-secretary-of-states-decision-regarding-local-elections-of-may-2026>

Yet there is evidence that actual relative spending levels in Wales are lower than official estimates.¹⁰¹ This highlights the need for an updated assessment of the needs-based factor.

Wales loses out when there are disputes about when and how the formula should be used. For example, Wales lost out on £845m relating to the construction of a high-speed railway between London and Birmingham, which should have led to consequential funding here. Such disputes should be resolved by an independent third party and not the UK Treasury.

Moreover, Wales' capital borrowing limit has not kept pace with inflation or changes to the size of the Welsh resource budget (from which repayments are made). The Welsh Government's statutory limit for capital borrowing is £1 billion, with an annual limit of £150 million. Had it grown in line with inflation since 2018-19, it would stand at £1.3 billion in 2026-27, and had it grown in line with the Welsh resource budget, it would now stand at close to £1.7 billion.¹⁰²

The TUC believes the Government should consider:

- An updated assessment of the needs-based factor in the Barnett formula, which is used to calculate funding for the Welsh Government
- An independent third party to resolve disputes over Barnett allocation
- A new capital borrowing limit for the Welsh Government, linked to the share of its resource budget devoted to servicing debt.

Protecting the BBC and public service broadcasting

Public service broadcasters need to be protected to safeguard the health of our democracy and quality of public information, especially in an era of disinformation, corporate media dominance, and the rise of the far right.

94 per cent of adults in the UK use the BBC every month.¹⁰³ The BBC contributes £6.7 billion to the economy every year and directly employs 20,000 staff around the country, as well as engaging thousands of freelancers.¹⁰⁴

BBC management are currently implementing huge cuts of £500m from the BBC's annual budget. This includes the loss of 2000 jobs across the country. These cuts are going ahead despite the opportunities presented by charter renewal in 2027. The BBC's new charter provides a real opportunity to determine a healthy future for the BBC.

¹⁰¹ Cardiff University Wales Fiscal Analysis. (2025), *"A Decade on: Reforming Wales' Fiscal Framework."* [2025 report by the Wales Fiscal Analysis team at Cardiff University](#)

¹⁰² Ibid.

¹⁰³ BBC. (2026). *"A BBC for all"*. <https://www.bbc.co.uk/aboutthebbc/annualreport2025-2026/>

¹⁰⁴ BBC. (2026). *"A BBC for All, BBC Equality Information Report 2025/26"*. [equality-information-report-2025-26.pdf](#)

Unions are calling for a short-term intervention to safeguard BBC jobs and output until the outcomes of the 2027 charter renewal process are known.

Corporate governance reform

Reforming corporate governance to incentivise long-term business investment and fair distribution of risks and rewards will help boost the UK's overall investment rate and promote business models that encourage long-term, sustainable growth based on good employment practices.

The priority given to shareholders within the UK's corporate governance system contributes to the UK's low levels of business investment and short-termism.

Rather than being long-term owners of UK companies, shareholders are largely short-term owners of shares. The average holding period for UK shares has declined from around six years in 1950 to less than six months. The short-term nature of share ownership and the increased reliance on strategies based on share trading undermine the argument that there is a convergence of long-term interests between investors, the company in which they invest and other company stakeholders. For many investors, their interests are no longer tied to the long-term success of the company and hence other stakeholder interests, but instead to short-term movements in its share price.

The share of profits allocated to dividends has increased significantly over time, rising from 16 per cent in 1987 to peak at 52 per cent in 2018.¹⁰⁵ It fell during the pandemic but is now rising sharply once more, reaching 41 per cent in 2021. This reduces the funds available for both investment and wages.

The opportunity cost of spending ever-higher amounts on dividends has led to lower allocations to both wages and investment. Between 2008 and 2019, dividends grew over three times faster than wages.¹⁰⁶ In the two decades before the financial crisis, both pay and dividends were growing more strongly, but still unevenly, with dividend growth outstripping wage growth by a ratio of two to one.

In 1987, business investment was around four times higher than dividends; now, they are close to parity. The priority given to shareholder distributions has contributed to the UK's poor investment performance relative to other similar economies.

¹⁰⁵ Gross operating surplus – the internationally consistent national accounts measure of profit after wages have been paid but before fixed capital investment, property incomes, taxes and other social payments

¹⁰⁶ TUC. (2022). *"Shareholder pay-outs growing three times faster than wages under the Tories."* <https://www.tuc.org.uk/news/shareholder-pay-outs-growing-three-times-faster-wages-under-tories-tuc-analysis>: since the pandemic wages have grown a little faster than dividends (5.6 per cent versus 4.9 per cent a year).

We need to reform the institutional framework in which companies operate to incentivise business models based on investment, good jobs and long-term, sustainable company success that will benefit all stakeholders¹⁰⁷:

- Directors' duties in company law should require companies to promote the long-term success of the company as their primary aim, taking account of the interests of stakeholders including the workforce, shareholders, suppliers, customers and the local community and impacts on human rights and the environment.
- Companies with 250 or more staff should be required to include elected worker directors on their boards, which would bring a diversity of perspectives and experience into the boardroom and encourage boards to take a long-term perspective to company decision-making.

¹⁰⁷ For more information on the TUC's proposals for corporate governance reform please see TUC (2022) Companies for People – How to make business work for workers available at <https://www.tuc.org.uk/research-analysis/reports/companies-people-how-make-business-work-workers>