
PROGRESS

Our moral and
economic duty
to make the
Labour Party the
party of work

by Lord Walker of Broxton OBE October 2026

About Progress

Imaginative thinking to rebuild Labour and the nation.

Progress was founded in 1996 by a small group of Labour modernisers. For thirty years it has played a central role in shaping the Labour Party: first in changing the party so that it could once again win power, and now in helping Labour to win elections, govern well and deliver progressive change.

Progress puts as much effort into developing people as it does ideas. It runs an annual conference, a political weekend, training programmes and leadership networks, alongside publications, a podcast and events at Labour Party conference. Its support for the Labour government is constructive, not blind loyalty.

In 2021, Progress merged with the think tank Policy Network to form Progressive Britain. It returned to the Progress name in January 2026 to mark its thirtieth anniversary.

progressonline.org.uk

About the author

Lord Walker of Broxton OBE

Richard Walker is Executive Chairman of Iceland Foods, the frozen food retailer his parents founded in 1970, and chairman of Bywater, the sustainable property developer he founded before joining Iceland in 2012. He started at Iceland on the shop floor and in store management, became managing director, and was appointed executive chairman in January 2023.

Under his leadership Iceland became the first UK supermarket to pledge to remove plastic from its own-label packaging. He chairs the Iceland Foods Charitable Foundation and in 2023 climbed Everest, raising more than £1 million for a rare dementia support centre.

He was appointed OBE in 2022 for services to business and the environment. He entered the House of Lords as a Labour peer in January 2026 and the following month was appointed the Government's Cost of Living Champion.

The views expressed in this publication are those of the author and not necessarily those of Progress.

KEY FIGURES

44.9%

Public spending as a share of GDP, OBR forecast for 2026-27

38.5% in 1997

93.8%

Public sector net debt as a share of GDP, end of August 2026

ONS, provisional

£110bn

Debt interest in 2025-26, the third-largest area of spending

OBR estimate

1.1%

OECD forecast for UK GDP growth in 2026

September 2026

Why I care

I decided to support the Labour Party as a movement dedicated to work and to workers: one focused on giving people a stake in society through decent jobs, pay and conditions.

Leaving people to rot on benefits by not giving them the support, encouragement, incentive - or sufficient jeopardy - to get into the workplace is letting the party and the country down, both morally and fiscally.

Ultimately all that Labour wants to achieve can only be realised by creating the right conditions for private enterprise to invest, employ and pay taxes. There is simply no other way of driving growth in every postcode across the UK.

I understand this deeply, because I have had a front row seat.

My mum and dad came from nothing, both children of coalminers from south Wales and West Yorkshire. My parents worked hard and, after a few failed entrepreneurial attempts, founded Iceland in 1970. It became one of the most successful retail businesses of the last 50 years, paying billions in tax, creating tens of thousands of jobs and giving away tens of millions to charity along the way.

So, I know how business can be a force for good – and crucially, what the economic policies are to enable it.

I never wanted to sell frozen peas for a living because I was desperate to plough my own furrow. So, I founded a property business in Poland - propelled by that country's pro-growth and pro-business political agenda. Today, Bywater is one of the leading sustainable developers in the UK.

But Iceland is in my DNA. Once in my 30's, when I couldn't resist the lure any longer, I decided I had to join the family firm. Starting on the shop floor, I needed to earn the right to understand the

customers and colleagues we served.

I've tried to maintain that perspective ever since and now, visiting stores around the country in towns which have often been abandoned by other retailers, I hear the same thing time and again from that shop floor: 'Britain should be doing better'.

So how can we?

Britain's economic potential

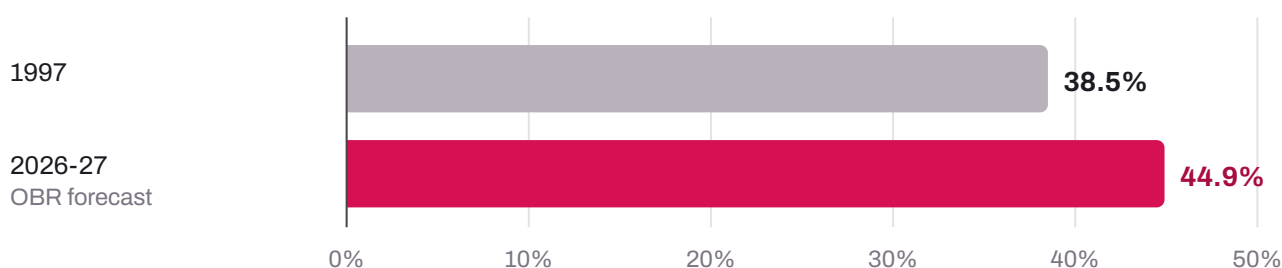
I can explain this feeling that Britain is underachieving from an alternative perspective I have also had, from the heart of UK decision making. When I was appointed as the Government's Cost of Living Champion, one of the key aims was to provide breathing space to make everyday life less expensive.¹

But I also saw first-hand how short-term decision-making struggles to track with real-world events and has left businesses confused as to the wider economic strategy. This approach to governing has become a stranglehold on longer-term decision making.

The expectation of increased state intervention has had disastrous consequences over time. When Labour came to power in 1997, public spending was 38.5 per cent of GDP. The OBR forecasts 44.9 per cent in 2026-27. With the tax burden forecast to reach a post-war high, this expansion of the state has not been matched by savings elsewhere.²

FIGURE 1 Public spending as a share of GDP

1997 and OBR forecast for 2026-27



Source: Office for Budget Responsibility, Economic and Fiscal Outlook: March 2026, table A.9 (note 2).

Public sector net debt is now around 95 per cent of GDP.³ This places greater demands on capital markets, has pushed up the UK's borrowing costs to the highest in the G7⁴ and risks crowding out the private investment on which our future economic growth depends.⁵

I'd argue this short-termism has also obscured the nation's fundamental strengths. Britain has world-class universities, deep capital markets, formidable financial and professional services, strength in science and technology, creative industries with global reach and successful international businesses.

Yet the economy continues to underperform. The OECD's latest forecast expects UK GDP to grow by just 1.1 per cent in 2026. ⁶

Poor productivity is the weakness sitting underneath much of this. The ONS's preferred measure showed output per hour 0.7 per cent higher in the year to the second quarter of 2026, while Resolution Foundation analysis suggests productivity grew by an average 1.1 per cent a year over the previous two years. ⁷ That is welcome, but the long slowdown since the financial crisis has already done immense damage.

0.7%

Growth in output per hour,
year to Q2 2026 (ONS)

1.1%

Average annual
productivity growth over
the previous two years
(Resolution Foundation)

Productivity ultimately determines wages, living standards and how comfortably we can afford good public services.

It is high time we got serious about tackling our chronic low productivity by maintaining a laser-like focus on encouraging investment in human and physical capital.

Bringing some stability and urgency to Britain's productivity strategy would do more for poverty alleviation and living standard improvements than an endless cycle of interventions on bills.

Here's how...

The new economic order

The other economic elephant in the room is that policy led by political life cycles makes difficult choices on welfare and spending easier to avoid.

I recently commented in a House of Lords debate that I joined the Labour Party, not the Benefits Party. ⁸ Labour needs to become much more comfortable saying that because a progressive governments' ambitions for public services depend on a private economy capable of paying for them.

“I joined the Labour Party, not the Benefits Party.”

Lord Walker of Broxton, House of Lords, 11 June 2026

And this ambition is currently out of sync with little room for sentimentality. The OBR estimates debt interest cost £110 billion in 2025-26 and is now the third-largest area of public spending after health and welfare, at a cost of £3,190 per person in work.⁹

Such high borrowing costs reduce the room for productive investment and leave the government more exposed when the next shock arrives.

That is why I welcome the Prime Minister’s willingness to reform the pension triple lock. The IFS estimates that fifteen years of the existing policy have pushed annual spending around £16 billion above the level that would have resulted from uprating pensions in line with average earnings.¹⁰

£16bn

Extra annual spending after fifteen years of the triple lock, compared with uprating pensions in line with average earnings (IFS)

Reform from 2030-31 would be brave and broadly right. But we cannot spend the savings before they occur. The IFS has warned that they would not be sufficient to fund universal social care in the next Parliament¹¹.

The Government is also right to be brave and open-minded on avenues for fiscal regeneration, such as enhancing the UK’s trading relationship with Europe. The tough task is achieving this while maintaining market confidence, because bond markets do not care about good intentions.

Therefore, Labour must have its own credible arguments for strict fiscal discipline. And a government that demonstrates control of spending also gives businesses greater confidence to invest.

Moving from tax and spend to investment and growth

Welfare is a good place to apply that thinking.

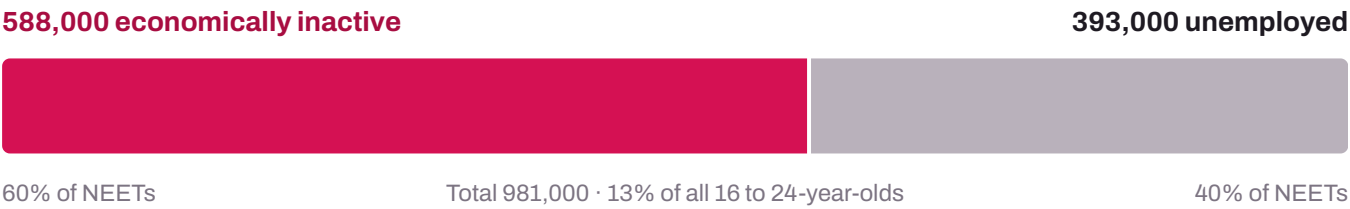
One in every seven households has no one in work: not a single adult earning a wage. Some 1.3 million children live in long-term workless homes, and a quarter of a million live in households where no one, not once, has ever worked.¹²

I don’t need to repeat Alan Milburn’s argument but as an employer of thousands of young people, it frustrates me that the latest ONS figures show 981,000 young people aged 16 to 24 outside

employment, education or training, equivalent to 13 per cent of the age group. Some 588,000 are economically inactive rather than unemployed.¹³

FIGURE 2 Young people aged 16 to 24 not in employment, education or training

16 to 24-year-olds who are NEET, UK, by labour market status



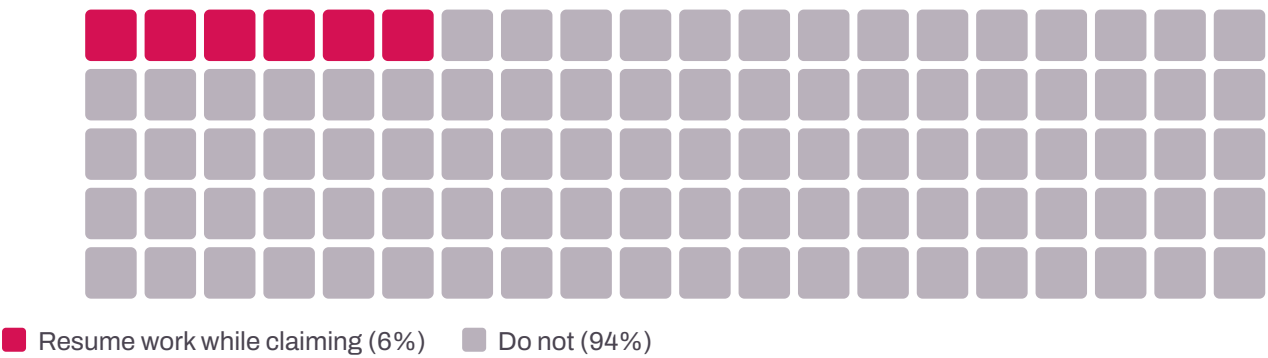
Source: Office for National Statistics, Young people not in education, employment or training (NEET), UK: August 2026 (note 13). Figures are for April to June 2026.

I therefore think the Government deserves credit for making youth employment a priority. Its Youth Jobs Grant, for example, offers employers up to £3,000 for taking on an eligible young person who has been on Universal Credit and looking for work for at least six months. The Jobs Guarantee is also expected to support more than 90,000 young people with fully funded six-month jobs over three years.¹⁴

To build on this I would push much harder at the point where welfare meets work. The Times reported recently that around 1.8 million benefits claimants are still waiting for their check-up and are entitled to resume work while claiming, but only 6% do.¹⁵

FIGURE 3 Benefits claimants entitled to resume work while claiming

Each square represents 1% of around 1.8 million benefits claimants (about 18,000 people)



Source: The Times, 12 October 2026 (note 15).

The new Jobs and Careers Service¹⁶ should have one brutally clear measure of success: sustained employment. I would pilot a meaningful retention payment for people who move from long-term out-of-work benefits into a job and stay there. Employers prepared to take a chance on somebody detached from the labour market should also be rewarded. Iceland leads by example here as the UK's largest recruiter of ex-offenders direct from prisons through the Second Chance Partnership, which has benefited both our business and society by reducing re-offending.

As Executive Chairman of a business employing more than 30,000 people, I would examine every barrier to hiring.¹⁷

Employer National Insurance is currently charged at 15 per cent above a secondary threshold of only £5,000 a year.¹⁸ Businesses experience that directly as part of the cost of employing somebody. The tax system should do more to encourage firms to create jobs for people moving off benefits.

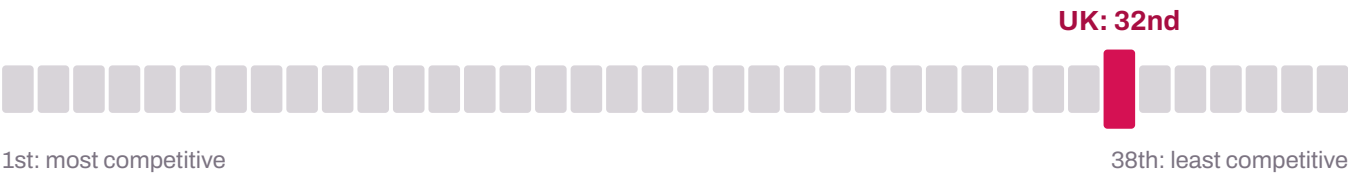
15% Employer National Insurance on earnings above a secondary threshold of only £5,000 a year (HMRC, 2026-27)

We should also consider the damage done by the shape of our tax system. On the OECD's latest comparable measure, Britain's tax take is close to the advanced-economy average, yet the Tax Foundation ranks the UK 32nd out of 38 OECD countries for tax competitiveness.¹⁹ This is explained by the self-defeating penalties that have become baked into the system. Between £100,000 and £125,140, the effective marginal rate on earnings reaches 62 per cent once National Insurance is included. This means a parent with two children earning just over £60,000 can face a rate of around 54 per cent.²⁰ Employment is taxed more heavily than equivalent self-employment, encouraging decisions based on tax status rather than productivity.²¹ Likewise, our standard VAT rate applies to less than half of the potential consumption base, while stamp duty penalises people for moving home and can inhibit labour mobility.²² The only solution is to begin the hard work of simplification: tax different forms of income more consistently, broaden inefficient tax bases where that can be done fairly, and over time replace transaction taxes such as stamp duty with a better-designed property tax.

Simplifying the tax regime matters too. Years of carve-outs and lobbying have left the UK with one of the longest and most complex tax codes in the world. It may create jobs for tax lawyers, but it stifles business and impedes firms' ability to invest and hire staff.

FIGURE 4 Tax competitiveness rank among 38 OECD countries

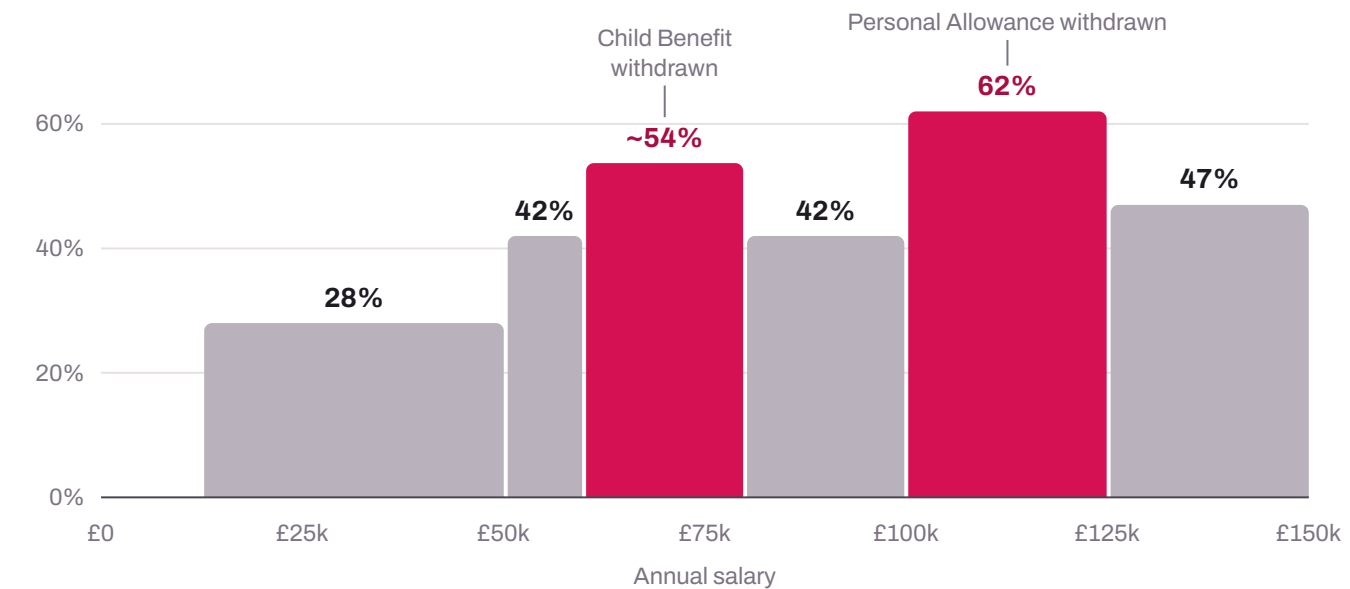
Tax Foundation International Tax Competitiveness Index 2025, rank among OECD countries



Source: Tax Foundation, International Tax Competitiveness Index 2025, 'United Kingdom' (note 19).

FIGURE 5 Effective marginal rate on earnings by salary

Effective marginal rate on employment earnings by annual salary, 2026-27, for an employee in England with two children claiming Child Benefit



Calculated from the 2026-27 Income Tax, National Insurance and Child Benefit rates cited in note 20, using the method set out there. Excludes student loan repayments and pension contributions. Scottish income tax rates differ.

If this sounds too big a mountain to tackle then I would challenge that thinking, as Government spending should face the same hard question: what return will it generate?

The Treasury is right to protect taxpayers from bad ideas, but it must become faster at recognising good investment. During my time in No.10 I saw enormous talent in the civil service. I also saw how an academic and sometimes glacial approach to decision making can collide with the speed at which businesses operate.

A company cannot spend years circulating a proposal between committees while technology changes and competitors get on with it. Competition creates urgency and the Government needs more of that

mindset to smooth the path out of welfare into work through carrot and – yes – stick. This should be top priority.

Bringing business on the journey

The Prime Minister and Chancellor have, to their credit, tried to change the status quo, with devolution at the heart of their ambition for growth in “every postcode”.²³

That is a step forward.

I work across retail, with Iceland Foods being Wales’s largest company by turnover²⁴, and the built environment, with Bywater developing homes and offices across major UK cities. So I understand the opportunity created by stronger regional economies.

But devolution cannot solve everything. Skills shortages, expensive energy and inadequate transport can still kill a project, however much power has moved out of Whitehall.

Britain needs policy consistency over a period long enough for businesses to act on it.

There are encouraging signs. Revised ONS figures show business investment rose by 1.8 per cent in the second quarter of 2026 and stood 5.2 per cent higher than a year earlier.²⁵

+1.8%

Business investment,
quarter on quarter, Q2
2026 (ONS revised)

+5.2%

Business investment,
year on year, Q2 2026
(ONS revised)

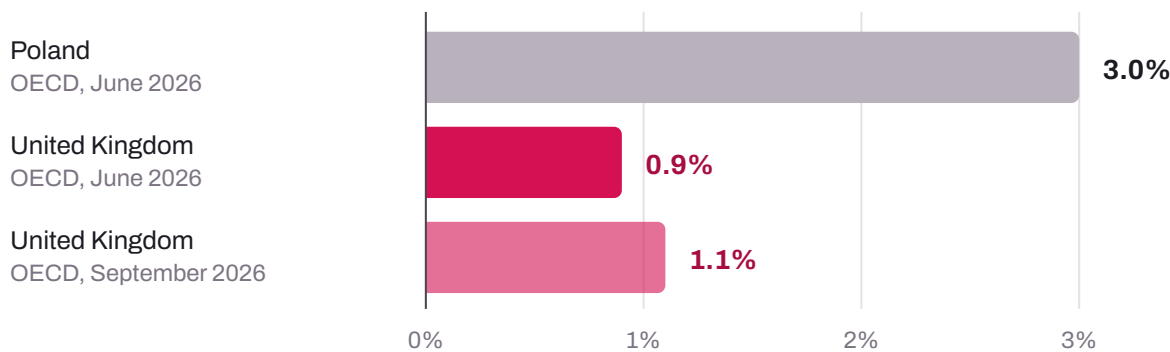
The Government should build on that alongside its 10-year industrial strategy.²⁶ Business now needs a credible five-year delivery roadmap underneath it. Investors need to know when infrastructure will arrive, what the skills system will deliver and how the tax and regulatory burden is expected to evolve.

Poland is an example I find fascinating. I lived and worked in the country for several years in the mid 2000s and built the business that became Bywater Group there.²⁷ The transformation since then has been extraordinary.

In June, the OECD forecast Polish GDP growth of 3.0 per cent this year, against 0.9 per cent for the UK at that stage. It also identifies Poland as one of the countries where productivity growth since the pandemic has exceeded its longer-run trend.²⁸

FIGURE 6 OECD forecasts of GDP growth in 2026

Poland and the United Kingdom



Sources: OECD Economic Outlook, Volume 2026 Issue 1, 3 June 2026 (note 28); OECD Economic Outlook, Interim Report September 2026 (note 6).

Poland has benefited from major investment, integration into European supply chains and sustained infrastructure development. Britain could use some of that economic momentum.

To create this momentum, the Treasury should use the tax system more aggressively to reward genuinely additional investment. Building on full expensing²⁹ and considering enhanced allowances for workforce training would make investing in people and productive capital an easier commercial decision. This means a more ambitious use of Corporation Tax. Britain already charges smaller companies a lower rate, but the upper threshold of £250,000 means the system makes little distinction between a growing business and a multinational making billions in profit. I believe there is a case for a more graduated approach, provided it is designed around investment. Companies that reinvest profits in new technology, productive capacity, skills and jobs should be rewarded aggressively through the tax system and those who do not can reasonably be asked to contribute more. The Government has rightly highlighted that we have too many barriers that prevent good businesses from scaling up – this is one of them that could easily be removed.

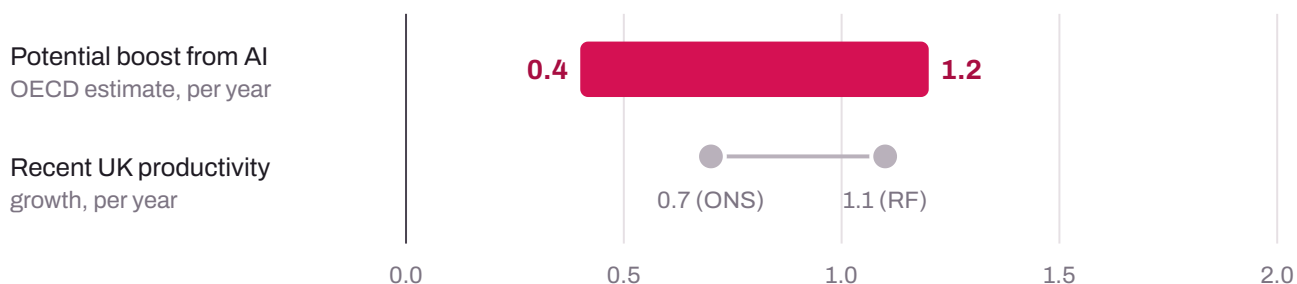
Time is at a premium

The next competitive shift will move much faster than the normal Westminster cycle.

Artificial intelligence is already changing the economics of work. The Government's own assessment says around 70 per cent of UK workers are in occupations containing tasks that AI could potentially perform or enhance. It cites OECD estimates that AI could add between 0.4 and 1.2 percentage points to annual UK productivity growth over the next decade.³⁰

FIGURE 7 Potential addition from AI to annual UK productivity growth

Estimated addition to annual UK productivity growth over the next decade, percentage points, set against recent productivity growth



Sources: DSIT and AI Security Institute, Assessment of AI capabilities and the impact on the UK labour market (note 30); ONS and Resolution Foundation (note 7). Around 70 per cent of UK workers are in occupations containing tasks AI could perform or enhance.

AI itself won't create jobs, but mastering it has significant potential to do so – and even greater potential to drive up productivity.

I can see that change inside business already.

The Bank of England's Agents report that firms are using AI to automate routine tasks and accelerate knowledge-based work, while demand is shifting towards people with AI and analytical skills.³¹

At Iceland Foods, we have already opened our first AI skills programme at head office. We are doing it because a skills system built around qualifications that take years to design risks being permanently behind the technology. Employers need far more freedom to retrain people as jobs change.

This is also why Westminster needs stronger business voices around the table.

Growth in every postcode will ultimately be produced by people doing useful work and businesses willing to back them with capital. Government's job is to create the conditions in which they can do it.

The objective is not to reconstruct yesterday's economy. Britain is competing for the industries and investment of the next decade.

That requires practical barriers to growth to be removed and enough policy stability for businesses to plan. Public money must be concentrated where it produces a meaningful return. The labour market must make work worth entering and people worth hiring.

Labour can own that argument.

A stronger economy gives a progressive government greater capacity to act. If Labour wants a second term in which to pursue an ambitious industrial strategy, people need to see growth in the real economy before they next go to the polls.

My five recommendations for the budget

1 Make work pay.

Pilot a meaningful retention payment for people who move from long-term out-of-work benefits into a job and stay in it, and reward employers prepared to take a chance on them. Make sustained employment the overriding measure of success for the new Jobs and Careers Service.

2 Make hiring easier.

Review the standard employer National Insurance charge, currently 15 per cent above a £5,000 threshold, so it does less to discourage hiring people moving off benefits. Make it cheaper to employ under 25s by extending NI relief up to that age limit.³²

3 Use the tax system to unlock investment.

Build on full expensing and examine enhanced allowances for workforce training and retraining, including AI skills, where they can generate genuinely additional investment. Give employers greater freedom to retrain people as jobs change.³³

4 Reform the shape of the tax system.

Tax different forms of income more consistently and smooth out damaging marginal-rate spikes for child benefit that discourages career progression. Reform corporation tax to introduce grades beyond £250k and offer aggressive breaks for firms reinvesting and, over time, replace transaction taxes such as stamp duty with a better-designed property tax.³⁴

5 Maintain credible fiscal discipline.

Press ahead with triple-lock reform from 2030-31, but do not spend the savings before they arrive. Apply a much harder return test to economic spending and investment, while making Treasury decision-making faster where a strong investment case exists.³⁵

6 Give business stability through a five-year delivery roadmap.

Put a credible roadmap beneath the 10-year industrial strategy, setting out when infrastructure will arrive, what the skills system will deliver and how the tax and regulatory burden will evolve to help industry navigate political short-termism.³⁶

Appendix

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- 10 Source: Jonathan Cribb and Heidi Karjalainen, 'What do you need to know about the triple lock?', Institute for Fiscal Studies, updated 15 September 2026, <https://ifs.org.uk/articles/what-do-you-need-know-about-triple-lock> ↩
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- 15 Source: The Times, 12th October 2026 ↩
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