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Labour's Economic Performance

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This paper presents an analysis of key economic variables under Labour, comparing them with the earlier Conservative government and also with the other G7 economies, Canada, France, Germany, Italy, Japan and the United States.

- Under Labour the economy has grown at 2 per cent per annum as compared with 2.2 per cent from 1979-1997 under the Conservatives.
- Nevertheless, after adjusting for population growth, Britain has risen to second place in the G7 table of growth rates after being third from 1979-1997
- Productivity growth has also held at second place after being third from 1979-1997. This has been helped by an increasing proportion of people educated at tertiary level, as Labour has continued a policy developed by the Conservatives.
- Productivity levels remain fourth in the G7, below France, Germany and the United States
- Activity rates (number of people working as a proportion of people aged 15-64) are higher than in 1997 but rank fourth in the G7 and on average British workers work short hours (5th in G7)
- There remains room for further improvement in labour market performance
- Labour has not run the economy in a sustainable way. Net saving has been much too low and ownership of produced wealth is set to fall further. Labour has not addressed the question how to pay for an ageing population.
- Britain's economic performance during and after the recession has been disappointing, with weak performances for output, unemployment and the fiscal position.
- Politicians' announcements about ring-fencing make it harder to resolve the fiscal legacy of the current government.

Martin Weale, the Director of the National Institute, said,
"Labour has delivered an improvement in Britain's productivity performance relative to other large economies and this relative improvement has survived the recession. But the labour market has not done as well as one might have hoped and performance during the recession has been disappointing. And a higher level of saving is needed if income growth is to be sustainable"

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