

The crash in UK productivity is not an accident: it's T...

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As Sam Brittan [writes in the FT](#) this morning:

Despite David Cameron's incredibly silly optimistic response to a much predicted Olympics-based short-term variation in quarterly estimates, UK gross domestic product is still 3 per cent below its 2008 peak. Yet there has been virtually no change in employment. As a matter of arithmetic this has involved stagnation in productivity, defined as output per person. This contrasts with previous recessionary periods in which productivity had risen substantially by this stage. On the basis of past relationships, productivity would have been almost 15 per cent higher. It is little comfort to find similar phenomena in other European countries.

He then, quite reasonably, speculates as to why this might be the case.

His answer is that wages have fallen relative to prices since 2008, an almost unknown UK economic phenomena. As a result he says that not only are more jobs part time (without compensatory benefits to make good the household deficit) more jobs are at lower pay, meaning as he puts it that people are pricing themselves into work.

Of course there is an element of truth in this: he does ignore in his argument the fact that much of the supposed increase in employment is even more vulnerable and highly marginal self employment. That's not pricing into work; that's a measure of desperation.

But he's got the causation, and seemingly implicit pleasure that this labour market flexibility has been created, seriously wrong. The cause is not just the fear of the labour force: the cause is policy.

The Tories want a supply side reform and that's what they're getting. People are working, but for less. They're working shorter hours, with less protection, and they're suffering as a result. This is the plan. Ordinary people are less productive, but that's not by chance, that's by design.

This is serious: first, we know the rich are getting richer. But second, this now means

GDP as a measure is even more seriously hopeless as a policy indicator. GDP growth is no longer a proxy for overall wellbeing. The redistribution of wealth within the economy now means that this has to become the major focus of policy for the left.

Times have changed: we need to recognise it, and very soon.