

COMPETITIVE TENDERING FOR CONTRACTS

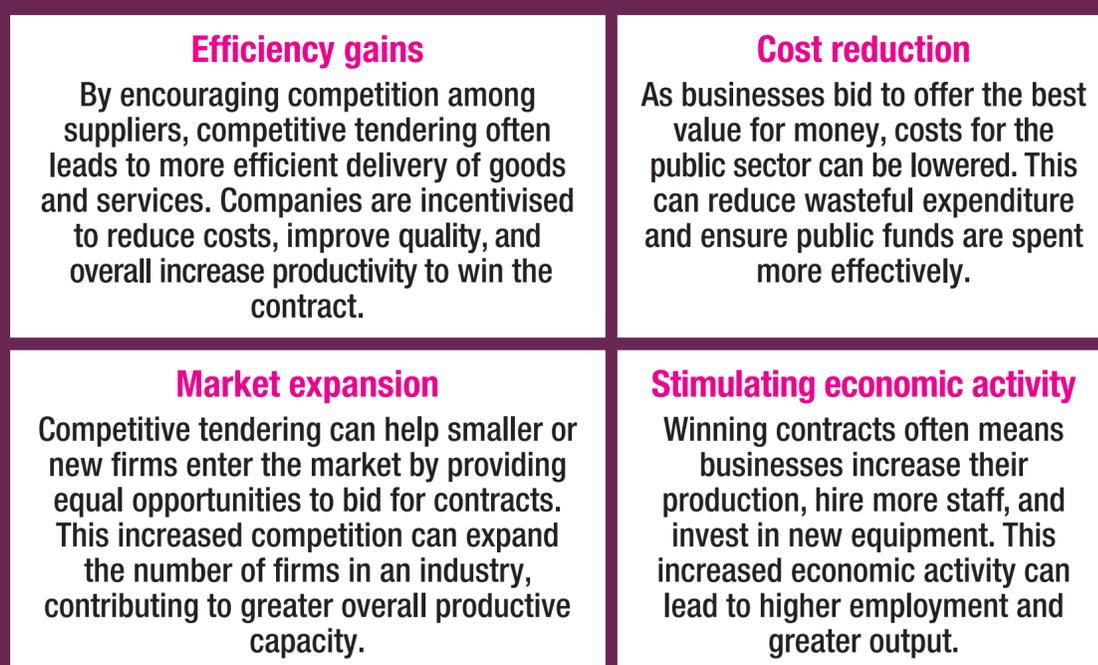


Competitive tendering is a process used by the UK government to ensure that contracts for goods, services, and work are awarded in a fair and transparent manner. The aim is to get the best value for public money and encourage efficiency and innovation.

How does it work?



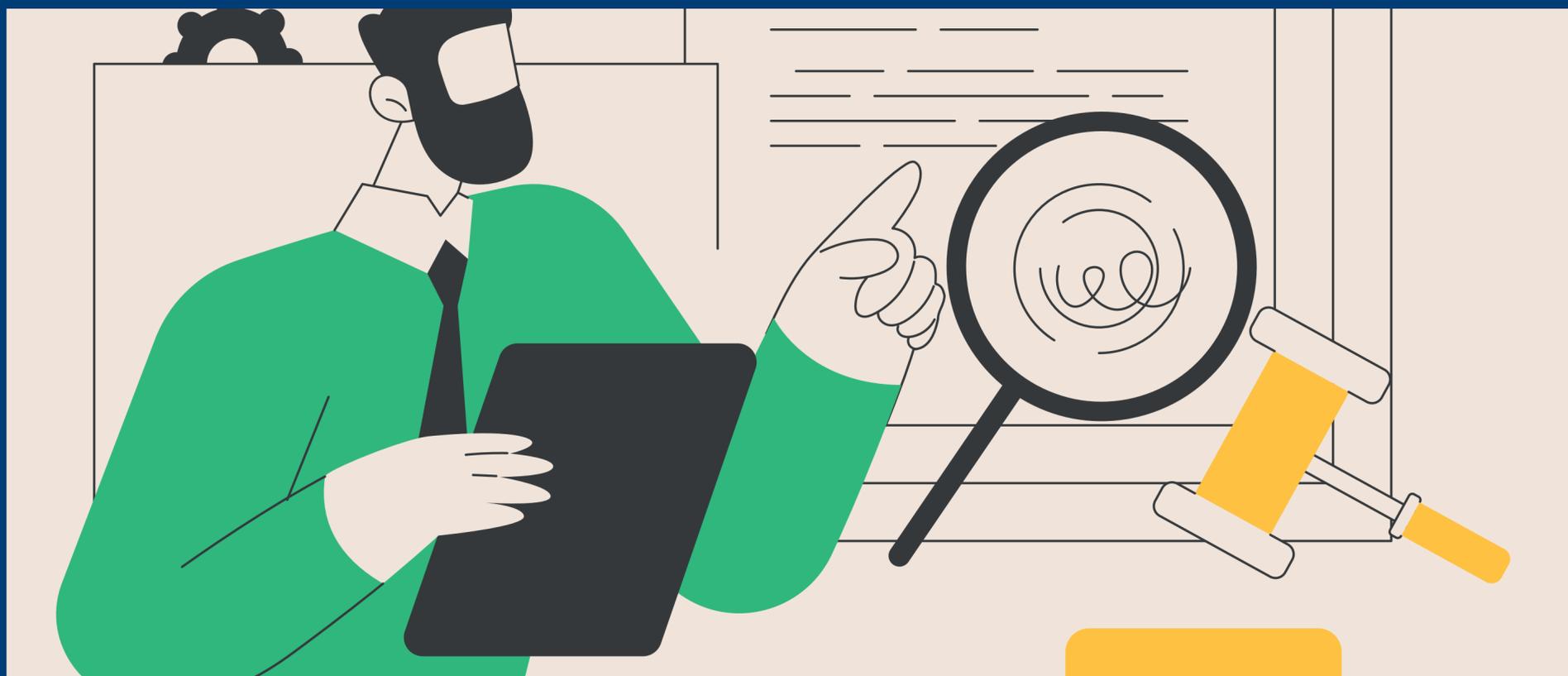
How does this increase aggregate supply?



Concerns and Criticisms

- Corruption**
If not managed properly or fairly, the tendering process can be susceptible to corruption, favouritism, or manipulation, as seen with PPE contracts issued by the government during the pandemic.
- Administrative costs**
The process can be administratively burdensome. Preparing bids and managing the process can incur significant costs for both the public sector and participating firms, reducing overall efficiency and causing delays to the projects.

EMPLOYMENT LEGISLATION AND DIRECTIVES



UK employment legislation encompasses a broad range of laws and regulations designed to protect workers' rights, ensure fair treatment, and establish standards for working conditions. These acts can impact aggregate supply by affecting the productivity, efficiency, and stability of the labour market.

EXAMPLES OF LEGISLATION

Employment Rights Act 1998

- Requires employers to provide written contracts of employment.
- Gives employees with at least two years of service the right to not be unfairly dismissed.
- Establishes procedures and entitlements for employees made redundant.

Equality Act 2010

- Protects the following characteristics from discrimination with regards to employment: Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Race, Religion or belief, Sex, Sexual Orientation.
- Also ensures men and women receive equal pay for equal work.

Health and Safety at Work Act 1974

- Employers must carry out risk assessment and implement necessary precautions.
- Employers are required to provide adequate training on health and safety matters.

National Minimum Wage Act 1998

- Sets out the minimum wage that employers must pay their workers, with rates depending on age.

Working Time Regulations 1998

- Generally limits working hours to 48 per week, though employees can opt out.
- Employees are entitled to rest breaks and a minimum amount of daily and weekly rest.
- Employees are entitled to a minimum of 5.6 weeks of paid annual leave per year.

How do these acts improve aggregate supply?

Job security and motivation

Protections against unfair dismissal and clear terms of employment can increase job security, leading to higher employee motivation and productivity.

Diverse and inclusive workforce

Anti-discrimination measures ensure a diverse workforce in which employees are hired based on merit, enhancing efficiency and overall productivity.

Enhanced morale

Good health and safety practices can reduce absenteeism and accidents in the workplace, while keeping employees safe and improving morale and efficiency.

Incentivising work

Fair wages can incentivise people to get certain jobs, reducing labour turnover and improving the quality and size of the workforce.

Work-life balance

Better work-life balance can help maintain a well-rested workforce and lead to improved mental health, job satisfaction, and productivity.

GIGABIT INTERNET TARGETS



The UK government's Gigabit Internet targets aim to provide high-speed internet access to households and businesses across the country, ensuring that the majority of the population has access to gigabit-capable (1000Mbps) broadband.

OBJECTIVES

Nationwide coverage

Ultimately, the Government's goal is to achieve nationwide coverage of gigabit-capable broadband. This means that the infrastructure across the country should be able to produce download speeds of at least 1 gigabit per second to every home and business in the UK.

Timeline

Initially, the government set a target to have gigabit-capable broadband available to 85% of UK premises by 2025, with 2024 figures reporting that 80% of homes can now access gigabit internet.

Focus on rural areas

A significant part of the initiative focuses on improving connectivity in rural and hard-to-reach areas, which historically have lagged behind urban areas in terms of internet speed.

HOW IS IT BEING IMPLEMENTED?

The rollout involves a combination of private sector investment, with the government allocating substantial funds to support areas where commercial investment alone would not be viable.

Launched as a major component of this initiative, Project Gigabit aims to provide fast and reliable broadband to rural communities, including a series of contracts and funding schemes to accelerate the process.

The government has also introduced legislative measures to facilitate faster deployment of broadband infrastructure, including reforms to planning laws and regulations.

HOW WILL THIS PROJECT BOOST AGGREGATE SUPPLY?

Economic growth

Improved broadband connectivity is expected to boost economic productivity by enabling businesses to work more efficiently, supporting remote working.

Digital inclusion

By ensuring widespread access to high-speed internet, the government aims to bridge the digital divide, allowing more people to benefit from online services, education, and communication.

Future-proofing

Gigabit-capable broadband infrastructure is seen as a future-proof investment, capable of meeting increasing demand for data and supporting new technologies.

HIGH SPEED 2



HS2, or High Speed 2, is a major infrastructure project aimed at developing a high-speed railway network to connect London with the Midlands and the North of England. It was initially meant to connect London to Birmingham and then onwards to both Manchester and Leeds, although the expansions beyond Birmingham have since been cancelled.

OBJECTIVES

Increase capacity

HS2 is designed to alleviate congestion on existing rail lines by providing more capacity for passengers and freight services.

Boost connectivity

The project aims to reduce travel times between major cities, improving economic mobility and accessibility.

Economic growth

It is expected that the project will help to stimulate regional economies, creating jobs and attractive investment due to enhanced economic ties.

Environmental benefits

By providing a more efficient and faster rail service, HS2 aims to reduce the number of car journeys taken by commuters, thereby cutting emissions.

KEY FEATURES

- The initial plan included multiple phases:
 - Phase 1: Links London to Birmingham.
 - Phase 2: Extends from Birmingham to Crewe and onwards to Manchester, or from Birmingham to Leeds.
 - Both aspects of Phase 2 have recently been cancelled by the Government.
- Trains on HS2 are designed to travel at speeds reaching 225 mph, initially aiming to reduce journey times by 54 minutes from Manchester to London, and 30 minutes from Birmingham to London.
- HS2 promised to build new stations, and develop current ones, improving infrastructure in multiple regions.

CONTROVERSIES

- The project has faced widespread criticism for its continually rising costs, originally estimated at £37.5bn in 2009 prices, but now projected to exceed £100bn.
- Many concerns have been raised about the destruction of natural habitats, ancient woodlands, and countryside landscapes.
- Construction has caused significant disruptions to communities along the route, including property demolitions and landscape changes.
- Construction of the HS2 section in Central London has been paused while the government seeks private investment for the highly disruptive work to take place.

EDUCATION POLICIES



Supply-side policies in education focus on improving the efficiency, quality, and accessibility of education by enhancing the capacity and productivity of the educational system itself. By improving the level of education in a workforce, people are able to compete for more skilled occupations and have more mobility between jobs.

WHAT CHANGES HAS THE GOVERNMENT MADE TO EDUCATION?

National Curriculum revisions

The National Curriculum is frequently revisited and amended. Revisions over the years have aimed to make it more rigorous and relevant. The 2013 revision, for example, emphasised a return to more traditional subjects and knowledge.

Academies programme

Introduced under the New Labour government in 2000, the Academies programme allowed schools to become independent of local authority control while receiving funding directly from the central government.

Free Schools

Launched by the Coalition government in 2010, Free Schools are a type of academy set up by groups of parents, teachers, or charities. They are funded by the government but operate independently of local authority or control.

Pupil Premium

This funding stream was introduced in 2011 to support disadvantaged students in England. Schools receive additional funding based on the number of students eligible for free school meals, children in care, and children of armed forces personnel.

OBJECTIVES OF THESE REFORMS

- Reforming the curriculum is intended to enhance learning offered by schools and improve student skills and knowledge.
- Academies aim to encourage innovative teaching practices and better resource management due to the increased school autonomy and flexibility.
- Free schools help expand the supply of school places available which addresses shortages, and they diversify educational options.
- Pupil Premium helps to support disadvantaged students and enhance resources and interventions to improve outcomes.

HOW DO THESE REFORMS CONTRIBUTE TO AN INCREASE IN AGGREGATE SUPPLY?

- By ensuring the curriculum is rigorous and relevant, the hope is that students will develop skills and generally improve their educational standards, improving the level of skill in the workforce.
- Academies are intended to improve the quality of education and provide pupils with a more advanced skill set, obtained at a high level.
- Free schools and pupil premium aim to improve education for those that are disadvantaged, helping to rectify educational inequalities and increase educational attainment across the population.

MIGRATION POLICIES



The UK's migration policies are designed with supply-side objectives in mind. The immigration system includes various schemes that target specific skills, encourage investment, and address labour market needs.

OBJECTIVES OF THE GOVERNMENT

Addressing skills shortages

The UK has immigration policies designed to attract individuals with specific skills that are in short supply domestically.

Enhancing labour market flexibility

By allowing immigrants to enter the labour market, the UK benefits from a more diverse set of skills held by workers and so can more easily adapt to various economic changes.

Increasing economic growth

When immigrants contribute to the economy by filling jobs, paying taxes, and spending money, the UK experiences an increase in economic activity and GDP.

Demographic balance

With an ageing population and declining birth rates, immigration can help balance the demographic structure by increasing the number of working-age people in the economy.

Regional development

Policies that encourage migration to less economically developed regions can help address regional disparities as it promotes greater economic activity in these areas.

Points-based immigration system

Skilled Worker/Health and Care Worker Visas are offered to individuals with a job offer from an approved employer in the UK or those who have direct routes to work in the NHS. This aims to fill skill shortages in critical sectors by attracting high-skilled workers from abroad.

Global Talent Visa

This visa is aimed at highly skilled individuals in fields such as science and engineering. It allows recognised leaders in their fields to live and work in the UK, promoting innovation and expertise.

Investor Visa

This visa is for individuals who make a significant financial investment in the UK, typically £2 million or more. It encourages wealthy individuals to invest in the UK economy, supporting economic growth and job creation.

Graduate Visa

This visa allows international students who have completed a degree at a UK university to stay and work, or look for work, for up to two years. This helps to retain skilled graduates and address skill gaps in the economy.

FREEPORTS



Freeports are designated areas within the UK where normal customs and tax rules do not apply. These areas aim to boost economic activity and trade by offering various incentives.

KEY FEATURES OF FREEPORTS

Customs benefits

Businesses operating within Freeports can import goods, process them, and re-export them without paying customs duties, provided the goods don't enter the UK market.

Tax incentives

Companies in Freeports can benefit from various tax reliefs including on investments in buildings, machinery, and equipment. There is also relief of up to 100% from business rates for five years offered to newly formed businesses or businesses relocating to a Freeport.

Regulatory flexibility

Businesses operating in Freeports face easier planning regulations to support construction and infrastructure development.

Innovation and investment

There is encouragement for research and development activities through additional tax reliefs and support, as well as enhanced capital allowances for investments in machinery.

HOW DO THESE FEATURES BOOST AGGREGATE SUPPLY?

- Stimulate local and regional economic development by attracting new businesses, encouraging investment, and creating jobs.
- Boost trade by simplifying customs procedures and reducing costs for business operations.
- Foster innovation through incentives for research and development.
- Support regeneration and development of previously underutilised areas.

POTENTIAL CONCERNS

- There is a risk that businesses may just relocate from other parts of the UK to benefit from Freeport incentives, as opposed to creating new economic activity.
- Due to the incentives offered, there is potential for regulatory loopholes and reduced oversight, leading to risks such as tax evasion or illicit trade.
- There is no guarantee that the wider region will benefit from trade, instead benefits might be concentrated in specific areas, exacerbating regional inequalities.

Location of UK Freeports

Some examples include:
East Midlands Airport,
Humber, Teesside,
Plymouth and
South Devon,
Liverpool City
Region.



UK INNOVATION STRATEGY



The UK Innovation Strategy aims to foster economic growth and address societal challenges by promoting innovation across various sectors.

Objectives of the strategy

- Establish the UK as a leading global innovation hub by 2035.
- Drive productivity and economic growth through innovation.
- Address major societal challenges, such as climate change, public health, and security.

FOUR 'PILLARS' OF THE STRATEGY

Unleashing businesses

- Increase public and private investment in research and development.
- Provide targeted support to small and medium sized enterprises to enhance their innovation.
- Encourage businesses across all sectors to adopt innovative practices and technologies.

People

- Equip the workforce with the skills needed for the future, focusing on STEM.
- Attract and retain global talent through policies that support immigration and collaboration with international innovators.

Institutions and places

- Support world-class research institutions and universities to maintain their global leadership.
- Promote innovation across all regions of the UK, addressing regional disparities and ensuring that the benefits of innovation are felt nationwide.

Missions and technologies

- Focus on mission-oriented innovation to tackle specific societal challenges, such as achieving net-zero emissions.
- Invest in priority technologies, including AI, quantum computing, biotechnology, and green technologies, to maintain a competitive edge.

HOW DOES THIS IMPACT AGGREGATE SUPPLY?

Enhanced productivity

- More funds in research and development develops new technology, improving productivity and reducing costs.
- Encouraging businesses to integrate innovative practices enhances efficiency and output.

Improved skills and workforce

- Focus on STEM education and training equips the workforce with advanced skills, boosting productivity.
- Attracting global talent brings in expertise, enhancing overall economic productivity.

Technological advancements

- Investment in AI, quantum computing, biotechnology, and green technology leads to breakthroughs, improving production processes.

Business growth and expansion

- Targeted support helps small and medium sized enterprises innovate and expand, contributing to higher output.
- Promoting innovation across all regions ensures wide spread increases in production.

Institutions and infrastructure

- Supporting top research institutions fosters cutting-edge innovations that can be commercialised.
- Collaboration between businesses, academia, and government accelerates new technology implementation.

UK NUCLEAR ENERGY ROADMAP



The UK Nuclear Energy Roadmap outlines the strategic approach the UK government is taking to ensure a stable and secure supply of nuclear energy. This roadmap focuses on improving supply nationwide through a number of methods.

WHAT IS THE GOVERNMENT DOING?

Building new reactors

- The UK is committed to constructing new nuclear power plants to replace ageing reactors and meet future energy demand. This includes large-scale projects like Hinkley Point C and planned developments such as Sizewell C.
- Additionally, the government is investing in the development and deployment of Small Modular Reactors, which are more flexible and potentially cheaper and quicker to build than traditional large reactors.

Reforming regulation and licensing

- Simplifying and speeding up regulatory approvals for new projects to cut down time and costs.
- Adapting regulations to support advanced technologies, allowing new reactors and fusion energy research.

Skills and workforce development

- Expanding specialised training to ensure a skilled workforce for the nuclear sector.
- Promoting educational initiatives and apprenticeships.

Financial support and investment

- Offering grants, loans, and subsidies for nuclear projects.
- Creating a stable environment for private investment by committing to projects and outlining a clear roadmap.

HOW DOES THIS BOOST AGGREGATE SUPPLY?

- By building new and advanced nuclear reactors, the UK increases its electricity capacity. Reliable and efficient energy supply supports industrial production and reduces energy costs for businesses. Hinkley Point C alone is expected to be able to supply 6 million homes with enough energy for 60 years.
- The government is offering direct financial support for nuclear projects as well as attracting private investment. This leads to job creation and more investment in the workforce.
- The government is encouraging the growth of a robust domestic supply chain to support nuclear projects, thereby reducing reliance on foreign suppliers, helping to support small-medium sized enterprises that are involved.
- By increasing training and education in nuclear technology, the workforce is able to become more skilled, which can help to drive innovation and productivity in multiple industries, supporting economic growth.

PROGRESSIVE INCOME TAX



The UK's progressive tax system is designed to collect a higher proportion of income from those who earn more. While it is often associated with redistributive policies, it can also be understood from a supply-side perspective.

How the progressive system works (2024/25 figures)

Personal allowance: Income up to £12,570 taxed at 0%.

Basic rate: Income from £12,571 to £50,270 taxed at 20%.

Higher rate: Income from £50,271 to £125,140 taxed at 40%.

Additional rate: Income over £125,140 taxed at 45%.

HOW PROGRESSIVE TAXATION INCREASES AGGREGATE SUPPLY

Incentivises work and productivity

- Encourages individuals to work and stay employed by allowing them to keep more of their earnings.
- The personal allowance promotes labour market participation.

Enhances human capital

- Tax revenues fund public education and training programs, boosting skills and productivity in the workforce.
- Investments in healthcare funded by tax revenue improve workforce health, reducing absenteeism and increasing productivity.

Supports public goods

- Funds infrastructure projects that enhance business efficiency and reduce operational costs.
- Government investment in research and development drives innovation and benefits the wider economy.

Promote fiscal stability

- Acts as an automatic stabiliser during economic downturns, helping to sustain government spending and not overly burden the public.

CRITICISMS AND CONCERNS

Brain drain

High taxes might encourage skilled professionals to relocate to countries with lower tax rates, potentially leading to a loss of talent and expertise

Investment decisions

If taxes on investment income are high, it may deter investors from funding new ventures or expanding existing businesses, reducing potential innovation and productivity

Potential for reduced motivation

It has been argued that higher tax rates on high earners may reduce their incentive to work harder or invest in businesses. As such, productivity might not reach its full potential as higher earners become less incentivised.