JOBS FOUNDATION

Jobs and Investment:
Using untapped capital to boost productivity and growth

By Andrew Allum and Duncan Simpson

Forewords by Lord Elliott of Mickle Fell and Sir Sajid Javid

The Jobs Foundation is a registered charity (1202928) which champions the role of business as a force for good, particularly the crucial role companies play giving people a step up in life by providing jobs and training opportunities.

We want to have a practical impact on the ground, by helping business leaders do even more for their local communities, by providing them with the tools, knowledge and best practice on employing and training people from less privileged backgrounds.

In parallel, we want to have a policy impact by creating a business environment which allows companies to thrive. We hope our advocacy programme will bring about a real change in the way policy makers view business and the crucial social and economic value businesses contribute to society.

To achieve this, we are building a coalition of business leaders and entrepreneurs from across the country to join our Business Council, to act as the driving force and delivery engine for our ambitions.

This report is the latest in a series of longer research notes where we will examine the core components influencing job creation and loss in the UK, looking at factors such as the UK's regulatory and fiscal environment, investment, skills and training provisions, and AI.

As with all Jobs Foundation publications, the views expressed are those of the authors and not those of the Foundation (which has no corporate view), its Trustees, Advisory Council, Business Council or staff.

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Matthew Elliott

Foreword by Lord Elliott of Mickle Fell

The lack of growth over the past twenty years is the number one political and economic issue facing our country. Successive governments have claimed that economic growth is their number one priority - coming into office with ambitious promises to make the UK the fastest-growing economy in the G7 - only for those governments then to fall victim to paralysis.

There are untold reasons for why the UK has underperformed economically over past decades. Indeed, amongst leaders there seems to be a growing consensus forming over the malaise infecting our country. Planning regulations are too burdensome. Energy is cripplingly expensive. Our workforce lacks the required skills, and our welfare system lacks the right incentives to support people into work.

A further area that has been accepted amongst our political and economic elites as being significant is our productivity crisis. Between the 1980s and the late 1990s, productivity growth averaged 2.5 per cent annually. Since the mid-2000s, this has slumped to less than 1 per cent annually.

Quite simply, productivity is how much output is produced per unit of input. Real wages can only grow sustainably if the value that they produce per hour increases. Had we maintained pre-2000s productivity growth levels, the average British worker would be earning £24 more for every hour that they worked.

To fix growth, we must fix productivity. But improving productivity can be expensive – a business needs capital to fund the new software to make their operations more efficient, or the new machinery to make more goods per hour. Yet the UK has languished in the bottom quartile of the Organisation for Economic Co-operation and Development (OECD) for investment since 1995, leaving a £100 billion annual investment gap compared to our peers and a total capital gap of around £2 trillion according to the Productivity Institute.

There have been significant interventions detailing how we might boost our productivity. Lord Harrington's 2023 review into foreign direct investment detailed how we can make the UK more attractive to international investors, giving a range of serious recommendations that governments both blue and red have adopted. The 2017 Patient Capital Review, led by HM Treasury, has been given credit for shepherding tens of billions of pounds to high-growth British businesses. But the truth is, both haven't had the impact that we need.

Luckily, there is a third well that we can use to help solve the productivity puzzle, with significant reserves that, to date, have largely gone untapped: the savings of the British public.

Currently, we are sitting on an egregious waste of resources. Excluding houses and pensions, the UK public holds nearly £2 trillion in net financial wealth, much of it stagnating in unproductive cash. There are over 13 million "Mainstream Investor" households with significant savings who are currently sidelined by a culture of extreme risk avoidance and regulatory barriers.

The current government, building on the foundations laid by Sir Jeremy Hunt as Chancellor, has rightly paid attention to how we can mobilise the vast assets of the UK's pension funds into productive assets. Amongst other measures, the Pension Schemes Bill should by time of publication have received its Royal Assent, and investment from pension funds into unlisted equities continues to grow. We must do the same for our retail investors.

By helping design an investment ecosystem where ordinary Brits can invest in the high-growth British companies of the future, we can give these innovative and productive companies the fuel that they need to expand their teams and increase their value. Moreover, this would give millions of citizens higher returns and a direct stake in the growth of our country – transforming them from passive observers into active participants in our national success.

What *Jobs and Investment* sets out is a roadmap for the Great British public, identifying how to fuel our economic revival - boosting economic growth and creating thousands of new jobs in the process. It sets out the vital link between private capital investment, labour productivity and job creation. It argues that our stagnation is a direct result of chronic under-investment in the equipment, software, training and people that allow businesses to grow. It identifies the UK's investment gap, outlines how we can unlock the retail cash pile held by millions of households towards productive investment, create an economy in which ordinary citizens have a direct stake in national growth, and drive the future prosperity of our nation.

Of course, it goes without saying that the changes recommended in *Jobs and Investment* should go hand in hand with full-scale supply-side and fiscal reforms to allow businesses to fully harness their benefits. But even in isolation, this report is intended to fill a gap in our national conversation about the roots of our economic stagnation and how ordinary people might be able to play a part in turning this around.

Lord Elliott of Mickle Fell
President

Foreword by Sir Sajid Javid

The first investment I made was largely down to a twist of fate. As a teenager, I used to take the bus to school. The journey lasted about an hour and a half, and so I was always looking for new ways of passing time.

That's how I discovered the Financial Times. Completely by chance, someone always left a copy on the same seat at the back of the top deck. At first, I flicked through looking for cartoons. Then, I gradually began to read it. I wrapped my head around the language, and learned about the miners' strike, the Falklands War, and the Big Bang in the City of London. I wasn't just killing my boredom. I was getting a crash course in how the economy worked.

I was sixteen when I read that Thatcher was selling off British Gas. Even with the limited knowledge I had scraped together from the FT, I could see that the shares were deliberately being priced cheaply to make the deal a success, and to get ordinary people involved. The government launched a huge campaign to promote the opportunity to buy shares. Application forms were even printed in newspapers to make the process as easy and unintimidating as possible.

I was convinced that if I put £500 in, it would be worth at least £750 in a matter of days. There was only one snag. I wasn't eighteen, and my parents didn't have any money. So I called Barclays, put on my deepest voice, and booked an appointment with the Bank manager in my dad's name. Thankfully, the Bank Manager was amused. I got my £500.

I bought British Gas shares at 60p, and then flipped them at £1.05. When it was announced that Rolls Royce was being sold, I did it again. Then the British Airports Authority. Then British Steel. By the end, I had gone from being penniless to £2000 up.

These were, of course, extraordinary circumstances. But the reason I tell that story to my kids is because it sums up the truth that this report is built on. You can either wisely invest your money and watch it grow, or watch it slowly lose its value, eaten away by inflation year after year.

Thatcher understood this. The Big Bang in 1986 blew open the City of London and introduced a new kind of popular capitalism to Britain. The privatisations were not just a financial policy, they were a statement of belief: that ordinary working people had the intelligence and the right to own a share of the country they were building. For a brief, remarkable moment, it worked. Share ownership spread beyond the wealthy for the first time. People who had never thought of themselves as investors became investors, and watched their own wealth grow, as well as the wider economy. A teenage boy from Bristol, whose father drove a bus, was making the market work for him.

And then somehow, we lost it. That appetite, that democratic energy, that sense that the stock market was for everyone withered on the vine. In 2022, just one in nine British adults held shares in UK companies directly. In America, the figure is closer to six in ten. The UK now has the lowest rate of retail investment participation in the G7.

We built something extraordinary in the 1980s, a genuine culture of productive risk among ordinary people, and then we let it die. The regulatory barriers crept back up. The culture of caution reasserted itself. The message, slowly but unmistakably, became 'that's not for people like you'. Millions of people heard it and believed it. The money went back into the bank account, where it has been quietly haemorrhaging value ever since.

This report is, at its core, an argument against that message. It is an argument that dead money - money sitting in cash, earning less than inflation, funding nothing, growing for no one - is a waste of human potential as much as it is an economic failure. It is an argument that live money - invested in businesses, in the ideas and energy of the people building this country - is good for the investor, good for the economy and good for our nation.

Let me be clear about what is happening to the money millions of people in this country have worked hard to put aside. If a saver had put aside £100 in 2009 in a time deposit account, and earned the average rate for that sort of account, it would have been worth just £86 in real terms by the end of 2025. The financial system, with the best of regulatory intentions, has created a generation of savers who believe they are being prudent whilst inflation silently picks their pockets.

If they had invested that money, it would be a completely different story. The historical evidence is unambiguous. Over any meaningful period, equities outperform cash by around five percentage points per year. For a young person who starts to invest in their mid-twenties, the difference when compounded over a working lifetime is transformative. It is the difference between a retirement funded by the state, and a retirement funded by decades of patient wealth creation.

However, this isn't just about the individual benefits. It's about what kind of country we want to be. Britain has a productivity crisis. We are not as wealthy as we could be. For every hour worked, the British economy would be producing £24 more in value than it does today, had we maintained the productivity growth of the 1980s and 1990s. That gap represents wages not paid, opportunities not taken, and public services not funded. And one of the factors at the heart of this is a chronic shortage of private capital investment in British businesses.

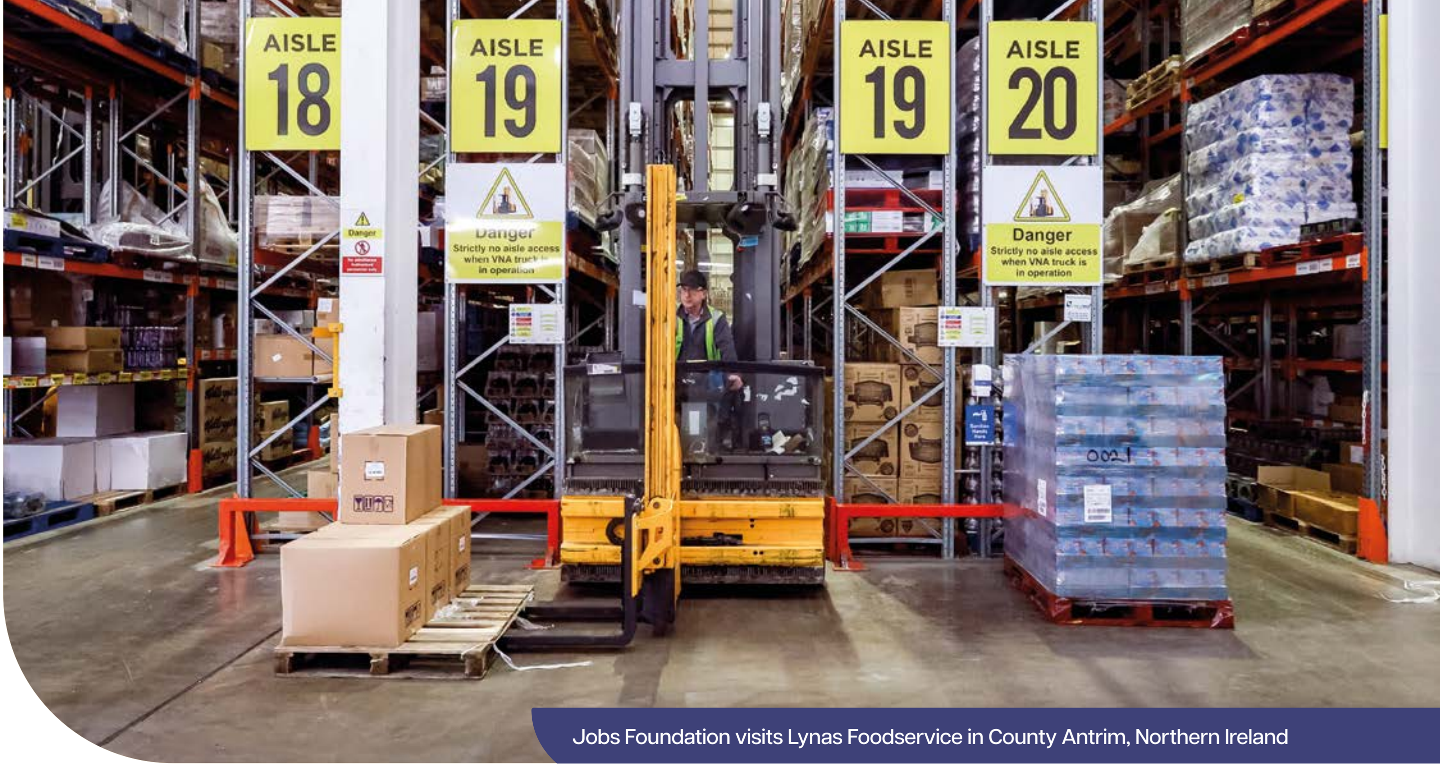
This country is not short of money. It is short of working money. We are sitting on nearly £2.3 trillion in household cash. That's more than enough to close the annual investment gap many times over. Businesses that need capital to grow, to hire, to innovate and to take on a new member of staff are being starved of investment that is instead atrophying in savings accounts.

When you invest in a British business, you are not just growing your own wealth. You are paying for the job that a young person in your town desperately needs. You are providing the capital that makes wages rise and living standards improve.

I find it deeply concerning that so many young people have concluded that our financial system has nothing to offer them. Fundamentally, I don't believe that to be the case. I was a teenager in Bristol with no money, no connections, and no inheritance. What I had was a pink newspaper left on a bus seat by a stranger who did not even know my name. That was enough. Give people the knowledge, the access, and the confidence to invest, and you give them a stake in the future.

This report sets out a serious, evidence-based roadmap for doing that. It does not propose compulsion. It does not ask anyone to gamble with their savings. It asks only that government removes the barriers that have kept millions of capable, ambitious people from participating in their own economy. If we can get back the popular capitalism of my childhood, then I believe we can transform the prospects of millions of individuals, thousands of businesses, and the country as a whole.

Sir Sajid Javid
Former Chancellor of the Exchequer



Jobs Foundation visits Lynas Foodservice in County Antrim, Northern Ireland

Key Statistics

Productivity

- **28 years** - time taken to double living standards in the 1980s and 1990s
- **79 years** - time taken to double living standards since 2000
- **£24** - additional hourly earnings if we had maintained the pre-2000s productivity trend

Capital

- **£848 billion** - net financial wealth of Mainstream Investors (13.5 million households with £10,000 to £250,000 each)
- **£2,000 billion** - UK capital gap
- **£100 billion** - annual UK fixed capital investment gap

Investment

- **83%** - proportion of Mainstream Investors who say they would invest more if government pursued reforms as described in this report
- **9.1%** - long-run annual return on UK equities
- **21** - number of savings robots that a consistent saver (who invested in equities at average returns) would have aged 65

  * each robot generates the same return as the amount saved each year

Executive summary

The Productivity Crisis and Its Human Cost

Britain is underperforming. Measured by Gross Domestic Product (GDP) per hour worked on a purchasing-power-parity basis, the UK sits at an index of 85 against an advanced-economy average of 100 and at barely 53% of Norway's standard of living. This is not a gap that should be accepted. It reflects not the limits of what Britain can achieve, but the cumulative consequence of choices made and choices left unmade.

Labour productivity (the value created per hour worked) is the bedrock of wages, living standards and national prosperity. When it grows, workers earn more, firms invest more, and the tax base expands to fund public services without requiring ever-higher rates. When it stagnates, as it has in the UK for more than two decades, everything that follows is a managed decline.

Through the 1980s and 1990s labour productivity grew at 2.5% per year which meant that living standards doubled in a generation (28 years). Since 2000, labour productivity has grown at only 0.9% per year, doubling living standards in a lifetime (79 years). Real median wages today are the same as they were in 2005. If the UK had simply maintained its pre-2000 trajectory, the median British worker would be earning significantly more per week than they do today. That gap represents the tangible, felt cost of the productivity puzzle in millions of household budgets.

The causes of this slowdown are contested among economists, but one factor commands the broadest academic consensus: the UK has chronically under-invested private capital in its businesses. A 2024 survey of 26 leading UK academic experts identified lack of private capital investment as the single most important factor in the productivity slowdown. London School of Economics (LSE) research concluded that roughly half of the UK's productivity gap relative to comparator economies in 2019 was attributable to lower capital intensity. The Productivity Institute estimates the cumulative shortfall in private investment which it refers to as the Capital Gap (versus other advanced economies) at £2 trillion.

The numbers are stark. World Bank data on Gross Fixed Capital Formation (GFCF) shows the UK has been in the lowest quartile of advanced economies in every year since 1995. Closing the gap to the OECD median would require approximately £100 billion of additional capital investment per year. The question this report addresses is whether that capital can come, in meaningful part, from the British public themselves and what stands in the way.

The Untapped Opportunity in Britain's Retail Cash Pile

Britain is not short of capital. The British public holds approximately £2,271 billion in cash (in bank accounts, savings accounts and National Savings). Much of this is sitting idle, being silently eroded by inflation, and not funding the businesses and innovations that could lift living standards.

Jobs Foundation visiting Newcastle upon Tyne as part of regional outreach

Crucially, investible wealth is not the preserve of the rich. Office for National Statistics (ONS) Wealth and Assets data shows that there are approximately 13.5 million UK households (half of all households) with between £10,000 and £250,000 in net investable wealth, excluding their main home and their pension. This report defines these households as Mainstream Investors. They are neither wealthy enough to qualify as High Net Worth Individuals under Financial Conduct Authority (FCA) definitions, nor are they without resources. They are the overlooked middle: capable, financially literate enough to manage their lives and their savings, but often excluded from, or not attracted to, the investments that could work hardest for them and for the economy.

This exclusion is partly cultural and partly regulatory. The equity risk premium (the long-run history of equity investments outperforming cash by approximately five percentage points per year) is well understood by institutional investors and pension fund managers. It is used ubiquitously in making professional investment decisions. Yet the regulatory environment, and the financial services industry shaped by it, has not communicated this reality clearly to the millions of Mainstream Investors who are holding cash when they could be participating in productive investment.

A bespoke survey conducted for this report in February 2026 (sampling 2,000 British adults with at least £10,000 in investable assets and a meaningful amount held in cash) found that fully 78% agreed with one or more policy-related reasons for holding cash that could potentially be addressed. These reasons included distrust of the tax environment, fears about fees and opacity in financial products, lack of understanding of available options, and a general sense that investment is not for people like them. Crucially, when asked how they would respond to a package of reforms addressing these barriers, 83% said they would move more cash into productive investment.

Even relatively modest movements in this direction would be economically transformative. The cash pile available to Mainstream Investors is, on conservative estimates, sufficient to add £100 billion annually to the capital investment level for many years: not through compulsion or redirection of pensions, but through freely-made individual choices supported by a package of reforms detailed in this report.

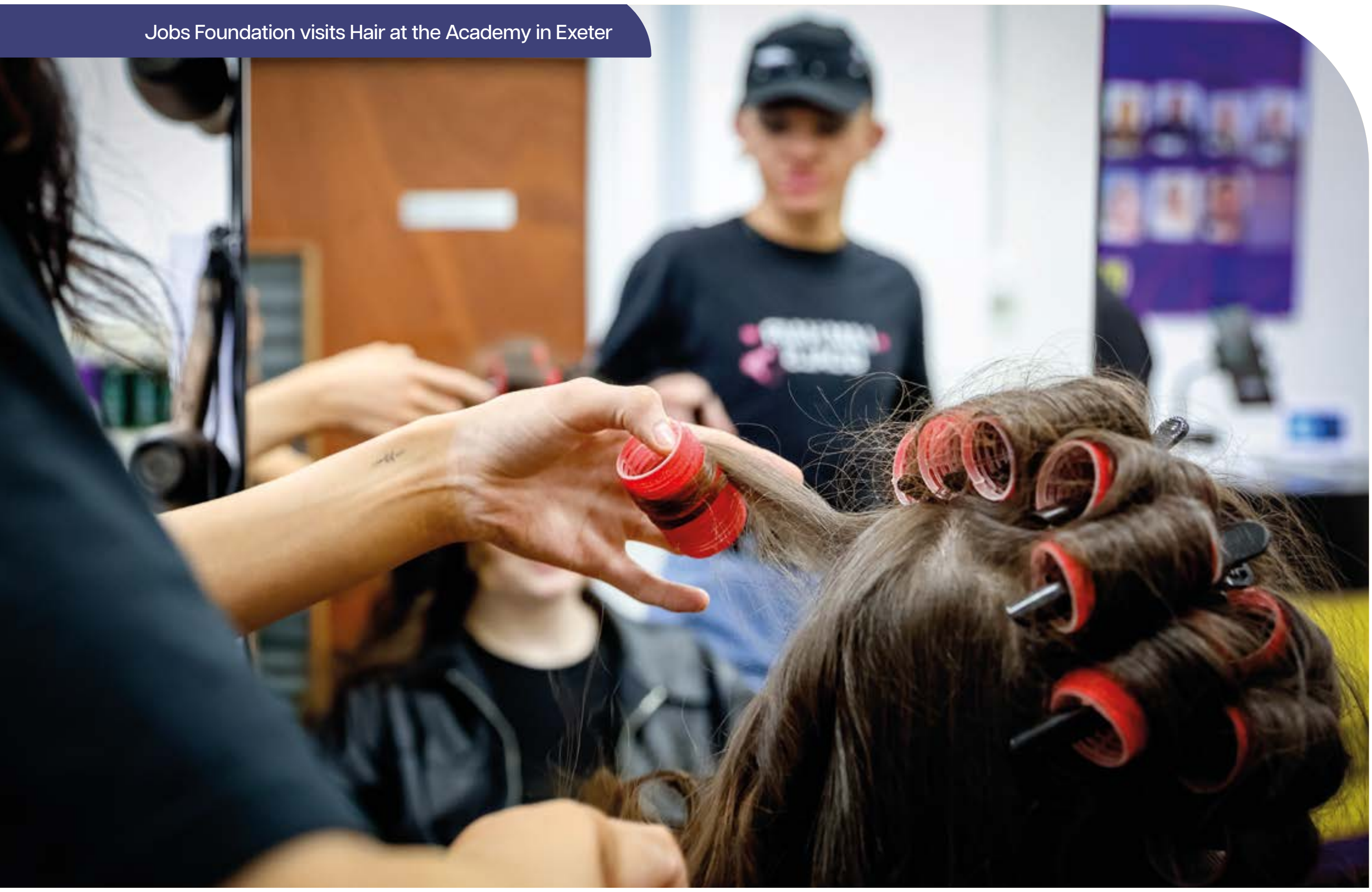
The Burning Platform of Fiscal Pressures

There is a second, more immediate reason to act. The UK faces a gathering fiscal crisis in the funding of retirement. State pension and benefits for pensioners together cost 5.9% of GDP in 2024/25 and the Office for Budget Responsibility (OBR) projects these to rise to around 8.9% of GDP by 2068/69 when Generation Z could be retiring. The increase of 3% of GDP is equal to the entire defence budget target that the government is struggling to reach.

The current trajectory is unsustainable. A productive economy (one that grows its tax base through rising wages and corporate activity rather than increasing rates) is the only sustainable answer. A population of Mainstream Investors who have built retirement wealth through productive market participation is, over time, a population that is less reliant on the state. These twin objectives (more productive investment and greater individual financial self-sufficiency) are the twin purposes of this report's recommendations.

There is also a generational dimension. Many younger adults have adopted what commentators have called financial nihilism: a fatalistic conviction that the financial system has nothing to offer them. This manifests in short-termism, doom spending, and a preference for speculative bets over patient investment. This report takes a different view, namely that young adults who can see a plausible path to building wealth through productive investment are more likely to work hard, save, and contribute to the economy. The goal is to open that path.

Jobs Foundation visits Hair at the Academy in Exeter



Recommendations: A Four-Part Programme

This report sets out a programme of reforms under four themes shown in the diagram below. These reforms share a common philosophy: they expand freedom, improve information and reduce unnecessary friction. They do not involve new tax breaks, mandates, quotas or compulsion of any kind. The rationale and implementation of each of these recommendations are described in Section 7.

1. Better Education

1.1 Publish private market returns indices

1.2 Introduce Basic Investment Information available to all, unadvised

1.3 Launch FCA Investor Calculators

1.4 Promote warnings about the waste of holding too much cash

1.5 Encourage a market in adult education in investment

1.6 Strengthen investment education in the school curriculum

1.7 Track financial literacy via PISA

2. Easier Access

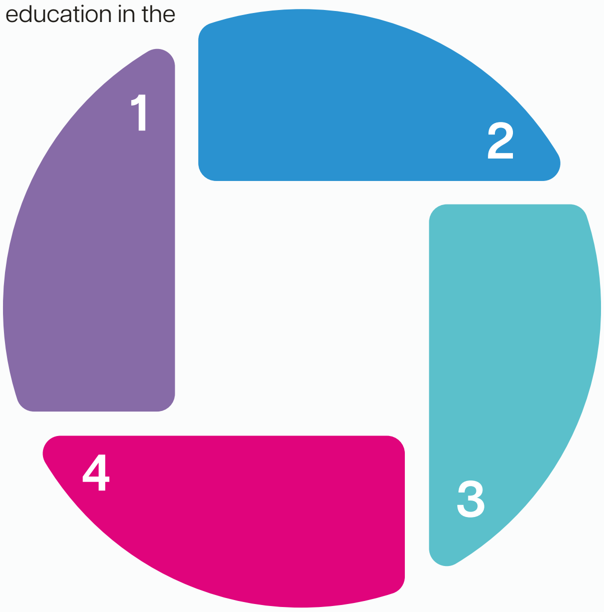
2.1 Do not increase the HNWI threshold

2.2 Make more use of the Restricted Investor category as a light-touch regulated channel

2.3 Target the FCA to increase investment participation

2.4 Create a category of Follower Investor with light-touch regulation

2.5 Launch direct retail infrastructure bonds



4. Lower Risk

4.1 Tighten rules against retrospective taxation of business

4.2 Promise not to raise taxes on business and employment this Parliament

4.3 Pause regulatory changes until the economy is growing (>2% pa GDP/cap)

4.4 Launch HMRC Business Tax Calculators

3. Higher Returns

3.1 Reverse the recent increased tax on dividends and capital gains

3.2 Abolish stamp duty 0.5% on purchasing stocks

3.3 Pursue supply-side reforms

Scope and Boundaries of the Argument

Because the arguments in this report touch on regulation, taxation and the role of the state in economic life, it is worth stating clearly what the report does and does not contend.

Consumer protection remains essential, but the current balance has become harmful.

All recommendations for expanding access to investment products are premised on investors making informed, voluntary decisions. The Restricted Investor framework - which this report proposes to extend - explicitly requires investors to self-certify that they will risk no more than 10% of their investable wealth in any single product. The argument is that the dial has been turned so far towards regulatory caution that it has created its own harm: millions of people holding cash that erodes in real value, excluded from investments that professional investors take for granted.

Freely-made individual decisions allocate capital better than state direction.

The entire premise of this report is that freely-made investment decisions by millions of individual Mainstream Investors will, in aggregate, allocate capital more efficiently than any state-directed programme. This report does not propose that the government instruct pension funds, savings vehicles or individuals where to put their money. The proposal is that government removes barriers, improves information and creates a more stable and attractive environment so that free choices produce better outcomes.

More investment can be mobilised without additional taxpayers' subsidy.

The reforms proposed in this report do not involve any additional taxpayer-funded subsidy schemes for investment. The reforms rely on the long-run observation that investing in equities is profitable and the view that education and access should be sufficient to attract millions of capable and ambitious Mainstream Investors to mobilise more of their cash.

A more productive economy funds better public services.

The case for more private productive investment is entirely complementary to well-funded public services. A more productive economy generates a larger tax base from which key public services such as defence and the civil justice system could be funded at lower marginal rates. Rising wages (which flow from rising productivity) are the most sustainable route to a society that can afford the public goods it values.

The stock market is valuable but is not a direct channel for productive capital.

This report highlights the two benefits of investment: improving the retirement finances of individuals and directly creating new productive capital in businesses. Public market investment passes one test; private market investment passes both. Both are valuable and addressed by the reforms proposed here.

Private investment is not the whole of the answer, but is an essential part of it.

Capital investment is the single most important factor in the academic literature on UK productivity, but it is not the only one. Skills, infrastructure, management quality and institutional stability all matter. This report focuses on capital because it has received less attention in the retail investment context and because the scale of the opportunity (a £2 trillion cash pile, 13.5 million potential investors, and an annual investment gap of at least £100 billion) is too large to leave unaddressed. More private capital investment is not the complete answer to Britain's problems, but it is an essential part of the answer - and it can be done.

Informed free choice must include the choice to hold cash.

There are entirely legitimate reasons to hold cash: emergency funds, saving for specific near-term goals, and personal risk tolerance are all valid. The concern this report addresses is with the millions of people who hold cash in excess of any reasonable precautionary need, doing so because the information environment and regulatory framework have left them unable to make a genuinely informed choice. If a fully-informed Mainstream Investor chooses to hold cash, that is a legitimate decision. The goal is to ensure the choice is both free and informed.

Conclusion

Britain has the capital, the people and the ingenuity to address its productivity problem. What it lacks is the framework to put them together. For too long, the regulatory system has treated millions of capable, experienced and ambitious adults as though they cannot be trusted to make investment decisions and in doing so has deprived British businesses of the capital they need to grow, deprived individuals of the returns they could be earning, and deprived the economy of the dynamism that produces rising wages.

The reforms in this report are grounded in a simple belief: that when individuals are given accurate information, fair treatment, and the freedom to act, they make better decisions for themselves and for society than any central planner can. This is not a novel idea; it is the founding insight of a market economy. What is novel is the urgency with which it must now be applied.

Each generation should be roughly twice as well off as the one before. That is what sustained productivity growth, compounding over decades, looks like in practice. It is not an aspiration that belongs only to the past. But restoring it requires, above all, that the British people are freed to invest in their own future.

Marks & Spencer's 'Marks and Starts' programme in London

1. Introduction

1.1 Background and purpose

The great American economist, Thomas Sowell, says:

> *"It is not the origins of poverty which need to be explained. What requires explaining are the things that created and sustained higher standards of living."*

We can apply this logic to the emergence of high wages relatively recently on the historical scale. Subsistence wages and earnings were the norm for most people for most of history.

High wages fundamentally depend on workers producing enough value per hour that employers can afford to pay them above subsistence – and that depends on workers having the tools, technologies and systems to produce more per hour. Those tools are provided by risk capital. Since capital depreciates and technologies become obsolete, this requires the continuous deployment of new capital at risk and in a dynamic economy. A lack of capital investment doesn't merely slow wage growth: it erodes the productive foundations that justify high wages in the first place.

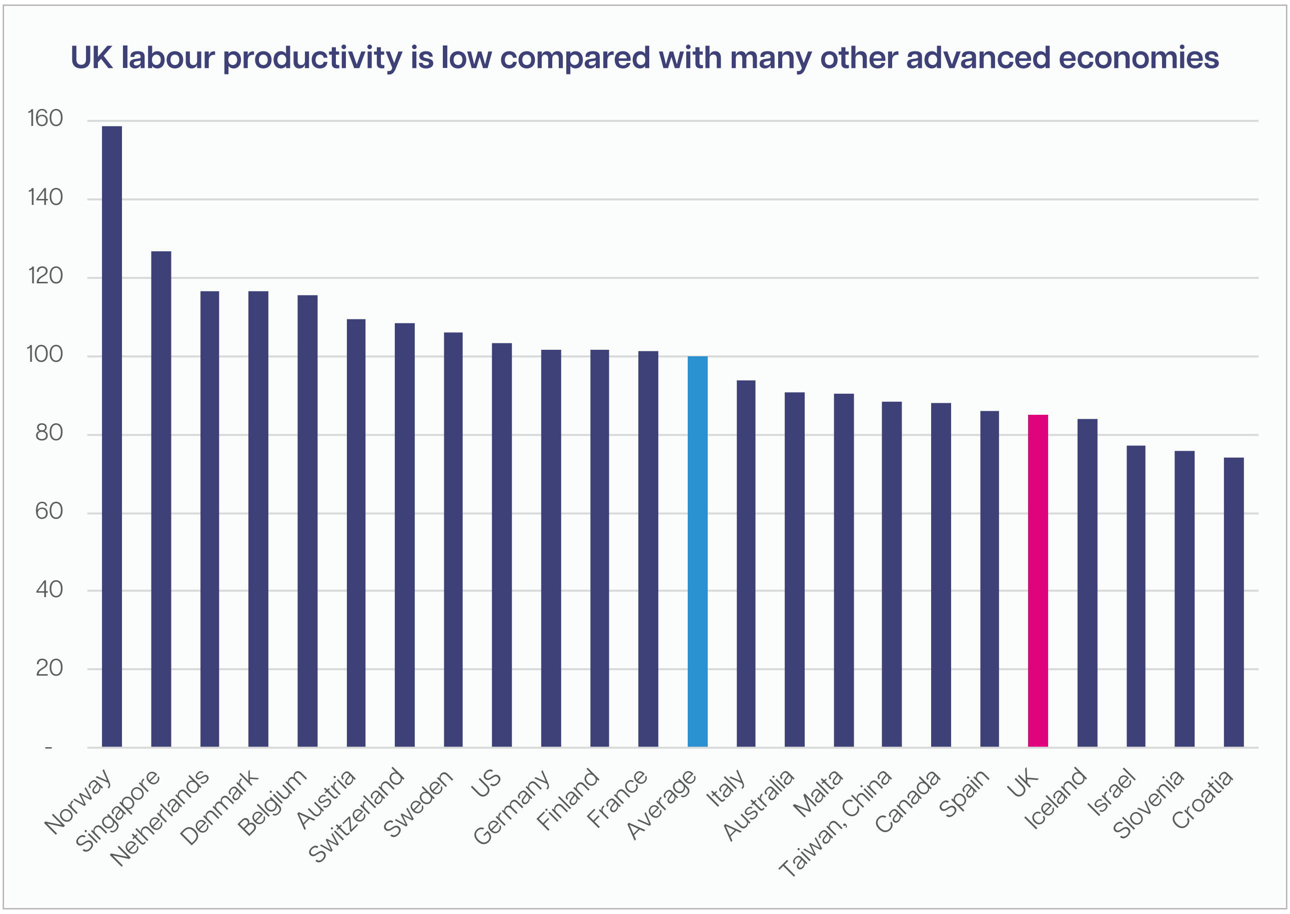
The requirement for dynamism is crucial. To improve productivity, things need to change.

It is sometimes said that economic growth cannot go on forever which leads to asking whether we are at the end of the growth story for the UK. However, there is no physical constraint to growth for an advanced service-led economy. Beyond a certain point, highly productive economies do not need to use more tonnes of resources per person (this process of "dematerialisation" started in the UK a generation ago). In a modern service-led economy, growth is created not by processing more tonnes, but by the human factors of innovation, cooperation and dynamism. The UK is not short of the ideas that could potentially fuel such growth.

As a concrete pointer to the possibility of growth, the UK can be compared internationally on the simple metric of GDP per hour worked. Chart 1 below shows selected advanced economies compared for 2025 GDP per hour worked on a PPP (Purchasing Power Parity) basis which reflects living standards rather than exchange rates.[1]

1. https://ilostat.ilo.org/topics/labour-productivity/

Chart 1. GDP per hour worked in selected advanced economies (PPP Index), 2025.



The light blue bar is the average of the selected countries shown at an index of 100. The blue bars are selected countries ranging up to 159 for Norway and 127 for Singapore. The UK is shown in pink at just 85. This means that in the time taken to earn £85 on average in the UK, the average person in these advanced countries earns £100 on a like-for-like basis in terms of purchasing power and the average person in Norway earns £159. If people in these very different countries can be so much more productive than the UK, why can we not aspire to grow to their levels of income per hour?

However, there are cultural constraints to growth. The defining questions relate to risk aversion. Do enough people within the UK want to see strong future growth and will they be rewarded for the risks involved? Is that desire, collectively, stronger than countervailing desires for the status quo and for the temporary safety that arises from the lack of dynamism?

This report aims to add to the discussion of the productivity puzzle by focusing on one aspect which has had less attention: the role of attracting retail private capital investment into businesses to fund improved productivity and so lining up millions more people on the side of dynamism and growth.

This being the Jobs Foundation, the focus is on private sector productivity and the role of businesses improving productivity to create more, and better paid, jobs.

The need for more private capital investment has been well established. In 2017 the government commissioned the Patient Capital Review which explored ways to reform the institutional structures of the UK investment industry to address the challenges faced by high-potential businesses seeking to scale-up. Its focus was on the scale-up problem whereby British firms struggle to break out into very large business, creating large amounts of value, without foreign investment.[2] In 2023 the government commissioned Lord Harrington of Watford to review foreign direct investment because of concerns that the UK was missing out on potentially transformational investments by multinational companies.[3]

There has also been a growing discussion of the wasted opportunity of the retail cash pile (several hundred billions of pounds and maybe as much as one trillion pounds not being productive – and not counting homes and pensions).[4] If more of this cash were in equities it would provide better medium term returns for the investors. The faster growing and most innovative firms in the UK, the ones which should improve productivity, rely more on equity finance which is hard to raise.

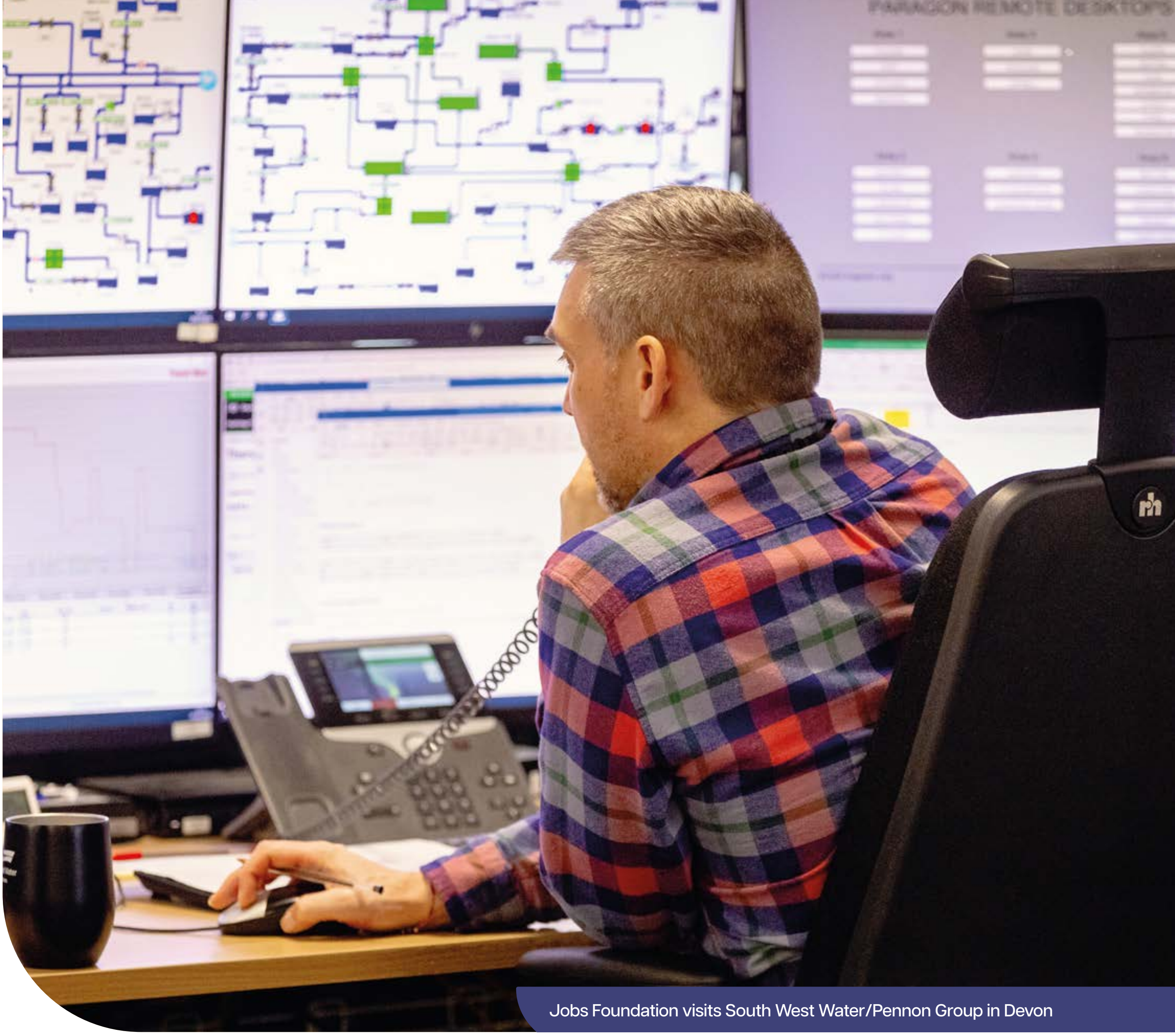
Where this report seeks to advance the policy debate is to link these together and identify ways that British Mainstream Investors should be allowed and attracted to participate more in productive, risky and profitable investments.

This involves expanding the risks that Mainstream Investors are permitted to take. Consumer protections are of course required. But the dial has been turned too far towards risk avoidance leaving many millions of capable, creative people with meaningful liquid wealth unable or unwilling to participate in funding the UK's productivity growth and missing out on the profits from such activity.

Thinking like an investor

Investing is a mindset. It involves negotiating between yourself today and your future self in ways that build a better future. For many people, investment is a daily habit - for example by going to the gym or reading to your young child rather than leaving them with a screen. People invest not just money but also their time, physical energy and social energy in themselves, their careers, fitness, relationships, community and ideals. Many people may be described as "novice" in financial investments if they have stayed with cash or they are early in their savings journey. But they are not novices in life investment. Bringing that rich life experience of millions of people to bear on financial investment and the productivity puzzle could be transformative.

2. **Page 4:** https://assets.publishing.service.gov.uk/media/5a82f16b40f0b62305b95264/PCR_Industry_panel_response.pdf
3. **Page 6:** https://assets.publishing.service.gov.uk/media/655f62310c7ec8001195bd5f/231123_Harrington-Review-Report-FINAL-2__HH_Global_.pdf
4. **Some recent contributions which allude to this include the following:**
    a. King, N., *Retail Therapy*, Centre for Policy Studies, July 2023.
    b. Gibson, J. & Salutin, G., *A nation of small investors*, Social Market Foundation, November 2025.
    c. Price, R., *Mobilising Retail Savings for Deeper Capital Markets: UK Insights for the EU's Savings and Investment Union*, Barclays, January 2026.
    d. New Capital Consensus has also written about the topic: https://www.newcapitalconsensus.org/publications/



Jobs Foundation visits South West Water/Pennon Group in Devon

This exclusion from productive investment is also a factor in the distressing recent phenomenon of “financial nihilism” also known as “doom spending”. Many younger people have concluded that they cannot build the financial future they want and therefore, in that hopeless mindset, they turn to short-termism, blow-out spending and speculation rather than investment. This behaviour demonstrates that there is an appetite for risk amongst the young, but it is somehow blocked from the productive outlet of investing in British businesses. This is tragic.

It is clear that the high cost of housing is an important cause of the hopelessness for young adults in the UK. However, housing is outside of the scope of this report.

The core focus of this report is the lack of involvement in productive investment by millions of people who have meaningful savings held in cash. The government should implement a programme of policies that allow and attract those millions of capable people to participate in productive investment, take some risks, think like investors and build a better future.

1.2 Glossary of key terms

Retail or household cash pile: cash held by the public either in notes and coins or in bank and savings accounts including National Savings. As of December 2025 this totalled £2,271 billion.

Net investable wealth: cash savings and investments held by the public not in pensions and not in their main house and net of debts. The latest ONS Wealth and Assets survey published in January 2025 estimates this as £1,915 billion.

HNWI: High net worth investors. The FCA definition of HNWI is someone with at least £250,000 of net investable wealth or at least £100,000 of annual income. Signing the FCA's HNWI statement allows the signatory to receive promotions for a range of non-public investments. This income levels puts such an investor in the top 4% of the earning population.[5]

Mainstream Investors: £10,000 to £250,000 of net investable wealth – so they are not HNWI and still have meaningful savings. Many millions of these exist. Note that a lot of media coverage says "retail" investors when they mean HNWI and so Mainstream Investors are overlooked.

Productive investment: additional capital to fund businesses. Productive investment is distinct from saving because it involves putting the money to work in businesses. It is also distinct from gambling or speculating because those are zero-sum games (or worse, negative-sum games, because the house takes a cut) whereas productive investment is a positive-sum activity. For example, when a business updates its software so that its customer agents can deal more accurately and more rapidly with queries, those agents really do become more productive because the amount of valuable service to customers produced per hour worked has increased. Productive investment is also characterised by the creation of new capital that actually goes to work in a business (to pay for new software, equipment, training, staff etc.) rather than many other investments such as quoted shares where the newly invested capital provides an exit to the seller of the shares.

This report aims to promote more mainstream involvement in productive investment as defined above.

Restricted Investor: an FCA category of retail investor who certifies they will only put 10% of their net investable wealth at risk in the high-risk category being considered in a single year. This category is much under-used.

5. https://www.gov.uk/government/statistics/percentile-points-from-1-to-99-for-total-income-before-and-after-tax

1.3 Structure of this report

Section 2 lays out the UK's track record in productivity growth, focusing on labour productivity, in recent decades, including looking at the different trends across major sectors of the economy and the slowdown during the 2000s before the Global Financial Crisis (GFC). The section finishes with a simple quantified scenario for how much more British workers would be earning if we had kept up the rate of productivity growth achieved in prior decades.

Section 3 discusses the importance of private capital investment in facilitating growth in productivity. It explains how private capital is essential to funding the changes necessary for businesses to evolve and become more productive.

Section 4 shows the very large amounts of cash held by the British public and highlights the widespread ownership of significant financial wealth (excluding homes and pensions). The section shows how this represents a major waste of resources for the savers themselves (through missing out on better medium-term returns) and for the economy as a whole.

Section 5 explores some of the reasons why retail investors hold so much cash and sets up four categories of potential reform for government to facilitate that cash being mobilised into productive investment. The section includes the results of bespoke targeted survey work carried out in February 2026. The section ends with an illustrative economic impact calculation that shows the potential uplift to GDP growth.

Section 6 explains the burning platform which is the downside for the UK economy of not improving productivity – the looming challenge of funding retirement.

Section 7 lays out a set of policy recommendations for government to facilitate more of the retail cash pile to be mobilised into productive investment. These reforms do not involve tax-breaks, mandates or quotas; they are based on increased financial freedom for Mainstream Investors. The themes are increased investment education, easier access to productive investments and two categories that involve making the asset class (i.e., British businesses) more attractive through higher returns and lower risks.

Jobs Foundation visit to David Nieper in Alfreton, Derbyshire

2. Labour productivity is fundamental to future prosperity

Key messages:

1. Through the 1980s and 1990s labour productivity grew at 2.5% per year which meant that living standards doubled in a generation (28 years). Since 2000 labour productivity has grown at only 0.9% per year, doubling living standards in a lifetime (79 years)
2. The 2000s started with private sector productivity growth around 3% per year. Public sector productivity growth has consistently been lower than the private sector
3. The aggregate UK productivity line (Chart 3) which appears to show a "corner" at 2008 is distorted by two smaller sectors: non-manufacturing production and financial services which performed exceptionally well in the mid-2000s. Without those there would be no "corner" at 2008
4. We need to look for causes more widely across the economy rather than just in the consequences of the GFC. This report argues that an important cause of the slowdown is too little private capital investment which has been a problem since before the GFC
5. Real median wages in 2025 were virtually the same as in 2005
6. Labour's share of income has been very steady at around 60% and so increasing productivity should lead to increased wages. This is the only sustainable long-run way to increase wages

2.1 Labour productivity definition

Finding ways to "unblock" or "create" growth are discussed almost daily amongst politicians in the UK.

This usually refers to growth in GDP. Governments typically want to see growth in total GDP, amongst other reasons to service the national debt.

On the other hand, individuals more often would like to see growth in output per capita, or even better growth in the output per hour worked so we can envisage earning a better living in fewer hours.

The measure of output per hour worked is known as labour productivity.

As Nobel Prize-winning economist and former Chairman of the Federal Reserve, Ben Bernanke, said:[6]

> *"Productivity is perhaps the single most important determinant of average living standards - a country in which the average worker can produce a lot is usually also a place in which the average person can consume a lot."*

In natural language, productivity is a measure of efficiency and defined as the ratio of output over input. This can be calculated for the UK as follows:

Output: in 2025 the UK's total economic output (GDP) was £3,038 billion.[7]

Input: in 2025, there were on average 34.2 million people who were economically active who completed approximately 1.09 billion hours of work per week (32 hours per worker including a mix of full-time and part-time). This totals 57 billion hours worked in the year.[8]

Dividing these input hours into GDP output gives £54 of GDP per hour worked on average across the whole economy.

This £54 is split between labour earnings (wages, bonuses etc.) and returns to the capital that enabled the business. Labour and capital are partners in the economy and both create and benefit from growth.

When reporting labour productivity, the ONS uses a measure of Gross Value Added (GVA) instead of GDP. GVA is similar to GDP (about 10% smaller in 2025 for the UK) and better for this purpose because it can be tracked by sector of the economy. GVA includes

6. https://fraser.stlouisfed.org/title/statements-speeches-ben-s-bernanke-453/commencement-address-massachusetts-institute-technology-cambridge-massachusetts-8934/fulltext
7. **Page 16:** https://researchbriefings.files.parliament.uk/documents/CBP-9040/CBP-9040.pdf
8. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentunemploymentandeconomicinactivityforpeopleaged16andoverandagedfrom16to64seasonallyadjusteda02sa

all earnings: wages, bonuses, self-employment income and returns to the capital that enabled the business activity.

The Productivity Commission quotes Andy Haldane, former Chief Economist at the Bank of England, as follows:

> *"Productivity is what pays for pay rises. And productivity is what puts the life into living standards."*

2.2 Productivity used to grow steadily, until the mid-2000s

Chart 2 shows the long run trend in labour productivity. The figures are for the whole economy and a five-year trailing average of annualised quarterly growth.[9]

Chart 2. UK labour productivity growth (5 year trailing average), 1986-2024.

9. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/labourproductivity

From 1981 (the beginning of the first 5-year trailing average on the chart) to 1999, the UK achieved average annual growth in labour productivity of 2.5%. At this rate, productivity and therefore living standards would double in 28 years (i.e., 2.5% growth compounded for 28 years is 2.0). So each generation would be twice as well off as their parents. This is hugely beneficial for social cohesion and harmony.

The trend slowed down in the early 2000s and has averaged 0.9% through the 2000s, 2010s and 2020s so far apart from some distortions around the pandemic and lockdowns in 2020.[10] At this rate (0.9% per year), living standards would take 79 years to double, i.e., about a lifetime.

If we had continued at the 1980s/90s growth rate, we would today be earning £24 more per hour (additional GVA per hour worked in 2025 pounds) and the economy would be approximately 50% larger. The wealth and opportunity provide in that alternative scenario would be transformative. All of today's public expenditure (45% of GDP in 2025/26) could be maintained with just 30% of GDP or some of the urgent needs for greater spending (such as on defence and justice system capacity) could be accommodated even within much lower tax rates that we have today.

In its June 2022 Review of Evidence, the UK Productivity Commission discussed the timing of the slowdown, as follows:

> *"It is important to understand when productivity growth in the UK began to slow down, so that we can identify the main factors that have caused the slowdown. There was some disagreement about whether the slowdown in UK productivity growth started before or after the financial crisis".*[11]

This is a very important point because if the slowdown is attributed to the GFC then we look to the consequences of that event as causes of the slowdown – in this case those would include the fall in the sterling exchange rate, loss of business confidence and significant tightened regulation of the financial services industry. These may indeed be factors in the slowdown.

However, this view of the timeline is unhelpfully narrow because it ignores a whole class of factors that emerge gradually in an economy and take time to erode productivity growth and therefore it is valuable to maintain a wider perspective.

The slowdown before the GFC can be seen by examining the trends in the ONS data for labour productivity.

10. https://niesr.ac.uk/wp-content/uploads/2022/06/Productivity-in-the-UK-Evidence-Review.pdf?ver=KKJozdGy0e3la5Sb2Yiz

11. **Page 5:** https://niesr.ac.uk/wp-content/uploads/2022/06/Productivity-in-the-UK-Evidence-Review.pdf?ver=KKJozdGy0e3la5Sb2Yiz

Chart 3 below shows the overall trend in GVA per hour worked, i.e., labour productivity. The chart stops at 2019 because the pandemic and lockdowns distorted measures in 2020 (for example, the ONS shows labour productivity growth of 5.5% in 2020 which is vastly inflated by the furlough payments for non-work). The productivity puzzle has continued into the 2020s but the focus of this section is on the timing of its beginnings and what that indicates about its causes.[12]

Chart 3. UK labour productivity (pounds per hour worked in real 2019 terms), 1997-2019.

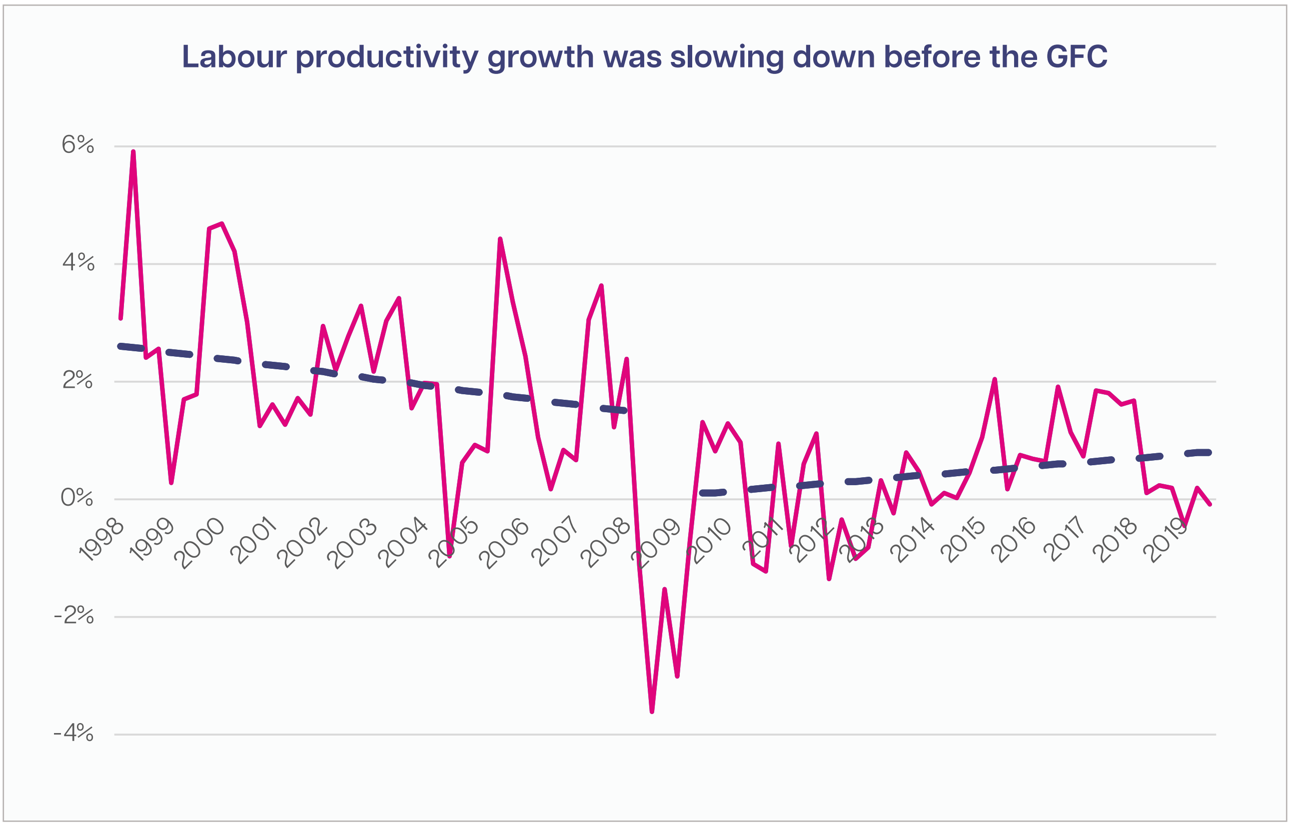
The trends shown in Chart 3 are familiar and in particular many analysts and commentators identify an apparent "corner" in the chart around 2008. There are two reasons why this viewpoint overlooks the pre-GFC slowdown: firstly the growth rate shown in Chart 3 pre-GFC is actually slowing down and secondly, the growth pre-GFC is inflated by strong trends in two smaller sectors of the economy which exaggerates the appearance of a "corner" in 2008.

The next series of charts, all showing cuts of the same standard ONS data, show those two effects.

12. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/annualbreakdownofcontributionswholeeconomyandsectors

Firstly we look at the trend in the growth rate pre-GFC. Chart 4 below shows the same data but converted to year-on-year growth rates with the addition of two simple trend lines (the dotted lines), before and after the GFC (excluding the four quarters of "shock" starting with the sudden drop in Q4 of 2008).[13]

Chart 4. UK labour productivity growth (y/y by quarter), 1998-2019.



The trend line on Chart 4 for the period from 1998 to Q3 of 2008 shows a decline in the growth rate prior to the GFC – the dotted trend line declines from 2.6% in 1998 to 1.5% in Q3 of 2008. At that rate, and even without the GFC, growth would have fallen to 0.4% by 2018. Whilst the GFC had a meaningful effect, Chart 4 shows that the slowdown started many years before the GFC.

Secondly we turn to sector performance. The figures in Chart 4 for the whole economy include both the private and public sectors. During this period, public services accounted for around 20% rising to 23% of hours worked in the whole economy and so the trend in public services productivity would be important to the average (note 20-23% represents the percentage of hours worked and does not represent the total size of the state which is much larger due to transfer payments). Public sector productivity is measured differently. In the private (market) sector, higher output per hour worked reflects customers putting higher value on that hour of work which can be interpreted

13. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/annualbreakdownofcontributionswholeeconomyandsectors

as an increase in labour productivity. This is not the case for public services. The government commissioned the national statistician to review the measurement of public service productivity in a report published in March 2025 across a range of public services.[14] The ONS provides annual (not quarterly) estimates for the productivity of public services which is shown in Chart 5 below.

Chart 5. Public services productivity growth, 1999-2019.[15]

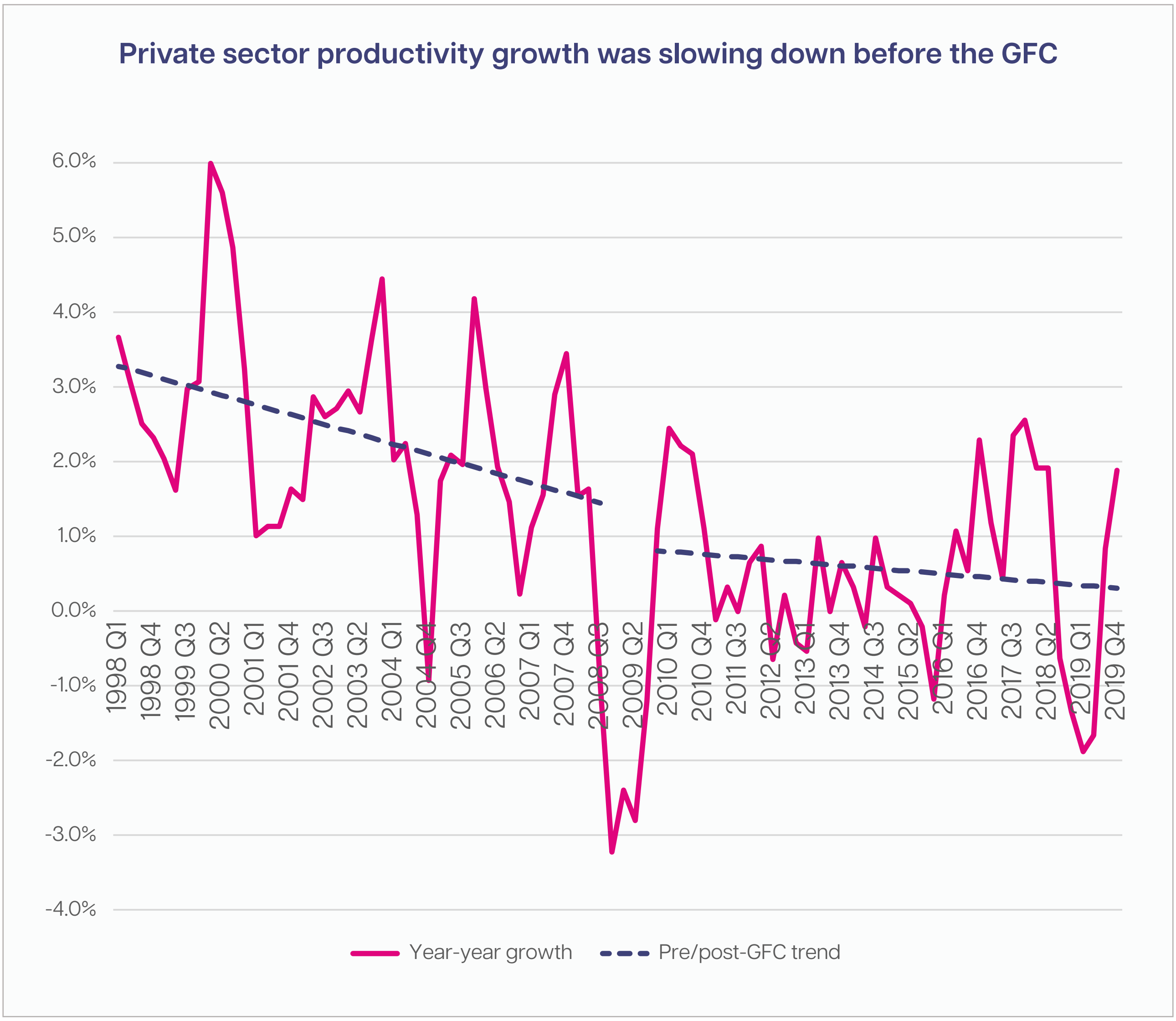
The growth in Chart 5 for public services is far lower than the whole economy figures shown in Chart 4 above. Pre-GFC the average was -0.2% per year (1999-2007) which is much lower than the improvements achieved in the private sector (see next chart) and therefore during that period the public sector severely diluted the trends observed in the whole economy. Post-GFC the average was 0.7% (2010-19) which is much more similar to the (much lower) trends in the whole economy. The chart stops in 2019 because the ONS data for 2020 shows a fall of 14% in productivity and then a partial recovery in 2021 and 2022 but these growth rates reflect distortions caused by the lockdowns rather than true underlying changes in productivity.

14. https://uksa.statisticsauthority.gov.uk/publication/national-statisticians-independent-review-of-the-measurement-of-public-services-productivity/

15. **Sheet 1:** https://www.ons.gov.uk/file?uri=/economy/economicoutputandproductivity/publicservicesproductivity/datasets/publicserviceproductivityestimatestotalpublicservice/2022/totalpspreferencetables2022finalroundedlabels.xlsx

ONS also publishes labour productivity data for the private ("market") sector as shown in Chart 6 below.[16]

Chart 6. Private sector productivity growth (GVA per hour worked in the private sector), 1998-2019.



In the late-1990s private sector productivity was growing at more than 3% per year. There is a clear downward trend pre-GFC. The trend line is 3.2% in Q4 of 1998 and only 1.5% in Q3 of 2008. This is the productivity slowdown and it started well before the GFC.

Moreover, the trend pre-GFC in Chart 6 is flattered by two smaller sectors. The ONS data series of GVA splits the economy into sectors and the trends in GVA per hour worked in each of these sectors is revealing.

16. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/timeseries/gyy7/prdy

Jobs Foundation team visits AESSEAL in Bradford

These sectors are as follows (with percentage split of GVA in 2007):

Table 1. GVA split by major sector, 2007.

ONS major sector split (2007)	
ABDE: Non-Manufacturing Production & Agriculture	5%
C: Manufacturing (Total)	11%
F: Construction	7%
K: Finance and Insurance	9%
G-J & L-U: Services (excluding Finance)	69%
Total	**100%**

The ONS dataset splits both GVA and hours worked across these sectors so we can observe GVA per hour worked (i.e., labour productivity) trends for each sector.

Chart 7 shows the trend in GVA per hour for these five major sectors and the whole economy average (dark blue, exactly as shown in Chart 3).[17]

17. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/annualbreakdownofcontributionswholeeconomyandsectors

Chart 7. Labour productivity by sector (GVA per hour worked in real 2019 terms), 1997-2019.

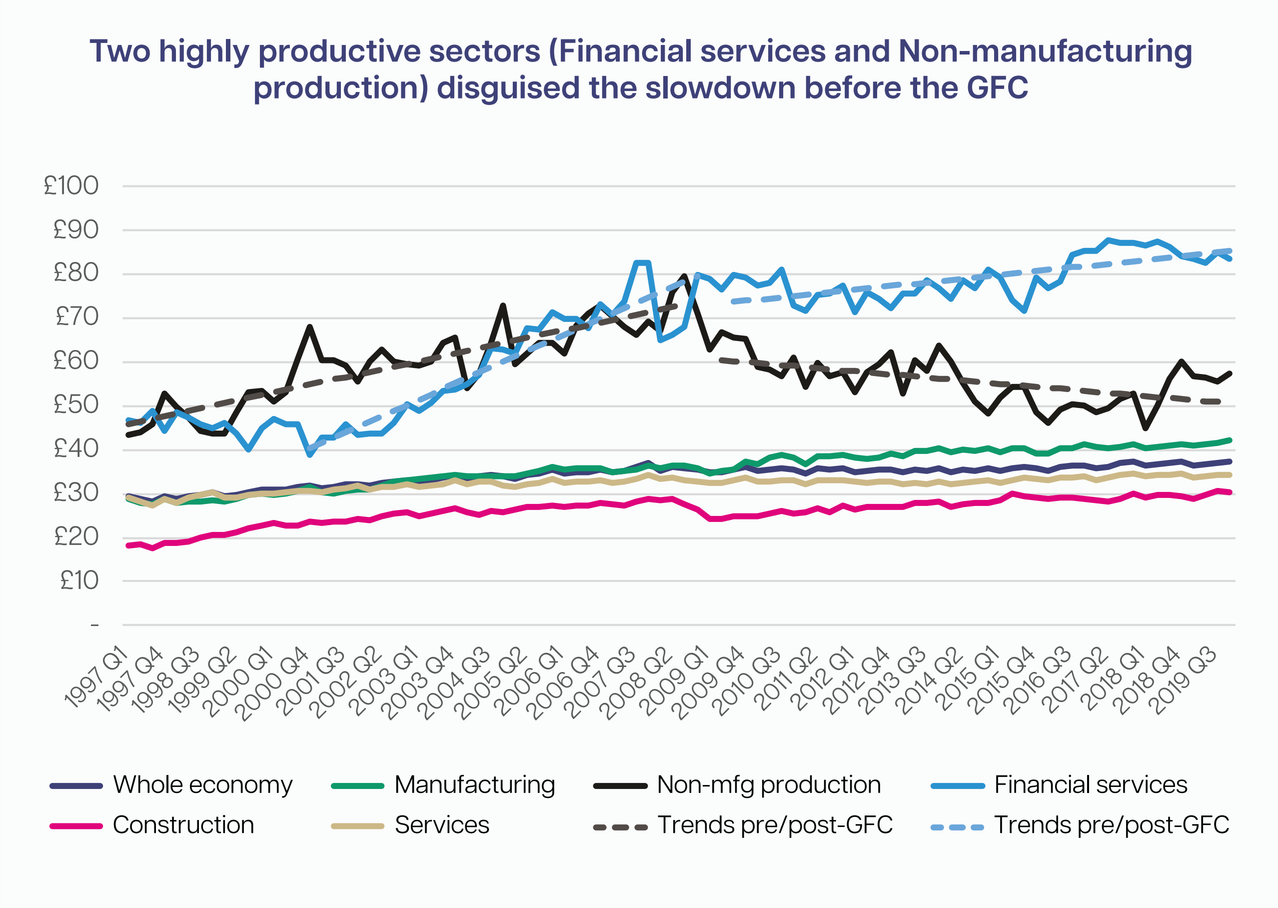


Chart 7 shows that two sectors were performing particularly strongly in the mid-2000s before the GFC and both performed much worse after the GFC: Non-manufacturing production and agriculture, and financial services. In both these sectors the growth rate was much lower after the GFC.

Non-manufacturing production and agriculture changed from rapid growth (5.0% per year) to decline (-1.6% per year) in productivity as the volume and value of oil production fell sharply.

Financial services changed from extremely rapid growth (11.4% per year – an extraordinary doubling of productivity from 2000 to 2008) to a modest 1.5% per year after the GFC as the sector adapted to the GFC and much tighter regulations.

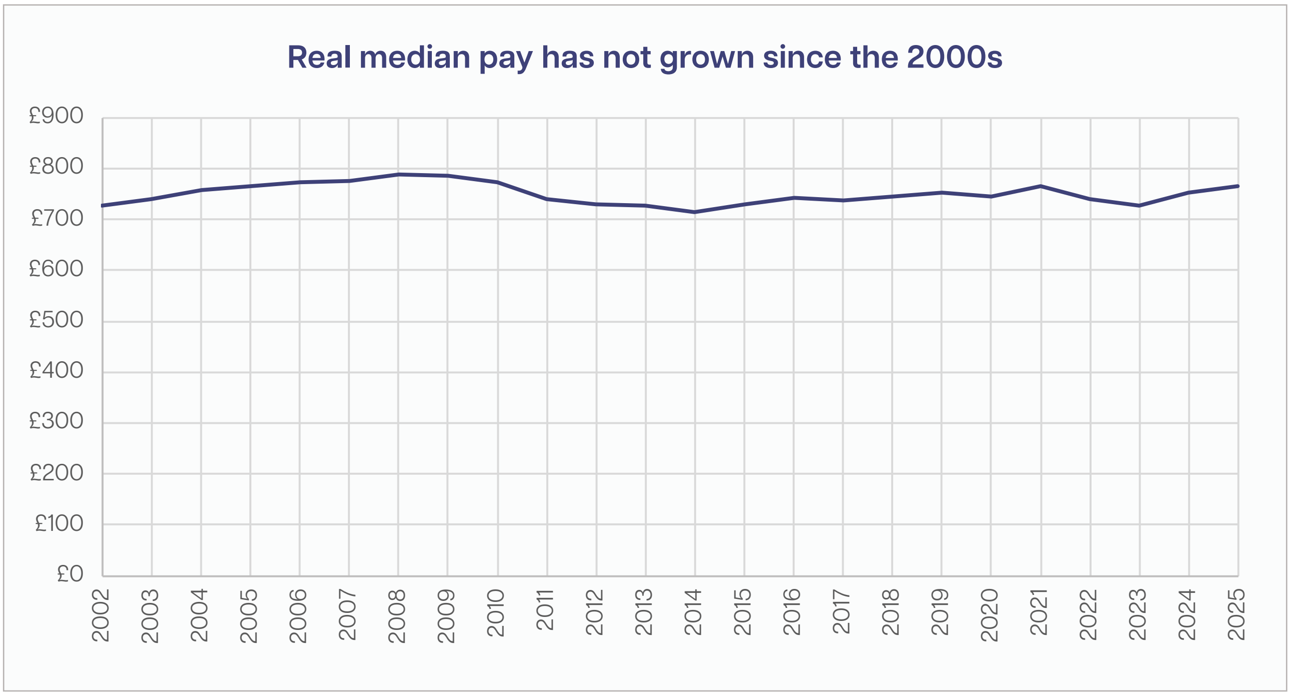
Although these are both smaller parts of the economy (5% and 9% of GVA in 2007 respectively), the changes in trends were so strong that they significantly inflated the whole economy's growth in GVA per hour before the GFC and reduced the whole economy's growth after the GFC. These two smaller sectors were important in creating the impression of a "corner" in Chart 3.

The Jobs Foundation team visited David Nieper in Derbyshire

2.4 The link between labour productivity and wages

During the recent two decades of poor growth in labour productivity we have also seen a very poor track record of median wage growth. Chart 8 below shows real average total weekly earnings for employees.[18] Median is the point at which half earn more and half earn less. Real means adjusted for inflation.

Chart 8. Median weekly pay for full-time employees (in real 2025 terms), 2002-2025.

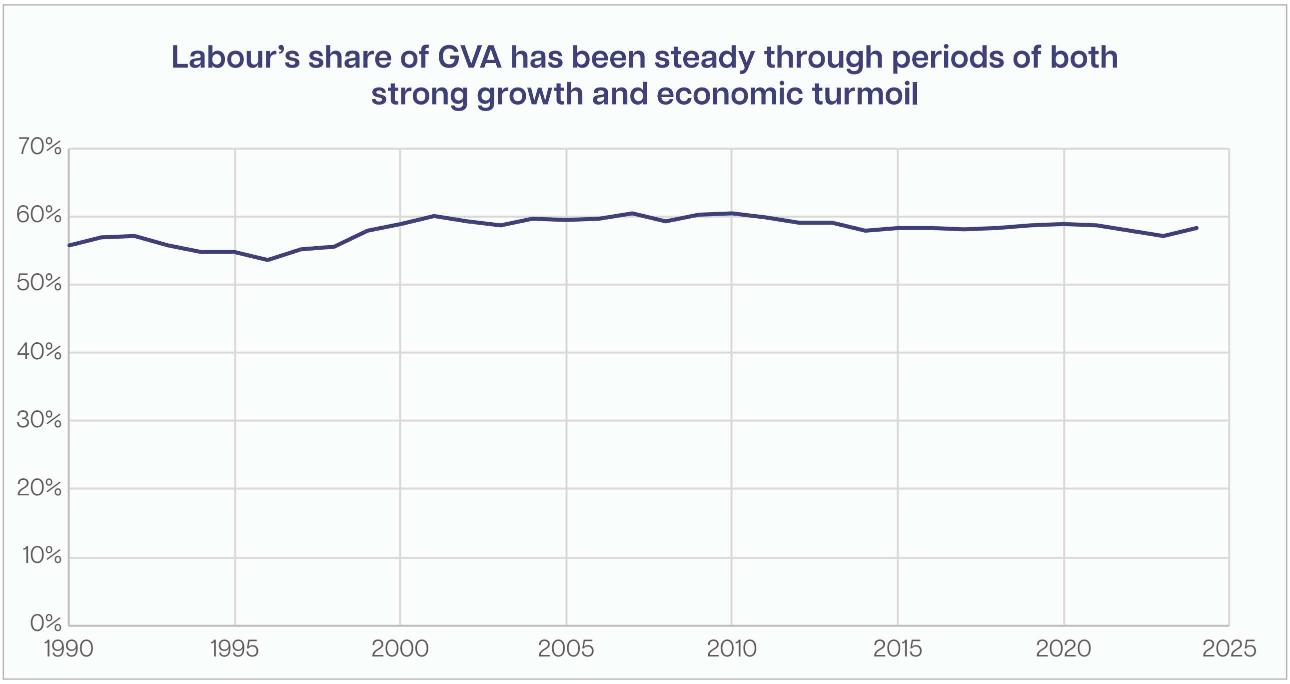


18. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/ashe1997to2015selectedestimates

Chart 8 shows median wage growth was quite strong around 2000 and then began to slow down, turning negative after 2008. Since then median wages have not grown in real terms. Real median wages in 2025 were £767, virtually the same as in 2005 (when they were £766).

There is a very strong link between labour productivity and wages. Chart 9 below shows the ONS data series for labour share of income which is the proportion of the UK's total income that goes to labour (including all earnings for workers and a proportion of self-employed income).[19] The denominator is total income which includes the share to labour and the share to capital and is therefore the same as GVA.

Chart 9. Labour's share of GVA (percent), 1990-2024.



Looking at the past 34 years (1990 to 2024), we can see that labour's share of UK GVA has been approximately steady at just under 60%.[20] This ratio has been steady during periods of very strong growth in productivity (the 1990s) and through the GFC and COVID-19 lockdowns.

Therefore if we can increase labour productivity (i.e., total GVA per hour worked), we can be confident of increases in wages as the benefits will continue to be shared between labour and capital. Labour and capital are not opponents in a market economy, they are partners that both contribute to improving productivity and both share in the increases in the rough ratio 60:40 as shown above.

Increasing productivity would therefore lead to increased wages and, in the long run, it is the only way to achieve increases in the living standards.

19. **Table 9:** https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/labourcostsandlabourshare
20. Ibid

Jobs Foundation visits Access Group in Loughborough

3. Private capital investment is a crucial factor in productivity growth

Key messages:

1. Private capital investment is an essential factor in productivity growth
2. In any business, to innovate and expand requires investment of capital. It is not fair to ask labour (workers) to take on the risk because they need to get paid whether the business change is successful or not
3. There is strong academic consensus that private capital investment is the most important factor in productivity growth and in the UK's productivity puzzle
4. Private capital investment in the UK has been far too low for many years
5. Across the whole economy we would need to mobilise a very large amount of private capital (roughly £100 billion per year) to match OECD average investment intensity

3.1 Economic consensus that capital investment is essential

In the very rich ongoing discussion of the causes of the UK's productivity puzzle amongst academics, politicians and private sector economists, there is a consistent recognition of the importance of capital investment.

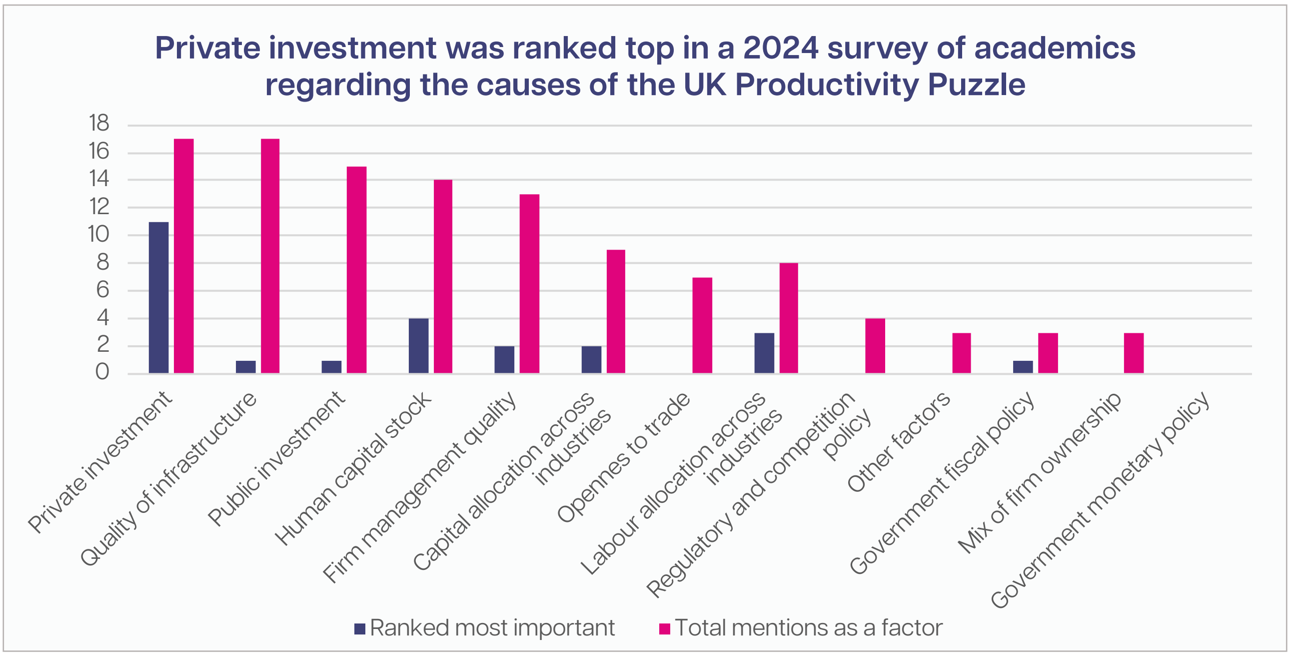
The Productivity Institute's May 2025 paper "The UK's capital gap" by Tera Allas and Dimitri Zhengilis starts its first page abstract with the following statement:[21]

> *"A low level of capital to support workers is a key cause of the UK's low labour productivity"*

They conclude that the UK's total capital gap, compared with other advanced economies (mainly US, Germany, France and Netherlands), was about £2 trillion in 2019 although there is a wide range to that figure in the sensitivity analysis shown in the paper. Based on their main case, this is a deficit of 33%.

A paper published in 2024 in the International Journal of the Economics of Business compiled a literature review and survey of 26 leading UK academic experts on "the UK Productivity Puzzle". It explored factors driving the slowdown in productivity growth. The survey showed that over 40% of the academics considered the most important factor for productivity growth was lack of private capital investment.

Chart 10. Factors driving lower UK MFP growth post-2007.[22]



21. https://www.productivity.ac.uk/wp-content/uploads/2025/05/PIP055-The-UKs-capital-gap-15-May-2025.pdf

22. **Table 1:** https://www.economic-insight.com/wp-content/uploads/2024/07/The-UK-Productivity-Puzzle-A-Survey-of-the-Literature-and-Expert-Views.pdf. MFP is Multi-Factor Productivity, also known as Total Factor Productivity (TFP).

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Jobs Foundation visit to Gillingham, Kent

Private capital example 1: New equipment

A neighbourhood bakery had built a loyal following, particularly at weekends, but it was repeatedly running out of stock by mid-afternoon. The core issue was not demand but capacity. Its ageing ovens limited batch size and struggled to maintain consistent temperatures, leading to avoidable waste and a narrow product range. Customers increasingly complained about empty shelves, and the business was leaving revenue unrealised. The owner decided to invest £28,000 in a modern, energy-efficient deck oven with around 40 per cent greater throughput and far better heat control. The results were immediate. Daily output increased from roughly 900 to 1,300 items, waste fell by 15 per cent, and energy cost per unit declined by 12 per cent. The additional capacity allowed the bakery to expand into higher-margin artisan loaves and pastries, increasing average basket size. Over the following year revenue rose by 22 per cent, gross margin improved by three percentage points, and customer satisfaction scores strengthened. The investment paid back in approximately 18 months. By removing a clear physical bottleneck, the business was able to grow sales and improve profitability at the same time.

3.2 It is the role of capital to pay for growth

The role of capital in improving productivity can be understood from business fundamentals.

Improvements in productivity involve change – adopting new ways to do things either in a specific business or eventually across a whole industry or economy.

Change is inherently risky because by definition we cannot know whether the new way will be better than the old. We are dealing with the future which is unknown and we are dealing with the response of populations of people: staff, customers and competitors. What works on paper may fail in practice. What works for one firm may fail at another firm due to a different culture or countless other reasons.

Change is also inherently costly. At the very least changing a business involves people spending paid time to develop, design and promote the new approaches. More often, it also involves significant expenditure on new equipment, new software, added staff or training.

The more innovative your idea, the more potential there is to improve productivity. We should welcome such innovative ideas.

It is the role of capital to pay for those costs and take on those risks and in a functioning market that capital would be rewarded for those risks on average (but not always) by receiving a risk-adjusted return on the capital.

Successful businesses and entrepreneurs manage these risks by careful analysis, survey and thorough preparation. They also manage the risks by making many small "bets" (placing a small amount of capital at risk) in a portfolio and building on what they learn as fast as possible.

It is not only the entrepreneur who is facing risks of course – the new innovation might have some external negative consequences. Society and governments manage these risks to third parties through regulation of safety or land use planning. These rules in society manage the downside risk to third parties. But they also serve to increase the cost to the entrepreneur to carry out their experiments. The balance of risk versus ambition here is very important and as society gradually became wealthier (compared with prior generations), it has been able to become more risk-averse because the downside of not continuing to change is muted. If life is comfortable, why risk downsides? As a consequence, many layers of barriers to change can form and the bureaucracy can end up aligned with the rules: in other words, their livelihoods depend on the status quo. If this continues unchecked, we can end up where there is a vested interest to block almost any change. Many would recognise this problem in modern Britain.

It is the role of private capital to take on the risks and costs of business changes that might lead to productivity improvements. It can not be the role of workers because they need to be paid whether the business change is successful or not. Workers can not afford the costs and risks (unless they are also investors and have savings to deploy them as productive capital as described in Section 4).

The more private capital that the UK can deploy productively, the faster we will discover and adopt productive improvements and the faster we will see improvements in living standards.

Private capital example 2: New software

An independent dental practice faced a different problem. It had sufficient clinical capacity but was managing appointments through an outdated desktop system and manual phone bookings. Around 11 per cent of patients failed to attend appointments, chair utilisation was uneven, and reception staff spent large amounts of time confirming bookings and resolving billing queries. Although the practice had invested heavily in clinical facilities, it was not using them efficiently. The owners invested £18,000 to implement a cloud-based practice management system, with ongoing costs of £750 per month. The new platform enabled online booking, automated reminders by text and email, digital treatment plans and integrated payments, as well as real-time dashboards showing chair usage. Within a year the no-show rate fell from 11 per cent to 5 per cent, reception call volumes declined by 30 per cent, and chair utilisation increased from 78 per cent to 88 per cent. Billing became faster and debtor days reduced by eight days. Revenue rose by 16 per cent without hiring additional clinical staff, and the practice's operating margin improved by around five percentage points. Patients also reported higher satisfaction because booking was easier and waiting times were shorter. In this case, digital investment unlocked latent capacity and improved cash flow without increasing headcount.

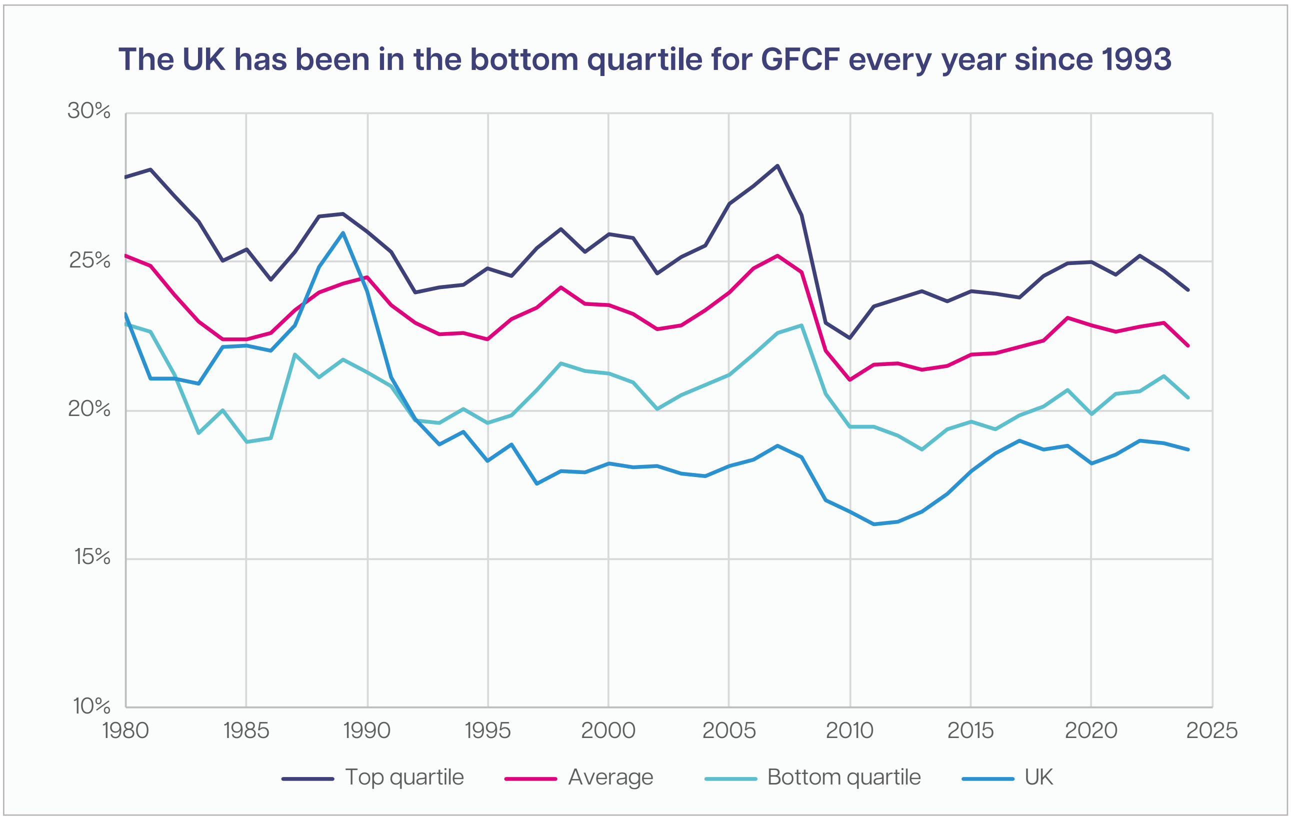
3.3 Historical lack of private capital investment

However, in the UK, evidence suggests we are not investing enough capital. Chart 11 below shows World Bank data for gross fixed capital formation (GFCF). The international comparison is somewhat limited because data is not compiled on a consistent basis that covers the full range of business investment categories. This data covers items that are capitalised (i.e., in accounting terms items that would appear on the balance sheet) including buildings, equipment and intangibles such as software. The chart therefore excludes the categories of capital investment that would not be capitalised onto a balance sheet such as adding staff or spending on third party services even if that expenditure were funded by capital and was part of a programme of growth and productivity improvement.

This report is considering the shortage of all private capital whether it is capitalised (and included in this data set) or not. However international comparative data on this broader measure of capital is not available.

Nevertheless, the comparison shown in Chart 11 using just the narrow definition of fixed capital is so stark that it is still informative.

Chart 11. Gross Fixed Capital Formation (OECD countries, percent of GDP), 1980-2024.[23]



23. https://data.worldbank.org/indicator/NE.GDI.FTOT.ZS?locations=OE

Chart 11 shows the UK below the bottom quartile boundary (i.e., in the lowest quartile) in every year since 1993. The last time that the UK was above the median was in the late 1980s.

The gap from the median for the UK in 2024 was approximately 3.5% of GDP, which is a little more than £100 billion of investment per year.

Part of this gap reflects the smaller proportion of industry (as opposed to services) in the UK economy because service activities on average use less fixed capital than manufacturing or mining. The UK is relatively competitive at services and moved in this direction early, with many other advanced economies also moving more recently towards a very high mix of services.

The causal links also flow the other way, in that the low level of the UK's GFCF in Chart 11 is part of why Britain's industrial base is small relative to other advanced economies.

Private capital example 3: Training

A growing local café group operating three sites was experiencing inconsistent service quality. Although the locations were strong and footfall steady, online reviews frequently mentioned slow service and indifferent staff. Repeat visits stood at 48 per cent, well below the peer average of around 60 per cent, and staff turnover was high at 38 per cent. Rather than invest in new premises or equipment, the owners committed £9,000 to structured hospitality training covering customer service, upselling techniques, workflow coordination and barista accreditation. Service processes were standardised, staff confidence improved, and average order turnaround time fell by around 20 seconds per transaction. Employees were better able to explain products and recommend add-ons, which lifted average transaction value by 8 per cent. Staff turnover fell to 24 per cent, reducing recruitment and onboarding costs. Within a year repeat visit rates increased to 61 per cent, online ratings improved from 3.9 to 4.5 stars, and revenue per site rose by 14 per cent. The investment in skills strengthened both immediate sales performance and longer-term brand reputation.

Jobs Foundation visit to Ascend cafe in Sheffield

3.4 Academic studies of the importance of capital investment in productivity

This lack of private capital investment was studied in detail by a team at the LSE's Programme On Innovation and Diffusion ("POID"). Their report *Cracking the productivity code: an international comparison of UK productivity* (John Van Reenen and Xuyi Yang) was published in November 2023.[24]

The study included a detailed quantitative assessment of the causes of reduced labour productivity growth and concluded: "in 2019, roughly half of the overall UK productivity gap was due to lower tangible and intangible capital".

The report also said:

> *"These findings suggest that UK policy should focus on the problem of chronic under-investment... without a way of returning to productivity growth, there is little hope of sustainable increases in living standards"*

In summary they concluded as follows (as written very prominently on the LSE website page that holds this report):

> *"The UK productivity problem can be summed up in three words: investment, investment and investment. Or lack thereof."*
>
> **John van Reenen, report co-author**

Another study of the dynamics also drew out the fundamental importance of capital investment.[25] Published in June 2024 by the LSE and Resolution Foundation, the introductory paragraph of *Beyond boosterism: realigning the policy ecosystem to unleash private investment for sustainable growth* begins as follows:

> *"The UK is a low investment nation. Low business investment is a big driver of this. Low investment is one reason behind the UK's weak productivity growth, which in turn is the main reason behind the stagnation in UK living standards."*

Whilst the policy prescriptions in those reports had different focuses from this report, the diagnoses overlap: a severe lack of private capital investment.

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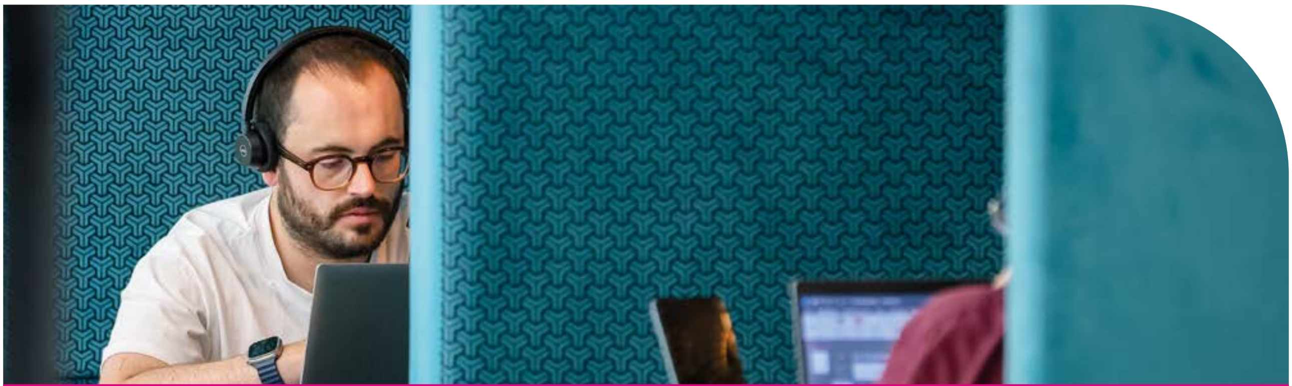
24. https://www.lse.ac.uk/news/latest-news-from-lse/k-november-2023/chronic-under-investment-has-led-to-productivity-slowdown-in-the-uk
25. https://researchonline.lse.ac.uk/id/eprint/123816/

3.5 Debt versus equity finance for growing businesses

Many stable or mature businesses are financed by debt and from cash flow from ongoing operations.

The fastest growing businesses, which by definition have less track record and fewer assets than stable businesses, often rely more on equity than debt. At the extreme, businesses growing so fast that they are not making profits or generating cash, would struggle to service debt and so they need to rely on equity.[26] According to the ScaleUp Institute, 62% of scaleup businesses are already using or plan to use equity finance.

More retail cash attracted to become available as equity through a variety of mechanisms could help fund these firms.



Private capital example 4: New staff

A fast-growing London fintech providing digital savings and payments services had seen rapid customer acquisition, with user numbers doubling year on year. However, growth was beginning to strain the organisation. Customer support response times were lengthening, regulatory reporting was under pressure, and product development cycles were slowing as engineers were diverted to fixing operational issues. The leadership team recognised that the constraint was no longer technology alone but organisational capacity. The company therefore invested heavily in hiring, adding 25 new employees across compliance, customer operations, data engineering and product management, increasing annual payroll by approximately £1.8 million. This expansion reduced average customer response times from 36 hours to under 8 hours, strengthened internal controls and accelerated the launch of two new savings features. Churn fell by three percentage points as service levels improved, and customer lifetime value increased. Revenue growth, which had begun to moderate, re-accelerated to above 40 per cent annually. Although short-term operating margins tightened due to higher fixed costs, the strengthened platform supported sustained scale and improved investor confidence. In this case, investment in people was essential to convert rapid early growth into a stable, scalable business capable of meeting regulatory standards and maintaining customer trust.

26. https://www.scaleupinstitute.org.uk/wp-content/uploads/2025/11/ScaleUp-Annual-Review-2025-final-for-website-v5.pdf

Jobs Foundation visit to Newcastle

4. The British public are not short of capital, but it could be invested better

Key messages:

1. The British public have £2,271 billion in cash
2. Financial wealth is very widespread. There are 13.5 million households (50% of UK households) with £10,000 to £250,000 in net investible wealth excluding homes and pensions. These are referred to in this report as Mainstream Investors
3. Far too much of this wealth is held in cash
4. This is bad for our productivity because that cash should be funding new productive capital in British businesses
5. It is also bad for the savers themselves because cash erodes in value over time because inflation beats interest and so cash savings are like a leaky bucket. The risk aversion in the regulatory system discourages the financial services industry from warning the public of this erosion
6. On the other hand, there is a long-run premium earned by equities which professional investors rely on. Equity investment is a "positive-sum" game in that all investors can sustainably gain because it leads to underlying value creation whereas other products that are sometimes called investment (crypto, derivatives) are negative-sum games because winning relies on another player losing and the house takes a cut. This is not well enough understood by retail investors who are therefore missing out. Medium-term investing at the market rate is positively transformative for personal finances
7. In order to fund productivity improvements, investment needs to provide additional capital within businesses (for new equipment, software, training or staff). Increasing retail participation in public equities does not achieve this because when one investor buys quoted shares their capital goes to the other investor who sold those shares. Better retail access to both public and private markets is therefore required to address the productivity puzzle

4.1 Retail cash pile

The Bank of England (BoE) collects regular data on the balances held with financial institutions and this includes the total amounts held by retail customers in what they call the "household sector". Table 2 below shows these amounts as at December 2025.

Table 2. Total household deposits and interest earnings (billions of pounds), December 2025.

Dec 2025 balance (BoE) £bn		Current returns (estimated)		Full potential - average annual returns if all invested	
		Rate of return	Annual gain (£bn)	Rate of return	Annual gain (£bn)
Household holdings of notes and coins	85	0.0%	-	0.0%	-
Non-interest bearing sight deposits from households (current accounts)	299	0.0%	-	8.0%	24
Interest bearing sight deposits from households (instant access savings accounts)	927	1.75%	16.2	8.0%	74
Cash ISA deposits	449	3.2%	14.3	8.0%	36
Interest bearing time deposits (fixed term savings accounts)	261	3.35%	8.8	8.0%	21
National Savings & Investments	250	3.4%	8.4	8.0%	20
Total	**2,271**		**48**		**175**

The BoE[27] and NS&I[28] total for cash held by the retail customers is £2,271 billion. The bank also specifies the type of account which allows an illustrative calculation of the pre-tax interest being earned.

In the current situation, about a quarter of this is earning zero return (in current accounts or notes and coins) and the other three-quarters is earning interest based on the Bank of England base rate (3.75% as at 24 April 2026). The table shows the Bank of England effective interest rates as of December 2025. In this current situation (shown in the middle columns of Table 2) the cash is earning the public £48 billion in interest before tax.

27. **Table A6.1:** https://www.bankofengland.co.uk/-/media/boe/files/statistics/bankstats-latest-tables.zip
28. https://www.nsandi-adviser.com/nsi-provisional-q3-2025-26-results-and-2026-27-net-financing-target

The medium-term investment return of 8% per year is based on the London Stock Market's long-term average rate as described in Section 4.4 below. Returns could be higher if the investment went into the best and most productive growth businesses or it could be lower if some of the capital were poorly invested. This return includes capital gains (for example share prices increasing) as well as income (such as dividends) and the illustration shows the sum of these as 'gains' because the distinction between income and capital gains is not key to this analysis (it is a matter of preference for the investor and a matter of timing when it may flow into future higher consumption).

Illustrating the full potential of this cash pile (shown on the right hands side of Table 2), if all of the cash accounts (but leaving aside notes and coins) were to move to productive investments at 8% per year return, then the annual gain would be £175 billion – more than three and half times as much as in the base case and an additional gain of about £8,000 per household per year. This amount is a top end and more realistically only a proportion of this cash is available for investment given all of the positive and day-to-day reasons for holding cash. Research by Barclays published in September 2025 estimated that of the cash above, £614 billion is "excess" by which they mean that it could be put to more productive uses without leaving the investors short of cash.[29]

In its 2024 Financial Lives Survey Report the FCA said this:[30]

> *"... our data suggests that a significant proportion of wealthier adults may be holding an excessive amount of their assets in cash. In May 2024, 61% of adults with £10,000+ in investible assets held all or at least three quarters of these assets in cash ..."*

In summary, the British public hold £2,271 billion in cash and a large proportion of that could be put into productive investment.

4.2 Investible wealth is very widespread

The BoE data on cash holdings shown above is an aggregate across the whole UK household sector.

The ONS's Wealth and Assets Survey shows the profile of ownership. This survey is published every two years by the ONS and is a survey-based data set that shows the profile of ownership of wealth in the UK. It includes a category called "net financial wealth" which excludes homes, pensions and other household assets. This category is also often called "investible wealth".

29. https://www.ft.com/content/37af2ffd-0a82-4150-b89c-3d5390ea9062?

30. **Page 49:** https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2024-key-findings.pdf

Table 3 below is from the latest, January 2025 publication by the ONS.[31]

Table 3. Net financial wealth by decile (2020-2022 survey), published 2025.

Deciles	Net financial wealth (excluding pensions and housing)	Total £bn	Cumulative total £bn
1-3	8.1m households with negative or very little financial wealth	0	0
4	2.7m households with average £8k each	22	22
5	2.7m households with average £17k each	46	68
6	2.7m households with average £30k each	80	149
7	2.7m households with average £49k each	133	281
8	2.7m households with average £78k each	212	493
9	2.7m households with average £131k each	354	848
10	2.7m households with average £395k each. Many are HNWI	1,067	1,915

Starting at the top of Table 3 we have three deciles (30% of all households) with negative or very little financial wealth. These are more often younger people. Decile 4 have some savings but may prefer cash in case of emergencies.

At the other end of the table, the tenth decile with an average of £395,000 financial wealth are often High Net Worth Investors (HNWI) who have access to a range of investments that the FCA restricts from the rest of the population.

In between - deciles 5 to 9 - are referred to in this report as Mainstream Investors. This population amounts to 13.5 million households with more than £800 billion in net financial wealth. That amount is savings and investments held by the public (excluding HNWIs) not in pensions and not in housing.

Only 11% of the population in the Wealth and Assets Survey in 2022 held shares in UK companies directly.[32]

Whilst the regulatory framework tends to divide potential investors into categories (those who qualify for certain investments and those that don't), Table 3, by contrast shows a spectrum of financial wealth. What's more, the survey is a static picture of wealth at the time of each survey whereas the real world will be far more dynamic with millions of households saving, investing and moving gradually through the deciles.

31. **Table 2.2:** https://www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/totalwealthwealthingreatbritain/july2006tojune2016andapril2014tomarch2022/totalwealthtables.xlsx

32. **Table 5.1:** https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/financialwealthwealthingreatbritain

It should be noted that the Office for Statistics Regulation (the body which oversees the work of the ONS) has highlighted issues with the collection of data for the 2022-24 period of the Wealth and Assets Survey from which the above figures are derived. This reflected concerns with the quality of data on a more granular level. That said, the previous seven two-year periods which have been surveyed did not have quality issues reported and the profile of savings shown above has been quite stable over many iterations of this publication.

The ONS figure of £1,915 billion net financial wealth is different from the BoE £2,271 billion of cash holdings in a number of ways:

- The ONS figure is wider than cash in that it also includes investments in equities and other financial assets
- The ONS figure is net and so subtracts debts
- The BoE figure is more recent and based on returns from banks for December 2025 whereas the ONS survey dates from 2020-2022. There has been ongoing accumulation of cash in recent years and so we would expect more recent data to be larger

Overall the BoE data is more reliable for the size of the cash pile and the ONS data set shown above is useful to indicate the spread.

4.3 Cash is eroded by inflation

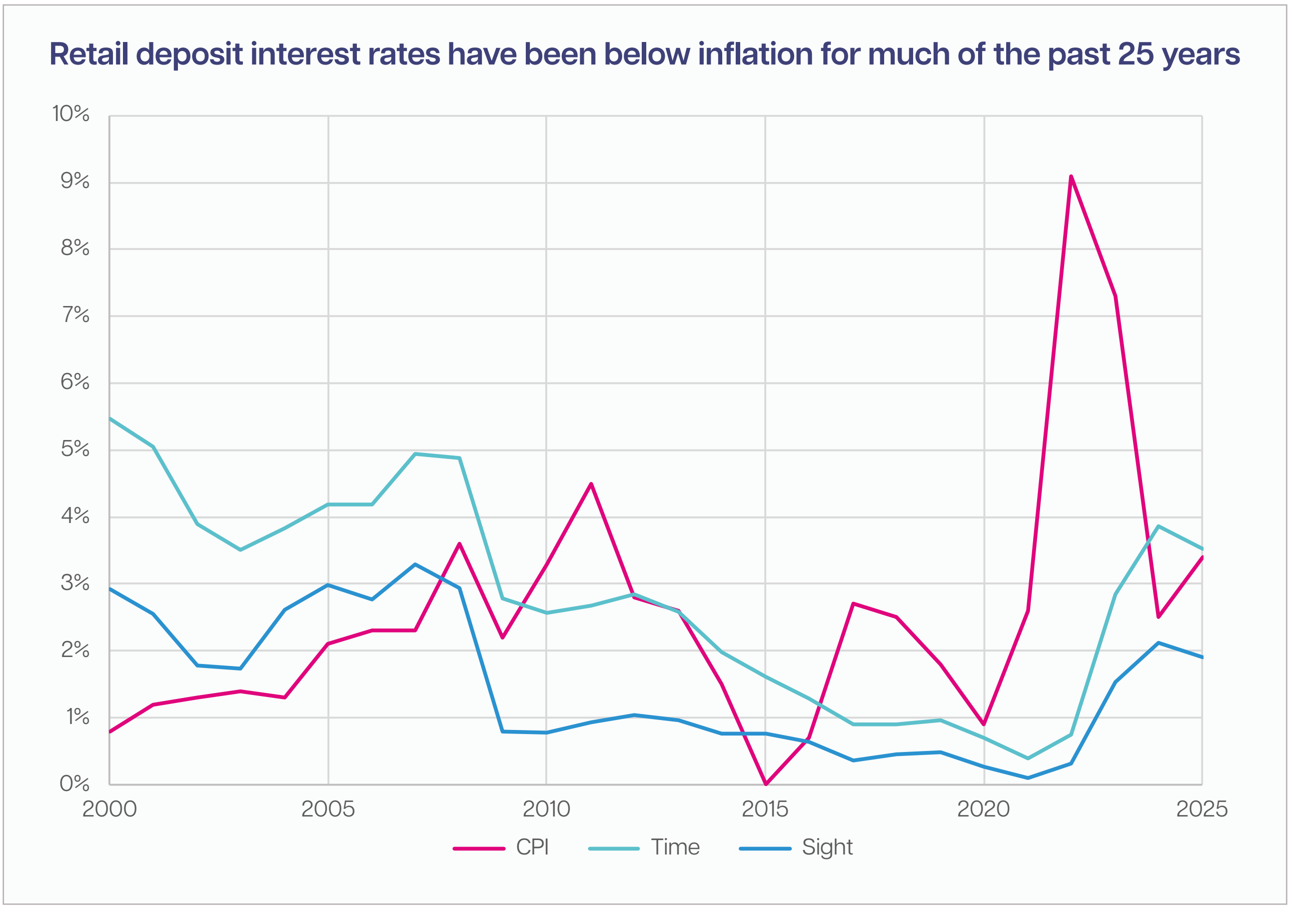
Investments in cash and equivalents are perceived as low risk, although the risk that the erosion due to inflation will be more than the gains from interest is underappreciated.

The real value of cash, measured by what it can buy, is eroded by inflation. This is an important cost to savers. Comparing December 2019 with December 2025, the main index of inflation, the Consumer Prices Index (CPI), increased by 29%. To buy £100 of goods and services in 2019 would now cost £129. This has been a period of relatively high inflation following the quantitative easing for furlough payments and economic disruption in 2020-22.

Because of inflation, putting your savings into cash is like using a leaky bucket. It is tempting to think that saving in cash is safe and secure like keeping all your clothes and furniture in your home. But because of inflation, it comes with a cost and the real analogy is more like storing all your possessions in a commercial storage unit at £200 per month. Many people do this and many of them get a sick feeling when the storage bill arrives each month. However, because inflation is implicit and therefore less noticeable, we miss out on this sick feeling. If inflation showed up more directly it could be more helpful in urging savers to avoid holding too much cash. The financial authorities should make this point to the public.

Looking at the historical trends in each of these factors Chart 12 shows the average interest rate on savings accounts and the rate of inflation as measured by the CPI averaged over each year since 2000. There are two lines for savings accounts: what the Bank of England calls sight deposits meaning instant access savings accounts (shown in blue) and what they call time deposits meaning savings accounts with a notice period for withdrawal (shown in light blue). The BoE collects data from all financial institutions to compile these data sets and so they represent what savers actually receive as distinct from the base rate set by the Bank of England. These rates are shown gross of tax and so most of this interest would be subject to tax because only £449 billion out of £2,271 billion of household cash is within tax-free ISAs.

Chart 12. Inflation and retail deposit interest rates, 2000-2025.[33]



From 2000 until 2008 both of the average interest rates were above CPI. This means that before considering tax, savings would have gained more value from interest than they lost in inflation. After tax that margin would be very thin because tax would be paid on the total nominal interest amount rather than the net gain above inflation and so unless interest rates are very much above inflation, savers will lose out each year as inflation more than eats their gains from interest.

If a saver had put aside £100 in 2000 in a time deposit account and earned the average rate for that sort of account as shown in Chart 12 above by the end of 2008 it would be worth £127 in equivalent real terms after inflation. This gain in value is on the optimistic side because it assumes no tax is paid (e.g., within a Cash ISA).

33. https://www.bankofengland.co.uk/boeapps/database/fromshowcolumns.asp?Travel=NIxSTxTIxSUx&FromSeries=1&ToSeries=50&DAT=ALL&FNY=&CSVF=TT&html.x=154&html.y=31&C=AN&Filter=N
https://www.bankofengland.co.uk/boeapps/database/fromshowcolumns.asp?Travel=NIxSTxTIxSUx&FromSeries=1&ToSeries=50&DAT=ALL&FNY=&CSVF=TT&html.x=160&html.y=29&C=AO&Filter=N

However, late in 2008 when the GFC was unfolding, the Bank of England cut the base rate from 5.0% in October 2008 to 0.5% in March 2009. This was related to wider issues of financial stability and not only the inflation target of the Bank of England. As can be seen in Chart 12, inflation at that time was above the Bank's target of 2.0% and remained so until 2014. The impact of those reductions in the base rate can be seen in Chart 12 as the sight deposits interest rate fell suddenly from 2008 to 2009.

Interest rates being below the rate of inflation is known as "negative real interest rates" because in real terms, adjusted for inflation, they were below zero. This phenomenon lasted from 2009 until 2024 (with a brief relief around 2015 when inflation fell to zero) – a very long period of 15 years when even in a cash ISA, the interest would not keep up with inflation.

If a saver had put aside £100 in 2009 in a time deposit account and earned the average rate for that sort of account as shown in Chart 12 above by the end of 2025 it would be worth just £86 in equivalent real terms after inflation. This loss of value is on the optimistic side because it assumes no tax is paid (e.g., within a Cash ISA).

This period of negative real interest rates lasted so long that many economists, journalists and policy makers have grown up observing negative real interest rates as normal. Interest rates of around 4-5% are referred to as "high interest rates" when they are just returning to a long-term average and re-establishing the expectation that cash savers can protect much of the value of their savings in real terms by finding a good interest-paying savings account.

At the time of writing in April 2026, the base rate is 3.75% and CPI is 3.3% (in the 12 months up to March 2026)[34] and forecast to increase. It is to be seen whether we again experience extended period of positive real interest rates as we saw prior to the GFC.

4.4 Equity risk premium

Public stock markets provide a higher return than cash and higher than inflation, over the medium to long term. The difference between the average return on equities and on cash is known as the equity risk premium. This concept is well understood by professional investors who rely on this historical finding when making corporate investments.

The UBS Global Investment Returns Yearbook states the long-run return on UK equities as 9.1% per year. This is the average from 1900 to 2024.[35] Over that time the report states an average inflation rate of 3.5% and so the real (i.e., above inflation) return was 5.4% (i.e., 3.5% inflation plus 5.4% real return plus the long-run impact of compounding gives 9.1%).

The same report shows a 1% real return for "bills" (meaning cash or equivalent based on positive real interest rates) and therefore the premium for equities compared with cash has been 4.4%.

34. https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/february2026

35. **Page 6:** https://www.ubs.com/global/en/investment-bank/insights-and-data/2025/global-investment-returns-yearbook-2025.html

These percentages may seem small. The importance becomes clear when considering compounding over a medium- to long-term investment scenario of an adult lifetime:

1. Compounded over 40 years from age 25 to 65
2. Comparing savings versus equities using the historical average real interest rate and equity risk premium

Based on these assumptions, Table 4 below compares £1,000 saved or invested in cash or equities at the age of 25 and the value, pre-tax when aged 65.

Table 4. Illustration of long term returns from cash and equities.

	Saving (one-off)	Inflation	Real interest rate p.a.	Equity risk premium	Average annual return	Time period (years)	Outcome
Cash	£1,000	2.0%	1.0%	0.0%	3.0%	40	£3,262
Equity	£1,000	2.0%	1.0%	4.4%	7.4%	40	£17,385

The equity investment after 40 years in Table 4 is more than five times more valuable than the cash saving.

Table 4 is based on a one-off saving amount at the age of 25. If we consider a habitual saver who puts aside the same amount each year from 25 to 65 the cumulative effect of this type of savings becomes much larger.

Using the average rates above (and noting that real world returns vary significantly each year):

1. In the tenth year (aged 34) the investments would generate an average gain of £1,079, i.e., more than the £1,000 being set aside each year and so the saver would have created a "savings robot" that replicates their savings efforts
2. After 14 years they would have two savings robots and so forth in an accelerating pattern
3. In their 65th year they would have 21 savings robots (generating £21,594 investment gain in that year on an opening balance of £269,419) and retirement would be a matter of living off the "work of their robots"

This is a very simple calculation and it could be taught in one maths lesson. Once tax rates, pension policies and advisor fees are taken into account the calculations become somewhat more complex but still reasonably clear.

Jobs Foundation visit to ‘Bridge the Gap’ event in Newcastle

Warren Buffett in “Buy These 5 Assets Before You Retire” (2026 playbook) on YouTube has the following related advice:[36]

> *“Starting too late is the most unforgiving mistake ... It takes time for [equity] indexes to compound ... If you are in your 20s or 30s time is your greatest advantage. Use it. If you’re in your 40s you need to act decisively and consistently. If you’re in your 50s and haven’t started, the margin for error is thin. You’ll need to focus on discipline and urgency ... there’s no shortcut that replaces decades of compounding”*

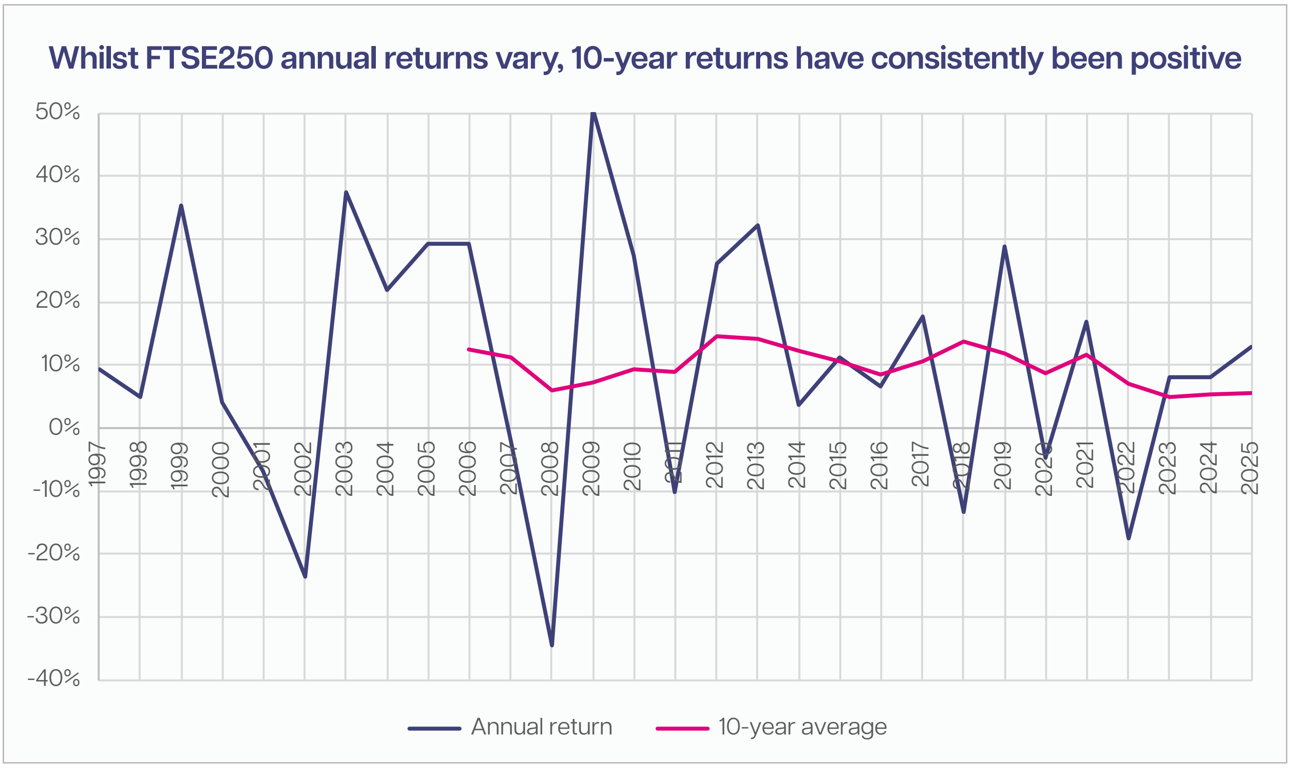
Investing for retirement is only one of many purposes and our saver above could take one or more savings robot “off the line” and cash them in. Medium term savings targets could fund buying a boat, building a conservatory, taking a mid career gap or leaving work for a period to retrain.

To fund these projects, a saver could look at a medium term scenario of, for example, 10 years. The FTSE250 Index includes mostly British businesses as compared with the FTSE100 Index which includes many global businesses. Investing in the FTSE250 is therefore a way of investing in British businesses.

Chart 13 below shows the FTSE250 performance since 1997. The blue line is the total shareholder return in each year including growth in the indexed value of the shares and adding the value of dividends in each year. The chart is labelled at year end and so, for example, the figure of 50% for 2009 means that an investor gained 50% including share price growth and dividends between the end of December 2008 and the end of December 2009.

36. https://www.youtube.com/watch?v=uJxAsqzCF28

Chart 13. FTSE250 total shareholder returns (year-on-year and 10-year average), 1990-2025.[37]



The blue line shows the gains or losses in each year. Most years are positive. Notable years of losses are 2002 (minus 24%) following the dot-com bust and 2008 (minus 35%) during the GFC. In both cases the following years delivered very strong positive gains. The year on year performance varies considerably reflecting the mix of underlying businesses.

The pink line shows the compound average returns over ten years. The first point on this line in 2006 is 12.4% which is the compound annual return comparing the end of December 1996 with the end of December 2006. The pink line has moved above and below 10% over the years. It has always been positive meaning there was no ten year period when an investor in the FTSE250 would make a loss over the period. Particular low values on the pink line are 6.1% (2008 compared with 1998) and 4.9% (2023 compared with 2013).

Even with all the recent turbulence in the British economy and global affairs, the FTSE250 index delivered 8.1% in 2024 and around 12% in 2025 (final figures for dividends in 2025 are not yet published at the time of writing). These two performances were better than 2014 and 2015 respectively, and so the 10-year average on the pink line increased marginally in both 2024 and 2025.

It may be that these average returns are not enough, in the viewpoint of many who hold significant amounts of cash, to compensate for the risks. This is explored in Section 5 through the bespoke survey conducted in February 2026 as part of preparing this report.

37. **1)** http://web.archive.org/web/20191010041630/research.ftserussell.com/Analytics/FactSheets/Home/DownloadSingleIssue?issueName=MCX
2) https://research.ftserussell.com/Analytics/FactSheets/Home/DownloadSingleIssue?issueName=MCX&isManual=False
3) http://web.archive.org/web/20120503113526/http://www.ftse.com/Indices/UK_Indices/Downloads/MCX.pdf
4) Further years also collated using Google Finance.

The box below describes an unlucky investor who still beats cash.[38]

The Unlucky Investor:

22 years of bad timing

Research by Vanguard (published in The Times, 13 March 2026) found that even the most unlucky of investors (in terms of when they bought equities) would still be better off than someone holding cash over a long-term time horizon. It envisages an unlucky investor who had invested a cumulative £45,000 in separate sums at numerous points over a 22-year period. The first of these was just before the Asian financial crisis in 1997; within a month, the investor would be down £228 on the initial £2,500 investment. They assume further investments just before each of these crises (and so the unlucky investor would suffer a sharp loss as each of these crises occurred):

- The Russian debt default in 1998
- The dot-com bust and 9/11
- The GFC around 2008
- The Russian invasion of Ukraine
- President Trump's "liberation day" in 2025

One of their most dramatic examples envisaged the unlucky investor adding £10,000 to the equity investments at the end of 2019 prior to Covid which would have fallen by 35% in the crash that followed.

But, says Vanguard, by tracking the FTSE All World index, the cumulative £45,000 would have turned into £197,963, a return of 340%. If, however, this investor had kept it in a cash ISA, their return would be a mere 41%, or £18,500.

The equity risk premium is deeply embedded in human nature as risk aversion combined with the gradual evolving value creation of the underlying businesses.

Risk aversion is well established in economics. Kahneman and Tversky, the authors of the global best-seller *Thinking Fast and Slow* gave the following example:[39]

Respondents were asked to choose between a sure gain of $240 and a gamble offering a 25% chance to gain $1,000 (and a 75% chance of gaining nothing). Even though the gamble has a slightly higher expected value ($250 vs $240), 84% of participants preferred the certainty of $240, with only 16% taking the gamble.

If the question were iterated and the 25% chance of winning were increased gradually to 26%, 30% etc. or the speculative gain were increased gradually from $1,000 to $1,200, $1,500 etc. we would find curves showing the percent of respondents that would take the gamble for a range of premia which would indicate the supply of capital for different levels

38. https://www.thetimes.com/article/cd95bda2-19b8-4d20-b5af-41ada82e8f1b
39. https://sites.stat.columbia.edu/gelman/surveys.course/TverskyKahneman1981.pdf

of risk and reward. In investment terms, risk aversion is not as simple as "I do not want to take risks" but is better understood as "I want to be compensated for taking risks".

The widespread use of the term "risk-averse" has allowed two distinct concepts to be conflated in popular debate about investment. When commentators describe the British public's preference for cash as evidence of risk aversion, they typically mean something intuitive and everyday: that people simply do not want to take risks. From this they often conclude that nothing can be done to attract those savers into productive investment. But when economists formalised the term, they meant something more precise and more interesting: a risk averse person does not refuse risk outright, but demands compensation for accepting it, over and above a straightforward calculation of expected value ($250 versus $240 in the example above was enough compensation only for 16% of the respondents). On this view, taking risks in exchange for sufficient reward is entirely rational in that it is what every investor in equity markets does when they accept volatility in exchange for returns above the risk-free rate provided by cash.

This distinction matters for policy. If the preference for cash reflects not an absolute aversion to uncertainty but a demand for adequate compensation, then the question becomes whether the current structures meet that demand and whether policy changes could make it do so for more people.

It may be helpful to prefer the term **"risk avoidance"** to describe the psychological state of refusing risk, reserving "risk aversion" for the calibration of what compensation is required.

Turning back to stock market history, this logic could translate into a certain gain of 3.6% in cash and an uncertain gain of 8% in equities with the difference being the long-run equity risk premium of 4.4%.

The observed equity risk premium emerges as the balance of supply and demand for capital in the market. It is not set by policy or cartels but emerges from the psychology and behaviour of millions of investors.

Moreover, the premium is not a one-off effect but continues year after year. Gradual real-world value creation unfolds each year because a business that grows profitably really is worth more today than it was last year. That creation of value was not pre-determined because of the host of risks that the business faces – from competitors, regulators, economic changes and substitute technologies plus the core risk of whether the leadership and staff of the business have the skills and drive (and sufficient capital) to successfully, and quickly enough, implement the changes required to grow. It is the role of private capital to pay for these risks because workers need to be paid their salaries whether the business is growing or not.

Combining these two factors (risk aversion and gradual value creation) leads to an ongoing equity risk premium for private capital. This premium is fundamental to the creation of wealth in modern economies. In this way, the equity market in the medium term is sustainably a positive-sum game: for example all investors who were in the FTSE All-Share Index in December 2015 (index value 3,444) would be winners by December 2025 (index value 5,350). This rise of 55% in the index over a decade underplays the total gains from the market because it excludes dividends paid out. The Total Shareholder

Returns (TSR) index (including share price appreciation and reinvested dividends) for the FTSE All-Share index according to the FT Russell Factsheet actually grew by 140% over that time period which averages at 9.1% per year. This overall positive sum holds true despite many businesses that were in the index as at December 2015 getting into trouble and leaving the market since that time such as Carillion (2018), Thomas Cook (2019) and NMC Health (2020) to name three high-profile examples.

The positive-sum nature of equity investing means that each investor in the stock market does not need to count on others losing. This contrasts with other ways that people risk their money such as gambling, crypto and derivatives.

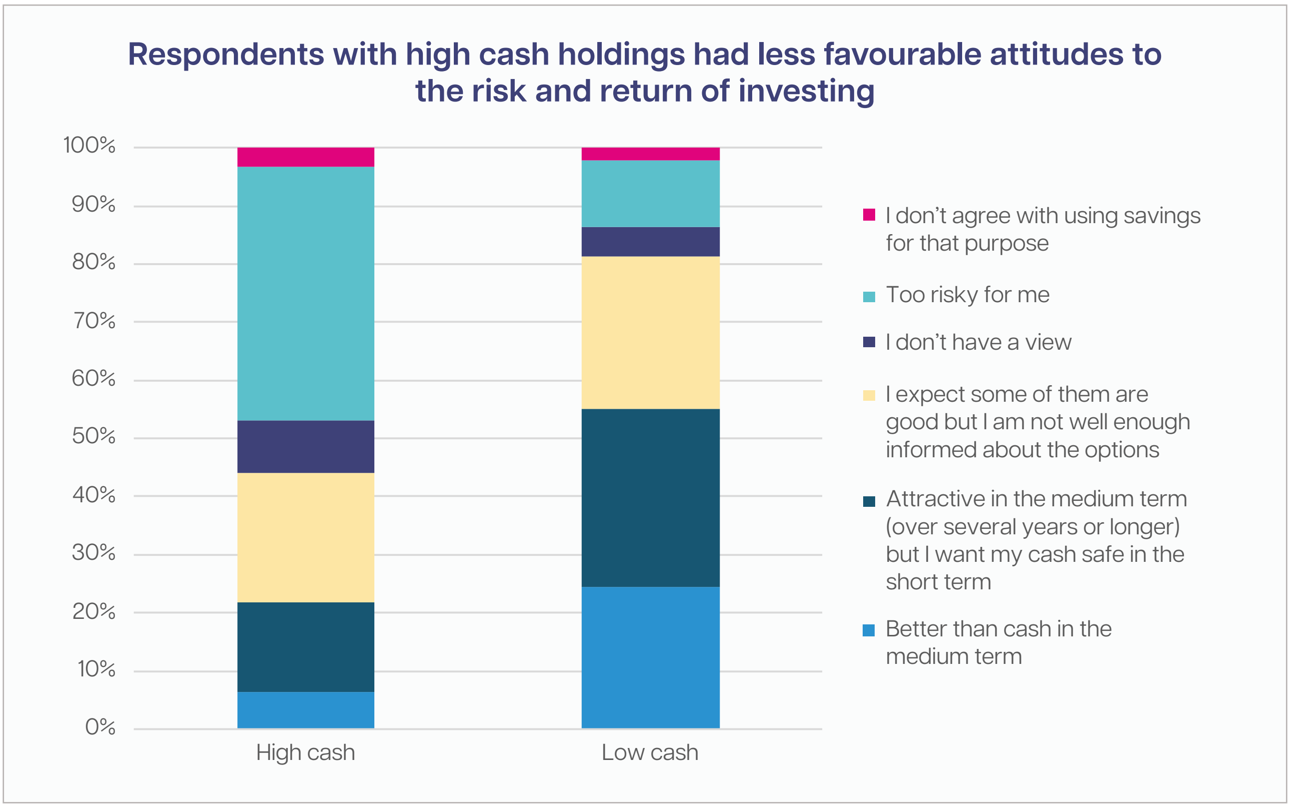
If this equity value creation mechanism were to fail, it would indicate a wider catastrophe in society and we would have more to worry about than returns on savings.

However, whilst professional investors rely on the equity risk premium and make a lot of money for themselves and their clients, the public are often not well-informed and tend to be wary of equities.

A bespoke survey conducted in February 2026 in preparation for this report asked about respondents' attitudes to equities and risks. The survey results are discussed more fully in Section 5.

Chart 14 below shows respondents' attitudes to equity risk across six possible answers (they were asked to choose the one most close to their attitude).

Chart 14. Attitudes to the risk and return on investment in equities and funds (survey results), February 2026.



The “correct” answer (i.e., that fits with economic history and the professional view of equities) is that equities are better than cash in the medium term. This is shown in blue at the bottom of Chart 14. Of those with high cash holdings (80% or more of their net financial wealth), just 6% recognised this compared with 24% of those with low cash holdings (20% or less of their net financial wealth).

Another well-informed answer is the second one, shown in dark blue, that “equities are attractive in the medium term but I want my cash safe in the short term”. For example if someone had been saving for 5-10 years to buy a property and then concluded they had enough deposit and would start making offers on properties, that would be a sensible time to come out of equities and into cash to avoid the risk that a sudden market fall stops them proceeding on their dream home. Of those with high cash holdings, 15% chose this option versus 31% of those with low cash.

Taking these two answers together (blue and dark blue bars in Chart 14 above) as an indication of people who understand the medium-term advantage of equities, we see that applies to 55% of respondents with low cash and just 21% of respondents with high cash. A better understanding of the advantages of equities therefore correlates with lower cash holdings and presumably higher equity holdings.

The third category, shown in yellow, is those who think the advantage of equities depends on stock-picking and this applies to 22-26% of respondents (across the two categories of high and low cash respectively). This group may not be aware of tracker funds or the robustness of the overall market premium.

In light blue is the group of respondents who perceive equities as “too risky for me” which is as high as 43% of those with high cash holdings. This group have probably seen warnings that say “capital at risk” or “the past is not a good guide to the future” but have not seen countervailing points such as “nothing ventured, nothing gained” and “equities outperform cash in the medium term” both of which are equally as valid as the industry warnings but they are discouraged by the regulations.

The survey also offered an option of “I don’t agree with using savings for that purpose” which was designed to identify those who object to a market economy. Only 2-3% of respondents selected that option which shows an overwhelming realistic understanding of the economy.

If things were to change such that the public were well-informed about the equity risk premium and perceived it as reliable in the medium term, as professional investors do, then very many more of our high cash holders may be attracted to change their asset allocation policies and invest in equities. Both academic work as well as highly successful fund managers emphasise the importance of asset allocation (i.e, including some equities in your portfolio). For example:[40]

40. Brinson, G. P. (2006). “Determinants of Portfolio Performance—20 Years Later”: Author’s Response. Financial Analysts Journal, 62(1), 13. https://doi.org/10.2469/faj.v62.n1.2783.

> *"The choice of what asset classes to include in a portfolio and at what weights is the primary determinant of portfolio performance."*

David Swensen, the former chief investment officer of Yale who transformed the university's endowment, said:

> *"Asset allocation is far and away the most important tool that we have available to us as investors."* [41]

4.5 Equity risk premium and political attitudes

There is a group of people who do not believe that a market economy has provided the dramatic increases in living standards over the past two centuries and they promote more control, government intervention and less business freedom.

It is possible that these attitudes pervade enough of society that they prevent policies that would make investing more attractive (and would therefore improve our productivity growth in the future).

To explore the consequences of these attitudes, a survey was conducted exploring attitudes to business profits.

The survey found that even those who oppose this use of capital, i.e., they oppose profit-making in a market economy, would still want a return to risk their own savings very much like other groups who had more enthusiastic attitudes to profit-making.

Therefore, if we are to mobilise retail capital, there is no escaping the need to make investing into British businesses more attractive and profitable.

The detailed results of this survey are shown in Appendix A.

4.6 Equity investment and productivity growth

Encouraging retail investors into equities is good for the investor because they are participating in, and profiting from, the ongoing value creation by British businesses. However, only certain types of equity investment contribute to the amount of productive capital and therefore contribute to improving the productivity of the UK.

41. https://openmedia.yale.edu/projects/iphone/departments/econ/econ252/transcript09.html

A framework for investment involves two key dimensions:

1. **Is the asset category overall a "positive-sum" game?** This would be true if it is possible for all players (investors) to gain. Investments into the real economy that support value-creating business activity are positive-sum games. In the medium to long term, the stock market has a long track record of growth and so it is also a positive-sum game because everyone who stayed in the market for the medium term can gain without relying on someone else to make a loss. An example of a negative-sum game would be roulette because the odds are calculated so that the house takes a margin to pay for the facilities. Some players can win, but the aggregate outcome is a loss.
2. **Does the asset create new productive capital?** New productive capital within businesses – spent for example on equipment, software, training and new jobs – can lead to gains in productivity. Many business ventures fail, but economic history shows us that an economy fed with an abundance of capital increases productivity overall. The OECD data shown in Section 3 includes many countries with a better track record of capital investment and more productivity growth. Retail investing into the stock market does not create new productive capital because when one investor buys shares their capital goes to the seller, not into the underlying business. Only in a marginal way, liquidity in the stock market eases the overall flow of capital through the economy and so could, at the margins, benefit productive capital creation.

Table 5 below summarises these two criteria for example investment products.

Table 5. Retail investment map - not all investments are productive.

	Buying out other investors	Adding capital for job creation
Positive-sum = underlying value creation	**Stock market** **Corporate bonds**	**Crowdfunding** **VC** **PE** **etc.**
Negative-sum = only some players can win	**Derivatives** **Crypto**	**None**

To the bottom left is a quadrant of investment products which are negative-sum (it is not possible, sustainably, for all players to win except at the expense of others) and where any retail investor entering the market is buying from another investor or a platform, but is not providing additional productive capital. To the top left are publicly traded investments that are positive sum (they provide long-term sustainable market-wide gains because they are based on underlying value creation) and in this regard additional investment aids the sustainability of UK retirement funding. However, when a retail investor buys these investments, their capital is paid to another investor who is exiting and it does not create new productive capital.

Capital market theory would argue that in well-functioning markets adding capital to the stock market would push up share prices, reducing the cost of capital (because future returns are lower) and that this would ripple through the system reducing the cost of capital for startups and other private (i.e., not quoted on the stock market) businesses. This chain of consequences is used to argue that more retail investment into the stock market serves to aid the overall capital raising and capital investment into British businesses and to some extent it would eventually be helpful in adding new productive capital. For this to work requires a well-functioning flow from start-ups to scaled businesses and then to Initial Public Offerings (IPOs). However, this flow is not functioning well in the UK. The ScaleUp Institute, Patient Capital Review and others have for many years pointed out the difficulties faced by growing business to raise funds to scale up. Jim O'Neill, Baron O'Neill of Gatley said in his introduction to the ScaleUp Institute's 2024 Annual Review:[42]

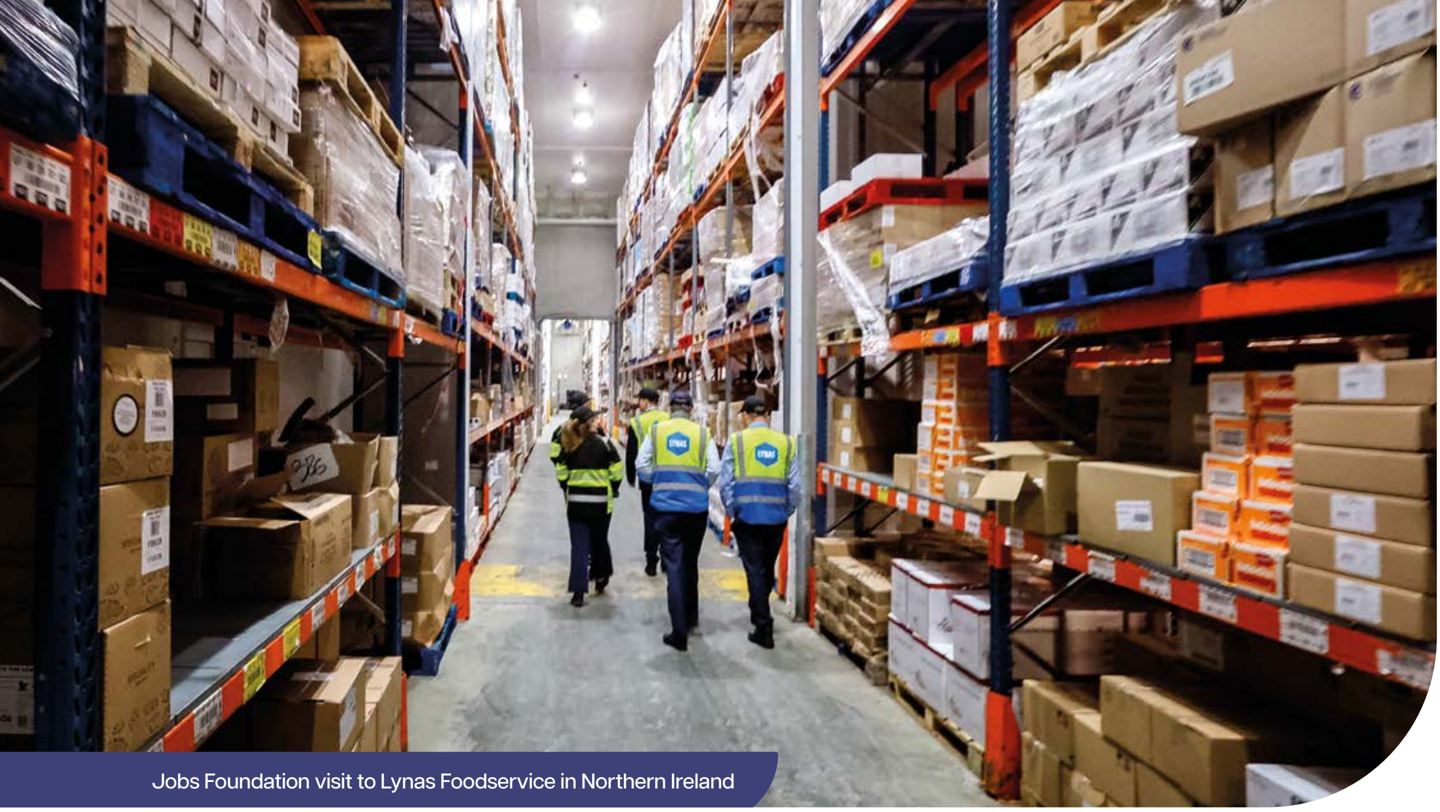
> *"Where we have issues is in the valley of death and scaling up and growth funding".*

The number of IPOs onto the London Stock market is widely considered to be too low. For these reasons, the public stock market is categorised in the top left of Table 5. Addressing those institutional problems is not in the scope of this report. Opening access for retail investors into private investments is a more direct way to add productive capital.

The bottom right quadrant is empty. None of the negative-sum products involve creating new productive capital. Productive capital is, as an asset class, value-creating and so all products that create new productive capital will be in the top half of this chart.

Only in the top right box do we see investments that pass both tests: a) they are positive-sum games and so all players can win without relying on others to lose because they are based on underlying value-creation and b) additional retail investment often leads to the creation of more productive capital to fund job creation and productivity growth.

42. **Page 2:** https://www.scaleupinstitute.org.uk/wp-content/uploads/2024/11/Annual-Review-2024-Highlights.pdf



Jobs Foundation visit to Lynas Foodservice in Northern Ireland

5. For various reasons not enough is being invested in productive uses

Key messages:

1. In a bespoke survey for this report, 78% of Mainstream Investors (survey respondents) agreed with one or more policy-related reasons to hold cash – reasons that could be addressed by economic policy change
2. Section 7 of this report lays out a programme of policies designed to overcome these reasons and hence to mobilise far more retail cash into productive investment
3. When asked about their response to these policies, 83% of respondents would move more cash into investment and some were very enthusiastically wanting to move more than half or all of their cash into investment
4. The amount of cash that could be mobilised is conservatively estimated at £300 billion which is easily enough to bridge the illustrative gap of £100 billion per year described in Section 2
5. If this happened, GDP per capita growth would accelerate and the time taken to double GDP per capita would reduce from 64 years (as forecast in March by the OBR) to 44 years

5.1 Survey of reasons to hold cash

In 2024 the FCA Financial Lives survey found the following:

The primary reasons for this hesitation [to invest rather than hold cash] included concerns about losing money (34%) and lacking the knowledge or the access to support to invest or feeling overwhelmed by the number of investment options (29%).[43] These reasons make sense but they are not very actionable.

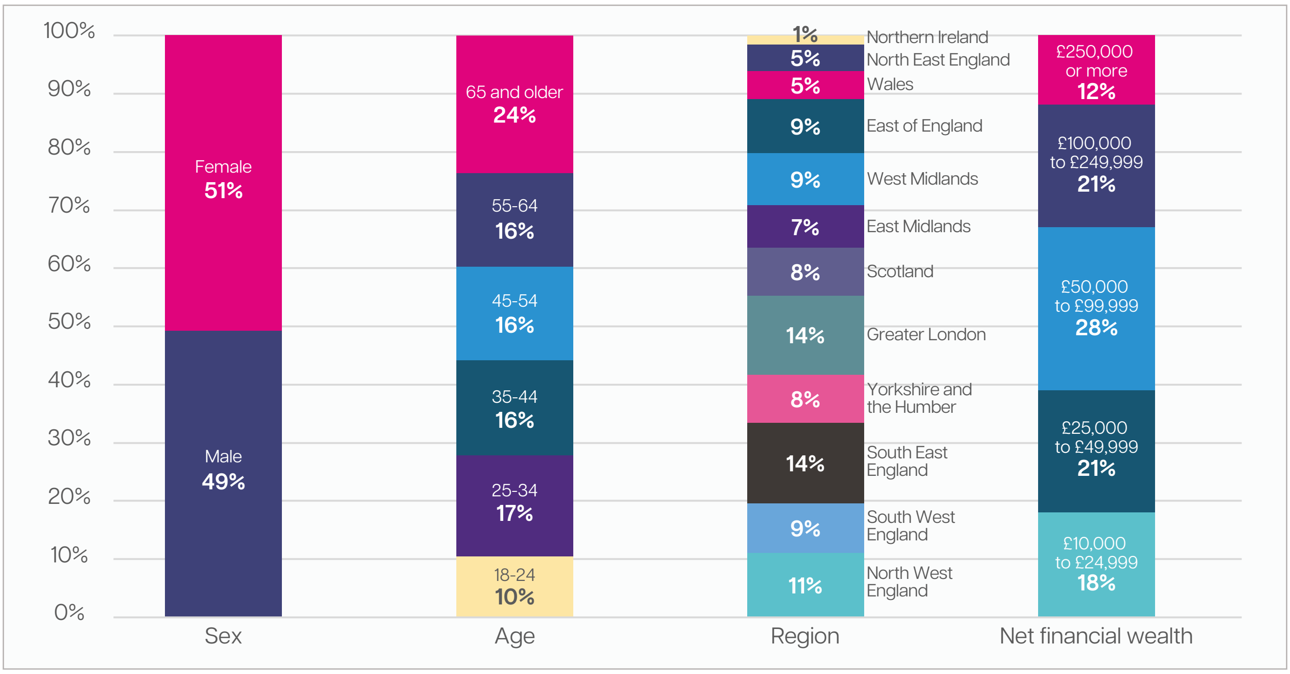
Therefore, in February 2026 a bespoke survey of British retail investors was carried out by Toluna as part of the supporting inputs to this report.

The sample of 2,000 British adults (18+) were screened for the ownership of at least £10,000 in investable wealth. Referring to the ONS Wealth and Assets tables (in section 4.2), this level of assets matches to the top 7 deciles of the population. The sample was also screened for at least 15% of that wealth held in cash. These respondents are therefore all in some way contributing to the retail cash pile.

The survey platform applied quality control to the sample by screening out speeders and adding a question asking "what was last year". 95% got that question correct (i.e., 2025) which is taken as a signal that they were reading the questions. The other 5% were removed from the sample before conducting the analysis shown below. Appendix B shows the wording of the questions used in the charts.

Chart 15 shows the profile of respondents.

Chart 15. Profile of survey respondents, February 2026.



43. **Page 85:** https://www.fca.org.uk/publication/financial-lives/fls-2024-consumer-investments.pdf

Chart 15 shows a balanced profile of respondents with approximately 50:50 male:female split and significant buckets of respondents in each age category. There is a skew towards older people compared with the overall population because of the screen for at least £10,000 in net investible wealth. We have only included respondents with this amount of assets in order to ask meaningful questions about holdings of cash and potential to move more into productive investments.

The survey includes a bucket from all regions of the UK. The smallest buckets are Northern Ireland and the North East and the ONS Wealth and Assets Survey indicates that we would find fewer respondents in those regions with net investible wealth.

The final bar in Chart 15 shows the net financial wealth which the respondents selected from the ranges shown. The survey did not ask for precise numbers to avoid intrusive questions deterring completion of the survey.

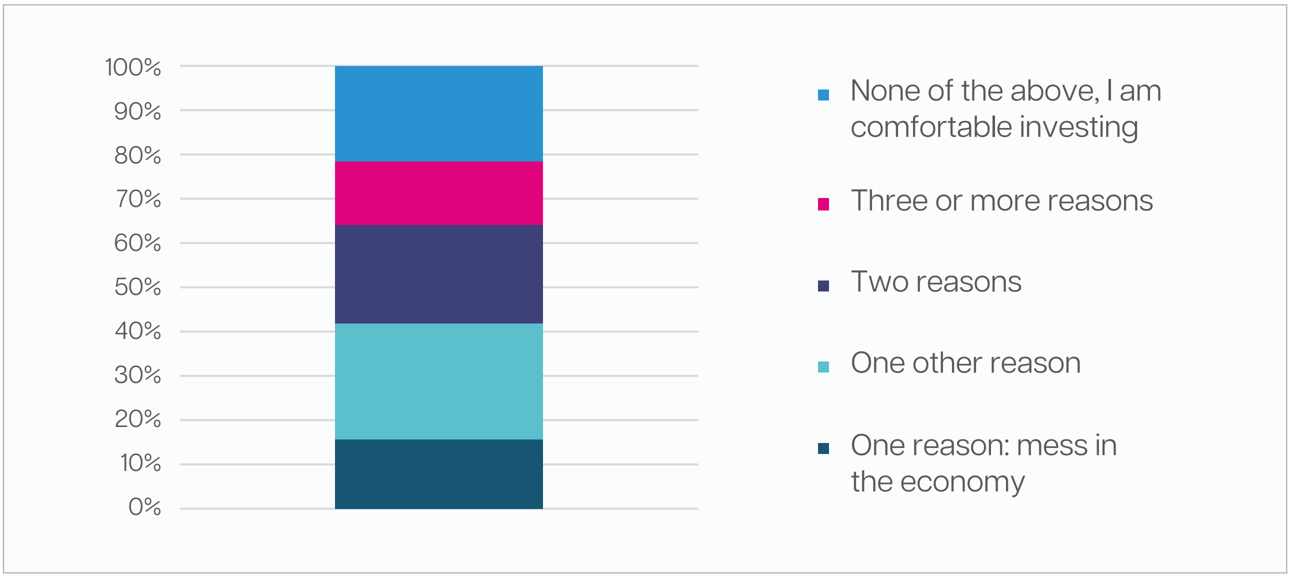
The core section of the survey asked about why respondents hold cash. There are positive reasons for holding cash such as for emergencies or saving for a specific project or a property purchase.

There are also negative reasons to hold cash that indicate respondents are wary of investing and these reasons may be related to potential economic and regulatory policies which could be changed to encourage more investment.

The survey asked if people agreed with a number of reasons for holding cash instead of investments. Respondents could pick as many of the seven stated options as they liked or offer their own other reasons. Because of the structure of the question, each positive response shows significant agreement with the option (respondents were not required to choose yes or no for each option which would normally inflate the answers).

Chart 16 below shows a summary of the negative reasons for holding cash.[42]

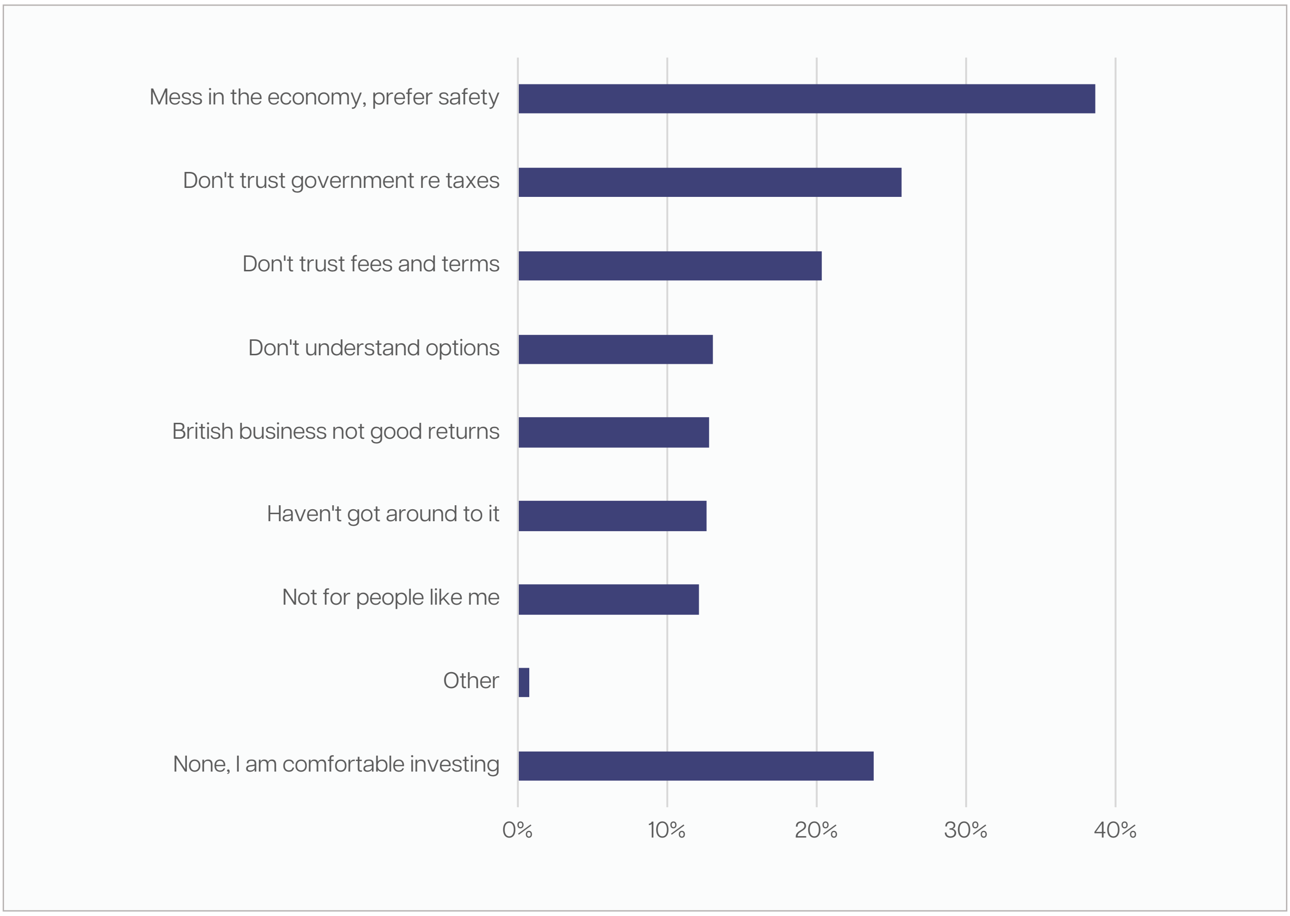
Chart 16. Summarised reasons for holding cash instead of investments.



Only 22% (blue at the top) said that none of these negative reasons applied to them and that they were comfortable investing in a range of products and therefore fully 78% were holding back from investing for some of the negative reasons and they very often selected several of those reasons.

Chart 17 below shows the raw data with the proportion of respondents ticking each possible reason. The full wording of the questions used is shown in Appendix B.

Chart 17. Proportion of respondents selecting each reason for holding cash instead of investments.



Respondents on average selected 1.5 answers so Chart 17 above does not add to 100%.

The option chosen most often (39%) was "with all the mess in the economy, I prefer the safety of cash". Sorting out this mess was a top priority for the government when elected. Indeed, the IMF in their regular country report for the UK in 2025 noted that the risks to growth are tilted to the downside but recognised that the government has embarked on a "bold agenda" with their Growth Mission.[44]

44. **Pages 4 and 9:** https://www.elibrary.imf.org/view/journals/002/2025/204/002.2025.issue-204-en.xml

Don’t trust government re taxes

Retail investments should provide income and capital gains and the rates of tax on both have been increased recently. An investor seeking a reasonable return may be deterred by the risk that this will happen again between the time when they make the investment and the time, potentially a long way in the future, when they will cash it in. Potential investors are also aware that the returns to investors are impacted by business taxes, paid before any dividend is realised.

Don’t trust fees and terms

It is notoriously difficult for retail investors to access the full suite of clear and reliable information that would allow an informed decision. Even where information is factual such as historical returns, cost breakdowns, projections or risk metrics, providers often limit how prominently they present it, or avoid rankings and shortlists, because selecting, framing and personalising facts can be interpreted as steering a consumer towards a particular investment and therefore edging into the regulated boundary for personal recommendations.

Millions of capable and ambitious people with £10,000 to £250,000 in net investable wealth (Mainstream Investors as defined in this report) are too small to justify advisory fees and are excluded from many investment products by quite high minimum investment amounts and the regulatory rules around promotion of non-public investments.

However, if they had direct access to the crucial information and tools to assess options, many would be motivated to engage more with investing.

Don’t understand options

Survey evidence reveals profound gaps in the British public’s understanding of core investment concepts. A 2025 study by Shepherds Friendly found that fewer than half of UK adults (45%) understood that diversification – spreading money across different investments such as shares, bonds and funds – helps reduce risk.[45]

Even more concerning, research by Aberdeen Group in 2024 discovered that just 12% of UK adults reported having a good understanding of investments, with those possessing high financial literacy scores almost twice as likely to hold investments compared to those with poor literacy (39% versus 21%).[46]

The deficit extends to fundamental mathematical concepts essential for investment decisions: analysis submitted to parliament by the Money and Pensions Service showed that 65% of young adults aged 18-24 cannot perform basic compound interest calculations.[47]

These findings demonstrate that the lack of investment literacy among British adults is not merely about unfamiliarity with financial products, but reflects a more fundamental gap in understanding the mathematical principles – risk premium, compounding returns and diversification – that underpin rational investment decision-making.

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45. https://www.shepherdsfriendly.co.uk/resources/money-literacy-2025/
46. https://www.insider.co.uk/news/abrdn-research-reveals-23-million-33142164
47. https://committees.parliament.uk/writtenevidence/127169/pdf/

British business not good returns

The British Chambers of Commerce Quarterly Update for Q4 2025 (published January 2026) stated baldly a summary from its latest survey of members:[48]

> *"Confidence and investment levels remain low"*

Haven't got around to it

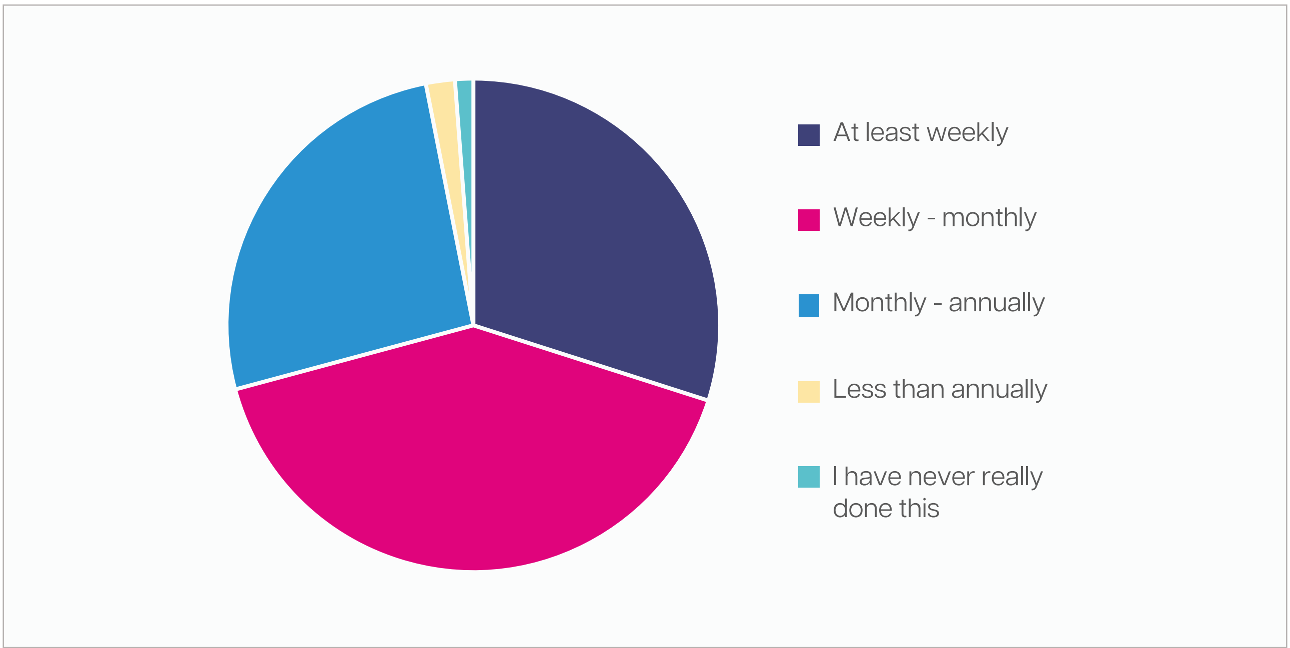
The FCA's 2024 Financial Lives Survey found the following regarding cash:[49]

- Most adults with significant cash savings had no immediate plans to use them (75% of those with £5,000+ in cash savings said that they were not planning to withdraw a substantial portion of their savings within the next three years)
- When exploring why non-advised adults with significant cash savings and no investments might not be investing, over half (54%) reported that they had not considered it, and only 10% said they had given it serious thought

This finding is consistent with a view in the financial services industry that the public are not very engaged with investment. However, this finding is not as simple as "taking a horse to water".

The February 2026 survey for this report included a question on this topic: How often do you check your savings and investments? Chart 18 below shows the responses.[50]

Chart 18. How often respondents checked their savings and investments.



48. https://www.britishchambers.org.uk/wp-content/uploads/2026/01/QES-Q4-2025-infosheet.pdf
49. **Page 84:** https://www.fca.org.uk/publication/financial-lives/fls-2024-consumer-investments.pdf
50. Survey question: How often do you check your savings and investments?

Chart 18 shows that a significant majority of respondents say they check their savings and investments at least monthly (71% - adding together 'at least weekly' in blue with 'weekly – monthly' in red). The sample all have at least £10,000 in investible wealth and a meaningful amount of cash.[51] The question deliberately focused on savings and investments rather than "finances" as a more general category which could include budgeting and paying bills which typically happened more often than investing.

With such a high prevalence of regular review of savings and investments, at least part of the low take-up of investments must be an active choice. If investing in British businesses were easier to access or more attractive, many more Mainstream Investors would get involved.

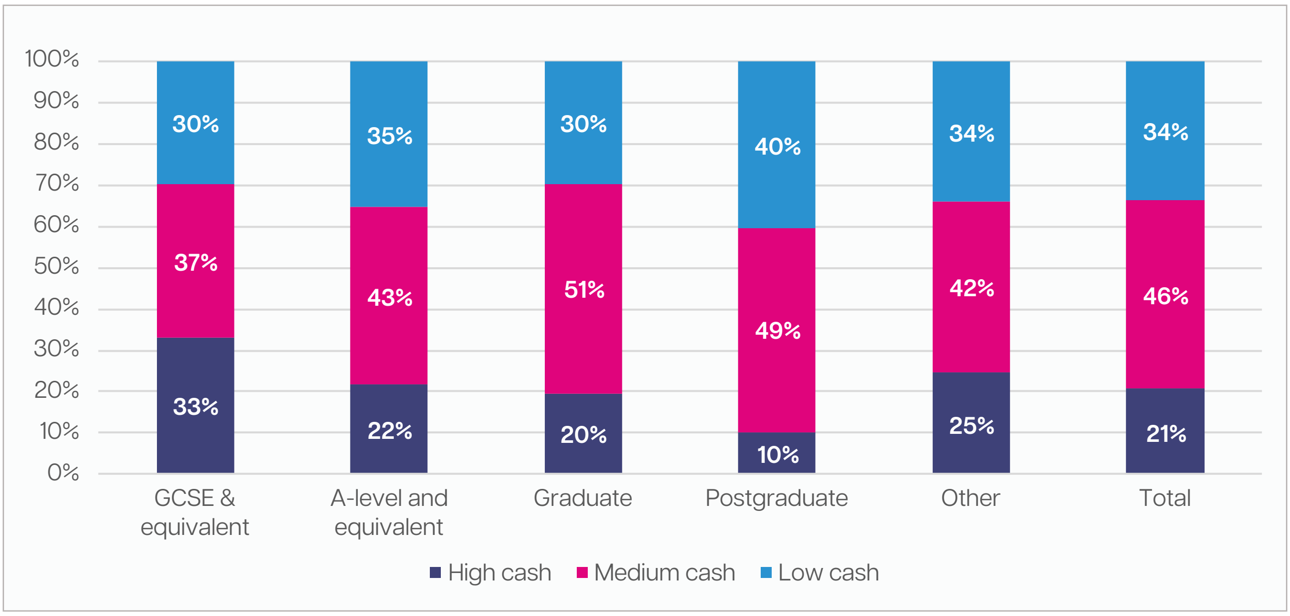
This report argues that there is a programme of policies that government could pursue that would attract a lot more retail cash into productive investment.

Not for people like me

In this category the key issue is what "like me" means to the respondents. The best measure in the survey is the respondents' level of education.

Chart 19 below shows the proportion of respondents who hold different levels of cash, split by their stated level of education. The dark blue bars at the bottom show the percentage who hold a high proportion of their investible wealth in cash (defined as 80% or more). In blue at the top is the percentage who hold a low proportion in cash (defined as 20% or less) and the pink bar in the middle is the rest of the sample who hold more than 20% but less than 80% in cash.

Chart 19. Cash holdings versus education levels.



51. In the survey, this meant that those with investible wealth between £10,000 and £50,000 (and at least 20% in cash) and also those with investible wealth of more than £50,000 (and at least 10% in cash).

The right-hand column shows that across the total survey, 21% of respondents hold a high proportion of their investible wealth in cash, and 34% hold a low proportion.

The proportions vary somewhat across the education levels with a broad pattern that respondents with higher levels of education (graduate and postgraduate education in the third and fourth columns) less often hold a high proportion in cash compared with those with lower levels of education (GCSE and A-levels or equivalents in the first and second columns). The fifth column, "Other" includes a small number of respondents with vocational qualifications and those who did not state their educational levels.

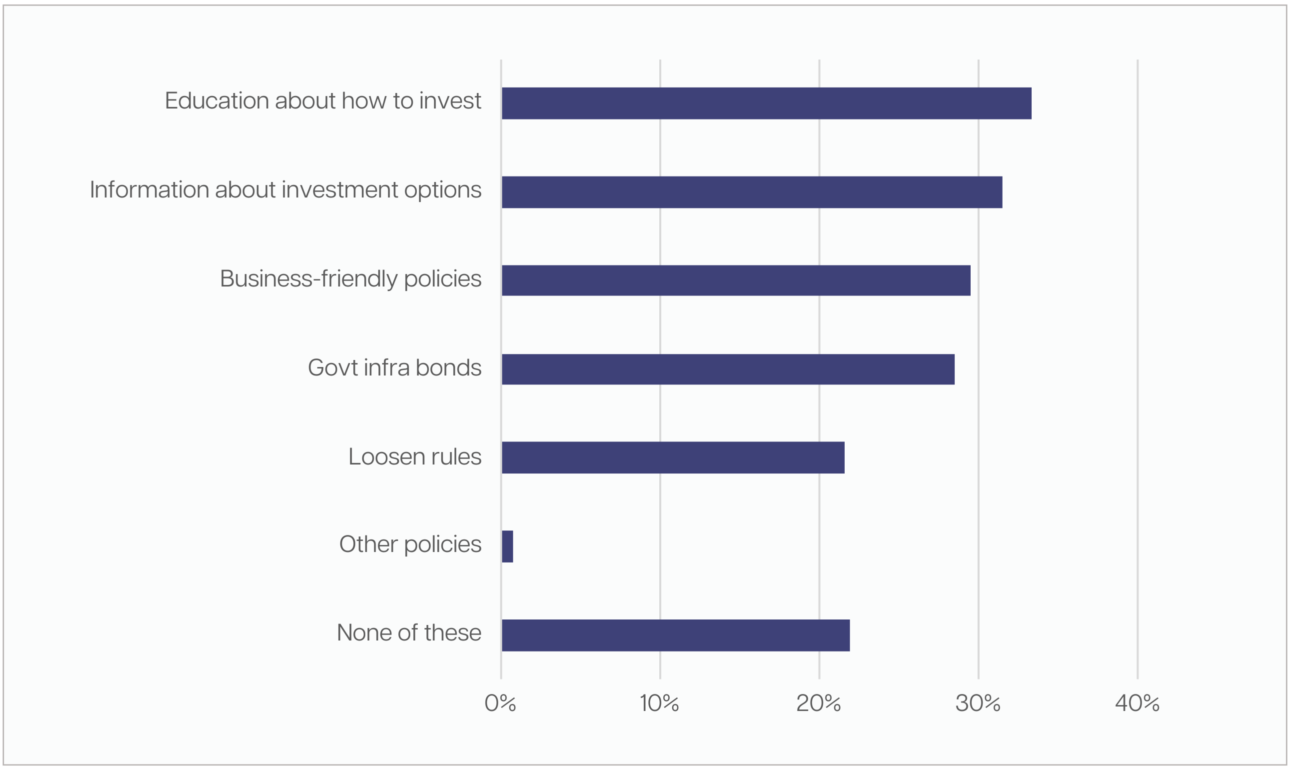
This variation with education supports the notion that appetite to take risk, by investing and therefore holding less cash, is related to education.

However, the picture is not as simple as "educated people do not hold cash". There are still significant percentages of respondents across all educational levels who do hold medium and high proportions of their financial wealth in cash.

5.2 Survey results on potential remedies and extra investment

The survey then asked about potential remedies. Chart 20 below shows the proportion of respondents who would be encouraged out of cash by each of a set of government initiatives.[51]

Chart 20. Proportion of respondents selecting each potential government initiative to encourage them to move cash into investments.



As for the prior question, respondents were invited to select as many options as they preferred (or none) and so an expression of support was not forced.

The survey then asked respondents "If the Government did these things (that you have selected above), how much of your cash savings would you move into productive investments?". The aim was to gauge an initial approximate response to these policies. Table 6 below shows the range of replies.

Table 6. Proportion of respondents who would move varying amounts of their cash savings into investments in response to the initiatives above.

If the Government did these things (that you have selected above), how much of your cash savings would you move into productive investments?	
None	17%
A small amount (up to 10%) to "test the waters"	23%
10-50%	32%
More than half	25%
All	4%
Total	**100%**
Total who would move some cash	**83%**

Only 17% of respondents said that they would not move any cash into productive investments. Many show strong enthusiasm for investing more than half or even all of their cash if these policies were taken forward. These responses are probably depressed by the prevailing atmosphere of low growth and poor returns in the UK economy and they should improve if the productivity puzzle starts to be solved.

Section 7 of this report lays out a set of potential policies to address these negative reasons for not investing.

The weighted average of the stated answers is around 30-35%. However, market researchers would down-weight the responses because it is easier to say that you will take action rather than to actually take action. As a scenario therefore Table 7 below shows just 15% of cash (down-weighted by more than 50% versus the table above) being mobilised.

Jobs Foundation visit to Marks and Spencer in London

Table 7. Illustration of mobilising cash into productive investments.

Dec 2025 balance (BoE) £bn		Capital mobilised (downweighted: percent and £bn)	
Household holdings of notes and coins	85		
Non-interest bearing sight deposits from households (current accounts)	299	15%	45
Interest bearing sight deposits from households (savings accounts)	927	15%	139
Cash ISA deposits	449	15%	67
Interest bearing time deposits (term deposit accounts)	261	15%	39
National Savings & Investments	250	15%	37
Total	**2,271**		**328**

Table 7 shows the total retail cash pile of £2,271 billion as recorded by the BoE in December 2025. Shown at the right is an initial scenario based on the survey findings. This illustrates 15% of cash being mobilised which amounts to £328 billion.

This amount of cash that could be mobilised can be considered in the context of the approximate annual gap in investment of £100 billion as shown in Section 3.

It appears therefore that there is plenty of Mainstream Investor cash and willingness to bring the UK's private capital investment back on track.

In conclusion, the British public hold a very large amount of cash that is not being invested productively. If government brought in policies to educate the public about investment, to make productive investment more accessible and to make the asset class (British businesses) more attractive through higher return and lower risk, then it is realistic to expect a significant increase in productive capital deployment.

5.3 Illustrative economic impact

Mobilising £100 billion of cash each year into productive investment would have a meaningful positive impact on the economy.

The medium- and long-term benefit would be through addition to the UK's stock of productive capital.

The UK's net capital stock as at 2024 was £5,600 billion.[52] Adding £100 billion to it would add about 1.8%. The additional output from that investment would depend on many factors. This scenario uses a ratio of 30p additional annual output for every £1 invested.

This ratio is consistent with the Productivity Institute's capital gap study which finds that UK workers have access to 33% less capital per hour worked than workers in comparable economies (US, Germany, France, Netherlands), and produce 15% less output per hour. Dividing the output gap by the capital gap gives an empirically observed output elasticity of 45% assuming lack of capital is the primary cause. This means each 1% increase in the capital stock is associated with a 0.45% increase in output. Applying this to the UK's capital-output ratio of 1.6 implies that each additional £1 of capital investment generates around 28p of extra output per year.[53]

£100 billion additional capital (converted using the ratio of 30p per £1) would add £30 billion to GDP, which is approximately 1% of GDP (which was £3,038 billion in 2025).[54]

Assuming this higher rate of investment continues, the benefits would compound in a very positive way.

After depreciating the new capital (so the benefits from each year of capital would fade over time), the impact could settle at adding about half a percent per year to growth in GDP per capita.

The OBR's latest Economic and Fiscal Outlook (March 2026) forecast GDP per capita to grow at 1.1% per year from 2026 to 2030.[55] At that rate, GDP per capita would double in 64 years. This can be contrasted with doubling every 28 years on average in the 1980s and 1990s as described in Section 2. This approximated to doubling every generation and so Generation X (born 1965-1980) on average earned twice what their parents had earned in real terms.

If the OBR's forecast growth rate were increased by a half a percent following the step-up in investment described above, to 1.6% per year, then it would double every 44 years.[56]

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52. https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/bulletins/capitalstocksconsumptionoffixedcapital/2025
53. https://www.productivity.ac.uk/wp-content/uploads/2025/05/PIP055-The-UKs-capital-gap-15-May-2025.pdf
54. **Page 16:** https://researchbriefings.files.parliament.uk/documents/CBP-9040/CBP-9040.pdf
55. https://assets.publishing.service.gov.uk/media/69a6d7b62e1f4fbda4252208/economic-and-fiscal-outlook-march-2026-web-accessible.pdf
56. **Footnotes for the below textbox 'Labour productivity and working hours' are as follows:**
    a. https://www.business-reporter.co.uk/human-resources/should-we-embrace-the-four-day-work-week
    b. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/timeseries/ybuy/lms

Labour productivity and working hours

The economic scenario described above is cast in terms of GDP per capita. This is similar to labour productivity but the difference is hours worked. For many decades until the early 1990s, average hours worked by full-time workers in the UK reduced gradually. Since that time there has been hardly any change: 38 hours in 1992 compared with 37 hours in 2025. This slowdown is related to the slowdown in productivity growth (which began around 2000 as discussed in Section 2) because reducing hours worked without increasing productivity would result in a fall in earnings. If we were able to restart strong growth in labour productivity then many firms and workers could adopt shorter weeks whilst still achieving net gains in weekly or annual earnings.

There have been attempts to force an increase in productivity by reducing working hours (without reducing pay) under the heading of "four-day weeks". In some specific cases, trials appear to have just about maintained total output, therefore increasing productivity. For example, a restaurant in an earlier trial adopted the four-day week by deciding to close on their quietest day of the week, and a manufacturing business cut Fridays upon realising that all of their deliveries were sent out by Thursday, meaning that closing had no impact on revenue. However, these are very far from generally applicable and a +25% gain in hourly productivity (i.e., 5 days of output from 4 days of work) would be an astonishing achievement from this sort of change.

Improving productivity would more reliably follow from investment of capital to fund the changes and experiments required and subsequently gradual reductions in hours could be achieved without reducing total earnings - as happened up until the early 1990s.

This investment scenario does not run into a limit to Mainstream Investors' capital that can be mobilised, because:

- Businesses that have raised more equity from Mainstream Investors might be able to raise more debt while maintaining reasonable leverage ratios and so not all of the £100 billion needs to be funded by equity and therefore the retail cash pile, and the proportion that survey respondents said they would be willing to mobilise (£328 billion), is large enough to fund this increased level of investment for many years.
- Profits from these investments would start, after several years, to flow back to the Mainstream Investors therefore fuelling the next cycle of investment.
- Institutions and foreign investors could also be attracted into investing in British businesses if the general environment has improved following these reforms.
- If the productivity puzzle begins to be solved, it is reasonable to expect investment returns to improve and enthusiasm for investing to increase across the population of Mainstream Investors.

5.6 Recent government efforts to increase Mainstream Investor access to private markets are welcome but not radical enough

The UK government's effort to widen retail and pension access to private markets has developed incrementally since 2021, with a clear direction of travel but shifting emphasis over time:

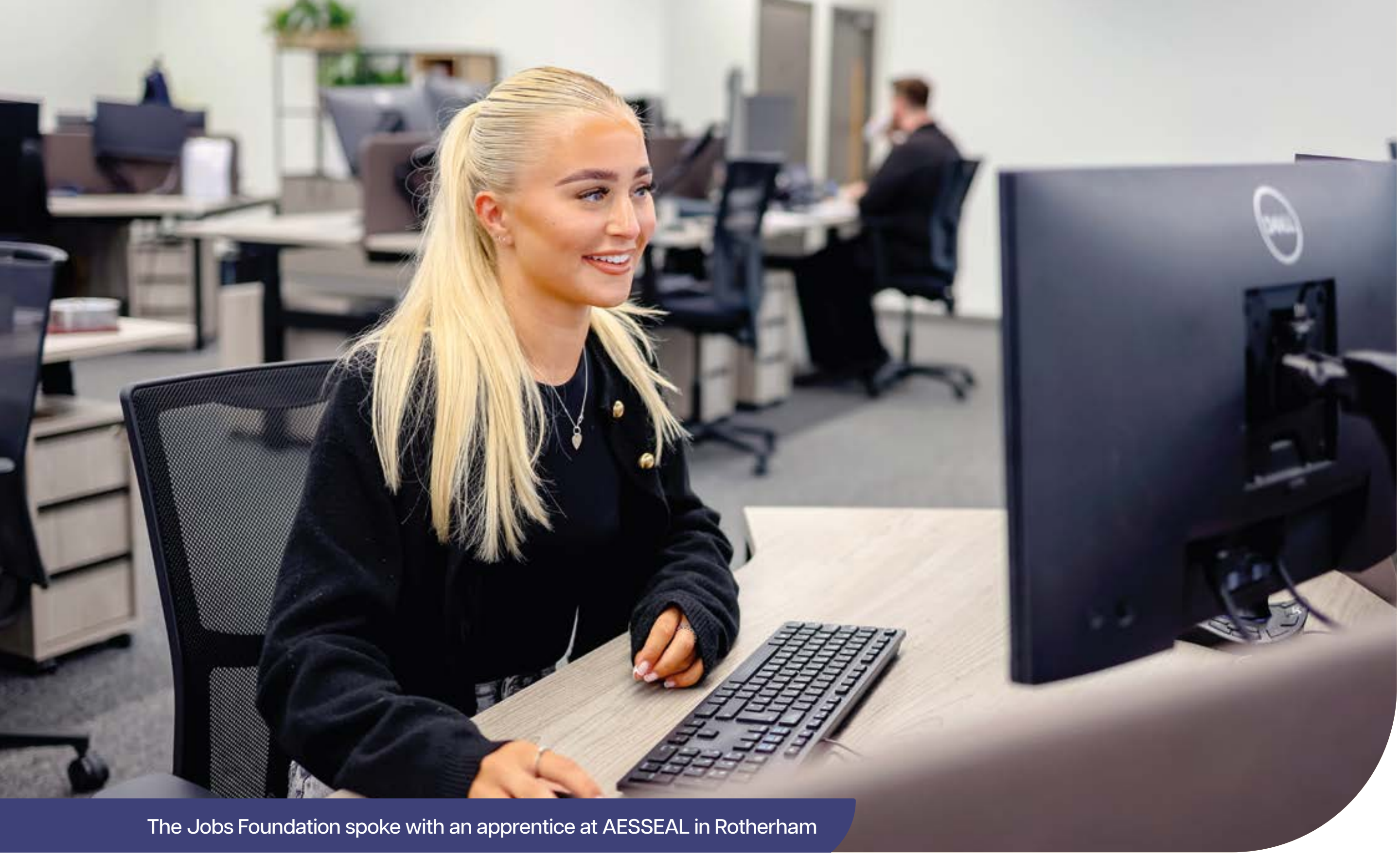
- **Long-term asset funds – 2021:**
  - These vehicles were designed primarily for defined contribution pension schemes, allowing investment in illiquid assets such as infrastructure and private equity.
  - The FCA expected LTAFs to invest at least 50% of assets in unlisted or long-term holdings.[57]
- **Edinburgh Reforms – 2022:**
  - These included changes to Solvency II intended to allow insurers to invest more in long-term illiquid assets, an approach expected to unlock more than £100 billion of private investment over a decade from 2024.[58]
- **Mansion House speech – 2023:**[59]
  - A voluntary compact under which nine major pension providers committed to allocating 5% of default defined contribution funds to unlisted equities by 2030.
  - PISCES was also announced. This will be a new intermittent trading venue intended to give retail investors access to private company shares without the cost or regulatory burden of a full public listing.
  - The FCA consulted on PISCES in early 2025, with a sandbox running until 2030 and the London Stock Exchange approved as a platform in August 2025.[60]
- **Mansion House speech – 2024:**
  - Mandatory pension consolidation to create larger funds capable of investing at scale in private assets and infrastructure, and encouraged greater UK-focused investment by the local government pension scheme.[61]

57. https://handbook.fca.org.uk/handbook/coll15?date=01-01-2104
58. https://www.gov.uk/government/news/edinburgh-reforms-hail-next-chapter-for-uk-financial-services
59. https://www.gov.uk/government/collections/mansion-house-2023
60. https://www.fca.org.uk/news/press-releases/first-pisces-operator-gets-greenlight-drive-growth
61. https://www.gov.uk/government/collections/mansion-house-2024

- **Pension Schemes Bill – 2025:**[62]
  - A new voluntary compact committing pension providers to invest 10% of default funds in unlisted assets by 2030, with half allocated to the UK.
  - Legislation introduced in June 2025 included reserve powers to mandate minimum allocations if voluntary progress is deemed insufficient.
- **Leeds Reforms – 2025:**[63]
  - Confirmed that LTAFs will become eligible for stocks and shares ISAs from April 2026.
  - The reforms also introduced so-called targeted support, enabling banks to alert customers to specific investment opportunities and requiring a coordinated retail investment marketing campaign from the same date.
- **FCA consultations and final rules – 2025 & 2026:**
  - **December 2025:**[64]
    - Final rules for the new Consumer Composite Investments (CCI) regime released. It will replace the Packaged Retail and Insurance-based Investment Products (PRIIPs) regime and the Undertakings for Collective Investment in Transferable Securities (UCITS) disclosure requirements with a single framework tailored for UK consumers and markets. This is to be fully rolled out by June 2027.
  - **February 2026:**[65]
    - Consultation closed on updated categories of clients and investors.
    - Included mandatory quantitative criteria, new routes to opt out of retail protections (including requiring firms to obtain clients' informed consent) and no longer requiring periodic reassessment of elective professional clients.
- **Changes to cash ISA regime:**
  - In the November 2025 Budget, the Chancellor announced that the tax-free annual allowance is decreasing to £12,000 from £20,000 from April 2027 (for under 65s).
  - Part of the government's objective behind the change is to ensure that "people benefit from the higher returns and long-term financial resilience that investing can provide."[66]

All of these changes are welcome but show a relatively slow pace of change, rather than a clear break from the current (and growing) system of regulatory policies that prevent or deter many Mainstream Investors from taking part in productive investment. It has only been in the last five years that various governments have started to give serious thought to policy change which allows a little bit more access to private markets and more productive investments.

62. https://bills.parliament.uk/bills/3982
63. https://www.gov.uk/government/news/leeds-reforms-to-rewire-financial-system-boost-investment-and-create-skilled-jobs-across-uk
64. https://www.fca.org.uk/publication/policy/ps25-20.pdf
65. https://www.fca.org.uk/publication/consultation/cp25-36.pdf
66. **Page 1:** https://committees.parliament.uk/publications/51063/documents/283177/default/



The Jobs Foundation spoke with an apprentice at AESSEAL in Rotherham

6. The current trajectory is unsustainable because too few people are investing for retirement

Key messages:

1. We face a pension funding crisis which is only getting worse due to the increasing population of older people
2. State pensions and benefits to pensioners together cost 5.9% of GDP in 2024/25 and are projected by the OBR to cost 8.9% of GDP in 2068/69 when Generation Z could be retiring
3. This increase is as large as the entire target of 3% of GDP for the future defence budget which the government is struggling to reach
4. With tax rates and total tax pressure already at very high levels, it is hard to see how this increase could be afforded
5. Far more people will need to provide for their own retirement or rely on their families

The somewhat old-fashioned life arc of "learn-earn-return" still works for many people, but not enough. In this arc: you learn and work to gain valuable skills that allow you to earn more than you need to live on and then you return to society by helping others and eventually you become self-sufficient and retire in comfort.

This arc needs to work for a much larger proportion of the population, especially in order to fulfil the social contract that we support those who need it for a variety of reasons.

The current fiscal and economic trajectory involves far too few people being self-sufficient in retirement and so results in intense pressure to increase the cost of state pensions and benefits to pensioners.

Focusing on state pensions, the scale of liabilities is awesome. Strictly speaking, future state pensions are not recognised as a liability within government accounts because the expenditure is reported to match the period of entitlement.[67] Nevertheless, the most recent estimate from the Office for National Statistics shows that the forecast outgoings on the state pension to be £4.8 trillion. At the time, this was equivalent to 224% of GDP.[68]

This is part of an increasingly tenuous position for British governments' finances. When the OBR presented its most recent fiscal risks report in July 2025, the questionable sustainability of the current system was highlighted:

> *"The UK's public finances have emerged from a series of major global economic shocks in a relatively vulnerable position. At the end of 2024, the UK government's deficit stood at 5.7 per cent of GDP, around 4 percentage points higher than the advanced-economy average. This is the third highest among 28 advanced European economies, and the fifth highest among 36 advanced economies.*

> *However, the structure of the pensions system and its likely development over time also give rise to a set of longer-term fiscal pressures and risks."*

Therefore the second objective behind attracting more Mainstream Investors – to ensure peoples' retirement is better covered financially – is increasingly imperative and will continue to be so in the decades ahead in light of the very high forecast growth in the costs to the state of the state pension and other benefits to pensioners.

67. **Page 151:** https://assets.publishing.service.gov.uk/media/68776746352c290d20dcaef9/WGA_2023-24_accounts.pdf

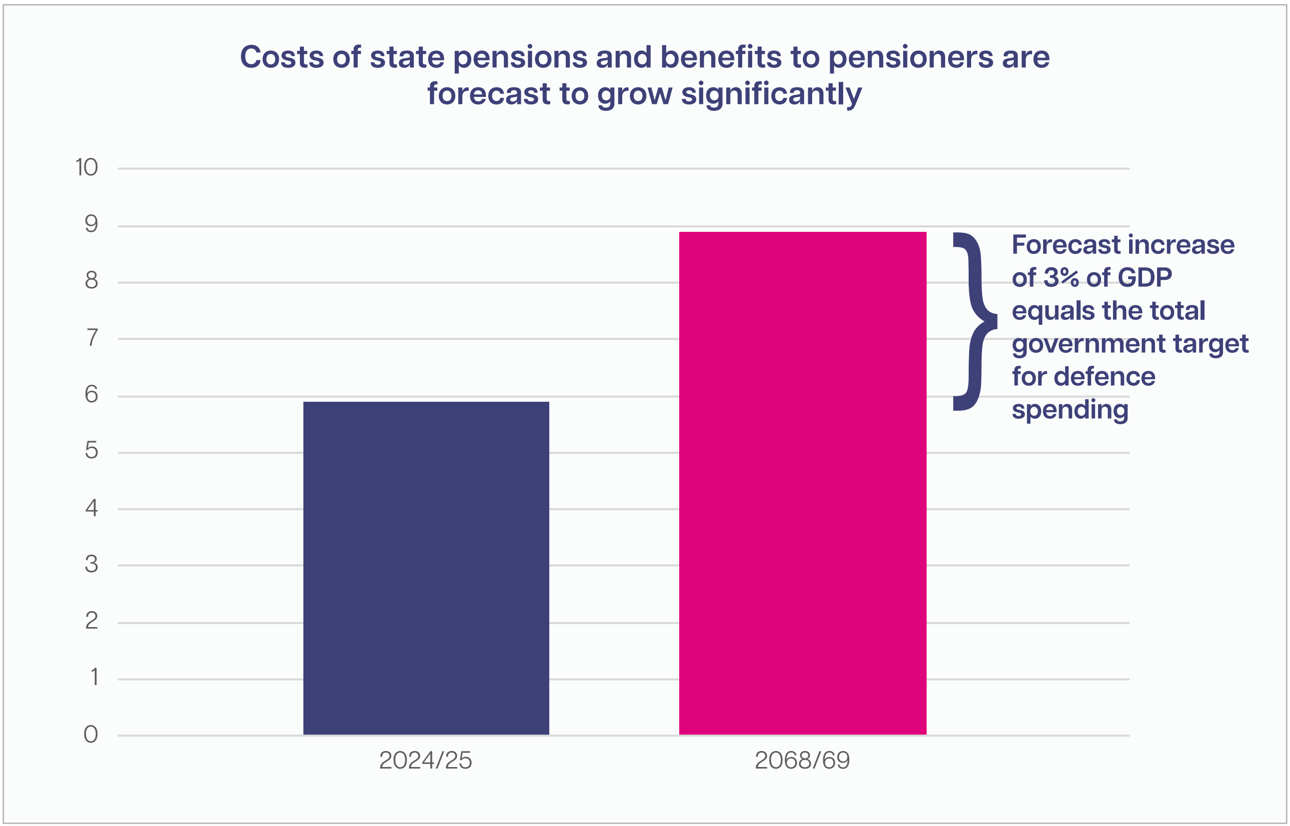
68. https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/pensionsinthenationalaccountsafullerpictureoftheuksfundedandunfundedpensionobligations/2018

State pension costs and the assorted benefits given to those over the state pension age are expensive and forecast to grow as a proportion of GDP[69]. The OBR's 2025 Fiscal Risks and Sustainability Report lays out the current and projected costs of these two items as follows:

- In 2024/25, state pensions cost 4.9% of GDP and benefits to pensioners cost 1.0%, totalling 5.9% of GDP
- Out to 2068/69, when Generation Z could be retiring, these are projected by the OBR to grow to 7.6% and 1.3% respectively, totalling 8.9% of GDP[70]

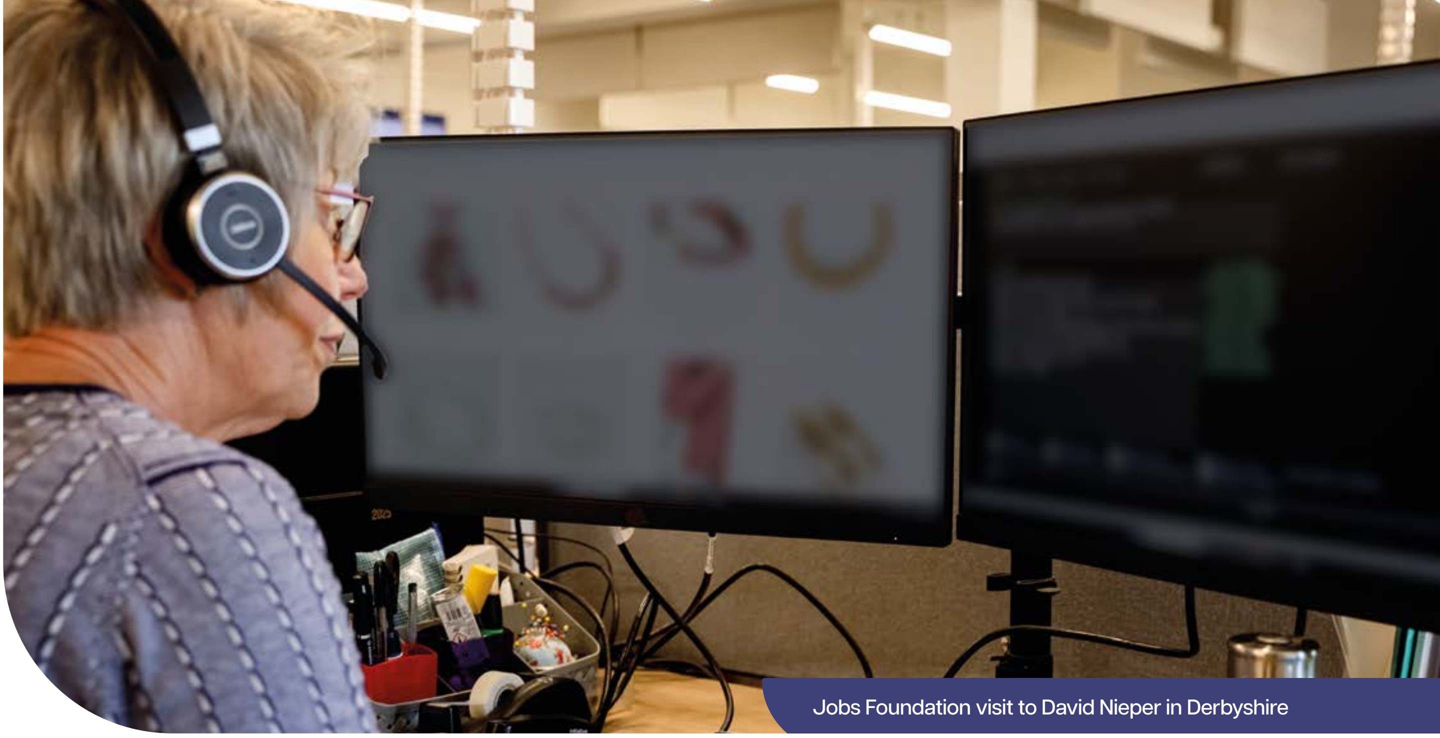
This comparison is shown in Chart 21.

Chart 21. Costs of state pensions and benefits to pensioners (percent of GDP), 2024/25 versus 2068/69.



These projected costs are very high, but they are not the full cost to the state of an increasingly elderly population. Healthcare, aged social care, end-of-life and palliative care are also large costs to the state. These figures are not included in the calculations above because the package of reforms considered in this report does not involve any change to the formula for state funding of those health-related activities. Healthcare funding is out of the scope of this report.

69. Other pensioner benefits include: pension credit, attendance allowance, disability living allowance, housing benefit and income support.
70. **Sheet C2.2:** https://obr.uk/download/july-2025-fiscal-risks-and-sustainability-charts-and-tables-chapter-2/?tmstv=1772900471


Jobs Foundation visit to David Nieper in Derbyshire

Greater self-funding of living costs by pensioners who have engaged in decades of productive investment, would ameliorate the pressure to increase the state pension and other benefits and this comparison is within the scope of this report.

Without reforms, the growth in projected cost of state pensions and benefits to pensioners (from 5.9% to 8.9% of GDP according to the OBR above) is 3.0% of GDP.

To put the size of this increase into context: it is larger than the defence budget which was 2.4% of GDP in 2024/25 and approximately the same as the 3.0% of GDP target for the future defence budget that the government is struggling to reach, but has an "ambition" to do so in the next Parliament.[71]

Alternatively, if productivity regained the 1980s/1990s trend of 2.5%, and each generation was twice as well off as their parents then many more people would happily take care of their parents who were, with hindsight, poor.

The viewpoint that the future is unaffordable, is reflected in the attitudes of many young people who have adopted an attitude recently labelled as “financial nihilism” – they view the financial system as meaningless and hopeless.[72]

Interactive Investor’s Great British Retirement Survey 2025 (9,000 UK respondents) found that the majority (92%) of Gen Z aged 18-28 said they do not know what age they expect to retire, and four in 10 of the Gen Z cohort added that they expect to derive their main income from working in retirement.

Another cause of this growing financial nihilism is the actual investment landscape itself, and there are things that can be done by government to address this.

71. https://hansard.parliament.uk/commons/2025-12-15/debates/721353D3-45DF-48C9-A4E2-F14269D200DC/NATODefenceExpenditureTarget
72. https://www.trustnet.com/news/13458554/britains-retirement-crisis-no-generation-feels-financially-ready-for-retirement

7. Recommendations

This report aims to promote a large increase in productive investment in order to accelerate the UK's productivity growth. Increased private capital investment is a necessary ingredient in improving productivity. The aim is to help fund millions of businesses in creating more and better jobs.

This report focuses on investment by retail investors rather than foreign direct investment or pension funds. This is because those areas have been well studied before and because the uninvested UK retail "cash pile" represents an egregious waste.

Mobilising millions more investors has the important benefit of engaging millions more creative minds in solving problems of the future.

In addition, by allowing more retail access to higher return investments, the population can become more self-sufficient in retirement. This is important because taxpayer-funded retirement faces a future crisis as shown in Section 6.

In order to accelerate productivity, we need the invested funds to go all the way into a business and be invested in ways that help that business improve its productivity (such as new software, equipment training and more staff). This framework is shown in Table 5 in section 4.6. Therefore this report aims to promote investment into both quoted equities and private market investments.

Mobilising cash into quoted stocks passes one test: better medium-term returns and therefore better retirement funding. It may also indirectly lead to more productive investment within businesses as the additional capital is transmitted through the system via IPOs and scaleup capital, although the functioning of these two mechanisms has been criticised in recent years and so the pace and reliability of such transmission is questioned.

Mobilising retail cash into private market products that create additional productive capital more directly helps increase the stock of capital to improve productivity.

Higher return investment like this of course involves higher risk. These recommendations involve moving the boundaries and allowing more risk-taking. The growth in gambling, crypto and other speculation shows the vast untapped risk appetites of the British public but those games are not productive in that they are not funding underlying value creation and they are negative-sum games in that not all players can win.

Opening the door more widely to more productive investment can attract the public's risk appetite into productive activities and help build a better future – business productivity, more jobs, secure retirement.

1. Better Education

1.1 Publish private market returns indices

1.2 Introduce Basic Investment Information available to all, unadvised

1.3 Launch FCA Investor Calculators

1.4 Promote warnings about the waste of holding too much cash

1.5 Encourage a market in adult education in investment

1.6 Strengthen investment education in the school curriculum

1.7 Track financial literacy via PISA

2. Easier Access

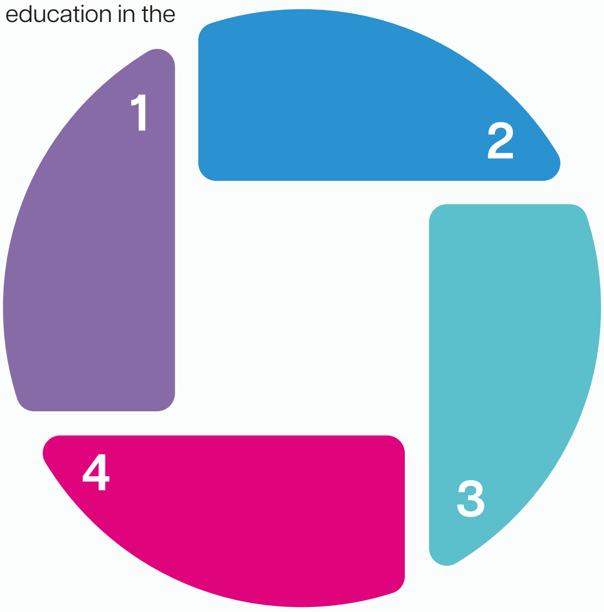
2.1 Do not increase the HNWI threshold

2.2 Make more use of the Restricted Investor category as a light-touch regulated channel

2.3 Target the FCA to increase investment participation

2.4 Create a category of Follower Investor with light-touch regulation

2.5 Launch direct retail infrastructure bonds



4. Lower Risk

4.1 Tighten rules against retrospective taxation of business

4.2 Promise not to raise taxes on business and employment this Parliament

4.3 Pause regulatory changes until the economy is growing (>2% pa GDP/cap)

4.4 Launch HMRC Business Tax Calculators

3. Higher Returns

3.1 Reverse the recent increased tax on dividends and capital gains

3.2 Abolish stamp duty 0.5% on purchasing stocks

3.3 Pursue supply-side reforms

7.1 Better education

Survey evidence shows that too few people understand the basics of investment. Whilst initially this is about financial investment, it is also a life skill and can apply to your other main commodities: time, social energy, mental energy etc. The principle of delayed gratification has been undermined in society and we are suffering as a result.

The aim of the reforms in this section are to provide the tools available to Mainstream Investors to make investment decisions.

1.1 Publish private market returns indices

Access means access to clarity of what is involved with an investment. There is no public source of historical returns on UK alternative investments. A global returns document can be accessed online (e.g., from Preqin, owned by BlackRock) which gives medium- and long-run average annual returns for a dozen private market asset classes globally.

Canadian pension funds are required to publish their returns in each asset class compared with regulated benchmarks for returns in each asset class. The same methods used for the Canadian regulators are also applied by analysis firms to other markets when they provide detailed reports to commercial customers.

However, information on the performance of UK private market asset classes is patchy and published by various bodies using different methods. The treatment of fees and how the figures are compiled are sometimes not transparent.

This information could form the basis of a common public understanding of the typical returns achieved by different asset classes over time. A better understanding of this amongst millions of Mainstream Investors would attract more investment towards successful asset classes with positive implications for aggregate productivity.

Implementation: the Bank of England's Prudential Regulatory Authority should take the lead on defining and publishing indices.

1.2 Introduce Basic Investment Information available to all, unadvised

What would you need to know before committing capital? A reasonable list would include the following:

a. The underlying investment or venture

b. Track record of returns for this asset class split between income and value increases including averages, high and low cases over time in detail (and if this is a new asset class that information itself is valuable)

c. Costs including buy-sell spreads, commissions and ongoing fees

d. Liquidity

e. Tax treatment

This set of basic information should be available in simple quantitative formulae for all private market asset categories.

The actual historical data should be available as well and some oversight would be required in order to contain the temptation of providers to game these statistics.

The FCA is replacing KIDs and KIIDs and has been consulting on the information requirements of the new format documents to be known as Consumer Composite Investments ("CCIs"). The policy does not (as yet) come with clear language about what precisely should be included in these documents before investors purchase securities.

Within the wider access regime that is proposed in this report, this basic information listed above would allow Mainstream Investors to make informed decisions about many more investments without paying for advice.

Implementation: The FCA should issue an updated policy statement with the final rules of Consumer Composite Investments (PS25/20). Since firms are not compelled to move to the new regime until summer 2027, there should be adequate time to introduce an updated policy statement.

1.3 Launch FCA Investor Calculators

What you might get from an investment is the subject of inputs (fees, spreads), assumptions (future performance) and arithmetic and it is anomalous that much of the information is provided to potential investors in text rather than formulae.

Setting out the key elements in the clarity of an online calculator (in live spreadsheet format) would be the gold standard for transparency.

All of the information described in 1.2 above should be calculated explicitly and live in the calculator.

The user would be able to explore the net return after they pay all fees and commissions, income tax and Capital Gains Tax (CGT) and see how that compares with the gross return under a range of scenarios such as average performance, high and low cases or user-defined gross returns. The user inputs would ask for marginal income tax bands etc. to allow these calculations to be bespoke. For example, if someone is approaching retirement and expects this investment to last beyond their retirement date they could explore the returns at lower tax rates than they currently pay.

Implementation: HMRC should develop and publish a template for each asset class that includes returns scenarios using historical data (from 1.2 and 1.3 above) and a forecast calculator that allows the user to explore potential investment amounts, returns and time horizons. Providers of products would then populate the template with the formulaic inputs for fees and costs of their own products. Objections that these are too complicated to put into formulae would highlight an underlying serious problem with some investment products.

1.4 Promote warnings about the waste of holding too much cash

The FCA recently decided not to proceed with a warning about the waste of holding too much cash.[73] But warnings are still required about the risk of investment. Arguably, this is one-sided and not good for investment participation and productivity.

The regulated phrase "past performance is not a reliable indicator of future results" has been overloaded. It is meaningful when referring to specific stocks or funds. However, this phrase is less meaningful in the context of the equity market as a whole given the long-term equity risk premium discussed in Section 4.

For the whole market, the premium return (approximately 5% per year higher than cash) has a deep foundation in human psychology (risk aversion) and has been reliable over many decades. This premium is widely used in business investment decisions by large corporations and professional investors to underpin the assessment of investment options.

This warning is misleading to Mainstream Investors and unduly scaring people away from investing.

Investment information should include some countervailing positive statement such as

> *"In the medium term, equities have provided a better return than cash"*

A modern perception of risk is the fear of missing out. To appeal to potential investors who are risk-averse, better wording may be:

> *"Holding too much cash means you miss out on the medium term gains from equities"*

Also the FCA should do more to encourage a warning about the impact of inflation on cash such as:

> *"Inflation erodes the value of your cash and you risk losing more than you gain from interest"*

Many people who hold excess cash would be described as risk-averse. It is important therefore to frame these points as risks.

The FCA considered this sort of warning (about cash) but it has landed on very different wording for some risks compared with others.

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73. **Page 34:** https://www.fca.org.uk/publication/policy/ps25-20.pdf

Jobs Foundation attends a CyberNorth event in the North East

When referring to illiquidity of investments, PS25/9 (paragraph 4.5.16 for example) states that:[74]

> *"A firm must ensure that the following risk warning is given"*

and goes on to provide precise wording to be used.

By sharp contrast, when referring to the risks associated with cash, CP24/30 (paragraph 7.20), states that:[75]

> *"A distributor might consider, for example, adding an appropriate cash benchmark to the graph to provide more context and help consumers understand the risk/reward of investing over holding cash savings."*

In the second case, the distributor is left to decide whether to do this, is asked to do some work to create the cash benchmark, and to take on some risk of determining that it is appropriate (knowing that the FCA may later decide, with hindsight, to review whether the benchmark was appropriate) and is given no guidance on the wording to use.

Risk warnings are important. They should be balanced in terms of the risks of investing and the risks of not investing.

Implementation: The objectives of the FCA should be changed with secondary legislation issued. Specifically, the final rules contained within Policy Statement PS25/20 would be altered. This would be done by a new statutory instrument to amend an existing one which gives legal effect to the Consumer Composite Investments rules (The Consumer Composite Investments (Designated Activities) Regulations 2024). This would then mandate that additional information must be shown of the higher risk of reduced purchasing power of holding high levels of cash when providers are selling financial products.

74. **Page 53:** https://www.fca.org.uk/publication/consultation/cp25-9.pdf
75. **Page 54:** https://www.fca.org.uk/publication/consultation/cp24-30.pdf

The FCA needs political support

The FCA is increasingly indicating that it wants to permit more sensible, managed risk-taking where this can support growth, innovation and investment, rather than trying to eliminate every possibility of failure. In the **Fairer Finance podcast interview published on 18 February 2026, Nikhil Rathi, Chief Executive of the FCA,** said that "not every problem is going to be solved quickly by doing big interventions, more rules, bans, guidance," adding that the FCA is "moving to an outcomes-based approach, and that will mean less rules in the future because we think the Consumer Duty will do a lot of the work for us." In a closely related speech, **Sarah Pritchard, Deputy Chief Executive of the FCA, told the Launch of the Chief Risk Officer Network on 4 November 2025** that "Some people may get a worse outcome, but the risk of not acting is higher." Taken together, these remarks suggest that the FCA is seeking a less defensive and more growth-oriented approach to regulation, but that this will only be sustainable if ministers, Parliament and the wider establishment are prepared to support that approach when difficult cases and occasional failures arise.

1.5 Encourage a market in adult education in investment

Investment knowledge is not widely enough understood. There are several surveys of financial literacy that ask quite basic questions about finance (and sometimes about investment) that show a poor level of understanding. For example, the Shepherds Friendly published its annual Money Literacy Test on 22 December 2025. It said that only 23% of respondents passed the test, measured against a pass rate of just answering at least half of the questions correctly.[76]

Research from Capital.com in November 2025 found that among respondents, almost nine in ten thought that crypto and equities had almost the same risk profile when the two asset classes are in fact very different.[77]

A very well-designed survey (that included some of the basic maths that is essential to thinking like an investor) by Wealthify and Cebr was published in 2023. It found that "only 5% of Brits were able to answer 10 questions about frequently discussed financial topics correctly".

76. https://www.shepherdsfriendly.co.uk/resources/money-literacy-2025/
77. https://capital.com/en-gb/press/lack-of-financial-literacy-prevents-uk-savers-from-investing

An example question was a very simple assessment of inflation:

Q5. Imagine that the interest rate on your savings account is 2% per year and inflation is 4% per year. After two years, would the money in the account buy more, exactly the same, or less than it does today? (a. More; b. Same ; c. Less; d. Need more information; e. Don't know).

Across the ten questions they set a pass threshold of 6.5 and only 27% of respondents passed.[78]

The concepts promoted in this report go beyond financial literacy and focus on training people how to think like an investor.

Implementation: To encourage a population-wide programme of investment education, the Department for Education should take the following steps:

1. Publish a set of very simple criteria for courses that would qualify as investment literacy courses with several levels and split into short (for example hour-long) modules. In total a course might take between 5 and 20 hours of training, to be determined by providers. They should be quantitative as well as qualitative. Such courses would aim to equip potential investors with the tools and frameworks to make investment decisions on their own account. The overall theme should be "Investing is good for you". Topics for consideration are described in the next recommendation 1.6 regarding school-age education.
2. Encourage educational publishers and providers to develop courses in a variety of competing formats such as software-only, online with tutors and face-to-face.
3. Allow two funding mechanisms (see below), not using taxpayers' money, such that a large market develops rapidly.
4. Work with the FCA to encourage all financial institutions (all banks, pension funds etc.) to market these courses to their customers who are holders of cash and savings and all employers to market them to their staff in the same way as pension auto-enrolment. Financial institutions and employers could take a commission out of the training providers' charges in order to compensate them for this promotional activity.
5. Measure and publicly report the take-up of these courses using low-cost public and provider surveys along with average scores (each course should include some testing) and customer feedback on the quality of the courses.

These courses would be entirely voluntary and not linked to any gating of financial product purchases. They would also not promote or sell specific investment products but be required to stick to principles and asset classes as a whole.

78. https://www.shepherdsfriendly.co.uk/resources/money-literacy-2025/

The take-up could be very high because they would not necessarily be paid for by customers (i.e., Mainstream Investors) out of pocket. There are two potential funding mechanisms for this, neither of which would require new monies raised from general taxation:

- First, the apprenticeship levy could – in part – be redirected. Specifically, the surplus which has been unused by firms and returned to HM Treasury (which averaged just over £1 billion annually between 2019 and 2022)[79] could be used by putting investment courses into apprenticeships or allowing the levy to fund these courses stand-alone, thus allowing those funds to be used by employers for this specific purpose.
- Second, the rules for accessing your pension could be modified. Small amounts – perhaps limited to £1,000 – could be removed to pay for the courses.

1.6 Strengthen investment education in the school curriculum

A main argument of this report is that many more people should be thinking like investors. This way of thinking can be taught, but it receives too little attention in schools at GCSE and A-level. Financial education is included in the curriculum, but this does not sufficiently cover Investment.

According to a survey by Lightyear published in April 2025, 74% of adults think that school did not prepare them for financial responsibility as an adult.[80]

The House of Commons education select committee in the 2023/24 session of Parliament published a report calling for more financial education, as stated below:[81]

> *"Whether through curriculum enhancement or reform, more financial content must be incorporated into the mathematics curricula to ensure that young people at every level are developing financial literacy as a fundamental part of their mathematical knowledge and fluency. This needs careful sequencing to deliver age appropriate content."*

> *"Beyond pure mathematics, as we recommend in our report on post-16 qualifications, the Department should explore means of increasing the take up of core mathematics and functional skills courses, but it should also consider offering a specific qualification in financial literacy which could fit into the Advanced British Standard as a minor subject. This would provide opportunities for progression for students who may not be able to take A level mathematics but show an interest or aptitude in improving their financial knowledge. This could also be a useful alternative to the GCSE retake for those who do not achieve a grade 4 or above in mathematics."*

79. https://www.ippr.org/media-office/over-3-billion-in-unspent-apprenticeship-levy-lost-to-treasury-black-hole-new-data-reveal
80. https://lightyear.com/en-gb/blog/financial-literacy-survey
81. https://committees.parliament.uk/publications/44814/documents/222577/default/

Topics (for both schooling and adult education in 1.5 above) should include:

1. The philosophy of investing (delayed gratification, planning for the future, negotiating with yourself)
2. Annual rates of return
3. Time value of money
4. Risk premium
5. Basics of company accounts
6. The meaning of equity versus debt
7. Basic portfolio principles
8. Tax on interest, dividends and capital gains
9. The moral and economic differences between saving, gambling, speculating and investing
10. Retirement planning
11. NPV and IRR. For example, the mathematical link between NPV and IRR is interesting in theory and immensely valuable in real life but not included even in the A-level maths or business curricula.

Not everyone will find all of these topics engaging and so courses should have several levels.

The committee report promoted financial education (which can include simple concepts such as budgeting and paying bills) but it did not refer specifically to the investment concepts discussed in this report and which ought to be understood by far more people. This report therefore goes further in recommending investment education in schools.

These concepts are all based on students having a reasonable level of skill with spreadsheets which should not be lost as the curriculum is reviewed for 2027. Spreadsheets are not explicitly mentioned in the statutory 2013 computing programmes of study at any key stage. However, the National Centre for Computing Education - a DfE-funded body - provides teaching resources covering spreadsheet skills for use within the broader 'information technology' strand of the curriculum.[82] Such resources should form a part of the new national curriculum.

Clearly, core concepts are not understood by the British public. Education must begin at an earlier age to rectify some of these serious misunderstandings.

Implementation: The final revised national curriculum for England is not due to be published until 2027. Accordingly, the to-be-published Education Bill must incorporate the suggested changes, utilising existing evidence from educationalists and industry experts. Best practice from OECD countries – especially those which have less of a bias towards holding cash – should also be considered.

There are always many pressures on curriculum time and many interests calling for more of it. Therefore this recommendation is mostly to use investment examples in the relevant parts of the maths curriculum in worked questions and exam papers. Government should establish a working panel with the exam boards and financial professionals to design questions that cover all of the topics listed above and build them comprehensively into the worked examples, resources and exam papers for GCSE and A-level maths.

82. https://teachcomputing.org/curriculum/key-stage-4/spreadsheets

Jobs Foundation attends a Girls in Tech event in Gateshead school

Exam questions:

School maths curriculum should include questions related to investment

Inflation: If CPI inflation goes up 3% each year for 5 years, how much would £100 be worth in real terms at the end of the 5 years?

Debt versus equity: Abbie buys a flat for £100,000 using 50% debt and 50% equity. The flat goes up in value by 5% per year over the next 3 years:

a) What is the value of the flat after 3 years? b) What is the value of the equity? c) What is the value of the debt? d) If Abbie sold the flat at this point, what was the annual return on the equity?

Ignore transaction costs and taxes and use just the numbers as presented.

Compounding: If Ben saves £1,000 at the age of 20 and earns 8% per year on average to the age of 60 how much will the saving be worth? If Ben saved the same amount each year and all his savings earned the same 8% per year on average, how much would he have? If Ben wanted to have £100,000 to retire on at 60, how much would he need to save each year? If taxes take 25% of the gain each year, then how much would Ben need to save each year to get £100,000?

Buiness investment: If Charlie's investment in a business earned 8% per year over 5 years what is the gain measured as the total ratio of cash out (at the end) divided by cash in (at the start)? If Charlie had 30% tax relief at the start, what is the revised total gain on his net investment and what is the revised annual return?

Stock market history: Here is the data set of FTSE100 gains every year from 1900 to 2025. 1) work out the compound annual average return 2) work out the average annual return for every 5 year period starting in 1900, 1901 etc. 3) list the 5 year periods when you would have made a loss and for each calculate the number of years you would have to wait to return to profits

1.7 Track financial literacy via PISA

The OECD tracks financial literacy across 39 countries via PISA yet the UK is not participating. Being able to monitor UK students' financial literacy and investment understanding against international peers would provide visibility that helps monitor and improve teaching standards.

Implementation: With the rollout of an updated national curriculum, the UK government should partake in the OECD's PISA Financial Literacy Assessment. In response to an Education Select Committee report – which recommended that the UK partakes in the Assessment – the government said (in January 2025) that it would consider participation from 2029. Once further information is relayed by the OECD about that round, the government must then fully commit to partake. Government should more immediately undertake a baselining survey of the same topics without waiting for 2029.

7.2 Easier access

This report is timely because the FCA is consulting on some categories of restrictions placed on retail investors. This report argues that the government is right to seek to relax those constraints and should move quite far; and also, specifically, that the FCA should make more use of the Restricted Investor category, which allows retail investors to participate in a greater range of investments but only with 10% of their savings. Within that guardrail, Mainstream Investors could then invest more directly in higher risk/return situations with fewer of the consumer protection constraints and costs.

2.1 Do not increase the HNWI threshold

The FCA has consulted in recent years on further tightening the definition of HNWI which currently stands at £250,000 of net assets or £100,000 income. The current boundary allows in less than 5% of the population (according to the income definition). This category of investor is allowed to participate in a range of investment products that are closed to Mainstream Investors. Further raising the threshold would act to additionally constrain the amount of capital that can be deployed.

2.2 Make more use of the Restricted Investor category as a light-touch regulated channel

The FCA has defined the concept of Restricted Investor whereby you certify to only put 10% of your investable wealth at risk (in one year).

This forms part of the customer journey for restricted investments and is used by some crowd-funding platforms for example. In order to allow access to a wider range of private market investments, the FCA should make far wider use of this category to open up access. This is also consistent with sound portfolio advice to spread risk.

One concern is that too easy access will attract predators who will encourage potential investors to put too much at stake in low-quality investments. By restricting these investments to a limited proportion of income or wealth, the proposals avoid the ruinous investment mistakes that regulators are tasked with preventing.

The Restricted Investor channel can be expanded at low cost and provide a direct route for Mainstream Investors to participate in more interesting and diverse investments that are currently only available to very few of the population. HMRC should establish a very simple online mechanism to verify Mainstream Investors' capacity to invest a limited amount, derived formulaically from data already held by HMRC, into restricted asset classes. The HMRC tool would use NI numbers and known tax returns and establish an annual "Restricted Investment" budget which the investors can then access through the year. Investors could provide additional proof of funds if they want to increase their Restricted Budget. There would be no requirement to invest any of this budget, this is only a tool for calculating an upper limit. Regulated promoters of investments would access this tool (with the investor's permission) to confirm the investor's budget and would therefore be readily able to demonstrate they had complied with the restriction.

The aim is that this is a low-cost and low-ticket route into a wide range of investments. By using this channel, the promoter and provider are not facing the risk that they sold to inappropriate investors and so they would avoid the costs of the consumer journey and the tendency to increase minimum investments as a way to screen out potentially inappropriate investors.

With the advent of AI and automation it ought to be possible to vastly reduce those costs and therefore allow for much smaller entry investments.

The aim is to allow Mainstream Investors to access securities which are traditionally only available to both HNWI and those who work in certain parts of financial services.

Mainstream Investors would still be able to access all existing channels and investments. The choice of a low-cost, less protected route would be in addition. The market would be able to observe the patterns of take-up by Mainstream Investors for this option.

Implementation: The FCA should consult on a simple formula that takes existing HMRC data (income, ISA ownership) to create a "10%" allowance. HMRC should establish a simple online tool that calculates this budget for every Mainstream Investor and allows the investor to grant viewing access to investment advisors and providers. Funds invested through this channel would be the subject of full regulatory protections regarding fraud or misleading sales. They would, however, be exempt from any rules regarding outcomes or retrospective assessments as to whether this was an appropriate investment for this investor. If it is a legal investment to offer, then anyone can invest in it via this channel up to the 10% limit.

2.3 Target the FCA to increase investment participation

The proportion of the British public engaged in productive investment is very low. The FCA should be given an additional target to increase that proportion meaningfully year-on-year and therefore increasing participation would always be a factor in its policy development.

On average, between 2006 and 2022, 12% of UK households held UK shares.[83] By sharp contrast, 58% of US households held stock in 2022.[84]

Much evidence exists (as described at a high level in Section 4) that holding equities for the medium and long term is significantly more advantageous than holding excess cash.

Implementation: A statutory instrument should be passed to place this target on the FCA. Senior FCA figures should give evidence to the Treasury Select Committee on a biannual basis to report on progress and explain their efforts to reach the target.

2.4 Create a category of Follower Investor with light-touch regulation

This concept draws from the widespread practice of relying on well-informed, motivated or experienced investors to assess and select investments and then follow their decisions. Three examples can highlight different ways in which this occurs in the market:

1. On the retail investment platform eToro, retail investors can copy (i.e., follow) the investments of popular investors. Top investors, often with tens of thousands of followers, reported gains of between 26% and 53% in 2025.
2. Since 2021 various platforms have been highlighting and copying the investments of the veteran member of the US House of Representatives, Nancy Pelosi. Trades by senior politicians must be published in the US within 45 days of the transaction which provides the instruction manual, albeit delayed, for investors to follow. Various platforms have constructed retail products to follow Nancy Pelosi and they reported variously 18% and 25% gains for 2025.
3. In angel investing, where wealthy individuals meet to review pitches by small businesses, it is common for members of a panel who are interested to invest in a certain business to nominate one of their group to lead the review and due diligence of an opportunity and, if that leader resolves to invest, then others will follow. The leader in this example would often be the person with the most relevant experience to assess the opportunity, for example having worked or invested previously in similar businesses.

Crucially, the intent is that the followers will get the same returns as the leader. The leader benefits from more firepower and perhaps some approbation of their peers.

These examples are not offered to promote a specific platform or even a specific politician but to introduce a model of investing by following.

The recommendation is that a similar model is developed to allow retail investors to follow professional private market investors such as the infrastructure or private equity teams within a pension fund. The Followers would add for example 10-20% to the scale of the funds' firepower for medium-term investment through this new low-

83. https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/financialwealthwealthingreatbritain

84. https://www.sec.gov/data-research/statistics-data-visualizations/us-households-participation-capital-markets

cost channel. The Followers' funds would be aggregated at low cost, using online tools and within the 10% limits discussed above and therefore without the costs of full retail investor protection. The fund managers would be accountable to representatives (trustees) of the Follower fund rather than to the individual investors. Ideally the minimum investment for the Mainstream Investor would be very small and the take-up widespread.

The aim is that those Mainstream Investors can access exactly the same returns as the institutions. Whether the fund did well or not would be the subject of exactly the same constraints and scrutiny as today. Whether the Followers get the same medium-term return as the fund's strategy that is being copied would be the sole duty of the Trustees. The examples of Canadian pensions show that it is possible to isolate and publish the performance of different strategies and compare them with regulated benchmarks.

If, for example, a large pension wanted to grow via this route, it could contact all of its existing investors and pensioners and invite them to sign up as Followers and to invest modest sums through their 10% channel into the Follower fund. Crucially, pension funds would not be required to screen, process or on-board each investor.

This investment channel would be illiquid and risky, but the returns on average could be better and would not correlate with public markets. These are the reasons why pension funds opt for private market strategies with a proportion of their portfolio.

Implementation: The FCA should set up a sandbox regime to trial this approach and seek some pilot funds (for example large pensions or private equity funds) which are attracted to this low-cost fund-raising channel as way to add to their firepower.

2.5 Launch direct retail infrastructure bonds

The survey for this report conducted in February 2026 showed good support for moving cash into tangible investments which would directly fund British infrastructure. Accordingly, a new framework and then bonds should be created. Unlike many non-equity securities, these would be exclusively available to retail investors so that they know they are getting the best terms rather than a watered-down version of institutional opportunities.

As an example, the country needs more reservoirs. The spring in Britain is characterised by anticipation of summer sunshine and fun and regular warnings of water shortages and hosepipe bans. The last reservoir built in Great Britain was Carsington in 1992.[85] Since then the population has increased by over 20%. But Britain is a wet island. The water system only catches and processes about 4% of the rain that falls on the country. Water shortages are a failure of investment, not a consequence of dry weather.

There are schemes to build new reservoirs under consideration that could cost £10-£20 billion but they are held up by reviews of value-for-money and detailed

85. https://www.thetimes.com/uk/environment/article/weather-helps-build-britains-newest-reservoir-ghzmdt75m

discussions over funding. One way to mobilise a small proportion of the retail cash pile held by Mainstream Investors would be a retail bond issuance, matched to reservoir construction, with rights and obligations to participate further if (as may happen) the construction costs were to rise during the project. An important point in selling these bonds to the public would be that the returns on the bond would be linked to the increases in water charges that would follow from the addition of large amounts of capital to the water system that needs to be paid for. The investors who take up these bonds would therefore be partially hedged against future rises in their own water bills. Echoing the 1980s privatisations, but in this case for bonds not equities, these issuances could include a cap on the amount bought per investor, facilitating wide participation.

7.3 Higher returns

Attracting cash into investments requires good rates of return.

Requiring an attractive rate of return as compensation for risk is a natural element of human nature.

Even people who do not believe in market economies still demand high returns for risking their own savings (Appendix A lays out findings from a survey conducted as part of preparing this report).

Policies should be tested against this: enabling more rapid business startup and growth and not undermining returns through taxation.

It is claimed that entrepreneurs do not consider tax rates when they decide to start a business. However, logically, taxes are part of the overall decision to start a business or not, or to do so abroad. Moreover, taxes play an important part in the thinking of investors on whom the entrepreneur will rely because a very high proportion of growth businesses require outside equity investment (and therefore the entrepreneur's attitude is not sufficient to determine the impact of tax rates on business investment).

This report recommends some specific investment-related tax reforms:

3.1 Reverse the recent increased tax on dividends and capital gains

The government should cancel the April 2026 increase in tax on dividends and capital gains. The increase in the lower and higher rates of CGT – as well as raising the rates for Investors' Relief and Business Asset Disposal Relief – was forecast to cost investors between £1.4 billion and £2.2 billion for each year remaining of this Parliament.[86]

Implementation: Statutory instruments should be passed to reverse the increases as soon as possible.

86. **Page 39:** https://assets.publishing.service.gov.uk/media/6721d2c54da1c0d41942a8d2/Policy_Costing_Document_-_Autumn_Budget_2024.pdf

3.2 Abolish stamp duty 0.5% on purchasing stocks

This immediate tax of 0.5% is a deterrent to share purchasing and widely criticised. It costs investors about £4 billion per year. It has not grown even nominally over past decades and so it has actually been shrinking as a share of GDP (in 2000/01 the tax raised £4.5 billion and in 2024/25 it raised £4.3 billion.[87]) This decline has happened due to many reasons related to the overall low level of investment discussed in Section 3. It also illustrates how taxing an activity can contribute to a decline in the volume of that activity.

This is effectively a 100% tax rate on the first 0.5% of capital gains. Stamp duty is currently deductible from CGT so HM Treasury would claw back a proportion of this tax cut in time even in a static analysis. Dynamic effects could easily make up the rest: it would not take a large increase in share ownership as envisaged in this report to produce, over time, offsetting increased income tax and CGT - and the overall scenario would be better because this would be in the context of a more dynamic investment scenario with a lower tax rate and higher tax take.

The government should abolish both stamp duty reserve tax (SDRT) and stamp duty on shares purchased using a stock transfer form (SD) before the end of this Parliament.

The dynamic effects of eliminating SDRT and SD could far outweigh the revenue loss. Modelling by Oxera in 2024 found that long-run GDP could increase by between 0.2% and 0.7% and boost annual business investment by almost £7 billion.[88] There could also be a one-off increase in equity valuations representing a £100 billion gain. Eliminating both elements of stamp duty on shares would also allow for bureaucratic simplification.

Sweden abolished its equivalent of stamp duty on shares in 1991, in addition to other reforms. Only 10% of Swedish households' assets are in cash, the lowest level in the EU.[89]

Implementation: Abolition can be introduced as part of the next Finance Bill in the autumn 2026 Budget. This would allow the government time to consider fiscal disciplines to offset the short-term initial decline in receipts.

3.3 Pursue supply-side reforms

In order to encourage more investment into British businesses, it is essential to make the asset class itself more attractive.

It should remain the case that all governments have supply-side policy reforms as part of their policy programme. This would have numerous complementary and cascading effects, not least attracting and retaining capital both domestically and from abroad.

Detailing these reforms is beyond the scope of this report.

87. https://obr.uk/download/public-finances-databank-february-2026/?tmstv=1773567411
88. https://cps.org.uk/research/sharing-the-wealth/
89. https://www.thecityuk.com/media/014gpjmj/from-cash-to-confidence-building-an-investing-nation.pdf

Jobs Foundation visit to Lynas Foodservice in Northern Ireland

7.4 Lower risk

In order to encourage more investment in any specific asset class, it is necessary to make that asset class more attractive, by offering higher returns or lower risks. Section 7.3 above lays out some ways that government can act to improve returns. The other side of the equation making an asset class more attractive to investors is to reduce risks. In this case reforms need to address the risks faced by the businesses themselves, because it would be difficult and distortionary to separate equity investor risk from business risk.

This set of recommendations therefore pivots to businesses themselves.

Businesses face a range of risks from competitors, new technologies that might replace or disrupt their business models and implementation risk where management teams need to constantly pursue the highest priority actions in a fast-changing environment. These fundamental risks are not in the scope of this report. They are inherent in business and overcoming them is part of what gets business leaders so energised.

However, there is a class of business risks where government has a vital role to play: facilitating a stable regulatory and business taxation environment. Stability has been a stated goal of the current government since it was elected in 2024. Of the six “first steps for change” in its manifesto, delivering economic stability was listed first.[90]

90. **Page 10:** https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf

There are some specific reforms that government could introduce to reduce business risks:

4.1 Tighten rules against retrospective taxation of business

Some taxes apply to multi-year transactions (CGT, Business Asset Disposal Relief) but the tax rate applied is the one in force at the end. This can be interpreted as a retrospective tax change.

The intent of this recommendation is to move that boundary in favour of the investor (i.e., against HMRC) and thereby lower the risk that investors face of making decisions to invest and then incurring different tax treatment when they come to realise their investment many years later. Over the past 30 years the UK has seen a series of court cases and political debates about whether certain tax changes were retrospective - meaning legislation that changes the tax consequences of events that occurred before its enactment - or retroactive, meaning a new charge imposed on a present state of affairs that has its roots in earlier transactions (such as a loan still outstanding today that was taken out years ago). These have included: the Finance Act 2008 section 58 on UK residents and foreign partnerships (backdating up to seven years to close Isle of Man double taxation schemes); the 2013 Finance Act SDLT anti-avoidance measures (applied from the Chancellor's Budget announcement with residential property transactions in mind); and most significantly, the 2019 Loan Charge (applying a single-year income tax charge to disguised remuneration loans initially stretching back over a 20-year period to 1999, with two independent reviews ultimately determining it had gone too far). It is important to note that in each of these cases the taxpayers in dispute had participated in deliberately structured tax avoidance schemes, typically marketed by professional promoters. This makes them categorically different from the ordinary investor or entrepreneur who holds shares in their own trading company or acquires a business asset in the normal course of economic activity - people whose exposure to multi-year CGT and BADR is an incidental consequence of productive investment, not the result of any attempt to engineer a tax outcome.

For business investors this distinction, and where the boundary is drawn, is especially important because investment decisions bear fruit over many years. The risk that tax rules will change over the lifetime of an investment acts as a deterrent to committing long-term private capital. Reducing this risk would be beneficial to the goal of encouraging more private capital into productive investment - and would apply with particular force to taxes that arise on multi-year holdings such as CGT and BADR.

On this basis there are two related arguments. First, CGT should include an allowance for inflation, so that nominal gains arising purely from the general rise in prices (which are entirely beyond the investor's control and confer no real benefit) are not taxed as if they were genuine returns on capital. This principle has clear precedent in UK tax history: an indexation allowance, calculated using the Retail Prices Index, was available to individual investors from 1982 until it was frozen in 1998 and abolished in 2008; for companies, the freeze occurred at the end of 2017.[91] There is a strong case for its reinstatement.

91. https://www.gov.uk/hmrc-internal-manuals/capital-gains-manual/cg28300

Second, where CGT rates change, the gains accrued in earlier years under a lower-rate regime should not be subject to a higher rate introduced late in the holding period. This is an example of the principle that motivates the objection to retrospective taxation more broadly: the investor made their decision in reliance on a particular tax environment. Applying the rate prevailing at the date of accrual (rather than the date of disposal) would address this.

A straight-line time apportionment approach is a practical mechanism for doing so: the total gain would be divided across years of ownership in proportion to time, with each tranche taxed at the rate applicable in that period. This approach is not novel in UK tax law. It was already used explicitly in calculating capital gains for non-resident investors under the Non-Resident CGT rules between 2015 and 2019 (Schedule 4ZZB which amended the Taxation of Chargeable Gains Act 1992), where the taxpayer may elect to apportion the total gain across the ownership period on a day-count basis rather than using a valuation at a reference date. Principal Private Residence relief similarly uses the fraction of the ownership period qualifying as occupation as the basis for tax exemption.

Implementation: These taxation changes would probably involve consultation and could be implemented through the next Finance Bill.

4.2 Promise not to raise taxes on business and employment this Parliament

Following the budget of November 2025, the government made some quite firm statements that they do not intend to raise taxes again in this Parliament. In order to encourage more business investment, Government should formalise those statements into a pro-business commitment not to raise taxes on business and employment; the 2024 corporate tax roadmap should therefore be built upon. A plan to reduce tax pressure would be even more productive.

Implementation: The corporate tax roadmap should be expanded with the suggestions made above. Any breaches of that – for whatever reason given by government – would then precipitate HM Treasury ministers' appearance at the Treasury select committee.

4.3 Pause regulatory changes until the economy is growing (>2% pa GDP/cap)

There is a paradoxical link between widespread risk aversion in society and in over-regulation which prevents and slows innovation: this sort of risk aversion embedded in the rules and processes often serves to increase the risks inherent in investment by making implementation less certain. Worrying about getting all the necessary permits (and worrying about what permits you have missed and what new permits may be coming) deters a proportion of investors and entrepreneurs.

The Institute for Government estimated that there were 116 bodies that have statutory regulatory functions (in March 2024).[92] That is a lot of workers considering ways to further the aims of their organisations by changing regulations.

Changes to detailed regulations by government and NGOs increase the uncertainty for investors. Whilst the aims may be valid, this dampening effect on investment is only affordable in a thriving economy. It is a luxury that the UK cannot afford at the moment and such changes should be paused until the economic growth rate (measured by GDP per capita to avoid misaligning incentives between government and the public) reaches a threshold rate such as at least 2% per year.

Implementation: Parliament's Joint Committee on Statutory Instruments could be empowered to ensure all new regulations which are issued are subject to oversight linked to growth.

4.4 Launch HMRC Business Tax Calculators

Tax liabilities should be predictable and in many cases they already are, but not often enough. The gold standard of tax simplification is that it can be calculated ahead of time with confidence and accuracy. Anyone with experience of contacting HMRC to ask "if I did this business venture, what tax would I pay?" may be familiar with the unhelpful answer "it depends" or "we recommend that you seek tax advice".

HMRC should develop and publish a series of online tax calculators that allow users who are contemplating starting a business to explore the tax treatment in an explicit, quantitative manner. Objections that taxes are too complicated to do this would highlight the deeper problem being addressed by this. We can envisage HMRC's lawyers would want to add a caveat such as "all other applicable taxes would also be payable" and this caveat would totally eliminate the utility of this exercise and must be avoided.

The models would offer the user a series of questions or options such as the nature of the business, location, planned number of staff and so forth and would use the answers to the questions to inform the user of the amount of each tax they would face in an explicit multi-year forecast. The user could use the tool to speculate on different levels of future revenue, costs and capital expenditure and observe how the resulting taxes vary as part of deciding whether to invest.

These calculators would be a form of risk transfer from entrepreneurs and SME investors to government because it will be the responsibility of the sponsor (HMRC) to design them

92. https://www.instituteforgovernment.org.uk/explainer/regulation

such that the user is informed of all potential taxes and charges. If they miss something, the usual right of HMRC to come back for more tax would be waived for uses of these calculators. This concept is explicitly put forward as a challenge to HMRC to make taxes simpler and more predictable.

This would not bind Parliament from changing the rules (see 4.2 above) but it would provide a cast-iron view before investing of the taxes as the law stands today.

These business tax calculators would be especially helpful for small businesses and those which are just being established; larger firms are more likely to have the financial means to access tailored legal and financial advice vis-à-vis their obligations to HMRC.

Implementation: HMRC should develop and publish a series of business tax calculators. The programme could start by addressing the very simplest of businesses such as self-employment and then working through various sectors and business formats using the Standard Industrial Classification ("SIC") codes as a framework.

7.5 Benefits

These policies are designed to attract more retail capital into productive investments. This in turn should accelerate growth in productivity and re-establish the 20th century pattern that each generation should be twice as well off as their parents. These reforms do not involve any mandate or quotas for investors. They do not require additional tax incentives.

The size of the annual private capital investment gap may be around £100 billion per year. There is a large retail cash pile (of several hundred billion pounds) which could be mobilised to fill this gap to the benefit of the owners of that cash through better medium-term returns and to the benefit of the economy by increasing the stock of productive capital.

Workers would benefit from rising productivity and hence rising wages. Section 2.4 shows the very stable share of earnings that goes to labour and so demonstrates how increases in the total value created per hour worked (i.e., labour productivity) will be shared between labour and capital as partners in growing the economy.

More jobs would be created and the scandal of widespread youth unemployment can be addressed.

Public services could be sustainably funded and a much more productive economy could fund increases in priority areas like defence and the justice system whilst still having room for lower tax rates.

Breaking out of the current malaise requires taking some risks, and allowing many millions of Mainstream Investors to take more risks by investing in productive capital. Millions more minds (of capable and disciplined people who have put together meaningful savings) being involved in trying to crack the UK's productivity problem would be a massive benefit in itself.

More private capital investment is not the whole answer to Britain's productivity problem. But it is an essential part of the answer.

Appendix A: Political attitudes to profit and risk

Not everyone is a wholehearted supporter of profit-making in a market economy and so the structure of taxation, regulation and incentives in the economy ends up being a compromise and the balance of that compromise changes over time and under different governments.

In order to mobilise retail cash into productive investment, we will need widespread participation.

It is interesting therefore to explore any linkage between people's political attitude to profits and their own willingness to participate in productive investment and desired returns. This will test whether the programme of recommended policies, designed to attract retail cash into productive investments, will depend on a sub-section of the population who are more in favour of profit-making in the market economy or whether those who are sceptical of profits would refuse to participate or maybe be willing to risk their own savings for lower rates of profit.

In preparation for this report a survey was conducted in February 2025 with fieldwork by Toluna. This was separate from the survey conducted in February 2026 (as reported in Section 5) and so the two samples of respondents are not linked.

The February 2025 survey explored the following issues:

1. Attitudes to business profits
2. Willingness to participate, and required rate of return, in relation to a speculative business investment

This survey was designed only to explore attitudes to profit and risk and it is not a blueprint for how to invest.

Respondents (2,012 UK adults) were asked **"Approximately how much in total do you have in investable wealth including savings accounts, stocks and shares, ISAs and other investments:"** in buckets (for example £25,000 to £49,999) and those have been summarised into three categories:

- below £25,000: 1,006 respondents
- between £25,000 and £250,000: 832 respondents (who approximately align with Mainstream Investors as defined in this report) and
- above £250,000: 175 respondents (who approximately align with HNWI as defined by the FCA)

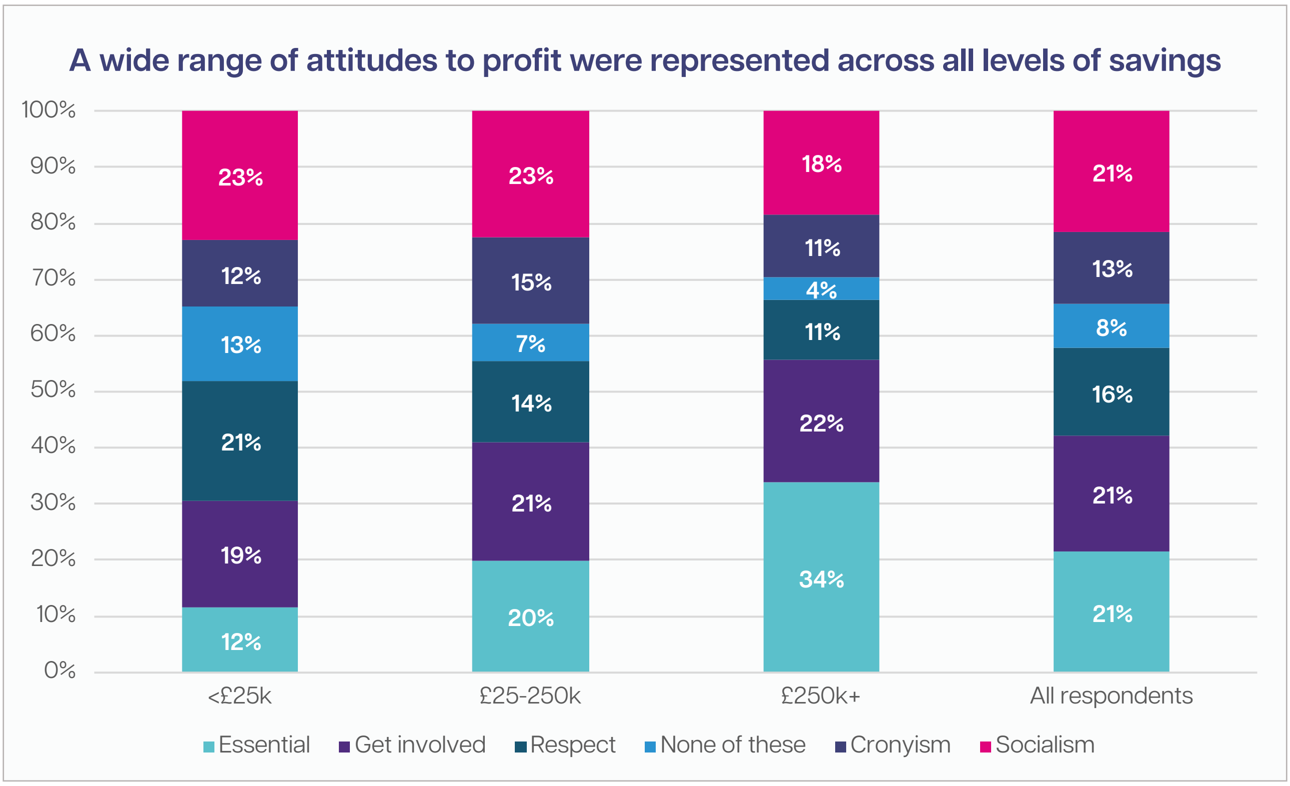
Respondents were then asked to select their attitude to profits from five options (or "none of these apply to me"), as follows:

Q: We see many businesses making large profits and very good returns for their investors. Which of the following statements best matches your view of such situations?

1. **I am pleased to see large profits because they are essential to build an affluent society** *("Essential")*
2. **Good luck to them, we need more people willing and able to make profits and I wish I had a way to get involved investing in that sort of business** *("Get Involved")*
3. **I respect that some people can do that but it is not for me** *("Respect")*
4. **That sort of profit usually comes from knowing the system (government contracts or big business deals) and that distorts the economy** *("Cronyism")*
5. **Such profits usually are at the expense of other people (eg their staff) and I don't think the economy should work like this** *("Socialism")*
6. **None of these apply to me**

For the purposes of summarising the results, a one- or two-word summary of each attitude has been added after each one (shown in brackets in *italics*) but these were not shown to the respondents and so respondents only saw the text above in **bold**. The summary results are shown in Chart 22 below.

Chart 22. Attitudes to profit versus level of savings.



For all respondents (stacked in the right hand column) there was a broadly even spread of responses across the five attitudes and only 8% opted for "none of these apply to me". There was some difference related to the level of savings. Respondents with more than £250,000 (shown in the third column) were more enthusiastic about profit-making in the market economy with 56% opting for the first two options: ("Essential" and "Get Involved"). Nevertheless, all five attitudes were represented even within this group with substantial savings, suggesting that financial circumstances did not over-ride these attitudes.

Those respondents who selected "Get Involved", the second option, were very evenly spread across the savings categories (the purple bars are 19%, 21% and 22% in each of the first three columns respectively). This indicates that ambition to participate in high-return investing was not governed by current financial circumstances.

Next the survey asked these respondents about a speculative and highly risky investment opportunity. The question was designed to explore two dimensions: a) willingness to participate by risking some capital and b) prospective required compensation for that risk. The question wording is shown below.

Q: Imagine you are invited to invest £1,000 for 5 years in an exciting startup. There is a chance you will lose all of your £1,000 but if the business is successful, you will get many times your money back in 5 years. No-one knows the chance of success because it is an innovative new idea, but you can see that the founders have invested a lot of time and money to get going and they have a clear plan for the future.

What would be the minimum multiple of your money that you would want in 5 years (in the case of success) to make you feel that the risk is worth it?

Please enter a number that would be multiplied by 1,000 to get the total amount you want to receive in pounds in 5 years in the event that the business succeeds

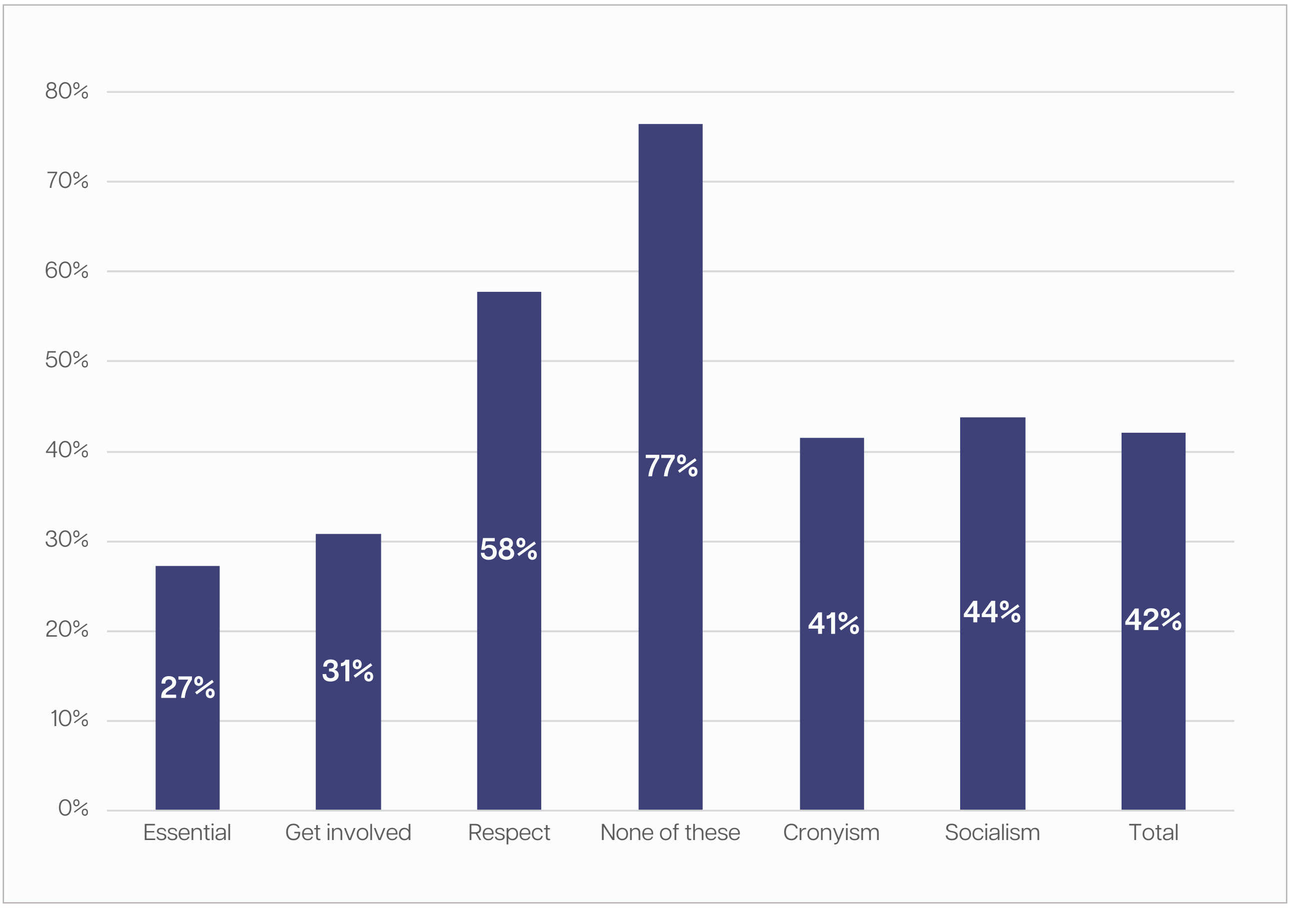
Open ended numerical answer in which *if the user enters X (restricted to be a positive number, not necessarily an integer) then the screen shows, live:*

You would get £X,000 in total in 5 years if the business succeeds

Jobs Foundation team attends 'Bridging the Gap' event in Gateshead

Respondents were offered a choice to opt out of this investment with the statement "I would not risk £1,000 on this sort of investment". The opt-out rates are shown in Chart 23 below.

Chart 23. Opt-out rate versus attitudes to profit.



The overall opt-out rate was 42% and therefore the remaining 58% (1,165 respondents) were interested to risk £1,000 on this sort of investment. This is very high, although it is far easier to say in a survey that you would risk £1,000 than it is to actually take such a risk and so this can not be taken as any indication of potential participation.

The enthusiasts for the profit-making in market economy ("Essential" and "Get Involved") had slightly lower opt-out rates (27% and 31% respectively) and those sceptical of the market economy ("Cronyism" and "Socialism") had average opt-out rates (41% and 44% respectively). Overall this suggests that substantial potential participation in productive investment is present across the political spectrum.

For those who did not opt out, the range of required returns varied very widely. The lowest answer given was 0.1 (the questionnaire required a positive number) by 19 respondents and at the other end 6 respondents answered 1,000 times or more. Common responses were as follows (listing the most common): 3 times (100 responses), 2 times (102), 10 times (141), 1 times (150) and the most overall common response was 5 times (232 responses or 20% of those who did not opt out).

5 times was the most common response for all of the attitudes to profit shown in Chart 24 except for those who answered "None of these apply to me" for whom the most common response was 10 times.

What does a speculative 5x your money in 5 years mean?

The most common response to the investment question in the survey was a multiple of 5 after 5 years in the case of success. In the event of success that would equate to a 38% per year investment return (because 1.38 ^ 5 = 5). This would be far higher than equity market returns and could feel like adequate compensation for the risk.

However, the main issue is the probability of success. This was not quantified in the question and that uncertainty was emphasised. The question was worded quite optimistically with words like "exciting" and "innovative" and the description of the founders. This may have encouraged lower multiples.

If a portfolio of five investments like this each had £1,000 invested and then one succeeded (paying out £5,000 after 5 years) and the other four failed the overall return on the portfolio would be zero - £5,000 invested and £5,000 returned. After the impact of inflation, the return would be negative.

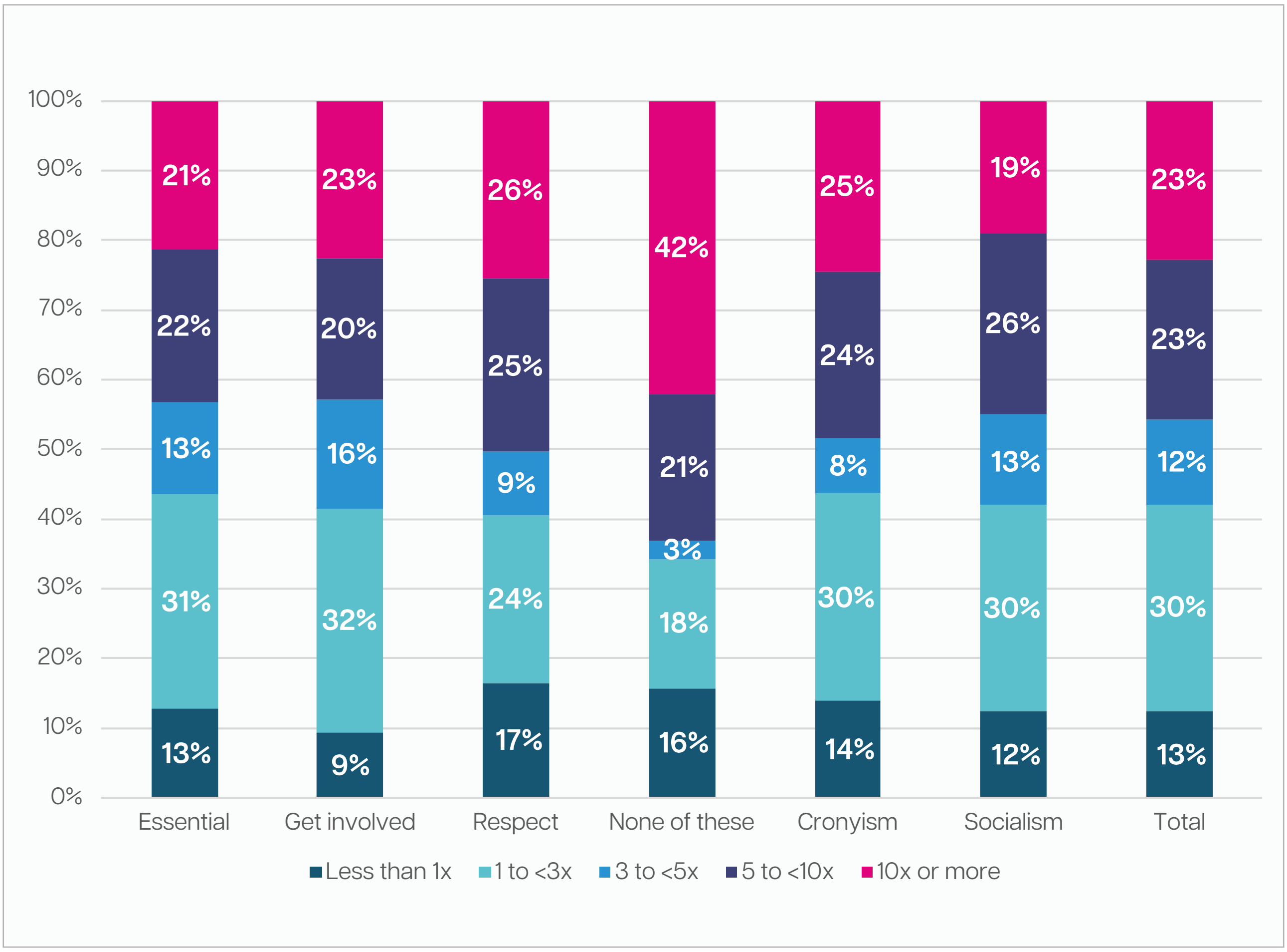
For 5 times after 5 years to achieve a return slightly higher than the stock market (which is far less risky than this investment) would require a success rate of 1 in 3 and that would give a return of 11% per year. To expect 1 in 3 successes would be extremely optimistic.

Venture investors often describe how they are looking for the "1 in 50" winner that becomes a runaway success and pays for the other 49 investments and provides a good return for the portfolio overall. The whole portfolio has used capital to pay for risky experiments that might improve productivity through some products or services that beat all the competition and appeal to the users.

The other way to think about this is when a fund reports a successful outcome that has multiplied its investment in one venture by five times, this is just part of the business model and does not necessarily indicate excess profits or outsized rewards for greed.

Chart 24 below shows the range of required multiples given by respondents analysed across the attitudes to profit. The multiples have been bucketed in ranges because respondents were able to enter whatever positive number they desired and there were 67 different responses across the sample ranging from 0.1 to over 1,000. For example, the light blue bar labelled "1x to <3x" included all responses from exactly 1.0 up to just below 3 (including someone who entered 2.599).

Chart 24. Stated prospective multiple to risk £1,000.



The pattern is very similar across all attitudes to profit except for the small category (8% of total respondents) who answered "None of these apply to me" and required higher multiples than the other groups. Of this group, 42% required a multiple of 10 times or more.

Respondents who selected "Such profits usually are at the expense of other people (e.g. their staff) and I don't think the economy should work like this" (labelled "Socialism" in the charts) showed a very similar pattern of required multiples when considering risking their own capital to those who selected "I am pleased to see large profits because they are essential to build an affluent society" (labelled "Essential" in the charts). This similarity indicates that the stated required return was very similar across the political spectrum of attitudes to profits and that we can not rely on people's aversion to profits to lead them to provide their own capital at a lower rate of return to help move the economy forward.

Appendix B: Survey questions

The questions used in this report (from the February 2026 survey) were as follows:

Survey question: Do you agree with any of these reasons to hold cash instead of more interesting/risky investments:

1. With all the mess in the economy I prefer the safety of cash savings
2. I don't trust the fees and complex terms in investment products
3. Those investments are not for people like me
4. I don't trust the government not to change tax rules and so I might regret committing to a certain investment
5. I don't think investing in British businesses will give a good enough return
6. I don't understand the investment options
7. None of the above apply to me, I am comfortable with investing in a range of products
8. Other reasons ... please specify:

Survey question: What could be done by the Government that would encourage you to put more of your cash savings into more risky and productive investments. The next question will ask you how much of your cash savings you would invest if the Government did this:

1. Education about how to invest
2. Information about investment options
3. More business-friendly economic policies so that the returns would be better
4. Loosen some of the rules that prevent people like me getting directly into the more interesting investments
5. Launch Government-backed investments, for example bonds to fund a new reservoir or nuclear power plant
6. None of these
7. Other policies (please specify)

Survey question: If the Government did these things (that you have selected above), how much of your cash savings would you move into productive investments?

1. All
2. More than half
3. 10-50%
4. A small amount (up to 10%) to "test the waters"
5. None

Survey question: How often do you check your savings and investments?

1. At least weekly
2. Weekly - monthly
3. Monthly - annually
4. Less than annually
5. I have never really done this

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A message from our CEO, Georgiana Bristol

“We are building a coalition of business leaders and entrepreneurs from across the country; all uniting behind the message that a successful society requires successful businesses.

We want to help business leaders do even more to help their local communities, by sharing best practice about employing and training people from less privileged backgrounds and demonstrating that business is a force for good. We also want to hear evidence and practical examples from business about what policy changes they require in order to thrive and do even more good across society. To do this, we need your support by joining our Business Council.

Membership of our Business Council is free, voluntary, and private, and comes with no formal obligations or requirements.

As a member, you’ll be invited to our events where we host speakers from the worlds of business, politics, the third sector and the media. This gives members the opportunity to hear from exciting figures and meet with like-minded individuals working in business. You’ll receive regular updates through our newsletter, and you’ll also be able to feed into our research programme. Finally, we love to publicise success stories from our Business Council members across our networks and highlight examples of great work.

We’d love you to be part of our journey.”

For any questions, please get in contact with Georgiana at 02034751382 or georgiana@thejobsfoundation.com

To join, scan the QR code

"During my four and a half years as City Minister, I saw both the scale of the untapped retail savings pool and the barriers that keep it locked in cash. This report puts the numbers on the problem and makes the reform agenda concrete. Unlocking the potential of Britain's mainstream investors is exactly the kind of supply-side ambition that should command cross-party support."

John Glen MP, former City Minister 2018-2022

"Britain's productivity problem has always had its roots in finance: too little capital reaching the businesses that need it most, and too many people locked out of the returns that investment can generate. This report connects those two failures, making the case that getting mainstream savers into productive investment is not just good for their own financial wellbeing, but one of the most powerful levers we have for closing the gap between Britain's potential and its performance."

Andy Haldane, President of the British Chamber of Commerce and former Chief Economist at the Bank of England

"My review of Foreign Direct Investment showed that the UK's investment challenge is urgent, and that fixing it requires the whole of government to pull in the same direction. This report makes the case for domestic retail capital. There is a vast pool of savings available to fund British business growth, if we create the right conditions. The FDI agenda and the retail investment agenda are two sides of the same coin, and both must be pursued with ambition."

Lord Harrington of Watford, Chair of Make UK and author of the Harrington Review into Foreign Direct Investment

"This report sets out a serious, evidence-based roadmap giving people the knowledge, the access, and the confidence to invest. It does not propose compulsion. It does not ask anyone to gamble with their savings. It asks only that government removes the barriers that have kept millions of capable, ambitious people from participating in their own economy. If we can get back the popular capitalism of my childhood, then I believe we can transform the prospects of millions of individuals, thousands of businesses, and the country as a whole."

Sir Sajid Javid, former Chancellor of the Exchequer and Secretary of State for Business, Innovation and Skills

"Growing Britain's economy requires us to be creative about where productive capital comes from, and pragmatic about the policy levers that can unlock it. This report makes a compelling cross-party case for giving millions of mainstream investors the information, access, and confidence to back British businesses. Growth is essential to the UK and finding ways to encourage an increase in private investment should be high up on the Government's "to do" list."

Lord Mendelsohn, Labour Peer and former Shadow Business Minister