

Weekly policy update from the London Chamber of Commerce and Industry

A round-up of key policy changes from the past seven days (20-26 January 2025)

Government to Review Visas to Boost Skilled Workers

The Government will publish an immigration white paper this year, which includes a review of visas aimed at enhancing high-skilled immigration and driving economic growth. At the World Economic Forum in Davos, Rachel Reeves emphasised that “Britain is open for business, we are open for talent,” highlighting the country’s leading universities and entrepreneurs. The Government will consult with businesses on potential changes to attract skilled workers. Both the Chancellor and the Business Secretary have reiterated the Government’s commitment to making “pro-growth decisions in the national interest” at various events Davos.

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Chancellor Calls for Infrastructure Investment to Drive Growth

In a Bloomberg interview at Davos, Chancellor Rachel Reeves criticised the previous administration for rejecting major development projects and emphasised the need for more positive responses to infrastructure proposals. Addressing Britain’s economy, which grew by merely 0.1% in November 2024, Reeves highlighted how consistent opposition to investments in wind farms, pylons, airports, and housing has impeded economic progress.

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New Patent Search Tool to Boost UK Innovation

The UK Intellectual Property Office (IPO) has launched One IPO Search, a new online tool designed to simplify patent searches and improve access to patent information. Replacing the 13-year-old Ipsum service, One IPO Search offers enhanced features, including straightforward keyword searching, visual data analysis, and an intuitive interface. This tool aims to support UK businesses and innovators by making patent information more accessible while fostering growth and innovation. The launch is part of the IPO's broader digital transformation programme, which will introduce additional digital services in 2025, including streamlined patent applications and innovative customer account management systems. Initial feedback has been positive, with users praising the tool's ease of use and effectiveness.

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Digital Driving Licence Coming This Year

The UK government is preparing to launch a GOV.UK Wallet and App that will feature digital driver's licences, with the aim of streamlining access to government services and documentation. The GOV.UK Wallet will allow users to store and retrieve government-issued documents on their phones, beginning with a Veteran Card and a digital driver's licence later this year. This digital transformation seeks to simplify identity verification processes for businesses, potentially lowering costs and enhancing customer service.

Furthermore, the GOV.UK App, set to launch this summer, will enable easier interactions with government services, such as applying for childcare or reporting a lost passport. These digital tools are part of broader public sector technology reforms designed to save £45 billion and foster efficiency and growth.

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Government Launches UK Internal Market Act Consultation

The UK Government has launched a 10-week consultation to review the UK Internal Market Act, aiming to enhance internal market processes and promote growth across all four nations. This review will concentrate on balancing devolved decision-making with maintaining market integrity, ensuring economic growth, job creation, and improved living standards. Businesses and citizens are encouraged to engage in shaping the future of the Act, which is essential for facilitating free trade and boosting the UK economy. The Government will collaborate closely with devolved administrations and stakeholders throughout the consultation period.

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Significant Changes to Address Fake Reviews

The Competition and Markets Authority (CMA) has secured important changes from Google to address fake reviews, enhancing trust in online assessments. Google will now penalise UK businesses and individuals involved in fake reviews and will incorporate warning alerts in the profiles of companies using such reviews to inflate their ratings. This initiative follows a CMA investigation into Google's practices and aims to protect consumers while ensuring fair competition. The changes are expected to positively influence consumer spending, largely shaped by online reviews, and create a level playing field for businesses that adhere to ethical practices.

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UK Employment and Earnings Update

Early estimates for December 2024 indicate that the number of paid employees remained stable compared to December 2023, with a slight decline of 8,000. The health and social work sector experienced the most significant annual increase, adding 109,000 employees, while the accommodation and food service sector faced the largest decline, losing 71,000 employees.

The median monthly pay rose 5.6% from December 2023, reaching £2,457. The accommodation and food service sector recorded the highest pay growth at 10.0%, whereas the education sector saw the lowest increase at 0.9%.

London's unemployment rate stands at 6.2%, the highest in the UK for the period from September to November 2024. Despite this, the city's employment rate remains strong, reflecting the dynamic nature of its labour market. Economic inactivity in London is slightly below the national average at 21.6%, indicating a significant portion of the working-age population is either not seeking employment or unavailable for work. This underscores the need for targeted policies to address unemployment and support economic activity in the capital.

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Treasury Chief Highlights Spending Review Reforms

In his keynote speech at the Institute for Government's conference, Chief Secretary to the Treasury Darren Jones, underscored the Government's commitment to public spending reforms, infrastructure, and digital transformation. He pointed out the inherited challenges, including a £22 billion deficit, and the tough choices made to balance the budget. Jones unveiled the first "zero-based" review of Government spending in 17 years, concentrating on efficiency and data-driven decision-making. He also detailed plans for a £100 billion investment in infrastructure and emphasised digital transformation's significance in enhancing government services. Jones conveyed his aspiration to leave a "tangible" legacy through these reforms.

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Labour Limits Quangos' Powers on Housebuilding

The Government has announced that environmental quangos will no longer have the power to require developers to mitigate environmental damage before commencing construction. Instead, developers will contribute to a new national “nature restoration” fund to offset potential damage, enabling projects to move forward without delays. This initiative seeks to streamline the planning system and expedite housebuilding projects across the UK.

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Business and Trade Select Committee Update

During a Business and Trade Select Committee session on ‘Export-led growth’, MPs heard from key figures, including Douglas Alexander MP, Minister for Trade Policy and Economic Security, and Nick Thomas-Symonds MP, Minister for Constitution and European Relations. The discussion centred on the Government’s trade strategy, which is set to be published in the spring and aims to reset relations with the EU while seizing global opportunities.

Douglas Alexander highlighted that Brexit had hindered the UK’s trade, with services trade surpassing expectations while goods trade fell short. He stressed the necessity of a clear-eyed assessment of the geopolitical context to implement an effective trade strategy. The session also addressed labour standards, tariffs, and economic security, with Alexander noting the Government’s commitment to reviewing international trade agreements and tackling issues like forced labour.

The committee discussed the forthcoming UK-EU summit and the Government’s ambition to align with the EU’s Carbon Border Adjustment Mechanism. Economic security was also a crucial topic, with Alexander emphasising the significance of incorporating it into the trade strategy. The possibility of increased tariffs on Chinese electric vehicles was raised, reflecting ongoing considerations in the Government’s trade policies.

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Use of AI to Predict Policy Reception

Labour is developing an AI tool called Parlex to predict how MPs will respond to proposed policies. By analysing years of contributions to parliamentary debates, Parlex provides insights into potential parliamentary reactions, assisting policy professionals in gauging sentiment and shaping strategies for contentious legislation. This tool aims to manage political challenges more effectively and complements other AI technologies like Consult and Redbox, which automate public consultation analysis and streamline ministerial submissions.

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Call for Action on Bogus Self-Employment

Margaret Beels, the Director of Labour Market Enforcement, has urged the Government to take prompt action against fraudulent self-employment practices. She warns that employers may exploit gig workers without urgent measures to circumvent forthcoming workers' rights reforms. Beels stresses the necessity for stringent enforcement to ensure equitable treatment and protection for all workers and prevent businesses from evading their obligations. This call to action seeks to protect workers' rights and foster a fairer labour market.

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Manufacturing Sector: Economic Indicators

In the three months leading up to November 2024, the UK manufacturing sector experienced a decline in output, decreasing by 1.0% compared to the previous three months. This sector, which represented 8.8% of the UK's economic output and 8.1% of employment in Q3 2024, saw a 0.3% reduction in output between October and November 2024. The Purchasing Managers' Index (PMI) for December 2024 stood at 47.0, signalling a contraction for the third consecutive month, with decreased production, new orders, and employment. Business confidence also reached its lowest level in two years, reflecting persistent challenges in the sector.

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London Labour Market Update: January 2025

The latest Labour Force Survey (LFS) data reveals that London had the highest unemployment rate in the UK, at 6.2%, from September to November 2024. Despite this, the city's employment rate remains strong, reflecting the dynamic nature of its labour market. Economic inactivity in London sits at 21.6%, slightly below the national average. This indicates that a significant portion of the working-age population is either not seeking employment or unavailable for work, potentially due to various factors such as education, health, or caregiving responsibilities.

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Record Number of Firms in Financial Distress

A recent report indicates a record 50% increase in UK businesses experiencing critical financial distress from September to December 2024. The most affected sectors include hospitality, leisure, retail, and construction. Companies are deemed financially distressed if they have an outstanding county court judgement exceeding £5,000 or face a winding-up petition. This surge underscores the ongoing economic challenges and pressures confronting businesses across the UK.

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