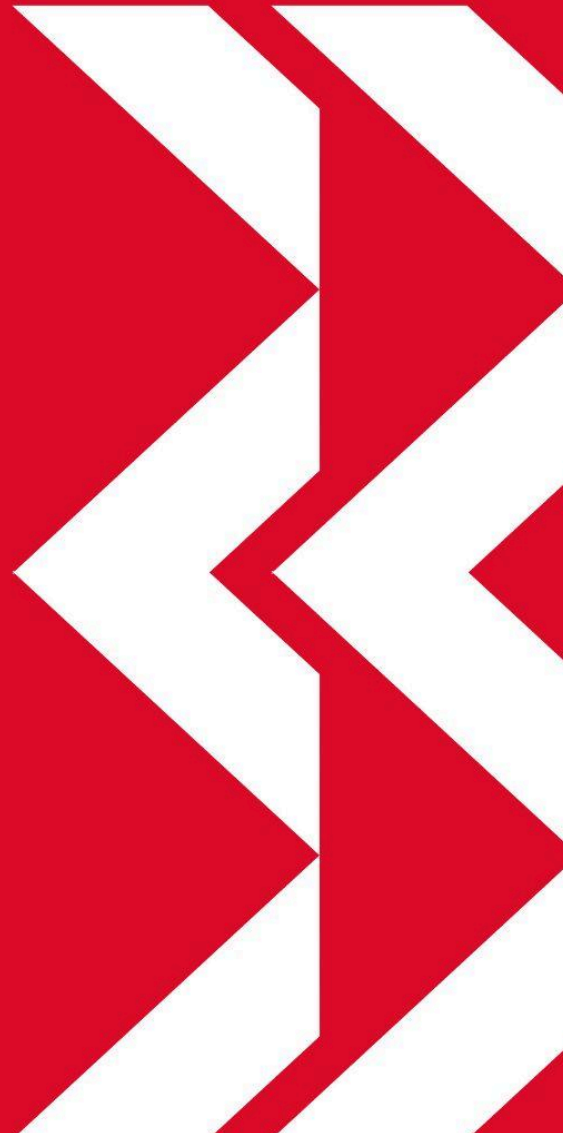


A progressive case for state reform

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SEPTEMBER 2025

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Labour Together

About

About the Authors

Peter Hyman is a political strategist, educationalist, social entrepreneur, and writer. He was advisor and speechwriter to Tony Blair from 1994-2003, and later advised Keir Starmer between 2022 and 2024. Peter has also been a headteacher and co-founded School 21, School 360 and Voice 21.

Morgan Wild is Chief Policy Adviser at Labour Together. Morgan joined Labour Together from Citizens Advice, where he was Head of Policy. He's interested in why policy keeps failing, why we keep noticing and why we don't fix it. He's worked a little on a lot of things, including energy policy, inflation measurement, regulation and social security.

About Labour Together

Labour Together exists to help Labour win and govern for the long term. It will only do so if it's able to respond to the desire for the change and discontent felt across the country. If we can't, we don't deserve to be re-elected.

This is a challenge being faced by progressives across the world, and Labour's first year in government shows that building this new politics is hard. The first step is always to understand what's wrong - Labour Together set out its view in [Britain's Bottlenecks](#).

Now we turn our attention to the political arguments we believe Labour should be making to give a vision for what Britain can be, what guides our thinking and how we get there. This paper makes an argument on the latter of these - how we can build a state that can change the country, when so many people have given up faith that it's possible.

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Foreword

I came into the centre of government directly from 14 years in local government and seven years of leading a council.

I remember the awe I felt walking into Whitehall, the huge sense of responsibility, and as you walk through the buildings, the sense of history and tradition.

In Camden, we spent seven years turning the council inside and out, working with our communities to deliver outstanding services. We had harnessed the tech, life sciences and creative sectors to drive innovation and open up opportunities for our residents. We worked in an open plan office and there was a daily sense of ambition, drive and energy with everyone pushing at their full capacity in scarce resources. It was by no means perfect, but it was fast-paced and energising.

In many ways, Whitehall felt like walking back in time.

There are some real positives to that sense of tradition. The civil service has a deeply embedded professionalism and strongly held values of impartiality and integrity, which we can never take for granted.

But some of that history means it has been set up for a slower world, a less complex world, a more hierarchical world, which leaves good people stuck in systems that are no longer fit for purpose.

So many of the cliches turned out to be absolutely true around how insulated ministers are from each other and how slow it was to move things forward, even something as simple as meeting external partners.

But the thing that felt most stark was how distant the civil service feels from people, communities, and the frontline of public services. Too often, a policy announcement is mistaken for delivery, and the harder work of making sure something actually changes on the ground isn't followed through.

I now see much more clearly why, at a place level, we end up with so much confusion, duplication and fragmentation because ultimately Whitehall hasn't been set up to put people and places first.

There is enormous creativity that has to go into circumventing complex and archaic systems and rules. If you are determined enough, you can get through them, but it is like running an obstacle course where something that should take days can take months.

There are some big shifts this Government is driving forward to address these issues.

Firstly, breaking down the silos to put people and place first. Delivery for the public has to come before departmental or organisational interests. Knitting our reform and growth agenda together at a place level forces departments out of silos and into thinking about how government's assets, people and investment can be used to get behind local leaders to really transform things for places facing low growth and deep inequalities.

From Best Start In Life to neighbourhood health centres, this government is investing in community solutions, and our devolution agenda is putting decision-making closer to people. In my previous role at the Cabinet Office, I saw first hand how the Test, Learn and Grow innovation programme is turning normal processes around – bottom up rather than top down.

Secondly, we are creating the conditions that support delivery at pace. The basis of this is creating a modern, digitally enabled organisation with a clear view of data and streamlined processes. Colleagues are examining every rule and control and developing fewer but better rules. We want high accountability, but also far more freedom and incentives to innovate. And we are bringing in the right expertise from outside to help us.

And finally, this government is working to create more outward-looking organisations, catalysing change across sectors. We are growing the civil service outside of London with a target of 50 % of our senior leaders based outside London and asking civil servants to work alongside places to make sure change is felt in every part of the country.

Despite the scale of the challenges, I feel optimistic. I have seen when we change things and give people authority to work differently, that sense of stagnation quickly moves to huge energy, excitement, drive and purpose. If I need inspiration, I go out into communities. From Birkenhead to Grimsby, I have met so many people who weren't waiting for the government but saw the need in their places and started organisations that are investing in their places and creating opportunities. If we can connect to that energy, pride and love for place, then change will happen at a speed we could never imagine at the centre.

We want to see a vibrant debate about how we reform the state, the stakes could not be higher for our country and communities. Discussions like the one Labour Together is kicking off in this paper are so important to help us to deliver change for people in every corner of the UK.

Georgia Gould

MP for Queen's Park and Maida Vale, and Minister of State at the Department for Education

We must be the bold reformers

Across the Western world, people are turning against lumbering bureaucracies that fail to deliver. The 'drain the swamp' impulse is real and powerful. People are used to having a smartphone in their hands with bewildering capacity. At the same time, they too often see the state finding even the simplest of tasks difficult to accomplish.

The failure of governments to 'perform' - a combination of broken promises, economic incompetence and glaring injustices - is perhaps the single biggest driver of disaffection with the political process. Stagnant wages, living standards flatlining, public services creaking and regional inequality growing all fuel a level of disillusionment that has reached dangerous levels. On top of this, in the UK, there have been scandals that shame the state and corrode trust: Hillsborough, infected blood, Grenfell, the Post Office, Windrush, to name a few.

For the left, the failings of the state are a particular threat. We believe in the state's ability to deliver for working people, so if people's confidence is lost, we are in trouble.

But this also provides a real opportunity. If we are ambitious about the country and believe in long term change, not short term quick fixes, then we must be the bold reformers of the state to achieve it.

We must be the reformers because, without fundamental change, the state is incapable of doing the big progressive things that we believe in: growing the economy, reaching net zero, halving knife crime, tackling poverty, rebuilding the NHS, and reskilling the nation.

The moment is also urgent. Government is about choices. The choices this government faces are harder than they should be. If we reform the state well, we can blunt the edges of some of those difficult decisions.

As we pursue this question, we need to make the ideological faultlines clear.

Britain's centre-right has always preached the case for a leaner state. That's a reasonable ideology to argue for. But that's exactly why the Conservatives deserve particular blame for our current position. They *could* have privatised major public services and put the responsibility for them onto the public's shoulders. In reality, they didn't want to try to win the argument for a smaller state with the British people.

Instead, they salami-sliced, cutting investment in the vital infrastructure needed for future growth and believing they could make public services more efficient just by cutting them. They chose to freeze pay rather than pay fewer people. That led to many of the pathologies that Labour is now dealing with. It stripped out capacity - the public sector managers who actually *could* work out how to make things more efficient were gone; the state became dependent on low-value management consultants instead. And it incentivised the system to create more positions and

overpromote people before they were ready to move up, as the only way of keeping them when their pay was stagnating. You could study it in an MBA programme as a case study of what not to do.

Today, the populist right is keen to take a chainsaw to the state, but has not thought through the implications. In most cases, it is a mixture of pandering to disaffection and ideological opposition to welfare or development spending. But there is little long term or strategic about it. And its randomness and unplanned nature - as is the case in the United States - can lead to vital services or safety measures being cut, putting lives at risk.

The centre-left's goal is to build a state that can change the lives of the British people for the better. We have always believed in a balance between state, market and civic society. Our solutions adjust to the problems of the day.

While the last Labour government was ambitious and successful in reforming public services, it was less ambitious and less successful in reforming the incentives, structures and ways of working of the civil service and the central state. It preferred instead to create pockets of innovation, often by-passing outdated practices that more or less carried on as usual.

For today's times, a new type of state is needed. One that has more energy and will to get things done rather than slow things down, one that recognises centrally planning the government is as bad as centrally planning the economy, and one which is designed to solve wicked problems rather than manage them. We might call this the dynamic state.

But a dynamic state is hard to achieve. It will require politicians to get a grip on the civil service. Many public servants within it and outside it are desperate to create what is needed. But many mandarins have built their careers maintaining the status quo and are disinterested in really seeing it change.

Born of Empire, the state was never built to serve working people

The British civil service was designed to run an empire, not to serve working people. Its purpose was to rule over people as subjects, not serve them as citizens.

The modern civil service was born out of the East India Company and became professionalised later through the Northcote-Trevelyan reforms. Britain's governing faith was simple. Find the best men, put them in the club, and the empire will run smoothly. One 'heaven-born' officer in the Raj's 'steel frame' oversaw 300,000 souls, each with the finest training in Latin, Greek and writing good essays.

The imperial civil service was built on command and control. Clever people with the right sort of education who knew the decisions they made were better. Brains at the centre, obedience at the edge. Endless statistical knowledge, precious little on the ground experience.

Today's civil service is a different beast. Many of our brightest and best sign up with the energy and enthusiasm to serve the public. But they find an institution that is still constrained by echoes of the past. In its senior leaders, they will still find too much aloofness and paternalism. In its structures, they will find fiefdoms controlling the flow of information, resources and power. In its culture, they will find a fear of change and a suspicion of innovation.

Labour has long struggled against this tendency. Bevan wrote of 'dogged obstruction' and 'virulent' opposition from officials when he created the NHS. Wilson complained of the 'domination of Oxbridge amateurs'. Crossman, on his very first day as a minister, realised 'the tremendous effort it requires not to be taken over by the civil service: my Minister's room is like a padded cell'. Barbara Castle described it as 'the loneliness of the short-distance runner...one person against the vast department.' Blair spoke of the 'scars on his back' and endlessly sought to modernise the civil service and the state. Great achievements were often achieved with great officials, in the teeth of the institution itself.

The big delivery achievements of recent governments have often been achieved by bypassing, subverting, or adding layers to the existing civil service structures. Often the formula is a dynamic CEO, a team of handpicked experts - from inside and outside of Whitehall - and a direct line to the Prime Minister. The Vaccine Taskforce and Labour's Rough Sleeper Unit are two good examples of this.

Our 19th century state can still do amazing things if political weight is behind it. This is a key point. Strong Ministers with a clear vision and a tenacious desire to achieve real change can still make a difference and drive the system, but too many feel it's done by dragging a system that is holding it back. To use a car metaphor, the foot is too often on the brake, not the gas. It's worth noting in the interest of balance that when, in recent times, there have been 6, 8 or even 10 Secretaries of State in departments in the space of two or three years, the civil service is left with only one imperative: keeping the show on the road.

Overall, our inherited, imperial model is creaking at the seams - it simply hasn't kept pace with the times. This is for three reasons:

Complexity. Our Victorian model is 'predict and control'. It can work well for *complicated* problems, like building a bridge - something that is hard and involves many moving parts. But there are a small number of correct ways of building bridges, and we know a lot about them. Processes like the Treasury's Green Book are often great for complicated problems, where you can apply a structured process to work out the most cost effective way of achieving a specific objective.

Most of the government's biggest problems are *complex*. They are unpredictable and uncertain. We could study them for years and our plan to fix them would not get any better. These problems require acting early, testing and learning from those experiments. Knife crime is a complex problem. We don't know in advance what will fix it. You need a spirit of innovation.

Centralisation. Power has become more centralised and more remote from the people it serves. The central state has accumulated more duties while concentrating ever more power in Whitehall. It now collects 95% of all UK tax revenue compared to 50% in Germany. Its productivity has barely increased in 30 years, but it continues to soak up more and more of the country's resources. People rightly believe that issues that many towns face - like anti-social behaviour, decaying high streets, fly-tipping, and decline in local jobs - would be taken more seriously if power and politics were more bottom-up and less top-down.

Pace. The state is slow, often painfully slow. And that breeds frustration and anger. Because many of the decisions it makes carry risk, it is natural for the system to prefer delay to decision, because you are more likely to be blamed for something that goes wrong than for a benefit failing to materialise. But it has got worse. We have created a *vetocracy*, with many unaccountable national bodies able to say no, with little pushback, rather than enabling a yes. We have made the state more bureaucratic in a way that replaces practitioner judgment with process. This has piled on to make the natural biases of the system worse.

One of the authors saw all three of these failings when setting up a new school in East London and then leading it as headteacher. Building a new school was relatively smooth when working with external expertise - surveyors, architects, construction workers - but painfully slow and frustrating when dealing with departmental officials.

As a result, there is greater distrust. Faith in institutions has eroded sharply. Only 21% of Britons now trust the government to put the nation first most of the time (43% in 1980); trust that civil servants "tell the truth most of the time" has fallen from 62% in 1983 to 34% today. Faith in politicians has fallen most of all. People aren't wrong to be distrustful. The system genuinely isn't working.

Of course, every country struggles with their version of this. What is uniquely British is how much we still rely on a single point of hierarchical failure - Whitehall - that hasn't been fundamentally reformed since the empire. No one else tries to run a major country the way we run Britain. Because we ask so much of Whitehall, we get inertia. If it doesn't move, it can't break. 'Don't pull at that string, Minister. We don't know what will happen if you do.' The civil service has a proud constitutional duty to provide continuity in government. But we need more energy, experimentation and risk.

An institutional failure rarely has a single villain. Politicians of both parties embraced greater and greater centralisation. The civil service has long been instinctively snobbish about delivery - its currency is the amount of legislation passed, the submissions written for Ministers, and the ability to keep the politician out of trouble - and failed to bring in new disciplines and new thinking. Voters often want strong, decisive leadership, even when that entrenches the pathologies the British state suffers from.

Voters, politicians and civil servants all end up believing that if *only* better people were in charge, making better plans, problems would just take care of themselves. It always helps to have great people with great ideas, of course. But it is not enough.

What matters now is building a state that can handle things better. To make it faster, we need to start unblocking its procedural pipes. To give the state more bandwidth, Whitehall needs to do many fewer things and mayors and local government many more. Instead of relying only on a permanent, risk-averse civil service, we need time-bound missions focusing hard on the biggest national problems we face.

Cutting through the crap and getting things done

The biggest rise in Reform voters since the election has been the group of people who say: 'we just want a government that gets things done'. People are fed up with things taking forever to happen. The delay between election promises being announced and delivered is not just because some things genuinely take a long time to turn around, but because the growth of the centralised state means we have created so many national veto points. There are too many places where a conservative status quo has the power to say no, rather than enabling something to happen.

That is why the Labour government has been right to cut through the blockages and get Britain building again. The American centre left is reckoning with this, too. Ezra Klein and Derek Thompson's book *Abundance* makes a powerful case for seizing a centre-left case for building the future we want.

We have made our own contribution to that agenda in collaboration with the Centre for British Progress, using Heathrow as a symbolic example of the tortuous process needed to get major infrastructure projects built.¹

A runway is just a several kilometre stretch of reinforced pavement. You'd think it could be built in as little as a year. You'd be wrong.

Fundamental to our diagnosis is the number of veto points in the current system. There are around 20 different public bodies that have some say over building a third runway. That means there are too many people who can slam on the brakes and no one who can hit the accelerator. Reasonable people will disagree about whether we should build a third runway. But the decisions should be decisive, not take decades, where the engine stalls.

You can see versions of this problem across the private and public realms. The risk to the bureaucracy of doing something because it might create a legal challenge is treated as more important than the benefits the action can bring to people themselves. Usually, the regulations themselves are unobjectionable and are trying to achieve something sensible. But for an overwhelmed state, potential reasons *not* to act take precedence.

¹ Labour Together, [Getting Britain off the ground](#)

Putting real power in the hands of communities

The central state needs to do fewer things well. The presumption should be that decisions are taken as close to the people they affect as possible. 'Power to the people' should be the rallying cry of the left, not 'power to the centre'.

And that means constantly making the case for it. There is a pattern of new ministers, finally in power, with the pressure to deliver, resisting devolving power, and scared of letting go. But this rarely ends well.

Take Rishi Sunak's decision to fund public chessboards as Exhibit A of recent lunacy.

Is there any greater cry for help than setting up a procurement process for local councils to bid for a share of a £250,000 fund to install 100 public chessboards?

It is emblematic of an approach: the leader at the centre has decided public chessboards are important, so his courtiers spend time designing a process that allocates this money in the least stupid way they can, rather than dealing with the state's biggest problems.

However useful it might be for chessboards to adorn the nation's parks, Whitehall shouldn't be near it. Many have now been vandalised, presumably because no one thought about their upkeep. We need to give Whitehall a fighting chance of doing any of its jobs well. A dynamic state is only possible if it obsesses about the biggest problems facing the whole nation. And there are lots of things the central state will *always* be hopeless at, because it doesn't have the right incentives or knowledge to do the job.

Regional economic strategy is obviously one. The Treasury can't come up with a tailored economic plan that will move the dial for, say, Grimsby. But Grimsby should thrive. What gives us that confidence? Not personal knowledge of its economic prospects. Simply that it is a community of 90,000 people. It has within it many talented people with ideas and industry. Ordinary citizens who can galvanise their community. If we give power away in the right ways, people will work it out – if they are allowed to. A Whitehall hero in a cape can only get in the way.

This means, as we argue in *Nation Rebalanced*², moving power and resources outside of London and making mayors the main local source of accountability, so that less stands and falls on Whitehall's shoulders. Other countries have much more sophisticated ways of doing this - for example, deep municipal bond markets so that regional leaders don't have to come with a begging bowl to Whitehall.

Not only does the state make decisions *for* local government, but it stops it from acting too. Manchester once built its own reservoirs because it could borrow money on its own terms, and the minister had no say in it. Now, a central regulator like Sport England can hold up housing developments because a developer's risk assessment for the potential impacts of cricket balls was flimsy. Whitehall exercises control over things it cannot judge. Some areas, given the power to

² Labour Together, [Nation Rebalanced](#)

make choices, might prefer decline over growth. But with the responsibility for their region's success on their shoulders, and more of the costs of decline sitting with them too, we bet they will not.

We need a civil service rewired for innovation and change

Even when we have given as much power away as possible, there will still be a need for a central state that is as high-powered and decisive as possible. What we have instead is a system where all the incentives are aligned for the civil service to deliver on the short term, superficial needs of ministers, not the long term aspirations of working people. Part of this is always ministers' fault, of course. But we won't make the system work unless we force the system outwards, onto outcomes for the British people.

If you are a young civil servant with expertise committed to changing the country for the better through public service, you will meet the following incentives. You will rapidly churn through positions because rotation is rewarded over delivery. Every innovative idea you have will be a risk to be mitigated, or a programme to be planned for, not an experiment to be embraced. You will often be promoted for sharp notes rather than solving problems. You will get in at the ground floor, because specialist external expertise is not the normal model for high flyers. You will find that the most important skill to get ahead is managing your minister.

To change this, we need bureaucratic imagination. We need different institutional forms. We will always need a permanent civil service that takes care of services that the centre has to own and make endure - taxes, benefits, identity, payments. This kind of work will require a particular type of person: someone who takes pride in stewarding the most important, basic functions of the state.

The state will always need departments that own vertical areas. But these should become smaller system leaders, focused on setting strategy and expectations, appointing mission and service leads, making sure every layer of government is coordinating well, deciding the time bound remit of temporary mission teams and closing work that no longer serves a purpose.

What should still be the most radical source of change is missions to solve complex problems. Missions - ambitious, long term, cross-departmental goals that need many players, national and local, to achieve them - is a way of permanently changing the way Whitehall operates. Over time, this means moving from a state based on departments and individuals to one based on agile teams and service delivery. And its implications are far-reaching - no longer a culture of workarounds to the current ways of working, but the replacement of our existing departmental structures with a series of public facing project teams.

Missions have been hard to embed because Whitehall organisations are designed for vertical focus and control on specific policy areas - and even then, they rarely join up well with local government. They do the horizontal and cross-cutting very badly. Most government problems cannot be solved in siloes. So the service will need to change.

While it is not formally one of the government's missions, the gov.uk app is one good example of a new way of approaching government. This way of working has come most naturally to digital teams. It is an area where the British state is rightly regarded as a pioneer.

The app is basic at the moment - essentially a front door to a collection of links to the different government services. That's the point. Ship something that works, test, learn, iterate.

It will grow. The government is already committed to a digital driving license. The HM Armed Forces Veteran Card will be the first credential to land in the wallet. We have argued that one destination should be a compulsory digital ID that serves as proof of belonging. It is testing, learning and diving into an enormously complicated problem: the various rules and methods for proving your identity have sprung up across the state over decades and centuries for organic and irrational reasons.

It will encounter vast challenges as it navigates the government's different fiefdoms. Ancient 1980s computer mainframes. Records that were never digitised in the first place. The kinds of data management practices that led to the Windrush scandal. HMRC alone has 600 systems described as 'complex, ageing and costly'. Hard political choices between what the state has the right to know and what the citizen has the right to disclose. As the team picks at it, they will find that everything the state does has *something* to do with identity. Some departments will try to guard their secrets and skeletons.

But this is often how government gets better. Don't reform the old, start the new. An identity mission team would exist for a time, and then it would become a service, with the strategic questions given back to departments.

Missions are really the only approach to some of Britain's thorniest social issues.

One of the authors worked at Citizens Advice for the better part of a decade, seeing those thorny issues up close. The difference between this venerable institution and the modern state could not be more stark. Someone coming in for advice is treated as a person with agency and dignity first, their problems as interconnected, often complex, and often caused by a state bureaucracy gone wrong. The state sees them as if peering, from afar, into different rooms in a house: a benefits problem in one room, a medical condition in another, a housing issue in another. It can barely see the person, let alone the connections.

Missions offer hope of a better state. As this government moves forward in its reform of Whitehall, some features of missions will be particularly important.

First is institutional repertoire

There's no reason to expect the problem of mass producing a vaccine to prevent the novel coronavirus to involve the same organisational structures as the problem of reducing NHS waiting lists. It is a major defect of the British way of governing that we throw the same organisational structures at every problem. We should have a repertoire of different forms for different problems.

Second is accountability

Missions need leaders. They need to be appointed based on competence, not patronage, and expected to finish the job or leave. They have a direct line to a senior minister to get things done. They have a track record of results.

A third is autonomy

That person, once given a budget and a problem to fix, should have maximum discretion. They will be judged less by the business case they put forward and more by their ability to use resources to hit milestones and outcomes. The expectation is that they will need multidisciplinary teams and will need to pay at or above market rate to get the talent they need. Posts should be filled by secondment or contract; no one 'owns' a desk once the project ends.

The agenda for change needs to be big and bold and holistic:

- A belief in the principle that it is our responsibility, as the people who most believe in the power of the state, to do all in our power to make it perform
- A culling of the myriad points of veto
- An overhaul of recruitment to get in the best talent, specialisms and expertise
- A change in incentives so that civil servants stay longer in jobs and have a record of achievement and high performance before being promoted
- A default way of working that is based on a dynamically led, multi-disciplinary team that is both vertical (working with communities) and horizontal (joining up departments) - shaped around real change for real people.

Only a reformed state can save democracy

The populist right has its critique of the state. They want to take a chainsaw to it. But they have no plausible theory of change.

However, the impulse for radical reform is the right one. But it must be for a purpose. For Labour and the centre-left, the dynamic state is part of the solution to the problem of Britain's decline. A more strategic, leaner, more agile, devolved British state will achieve greater progress than one that lumbers on in its present condition.

In every community, there are skilled, willing citizens and brilliant civil servants ready to change the country. They just need a state that's capable of helping them do it.

So let's do it our way. We don't need Elon Musk. But we do need a fresh mindset that says, if we want people to believe once more in the power of the state to do good, then we must be its bold reformers.

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