

UK: The structural crisis behind electoral volatility – Policy implications

Prime Minister Sir Keir Starmer's cabinet contains hardly any surprises. His line-up largely equals the shadow cabinet from Labour's opposition days. After the first cabinet meeting today, 6 July, the question remains how quickly Chancellor Rachel Reeves might begin recalibrating Labour's implicit promise of no tax hikes. This reflects the central political trade-off between fiscal responsibility public services.

As discussed, Labour's large majority and the Conservatives' major defeat might speed up the process. However, the other factor emerging from the election result is the durability of electoral fragmentation. In terms of the overall vote share, the two large parties together scored their weakest result since 1945. Labour's lead over the Conservatives ended up at merely 10 points, half of what polls had indicated in the run-up to the election. Thanks to its targeted campaign, 34% of the vote were enough for Labour to win a 1997-style landslide of seats, despite gaining almost 10 percentage points less of the vote than Sir Tony Blair. At just under 60%, turnout was at its lowest level since 2001.

Continued electoral volatility is the result of a structural crisis in mainly lower middle-class constituencies outside London, with lower shares of college educated voters, in the much discussed "red wall" and beyond. Starmer successfully targeted these often-marginal seats. Over the past decade, many of these have gone from small Labour or Conservative majorities via supporting Brexit to enabling Boris Johnson's landslide in 2019. This time, they punished the Conservatives, in a mix of backing Starmer's bone-dry version of Labour, with Nigel Farage's Reform often in second place, amid high degrees of abstention.

The economic and political systems keep underdelivering for these constituencies, with low growth, poor health, limited and bad-quality housing, and weak infrastructure. Voters, therefore, keep oscillating between parties. Fixing this continued volatility in British electoral politics will require growth opportunities and public services also for these constituencies. There has been much talk of Starmer's lack of vision, but the importance of respective seats for Labour's landslide, in fact, provides the new government with an obvious mission.

In contrast, the swing to the Liberal Democrats in the affluent southwest "blue wall" and the southeast looks like a more straightforward phenomenon. Voters there punished the Conservatives for failing as an effective administrative and electoral machine. The Greens gaining almost as many seats as Reform, and Muslim voters leaving Labour for independent candidates over the war in Gaza, are also noteworthy. Yet, given the narrow geographical concentration of these latter electorates, under the first-past-the-post system, these dynamics are for now not as relevant as the sustained political homelessness of the lower middle-class vote, spread over many constituencies and reflected, among other things, in Reform's overall vote share of 14%.

Starmer designated lower middle-class seats as target constituencies and made Labour electable there. If he intends to continue on this path, Labour will prioritize respective concerns, if need be, at the expense of other interests. The PM's sober and focused address outside No. 10 and his first press conference today should be seen in this context. Launching planning reform to unlock new housing investment will be a first step in the coming days. However, if the weak outlook for growth and public revenues persists, capital gains and inheritance tax hikes might become the next signposts, to at least prevent a further retrenchment of public services.

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