A BETTER PLAN
FOR BUSINESS
Labour’s plan is based on a simple idea: that Britain and British business succeed when working people succeed.

It is a plan for productive, growing and profitable firms, supported by a government that balances the books, invests in infrastructure, improves skills and opens up more competitive markets.

It is a plan for an open, outward-looking and competitive Britain, which can forge new trading opportunities and secure relationships with our biggest trading partners. Labour won’t risk jobs, exports and investment by threatening to leave the EU.

Our country already has world-leading firms and sectors, an unparalleled record of invention and innovation, as well as a pool of highly skilled workers.

But up and down the country there are too many businesses facing barriers that prevent them from making bigger profits, becoming more productive and providing the decent jobs working people need.

Smaller firms find that rising costs are holding them back. Too often, they can’t access the funding they need to invest. A Labour Government will cut and then freeze business rates on small business properties, lower energy bills, tackle late payments and set up a proper British Investment Bank which backs regional banks serving local businesses.

World-leading firms need to take long-term decisions and access key markets. That is why we will not put our membership of the EU at risk. It is why we will maintain the most competitive Corporation Tax rate in the G7. And it is why we will set up a National Infrastructure Commission so that key decisions on the UK’s infrastructure cannot be ducked.

Businesses across all sectors struggle to recruit skilled workers. Labour will help employers and young people get the skills they need, with everyone studying English and Maths until they are 18, reform of vocational education, and the introduction of an apprenticeship guarantee for all school leavers that get the basic grades.

The better plan set out in this manifesto will mean businesses, working people and Britain can succeed together.

We look forward to delivering it with you.

Ed Miliband         Ed Balls    Chuka Umunna
Introduction

The central task for the next Labour Government will be to back British businesses to create the high skilled, high wage jobs we need to raise living standards. That is how we will maintain Britain’s position as an outward-facing country, and it is how we will pay down the deficit.

Britain has many great advantages to build on. We have always succeeded as an open trading nation. We have many dynamic firms and sectors, a global language and a world-class research base. And we have a history of backing entrepreneurs and wealth creation, and winning the confidence of investors from around the world.

After a long economic downturn there has now been a welcome return in growth and employment. But the global financial crisis has exposed deep structural challenges in our economy. Productivity levels in the UK are still below the pre-crisis peak and significantly lower than other advanced economies – a problem underpinned by an overreliance on consumption to drive growth and a failure to unlock the potential of large sections of our economy.

The unbalanced nature of the recovery means that too many businesses and families are not feeling the benefit from growth. Low productivity means that people have experienced an unprecedented fall in their living standards over this Parliament. Stagnating pay and rising housing costs have also driven higher government spending on social security and lower than expected tax receipts. This has frustrated efforts to reduce the national deficit.

These challenges have fed a deep sense of political disaffection and mistrust in recent years. This is most clearly reflected in the debate about the UK’s future in Europe. The single market gives UK businesses access to the world’s largest trading bloc. Over three million UK jobs are linked to trade with the European Union, and half of our exports are to other EU countries. Yet many senior business leaders have warned that we are sleepwalking towards exit rather than working to reform the EU so that it works in the interests of Britain. This is creating uncertainty for business and putting jobs and investment at risk.
Sound public finances and access to export markets are the basic foundations for growth, and any government will have to work to secure these in the next Parliament. Labour will balance the books and cut the deficit every year, and we are the Party that will safeguard our future within a reformed EU.

But a Labour Government will also go further, implementing the changes our country needs to build a stronger, more productive economy that delivers rising living standards for all and reduces the deficit. We will support our leading sectors to invest and grow, unleash the potential of small firms, and help the lower skilled sectors that employ millions of people to raise productivity and pay. It is only by working together with businesses that we will achieve the change our country needs, charting a path to higher productivity in all parts of the economy and ensuring public support for an open, global vision of a dynamic market economy.

Labour’s better plan for business

- Build a strong economic foundation, cutting the deficit every year with a surplus on the current budget and national debt falling as soon as possible in the next Parliament.
- Support access to international markets by returning Britain to a leadership role in a reformed European Union.
- Meet Britain’s long term infrastructure needs by setting up an independent National Infrastructure Commission.
- Tackle rising business costs, by maintaining the most competitive Corporation Tax rate in the G7 and cutting and then freezing business rates for more than 1.5 million small business properties.
- Ensure firms can get the finance they need to invest and grow by establishing a proper British Investment Bank, which will also support a network of regional banks.
- Tackle skills shortages by ensuring all young people study English and maths to 18 and introducing a gold standard vocational route, including a plan to create thousands of new apprenticeships.
1. Building a strong economic foundation

Businesses need government to put in place strong economic foundations, providing them with the stability and confidence they need to make investment and hiring decisions. Labour will build that foundation by balancing the books, with a current budget surplus and falling national debt as soon as possible in the next Parliament.

We will cut the deficit every year. Outside of a few protected areas departmental spending will need to fall until we balance the books. But we will do this in a fair way. We will ask the highest one per cent of earners, with incomes over £150,000, to pay a little more to help get the deficit down by reversing the cut to the top rate of tax. We will take the tough decisions to cap child benefit rises for two years and stop paying the winter fuel payments to the richest five per cent of pensioners. And we will increase the transparency and rigour of the tax system by closing loopholes that cost the Exchequer billions of pounds a year.

It is also the duty of government to continually look to improve public services, to make difficult choices about priorities and get maximum value for every pound of taxpayer money it spends. In an era when there is less money around, that duty will be central for the next Labour Government. That’s why Labour’s manifesto will not include proposals for any new spending paid for by additional borrowing. The Institute for Fiscal Studies has identified Labour as “the most cautious” of the three main Parties, and the only one that has not announced an overall net giveaway.¹

We will also cap structural social security spending in each spending review so it is properly controlled and examine every pound spent by government through our Zero-Based Review of spending, which is identifying savings and rooting out waste. Labour has already identified efficiency savings across many departments. We will save almost £250 million in the policing budget, for example, including measures to scrap elected police and crime commissioners and reform police procurement through mandatory joint purchasing of equipment by police forces, and more than £500m a year in the Communities and Local Government budget through shared services, back-office collaboration, and streamlining.
Labour will:

• Cut the deficit every year with a current budget surplus and falling national debt as soon as possible in the next Parliament.

• Make no proposals in our manifesto for any new spending paid for by additional borrowing.

• Reduce the deficit in a fair way, including closing the tax loopholes that cost the Exchequer billions each year and stopping paying the winter fuel allowance to the richest five per cent of pensioners.

• Cap structural social security spending in each spending review and reduce waste through our Zero-Based Review of spending.
2. Ensuring an open approach to the world

Britain must remain open to the world if we are to succeed. The UK, suffering from a chronic trade deficit, needs to attract inward investment and boost our export sectors if we are to secure prosperity and international competitiveness. That requires leadership to make the case for an open, outward looking approach, and it requires us to build consent with reforms to make that openness work for more of Britain’s families.

Labour will safeguard our future and prosperity by maintaining our membership of the EU. We will return Britain to a leadership role in the EU and create certainty for investment in jobs and growth, with no in/out referendum unless there is a further transfer of powers from Britain to the EU.

A Labour Government will also work to change the EU so that it works in the best interests of our country. Our reforms will focus the EU on jobs and growth. We will work to complete the single market and argue for an EU Commissioner focused solely on growth. We will ensure that we can better champion the economic interests of the UK in EU policy-making and reduce unnecessary regulation by introducing a ‘red-card mechanism’ for member states to provide greater parliamentary scrutiny. And we will push for tough budget discipline in Europe by reforming the Common Agricultural Policy and calling for a zero based review of spending on EU agencies to reduce waste and inefficiency.

We cannot close ourselves off from the world. Labour will not make the mistake of making promises on immigration that we cannot keep or setting targets that harm Britain, such as by putting university students and high skilled workers in the same category as low skilled migration. That’s why we will remove university students from the Government’s net migration target.

We will ensure fair rules on immigration. We will work for stronger transitional controls, enabling member states to control the flows of workers for longer when new countries join. We will reform social security rules to stop the payment of benefits to those not resident in this country and restrict access to benefits for two years for those coming from the EU. And we will help stop businesses and employees from being undercut by closing the loopholes that allow agency workers to be used to undercut wages.
and ensuring the minimum wage is properly enforced.

Labour will also back UK businesses to export more to the rest of the world. We support trade agreements which can bring significant benefits to the UK. The Transatlantic Trade and Investment Partnership (TTIP), a trade agreement between the US and the EU, has the potential to boost trade and growth, secure and create jobs, and extend choice for consumers. That is why we support the principles behind the negotiations on TTIP, at the same time holding the European Commission to account on issues of concern, including the impact on public services and fair access to US markets for British businesses.

Labour will:

• Safeguard our future and our prosperity by maintaining our membership of the EU.

• Focus the EU on growth and jobs, complete the single market and reform the EU budget.

• Ensure fair rules on immigration, including longer transitional controls for countries joining the EU and more limited access to benefits.

• Support international trade agreements that bring significant benefits to the UK and promote the interests of British businesses overseas.
3. Backing British business to create the high skilled jobs we need

If Britain is to succeed in the modern global economy and pay down the deficit, we also need to address the structural challenges we face. As Director-General of the CBI John Cridland has said:

“A healthy economy is one that can maintain and enhance the living standards of its citizens. Businesses themselves benefit from the stable business environment that these societies deliver. But our economy could be healthier and stronger than it is now.”

Labour will back British business to create the higher wage, higher skilled jobs our country needs to raise living standards – with an active industrial strategy to build a long term investment culture, raise productivity across all sectors, firms and regions, and deliver the high skilled workforce we need to succeed.

A long term investment culture

Labour will build a long term investment culture in the public and private sector. That starts by ensuring our leading firms have the certainty they need to invest and grow.

We believe our business tax system must be competitive, promote long-term investment and innovation, and be simpler, predictable and fair. The last Labour Government left Britain with the most competitive rate of corporation tax in the G7 and we are committed to maintaining that position. But we also recognise that companies are just as concerned about other elements of the business tax regime, such as capital allowances and business rates. That is why we will support incentives for long term investment, examining the case for changes to redress the systemic bias in favour of debt finance, and recognise the diverse interests of the business community as a whole.

Building world-class infrastructure will be crucial to fostering economic growth and meeting the challenges of the 21st century. Labour will create certainty for investors by taking a long term approach to the major investment decisions in key areas such as energy, transport, flood defences and telecommunications. We will set up a new independent National Infrastructure Commission to assess and plan for Britain’s infrastructure needs, making recommendations to government, monitoring their
3. Backing British business to create the high skilled jobs we need
implementation, and holding government to account. This approach will be based on ten national infrastructure goals. This includes making the UK the most connected and open trading nation in the world, the best place in the world to do scientific research, and a transport network which spreads growth to every part of the country. We will continue to support the construction of High Speed Two, while taking clear steps to ensure costs are kept down. We will support long term investment on strategic roads and, following the Davies Review, we will make a swift decision on expanding airport capacity in the South East, balancing the need for growth with the environmental impact.

Supporting industry and our research base to collaborate on the scientific discovery and technological innovation that will form the basis of the economic advances of the next century requires funding stability. We will introduce a new long term funding and policy framework for science and innovation, and support vital sectors such as construction and advanced manufacturing to make long term investments in low carbon technologies and the ‘green’ economy. In order to clean up your power supply and give business confidence to invest, we will put in place a legal target to decarbonise our electricity supply by 2030, and support our energy intensive industries to deal with an increasingly challenging environment. We will leverage investment by ending the uncertainty on a date for delivering borrowing powers to the Green Investment Bank and create an Energy Security Board to plan and oversee our long term energy needs for a secure, affordable and low carbon energy mix, including renewables, nuclear, green gas and carbon capture and storage.

In the UK, the growth of cutting-edge companies has been hampered by systemic pressures that force too many businesses to focus on the short term. Business leaders know that the pressure to turn a quick profit can be detrimental to the longer term development of companies and industries. Labour will protect our leading firms from these short-term pressures. We will give institutional investors a duty to act in the best interests of ordinary savers and to prioritise the long-term growth of the companies they invest in. We will change takeover rules to strengthen the role of long term investors by restricting voting to those already holding shares when a bid is made, and strengthen the public
interest test to protect the UK’s science and research base. Everybody supports reward for outstanding achievement. Labour will improve the link between executive pay and performance by simplifying pay packages, putting employee representation on remuneration committees and requiring investment and pension fund managers to disclose how they vote on pay and other issues.

Labour will:

• Maintain the most competitive rate of corporation tax in the G7.

• Set up an independent National Infrastructure Commission to plan for Britain’s long term infrastructure needs.

• Set a long term funding and policy framework for science and innovation.

• Support investment in low carbon technologies with a 2030 electricity decarbonisation target and a stronger Green Investment Bank.

• Protect our leading firms from short-term pressures by reforming takeover rules and improving the link between executive pay and performance.
A broad-based recovery

We will only build a more productive economy by supporting a broader contribution from firms and people across the economy. If we are to maintain public support for an open market economy, we need to promote a broad based recovery, providing the support small firms and entrepreneurs need to grow into the success stories of the future, and an industrial strategy that supports productivity growth in firms of all sizes and across all sectors and regions.

This starts with measures to tackle the rising business costs that affect small businesses most. Our priority for business tax cuts this year is to cut and then freeze business rates for more than 1.5 million small business properties, rather than going ahead with another cut to Corporation Tax. When resources are tight this is a tough choice to allow us to support more businesses and keep our overall business tax regime competitive. We will freeze energy bills until 2017 while we reform the energy market, so that bills can fall but not rise, and we will ensure that small businesses are not rolled over onto more expensive tariffs without their consent. We will also tackle the problems that squeeze smaller suppliers, with stronger requirements for large firms to report on their record on late payment, including the action they have taken to compensate their suppliers, and action to stop unfair charges to join or stay on a firms’ list of suppliers.

In the longer term we need to build the institutions that can unleash the potential of small businesses. The most important role for the banking system should be to serve our businesses, providing the funding they need to start-up and grow. Small businesses in particular rely on bank finance, and should be able to trust the banks to understand their needs and act in their best interests. Labour will increase competition on the high street by introducing a market share test for the banks and at least two new challenger banks.

As the British Chambers of Commerce has argued, support through the existing banks will not be enough to address the long-term structural gap in UK business finance. So we will also establish a proper British Investment Bank, building on the Business Bank, to provide growth finance and support a network of regional banks with a core purpose to support small business growth in their area. The British
Investment Bank will also provide finance to support the growth of co-operative and mutual organisations, building a more diverse ownership base in the UK.

We will establish a Small Business Administration to ensure a voice for small business at the heart of government, with a remit to ensure that procurement contracts are accessible and regulations are designed with small firms in mind. As National Policy Chairman of the Federation of Small Businesses Mike Cherry has said:

“Introducing a Small Business Administration with a direct line to government will give small businesses the world class business support they need to boost productivity.”

And we will continue to support Small Business Saturday, which Labour helped to establish in order to celebrate small businesses across the country.

Growing the high skill sectors such as pharmaceuticals, advanced manufacturing, and our creative and digital industries will create more of the well-paid, high productivity jobs that our country needs. Labour will secure the jobs of the future by backing the sectors where the UK has a competitive edge.

Our approach will be based on evolution not revolution, building on existing industry councils and bodies where they are working well rather than scrapping them and starting again.

Growing our economy in a way that delivers rising living standards will also require action to ensure economic success reaches all parts of the economy and society. Labour will introduce a broader approach to industrial strategy, with support to boost productivity and pay in sectors that employ millions of people such as retail, hospitality and care. We will stop firms from being dragged into a race to the bottom on wages and skills by banning exploitative zero-hours contracts and setting a clear five year target to raise the minimum wage. And we will help firms to go further by introducing Make Work Pay contracts, with tax rebates to firms that sign up to become Living Wage employers in the first year of a Labour Government.

From Silicon Valley to the City of London, the world’s best industries tend to be clustered. In the UK, our automotive sector is concentrated in the Midlands and North East; the offshore wind sector brings jobs to many coastal regions; aerospace is predominantly based in the North West; and our creative
industries are centred in major cities like London, Manchester, Bristol and Leeds. The government cannot create clusters – but it can do a lot to support those that already exist, especially at the local level.

Labour will ensure every part of the country can benefit from economic recovery by backing the cities, towns and regions of our country which are the engines of growth and job creation. Labour will transfer £30 billion of funding to enable city and county regions to develop a more coordinated approach to local growth, including funding for employment support, transport and housing, skills and business support. Local areas will be given control over local transport systems so that in future, local bodies can integrate trains, buses, cycling, and trams into a single network.

We will strengthen and reform Local Enterprise Partnerships to give businesses a say over growth strategies and priorities. And we will create more Combined Authorities to coordinate regional growth plans and allow them to retain 100 per cent of additional business rates raised through growing businesses in their region.

Labour will:

• Support small businesses by cutting business rates, freezing energy bills and tackling the problem of late payment.

• Improve access to finance by introducing a British Investment Bank and supporting a network of regional banks.

• Secure the jobs of the future with an industrial strategy that supports our high skill, export sectors – and protects firms operating in lower paid sectors from being dragged into a race to the bottom on wages and skills.

• Devolve £30 billion of funding to city and county regions to support a more coordinated approach to regional development.

The skills we need to succeed

Building a high skilled workforce in the UK will be one of the most important drivers of our national economic success in the 21st century – ensuring that businesses are able to meet damaging skills gaps facing sectors such as science and engineering and driving improvements in productivity and innovation in the workplace.
We need an education system that better prepares young people for the world of work. Labour will end the culture that says the academic route is always best and vocational skills are second best, with reforms to create a clear gold standard vocational route from school right through to university. We will ensure that all young people study English and maths to 18 and introduce a new Technical Baccalaureate for 16-18 year olds. We will also protect the FE budget for 16-19 year olds to support reform of FE colleges into new Institutes of Technical Education with a core purpose to deliver this new gold standard vocational qualification.

We will work with businesses to create high quality apprenticeships that meet their skills needs and provide opportunities for young people. At the heart of this will be a new Apprenticeship Guarantee, so that all those that get the grades at 18 are able to access a new high quality apprenticeship.

Employers will always need to meet specialist skills needs by recruiting high skilled migrants from abroad, but we also need to invest in the skills of the next generation in the UK. Labour will give employers more control over apprenticeships funding and standards, and ask in return that they increase the number of high apprenticeships in their sectors and supply chains. We will give them the powers they say they need to tackle those who do not train, and encourage firms to plan for their long term training needs by requiring every firm getting a large government contract and large firms recruiting skilled workers from outside the EU to offer apprenticeships. And we will ensure that Government plays its part, by creating thousands more apprenticeships in the public sector, including the civil service. Labour will also stop apprenticeships from being devalued by introducing a new universal gold standard to work towards a system where apprenticeships are level 3 qualifications or above, last at least two years, and are focused on new job entrants.

The UK’s world-class university system also has a key role to play in supporting regional growth and driving investment in a high skill, high wage economy. Labour will support this and ensure that apprenticeships can lead to higher level qualifications by making new Technical Degrees the priority for expansion. Co-funded, co-designed and co-delivered by employers and universities, Technical Degrees will give firms real
influence over the curriculum to ensure they can meet their specialist skills gaps.

• Introduce a new gold standard Technical Baccalaureate for 16-18 year olds.

• Ensure that all young people study English and maths to 18.

• Give employers more control over apprenticeships funding and standards in exchange for driving up the number and quality of apprenticeships.

• Require every firm getting a major government contract to offer apprenticeships and ask large firms hiring skilled workers from outside the EU to offer apprenticeships here.

• Introduce a universal gold standard for apprenticeships and reform FE colleges into new Institutes of Technical Education.

• Make new Technical Degrees the priority for university expansion to meet specialist skills needs.
Acknowledgements

Over the past four and a half years Labour has worked closely with businesses to develop our Better Plan for Britain’s Prosperity, which was launched in February 2015: labour.org.uk/prosperityplan

We are particularly grateful for the vital reviews conducted for us by experienced voices from across the business community, experts and entrepreneurs on key issues such as corporate governance, infrastructure, exports and skills.

These have included:

- **Sir John Armit**, former Chairman of the Olympic Delivery Authority: Review of long-term infrastructure planning
- **Sir George Cox**, former Director General of the Institute of Directors: Review on overcoming short-termism in British business
- **Professor Chris Husbands**, Director of the Institute of Education: Skills Taskforce
- **Baroness Denise Kingsmill**, competition and employment lawyer: Review of working conditions in the care sector
- **Nigel Doughty**, venture capitalist and co-founder of Doughty Hanson, and **Bill Thomas**, former Senior Vice President of Hewlett Packard Europe: Small Business Taskforce
- **Maggie Philbin**, presenter, co-founder and CEO of TeenTech: Digital skills review
- **Lord Adonis**, former Secretary of State for Transport: Growth review
- **Professor Larry Summers**, former US Treasury Secretary, former President of Harvard University: Inclusive prosperity review
- **Mike Wright**, Executive director of Jaguar Land Rover: Review of manufacturing supply chains
- **Graham Cole**, Chairman of AgustaWestland: Review of export support
- **Nick Tott**, former partner at Herbert Smith: Review of a British Investment Bank
- **Ed Mayo**, Secretary General of Co-operatives UK: Consumer Review
- **Norman Pickavance**, former HR and Communications Directors at Morrisons Plc: Zero-hours contracts review
• **Peter Hunt**, founder and CEO of Mutuo: Mutuals Review

• **Alan Buckle**, former Deputy Chairman of KPMG International: Low pay review

• **John Woodward**, former Director of the UK Film Council: Review of the creative industries and the digital economy

• **Simon Franks**, entrepreneur, co-founder of Lovefilm and founder of Redbus Film Distribution: High growth business review

• **Jamie Mitchell**, Executive Chairman of Tom Dixon, former UK Managing Director of Innocent Drinks: Enterprise and youth unemployment review

• **Sir Michael Lyons**, non-executive chairman of the English Cities Fund and former chairman of the BBC Trust: Housing review

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1 IFS (2015) *Fiscal Aims and Austerity: The Parties’ plans compared*


3 John Longworth (2014) *BCC: Only a Business Bank will address gap in business finance*

4 Mike Cherry (2014) *FSB calls for Small Business Administration to boost small firms’ productivity*