



PLP Briefing

# **A Better Plan for Britain’s Prosperity**

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## Topline

- The plan published today sets out Labour's approach to building prosperity in 21st Century Britain - a different approach to creating prosperity, not relying on a few but boosting productivity across Britain's firms and workforce.
- And it sets out a different approach for Labour; supporting working families by reforming our economy so it produces a more inclusive prosperity rather than relying on redistributing through tax and spend.

Labour's better plan will:

- Guarantee every school leaver that gets the right grades a high quality apprenticeship, just as people with good A' levels have a de facto right to go to university.
- Put small businesses first in line for tax cuts and ensure smaller firms have the support they need to invest, innovate and raise their productivity.

## The problem

This plan learns the lesson of the slow recovery, stagnant living standards and stubbornly high deficit of recent years - that we need to build a more productive, higher skill, higher wage economy.

**The Tories failing plan:** relying on a few firms and people

The Tories believe that the route to prosperity is to support a few people and firms at the top with tax cuts, and hope that wealth trickles down to everyone else.

The last five years have shown that it doesn't work - you can't build British prosperity by ignoring the businesses where the great majority of British people work.

The failure on living standards and the deficit is because their plan has failed to build a more productive economy with low investment and exports falling short:

- The gap between UK productivity per hour worked and the rest of the G7 grew to 17 per cent in 2013, the largest difference since 1991.

- The Tories are forecast to fall short of their 2020 target to double exports to £1 trillion by around £350 million.
- Since 2010 the UK's export performance has been 16th in the G20 and 22nd out of 28 EU countries.
- In 2013, the UK had the second lowest rate of business investment as a share of GDP among the 24 OECD countries for which there was available data

**Labour's better plan:** big reforms to boost productivity across British firms and workforce.

We have a better plan because we know that Britain succeeds when working families succeed. To build a more productive economy we will:

- Put small businesses first for tax cuts with a new commitment to lower taxes for small business than the Tories, because cash-flow holds them back more than other firms
- Give our biggest exporters the certainty to invest, including by staying in a reformed EU
- Promote an industrial strategy for our biggest employers, not just for high-tech firms, to raise skills and stop undercutting in areas like social care

This is a better plan to build a more productive economy that will raise living standards and reduce the deficit. It marks a new direction for Labour, because our approach to delivering fairness will be one of big reform not big spending.

The choice at this election is between a failing plan and a better plan for working families.

## **Plan summary**

### **Where we are today**

The UK has great economic advantages, with world-leading firms, a record of invention, and a pool of high skilled workers which attracts businesses from around the world to invest here.

But these advantages feel too distant for too many British firms and families.

Working people are no longer confident that if they work hard they will be rewarded and are uncertain about whether their children will see a higher standard of living than them.

Too many of our businesses feel they are forced to compete on a low skill, low wage business model that does not work for them, their employees or Britain.

## **Tory failure on growth, living standards and the deficit**

Britain is currently emerging from the slowest economic recovery we have seen in over a hundred years. But even as the economy starts to recover, too often it is not benefiting ordinary working people, with real wages down more than £1,600 a year since 2010.

This failure on living standards has meant that this Government have failed to deal with the deficit and is set to borrow over £200 billion more than planned over the Parliament.

The Tories have failed because they believe that national prosperity comes from cutting taxes for a narrow group of firms and individuals with wealth trickling down to everyone else.

The last five years show that approach just doesn't work, because you can't build British prosperity by ignoring the companies where the great majority of British people work.

## **Supporting all firms and workers in all parts of the economy**

While the last five years has proved the trickle-down approach to be wrong, it also shows that a new approach for Labour is needed as well.

Just as relying on wealth from a narrow part of the economy to trickle down leaves Britain without a plan to raise our productivity, so does too much reliance on redistribution to correct inequalities in the markets. That is why our plan is for big reform not big spending.

Labour's plan charts a path to higher productivity in all parts of the economy as the basis of a renewed and inclusive prosperity. Specifically it argues that the broad-based productivity needed will require:

1. Recognising that Britain's world class firms, in sectors which enjoy established comparative advantage, need to be able to take long term decisions and access key markets, not simply ever lower taxes.
2. Prioritising smaller businesses, so they reach their potential to power growth.

3. A new industrial strategy that focuses not just on high tech firms, but also on supporting our big employing sectors such as retail and social care to win a race to the top and not get dragged into a race to the bottom.
4. The public sector playing an active part in driving up productivity across the whole economy, supporting firms through cutting-edge innovation and research, strategic investment and procurement.

## **The Steps on the Path to a More Productive Economy**

**Labour will build a strong economic foundation and balance the books. We will:**

- Balance the books and cut the deficit every year with a surplus on the current budget and falling national debt as soon as possible in the next Parliament.
- Reverse the cut to the top rate of tax so the highest one per cent of earners pay a little more to help get the deficit down.
- Stop paying the winter fuel allowance to the richest five per cent of pensioners and cap child benefit rises at one per cent for two years.
- Close loopholes that cost the Exchequer billions of pounds a year, increasing the transparency and rigour of the tax system.
- In our manifesto there will be no proposals for any new spending paid for by additional borrowing.
- Capping structural social security spending in each spending review so it is properly controlled.
- Examine every pound spent by government through our Zero-Based Review of spending, which is identifying savings and rooting out waste.
- Introduce a tax on high value properties over £2 million to help raise £2.5 billion a year for an NHS Time to Care Fund as part of our plan to save and transform the NHS.

**Labour will support smaller businesses to unleash their potential. We will:**

- Cut and then freeze business rates for small business properties, so that the tax burden on small businesses will be lower than under the Tories and that smaller firms have the support they need to invest, innovate and raise their productivity.
- Establish a British Investment Bank, and support a regional banking network to boost lending for small and medium-sized businesses to grow and create jobs
- Introduce a Small Business Administration to co-ordinate work across government to benefit smaller businesses

**Labour will back British businesses to invest for the long-term. We will:**

- Ensure Britain has the most competitive rate of corporation tax in the G7.
- Give institutional investors the duty to act in the best interests of ordinary savers, prioritising the long-term growth of companies they are investing in.

- Reform takeover rules to strengthen the role of investors who are in it for the long-term.
- Better link executive pay to performance by simplifying executive pay packages, requiring investment and pension fund managers to disclose how they vote, and putting an employee representative on remuneration committees.

**Labour will transform technical education in Britain so the talents of the next generation contribute to growth. We will:**

- Guarantee every school leaver that gets the right grades a high quality apprenticeship, just as people with good A' levels have a de facto right to go to university.
- Introduce a new gold standard Technical Baccalaureate for 16-18 year olds and ensure that all young people study English and maths to 18, so that more young people are apprenticeship ready when they leave school.
- Require every firm getting a major government contract to offer apprenticeships, and explore whether this should also apply when the government underwrites large projects.
- Give employers more control over apprenticeships funding and standards in exchange for driving up the number and quality of apprenticeships.
- Ensure that every Private Office offers an apprenticeship and create thousands of apprenticeships in the civil service.
- Require firms recruiting from outside the EU to invest in apprenticeships in the UK.
- Introduce a universal gold standard for apprenticeships and refocus existing spending on low level courses
- Ring-fence 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 Labour's Technical Baccalaureate and apprenticeships.
- Introduce new Technical Degrees delivered by universities and employers so that apprenticeships lead on to higher level qualifications.

**Labour will secure Britain's place in a reformed European Union and boost exports. We will:**

- Return Britain to a leadership role in the European Union.
- Champion change in the way the European Union works, including completing the single market, longer transitional controls when new countries enter the EU, protecting the integrity of our benefits system, and getting on with the long overdue reform of the EU budget.
- Ensure there will be no further transfer of powers to the European Union without the explicit consent of the British people.
- Support businesses in the UK to export through better access to finance, better skills including language skills and supported access to markets.

**Labour will support long-term infrastructure investment. We will:**

- Set up an independent National Infrastructure Commission in order to stop long-term decisions being kicked into the long grass.
- Set out ten National Infrastructure Goals which Britain should achieve over the coming decades, including being the most connected and open trading nation in the world as well as the best place in the world to do scientific research.
- Get at least 200,000 new homes built a year to relieve Britain's housing crisis.
- Make a swift decision on expanding airport capacity in London and the South East, following the Davies review, while taking into account the environmental impact.

**Labour will promote a new broader industrial strategy. We will:**

- Secure the jobs of the future by backing sectors where the UK has a competitive edge.
- Set a new broader direction for industrial strategy, so that it includes domestic sectors with the highest shares of employment and output, alongside those in which the UK has an established comparative advantage in international trade.
- Strengthen Britain's manufacturing supply chains to ensure the UK remains a globally competitive investment environment for advanced manufacturing.
- Boost investment in low-carbon technologies by setting a legal target to remove the carbon from our electricity supply by 2030 and improve energy efficiency.
- Strengthen the Green Investment Bank and be a world leader in green technology, creating one million additional high technology jobs by 2025.
- Implement a long-term innovation strategy in science and research to help create new products and improve the UK's record of underinvestment in R&D.

**Labour will promote competition to ensure market efficiency. We will:**

- Build on the UK's robust competition regime, so that it provides a rigorous framework for incumbent firms and opportunities for new challengers to enter markets.
- Increase competition in retail banking, working with the independent Competition and Markets Authority to deliver new challenger banks.
- Reset the energy market so that it works in the interests of consumers, including forcing them to buy and sell their energy through an open exchange.
- Freeze gas and electricity bills until 2017 so that they can only fall and not rise and introduce a tougher regulation regime so that if wholesale prices fall and this is not passed on fairly to consumers, the regulator would have the power to cut prices.

**Labour will devolve economic power and funding to every part of the country. We will:**

- Devolve power and funding worth at least £30 billion over five years in areas recommended by the Adonis Review including employment support, transport and housing, skills and business support.
- Create more Combined Authorities to tackle the chronic problems of poor skills, infrastructure and economic development.
- Allow Combined Authorities to retain 100 per cent of additional business rates raised through growing businesses in their region.
- Strengthen and reform Local Enterprise Partnerships to give businesses a direct say over growth strategies and priorities.
- Deliver the next steps in devolution to Scotland and Wales, including greater responsibility for tax and spending decisions.

**Labour will take action to help make work pay and stop firms being undercut. We will:**

- Increase the minimum wage to £8 an hour before 2020.
- Encourage more employers to pay a living wage by establishing 'Make Work Pay' contracts, giving a tax rebate to those companies that sign up to become living wage employers in the first year of the next Parliament.
- Introduce a new, lower 10 pence starting rate of tax benefitting 24 million working people on middle and lower incomes, paid for by scrapping the unfair marriage tax allowance.
- Require listed companies to report on whether or not they pay the living wage, and follow the lead of Labour Councils by using government contracts to spread the payment of the living wage.
- Ban exploitative zero-hour contracts to ensure that workers who work regular hours get a regular contract.
- Make the exploitation of migrant labour to undercut wages illegal.
- Introduce a Compulsory Jobs Guarantee, paid for by a bank bonus tax, to provide a paid starter job for everyone young person unemployed for over a year which they will have to take up or lose benefits.

## LABOUR LAUNCHES BETTER PLAN FOR BRITAIN'S PROSPERITY

This week Labour published a Better Plan for Britain's Prosperity: a modern industrial strategy for businesses and working families to succeed together.

Speaking at Jaguar Land Rover in the West Midlands to launch the plan, Labour leader Ed Miliband said that, in contrast with the Tories, Labour's plan for creating wealth does not rely on just a few at the very top but on boosting productivity in every business and sector of the British economy.

The plan sets out Labour's approach to building prosperity in 21st Century Britain - a different approach to creating prosperity, not relying on a few but boosting productivity across Britain's firms and workforce. It means supporting working families in Gosport Borough by reforming our economy so it produces a more inclusive prosperity rather than relying on redistribution through taxing and spending.

Labour's better plan will guarantee every school leaver in Gosport, Stubbington and Hill Head that gets the right grades a high quality apprenticeship, just as people with good A' levels have a de facto right to go to university.

Labour will put small businesses first in line for tax cuts and ensure smaller firms have the support they need to invest, innovate and raise their productivity.

*There is a choice of two plans at this election. A failing plan under which we would carrying on as we are with a government claiming the economy is a success when it only works for a handful of people at the top. Or a new plan, a better plan that says this economy must succeed for working families if Britain as a whole country is going to succeed.*

*Labour's plan is based on the idea that it is only when Britain's working families succeed that Britain succeeds.*

*Labour's plan will deliver a modern industrial strategy for businesses and working families in the Borough of Gosport to succeed.*

1. Details of Labour's better plan are below:

**Labour will back small businesses and new entrepreneurs who will provide the growth and jobs of the future:**

- Cutting business rates and putting small businesses first in line for tax cuts
- Improving training and apprenticeships, including guaranteeing every school leaver that gets the right grades a high quality apprenticeship
- Promoting competition in energy and banking to ensure market efficiency, lower bills and better access to finance
- Handing more economic power to every part of the UK with £30 billion of devolved funding

**Labour will back our biggest exporters which need certainty to invest:**

- Staying in a reformed EU and not taking risks with our membership
- Building a strong economic foundation with a tough and balanced approach to cutting the deficit
- Making long-term investment by implementing the Armitt Review recommendation for a National Infrastructure Commission.
- Guaranteeing Britain has the most competitive rate of corporation tax in the G7.
- Promoting long-termism by changing the rules on takeovers

**Labour will back our big employing sectors such as retail and social care by tackling undercutting, with firms coming together to raise productivity and standards:**

- Industry led bodies to raise productivity, like we have now in the car industry
- Banning exploitative zero hours contracts
- Raising the National Minimum Wage closer to average earnings - £8 an hour by 2020
- Offering tax breaks to employers who adopt the Living Wage
- Making it illegal to undercut by exploiting migrant workers

**Labour will back every sector of the economy by ensuring the public sector plays an active part in driving up productivity by:**

- Recognising its role in supporting cutting-edge innovation and research
- Making strategic investment and procurement decisions

This week Labour published our 'Better Plan for Britain's Prosperity', setting out Labour's approach to building prosperity in 21st Century Britain. Labour's plan takes different approach to creating prosperity, not relying on a few but boosting productivity across Britain's firms and workforce, including in Gosport.

At the heart of Labour's plan is an understanding that Britain only succeeds when working people succeed. This contrasts with the failed approach taken by the Tories who wrongly believe that the best way to pursue growth is to cut taxes at the top and hope that wealth trickles down.

Specifically, Labour's better plan recognises that Britain's world class firms, in sectors which enjoy established comparative advantage, need to be able to take long-term decisions and access key markets.

It also commits Labour to prioritise doing everything we can to ensure more smaller businesses reach their potential to power future growth. That's why the next Labour Government is committed to cutting and then freezing business rates for small business properties and putting small businesses first in line for tax cuts.

Labour will also improve training and apprenticeships, including guaranteeing every school leaver that gets the right grades a high quality apprenticeship.

Our plan also sets out our plans to develop a new industrial strategy that focuses not just on high-tech firms, but also on supporting our big employing sectors such as retail and social care to win a race to the top and not get dragged into a race to the bottom.

And finally, it will ensure the public sector plays an active part in driving up productivity across the whole economy, supporting firms through cutting-edge innovation and research, strategic investment and procurement.

Taken together, this approach will deliver the sustainable growth and rising living standards that our country needs and ensure our economy works for working people in Gosport.

It is becoming increasingly clear that there is a choice of two plans at this election: a failing plan under which we would carrying on as we are with a government claiming the economy is a success when it only works for a handful of people at the top; or a new plan, a better plan, that says this economy must succeed for working families if Britain as a whole is going to succeed.