

Economy, Business and Trade | Annual Report

Membership 2016/17

HM Opposition

John McDonnell MP*
Barry Gardiner MP
Rebecca Long-Bailey MP†¹
Chi Onwurah MP

NEC

Jennie Formby*
Andy Kerr
Pete Willsman

CLPs and Regions

Jackie Baillie
Boyd Black
Karen Constantine
Fiona Dent
Jos Gallacher
Rachel Garnham
Nicky Gavron
Jeevan Jones
Eva Murray
Katrina Murray
Sam Pritchard

Affiliates

Tony Burke
John Hannett
Claire McCarthy
Dave Prentis
Tim Roache
Dave Ward

Elected Reps

Anneliese Dodds MEP
Chris Leslie MP
Mary Maguire

* Co-convenor

†¹ Replaced Clive Lewis MP

Policy Development

The past year has seen Labour change the face of economic debate in this country thanks in part to the work of Labour's members including the Policy Commission, all of whom helped to create our General Election manifesto. Our policy alternatives now form the centre ground of political economic debate, with a fair taxation system, properly funded public services and a more accountable, democratic economy at the heart of the conversation.

Labour's economic strategy is about delivering a fairer, more prosperous society for the many, not just a few. While the Conservatives have overseen falling wages, public services in crisis and an austerity policy which has failed even on its own terms, Labour's offer of hope and our fully-costed manifesto clearly carried the debate during the General Election campaign.

We can now see widespread excitement about transformative economic ideas as the failures of the Conservatives become more apparent. Labour should be proud of our role in challenging Tory austerity and shifting the economic debate towards our socialist alternative.

Policy Development

The Economy Policy Commission is charged with developing Labour's policy on the economy, business, industrial strategy and international trade. It meets regularly to consider evidence and submissions; identifying challenges and developing Labour's policy in these areas.

The Economy Policy Commission is a new Policy Commission this year. Responding to the creation of the new government department, the Department for International Trade, this year's Economy Policy Commission focused on building a strong economy and integrating our industrial strategy with a twenty-first century trade strategy.

A separate Policy Commission, Work, Pensions and Equality Policy Commission, was created this year, to develop Labour's policy on social security which was previously in the remit of the Economy Policy Commission in conjunction with Workplace 2020.

Annual Conference 2016 prioritised and discussed contemporary resolutions within the remit of the Economy Policy Commission.

These included composites on industrial strategy and public services, as well as employment rights. The industrial strategy and public services composites called on the Labour Party to oppose Government austerity and prioritise investment to provide for high-quality public services and in order to boost economic growth. The composites on employment rights called on the Labour Party to introduce a Real Living Wage for all workers and for better enforcement of the Real Living Wage. It also called for a flexible State Pension age and the protection and promotion of workers' rights post-Brexit.

The Economy Policy Commission held a policy seminar at Annual Conference 2016. This was attended by Shadow Ministers, Policy Commission members and a large number of delegates who contributed to a detailed discussion across economic and social issues. There was a wide ranging discussion about reform to corporate governance, where a number of issues were raised including the use of agency workers and the recent scandals involving Sports Direct and BHS. A number of social security issues were discussed, including the need to reform the Work Capability Assessment, in particular, and the general operation of the social security system and disabled people. A number of delegates spoke about the formation of Labour's new industrial strategy, including the need for a skills strategy, a comprehensive green energy strategy, and the involvement of devolved authorities.

National Policy Forum representatives from across the country met in Loughborough on the weekend of 19-20 November 2016 to discuss the key issues and topics affecting the economy, business and trade and to consider what the priorities should be for the year ahead.

At three sessions across the weekend, representatives raised the importance of investing in infrastructure, both traditional, such as housing, transport, energy and communications, as well as the UK's digital and high-tech infrastructure. Representatives, while highlighting the important role that government could, and should, play in this also spoke about the opportunity of working with the private sector to 'crowd-in' investment. Opportunities arising from changing technology were discussed within the context of some of

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the potential challenges that it poses for workers and the labour market. Representatives were in agreement that if managed well the changing nature of our economy could be turned into new and exciting opportunities that could deliver shared prosperity and secure well-paid jobs for all. Representatives raised the need to end insecure work, strengthen trade union and worker rights and improving wages through measures such as collective bargaining.

Representatives also discussed the importance of ensuring that future trade deals are mutually beneficial, democratic and transparent. It was noted that human rights and the sustainability agenda should be included as crucial elements of future trade deals. Concerns with recent trade deals were highlighted about the Investor-State Dispute Settlement systems of the Transatlantic Trade and Investment Partnership (TTIP) and the Comprehensive Economic and Trade Agreement (CETA).

At Loughborough an economy plenary session was led by Rebecca Long-Bailey MP, on six key areas ahead of the Spring Budget, these sessions were: investment, earnings, exports and trade, productivity, low pay and insecure work and innovation, efficiency and competitiveness. Groups discussed these areas and used interactive technology, LUMI, to answer questions and list priorities. Discussions on tables included the need to invest in vital infrastructure, and to crowd-in private sector investment. Representatives endorsed Labour's investment programme, Real Living Wage and wanted to ensure proper trade union rights and support for small and medium sized businesses (SMEs).

Throughout 2017 the Commission investigated the priorities that came out of the National Policy Forum meeting: how we ensure we have the right skills and infrastructure, how we rebalance the economy between the UK's regions and nations, and how we develop a proper industrial strategy that is integrated with a fair and sustainable trade strategy and creates the decent jobs of the future.

During our first meeting in February 2017, the Shadow Chancellor, John McDonnell MP, and the Shadow Secretary of State for International Trade,

Barry Gardiner MP, and Shadow Minister for Industrial Strategy, Chi Onwurah MP, attended the meeting and provided an update on the work of their respective shadow teams.

John updated the Commission on the reviews undertaken for the Shadow Treasury team into key institutions of economic decision making; Lord Kerslake, the former Head of the Civil Service, conducted a review into the workings of the Treasury and Professor Prem Sikka conducted a review into the operation of HM Revenue and Customs and whether it is fit for purpose.

Barry Gardiner MP, Shadow Secretary of State for International Trade, provided an update on behalf of the Shadow International Trade team. Barry said that the Government's rush to make, and be seen to make, free trade deals with the rest of the world carried the risk that they would not be in the UK's best advantage. In the discussion that followed the Commission noted that there was a reason free trade deals historically took very long to negotiate; they are intrinsically very complex agreements. Commission members pointed to the recent example of the rhetoric surrounding a possible free trade deal with the United States, including agricultural standards and NHS privatisation as reasons to be cautious. Barry said that the Labour Party's position was one of fair and open trade, and as a result of its careful analysis of the deal Labour would not accept CETA. As endorsed by the NEC at Conference 2016 any future free trade deal should include vital protections for workers' rights and environmental protections.

Chi Onwurah MP, Shadow Minister for Industrial Strategy, provided an update on behalf of the Shadow BEIS team. Chi discussed the publication of the Shadow BEIS industrial strategy consultation. Chi notified the Commission that almost 1,000 responses had been received. These responses were coming from a range of stakeholders including industry, trade unions and members of the Labour Party. Chi highlighted that the consultation was challenge-led and mission-orientated. The Commission noted that the current Conservative Government had abandoned its role as the so-called party of business and that this presented a real opportunity for the Labour Party that we must capitalise on.

The Commission met in March 2017, after the Budget on 8th March. John reminded the Commission that this was Philip Hammond's first Budget, and that it was one based on failure and unfairness. John said that the Budget showed that the Tories had no answers to the challenges facing working people and have broken their promise of not increasing National Insurance. Despite Conservative claims that he was building the foundations of a stronger and fairer Britain John explained that they were presiding over the slowest recovery since the 1920s, with growth and average earnings growth downgraded yet again. John focused on the attempted increase in NICs, explaining that at the Budget we saw the overall outlook for the UK economy deteriorate further with the Government choosing to respond to this by raising taxes on low and middle income self-employed people. The Commission discussed the Budget and concluded that Labour's opposition to the Government's attempted increase in Class 4 National Insurance contributions was right; increasing Class 4 National Insurance contributions by one per cent in April 2018 and another one per cent in April 2019 would have taken £2 billion from low and middle income self-employed people.

Barry Gardiner MP, Shadow Secretary of State for International Trade, provided an update on behalf of the Shadow International Trade team. Barry spoke about the need for an EU free trade agreement but cautioned that the current Conservative Government was using it as a pretext for creating a low tax, deregulated economy. A discussion followed where Commission members echoed these concerns and stressed the need for this to be a focus of the Commission's work throughout the year.

Rebecca Long-Bailey MP, Shadow Secretary of State for BEIS, provided an update on behalf of the Shadow BEIS team. Rebecca reiterated the points made by John on the Budget, that it was based on failure and unfairness. Rebecca said that productivity forecasts have remained largely constant. Rebecca said that Philip Hammond has said that "long-term sustainable growth requires us to raise our national productivity", but the UK's productivity gap with the G7 currently stands at 18 percentage points, the largest gap since 1991. The Commission discussed the Tories' record on

productivity with contributions highlighting the need for investment and the protection of trade union rights as key elements in overcoming the UK's productivity problem.

Labour's manifesto

Following the announcement of the snap General Election the policy development process was expedited.

The Economy Policy Commission convened a conference call in late April to discuss priorities for the Labour Party General Election manifesto based on the work of the Commission. In this call a number of specific priorities were identified within areas under the remit of the Commission. This conference call was also used to consider further submissions which had been made to the Commission and to consider members manifesto priorities.

Topics discussed included: investment in skills and infrastructure and manufacturing, the need for a robust and active industrial strategy and investment in public services.

The Commission identified four priority issues within its National Policy Forum 2017 Consultation document. Each of these issues, and those issues raised in the conference call, were included in Labour's manifesto, which was agreed unanimously at the Clause V meeting.

Economy

At the heart of Labour's manifesto was an ambitious plan to radically transform and upgrade and re-balance our economy. Labour's economic strategy was centred on delivering a fairer, more prosperous society. The manifesto committed explicitly to putting the UK on a high-growth, high-skilled, high-wage course, to upgrade the economy and rewrite the rules of a rigged system.

This would be done within the constraints of Labour's Fiscal Credibility Rule, which commits Labour in government to set out a plan, in normal times, to eliminate the current spending deficit on a forward-looking, five-year rolling timescale, while ensuring government retains the flexibility to invest, and with the proviso of suspending

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targets when monetary policy is unable to function normally.

Business

Labour's manifesto reflected the priorities of the Commission, and those voiced in many submissions, by supporting small and medium-sized enterprises (SMEs). The Commission frequently noted that SMEs are the backbone of our economy, providing 60 per cent of private-sector jobs. In order to provide the support many small businesses need Labour's manifesto committed the Party to reinstate the lower small-business Corporation Tax rate. It also promised a package of reforms to business rates, to scrap quarterly reporting and tackle the problem of late payments.

Ownership of the economy

The manifesto put people at the heart of the economy, echoing many of the concerns raised by the Commission. It committed a future Labour government to more democratic ownership structures to help deliver an economy that works for all. This included the nationalisation and collective ownership of the water, rail and postal sectors, as well as significant parts of the energy sector. It also included giving people a stake in our economy by doubling the size of the co-operative sector and introducing a 'right to own', making employees the buyer of first refusal when a company they work for is up for sale.

The Commission frequently discussed the need to diversify and re-balance our economy and the means of ownership and this was discussed at length in the manifesto with its belief that greater democratic ownership will deliver for the many and lead to a fairer distribution of wealth.

A fair deal at work

The Commission throughout the year discussed the changing nature of work and the need for labour market reforms to deliver the security and fulfilment that working people deserve. The manifesto included many of the concerns raised by the Commission including the need to ban zero-hours contracts, strengthening trade union and workers' rights, including guaranteeing trade unions access to workplaces and extending collective bargaining. Our 20-point plan also committed us to, amongst other things, equal

rights for all workers on day one, repeal of the Trade Union Act, ending the public sector pay cap and introducing pay ratios for firms bidding for government contracts.

The Commission believes that the world of work is in flux and that a future Labour government is right to create a new Ministry of Labour to empower workers and their trade unions as part of creating decent work for all.

Corporate governance

The manifesto acknowledged that the majority of businesses play by the rules, but that our business culture doesn't always work. Scandals such as the failure of BHS show how the long-term growth of a company can be sacrificed for the sake of short-term gain. The manifesto included reforms to the way companies operate to make sure that stay focused on delivering shared wealth. Labour promised to amend company law so that directors owe a duty directly not only to shareholders but to employees, customers, the environment and the wider public, as well as ensuring every takeover proposal has a clear plan to protect workers and pensioners.

Trade

The manifesto laid out the principles of a modern, twenty-first century, trade strategy that builds fair and sustainable trading relationships with partners around the world. This is increasingly important in order to promote UK trade and take advantage of opportunities outside the European Union. The manifesto includes a commitment to review our historic investment treaties with other countries, ensuring they are fit for purpose for the 21st century, as well as pledges to protect key social, employment and environmental rights and standards.

This reflected the discussions held by the Commission on importance of ensuring that future trade deals are mutually beneficial, democratic and transparent.

Industrial strategy and investment

Labour's industrial strategy has been built on by the work of the Commission. Last year, we consulted on the broad principles of an effective, twenty-first century industrial strategy. This year Commission built on this by looking at how we

develop our industrial strategy under the umbrella of a sustainable and diverse industrial strategy, to be implemented at national and local level.

Our manifesto committed us to industrial strategy missions that would achieve 60 per cent of the UK's energy coming from low-carbon or renewables and for the UK to have the highest proportion of high-skilled jobs in the OECD by 2030.

Key issues coming through from the various workstreams of the Commission have been reflected in Labour's manifesto, including the National Investment Bank, procurement reform and additional investment in research and development.

Our National Transformation Fund would invest £250bn over ten years to upgrade Britain's economy including in research and development. Our industrial strategy would also be supported by our National Education Service's skills agenda, our high-standards procurement policy, and targeted government support where there are gaps in UK supply chains.

Taxation

The manifesto set out progressive and ambitious changes to taxation. The Commission received numerous submissions and regularly discussed the need for taxation reform.

This was reflected in the manifesto with the commitment that working people would be guaranteed no rises in income tax for 95 per cent of earners, and no increases in personal National Insurance Contributions or the rate of VAT.

At the same time, Labour will be asking those with the broadest shoulders to pay a little more. Only the top five per cent of earners would contribute more in tax to help fund our public services, with the 45p rate of tax beginning at £80,000 per year and the 50p rate reintroduced from £123,000 per year.

The Commission believes that these changes, alongside returning Corporation Tax for large companies to 26 per cent and reversing Conservative giveaways to the wealthy via Capital Gains Tax and Inheritance Tax, will create a fairer taxation system; a taxation system that underpins our shared prosperity.

Current Issues

Trade

Labour is clear that we are pro-trade and pro-investment. The future prosperity of the UK is dependent on minimising trade barriers, both tariff and non-tariff, that prevent us from exporting. We want to create good jobs and sustainable economic growth, and an open, rules-based trading system can help us achieve this.

We must create a modern, twenty-first century, trade strategy that builds fair and sustainable trading relationships with partners around the world. This is increasingly important in order to promote UK trade and take advantage of opportunities outside the European Union. Labour is committed to building a trade strategy that ensures future trade deals are mutually beneficial, democratic and transparent with strong protections for employment rights.

The Commission believes that recent examples of some trade deals such as CETA (EU-Canada Comprehensive Economic and Trade Agreement) highlight more than ever the need for a truly progressive and democratic twenty-first century trade strategy.

The future of work

Submissions to the Commission told us that the changing nature of capitalism, the workplace and work pose significant challenges and opportunities for the Labour Party.

The Commission believes that that the opportunities arising from changing technologies will transform our world; this will usher in a new era of fast technology-driven change, and will transform our workplaces, economies and the world. The potential opportunities offered by technological advance are enormous. However, the risks are also great. If not managed properly, it has the potential to exacerbate inequality of income, wealth and capital. This is particularly concerning given the existing trend in the labour market towards low-paid, low-skilled and insecure work.

Submissions to the Commission told us that only through structural and institutional changes to the labour market will we achieve this. The Commission believes this means looking at democratisation, strengthening trade union and

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workers' rights and their enforcement and new forms of organisation and ownership as central planks in the transformation of our economy.

Austerity and investment

Submissions to the Commission told us that government austerity was a failing policy and that greater investment in skills, infrastructure and public services was needed to grow the economy, create jobs and boost productivity. The result from the General Election was a clear rejection of the politics of austerity.

The Commission believes that proper investment in the UK's productive potential is the only way that we can deliver real and sustainable growth. The Commission believes that Labour's National Investment Bank, and network of regional investment banks, will be essential in achieving this.

The Commission agreed that Labour's rejection of the politics of austerity was the only way to deliver rising prosperity, rising living standards and good-quality public services. The Commission welcomed the inclusion in the manifesto of Labour's Fiscal Credibility Rule.

Pay

Submissions to the Commission told us that chronic low pay was a problem affecting both the productivity of the UK economy and the living standards of working people. The Commission agreed that action was urgently needed to tackle the issue. The Commission welcomed Labour's manifesto commitment to a £10 Real Living Wage by 2020.

The Commission also welcomed Labour's manifesto commitment to investment in a fair deal at work by creating a new Ministry of Labour, empowering workers and their trade unions.

Submissions to the Commission endorsed the commitment to a maximum pay ratio of 20:1 in the public sector and in companies bidding for public contracts, as well as the commitment to end the public sector pay cap.

The Commission believes that we need to build on this good work to ensure that work always provides people with security and fulfilment, in a world where workers' rights are strengthened and trade union rights are recognised.

Public services

The Commission believes that we need to change the debate on public services in Britain. The Commission notes that the current Government has undermined our public services at every turn by failing to invest in our hospitals, schools, and police, and failing to invest in the people delivering these services, in addition to increasing privatisation and outsourcing of services at an excessive cost to taxpayers, service users and public sector workers.

The Commission believes that a successful economy depends on the services that support working people; from childcare to transport, housing to lifelong learning and rejects the agenda of cuts being delivered by the Government and that investment is urgently needed.

Submissions

All submissions received by the Policy Commission are circulated to members ahead of the next meeting for consideration as part of our discussions on policy development. In 2016-17 the Economy, Business and Trade Policy Commission has received and considered submissions on the following topics.

- Adult education
- Anti-austerity policy
- Apprenticeships
- Automation
- Banking regulation
- Ban on zero-hour contracts
- Basic Income
- Brexit
- Building a skilled workforce
- Business investment
- Business rates
- Car manufacturing
- CETA (EU-Canada Comprehensive Economic and Trade Agreement)
- Changing the Companies Act
- Community ownership of goods
- Construction industry
- Consumer rights
- Co-operative investment banks
- Corporation Tax
- Council tax rates
- Deflation
- Developing an industrial policy
- Digital revolution
- Economic diversification
- Economic justice
- Economic modelling
- Employer and employee NICs
- Employment tribunal access
- Encouraging investment
- Equal treatment for volunteers
- Exports
- Financial Transaction Tax
- Free trade
- Gift Aid
- Gig economy
- Government debt
- Graduate Tax
- Green sector development
- Income Tax
- Individual Saving Accounts
- Industrial strategy
- Inflation
- Infrastructure investment fund
- Interest rates
- International trade
- Investment banks
- Investment in technology
- Land Tax
- Landownership
- Late invoice payments
- Living standards
- Living Wage
- Local economies
- Market intervention
- Maximum pay
- Monetary Policy Committee
- National debt
- Nationalisation
- National public bank
- North Sea oil revenues
- Pay ratios
- Post Offices
- Productivity in the economy
- Publicly run industry
- Publicly run services
- Rebalancing the economy towards manufacturing
- Recruitment agencies
- Redefining economy development
- Reducing inequality
- Reform of public services
- Research and Development
- Robin Hood Tax
- Small business creation
- Small project funding
- Sovereign wealth funds
- Sugar tax
- Support for businesses
- Supporting British companies
- Supporting co-operatives
- Sustainability in the economy
- Sustainable finance
- Tax avoidance
- Tax justice
- The future of capitalism
- The Minimum Wage
- Trade deficit
- Trade standards
- Trade surplus
- Trade tariffs

- Trading standards
- Transaction tax
- Transatlantic Trade and Investment Partnership
- Universal Basic Income
- Unlocking unproductive capital
- Utilities nationalisation
- VAT
- Wage ratio
- Wage stagnation
- Workers on boards
- Workers' rights
- Work-life balance
- Zero-hours contracts