

5 MISSIONS FOR A BETTER BRITAIN



*SECURE THE HIGHEST
SUSTAINED GROWTH
IN THE G7*



MISSION DRIVEN GOVERNMENT: GROWING THE ECONOMY

Labour has set out five national missions that we will build our manifesto around and, if elected, drive everything we do in government.

Labour will be focussed on outcomes that matter: making sure people are better off, live in safe communities, and have the opportunities they need to succeed – wherever they live, and whatever their background.

These missions will only be achieved through relentless focus. They require government departments working together. Business working with unions. The private sector working with the public sector. And a common partnership between national and local government.

Each mission is built on the strong foundations of economic stability, national security, and secure borders.

Labour's first mission in government will be to: **Secure the highest sustained growth in the G7 – with good jobs and productivity growth in every part of the country making everyone, not just a few, better off.**

State of play

Britain has immense potential. Even in challenging economic times, our businesses are leading the way. British firms excel in tech, in life sciences, and in the cultural industries. We are the second largest exporter of services in the world, and home to Europe's leading financial sector. We have the potential to lead the world in the new and growing industries of the future, supported by our geography, our advantage in high-tech sectors, and our world-leading universities.

The opportunities are there for the taking. But for over a decade, we have been falling behind. British families and businesses have been held back by the lack of a long-term plan for our country, leading to slow growth, falling investment and flatlining productivity – all of which have been made worse by a bad Brexit deal.

Wealth and power are held by too few people in too few parts of the country, with the contribution of working people undervalued, and their skills and effort underutilised.

The Conservatives have let our towns and cities fall further behind London and the South East, leading to wasted talent – with opportunities to succeed feeling out of reach for far too many people.

This is not just about lines on a graph: disposable incomes have fallen, regional inequality has risen, high streets have been hollowed-out, and higher numbers of children are growing up in poverty.

Based on trends from the latest data, the UK is set to be poorer than Poland by 2030, and poorer than both Hungary and Romania by 2040.¹

Under the Conservatives, Britain is in a cycle of managed decline. While the pandemic and the Russian invasion of Ukraine have hit the global economy, we have fared worse than our competitors. Britain is the only G20 economy except Russia not to be back at pre-pandemic levels.² We are forecast to have the worst growth in the G7 in 2023.³ Our public services are at breaking point, and taxes are at their highest level for 70 years⁴.

1 <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

2 <https://twitter.com/shjfrench/status/1623949191759233028>

3 <https://www.theguardian.com/business/2023/jan/31/britain-only-g7-economy-expected-shrink-2023-imf>

4 OBR (2022) Economic and Fiscal Outlook November 2022

Successive Conservative governments have presided over this failure. At worst, they have created financial and economic chaos, leading to higher mortgage rates for millions and damaging our reputation on the global stage. At best, they have offered 'sticking plasters' rather than fixing long-term problems.

Our peers and competitors – across Europe, Australia, Asia and the United States – are rising to the challenges of the future, focussing on economic resilience and active industrial and regional policies. This new approach is based on the understanding that sustainable economic growth relies on an active government taking on a more strategic role. This means expanding the capacity and the resilience of our economy and creating the solid foundations for a strong private sector to build on. Britain is behind the curve.

The choice is simple: we can use all the powers at our disposal to allow Britain to compete in the global race for the jobs and investment of the future, or we can sit by while other countries steam ahead. We cannot afford to wait.

Why is growing the economy important?

Increasing growth is the biggest economic challenge we face. We need growth so we can improve living standards and reduce poverty. And growth leads to the creation of more and better-paying jobs, and provides the tax revenues we need to fund strong public services.

The reverse is true too. Stronger public services lead to a healthy workforce with the skills they need to succeed. And better paid jobs mean that people can contribute more to their local economies, helping to support thriving high streets and build stronger, safer communities.

That is why Labour's first mission in government will be to: **Secure the highest sustained growth in the G7 – with good jobs and productivity growth in every part of the country making everyone, not just a few, better off.**

What difference will this make?

- Your income growing faster than your outgoings, so you feel better off.
- More money to put aside for a rainy day, to help your loved ones and give you a better retirement.
- Vibrant high streets, with new businesses opening and well-loved existing businesses able to thrive.
- Jobs for you and your children in new and growing industries.
- Wherever you live, you and your children have the opportunities you need to get on in life.
- Every business, person and place has the chance to contribute to our national prosperity
- Access to jobs that pay enough to raise a family on, with more job security, so you have the confidence to plan your future.
- You are valued at work and have the chance to learn the skills you need to succeed.

How will we measure success?

We will hold ourselves to account for achieving this mission by measuring progress against clear outcomes.

On **growth**, we will measure the annual rate of GDP per capita growth compared to other countries using data published by the ONS (Office for National Statistics), as well as data and forecasts from the IMF (International Monetary Fund) and the OECD. Our ambition is to have the highest growth in the G7 over consecutive years by the end of the parliament.

We will measure **living standards** using official measures⁵ of disposable income for the median household. Our ambition is to eliminate the gap between the median British family and those in France and Germany, making progress in closing the gap by the end of the parliament⁶. We will also measure regional and sub-regional living standards using measures published by the ONS, including gross disposable household income per head.

We will measure **productivity** in regions of England and nations of the UK using ONS data on output per hour worked. Our ambition is productivity growth in every region and nation by the end of the parliament.

We will measure the availability of **good jobs** in every part of the country using a range of metrics that cover different aspects of working life in different industries. Our ambition is consistent improvement in the quality of jobs by the end of the parliament.

Labour's plan for sustained growth: bottom up and middle out

Labour's plan will move away from the failed trickle-down ideology and sticking plaster approach to a new model, based on building our economy from the bottom up and middle out. We know that growth does not just come from a few people at the top, but from the talents and efforts of tens of millions of working people and business in every part of the country.

A Labour government will provide the platform for working people to succeed, delivered in partnership with businesses, trade unions and local and national leaders.

To achieve this mission, we will base our approach on five shifts:

- 1. Providing certainty and stability** not chaos and short-term fixes
- 2. Seizing new opportunities** not letting Britain fall behind in the global race
- 3. Ensuring all parts of the country contribute** not tolerating widening inequality
- 4. Giving working people skills and opportunities** not leaving potential untapped
- 5. Building a resilient trading economy** not a weak economy exposed to global shocks

⁵ Using data from the DWP's Family Resources Survey

⁶ Equivalent data for France and Germany is included in the EU Survey of Incomes and Living Conditions

1. Providing certainty and stability

Growth will only be sustainable if it is built on the rock of economic stability, providing families and businesses with the certainty they need to plan. Labour will ensure strong, robust, and respected economic institutions. We will act as a strategic partner to industry, setting out clear priorities to provide the certainty businesses and investors need.

First policy steps:

- Introducing clear fiscal rules with a new enhanced role for the Office of Budget Responsibility.
- Setting up a new Office for Value for Money to make sure taxpayers' money is being spent well.
- Providing certainty by setting out a modern industrial strategy and creating a new Industrial Strategy Council to advise on its implementation.

2. Seizing new opportunities

There are huge opportunities for the taking in the industries of the future, but Britain is currently in the slow lane – held back by a government that is too weak to stand up to vested interests. Labour will seize these opportunities, supporting innovation in clean energy, the digital economy, and in life sciences. We will provide long-term, catalytic public investment to unlock private capital, and change regulations to remove barriers. We will make Britain the best place to start and grow a new business, with improved access to capital, markets and opportunities.

First policy steps:

- Providing catalytic public investment through our Green Prosperity Plan, to crowd in private sector investment to the industries of the future.
- Updating our planning system to remove barriers to investment in new industries.
- Reforming the British Business Bank and unlocking institutional investment so that more patient capital is available to new and growing businesses.

3. Ensuring all parts of the country contribute

Labour will harness the talent and efforts of working people in all parts of the country to generate growth, including through our modern industrial strategy and Green Prosperity Plan. We will devolve power from Westminster to allow places to develop local economic strategies and develop new clusters of industries and jobs.

First policy steps:

- Introducing a Take Back Control Act to give English towns and cities the tools they need to develop credible, long-term growth plans.
- Setting up a National Wealth Fund to invest in new industries in all parts of the country, with the British taxpayer owning a share of that wealth.
- Making it easier for universities to develop self-sustaining clusters of innovation, investment, and growth in their local areas.

4. Giving working people the skills and opportunities to get on

Labour will support people of all ages and in all places to develop the skills they need to fulfil their potential and contribute to a growing economy. We will create stronger links between our evidence-led, points-based immigration system and our skills bodies to make sure we have the skilled workforce we need. We will give working people the security they need to thrive with a New Deal for Working People, improving access to housing and childcare, and improving public services to reduce the number of people who are out of work.

First policy steps:

- Improving the flexibility of the apprenticeship levy, turning it into a 'Growth and Skills Levy' to boost training and skills.
- Giving more power and flexibility to local areas to run employment support services, while ensuring Jobcentres are accessible to all who would benefit from specialist help.
- Helping first-time buyers onto the housing ladder and building more affordable homes by reforming planning rules and arcane compulsory purchase rules, with new protections for renters.

5. Building a resilient trading economy

Labour will fix the Brexit deal and reset our relationship with the EU to cut red tape and ensure that Britain remains a country where firms want to invest – while keeping our red lines of not bringing back freedom of movement, or re-joining the single market or customs union. We will protect our economy from future global shocks by building greater resilience into key supply chains and taking a long-term approach to our economic security.

First policy steps:

- Making Brexit work by closing the holes in the government's Brexit deal, cutting the red tape hampering some of our leading industries.
- Creating Great British Energy to accelerate our drive towards greater energy security.
- Establishing a supply chain taskforce to review supply chain needs across critical sectors.

Help us achieve this mission

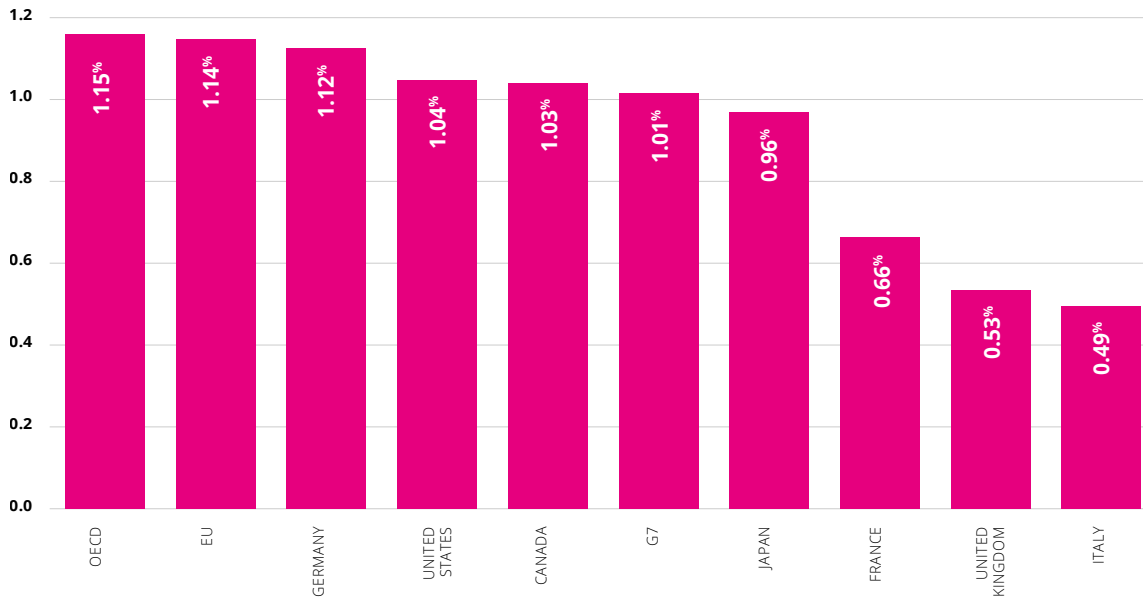
We have set out substantial policy levers to help achieve our mission. However, mission-driven government means working with businesses, local government, trade unions, civil society and others to refine and deliver our plans. We will focus our discussions on the following questions:

- How can the UK best compete with the US, the EU, Asia, Australia and other major economies who are forging ahead with industrial policy? What are the unique strengths that we should be exploiting?
- What are the vested interests we need to overcome to achieve this mission, especially on issues like planning reform?
- How can we empower local leaders to create growth strategies for their areas, nurturing new 'clusters' of high value economic activity?
- Labour has set out a 5 point plan to make Brexit work, and remain outside the single market or the customs union. How should we improve our relationship with the EU and other allies to improve our economic security and grow the economy?
- Where are the existing opportunities for new clusters in areas across the UK, including potential clusters in the green economy?
- How can we tackle the UK's long-term weakness in business investment, including through catalytic public investment?
- How do the institutions of government need to change to embed genuine long-termism and partnership, into economic policy decision making?
- How can we boost competition across the economy and tackle emerging challenges posed by technology and new business models?

ANNEX: ANALYSIS ON THE UK ECONOMY

Productivity growth has ground to a halt since the financial crisis. The chart below shows UK productivity growth trailing the OECD (Organisation for Economic Co-operation and Development) and G7 averages. Productivity levels are significantly below comparable economies like Germany and the US, reversing some of the progress made in the late 80s, 90s and early 2000s to catch up with our peers.

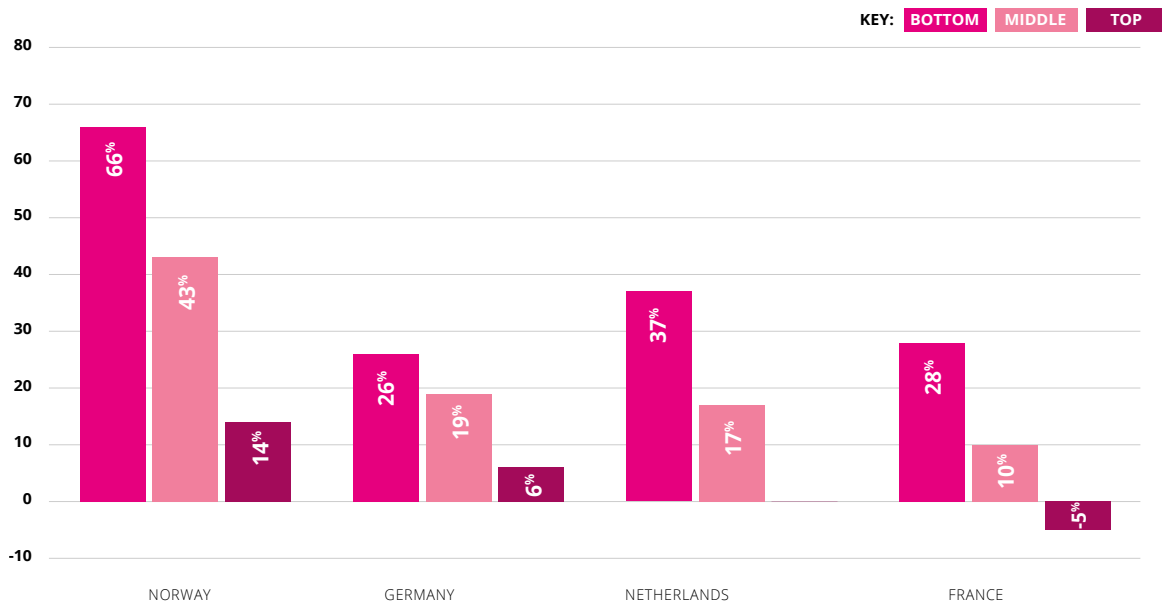
Average annual productivity growth 2010-21 (%)



SOURCE: OECD

The average French and Germany family is now 10% and 19% richer than their respective British counterparts. The difference is even more stark for the poorest households at 28% and 26% respectively. The chart below shows this. Richer households compare more favourably, with the richest British families being 5% richer than their French equivalents.⁷

Disposable income relative to equivalent UK households , for the bottom, middle, and top households



SOURCE: RESOLUTION FOUNDATION (2022) STAGNATION NATION. CALCULATIONS USING EU-SILC, DISTRIBUTION OF INCOME BY QUANTILES

NOTES: DATA FOR THE 'BOTTOM' HOUSEHOLDS IS FOR THOSE AT THE 10TH PERCENTILE; DATA FOR 'MIDDLE' HOUSEHOLDS IS FOR THOSE AT THE 50TH PERCENTILE; AND DATA FOR THE 'TOP' HOUSEHOLDS IS FOR THOSE AT THE 90TH PERCENTILE.

7 Resolution Foundation, Stagnation Nation.

UK GDP (Gross Domestic Product) per capita grew at an average annual rate of 0.5% in real terms from 2010-21, compared to 3.6% for Poland, 3% for Hungary and 3.8% for Romania. By 2030, the UK will be around US\$600 (PPP adjusted) poorer per person than Poland. By 2040, the UK will be around US\$12,000 and US\$8,000 poorer per person than Romania and Hungary respectively.

There are several factors behind this poor performance.

The first is **chronically low investment**. The UK invests a lower percentage of GDP than France, Germany, and the US, and is similarly poor relative to our competitors on the percentage of GDP spent on R&D. Together, these shortfalls hold back productivity and innovation.⁸

Low levels of investment can arise for a few reasons. In the UK, they include a lack of strategic policy making, resulting in substantial uncertainty about future policy and making it extremely challenging for them to make long-term investment decisions.

The lack of direction is exemplified by the lack of a serious commitment to an industrial strategy, and by the extreme economic and policy uncertainty of the past year.

UK investment and capital markets also suffer from excessive short-termism, with too little capital deployed to support long-term productive investment.

Added to this, globalisation, automation, and the proliferation of network externalities skew some markets towards large firms with high mark-ups – affecting the diffusion of innovation across the economy.

The UK economy also underperforms because of **high levels of inequality**. The UK has the seventh highest income inequality in the OECD⁹. One in five people live in relative poverty in the UK. That is 13 million people, an increase of almost 500,000 since 2010¹⁰. More than 60% of adults in relative poverty are living in working households.

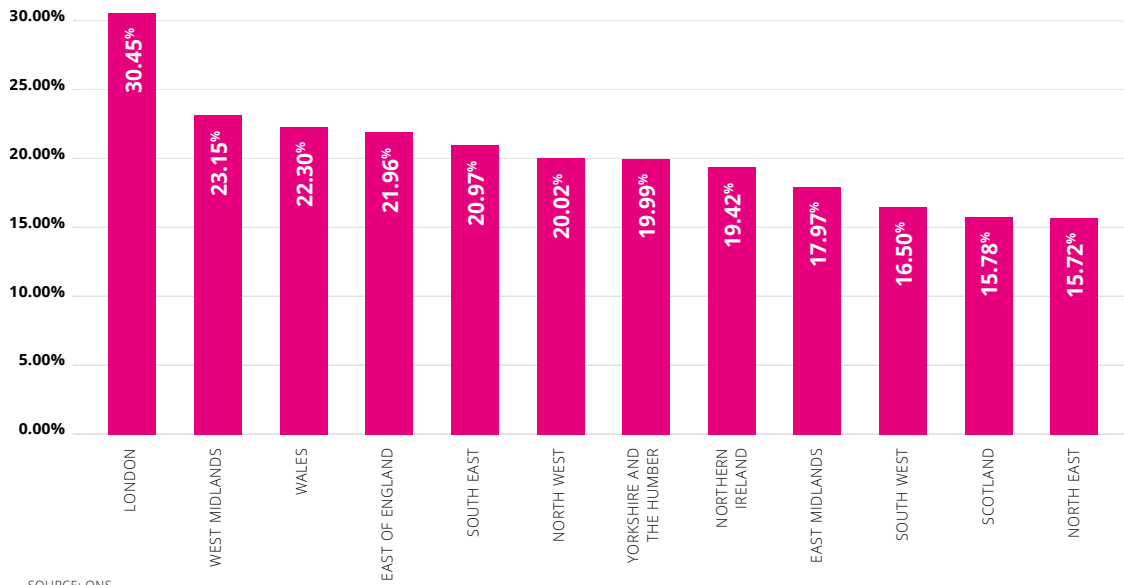
Evidence from organisations like the OECD¹¹ and IMF¹² showing that extremes of economic inequality harm economic growth. It leads to a vicious cycle, where inequality, in-work poverty, and a lack of financial security for millions of households exacerbate our problems with slow growth. Inequality leaves talent untapped, reduces the spending power of working people, and leads to increased costs for our public services.

The UK also suffers from **regional inequality**, with poor productivity performance in cities and towns outside of London. The productivity gap between London and Manchester is nearly 60% larger than the gap between Paris and Lyon, while smaller towns and cities like Wolverhampton and Bradford are half as productive as their German counterparts.

Since 2010, the gap between regions has widened, with London growing twice as fast as the North East. A comprehensive assessment of 28 different indicators of geographical inequalities found that no other large, developed country has an economy that is as geographically unequal as the UK's across so many measures¹³.

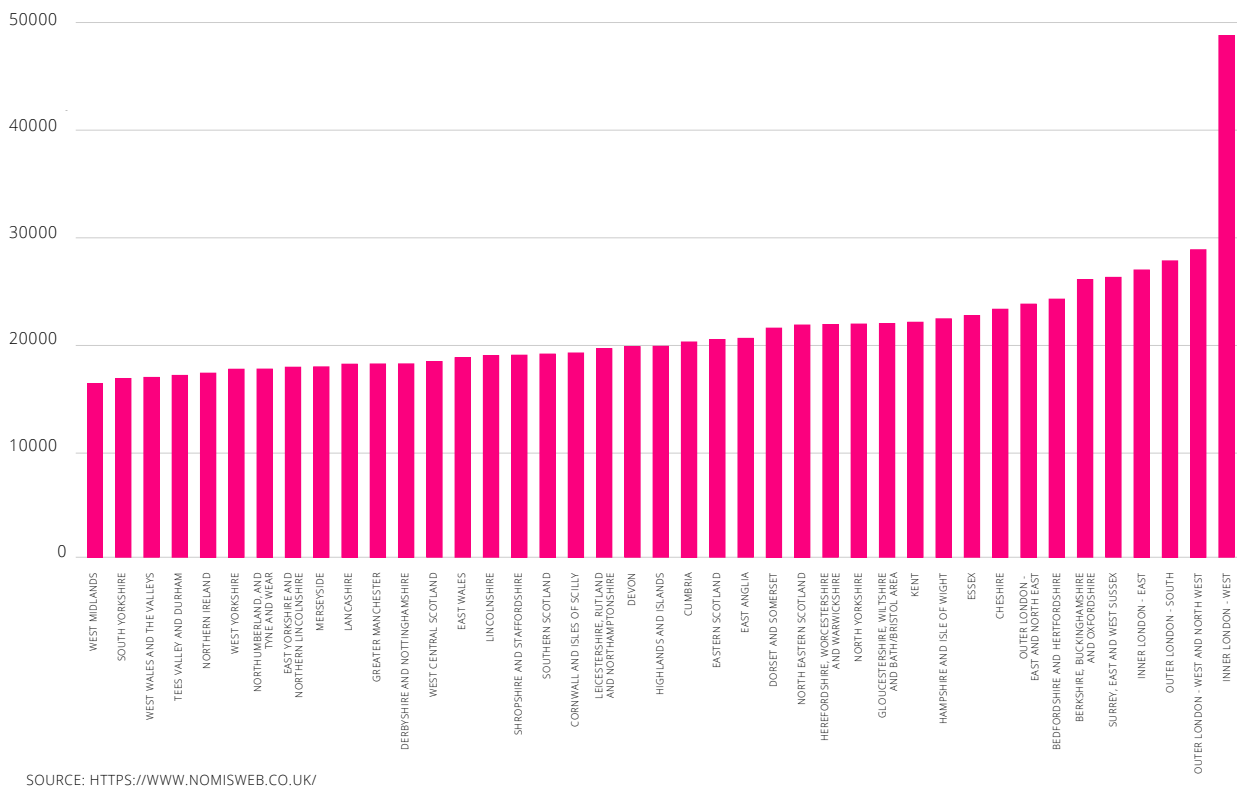
8 World Bank. <https://data.worldbank.org/indicator/NE.GDI.FTOT.ZS?locations=OE>; <https://data.worldbank.org/indicator/NE.GDI.FTOT.ZS?locations=OE>
9 DWP (2022) Households Below Average Income <https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2021>
10 <https://www.oecd.org/economy/growth-and-inequality-close-relationship.htm>
11 <https://www.oecd.org/economy/growth-and-inequality-close-relationship.htm>
12 <https://www.imf.org/en/Publications/WP/Issues/2021/03/12/Links-Between-Growth-Inequality-and-Poverty-A-Survey-50161>
13 Philip McCann, 2020. "Perceptions of Regional Inequality and the Geography of Discontent: Insights from the UK". *Regional Studies*, 54.2, 256-267

Real GDP growth 2010-19



The result is a deeply unbalanced economy, with wealth and opportunity concentrated in too few places, as shown in the chart below.

Gross Disposable Household Income (GDHI) Per Head (£, 2020), by IT2 Region



Finally, as the regional disparities also make clear, **the UK is not making the most of the talents and energies of millions of people.** The share of the population with higher secondary qualifications (i.e. those who do not do a degree but stay in education/training beyond 16) is substantially lower than the OECD average¹⁴. And between 2019 and 2022 the UK's labour force participation rate among 15-64 year-olds fell from seventh out of 38 OECD countries to 15th.¹⁵ Both shortcomings directly affect productivity and also affect business investment decisions.

14 OECD (2023), Adult education level (indicator), doi: 10.1787/36bce3fe-en (Accessed on 23 February 2023)
 15 OECD, <https://data.oecd.org/eduatt/adult-education-level.htm>