The beating heart of our economy

LABOUR’S PLAN FOR SMALL BUSINESS
The vast majority of businesses in this country are SMEs, employing 16.7 million people and boosting our economy by £2.4 trillion.¹

Small business is the beating heart of our economy.

Breathing life into our high streets.

Delivering services that make our lives easier.

Providing the goods we need to thrive.

It is no exaggeration to say that without a diverse and thriving ecosystem of small businesses our country would not just be poorer, but the communities we live in would be as well.

Often small businesses feel neglected by government, not given the respect their sheer economic weight deserves.

Labour won’t let that happen. A future Labour government will hardwire the voice of small business into everything we do.

Making sure we have the policy framework needed to allow our small businesses to prosper and grow.

It isn’t the government of the day that makes a business successful. It is the ingenuity, grit and determination of founders and small business leaders that drives success.

But what Government can, and must provide, is the total business environment that offers that firm foundation.

And my ask of small business leaders across the UK is to work with us as we try to build that firm foundation to succeed.

Your voice and experience is integral if the next Labour government is to succeed in growing our economy.

And I really believe that we can succeed together.

Labour’s plan for small business is an important milestone in that journey. It is an invite to small business leaders to work with us to make sure a future Labour government is delivering for you.

We have already outlined some of our plans to create the environment that you need to thrive: a strong economy, policy certainty, investment in people and places, as well as action on the things holding firms back.

Under Labour, small business will get the respect it deserves, with action on late payments to make sure you get paid on time, as well as a reform of business rates to make an antiquated system more responsive to your needs.

Labour knows the value of small business. It’s not just about the jobs they create or the economic growth they generate – it is small business that brings much needed richness to our economy.

The local café for your morning coffee on the way to the station.

The mortgage broker who went above and beyond to help you get your first house.

The plumber that came out-of-hours to save the day.
This is a plan to give small business the backing it needs to reach new heights, a plan to bring the voice of small business right to the heart of Government and ensure we are delivering.

I hope you see Labour as the partner with the ambition, commitment and consistency, that you really need.

And I hope you will work with us to give small business its future back under Labour

Jonathan Reynolds
Shadow Secretary of State for Business and Trade

“A future Labour government will hardwire the voice of small business into everything we do”
Small businesses are the beating heart of the British economy. By creating jobs for local people, bringing our high streets to life and delivering vital services for communities, they enrich all of our lives.

We are a nation full of entrepreneurial spirit and we should always be looking at how we make the most of that potential. However, too many small business owners are now having to put in enormous efforts just to make ends meet. Many tell us they feel overlooked by the Conservative Government and, after 13 years of economic failure, are now left to fend for themselves with little help and little hope for a positive future.

Labour is proudly a pro-business, pro-worker party. We want to make Britain the best place in the world to start and grow a business by making the economy work for our entrepreneurs and small businesses. To do that, we are building a genuine, reliable partnership with businesses that listens to their concerns and works with them to find the real, practical steps we can take to help them and their communities thrive.

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. We know that small businesses will be a central pillar to achieving this ambitious mission for economic growth. We are committed to hardwiring the voice of small business into our work in government and this plan will form a key plank of our industrial strategy, helping to ensure that businesses of all sizes can contribute to our national missions.

In partnership with businesses themselves, we have set out to build a plan for small businesses that helps them overcome the challenges they are facing and create the environment they need to realise their potential.

This plan was drawn up from conversations with small business owners about the biggest challenges they would like to see addressed. From skills to export growth, energy security to procurement, our plan shows that Labour is on the side of small business. We know that there is more work to be done. Over the coming months, we will be taking this plan out to the country and speaking to businesses to develop it further, ready for the next general election.

When that time comes, we will be ready to implement these plans and make Britain the best place to start and grow a business. We know that achieving that highest level of sustained economic growth out of any major economy is an ambitious mission. And we know that we need to work in partnership with businesses of all sizes to help deliver it.

Now with this plan we will have a serious blueprint to create the long-term environment in which businesses across the country can do what they do best: putting in hard work and dedication to create growth, jobs, and prosperity in every part of the country.
LEGISLATE TO TACKLE LATE PAYMENTS
Unlocking £20 billion in unpaid invoices

SCRAP BUSINESS RATES
And replace it with a system that is fairer for bricks and mortar businesses

REVITALISE OUR HIGH STREETS
Tackling anti-social behaviour and powers to take over empty shops

BOOSTING SMALL BUSINESS EXPORTS
Removing the barriers to export with clear information and support

A NEW DIRECTION FOR SKILLS
With Technical Excellence Colleges connected to local economic needs

GET BRITAIN BUILDING AGAIN
By speeding up the planning system and unblocking the grid

MAKE BRITAIN A CLEAN ENERGY SUPERPOWER
For cheaper bills and greater energy security

THE BEST PLACE TO START-UP AND SCALE-UP
With better access to finance and more spinouts from universities

A FAIR CHANCE AT PUBLIC CONTRACTS
With guaranteed shortlisting for smaller firms
We know that late payments are a scourge on small businesses. At any given time, they are waiting on over £20 billion’s worth of invoices whose payments are overdue. Larger firms failing to pay on time deny businesses in their supply chains the valuable cash that they need to pay staff, buy materials and deliver on future orders.

50,000 businesses go under every year in the UK because of cashflow problems and, as the cost of rent, energy bills and supplies soar, the need to take strong action is more urgent than ever.

Yet all small businesses have been given from Conservative governments are endless delays. The Government has launched eight different consultations on late payments in the last thirteen years, with nearly nothing concrete to show for it.

Small businesses do have some levers for getting money they are owed by large firms. However, many of them simply do not have the time to be calling round customers, chasing money they should already have received, let alone going through lengthy debt recovery processes. We also know from speaking to many business owners that they are reluctant to utilise these powers out of fear that any animosity created by the process could lose them a high-value customer.

Working with small businesses, Labour has designed a plan to tackle this. We would legislate to require the audit committees of big businesses to report on their company’s payment practices in the company annual report. This would increase transparency for small businesses engaging with potential future customers and would also build awareness within the businesses themselves of poor standards.

We know a lot of big businesses are acutely aware of this problem and are making positive changes, thanks to campaign groups like Good Business Pays. Nevertheless, we need to go further, faster, and we believe making companies publish their performances could be a key step in making late payments a thing of the past.

“As the cost of rent, energy bills and supplies soar, the need to take strong action is more urgent than ever.”
The UK’s business rates system is not fit for purpose. It is a huge burden on our high streets and, as our economy has moved more online, our tax system has failed to keep up. This means that bricks and mortar businesses are now paying disproportionately more than their online competitors which is hitting small businesses and our high streets hard.

**Labour will scrap the current business rates system and replace it with a fully costed and fully funded system of business property taxation that is fit for the 21st century.** Our new system will reduce the burden on high streets, rather than making those businesses that are the heart of our communities pay more than their fair share of tax.

Our new system will support small businesses’ ambitions to grow and to move into empty premises, rather than standing in the way of entrepreneurship. And our new system will increase incentives for businesses to invest, rather than discouraging them from doing so.

We have been speaking with businesses of all sizes to design our replacement for business rates, and we are continuing to develop these plans ahead of a general election.

“Labour’s new system will reduce the burden on high streets and not stand in the way of entrepreneurship”
REVITALISING BRITAIN’S HIGH STREETS

Small businesses are crucial pillars of our high streets providing goods and services that are central to people’s everyday lives. Labour has a plan to support these businesses by revitalising high streets to boost footfall and attract new businesses to open. Central to this are our plans to scrap business rates and replace it with a system that is fairer on bricks and mortar businesses. However, we have further plans to bring customers back to their local high streets.

First and foremost, people should feel safe when they go out to shop, eat or have fun on their local high street. Labour will tackle anti-social behaviour by introducing new town centre police patrols and a mandatory antisocial behaviour police lead for every local neighbourhood. This is part of Labour’s Neighbourhood Police Guarantee with 13,000 neighbourhood police and Police Community Support Officers. We would also implement a statutory duty for local partners to cooperate in tackling antisocial behaviour, with mandatory antisocial behaviour officers in every local authority area.

Furthermore, we will make sure small retail business owners and their staff are safer by creating a new specific offence of assault against retail workers. We will also reverse the Conservatives’ decision to downgrade the police response to shoplifting under £200 in value to make it easier to take action against repeat offenders and put a stop to offending impunity.

Many high streets are blighted by long-term empty premises owned by landlords with no immediate intent to re-open them. Labour would revamp empty shops by giving councils new powers to take over empty shops and reopen them without consent from the property’s owners.

Empty Shop Orders would see councils work with owners to bring empty shops back into use after 12 months of vacancy. Councils would have the power to secure management rights, carry out works and put the property to use, with rent revenues being directed back to the owner. The premises would be offered to local small business for a discounted rent.

“Labour has a plan to support these businesses by revitalising high streets to boost footfall and attract new businesses to open”
In order to achieve our growth mission and support small businesses to grow their full potential, we need to turn around our recent record on exporting. The UK currently operates an £87 billion trade deficit but our exporting trajectory is going in the wrong direction. Export growth is one of the worst in the G7 and the OBR forecasts exports will fall by 6.6% in 2023 and fall yet further in 2024. Under the last Labour Government, trade grew by 10% and exports almost doubled. Small business exports will need to be central to reversing current trends.

The next Labour government will publish a trade strategy that businesses will have helped shape and, crucially, that will be connected to our industrial and foreign objectives. We know that making sure our businesses have what they need to export is just as important as securing market access. Our strategy will back every business that wants to trade internationally. We know that there is the ambition and drive among small business leaders to export but the Government are currently making it far too hard for them to succeed.

Indeed, it is no wonder small business is struggling to export when firms tell us that they find the information they need from foreign government websites because ours isn’t good enough or they have been invited to trade shows with only a few days’ notice. Labour will work alongside the Federation of Small Business on a Small Business Export Taskforce which will look at practical ways we can remove the barriers to exports for firms of all sizes and improve guidance to make exporting easier.

The biggest barrier to overcome is our trading arrangements with Europe. Europe remains our biggest and nearest export market but the Tories’ poorly negotiated deal with the EU resulted in extra red tape and higher costs for UK exporters. The Trade and Cooperation Agreement (TCA) is not working as we were once promised that it would. Over half of firms that trade with Europe are reporting problems with current trading arrangements according to the British Chambers of Commerce.

Labour is clear that our future lies outside of the customs union but we will make Brexit work by improving on the Conservatives’ thin deal when the TCA renewal period comes in 2025. Our plans include seeking a sanitary and phytosanitary agreement to make it easier to move food products across the border, reducing business costs and curing food price inflation. We will aim to strengthen mutual recognition of professional standards and qualifications across Europe, to unlock vital trade in services. We will also push for an EU visa waiver for UK touring artists, to help free up travel for artists and supporting services in creative sectors.

“Making sure our businesses have what they need to export is just as important as securing market access.”
Too many small businesses tell us that they are being held back because they cannot access the skilled workforce they need to expand and grow. Indeed, in October 2023, two-thirds of small businesses reported that they had high demand for skills that they were unable to access.9

At the heart of the problem is a failure to deliver a coherent skills system that businesses and workers can easily access. There is a confused and confusing landscape for people wanting to train, businesses wanting to recruit new talent or support employees to upskill, and providers trying to deliver the courses that individuals and employers need.

**Labour will address skills shortages head on by creating Skills England to bring partners together in developing plans to meet the skills needs of the next decade, transforming our further education system and giving local businesses the tools needed to shape the local system around their needs.**

**Labour will introduce Technical Excellence Colleges**, supporting FE colleges to specialise in providing higher technical qualifications in the skills their area needs by engaging with local small businesses on the specific skillsets they need to get on and grow.

To ensure that these colleges will be specialised to the needs of the local economies, **we will better connect them to Local Skills Improvement Plans**, giving businesses of all sizes a seat at the table to set the direction for the future of their local skills provision.

This will mean that we can deliver on the skills shortages identified by local small businesses in their pre-existing plans targeting laboratory technicians in Derbyshire and Nottinghamshire, cloud computing courses in Greater Manchester or high-intensity welders in the Tees Valley.10

Labour recognises that too many young people are leaving education without the basic skills that every business needs like maths, digital or communications skills. Labour will deliver higher standards in our schools with every child taught by expert teachers delivering a broader curriculum that equips the next generation to achieve.11

The current Apprenticeship Levy paid by larger businesses is not flexible enough and has huge underspends because businesses cannot use the money on the full breadth of skills they need. That is why we will transform it into a new Growth and Skills Levy to give businesses greater flexibility.

**The next Labour government will continue to cover 95% of costs for non-levy payers protecting apprenticeship starts in small businesses.**

“Labour will address skills shortages head on by giving local businesses the tools needed to shape the local system around their needs.”
GETTING BRITAIN BUILDING AGAIN

If we want to spur investment, restore economic security, and revive growth, then we must get Britain building again. The next Labour government will reform the planning system to build 1.5 million homes over the Parliament, creating opportunities and orders for small builders and tradespeople across the country.

Under the Conservatives, small housebuilders have been hammered by changes to the planning system that has created uncertainty, delay and unnecessary bureaucracy. A recent survey by the Home Builders Federation found 93% of small builders citing planning as a barrier to growth, whilst 76% said they were held back by lack of capacity for local planners.

Labour will introduce a transformational package of planning reform to address these concerns and turbocharge opportunities for small builders and tradespeople. We will launch a blitz of planning reforms, delivering a housing recovery plan within months of entering office that will reform national planning policy to get new homes approved.

Labour will strengthen planning capacity by hiring more than 300 new planners across the public sector to expedite decisions. This will also allow us to ensure that every local planning authority has at least one full time planner, which is not currently the case, as well as providing for central government planning resource to be beefed up.

We will fund this by increasing the surcharge on stamp duty paid by non-UK-residents when they buy property in the UK.

But we also know that one of the single biggest obstacles to getting shovels in the ground is grid capacity. While demand for businesses to grow their businesses or invest in their decarbonisation journeys is strong, the queue for grid connections has gotten out of control, with more than £200 billion worth of privately funded energy projects stuck. A Labour government would oversee the largest upgrade to our national transmission infrastructure in a generation. We have a comprehensive plan to secure this including: empowering a Future Systems Operator to take on the role of system architect; adopting a more strategic approach to identifying future demand; aligning our planning system with our ambitions; and implementing measures that use our energy system in a smarter way and reduce pressures on the grid.

“Labour will introduce a transformational package of planning reform to turbocharge opportunities for small builders and tradespeople.”
Britain’s small businesses have been hit hard by spiralling energy bills which hammered businesses in all sectors and have forced too many to close their doors for good.

However, we know that commercial energy prices – especially for manufacturing firms – have long been crippling the competitiveness of many businesses across the country. We’ve heard from small manufacturers in energy intensive sectors like ceramics and chemicals about how high and fluctuating energy costs have held back growth.

Even before Russia’s illegal invasion of Ukraine, UK businesses faced the highest electricity costs in the G7, having soared by 72% between 2010 and 2021.\textsuperscript{14} UK electricity prices are 59% higher than the EU average, meaning that last year, UK manufacturers could have saved almost £50 million on energy costs if they were buying in the EU rather than the UK.\textsuperscript{15}

The only way to cut energy bills for good and deliver energy security is to shift decisively to clean, homegrown low-carbon power.

Labour’s mission to make the UK a clean energy superpower will cut bills for small businesses, create commercial opportunities for them and deliver security with a cheaper, zero-carbon electricity system by 2030.

We will invest alongside business through our Green Prosperity Plan in renewable energy, hydrogen, carbon capture and nuclear power to provide small businesses with access to secure low-cost energy. Our plans will ensure small manufacturers are no longer held back by sky-high energy bills and end the competitive disadvantage with European firms.

Our push to clean, homegrown power will create enormous opportunities in every part of the UK and British small businesses will play a vital role in supply chains creating up to 300,000 jobs.\textsuperscript{16}

Labour would deliver a national Warm Homes Plan to upgrade nineteen million homes to EPC standard C over a decade, installing energy saving measures such as loft insulation, going street by street in locally delivered programmes. Labour’s Warm Homes Plan will have enormous benefits for small businesses, creating over 200,000 jobs for retrofitting firms, builders, electricians, plumbers, carpenters and architects.\textsuperscript{17}

“Our push to clean, homegrown power will create enormous opportunities for British small businesses in supply chains creating up to 300,000 jobs.”
Labour won’t achieve our growth mission without the millions of people across the country who take the plunge and start their own business. The drive and ingenuity of British entrepreneurs are vital to our long-term prosperity, whilst fast-growing ‘scale-up’ firms are the key to developing our potential in high-tech industries of the future.

The government has failed to deliver the support our entrepreneurs need, abandoning their Enterprise Strategy and introducing a litany of schemes that failed to deliver on their promises.

British entrepreneurs need a government that matches their ambition, but time and again, we hear about the stubborn obstacles preventing many businesses from starting up and scaling up, and the opportunity to grow a business is still not shared widely enough.

Removing these barriers would have huge implications for the founders and entrepreneurs of the future as well as our overall economic performance. If the UK had the same level of venture capital investment as a share of GDP as the United States, we would be attracting £16 billion more investment into our economy.18

In 2022, Rachel Reeves commissioned a review into start-ups and scale-ups chaired by Lord Jim O’Neill. Their independent report is a roadmap to making the UK the best place to start and grow a business.

Chief among the barriers to overcome is access to finance to scale, with the UK lagging behind our competitors. Labour will unlock the supply of patient capital for technology-intensive, early stage businesses ensuring that institutional investors and VCs are best placed to invest alongside the British Business Bank.

Labour will also reform the British Business Bank to give it a more ambitious remit, helping it better support SMEs and giving it a stronger mandate to support regional growth.

Labour will ensure the UK capitalises on its world-leading universities and research base to grow the number of spinouts that make the very most of our ground-breaking research. We will better track spinouts from universities with a dashboard to identify what’s working and where there are barriers. Moreover, we will work with universities to ensure there are a range of options on founder-track agreements helping to boost spinouts and economic growth.

“Labour will unlock the supply of patient capital for technology-intensive, early stage businesses.”
In the UK, we spend hundreds of billions of pounds every year on public sector procurement. Labour wants to unleash the enormous power of those public contracts for the public good. We could much better utilise those contracts to support SMEs.

Indeed, there are £30 billion worth of public contracts that would be suitable for smaller businesses to deliver but, currently, 90% of them are still being awarded to big businesses. And successful bids by small businesses are only going in the wrong direction. Analysis by the British Chambers of Commerce found that the proportion of public money from government procurement going to small businesses is lower now than it was five years ago.

**Labour’s National Procurement Plan would give small and medium businesses fairer opportunities to benefit from public contract bidding.** We would require that at least one SME makes the shortlist when any smaller, suitable contract goes out to tender.

We would also give small enterprises a level playing field at winning contracts, cutting red tape and streamlining the bidding process so that they can be more competitive against larger firms with more resources to dedicate towards making their bids.

“We would require that at least one SME makes the shortlist when any smaller, suitable contract goes out to tender.”
REFERENCES


9 When asked “Which, if any, of the following skills has your business had a high demand for in the last 12 months?”, 61.4% of businesses with 10–49 employees identified skills that they were unable to access. “Business Insights and Conditions Survey data, Wave 94”, Survey data, Office for National Statistics, https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheukeconomy [Accessed November 2023]


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Based on private modelling carried out for the Labour Party


Insights provided to the Labour Party by Spend Network
