

# **LABOUR'S FIGHTBACK**

Changing Britain by 2020

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**FABIAN  
SOCIETY**

# 1 INTRODUCTION

In the last 18 months the Labour party has announced a wide range of eye-catching policies. No longer can critics claim that the party has nothing to say. But many of those announcements are 'doorstep' pledges designed to win Labour the next election and perhaps give a flavour of what the party will do with power. This package is an essential building block, but it is not sufficient.

Next the party needs to set out plans for how it will seek to change the underlying structure of Britain's economy, society and government. In other words, Labour needs to embrace a five year programme of government that will leave Britain a different, better country by 2020.

This report sets out 12 policy proposals which are large enough in scale to collectively set a new course for the nation. If implemented they would create a clear rupture with the policies and priorities of the coalition and prove that voting Labour makes a difference.

The ideas explored here have all emerged from the Fabian Society's 2012-2015 research programme. Some have been discussed in previous reports, while others reflect the emerging conclusions of ongoing projects. Together they reflect a radical manifesto for the left, although one still bound by fiscal and economic reality.

For 130 years the Fabian Society has been a vital source of fresh ideas and practical policies for the left, offering both support and challenge to our elected politicians. These proposals continue in that tradition. As the Labour Party's National Policy Forum prepares to meet in July, our work provides the raw material for a truly transformative Labour policy programme.

# 2 THE FUTURE OF GOVERNMENT

As part of our Next State programme the Fabian Society has carried out a wide-ranging series of studies on the future of government. A trio of major projects lie at the core of the programme: our 2013 commission on future spending choices and two ongoing 'state-of-the-nation' projects on reshaping public services and on social security, poverty and inequality.

Five key policy recommendations emerge from the programme:

1. **The next government should freeze (not cut) public service spending, in real-terms, until the deficit is under control. The priority for spending should be health, care, children and skills.** Coalition plans for major cuts to public service budgets in the next parliament will destroy many services as we know them (even freezing budgets for two or three more years will be hard). If spending is flat overall, moderate cuts will still need to be made to some budgets, to prioritise spending in areas that are investments in the future or where there is rapidly rising demand. Our alternative spending plan can be achieved by taking a slightly less aggressive approach to deficit reduction, with a fiscal target of a sustained reduction in national debt rather than a balanced budget.

Further reading: *2030 Vision*

2. **The indexation of social security to earnings should be extended beyond pensioners, to people receiving benefits who are in work, disabled or bringing up children under five.** This is essential to prevent poverty and inequality rising in the next decade. The policy should be introduced from the middle of the next parliament, once the fiscal deficit reaches the Maastricht criteria for a sustainable budget deficit. To further safeguard the public finances spending on working age social security should be capped to rise by no more than growth in GDP, except during recessions.

Further reading: *2030 Vision*

Future publication: *Inequality, social security and work in 2030*

3. **A National Health and Care Service should be established by creating a single budget for commissioning health and social care services, with strong oversight by locally elected politicians.** The new budget should be several billion pounds larger than current levels of spending to cope with the acute pressures facing health and care services and to offer some social care free at the point of need. This should be paid for by reforming pension tax relief and requiring workers over 65 to pay national insurance.

Further reading: *Together; A Presumption of Equality; 2030 Vision*

4. **Power and money should be devolved from Westminster, but only where there is local democratic control.** Councils should supervise spending by all public services in their locality and be able to force agencies to collaborate and pool budgets to invest in early interventions. Sub-national public bodies, including ones covering several local authority areas, should not be quangos – they should either have their own democratic mandate or be directly controlled by councils.

Further reading: *Letting Go; 2030 Vision*

Future publication: *The left's new agenda for public services*

5. **The 'preferred providers' for frontline public services should be non-profit or government bodies with strong public character and businesses should be barred from running entire public services.** Companies should not run whole systems like probation or welfare-to-work nor have an extensive role in delivering frontline relationship-based services. The private sector should still be able to play a role in the public sector supply chain, but with tightly specified functions. The main relationship between citizens and services should be via organisations with a clear public purpose.

Future publication: *The left's new agenda for public services*

# 3 THE FUTURE OF THE ECONOMY

The Fabian Society's Next Economy programme explores how to rebalance Britain's economy to secure fairer, more sustainable growth. In Spring 2014 we published proposals for judging economic success which argued that tackling short-termism and inequality should be the twin goals for economic policy. The government's principal economic objective should be a sustained increase in real median household incomes, not GDP.

Five key policy recommendations emerge from the programme:

1. **The next government must see that in excess of 200,000 homes are built each year, by giving councils powers and financial freedom.** Local authorities need to be able to unlock the supply of land and both councils and social landlords need to access financing to build at scale. Councils should be able to direct development not just approve it and be able to borrow prudently to build. Social housebuilding should be the first priority for any new capital investment the government can afford and the public sector balance sheet should be used to guarantee cheap lending to social landlords.

Further reading: *2030 Vision; Our London*

Future publication: *The silent majority*

2. **The minimum wage should be increased to 60 percent of median earnings. By 2020 at the latest, the minimum wage should be indexed to earnings and the Living Wage be paid to all public service workers.** Inequality and poverty can only be reduced by tackling low pay. Any potential risks to job creation can be managed by staged implementation. The minimum wage should be permanently indexed to average or high earnings to prevent labour market inequality rising in future.

Further reading: *The Great Rebalancing; Measure for Measure*

Future publication: *Inequality, social security and work in 2030*

3. **The next government should undertake a five-year programme of tax reform to simplify the system, rebalance tax away from earnings, and dampen future asset bubbles.** Labour should

extend its proposals for a mansion tax by developing plans to reform the taxation of land, assets and unearned income, potentially scrapping inheritance tax as part of a wider package. Integrating National Insurance and Income Tax should also be considered. Tax reform is highly controversial so policy development and implementation should involve the oversight of an independent non-political body.

Further reading: *How Labour can change Britain; 2030 Vision*  
Future publication: [scheduled for 2015]

4. **A UK sovereign wealth fund should be established, using the proceeds of the sale of the part-nationalised banks.** The fund would invest in liquid investments so its funds could be offset against liabilities when measuring net national debt. The fund's aim would be to focus on long-term investment needs and the securing of good returns for taxpayers over time. It would be an important cushion in the event of a future financial crisis.

Further reading: *A Rainy Day Fund*  
Future publication: *Beyond shareholder value* (contribution to Smith Institute collection)

5. **Corporate governance of large companies should be reformed to put workers on boards or introduce German-style supervisory boards.** Large companies should also be required to report the difference in annual pay rises awarded to senior executives, management and their wider workforce. New institutions should be established to formalise partnerships between business and government, at the level of industrial sectors and local areas. They would bring public bodies and companies together to work on innovation, skills, supply chains, responsible business practice and pay.

Future publication: *In It Together; Beyond shareholder value* (contribution to Smith Institute collection)

# 4 THE FUTURE OF THE ENVIRONMENT

Our Environment and Citizenship programme looks at how to sustain public support for the green agenda and achieve lasting change to corporate and consumer behaviour.

Two key policy recommendations emerge from the programme:

1. **The government should set a ten year deadline for the nation's homes to be energy efficient.** After that time no home failing to meet an agreed energy efficiency standard could be rented or sold. The deadline would be the culmination of a ten year national energy saving scheme, with incentives for early adopters that might include council tax reductions, subsidised loans to improve energy efficiency or stamp duty reductions. Local authorities would be responsible for implementation, using financing from the Green Investment Bank.

Future publication: *Safe and Warm Homes*

2. **A new mid-week environment bank holiday should be created as the cornerstone of efforts to build a new environmentalism that is relevant to people's lives.** The bank holiday would create a national focus for tens of thousands of local volunteering projects involving communities and companies. Meanwhile councils should seek to reverse the privatisation of public spaces and introduce participatory budgeting so that neighbourhoods can set their own priorities for the local environment, with volunteers helping manage local space.

Further reading: *Pride of Place*

# FURTHER READING

**2030 Vision: The final report of the Fabian Future Spending Choices Commission**

[http://www.fabians.org.uk/wp-content/uploads/2013/10/2030\\_Vision\\_web.pdf](http://www.fabians.org.uk/wp-content/uploads/2013/10/2030_Vision_web.pdf)

**Together: A Vision of Whole Person Care for a 21st century health and care service; Andy Burnham MP (ed.)**

[http://www.fabians.org.uk/wp-content/uploads/2013/07/Together\\_WEB.pdf](http://www.fabians.org.uk/wp-content/uploads/2013/07/Together_WEB.pdf);

**A Presumption of Equality: The changing face of old age and what it means for fairness; Andrew Harrop**

[http://www.fabians.org.uk/wp-content/uploads/2013/07/POE\\_final.pdf](http://www.fabians.org.uk/wp-content/uploads/2013/07/POE_final.pdf)

**Letting Go: How Labour can learn stop worrying and trust the people; Jon Wilson**

<http://www.fabians.org.uk/wp-content/uploads/2012/09/LettingGo-full-text.pdf>

**Our London: The capital beyond 2015; Sadiq Khan MP (ed.)**

[http://www.fabians.org.uk/wp-content/uploads/2013/12/Our\\_London\\_WEB.pdf](http://www.fabians.org.uk/wp-content/uploads/2013/12/Our_London_WEB.pdf)

**The Great Rebalancing: How to fix the broken economy; Andrew Harrop (ed.)**

[http://www.fabians.org.uk/wp-content/uploads/2013/01/FABJ320\\_web.pdf](http://www.fabians.org.uk/wp-content/uploads/2013/01/FABJ320_web.pdf)

**Measure for Measure: Economic indicators for a fair and prosperous society; Andrew Harrop & Rob Tinker**

[http://www.fabians.org.uk/wp-content/uploads/2014/03/MeasureforMeasure\\_PDF\\_FINAL.pdf](http://www.fabians.org.uk/wp-content/uploads/2014/03/MeasureforMeasure_PDF_FINAL.pdf)

**How Labour can change Britain: Ten priorities for a future government; Anya Pearson (ed.)**

<http://www.fabians.org.uk/wp-content/uploads/2014/03/HowLabourCanChangeBritain.pdf>

**A Rainy Day Fund: Why Britain needs a financial sector revenue stabilisation account; Victoria Barr**

<http://www.fabians.org.uk/wp-content/uploads/2012/12/A-Rainy-Day-Fund.pdf>

**Pride of Place: Land, community and a popular environmentalism; Natan Doron & Ed Wallis**

<http://www.fabians.org.uk/wp-content/uploads/2014/06/Pride-of-Place.pdf>

The report also references forthcoming Fabian Society research on public services, inequality and energy efficiency. For more details on these, contact Richard Speight on [richard.speight@fabians.org.uk](mailto:richard.speight@fabians.org.uk)



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## CHANGING BRITAIN BY 2020

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In the last 18 months the Labour party has announced a wide range of eye-catching policies. No longer can critics claim that the party has nothing to say. But many of those announcements are 'doorstep' pledges designed to win Labour the next election and perhaps give a flavour of what the party will do with power. This package is an essential building block, but it is not sufficient.

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