

FABIAN POLICY REPORT

# ALL OF OUR BUSINESS

*Building better partnerships between government  
and industry, with Peter Kellner, Rachel Reeves MP,  
David Walker, Sonia Sodha and many more*



## EDITORIAL

At Labour party conference in 2011, Ed Miliband made a clear distinction between 'productive' and 'predatory' forms of capitalism. Since then, all political parties have, to a greater or lesser extent, expressed a desire to engage more directly with the way the economy functions and build a more 'responsible capitalism'. Companies should serve the interests of a wider group of stakeholders, and not just shareholders, promoting long-term strategies for growth while being rooted in communities and recognising their wider obligations.

Clearly, Britain must begin to map out a new relationship between government and industry. Previously, business policy has been seen as a choice between two opposing pathways: burdensome government regulations that risk stifling growth; or a laissez-faire model of untrammelled market freedom.

But this dichotomy is no longer tenable. As new YouGov polling for this report demonstrates, the reality is that people are wary of building a new political economy on the foundations of ideology. Instead, they call for a much closer partnership between state and business – one where responsibility is shared, where there is collaboration as well as competition, and where the needs of local communities are met. Government needs a much more subtle, symbiotic and strategic relationship with businesses, big and small, built on trust and shared endeavor.

But how can this be achieved in practice? Can governments make a difference to the private economy? How are government and industry going to work more closely and more effectively together to create a responsible business model? Various pathways are explored here, from initiatives that provide more skills and training to the smart companies who are bearing the torch for innovative and sustainable business models. These are ideas that help make business work for all of us – employees, consumers, savers, communities and companies alike.

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**FABIAN  
SOCIETY**

**FABIAN SOCIETY**  
61 Petty France  
London SW1H 9EU  
020 7227 4900 (main)  
020 7976 7153 (fax)

info@fabian-society.org.uk  
www.fabians.org.uk

**General Secretary,**  
Andrew Harrop  
**Deputy General Secretary,**  
Marcus Roberts  
**Head of Editorial, Ed Wallis**  
**Editorial Assistant,**  
Anya Pearson

**Report Editors,** Ed Wallis,  
Anya Pearson  
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## For the future

A new YouGov poll for the Fabian Society finds that people think Britain's old political economy has failed us, but are wary of building a new political economy on foundations of ideology, writes *Peter Kellner*



*Peter Kellner is  
president of YouGov*



WE KNOW WHAT we are against, but what are we for? Ed Miliband struck a chord with many people when he contrasted the evils of ‘predatory capitalism’ with the virtues of ‘productive capitalism’. Almost all of us hate the banks’ obscene bonuses, irresponsible lending habits and scandalous mis-selling practices of recent years. We despise international companies that dodge national taxes. We can’t stand employers who exploit their workers, cheat their customers and pollute the environment. We want a new settlement between government, capital and labour. But what should that settlement look like?

The answers to that question are important for their own sake: the market system is plainly not working as well as it should. But, in addition, the answers are politically urgent. Across the spectrum, smart politicians are grappling with the issues – Vince Cable in his work as business secretary, for example, or Jesse Norman, a Conservative MP who has written with real insight about the need to replace ‘crony capitalism’ with a version that will serve the interests of the country as a whole.

True, any prospectus for a better capitalism will require intellectual heavy lifting. But precisely because the political competition in this area is now intense, public opinion matters more than ever. Ordinary voters may not supply the expert witnesses, but they will provide the jury. What do they think, after five years of economic weakness, three years of coalition rule and two major conference speeches by Ed Miliband seeking to redefine Labour’s purpose? The Fabian Society asked YouGov to explore public attitudes to predatory, crony and productive capitalism. Where do voters think things have gone wrong, and what would they like done now?

First, we asked respondents to choose between two views of Britain’s recent problems. Do they flow from some specific mistakes that need to be corrected, or from more deep-seated failings in our society? The answer seems emphatic:

*“Many people, including governments and the banks, made mistakes; but there was nothing fundamentally wrong with Britain’s economic system. Once the present period of adjustment is over, we should be able to return to steady growth and low unemployment”: 15%*

*“Britain’s recent problems have exposed fundamental problems with the way our economic system works. The ways in which government, banks and major companies operate will have to change radically before prosperity is likely to return to British families”: 67%*

*Neither/don’t know: 18%*

However, answers to the next question suggest that ideologically-minded people on the left and right have a different view than normal voters of what “fundamental” means. We listed 16 possible causes of “Britain’s economic problems” and asked people to pick up to “four or five” that they blame most. The first point to make about the results is that this was a question that fired up our respondents. Far fewer than normal said “none” or “don’t know” – a mere 6 per cent.

**Precisely because the political competition in this area is now intense, public opinion matters more than ever. Ordinary voters may not supply the expert witnesses, but they will provide the jury**

The second point is that the three causes that outstripped the others, and by some distance, had nothing to do with the ideology of the market. As Table 1 shows, two of them concerned people behaving badly (banks lending recklessly and people living beyond their means) while one flows from a policy that the public thinks successive governments have got badly wrong: immigration.

The table shows the full list. I have grouped them into four groups of four – bad behaviour, policy mistakes and ideological critiques from both the left and right (respondents were not shown these four headings: they simply saw the 16 items in a randomised order). Failures of ideology make an appearance, but are not generally thought to be central to Britain’s problems.

**TABLE 1**  
Which four or five of these, if any, do you blame most for Britain’s economic problems?

<b>Bad behaviour</b>	
Banks lending recklessly	55
People generally borrowing too much and living beyond their means	48
Politicians who are out of touch with ordinary voters	39
Banks not lending enough	12
<b>Policy mistakes</b>	
Excessive immigration	48
Interference in British life by the European Union	32
A poor education system	12
Too restrictive immigration rules	4
<b>Ideological failings – left-of-centre critique</b>	
Growing inequality between rich and poor	34
Globalisation destroying jobs in Britain	17
Major companies not investing enough for the long-term	17
Successive governments taxing too little	5
<b>Ideological failings – right-of-centre critique</b>	
Successive governments spending too much	35
Excessive welfare payments to people of working age	35
Successive governments taxing too much	11
Trade unions obstructing reform	9

True, the picture is slightly different when we look at the results by party loyalty. Labour voters are concerned about growing inequality (cited by 56 per cent). But this is on a par with, rather than miles ahead of, the two big behavioural errors to do with bank lending and out-of-touch politicians. And Labour voters are almost twice as likely to cite “excessive immigration” (39 per cent) as globalisation (21 per cent).

If anything, this analysis overstates perceptions of ideological failings by including

TABLE 2

There are various ways in which different governments interact with private business. Which two or three of these, if any, would you most like Britain's government to do in the next few years?

<b>Educate</b>	55
Do more to make youngsters "work-ready" – through schools, training, and apprenticeships	
<b>Invest</b>	44
Help business by developing a better infrastructure (e.g. transport, internet networks etc.)	
<b>Encourage responsibility</b>	42
Name and shame irresponsible companies and encourage businesses to change their practices	
<b>Provide long-term certainty</b>	33
Give business long-term certainty about how their business environment will change (e.g. through interest rates, taxation etc.)	
<b>Regulate</b>	19
Create rules telling business what they can and can't do to protect the public interest	
<b>Get out of the way</b>	17
Government should reduce regulation and let businesses take their own decisions	
<b>Create institutions</b>	16
Create institutions where businesses and employees work together to set employment, training and business standards	

government spending as part of the right-wing critique of our economic condition. Only 11 per cent blame excessive taxes. This is a better indication of whether people think the balance of public and private spending is fundamentally wrong: the relatively high figure for government spending is probably a reaction more to Britain's current huge government deficit than to a deep-rooted judgement about the size of the state.

We then offered seven strategic options for the future: broad principles rather than detailed policy ideas. Respondents were invited to select up to three options they most supported. Table 2 shows the results.

TABLE 3

Here are some specific policies, including new laws, that different people have suggested, to regulate British companies. Do you think each of the following will improve or worsen the living standards and future prospects of you and your family?

	Improve	Worsen	Neither
	%		
Requiring large companies to employ and train apprentices so that they reach set skills or qualifications	68	3	19
Raise the national minimum wage to a "living wage" – (currently around £2 an hour above the legal minimum wage)	58	9	21
Breaking up the big six energy companies in order to increase competition and encourage new companies to become energy providers	53	8	23
Change company law so that directors have the duty to consider social, community and environmental objectives, as well as the interests of shareholders	53	7	24
Requiring large companies to include workers on their boards, and the remuneration committees that decide directors' pay	49	7	26
Use of public procurement to promote responsible practice (that is government buying goods and services only from companies that conform to social and environmental standards)	46	8	29
Establishing innovation groups for city regions, where companies can pool money and ideas to help the region as a whole	41	4	33
Make the minimum wage system more flexible, so that it is set for each industry, according to an agreement between companies and workers	29	23	29

Once again, we find that people have a specific view of what it means to solve fundamental problems: they want the present mixture of market forces and state action to work better, not a new ideological direction.

Thus, the top four broad-brush solutions to our problems are deemed to be education, infrastructure spending, more corporate responsibility and long-term stability for business. The remaining, more ideological propositions lag some distance behind in the last three places: the left's call for tougher regulation, the right's call for leaving business alone and the corporatist

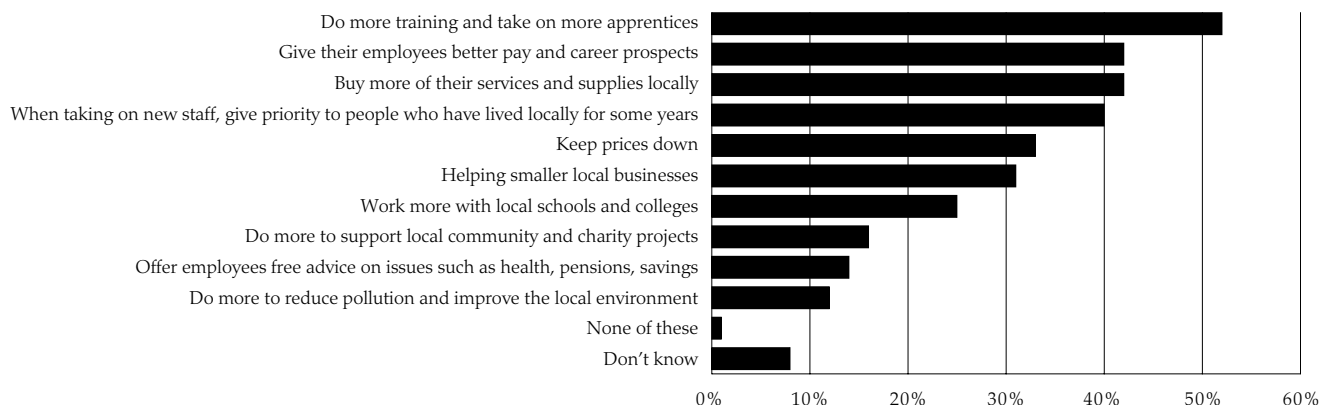
passion for new institutions in which business and employees work together.

The centre of gravity of public opinion is a desire for a capitalism that avoids both the perils of complete laissez-faire and the burden of an overly intrusive state. Had the label not been tried, mocked and spat out, one would be tempted to call it a third way. But what are the specific features of a better capitalism that would win public approval? Table 3 supplies some of the answers.

We tested eight proposals for government action and asked in each case whether people thought it would improve, worsen or make no difference to "the living standards and fu-

FIGURE 4

Thinking about businesses operating in the area where you live (including local branches of national and international businesses), here are some things they might do. Which three or four of these things, if any, do you think would help people in your area most?



ture prospects of you and your family". Four proposals are extremely popular, with more than half the public saying they would make a positive impact: making large companies do more training, lifting the minimum wage by around £2 an hour to a "living wage", breaking up the six big energy companies to increase competition, and changing company law so that directors have a legal duty to consider the social, community and environmental consequences of their decisions. In each case, fewer than 10 per cent think the change would make life worse.

Three more proposals also meet little resistance, but with fewer than half saying their family would benefit, and a large minority declining to take sides: putting workers on company boards, using public procurement to reward companies that behave well, and innovation groups for city regions.

The final proposal has more supporters than opponents, but provokes a hostile reaction from a significant minority: making the minimum wage more flexible, so that it is set for each industry by agreement between employers and workers. Among Labour voters, a flexible minimum wage is the one proposal that provokes more opposition than support. This is consistent with other YouGov polls that show a widespread reluctance for local communities to be able to amend national standards. For example,

most of us want an NHS that give us access to the same drugs and the same operations no matter where we live. We don't want medical priorities to be decided locally: we fear that this would reduce our rights rather than enhance our care.

But if we don't want national priorities to be challenged locally, what things can be done in our own communities? Table 4 shows the top priority to be the same as for national government: more training and apprenticeships. This is significant. Whether we ask about broad strategy (Table 2), specific policy (Table 3) or local action (Table 4), training emerges as the people's top priority.

One of the most persistent features of the financial crisis has been the difficulty of young people getting a good job – and, often, any job. Any party that can seize this agenda will be well placed to win over floating voters at the next election. A slick policy and a single speech won't be enough: an intelligent and sustained campaign is needed, and of a form that demonstrates seriousness of purpose and does not use the issue as a stick with which to beat other parties.

There is also widespread support for what might be termed local patriotism, such as buying supplies locally, giving jobs to people who have lived locally for some years, helping smaller local business and working with local schools and colleges. I

doubt if many people think this can defend local communities against the challenges of globalisation. I suspect it is more to do with a sense that our lives are now often buffeted by forces beyond our control – forces that demonstrated their awesome power at the time of the global banking crisis in 2008 and in the recession that followed. We welcome whatever small steps can be taken locally to fend off these larger forces.

All in all, people think Britain's old political economy has failed us, but they are wary of building a new political economy on foundations of ideology. Most people want fundamental change, but not the kind of radical change that people on the left (or, indeed, the right) often demand. Rather, most of us want a society that is fundamentally better educated, has a fundamentally better infrastructure, promotes a fundamentally more socially responsible business culture and has fundamentally better-run banks. These are all huge challenges. The party that is seen to rise to them won't be the one that offers neat and simple prescriptions but the one that can persuade voters it has practical ideas – and also demonstrates the competence and commitment to provide an effective government that actually implement them. **F**

**Full polling available at [www.fabians.co.uk](http://www.fabians.co.uk)**

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# Lessons learned

The public overwhelmingly believe the economy needs a radical overhaul. Labour is determined to reform the institutions of our economic life to deliver social justice even when there is less money around, writes *Rachel Reeves*



*Rachel Reeves is the MP for Leeds West and shadow chief secretary to the Treasury*

IN HIS FIRST speech as leader of the Labour party, Ed Miliband said “we face a choice: we can return to business as usual or we can challenge old thinking to build a new economy”. This polling published by the Fabian Society shows that the British people share Ed’s thirst for change: a clear majority agree that “Britain’s recent problems have exposed fundamental problems with the way our economic system works”.

The poll results are corroborated by my experience talking to people in my constituency and up and down the country. People are fed up with ever spiralling costs. They are working hard and putting in the hours, but their pay is falling. They worry about what the future holds for their children. Most fundamentally, they want to know if the causes of the crisis have been reckoned with, and the lessons learned.

The much delayed recovery we are finally seeing after three wasted years of a

flat-lining economy seems to be benefiting only a few at the top. This is an economy that still isn’t working for ordinary families. In the midst of falling or stagnating wages, energy bills are £300 a year higher. It’s costing more to get the train to work, as rail fares are rising by up to 9 per cent. We are seeing more households renting in the increasingly expensive private sector, whilst housebuilding under the coalition is at its lowest levels since the 1920s.

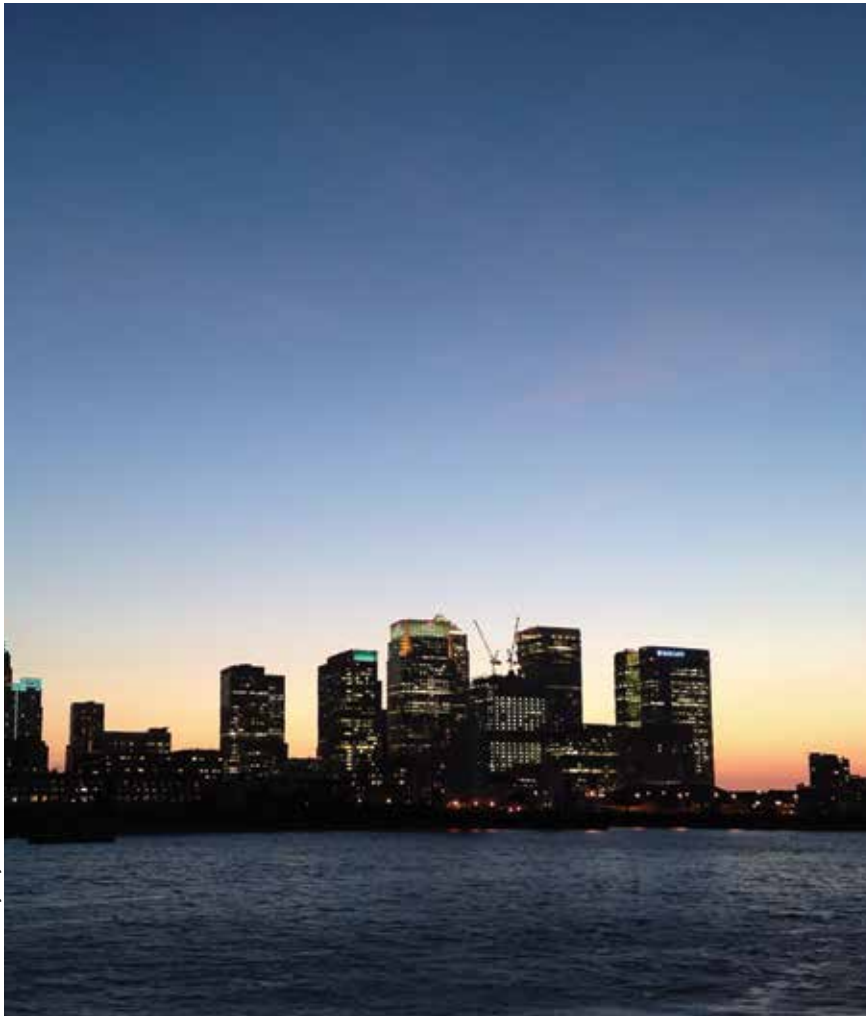
People want action. In the Fabian poll, more than half the public say that increasing competition in the energy sector would make a positive impact on their living standards. A ‘one nation’ Labour government would abolish Ofgem and create a new energy watchdog with the power to force energy suppliers to pass on price cuts when the cost of wholesale energy falls and seek to open the energy market, to ensure competitive pricing. We would apply strict

caps on fare rises on every rail route, and introduce a new legal right for passengers to the cheapest ticket for their journey.

On housing, we have said we would create a register of landlords to clampdown on rogue landlords ripping off tenants and have called on the government to act now on the IMF’s recommendation to bring forward £10bn of capital investment, which could support a major affordable housebuilding programme.

This polling emphasised another concern that I hear about across the country: the lack of quality jobs for the future. A disproportionate number of the new jobs created since 2010 have been temporary, part time, or low paid. Youth unemployment is almost at one million, long-term unemployment is at a record high and the number of apprenticeships for young people are falling. Average wages have fallen in real terms in 37 out of 38 months under





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an increase in the quality of work. Reports show that productivity can improve, as employees develop skills, take on more responsibility, and are better engaged with the aims of the enterprise. It's a powerful example of what can be done to build a fairer, stronger economy if everyone shares the responsibility.

## To crack down on bad practice in the City, we should be toughening the rules on ring-fencing retail from investment arms with a threat of full separation

To get more young people into work, gaining the experience and skills they need to be able to play their full part in our economic future, a one nation Labour government would use a bank bonus tax to create a compulsory jobs guarantee. To boost apprenticeships, we should be using the power of public procurement, requiring firms winning large contracts to offer apprenticeships – something the Fabian polling shows strong support for. To help small businesses around the country access the finance they need to invest, grow and take on new workers, we would be creating a business investment bank. To boost job creation in the green industries of the future we should legislate for a decarbonisation target for 2030 to encourage investment in renewable, nuclear, and clean gas and coal technology.

Another significant finding in the poll is that the public were most concerned by banks and businesses behaving irresponsibly. To crack down on bad practice in the City, and get it working for the wider economy, we should be toughening the rules on ring-fencing retail from investment arms with a threat of full separation, and tightening the regulation of professional standards making reckless misconduct a criminal offence.

It's clear that the government has failed to deliver the change we need. The Conservatives will never be the party to fix the problems in our economy and build a fairer future. Only one nation Labour has a plan to put things right. ■

the coalition government – leaving workers £1,500 a year worse off. And the number of people earning less than a living wage has surged from 3.4 million to 4.8 million over the past three years.

Ed Miliband and Ed Balls have argued that we need a recovery made by and for the many, securing long-term growth that is balanced, sustainable, and with benefits fairly shared. And as I argued in my contribution to last year's Fabian publication *The Shape of Things to Come*, this is even more important in the face of the tough fiscal inheritance the next government will face as a result of the Tories' economic failure.

That's why one nation Labour is determined to work in partnership with employers, employees and civil society to reform the institutions of our economic life so they are hardwired to deliver social justice even

when there is less money around. We see this in Ed Balls' work with Sir George Cox on overcoming short-termism and raising levels of business investment, and with Larry Summers on the economic reforms needed to more fairly share prosperity; Stephen Twigg's work with Chris Husbands on revolutionising our skills system; and Chuka Umunna and Andrew Adonis's work with small enterprises and key growth sectors.

And it's why I have asked Alan Buckle of KPMG to lead a consultation on what government can do to help businesses create more living wage jobs. The living wage movement has shown how we can tackle in-work poverty and deliver savings to the Treasury at the same time as supporting businesses moving towards a higher-value model. 80 per cent of employers that have signed up to the living wage have reported

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# Root and branch

*Sonia Sodha* explores the policy ideas that could bring about long-term reform to our economic ecosystem



*Sonia Sodha is a former senior policy adviser to Ed Miliband and writes here in a personal capacity*

IT TOOK A big bang financial crisis to act as a catalyst for our political leaders to revisit some of the basic assumptions that have underpinned British competitiveness for the past 30 years. In the wake of the crisis, questions were raised on all sides about the sustainability of long-standing trends: growing wage inequality and rising living standards funded through increasing debt levels; historically-low levels of investment and short-termism in markets; the growing housing asset bubble; and regional and sectoral imbalance. And a political consensus was quickly arrived at: returning to business as usual was not an option.

Yet five years on, there is still no consensus about what this actually means. All the fragile signs of recovery, as welcome as they are, suggest that old habits are dying hard in the British economy. Although the coalition ambitiously talked of rebalancing the economy back in 2010, this agenda has quietly sunk without a trace as they desperately try every old-school measure, including subsidising home ownership, to get the economy moving again.

The Labour party, in contrast, has started to shape a vision for long-term structural economic reform in opposition. But the party needs to flesh out the agenda for a more responsible capitalism in the run up to

2015 if it is not going to suffer the same fate as the coalition's vision for the economy. In many ways, responsible capitalism has misleading connotations of businesses acting in ethical or moral ways. A better label would be inclusive capitalism, because at its heart is an economy that works better for more people: not just for the management of large companies, but also for employees, for consumers, for savers, and for small businesses.

Sacrosanct in British capitalism since the 1980s is principle of shareholder value: companies are run with the aim of maximising profits for their shareholders. Much of the economic ecosystem flows from this principle, including our system of corporate governance; a flexible labour market characterised by relatively low employee rights, a high share of low-skill jobs and low employer investment in skills; and the assumption that while government can regulate and incentivise, what goes on inside what Ewart Keep has called the 'black box' of firms is not something the government can or should influence.

Central to the working of the system is the assumption that competitive markets facilitate a fairly even distribution of power. If you have a job where your employer does not invest in you or pay you properly, the

assumption is you can go and get another one. If you buy a poor-value product or service, the assumption is you can switch suppliers.

However, there are significant problems with the model. Competitive pressures don't always work in improving the lot of employees or consumers if there is an over-supply of labour, or markets are dominated by a few big suppliers where switching is difficult – think the 'big six' energy companies that control 99 per cent of the energy industry. Moreover, the theory of shareholder capitalism translates into something more like corporate-management capitalism in practice. Corporate boards are supposedly responsible to shareholders, which include many members of the public via their pension funds. Yet the asset-managers who actually represent long-term pension interests in the boardroom chase annual results from trading shares, rather than long-term return by growing companies. Fragmentation means it is not in a pension fund's interests to go it alone using a different approach – returns would be distributed right across the industry. This results in endemic short-termism in equity markets that ripples across the rest of the economy.

An agenda to make growth more inclusive would need to tackle these root

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issues. But while we can look enviously at economies like Germany and Japan, where business decisions are based on more than maximising quarterly profit, the question is what can Britain learn from these systems given how different they are?

Embracing this agenda means accepting that government could and should shape what goes on inside companies. Skills policy is a good illustration. It has three levers: supply of skills, demand for skills, and how companies themselves utilise and develop the skills of their own workers. In the UK we have stepped back from the last and pursued the first two. It has resulted in a polarised labour market that has more high-skill jobs (although we still have skills underutilisation) but also the large number of low-skill, low-pay jobs they create, largely ignored by skills policy.

There are a number of potential policy mechanisms to address this. Regulation and incentivisation has historically been used in a minimal way, for example regulation to prevent rogue businesses failing to meet minimum standards the majority already meet. Similarly there are employer training subsidies like 'train to gain' that ended up subsidising the certification of existing skills and did not engage with the quality of training offered by employers.

But businesses can be regulated and incentivised to enable deeper systemic change to occur. For example, the national minimum wage improved productivity by forcing low-wage employers to improve the skills utilisation of their employees. Committing to all new homes being zero carbon by 2016 created markets for new technology. Regulation establishing rights to train, or licences to practise in low-skill sectors like social care, could drive further improvements in skills, productivity and wages. Employer national insurance contributions could be restructured at the bottom of the income distribution, to remove the tax disincentive for employers to increase pay between the minimum and the living wage.

Another consideration is the important role for government in catalysing markets where failure exists. For example, even at the top of the economic cycle, market failure impedes the ability of fast-growing businesses to access growth capital. This is because the fixed costs of due diligence on a small company quickly erodes the incentives for lenders and investors to take a risk. Our global competitors have long recog-

nised this problem: the US and Germany have had schemes in place since the 1950s that catalyse rather than replace the market by making finance available to businesses affected by credit rationing. They do so by harnessing private sector intelligence so that investment decisions are not made by government officials or banks or investors with nothing to lose, but by those that have leveraged skin in the game. This stands in contrast to schemes in the UK.

The third lever at the government's disposal is to facilitate collaboration as well as competition. One of the reasons that the dual apprenticeship system in Germany is so successful is because there are institutions that facilitate sector-wide collaboration, for example on skills. Hence businesses are happy to invest in transferable skills via apprenticeships and the quality of apprenticeships is consistent across small and large businesses. In Britain, there is huge variety in the quality of apprenticeships because employers are more reluctant to invest in a collective system that values transferable skills. The last Labour government set up Group Training Associations to try and facilitate more collaboration and economies of scale. Building on their role will be important.

Fourth, the government need to restructure rules of our economy to empower employers, savers, consumers and small businesses and better embed their interests into economic decision making. For example, reforms to corporate governance might put employers on company boards or give extra weight to votes cast by long-term shareholders, and consumers could be empowered through rights to collective class action.

However, there are limits and challenges to this agenda of long-term structural reform. In truth, measure-by-measure the suggestions here do not feel equal to the mammoth task of creating an inclusive capitalism where growth is shared by the many, not the few. What's required is a deep commitment to structural economic reform; a shift in our economic ecosystem, not a tweak in a particular area of policy like vocational skills or investment allowances.

In order to succeed, this agenda requires institutional reform. In its time in government, Labour made significant reforms to corporate governance, including the 2006 Companies Act, which gave company directors a legal duty to incorporate employee,

customer, supplier, community and environmental interests in its decision making. Yet it has made little impact because boards are not formally accountable to these groups in the same way they are to shareholders. Changing the rules of the game is important, but is not enough by itself. Indeed, putting an employee on a company board is merely a tokenistic gesture unless they can genuinely represent the interests of all fellow employees through recognised workplace institutions. Trade unions, pensions funds operating in the public interest and consumer associations are also needed to collectivise and represent employee, saver and consumer power.

A lot of work is needed before we have a manifesto-ready agenda in tune with public opinion. There is still a gap between the vision – an economy that works better for most people – and a clearly-enunciated agenda that will convince people that this is something that can actually be delivered, and which has a direct link to people's lives. This agenda is destined to fall at the first hurdle unless it can convince some of the UK's business community to embrace a more symbiotic relationship between the state and the market. Yet key business lobby groups tend to take a reactionary view, while businesses that are exemplary in embedding employer and consumer interests at the heart of what they do rarely speak up to support broader systemic change that might support more businesses to be like them.

Finally, if this agenda has even a hope of succeeding it requires long-term commitment. This is true of individual policies: small business financing schemes in the US and Germany have existed since the late 1950s and have become part of the ecosystem itself rather than a policy to try and affect the ecosystem. But it is also true about for the broader agenda. It's easy to forget that Thatcherism enjoyed a 30-year governing consensus. Long-term and structural economic reform only has a chance of success if it can eventually buy in cross-party support. The national minimum wage is an excellent example: it was fiercely opposed on its introduction but its abolition quickly became unthinkable. So perhaps most challengingly of all, if a long-term responsible capitalism agenda is to be successful it would need to secure the support of a broader political coalition spanning left and right. **F**

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# Fulfilling the potential of every area

Different areas have particular histories, specialisms, resources and capacities. There is a great opportunity for local government to work with businesses to ensure every area can reach its full economic potential, writes *Jessica Studdert*



*Jessica Studdert is a political adviser to the LGA Labour Group*

**T**HE ENGLISH ECONOMY does not exist in any meaningful sense – it comprises city regions, county economies and sub-regional labour markets. It is characterised by wide disparities: between thriving tourist areas and struggling seaside towns, between emerging tech hubs and former industrial areas, and between a finance-dominated capital with a devolved administration and other major cities with different sectors who increasingly seek similar rights to self-determination.

In this context of significant geographical imbalances, a purely centre-led growth strategy will not be sufficient to meet the scale of the overall challenge. Different areas have particular industrial histories, sector specialisms, natural resources, current capacities and future opportunities. By devolving some of the levers to boost and sustain growth to local areas, there would be greater potential for local government, who understand their specific situation, to work with businesses to ensure every area can reach its full economic potential.

The Conservative ideology framing the government's macro-approach to the economy can be simply put: private sector equals good; public sector equals bad. This illogic is the guiding principle underpinning their austerity drive, whereby if they are not explicitly cutting the public sector, they are seeking to inject the 'principles' of the private sector into it. However, Labour should

not fall into the trap of adopting a reverse psychology of private bad, public good.

In this regard, Ed Miliband's intention to build a more 'responsible capitalism' charts a welcome, more nuanced approach. It is predicated on the understanding that the private sector can and should recognise social obligations beyond shareholder bottom line, while those who govern can and should demand more from the business world for the benefit of all.

Despite the government's cuts to local government funding of over 40 per cent, many Labour councils are supporting their local businesses to kick-start growth and create jobs in different ways. Their approaches demonstrate the benefits of local leadership, which can secure more productive value for local areas from growth, since they have better local knowledge and a direct stake in securing positive outcomes for their residents.

Councils already use various models to help businesses access finance and shape the development of their local economy. For example, Calderdale council has been working to diversify its local economy away from a traditional reliance on financial services and manufacturing, creating a fund to invest in small projects to stimulate the economy. This has created 150 new businesses, over 500 jobs and attracted £3 million of private sector investment.

Councils can use the strength of their balance sheets to secure investment, as

evidenced by the prudential borrowing of Wolverhampton, along with South Staffordshire and Staffordshire councils, to leverage a £400 million private sector investment in the Jaguar Land Rover low emissions engine plant. They can work proactively to attract new investment, such as Sunderland city council's direct talks with the Lear Corporation, which convinced them to locate a new manufacturing plant in the area, bringing 300 jobs. And they can ensure new investment secures maximum benefit for their areas, as with Durham county council's partnership approach to coordinate local resources around a new Hitachi production facility and R&D base, which will allow local small businesses to establish or grow in the ensuing supply chain.

An indication of how a more responsible capitalism might work in practice is already being pioneered by many Labour councils, who use their buying power to secure more community responsibility from local companies. Liverpool city council's procurement board, for example, ensures all decisions have a positive impact on jobs and skills within the city. Sandwell council includes community benefit clauses in major public contracts to ensure that job and apprenticeship offers are made to local residents. Preston city council is exploring how local public bodies such as health and education institutions can keep a greater proportion of spend in the local economy supporting local businesses and

co-operatives, in the process creating more local ownership of wealth and opportunity. And at time of writing, 53 Labour councils are committed to being living wage employers, setting a strong local example and supporting demand in local economies.

These cases demonstrate the appetite and capacity of local government to drive growth and work with business to ensure community benefits. Yet this is happening despite the ideological constraints of the current government, and the institutional constraints of a centralised system led from Whitehall that hampers local initiative and creates perverse incentives.

The current national-led approach to unemployment demonstrates these restraints. There are 35 national skills and employment schemes, spanning 13 different age ranges, while youth unemployment stands at 20 per cent. The logic of skills funding encourages further and higher education institutions to be accountable to Whitehall departments rather than to their areas. This leads to a situation in which skills provision is detached from local employers' labour requirements: LGA research found that in one year 94,000 people completed hair and beauty courses despite there being just 18,000 new jobs in the sector.

Devolving skills and apprenticeship budgets could build a greater shared endeavour between local government, business and educational institutions, better blending local economies and social objectives. Skills provision would be better aligned with local labour market requirements and so have more of an impact on job outcomes, whilst also driving longer-term local economic productivity and sector development. LGA calculations based on the evidence of what councils are already doing show that a localised approach could achieve savings of £1.25bn a year and cut youth unemployment by 20 per cent in three years.

The long-term unemployed are also being failed by a centre-led approach and there is evidence that those furthest from the labour market can be better supported by locally-sensitive approaches. In Manchester just 2.8 per cent of the Department for Work and Pensions' jobcentre plus referrals recorded sustainable job outcomes last year. The council is now developing a new delivery model with prime providers, which will integrate support with other local services so that it can address issues which may be barriers to work – such as health problems

or childcare support. This could contribute to our understanding of how accountability to local place, rather than to the Whitehall hierarchy, can better meet the whole range of people's needs which often don't fit within service silos as designed at the centre.

A more coordinated approach between national and local infrastructure planning can maximise value, where currently the vehicle for investment is the institution – Network Rail, Highways Agency or broadband – rather than the place itself. Local government's net asset base of £250bn could be used more effectively to invest in community goods – as the cross-party LGA has argued, freeing councils from Treasury restrictions would create headroom to invest in local infrastructure while still complying with financial regulations. For example, removing the cap on the amount councils can borrow for housing would allow them to deliver 60,000 new homes in five years and unlock £20bn of wider economic impact.

The institutional architecture in 2015 will be much changed from that in 2010. Regional development agencies have been replaced with new sub-regional structures, local enterprise partnerships (LEPs) and combined authorities. Although the loss of regional investment vehicles was certainly felt, the old regional boundaries seemed to make more sense from the centre than in the localities themselves. New sub-regional structures are more likely to be better aligned to functional economic areas – including labour markets and journey to work areas.

Bringing together councils, businesses and other local stakeholders – like education institutions and trade unions – to deliver economic growth through LEPs makes sense in principle as part of a modern industrial strategy. But they are failing in practice to achieve anywhere near their full potential. Such will be the urgency to drive and sustain growth, it would be difficult to simply turn back the clock or start another top-down structural overhaul of sub-regional architecture. There are presently concerns over the democratic accountability and financial transparency of LEPs, which could be resolved by strengthening the role of local authorities as delivery partners, and there remain issues of geographical inconsistency, whereby in some places LEP boundaries are not aligned to local economic functional realities.

Once they are all fit for purpose, LEPs would make better vehicles for funding

top-sliced from Whitehall departments, as outlined by Michael Heseltine's recent growth review. This set out an approach to devolving economic power which would give local areas more resources and tools to drive growth. The main mechanism to achieve this is a single, unringfenced local growth pot comprised of growth-related funding from Whitehall Departments. However the government has thus far failed to match this ambition – while Heseltine identified between £58bn and £70bn of funding streams that could be devolved, the spending round earlier this year confirmed that the single local growth fund would comprise only a fraction of this at £2bn. This comparatively small sum reflects the nervousness of the centre at truly letting go of the reins, but there is a risk that while actions fail to match rhetoric the measures will simply amount to passing the buck for lack of growth rather than genuinely enabling local areas to drive it.

The other aspect of sub-regional architecture that will be increasingly important is in relation to city regions. The combined authority model was pioneered by Greater Manchester, and other city regions are pursuing similar collaborations. City deals have created a new model through which the centre and local areas agree priorities around growth – skills, transport, infrastructure and trade – then the former devolves the funding and lets the latter get on with delivering it. The Greater Manchester city deal's 'earn-back' principle, whereby the authorities' investment in growth can be earned back from the Treasury as the proceeds of growth are realised, is a potential model for better incentivising and rewarding local growth that could be developed and extended.

There are many areas Labour can explore to drive sustainable growth, such as how existing plans for regional investment banks might share risk with local government to secure infrastructure investment, or how the business rates system could be reformed to better incentivise actual business growth rather than just the growth of business premises.

Of course, there remains a role for national government to set out a growth strategy with clear ambition and leadership. Within this, however, the flexibility to adapt investment and initiative to local needs will provide the greatest potential for all parts of our imbalanced economy to develop effectively and sustainably, for the benefit of everyone. ■





## Contracts with a conscience

Businesses that win the respect of local people are far more likely to win their custom, writes *Hazel Blears*

RETURNING LABOUR TO power is essential if we are to lift Britain out of the doldrums and secure an economic recovery which benefits everyone. But money will be scarce for the first few years and the public sector will need to spend it wisely and in a way which really benefits communities.

The idea of responsible public spending is not new, but the Public Services (Social Value) Act, which I supported last year, has given public authorities a real opportunity to help local people.

When public bodies like government departments, councils and hospitals award contracts to provide services, they must now consider social, economic and environmental benefits, not just cost, and need to consult communities about the kind of services they would like to see.

These considerations should enable socially-aware businesses and social enterprises to compete for contracts, and incentivise private companies to act in the public interest. But how might public authorities benefit, especially if they are paying a little extra?

A council awarding a contract to supply school dinners, for instance, might choose a company or social enterprise which specialises in healthy food grown locally. This could establish the habit of a healthier diet for children at a young age, potentially easing the burden on the health service. But it could also mean more local jobs, and reduced transport costs and pollution.

So how can Labour develop this concept of 'social value'? Capital spending will be crucial to economic recovery, but the coalition has failed to use it to drive growth.

Among other things, we need more new homes, better transport links, and public buildings fit for the 21st century. But



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infrastructure works are not yet covered by the Public Services (Social Value) Act.

Extending the Act to cover infrastructure could have huge benefits when it comes to schemes like the Northern Hub, which will improve rail links between Greater Manchester, Lancashire and Yorkshire. It is expected to be worth up to £4bn to the region and create up to 30,000 jobs. Applying social value would help ensure these jobs are spread throughout the area and provide clear benefits for local communities.

Salford City Council is currently mapping out what skills all local developments with planning permission require so that the area can meet demand for the likes of local builders, plasterers and electricians. Again, that is preferable to a workforce travelling in from afar or temporarily relocating.

In fact, some companies already apply social value to infrastructure works to great effect. Construction firm CH2M HILL, which was involved in building London's Olympic Park, supports people in deprived communities through its Pathways to Work scheme. This provides free training to young people and the long-term unemployed.

In my constituency, another large construction company, Keepmoat, is sub-contracting to Salford firm B4Box through a multi-million pound regeneration scheme. B4Box brings empty homes back into use, trains local people in construction and recruits 80 per cent of its workforce from those on benefits.

But not all businesses are this forward-thinking, which is why we must extend the Act as well as ensuring its existing provisions are implemented. And because many contracts are awarded by the private sector the idea that 'doing good is good business' is one worth pushing in its own right.

It is far from a new idea. Healthcare company Johnson and Johnson set out a com-

mitment to helping local people through improvements to health, education and the environment in 1943. And the Co-Op's vision, dating back to the mid-nineteenth century, is about meeting the economic and social needs of members and communities.

Today, companies like British Gas, which is investing £5 million in social enterprises through the Social Business Trust, are also embracing the idea. It hopes to get 1,000 unemployed young people into work by 2015 through Transform, a collaboration with the charity Global Action Plan, management consultancy Accenture and JobCentre Plus. Young people are recruited from communities in which energy efficiency upgrades are offered and are trained in sustainability, securing qualifications and given a guaranteed interview with British Gas.

Businesses hoping to polish their public image should take note. Companies spend a great deal of money on public relations, and occasional projects to demonstrate 'corporate responsibility'. But what could be better PR than a whole ethos based upon care for their communities and responsible, sustainable procurement through local supply chains? In the face of recent high profile failings – think tax avoidance, payment protection insurance and bankers' bonuses – businesses that win the respect of local people are far more likely to win their custom too.

By making social value the norm, we can make money go further and get the public and private sectors working together and with the community. It is the right thing to do and will help to get our economy moving, benefiting everyone as we work towards fulfilling our Labour vision of a one nation Britain. **F**

*Hazel Blears is the MP for Salford and Eccles*



## The global village

Regional growth and localised economies are not necessarily at odds with global companies, writes *Stefan Stern*

**H**OW'S THAT "GLOBAL race" working out for you, then? Keeping ahead of Portugal, are you? Have the Danes left you reeling in their wake? Look out – here comes Belgium.

David Cameron's favourite phrase for describing the economic challenges facing Britain is, shall we say, a little bit grandiose. Perhaps at Davos, or Bilderberg, talk of a "global race" seems normal, but not many commuters stop to reflect on their place in global competitiveness league tables as they board the 8.15 into town every morning.

In fairness, though, it is a struggle to find the right language in which to talk about our economic lives. It defeats most of us. Harold Wilson's "white heat of technology" speech in 1963 was one of the few to capture the public's imagination as far as political economy is concerned. In its own way, Norman Tebbit's "on yer bike" party conference speech of 1981 did the same thing, from a Tory perspective.

Ed Milband's "producer/predator" speech two years ago received pretty mixed reviews. It, too, presented a perhaps rather too grand, too abstract and too binary concept of business and working life. Few companies are wholly wicked, and few wholly good. Running a business involves trade-offs and compromises. Making survival the first priority doesn't necessarily make your business a predator.

And yet, listen to the words of Angel Gurría, head of the OECD. He has taken a dim view of the role of big business, especially as far as the issue of tax avoidance is concerned. "If big corporations fail to pay tax and leave it to SMEs and middle income groups, it will undermine

democracy. This is about the survival of democracy," he said in February this year. That may sound extravagant, but he's got a point. The underpayment of tax by big companies is in effect an attack on the idea of the state itself.

So here is the boss of one of the world's most prominent economic institutions telling us that the local and the national are losing out to the global. There may be a "global race" going on, but if so it is being won by global corporations and financial powerhouses.

It follows, therefore, that the local needs to be actively promoted and supported. After all, globalisation, being a man-made phenomenon can be regulated, improved and adapted to suit local communities better – if the will, imagination and resources are there.

**The local businesses that emerge may well be social enterprises and not-for-profit – not business as usual, but independent, personal businesses that place more importance on volume of trade and customer loyalty than on short term profit maximisation**

The UK suffers from an imbalanced economy, not just in terms of industrial sectors but in terms of geography. Germany, by contrast, is enviably decentralised, with (crudely) finance happening in one place, national politics another, industry another and the constitutional court in another. Every region counts, or at least has a decent chance to flourish (former East German states included, although they clearly start from further back).

But in the UK we know that there are regions where private sector activity is limited, where people depend heavily on the public sector to provide employment and economic stimulus. As public spending cuts continue it is these regions that will suffer most.

Government is not a powerless bystander. It can relocate some activity

away from the south east of England. It can intervene intelligently in the housing market, encouraging the building of affordable homes where people want to live, preserving rather than hollowing out communities. It can support those local authorities that are establishing living wage zones. It can improve transport links and infrastructure, and work with the private sector to link up remote parts of the country through broadband internet connections. It can also provide some incentives to big businesses that commit to investing in specific regions.

The concept of "shared value", the idea that businesses can make money and help with the work on social problems at the same time, is worth exploring – although any descent into PR-driven "CSR"-type activity must be guarded against.

The "predatory" view of capital holds that it can leave at any time, relocating to suit its short term needs – the flip side of a flexible labour market. The "responsible" view is that a good global company has an interest in developing the local workforce and investing in place and community. Intelligent big businesses know they have to tread carefully when they operate locally and at (apparently) smaller scale. Many supermarket managers are given some freedom to adapt their offering to appeal to local community groups. But when Tesco buys a big stake in an independent coffee shop and turns it into a national brand, as with its Harris and Hoole outlets, it should expect some scepticism at the very least.

In some high streets around the country the desire to support and recreate local economic activity is building. But the local businesses that emerge may well be social enterprises and not-for-profit – not business as usual, or simply the micro-level manifestation of global players, but independent, personal businesses that place more importance on volume of trade and customer loyalty than on short term profit maximisation.

The next general election may well turn out to be about living standards. But it will also be about how we live in our local communities. All politics is local, after all. **F**

*Stefan Stern is visiting professor in management practice at Cass Business School, London*

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# A real partnership

For the government to be an effective entrepreneur, Whitehall has to mobilise talent, wherever it can be found, and reinvigorate of the relationship between state and markets, argues *David Walker*



*David Walker, former council member at the Economic & Social Research Council, is the co-author with Polly Toynbee of The Verdict – did Labour change Britain, and is on the Fabian Society commission on spending choices*

ECONOMIC HISTORY SHOWS time and again that private enterprise depends on government. Not just government as regulator and guarantor of property and contractual rights, but government as provider of infrastructure, education and the social supports (including tax credits) that allow households to participate in the labour force.

Even folk on the centre right come thus far. But their red line is crossed when we describe the state as an economic actor. Over that threshold, they say, lie the corpses of nationalised industries and the rusting hulks of civil service-directed firms stranded in a desert of planned enterprise. The state lacks the wit and wisdom to understand market dynamics and its officials the temperament and fleetness of foot to survive competitively. Right wing thinktanks join economists imprisoned in equilibrium theories to form a propaganda industry on this point. The incapacity of the state as a market player freezes into dogma.

But let's unsay this 'private good, public bad' catechism. The state a bad corporate player? Of the chief executives who featured on lists of the highest-paid US directors between 1993 and 2012, 40 per cent have

either been fired for poor performance, had their companies charged with fraud or, for the sake of retaining any equity value at all, had to be bailed out by the state.

All that gets obscured. Will Hutton justly complains of the "relentless drumbeat" and the "determined way the national conversation is skewed towards the inadequacies of the public sector, without any parallel focus on the inadequacies of the private".

But when you flip the coin you find that certain markets (energy, transport) and certain technologies (nuclear) seem unable to support private ownership, except in monopolistic forms. The fate of the Fukushima plant owned by Japanese nuclear company Tepco is instructive: certain risks are just too great for companies to bear, even if they are well run. In some sectors, for example water and sewerage, the nature of the assets and the critical part they play in sustaining urban life mean private ownership becomes a permanent struggle between necessary regulation and profit maximisers.

The history of the nationalised industries gets rewritten, their performance removed from its technological and cultural contexts – pre and post-privatisation BT are simply

not comparable. The accounting conventions that often stifled their investment programmes are finagled into principled reasons why state enterprise never works.

Take EDF, for example: a French state-owned company that Cameron's government is pleading with to stay and keep UK nuclear electricity alive. The Dutch and German governments run British trains, albeit at one remove; in London the 148 bus will whisk you to White City thanks to its owners, the Paris regional transport network.

As for the British state in entrepreneurial action, examples abound. Remploy was a decent company marrying social purpose and commercial acumen, while the Forestry Commission owns, conserves, develops and markets woodland and countryside. Local authorities are still substantial developers, seeking and often winning added value for their holdings of land and property. State enterprise, in the shape of development corporations, created Milton Keynes and the other new towns, and Canary Wharf. The coalition government doesn't like it, but East Coast shows a publicly-owned rail franchisee can reach high standards of performance and profitability.

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But such companies exist, if they survive at all, in a kind of dim half-light. It's time for a reappraisal, as part of a general reworking of how the state interacts with markets.

We have started using 'predistribution' as a coy phrase to describe the state's necessary role in shaping – and intervening in – private markets. We are coy because prevailing dogma still decrees markets are always efficient, despite the crash and manifold evidence to the contrary. Markets are (for example) not efficient or effective in supplying high-speed broadband to rural and remote areas, without which economic opportunity, education and culture in those areas may be blighted. Only government has been able and willing to secure vital services such as this. Clearly, predistribution is a wide category. As well as offering consumer protection, the state enforces product standardisation, without which inter-area trade becomes impossible. Opponents of the European single market have never quite made clear how they can trade incommensurable products and services – and so avoid the regulations that have accompanied the expansion of the common market.

A frequently heard story from the right is that public officials are bureaucrats, forever tempted to aggrandise their departments and over spend. But, miraculously, in the same narrative one class of public official turns up as heroic and virtuous. These are the central bankers, to whom (and the advent of Mark Carney as governor of the Bank of England seems only to have reinforced this temptation) the keys of the kingdom should be given. So state officials can do (central) banking. They also do science, technology and innovation. Mariana Mazzucato says the state has not just supported markets but actively created them. Citing the internet and nanotechnology, she argues the state has created growth long before potential is realised by the private sector.

The state also does broadcasting. Even the BBC's multiple enemies, gathered and led by Rupert Murdoch and his editors, admit the organisation produces extraordinary output, within the framework of a public entity. However, ultimately what tells against the state as an economic actor, in modern British political circumstances, is less the antagonism of the right and business leaders than a loss of faith on the part of the state officials themselves.

In Whitehall, the department that most obviously links government and the

economy is not the Treasury but Business, Innovation and Skills. Civil servants tend to dismiss any suggestion that they have ideas, let alone ideology: their public credo is keeping government going. But departments do have dominant paradigms and house styles. Since the Thatcher government in the 1980s, the Department of Trade and Industry and its successors have eschewed active models of the relationship between state and markets. It long ago gave up responsibility for how other departments and agencies manage the state's dealings with the private sector – among them transport, energy and local authorities. The quality of directors, plans or investment strategies is monitored in no central location in Whitehall, meaning that 'the state' rarely exists as a coherent entity. Its power and purposes have been allowed to fragment.

## By now Ed Miliband's thoughts are turning to the condition of the machine he might inherit, and the accumulating evidence of its unfitness

All this forms the backdrop to the possible arrival of a Labour or part-Labour government in 2015. Say Labour were to take a more active or muscular view of the state's role in making markets, not just as regulator or mopper-up of market failure but as an entrepreneur, developer and investor in its own right. Would it be able to command the necessary personnel and capacity from the ranks of what by then would be a severely depleted civil service? Could Business, Innovation and Skills rise to the challenge, let alone a desiccated Treasury, its staff either cynical and detached or intellectually enslaved to the failed doctrine of austerity?

By now Ed Miliband's thoughts are turning to the condition of the machine he might inherit, and the accumulating evidence of its unfitness. Labour would be left a deficit in civil service skills and experience that the coalition government has made worse. In addition the Labour leader will be assaying the evidence Margaret Hodge has

built up from public accounts committee hearings about Whitehall's lack of project management, financial and organisational skills on its own behalf. He will sympathise with the attempt the Tory chair of the public administration committee, Bernard Jenkin, is making to give civil service reform a non-partisan and comprehensive base.

The problem is time. Governments live in the here and now but reshaping the way public officials are recruited and trained is a long-term task. Devising a system in which they are encouraged to move between sectors and deepen their experience will have to be balanced with the essential, ethical dimension of public service.

Nonetheless, the talent pool able to conduct state enterprise is large. Government will always trump mere profit-making in its intellectual and ethical rewards and so attract people from the corporate sector, especially those with technological and professional skills beyond 'business'. First-rate human resources advice is a pre-requisite for success and Miliband should begin commissioning now.

Predecessor governments, Tory as well as Labour, have been able to draft in business executives from Richard Beeching through Monty Finniston to Chris Haskins, who have the versatility to operate models in which the state is both share and stakeholder. People with such talents and values probably still exist, but they need to be identified and persuaded; they also have to be paid. Ironically – because words such as mission and crusade are uncool – the more an incoming Labour government can bang the drums of necessity and emergency, the more likely it could attract erstwhile business people.

As for the wider public sector, excellent people in both local government and the NHS know about development and how markets can be planned and energised – and that's no Hayekian paradox, but a daily fact of life for chief executives, elected members and boards. In the regions of England are groups of survivors of the Blair and Brown machine for regional development, many with skills and flair. All this can be done, but a prime directive for Whitehall has to be to mobilise talent, wherever it can be found; reinvent each department with a sense of professionalism and a renewed ethos of public benefit; and break down old barriers by integrating the *civil* into a generic *public* service. **F**





## Smart companies

Businesses are often ahead of politicians in recognising the value of sustainability, writes *Natan Doron*

If everyone in the world lived like the average European we would need three planets to live on. The challenge to shift the character of our economic activity to reflect this places great responsibility on all nations but particularly on rich countries like the UK. In this context, the responsible capitalism agenda has to have a fundamental presumption in favour of the environment to prove credible.

This will mean an approach by government, business and communities that respects environmental limits, truly values nature and ensures the safe transition to a low-carbon economy.

Ed Miliband and others have argued that responsible capitalism involves recognising the importance of long termism in our economy. There can be no long term if we squander our natural resources and fail to maintain the stability of the climate system. To put it bluntly, all economic activity ultimately depends on the health of the environment. When we take this view, any argument that environmental concerns are a block on economic ambitions quickly unravels.

In many ways, business in the UK is far ahead of politics when it comes to the low carbon transition. Research undertaken by the Green Alliance into the top twenty infrastructure projects in the UK has demonstrated that private investment in low-carbon projects such as renewable energy has dwarfed that of private investment in high-carbon projects such as coal-fired power plants. Furthermore, while one could easily identify Conservative cabinet members who are sceptical about the science supporting climate change, it is very difficult to find chief executives of private companies who share their views, as Business Green has pointed out. Indeed, the

most honest reporting of climate change is often found in the business press.

Labour's policy review has already gone some way to demonstrating that upon returning to government it would do much to fulfil the promise of the Climate Change Act – an act that was brought into law when Ed Miliband led the Department for Energy and Climate Change. Ed Balls has committed to giving the green investment bank power to borrow as early as possible. Labour has also committed to a 2030 decarbonisation target for electricity that will provide some of the certainty needed to assure those investing in low-carbon technology.

### In communications, the emerging interest in smart cities will see new products developed such as applications to coordinate electricity use in large buildings

But the responsible capitalism agenda should provide a platform for government to show even more ambition. Again in some regards the private sector is currently leading the way. Companies such as Unilever, Kingfisher, Marks and Spencer and BT are demonstrating that sustainability makes good business sense. For large companies such as these, cutting emissions and other forms of waste is leading to more efficient supply chains. These efficiencies often reflect positively on balance sheets too: if you are using less energy then you are bringing down your company energy bills.

The concept of waste is also being reframed by some companies through the idea of the circular economy. An example of this would be manufacturers who see repairing their products as part of their service to extend its lifetime. Instead of designing in obsolescence, businesses can recalibrate to design it out.

Companies are also finding ways in which their expertise can be leveraged to create new markets in sustainability. In communications, for example, the emerging interest in smart cities will see new products developed such as applications to coordinate electricity use in large buildings.



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BT and Kingfisher have made an important symbolic step by pledging a 'net good' sustainability strategy. This strategy aims to not just limit environmental impact but actually seeks to replenish the natural environment where possible. This should be the mindset throughout government, the private sector and at community level in a mission to sculpt a more responsible capitalism.

This mission will demand much of government. It will at times require strong regulatory action to ensure that the polluters in the private sector not only pay to limit damage but pay to replenish the environment. It will also require public spending to ensure that there is support for communities as well, as those employed in the public sector, to direct efforts towards improving the environment. The link between your local green spaces and global biodiversity may be abstract, but business and government can do more to make it clear. These community environmental initiatives will be essential for cultivating a more popular environmentalism that people can relate to.

The success of a responsible capitalism that takes the environment seriously will ensure future generations inherit an economy to be proud of. An economy where everyone plays their part in ensuring the health and flourishing of our planet. One nation Labour must also be a one planet Labour party. **F**

*Natan Doron is senior researcher at the Fabian Society where he leads the environment and citizenship programme*





