



**gk** strategy

INSIGHT | ADVOCACY

April 2023

Issue No. 1

# What would **Labour** do?

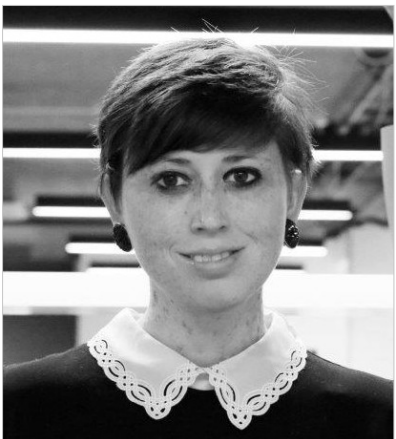


contents

Introduction	3
The political context	4
Labour party policy development and thinking	6
Political themes underpinning policy making	7
Tax, debt, spending and economic policy	7
Immigration	7
Role of regulators	8
Cost of living crisis	9
Perspectives on the private sector	10
Relationship with investors	11



gk strategy  
Introduction  
Louise Allen  
CEO



The GK team is delighted to publish its first report in our *What Would Labour Do?* series. This report looks at how the Labour Party makes policy and what its positions are on key themes including tax, debt, public spending, the economy, immigration, the cost of living, and the role of the private sector and regulators. The paper will also assess likely election scenarios.

General Elections are a political reset for Westminster. The process for developing public policy can often feel invisible or "off the cuff", but the debates are already underway on what a Labour Programme for Government might look like, through extensive policy forums, commissions, evidence gathering and more.

Understanding the priorities for a Labour government, both for sectors in which you operate and on cross-sectional issues such as labour markets, taxation and public spending, is critical. It is often assumed that this is done at the last minute, but politicians need to be campaign-ready, particularly when the timing of a General Election is out of your control.

The Labour Party is positioning itself as a credible government-in-waiting, recognising and valuing the role of business and keen to hear what support and changes might be required from government.

Our advice – engage now, engage with positive solutions, thinking and evidence about how your sector may better operate. Offer what good looks like, and the implications of policies which sounds "good on paper" but has challenges in implementation.

# The Politcal Context

David Laws, GK Adviser

In February 2023, Labour Leader Keir Starmer set out the five "missions" he will put at the centre of his party's offer to voters at the next election. The missions, which Sir Keir said would form "the backbone of the Labour manifesto and the pillars of the next Labour government", include:

1. Securing the "highest sustained growth" in the G7 group of rich nations, made up of the UK, US, Canada, France, Germany, Italy, and Japan, by the end of Labour's first term
2. Making Britain a "clean energy superpower", removing fossil fuels from all of Britain's electricity generation by 2030
3. Improving the NHS
4. Reforming the justice system
5. Raising education standards

Whilst none of these are surprising, they are still perhaps interesting as an example of what Labour might well want to achieve. Getting the broad policy priorities right is key to lining up the right policies behind them.

## The Labour leader

Keir Starmer himself is clearly no Tony Blair. He lacks Blair's leadership qualities, radicalism, and willingness to occupy traditional Conservative policy ground. However, Starmer is generally considered to be a "safe pair of hands" and capable of winning an election. He has moved Labour back to the centre ground and exploited the shambles of the last year of Conservative government. He has also positioned himself as a moderate, but with less of a desire for modernisation than Blair. Furthermore, he has chosen a shadow team who are viewed to be moderate and generally competent.

There is some risk, however, that Starmer and his party are better at exploiting Tory weaknesses than they are inspiring voters. The public views the Conservatives as exhausted and discredited, but they are not yet convinced about Labour.



“

David Laws is a strategic adviser to GK with a wealth of experience across education and skills. Between 2001 and 2015, David served as the Liberal Democrat Member of Parliament for Yeovil. He held various senior frontbench positions for the party in Parliament, including as its spokesperson on schools, children and families, before joining the cabinet as Chief Secretary to the Treasury in the Coalition Government. From 2012 to 2015,

David was the Minister of State for Schools in the Department for Education. David has served as Executive Chairman of the Education Policy Institute and the Education Partnerships Group.



Labour leader Keir Starmer addressing the CBI conference  
(Image credit: [insider.co.uk](#), PA)

## Election scenarios

A General Election is unlikely to be called while the Conservative Party lags behind so far in opinion polls and while the economy remains so weak.

The Dissolution and Calling of Parliament Act 2022 repealed the Fixed-term Parliaments Act 2011 (FTPA) and made the maximum term of a Parliament (rather than the period between general elections) five years. This means that the latest the current government can call a General Election is January 2025. However, political parties generally do not call elections in the dead of winter due to short days and bad weather leading to low voter turnout, especially in the demographics that Conservatives rely on.

It is most likely that the Prime Minister will call the election in Autumn 2024. This allows the economy (and Conservative poll ratings) more time to recover than a spring 2024 election would, although this can't be ruled out.

Labour remains the favourite to win the election, however the Party has a very steep mountain to climb. Starmer has been criticised for failing to crush a very weak Conservative Party. He has also been criticised for failing to set out a clear and compelling alternative to the current government, leading to concerns that voters could choose to "stick with the devil you know".

A possible election scenario therefore is a minority Labour-led government. Neither the SNP (who are themselves experiencing an existential crisis after the resignation of Nicola Sturgeon) nor the Liberal Democrats (who have still not recovered from their election battering after their Coalition with David Cameron's government) are likely to have any appetite to create a formal Coalition. More likely is that a minority Labour government would form a confidence and supply agreement with one of those parties.

The Conservatives have no likely props in a hung parliament scenario, other than the small DUP. This means that if they lose their majority, they are most likely to be out of government for the first time since 2010.



## Labour Party policy development & thinking

The Labour Party is a democratic socialist party, with its policy development designed to involve members, local parties, trade unions, elected representatives and the wider community. Policy is principally developed through its [National Policy Forum](#) (NPF), which is a body of over 150 representatives. The NPF's role is to shape the Party's policy agenda by drawing up policy documents for agreement.

NPF representatives are placed onto different policy commissions that examine specific areas, and each commission is co-convened by a Shadow Secretary of State and a National Executive Committee (NEC) member – the governing body of the Labour Party. The current live commissions are:

- [A green and digital future](#)
- [Better jobs and better work](#)
- [Safe and secure communities](#)
- [Public services that work from the start](#)
- [A future where families come first](#)
- [Britain in the world](#)

The commissions consider policy submissions that come in from all across the Labour Party and develop detailed positions on each. Importantly, these are discussed and voted on at the Annual Labour Party Conference.

Policy-making runs between general elections, so the NPF is currently about halfway through its development cycle and will be taking submissions from across the Party.

Labour's time in opposition to date has been spent working up indicative policy ideas. 2023 will see these ideas formulated into concrete manifesto commitments and policy proposals should they come into power.

Whilst there has been a political shift from the left of the party to a more pragmatic Blairite stance on policy matters, some Corbyn-esque policies have remained where public support is relatively high, notably on energy matters for example. So often, policy is about the communication as well as the substance – which is why agreeing clear and meaningful messaging when engaging with the political system is key.



## Political themes: Underpinning policy making

### Tax, debt, spending and economic policy

The Labour Party is likely to play it very safe in its pre-election plans for spending, borrowing and tax. They are likely to say that they would shadow much of the Tory agenda; but will attempt to differentiate themselves by targeting proposed tax rises on the very richest, which they will then use to help make a small number of spending pledges "costed".

If in Government, the Labour Party (as well as the Conservative Party) would be very unlikely to stick with the current tight 2025-28 spending plans. We would instead expect to see more spending on areas such as the NHS, education, local government, green investment etc. We would also expect to see a stronger element of "green policies" in their growth and tax plans, given the party's continued support for the green agenda.

Finally, the Labour Party has indicated that it would seek more normal trading relations with the EU, with no tax or regulatory divergence.

### Immigration

Immigration policy has been a consistently difficult issue for Labour. Since the Conservatives came to office in 2010, Labour has sought to counter the Conservative charge that they are the party of 'open-door immigration', with the Party's support for 'remain' and the EU policy of Free Movement during the 2016 EU referendum having made this task ever more difficult. Immigration issues politically have been difficult for the Labour leadership who are keen to reconnect with the red wall and Brexit voter base. With small boat crossings remaining such a politically salient issue, particularly amongst the red wall, questions remain about the effectiveness of Labour's proposed approach to tackling illegal immigration, as well as the extent to which foreign workers should be used to plug domestic skills shortages.

Since Keir Starmer was elected Labour leader in 2019, Labour has sought to tread a very careful public line on immigration to maintain its own fragile electoral coalition. For much of his leadership, the strategy of Starmer and his frontbench has mostly been, wherever possible, to avoid public statements on the issue; or, when unavoidable, to adopt relatively innocuous language about Labour's own position.

At its last Autumn party conference, immigration was notoriously absent from the priority issues for debate. When pressed, Yvette Cooper, repeated a well-used line, pledging only to deliver a "*fair, firm and properly managed*" immigration system. Starmer himself used his own conference speech to call for a "*points-based immigration system*" to control immigration – an uncontroversial commitment which is already Government policy.

The area where Labour has offered increasing clarity in its public statements is on the issue of illegal migration. In a five-point plan issued in July 2022, shadow Home Secretary, Yvette Cooper, made a number of firm commitments. These included:

1. Scrapping the Government's Rwanda policy and using the money instead to hire investigators to infiltrate people-smuggling gangs;
2. Re-entering the EU migrants return scheme and re-negotiating the Dublin Convention;
3. Opening new resettlement schemes to allow safe and legal entry for refugees with family connections to deter criminal gangs;
4. Doubling the number of asylum decisions to ensure quicker support for genuine refugees and enable speedier removals for those who are not; and
5. Restoring the 0.7% foreign aid commitment to help tackle the causes of migration.





The academic and adviser to Keir Starmer, Thom Yorke, published a pamphlet earlier this year setting out how Labour should build an immigration system based on 'fairness' and that was 'competent and compassionate'. Yorke calls for, amongst other things, a review into the availability of safe and legal routes for asylum; the ending of the use of indefinite detention; reducing the amount of time after which asylum seekers can seek work; reducing visa application fees and processing times; and the introduction of new visas to accommodate shorter-term working arrangements and promote regional growth. Whilst not official statements of Labour policy, Yorke's recommendations give an interesting sense as to the likely priorities of a future Labour Government with respect to immigration.

Given UK labour market shortages, expect to see a more pragmatic line from Labour in Government – particularly with regards to flexibility for key workers, or areas where the UK economy is struggling to recruit and grow talent domestically.

Role of regulators

Regulators cover all aspects of business interactions – from competition, quality, registration, pricing parameters and caps and more. In engagement, they are often the underestimated audience group.

What can we expect from regulation and regulators under Labour? Despite a degree of independence from Government and being 'non-political' in nature, incoming administration's will seek to review the focus of some key regulators (particularly in core policy

areas such as education) and seek to shape the overall direction of travel. This is the moment to scrutinise a previous Government's regulatory impact and seek to reform and evolve remits.

Key questions for the Labour team as they develop their thinking will be:

- What are the powers of our regulators?
- What can we do with the current powers they hold?
- What are their priorities and how does this meet our political priorities?
- What reforms are required? How should regulators inspect and with what frequency?
- How activist and interventionist should a regulator be in a market?
- Are there regulatory gaps which need to be addressed? Has the regulatory focus been the right one?
- How difficult or complex would it be to achieve a regulatory reform?
- How much of a priority is regulatory reform as part of our wider political agenda?

In addition to the risks and opportunities arising from potential reform, new leadership is on the horizon for some of our regulators - notably an incoming new Chief Inspector for OfSTED - who will have their own ideas and priorities for reform and evolution. In evaluating the impact of a Labour Government on your business, it is critical that you understand the likely areas of reform, timetable for potential change, areas of focus and powers to change.

Cost of Living  
Crisis

The state of the economy remains firmly remains [the most important issue for voters](#), with the rising cost of living causing more people than ever to be concerned about paying bills month to month. Whilst Starmer's explicit mentions of the 'cost-of-living crisis' are appearing less and less in his external communications, we can see the idea of [growing the UK economy](#) as a whole as the principle means to improve dwindling living standards.

With many expecting the next election to be fought on the economy as the main issue, Labour will have to strike a tricky balance and do several things against this economic backdrop.

First, Starmer will continue to lay the blame for the cost-of-living crisis, and by extension the last "13 years of failure", at the feet of the Conservatives. Starmer has been clear he wants to move away from what he calls "sticking plaster politics" – short-term, half-baked policies that provide partial fixes to the symptoms of longer-term, systemic problems, and blame the Tories as the reason that UK finances are in dire straits – as he seeks to channel David Cameron's excellent messaging of Labour being responsible for the 2008 financial crash.

Secondly, therefore, he will need to set out tangible policies to convince people that Labour is the party to bring solutions, rather than simply highlighting problems. For example, we may see reincarnations of the energy price freeze, which was a Labour Party policy before being adopted by the Government. However, due to the state of UK finances, his hands will be somewhat tied as any short-term support will absolutely have to be costed if he wants to position Labour as a party of sound money.

Finally, and connectedly, he will need to set out a broader vision to get people to vote Labour out of merit, rather than the default option for those who have lost faith in the Conservatives. The national missions look like a positive start, but expect much more work to go towards ambivalent voters who want to see how these missions will ultimately benefit them.





## Perspectives on the Private Sector

The role of the private sector (and private equity in particular) has long been a controversial issue for the Labour Party. Despite the softening of Labour's stances towards private investment in other sectors since Keir Starmer became leader, it is notable that Labour has continued to pay special attention to independent providers and profit-making within the health and social care sectors.

Shadow Health Secretary, Wes Streeting, has linked some of the systemic flaws within the adult social care sector to the involvement of private equity firms, [arguing](#) that "private equity firms are failing to provide basic levels of care to residents, while gambling with care homes' futures and leeching millions out of the British taxpayer and the pockets of residents".

However, the Labour Party has also acknowledged the need for fiscal restraint if it were to form the next government. This realism is reflected in comments from Keir Starmer suggesting that the Labour Party would collaborate effectively with the private sector to reduce NHS waiting lists.

Concerning social care, fiscal restraint under a Labour government would likely result in spending being prioritised on areas such as primary and secondary education, and NHS services, meaning that the social care sector – particularly the children's social care sector – may continue to be underfunded, ultimately providing an opportunity for the private sector to fill the gap.

The dilemma posed by the role of the private sector within the health and care sectors is a fitting reflection of the wider policy challenges that Keir Starmer might face were he to become Prime

Minister. Inevitably, there could be some distance between some of the harsher rhetoric on the private sector associated with the left-wing of the Labour Party and the centre-left policy outcomes that a Starmer government is more likely to pursue.

In truth, the damage wrought on public finances by the COVID-19 pandemic and the fragile (albeit improving) economic climate is already forcing Labour to re-evaluate its capacity to deliver the most ambitious pledges from Starmer's leadership campaign. Therefore, moves to ban or limit the role of the private sector in certain markets is unlikely to be favoured by Labour – at least, in the short-term.

### Relationship with investors

Unsurprisingly, ever since Keir Starmer became Leader of the Opposition, he has sought to place some distance between his Labour Party from that of his predecessor. In an essay titled '[The Road Ahead](#)', Starmer signalled Labour's intention to work with the business community if the party were to form the next government. Additionally, the Party has more readily embraced the type of tropes concerning growth and strategic investment that are usually associated with the Conservatives. The Shadow Chancellor of the Exchequer, Rachel Reeves, and the Shadow Business Secretary, Jonathan Reynolds have also been meeting with sector leaders, including some private equity bosses, in an attempt to show off their investor-friendly credentials.

However, aspects of Labour's approach to investors may belie these attempts. Reynolds' assertion that Labour is both "[pro-business and pro-worker](#)" typifies the duality of their approach. For example, although the current iteration of the Labour Party may not be hostile to private equity in the same way that it was during the Corbyn-era, Reeves has noted that a future Labour government would consider closing the 'carried interest loophole' available to the industry, which allows fund managers to pay a reduced rate of tax on their earnings (as part of a wider review of the UK's tax system).

Reeves revisited the topic during her response to the Chancellor's recent Autumn Statement, chiding Jeremy Hunt for his decision not to close the loophole – stating that '[ordinary hard-working people](#)' would have to pay more tax, as a proportion of their incomes, than fund managers. While this attack-line may have been designed largely with political point-scoring in mind, there are [signs](#) that the public would like to see businesses pay more tax – and Labour is likely to take notice.

Reeves has also criticised private equity for its supposed 'asset-stripping' of important British firms, such as the Aerospace supplier, GKN. Previously, Labour has suggested that the Government should be able to block acquisitions that could have a long-term impact on the UK's industrial strategy.

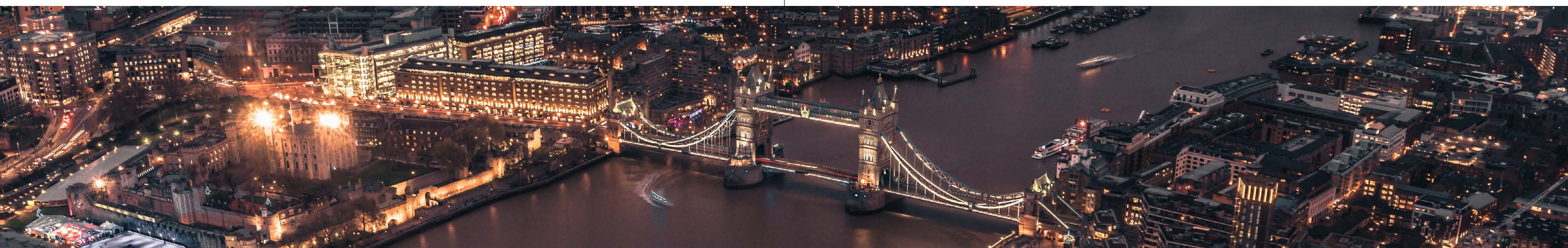
Additionally, Labour Shadow Minister for Business and Consumers, Seema Malhotra has accused private equity of '[loading companies with debt](#)'. For instance, Malhotra spoke out against the acquisition of the supermarket chain Morrisons. Her criticisms focused on the

impact of private equity deals on employees, pensioners and the taxpayer, consequently urging the Government to guarantee that there would be protections for workers, farmers and customers to ensure that they were not impacted negatively by takeovers.

Therefore, a future Labour government might expect parties involved in acquisitions to take a more holistic approach during the deal process – such as taking employees, supply chains and wider ESG factors into account.

Furthermore, one should expect greater regulatory oversight and parliamentary scrutiny of private equity's involvement in certain markets (particularly those that deliver services to vulnerable people), meaning that proposals related to preventing disorderly exits, as well as the sustainable operation of assets may be on the horizon.

To discuss what a Labour Government would mean for you, or support to share your ideas please contact [emma@gkstrategy.com](mailto:emma@gkstrategy.com)







INSIGHT | ADVOCACY

2nd floor, 52 Horseferry Rd,  
London SW1P 2AF

020 7340 1150  
[gkstrategy.com](http://gkstrategy.com)

