

# Labour Party Manifesto 2017

General Election analysis by Interel UK





# Labour

## The Labour Manifesto Summary & Analysis

### Economy

Labour has set out plans for an additional £48.6bn in government spending, offset by an equivalent increase in taxation. Whilst it is true that they have fully costed their proposals, and most of their calculations are from reputable sources such as the IFS, the Kings Fund, House of Commons Library and central government; a small number of their sources are a little more suspect, including left leaning think tanks, freelance economists, and in one case figures from Private Eye.

Labour's Fiscal Credibility Rule "will be based on the simple principle that Government should not be borrowing for day-to-day spending, but that investing for future growth makes good sense". The manifesto also includes a plan to end the spending deficit by 2022 and to consistently reduce debt as a proportion of GDP. The manifesto is however light on detail about how to achieve this, other than through "increased investment".

The bulk of Labour's economic policies focus on the worker, rather than helping business. This includes increasing the minimum wage, introducing four new bank holidays, replacing the Great Repeal Bill with an EU Rights and Protections Bill, and a pay levy on "excessive" executive pay, with a maximum pay ratio of 20:1 in the public sector, including for private companies bidding for public sector work.

These will be popular to many, but Labour risks suffering the same fate they did in 2015, when the Tories portrayed proposed additional obligations on businesses as an anti-business burden. The section, "A new deal for business", looks primarily at ensuring businesses operate for their employees as well as their shareholders. On how a Labour Government would achieve growth for businesses, the manifesto is less detailed, other than talk of more investment and new trade deals.

As expected there will be no rises in VAT, NI or income tax for those earning less than £80,000. Corporation tax will rise to 26% by 2022, although the manifesto also includes a significant package to help SMEs, such as reducing the lower small profits rate of corporation tax.

## Infrastructure

Labour have announced that they will finance future infrastructure projects through a “National Investment Bank that will bring in private capital finance to deliver £250 billion of lending power”. Interestingly the draft manifesto leaked last week said that the bank would be financed “with an injection of initial public capital”. The final manifesto does not include this line, nor does the costing document put together by the Shadow Chancellor make any speculation on how much this injection would be. Although the document is confident in its assertion of raising £250bn in private capital, the strategy on how to do this is barely mentioned, potentially signalling a black hole in Labour’s spending plans.

For the Labour leadership, they see this as a much needed intake of oxygen following what they view as the suffocation of investment in the last seven years. This is a more radical package than Labour proposed in 2015 and significantly larger than the £23bn proposed in the National Productivity Investment Fund, which is part of the Conservative’s Industrial Strategy. Labour are likely to spend much of the remainder of the campaign trying to prove that this flagship policy is not overly ambitious and is deliverable without drawing on additional public expenditure.

## Defence & Security

As has become standard practice, the manifesto commits Labour to conduct a “complete strategic defence review when it comes into office - to assess of the threats facing Britain and the necessary defence requirements”.

There are also promises to adequately equip the armed forces, maintain cooperation with European allies, and a commitment to spend at least 2% of GDP on defence. These are hardly earth shattering measures, but aim to banish the view that Corbyn is a naïve pacifist. However, no-one is in any doubt about Corbyn’s unease around the use of military power, confirmed by his failure to give an unequivocal commitment to Article 5 of NATO in comments last week.

Labour also announced they will renew Trident, following an internal battle in the Party that was largely resolved at last year’s Labour conference. Interestingly, the language around the proposal in the draft manifesto that suggested the leadership was uncomfortable with the policy hasn’t made it into the final version. However, there is no commitment to the Continuous At Sea Deterrent policy, and it is not clear whether this is by accident or design.

Perhaps of most interest is the commitment that Labour are “committed to a procurement process that supports the British steel industry and defence manufacturing industry”. This, along with anti-dumping measures, suggests that a Labour Government

will happily alter the mechanics of the free market to protect certain British industries. This could put a smile on the British defence industry, which is a little weary of warm words but no action from the current Conservative Government.

There is also “a cyber security charter for companies working with the MOD”. This did not appear in the draft manifesto leaked last week, suggesting that the global cyber attack that affected the NHS late last week might have encouraged Labour to make a late change.

## Energy

The manifesto is pretty scathing in its criticism of privatisation as a means of delivering an effective energy market. A Labour Government will take “control of the natural monopolies of the transmission and distribution grids, and of responsibility for the policy and information functions of the regulator”. We may well see the energy lobbies coming out against this for the disruptive impact it could have on their sector.

Labour have pledged that 60% of Britain’s energy needs will be met by renewables by 2030. Current renewable production is around 15% so this is a fairly radical pledge. Much of it will be funded by the national investment bank.

The manifesto also includes £1,000 annual price cap on energy bills, stringent regulations on landlords to insulate properties, setting up publicly owned local energy companies and new energy task forces to set up local cooperatives. These are likely to be popular policies, but if Labour do win power, implementing them will be a complicated affair.

## Education

“Cradle-to-grave education” is the buzz phrase in the manifesto, “focusing on childcare, schools and skills”. Central to this is Labour’s focus on skills, with a push to allow people to adapt and upskill in accordance with changing industry. They would introduce free, life-long education colleges. This would certainly pose an opportunity for businesses looking to shape the skills sector.

Labour aim to double the number of completed apprenticeships at NVQ level 3 by 2022. They will maintain the Apprentice Levy but put greater accountability on IFA to deliver high quality apprenticeships. They will also bring in more flexibility to employers on how the levy is deployed. Companies which have found the apprenticeship levy excessively rigid will likely be pleased by this, although these feelings may be offset by Labour’s desire to see more trade union involvement in apprenticeships. They will also introduce incentives for large employers to over train

apprentices, an intriguing idea but one which is not given a huge amount of explanation in the manifesto.

As expected, Labour will reverse Conservative cuts to schools, and scrap grammar school plans. This would be in part paid for by the £1.6bn they estimate will be brought in by putting VAT on private school places. They do not however estimate the cost the Department for Education would face, as students previously educated in the private sector migrate to the public sector.

## Housing

To tackle the housing crisis Labour have suggested a range of radical solutions. These include introducing a new Department for Housing, as well as introducing the largest levels of construction by Housing Associations and Councils for thirty years to ensure at least 100,000 new homes are built a year by 2022.

On housing standards, Labour have pledged to review minimum space and habitation regulations, whilst at the same time pledging to build more carbon neutral homes.

Labour will focus on supporting first time buyers and renters through Help to Buy, three year tenancies and long term council tenancies. On the flipside, however, this will see Labour suspend right-to-buy, return housing benefits to the 18-21 year olds and limit access to new builds to first time buyers.

By focusing on areas of the housing sector outside home ownership, Labour will be able to reach out to the many now affected by increased rents and lack of housing. Given that Theresa May's Conservatives have also moved away from the home ownership model supported by David Cameron, there may be fewer electoral gains to be made in this area.

## Transport

The manifesto is explicit that Labour will "prioritise public service over private profit". To achieve this Labour will commit to bring rail and bus franchises back into public ownership when their contracts expire. This is accompanied by commitments to complete HS2 and other major transport projects, and provide equal transport funding to ensure proportional regional growth.

Renationalising the railways is consistently a favourable policy among the country. If Labour can frame it in a way which will guarantee rail fares to fall, then this is a policy could persuade a few disgruntled commuters to vote Labour.

## Health & Social Policy

Building on the party's support of workplace protections, Labour will also introduce a number of policies to provide support to those that cannot work or who have retired. In Labour's first year the party will increase Employment and Support Allowance by £30 a week, increase Carer's Allowance to the same level as Job Seekers Allowance, and look to increase the Access to Work Programme.

Many of these policies will require the repeal of existing regulations, with Labour committing to replacing PIP and Work Capability assessments, repealing the cuts to limited capacity to work in the Universal Credit and ending reassessments of those with long-term conditions.

On healthcare Labour have pledged to remove one million people from NHS waiting lists by 2023 and introduce a new four hour target for A&E visits. Labour hopes that by increasing funding to the NHS they will be able to resolve issues with hospital beds and improve ambulance response times. Labour have also seized upon a traditional UKIP policy by pledging to end parking fees in NHS hospitals England.

Childhood health will receive special attention under the next Labour Government with the party committed to continuing Conservative policies such as the sugar tax, along with new policies to restrict junk food and tobacco advertising to children.

## Brexit

Labour have set out a third option between the Free Trade Agreement to be sought by the Conservatives and the continuation of EU membership sought by the Liberal Democrats. Labour will replace the Brexit White Paper with a new policy to retain access to the EU's Single Market and Customs Union, allowing the UK to maintain the current border agreement with the Republic of Ireland. After Brexit, Labour will ensure that devolved regions retain the powers currently given to them by the EU.

In international trade Labour will look to promote human rights and social justice in its trade policy, whilst at the same time creating free trade and investment agreements with other countries to promote skilled jobs and remove trade barriers.

On immigration, Labour will seek to guarantee the right to remain for EU citizens immediately before seeking a reciprocal deal for UK citizens abroad. To ensure the UK has access to a skilled workforce Labour will work with both businesses and trades unions to establish new immigration rules so workers can come in without being exploited.

By charting a third course for Brexit, Labour have the opportunity to appeal to voters caught between the Conservatives and Liberal Democrats. The only real snagging point is whether Labour will be able to convince voters that they, and not the Conservatives can deliver on their vision. Given the opposition of the EU to a similar softer Brexit for the May Government, voters are unlikely to believe that Corbyn's charisma is all that will be needed to ensure continued single market access with the EU.



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