

# GOVERNING WELL

## Roundtable on Labour's flagship policies

Daniel Chandler, Christine Berry, Jane Gingrich

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Daniel Chandler makes the case for a more ambitious agenda on labour rights and economic democracy; Christine Berry maintains that Labour should embrace a radical pragmatism in its environmental policies and overall programme and Jane Gingrich argues that Labour's industrial policy requires a deep understanding of the causes of low productivity and high inequality in the UK, a set of complementary and linked policies that build on this diagnosis and look to tackle it.

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### **Workplace democracy: building on Labour's New Deal for working people**

*Daniel Chandler*

Labour's New Deal for Working People has rightly been described as 'the biggest upgrade of workers' rights in a generation'. Labour have promised legislation on key

elements of this agenda within 100 days. Over the next five years, the government should build on this ambitious and popular agenda by putting workers on boards – setting the UK on the path towards more democratic workplaces, boosting investment and productivity, and expanding access to meaningful work.

Under Keir Starmer, the Labour Party has given an increasingly central place to the importance of work. Starmer has described how his father's experiences as a toolmaker gave him both a 'deep respect for the dignity of work' and a keen awareness of the feelings of disrespect experienced by many working people.<sup>1</sup> He has claimed that 'the single most important part of improving lives is to ensure good, secure jobs are spread across the country'.<sup>2</sup>

This is part of a wider effort to recognise the limits of New Labour's economic approach, with its emphasis on redistributive taxation. 'Even when we enjoyed the most sustained period of redistribution in British history' Starmer has asked, 'did it also redistribute dignity and respect to working people, or was that glue... starting to come a little unstuck?'.<sup>3</sup>

At the heart of Labour's 'good jobs' agenda is the New Deal for Working People which, when it was first announced in 2021, promised to end zero-hours contracts, raise the minimum wage, extend rights to parental leave and flexible working, create a single 'worker' status so that all employees have key rights from day one, and transform collective bargaining by introducing 'fair-pay agreements' covering minimum pay and conditions in specific sectors.

There is strong public support for many of these reforms, and while there have been predictable rumblings of discontent from some businesses groups, a recent poll commissioned by the Chartered Management Institute found that even among managers, four in five think stronger workers' rights – including 'day one' rights for all workers – should be a national priority, while three quarters said it was important to ban zero-hours contracts.<sup>4</sup>

The past year has seen Labour scale back some of the more ambitious aspects of this package, replacing hard commitments with promises to consult on the scope of fair-pay agreements beyond social care, the details of the single 'worker' status and whether to allow zero-hours contracts in some cases, causing consternation amongst unions.

These are complicated issues – 'probationary periods' can help companies see if a new employee is a good fit for a particular job, zero-hours contracts are not always exploitative – and it's important to get the details right. But Labour's ambition to bring about a once-in-a-generation upgrade in workers' rights is the right one, and the party's manifesto included a welcome commitment to legislate on key aspects

of this ambitious package within 100 days. Over the next five years, Labour should broaden and deepen this agenda with a new focus on democratising work.

As the philosopher Elizabeth Anderson has argued in these pages and elsewhere,<sup>5</sup> the almost total concentration of formal power in the hands of shareholders in countries like the UK and USA means that 'The vast majority [of workers] are subject to private, authoritarian government, not through their own choice, but through laws that have handed nearly all authority to their employers'.<sup>6</sup> The result is that for many people, and especially the lowest paid, the workplace is a sphere of subservience and powerlessness quite unlike any other domain of life in a modern democratic society.

Democratising work was a staple of socialist and social democratic thinking and politics for much of the twentieth century.<sup>7</sup> While the conventional socialist alternative has been some form public ownership, social democrats have often favoured laws would see workers and owners share power within privately owned companies. Similar ideas were embraced by some post-war liberals, who saw reforms to disperse economic power as an alternative to the centralisation of power in both shareholder capitalism and state socialism.<sup>8</sup>

In the UK, this tradition reached its peak in 1977 with the publication of the Bullock Report, commissioned by then Labour prime minister Harold Wilson, which proposed giving workers and employers an equal share of seats on the boards of large companies. The report was ultimately shelved thanks to business opposition and divisions within the trade union movement. It represents one of the great missed opportunities of the post-war period.

The question of workplace democracy largely disappeared under New Labour, which threw itself behind the shareholder primacy model. It experienced a short revival under Jeremy Corbyn's leadership, and Theresa May briefly advocated putting workers on boards as Prime Minister, but such proposals have been conspicuously absent from Labour's New Deal.

Starmer's Labour should reclaim these ideas, putting them at the heart of its good jobs agenda. After all, there is a limit to how far top-down regulation can go, beyond establishing a base line of employment rights – no one wants a 'Department for Meaningful Work' dictating the details of working conditions in individual companies. Any serious effort to transform the world of work must adopt a decentralised approach, one that enables workers and owners to shape workplaces in ways that are sensitive both to the preferences of employees and the economic conditions facing companies in particular sectors.

This would be a significant departure for the UK, but it would bring us into line with much of Europe, where employees in most countries have the right to elect repre-

sentatives to company boards, and to a shopfloor ‘works council’ with the power to shape decisions about working conditions. This system – known as co-determination or co-management – is most developed in Germany, where it originated. In German companies with more than 500 employees, workers elect one third of the board, and in companies with more than 2000 they elect half. German works councils have wide-ranging information and consultation rights, and in larger firms share decision-making rights with management over pay structures, working hours, holiday arrangements, workplace facilities and major changes to the workforce.

Contrary to the fears expressed by some economists, co-management has increased worker power and improved working conditions without reducing productivity or growth. In fact, as the Resolution Foundation have argued, there is good reason to think that empowering workers could help address the UK’s abysmal record on business investment – the fundamental source of stagnant productivity growth – since workers, especially when they have firm-specific skills, often have a stronger interest in the long-term success of a company than fickle investors pursuing short term profits.<sup>9</sup>

The success of co-management in Germany and elsewhere is partly thanks to strong unions, which provide a vital resource for worker representatives, and the fact that wage bargaining typically takes place at the sector-level, rather than within individual companies, further strengthening the case for Labour’s proposed Fair Pay Agreements.

An ambitious programme to democratise work could be combined with measures giving workers a financial stake in their companies. In America, about 20 per cent of private-sector employees now own some form of company stock, thanks in large part to generous tax breaks. In France companies with more than fifty employees are required by law to implement a profit-sharing scheme. In 2018, half of private-sector workers had access to such a scheme, and companies paid out a total of €19.4 billion, equivalent to 3.4 per cent of private-sector wages.<sup>10</sup> By giving employees a stake in the financial success of their company, these schemes would encourage workers and management to prioritise the long-term success of the company in ways that would benefit both.

In the long run, there is no reason why the UK shouldn’t adopt a model at least as ambitious as that in Germany. But there are political and practical reasons why it might be better to pursue an incremental approach, and even putting one or two employees on the boards of larger companies – as France did in 2013 – would be a significant step. Doing so would be an example of what the philosopher André Gorz has referred to as ‘non-reformist reforms’ – those which pave the way for a fundamental shift in our political and economic structures.

Labour could frame these ideas using the language of a 'partnership economy'. The language of partnership already features heavily in Labour's economic messaging, albeit focused on the relationship between business and the state. Extending this to encompass relations between workers and owners would make it clear that this is not about 'class war', but cooperation towards common goals.

The key is to embed proposals for workplace democracy within a rich and humane vision of society in which everyone is treated with dignity and respect, and where work can be a source of meaning, community and even joy.

The broader opportunity of Labour's emerging 'good jobs' agenda is that it offers a way to address both the cultural anxieties about dignity and respect that have dominated politics for much of the past decade, and more immediate material concerns that have come to the fore because of the cost-of-living crisis.<sup>11</sup> In doing so, Labour's New Deal for Working People can help Labour build a broad-based electoral coalition, and change our economy in a way that would make a tangible difference to working people's lives.

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## Notes

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- 10 Daniel Chandler, *Free and Equal: What Would a Fair Society Look Like?*, Allen Lane, London 2023, pp258-259.
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## In defence of radical realism

*Christine Berry*

If the Starmer government aspires to be transformative, it must find the courage to face reality. This might seem like an odd thing to say: after all, the Labour faction which took leadership of the country on July 5 pride themselves on being realists. But the question arises exactly what reality we are talking about.

'Realism' in politics is usually presumed to refer to political reality, rather than physical or even economic reality. It connotes an acceptance of the limits of the politically possible, given the constraints of electoral politics and of existing power relations. It is easy to see why Labour members gravitated to this kind of realism after the 2019 election result. And yet it is odd that politicians so regularly make the yardstick of their 'realism' the acceptance of existing political facts, given that the whole point of political activity is to alter these facts – indeed, they are the only thing that politicians have direct power to alter.

But there are other realities over which they have less control – and when we look at these, it becomes apparent that we are living in an era of transformation whether politicians will it or not. Perhaps most critical is the reality of ecological breakdown, which in turn is shaping an increasingly unstable economic reality. A recent study in *Nature* found that the 2022 summer heatwave alone increased European food price

inflation by 0.43-0.93 percentage points<sup>1</sup> – contributing to a reality of growing food poverty and insecurity for ordinary people<sup>2</sup> alongside record profits for food companies.<sup>3</sup> As the economist James Meadway recently concluded, we are moving ‘from a world where capitalism can impose itself on the planet, to one in which nature is imposing itself on capitalism’.<sup>4</sup>

In this new reality, it seems highly unlikely that a change of government alone will restore economic stability – even if falling inflation may provide a temporary reprieve. And, as ecological limits begin to bite, relying on growth rather than redistribution or structural change to improve living standards may itself prove unrealistic. Modelling by the Green Finance Institute suggests that nature degradation could lead to a 12 per cent drop in UK GDP by the early 2030s – greater than the financial crisis or the pandemic – with risks ranging from health crises to food and energy price shocks.<sup>5</sup> This figure is speculative: in reality, as the IIPP points out, the grave economic risks of ecosystem breakdown are ‘fundamentally unpredictable and irreversible’.<sup>6</sup>

In any case, the aftermath of the pandemic and the cost-of-living crisis are themselves driving structural changes to the economy. The inequality between those who spent lockdown building up savings and those whom it burdened with growing debts is widening – with consequences that may yet prove combustible. The demise of the traditional retail-oriented high street is accelerating. Millions of people – including me – are struggling with long covid and other chronic conditions, contributing to tighter labour markets and rising economic inactivity.

Some of these trends may yet contain the seeds of a more hopeful transformation. The recent wave of successful strike action may herald a long overdue rebalancing of power between labour and capital. An exodus from London, driven by unaffordable housing and the rise of home working, might ultimately help to rebalance the economy geographically. And as more people in higher income brackets find themselves struggling to build a sustainable and satisfying life, a broader-based political constituency may begin to demand economic change.

Rising to these challenges and opportunities would require a different kind of realism – the sort advocated by thinkers such as Roberto Unger<sup>7</sup> and Paulo Freire,<sup>8</sup> the godfathers of ‘radical pragmatism’ and ‘radical pedagogy’ respectively. This sees political and economic facts – both institutional arrangements and the stories we tell about why things must be this way – as human creations which we can collectively remake. Unger and Freire are also both radical democrats, believing that our understanding of reality and our efforts to change it must be constructed with and by the people they are supposedly for.

In any case, the assumption that political realities militate against transformative change itself deserves interrogation. Surface considerations such as the preferences

of swing voters can obscure deeper political currents, and inaction carries its own political risks.<sup>9</sup> Globally, trust in democratic politics is waning.<sup>10</sup> A 2023 study found that almost one in three Europeans now votes for populist or anti-establishment parties, with one of the authors blaming the mainstream's 'progressive detachment from societal demands'.<sup>11</sup>

The size of Labour's majority is not matched either by its vote share or by popular enthusiasm for its programme. Recent developments in France and the US offer a warning: if Labour does not deliver meaningful change to people's lives, the tide of disaffection that swept it to power could turn against it very quickly.

The most worrying scenario is a resurgent far-right led by Reform UK. But the success of Greens and independent candidates shows that Labour also risks losing support to the radical left. Progressive positions – from public ownership to wealth taxation to minority rights – are overwhelmingly more in tune with popular opinion than the terms of political debate would suggest. Dominant factional narratives about Labour's recent electoral fortunes tend to erase the memory of 2017, when the party won 40% of the popular vote (compared to 34% in 2024) after a campaign dominated by proposals for public ownership and public investment.

A recent Guardian editorial blamed economists for the 'deadening consensus' in favour of austerity and deregulation that persists in spite of these political facts.<sup>12</sup> And yet the intellectual consensus on these matters – as represented by institutions ranging from the IMF<sup>13</sup> and Financial Times<sup>14</sup> to major think tanks<sup>15</sup> – has been shifting since the mid-2010s. Perhaps it is not the public or economists who are holding back the debate on economic policy, but politicians themselves.

Our best hope for transformative change lies in breaking this deadlock with participatory solutions that harness the 'tacit knowledge'<sup>16</sup> of people on the frontline about how to improve their own lives, workplaces and communities. And the best hope for a Starmer government seeding such change lies in policies that would transfer greater power to people outside of the 'Westminster bubble', through workers' rights and a new wave of devolution.<sup>17</sup> The danger is that these will go the same way as the £28bn green investment pledge: overwhelmed by the demands of political 'realism'.

In an uncertain world, one thing is certain: the Starmer government will be governing in conditions not of their choosing. Just as Boris Johnson will be remembered not for 'getting Brexit done' but for catastrophically mishandling a pandemic, Starmer will be remembered not for how he delivers on Labour's manifesto but for how he responds to the crises he will face. Our social, economic, political and ecological fabric is now so fragile that the next crisis could come from almost



anywhere. And as public services collapse, it may be promises of fiscal restraint and not fiscal expansion that begin to look undeliverable.

The real question is therefore not whether the country will be transformed under a Labour government, but whether it will be transformed by their design or in spite of it. And the answer will hinge on whether they choose to remain trapped in a prison of their own making, or whether they prove able to become – in the words of Ursula K. Le Guin – ‘realists of a larger reality.’<sup>18</sup>

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## Notes

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- 13 See for example Blanchard & Leigh. 2013. Growth Forecast Errors and Fiscal

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## Is industrial policy a route to transformation for Labour?

*Jane Gingrich*

In 2023, US President Joe Biden introduced the Inflation Reduction Act 'one of the most significant laws' under his tenure. This act, along with the CHIPS and Science Act and infrastructure bills, marks a major shift in US industrial policy. Together, they provide over a trillion dollars in investments for green technology, critical materials, semiconductors, broadband, and energy infrastructure. These investments come with conditions on domestic purchasing and labour practices. Proponents claim this policy will accelerate the green transition, reboot US manufacturing, improve job quality, and revitalise local economies, framing it as a tool for centre-left economic transformation.

While need for both development and adoption of new green technologies is clearly urgent, does a revitalised industrial policy offer a clear way to reshape the UK economy in a more egalitarian direction? This short piece argues that making industrial policy work in Britain requires more than allocating funds to new sectors, it requires a deeper thinking about why the UK has faced both weak productivity growth and high levels of inequality, why past industrial policy has often failed, and about what a durable political coalition around effective industrial policy looks like.

Transformative economic policy requires three things: a clear diagnosis of the shortcomings of the existing system, a set of complementary and linked policies that build on this diagnosis and look to tackle it, and an emergent political coalition that supports the direction of change. Transformations are rarely instantaneous or seamless – the impact of Thatcher's deregulatory push of the 1980s, or the move towards supporting more knowledge intensive services in the 1990 and 2000s, took

time to manifest in the practices of people, firms, and government policy. What links these moments, however, was a relatively clear direction of travel that built on a shared elite diagnosis of the woes of the British economy, a broad suite of policies complementary to this diagnosis, and relatively strong and durable policy coalitions that allowed these policies to unfold over time.

First, transforming the British economy requires not just compensating for inegalitarian trends but also for rethinking the economic structures that produced them. Britain's most urgent problem is a lack of growth. Unlike past periods (or some Continental European countries), unemployment has been a less critical problem than weaker productivity growth, low wages, wealth inequalities, and a reliance on high skilled services that tend to be co-located in the UK's most prosperous regions. Where the diagnosis is both too many concentrated gains among dominant firms and sectors and too little support for infrastructure, skills, and industries outside the urban core areas, a revitalised industrial policy that directly supports investment in both innovative activities and manufacturing across the country, enacts strong rules requiring firms to source some materials domestically, and supports 'good jobs' through conditionalities, would seem to offer a way forward.

However, systemic underinvestment in manufacturing, domestic supply chains, and the infrastructure to support it, require a sustained counter-reaction, both in terms of public spending and other investments in skills, transportation, and other policies. Recent high profile policy gambits, like the difficulties around the Britishvolt factories, point to the need to join up a series of policies that target regional development – from education to transportation to supporting firms across the supply chain.

Second, innovation policy and place-based policy has had a rocky history in the UK in part due to the existing governance structures. As Diane Coyle and Adam Muhtar argue, one of the defining features of recent industrial policy has been instability.<sup>1</sup> In the past decade, industrial strategies have come and gone, levelling up entered and exited the political agenda, and support for innovation and science administration has been periodically reorganised. This instability undercuts effective policies. Without credible commitments to firms and local communities, productive investments in competitive export-oriented technologies or goods is unlikely to emerge, nor are the positive spillovers across the supply chain. Can Labour credibly promise more stability in governance?

To get at this question we need to ask not what economic problems industrial policy is looking to solve, but what political problems. Concentrated political authority in the UK has historically been a blessing and curse for state directed economic policy. When it comes to making large public investments however, it poses two linked problems – it is both too disconnected from local development

objectives and insufficiently insulated from short-term political jockeying. As industrial policy increasingly coincides with local development policies, building structures that are more responsive to local needs – in terms of transportation, infrastructure, skill provision and so on – is critical. At the same time however, some degree of political insulation for these decisions is critical. Both local and national governments need to be able to take risks – even to fail – without rapidly reversing course. Doing so requires investing in systems that both decentralise and deconcentrate some responsibility out of the central government, while also keeping a degree of public and democratic accountability. While many governments pay lip service to these goals, following through on them when in office is difficult, precisely because it is difficult to give up control without some political insulation.

Third, both sustained public investments, and the governance reforms that might make investment effective, require durable political coalitions. There is no magic recipe to build durable coalitions, but there are two dangers to watch out for. Building coalitions with firms who receive funds from industrial policy is not difficult, but unlikely to be effective at disciplining the private sector in ways that reduce capture and promote long-run social gains. Successful industrial policy requires placing conditions on firms, and that means having support for guarding and promoting effective policies that extends beyond current beneficiaries. Building broader coalitions with business and labour, that extend beyond incumbent firms is critical to supporting state capacity in this area.

Moreover, in a democracy, that support requires some public buy-in. Publics are notoriously difficult to bring on board for industrial policy, as they often see the visible failures (firms that received public funds and failed or wasted money) more clearly than the less visible successes – e.g. the local spillovers. The Biden administration has pursued a visible branding strategy, but other lessons are possible, ensuring local re-investment, supporting smaller and local firms, and communicating clearly to democratic publics how their interests are accounted for.

Is a transformative industrial policy possible under Labour? Given the current constraints on spending, it does not seem likely in the short run. But taking steps in this direction, building trust in governance reform and staying the course could lead to a quieter form of transformation.

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## Notes

- 1 [https://www.bennettinstitute.cam.ac.uk/wp-content/uploads/2020/12/Industrial\\_Policy\\_-\\_Learning\\_from\\_the\\_past.pdf](https://www.bennettinstitute.cam.ac.uk/wp-content/uploads/2020/12/Industrial_Policy_-_Learning_from_the_past.pdf)