

# Labour NPF Consultation

## Economic Recovery and Renewal After Coronavirus

### Institute for Family Business Response

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#### Summary

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As the restrictions begin to lift, discussions about “building back better” provide an opportunity for business and policy-makers alike to forge the future of our economy, working together to maintain and implement long-term policies focused on regional growth, investment, good jobs, and responsible business practices. Ensuring the continued and sustainable growth of family businesses not only brings benefits to the whole economy, but to consumers, employees and the Exchequer too.

We believe that the road to economic recovery can be achieved most effectively in two stages: short-term **stabilisation**, giving businesses the confidence that they can return to work, before encouraging **growth** stimulated by investment in capital, new jobs and skills.

Family businesses have a central role to play in this process. Many of our members have been significantly impacted by COVID-19, with the subsequent lockdown posing huge financial and operational challenges. The experiences of the past few months will be crucial in ensuring a full and swift economic recovery which benefits all aspects of business and the economy at large.

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#### About the Institute for Family Business

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The Institute for Family Business is the UK’s family business organization. Our members include some of the most successful, world leading, businesses in the country. Together they employ over half a million people and have a combined turnover of £100 billion annually, and work across the whole UK in every region, and every sector. We work with family businesses to help them build better and stronger business for future generations of their families, employees and communities.

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#### About Family Business

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Family business is the backbone of our economy and the bedrock of our communities. In the UK, family firms generate a quarter of GDP and employ over thirteen million people. By their very nature, family businesses take a long-term view, building on long-term stewardship of people and resources. Their commitment to passing something on to the next generation is locked into their corporate DNA.

The family business sector is extremely diverse. Family businesses come in all sizes and are found in all industries and communities across the UK. The tax contribution of family businesses now stands at £182 billion.

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#### The Economic Recovery Post COVID-19

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As the lockdown eases and we look to the future, the Government and the Labour Party should work with business to develop a strategy which will promote investment and growth as the means of recovery. The

nature and scale of the economic impact require a long-term approach to recovery. The UK Government should not look to quickly repay the debt it has amassed during the crisis, but instead take a long-term approach to repayment, whilst seeking to stimulate growth in the short to medium term.

As part of the two-phase recovery, we encourage policy-makers to consider the following steps:

### **1. Stabilisation**

No conversations can be had about growth without addressing the stability that businesses need in order to survive. These are extremely uncertain times for business, with many having to make difficult financial and operational decisions regarding their future. As part of the road to economic recovery, businesses need the confidence that they can start doing business again, accepting that it will require new and innovative ways of working. That includes confidence in how they are expected to operate, but also a tax system which enables them to rebuild and invest.

### **2. Growth**

Once businesses have been provided with the stabilisation, confidence and support required to their usual operations, attention must turn to the stimulation of investment as a means of achieving the necessary future economic growth. In particular, policy-makers must use all the levers at their disposal to help stimulate capital investment, investment in new jobs and investment in skills.

The economic recovery also provides the opportunity to look afresh at some of the challenges the UK have faced around issues such as productivity and regional investment.

The UK must look at how it can support and encourage those businesses to invest in themselves and their future. These measures should aim to help to lower the cost of entry for investment, in both people and capital expenditure. That includes extending the timeframe for the increased level of Annual Investment Allowance beyond the end of 2020, and providing incentives to companies to train and upskill their employees. This approach will help the UK increase productivity, while also supporting good quality job creation. We welcome announcement on bringing forward infrastructure investments, and would encourage further investment, alongside additional measures to support R&D and capital expenditure.

The UK also needs a strategy which addresses the needs of mid-sized businesses and supports mid-sized business growth. These businesses are often family businesses, and are at the heart of communities outside of London and other cities. Supporting their growth is an opportunity to transform the business landscape in the UK, enabling them to take the step from regional player to international competitor. These businesses are often overlooked in policy-making, with the focus either on very large or small businesses. These firms – the UK's Mittlestand – have huge potential, which needs to be harnessed as we look to build a stronger economy at both a national and regional level.

In the UK family businesses employed over 13.4 million people prior to this crisis, and generate a quarter of UK GDP. Family firms are the backbone of our economy and the bedrock of communities across the whole country. As well as the economic benefits they bring, they also play an important role in their communities spearheading and supporting initiatives designed to improve the overall wellbeing of the area. Growth in this sector brings benefits to the whole UK economy, to consumers, to the exchequer and to the millions who work in family firms.

Family businesses have a generational outlook and are acutely aware of the need to support and build opportunities for the generations following them. Family business owners are particularly concerned about the impact this crisis has had on young people, who are more likely to lose their jobs. Creating opportunities for young people and supporting them in getting back to work must be an immediate priority for the UK. That should include reforming the current apprenticeship system to make it work better for young people and employers, and the Government should incentivize employers to hire young people by reducing or removing employer National Insurance Contributions for people under 25.

We are proud of the way in which the family business sector has responded to this ongoing crisis and the resilience that our members have demonstrated. We are also grateful for the support that has been provided in supporting business throughout this difficult period. We believe that an ongoing collaboration between policy makers and the family business community is essential to ensure we repair the economic damage the crisis has caused, and look to build a robust and growing economic that delivers benefits across the whole of the UK. The road to economic recovery will be long, but the family business sector is well placed to play a central role, and it stands ready to do so.

Family firms survive and thrive over generations by taking a long-term approach to innovation, growth and investment. They have shown their ability and drive to transform their businesses to adapt to changing circumstances over and over. Not only do family businesses have a direct role to play in our economic recovery, but the lessons of these multi-generational firms can help to inspire others too.

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