BIS Department for Business Innovation & Skills

A STRATEGY FOR SUSTAINABLE GROWTH

JULY 2010

We will work closely with the Devolved Administrations in Northern Ireland, Scotland and Wales, recognising their particular and varying responsibilities. While some of the policies in this paper are specific to England, the challenges are common across the four countries of the United Kingdom. Each will need to consider the most appropriate arrangements in those areas for which they have devolved responsibility, to address the issues in ways that meet their own circumstances and needs.

Foreword

This government has put decisive action on the fiscal deficit at the centre of its agenda. As Secretary of State for BIS, I strongly support this. Business in the UK cannot prosper while the risk of a debt crisis hangs over the economy. In this sense, the first and most important growth policy the government has announced is its tough fiscal stance.

However, if fiscal responsibility is vital for growth, growth too is vital for getting this country back on track, including paying down our debts. We also urgently need a more balanced and sustainable – both economically and environmentally – model of growth to address our long term challenges. The Labour government left the UK dangerously unbalanced, with an economy reliant on debt, inflated house prices and a swollen financial sector. Opportunity was spread unevenly, with the private sector weak across swathes of the country, and we were not investing enough in preparing for a greener, low carbon future.

The growth we need should be different from the past. Instead of relying on ever increasing household debts financing unaffordable consumption, we should look to greater business investment. We need to seize the opportunity of a recovering global economy to develop our exports. This means protecting and building on our strengths – in design, creative industries and innovative manufacturing for example. We need to position ourselves to prosper through the transition to a greener economy. Our country should make more use of its scientific excellence, so that innovation becomes a motor for long term growth and change.

The good news is that despite fiscal austerity we have the tools and the capacity to achieve sustainable growth. But it would be unwise just to assume that this will happen without clear public leadership. Government, and the department I head in particular, has a huge influence on the business environment. It is our job to make the very best use of this influence. This is not just about spending public money. It does not cost much to keep markets free and fair, to empower consumers, to keep a lid on damaging regulation, manage risk, give greater stability, certainty and predictability in tax policy making.

In other areas our focus must be on key choices about how to allocate scarce public and natural resources so that they can have the strongest impact. Our strategy must be to use public money where it can elicit the greatest possible economic returns. Where we intervene we must do so to support business in general rather than individual businesses – by looking at clear market failures, such as in the transfer of exciting technology ideas into the commercial world. We must also use the resources at our disposal to maintain excellence in higher education, further education and scientific research.

The times are challenging, but we have good reasons to be optimistic. Against a backdrop of global recovery, the UK ought to do well if it can only become again the best place in the world for business. Setting out the path to balanced and sustainable growth is at the heart of what BIS is here to do. This Paper sets out some of the choices ahead and the challenges we face.

Vince Cable

Introduction

It is the private sector that will provide the growth this country needs. However, we need a new growth agenda, one where government's role is as an enabler of balanced, sustainable growth. As well as by strengthening economic fundamentals, through providing macroeconomic stability and well functioning and open markets, good government policy can increase productivity through skills, innovation, ICT diffusion and new firm start-ups. It is not only about the money we spend but about the framework for business and growth that we set up.

Global growth is forecast to rise by 4.6 per cent in 2014-15. Although the outlook is uncertain at the moment, world growth should continue into the longer-term as incomes rise in both developed and developing economies and consumers and business take advantage of technological developments. But grasping the opportunity will not be easy. We need to inspire businesses and individuals to succeed through restoring confidence, choice and opportunity in an economy where the public sector does not crowd out private sector opportunities, but instead, leverages private sector investment and encourages businesses to start, grow and thrive. There is a big task ahead, but it is one that we can rise to.

As the Emergency Budget set out, this Government inherits an economy that has experienced the longest and deepest recession since the Second World War. The growth we have seen in recent years in the UK has been based on an unsustainable model and rapid and decisive action from government is needed to enable the economy to return to a path of strong and sustainable growth.

While rising debt has been an international phenomenon it was more pronounced in the UK than in most other countries. By 2008, household saving had fallen to its lowest level since the 1950s and household debt had risen to 100 per cent of GDP. We have run a trade deficit for over a decade. Government spending[1] has been the second most significant driver of annual GDP over the period 2000-2007, contributing, on average, three quarters of a percentage point to average annual GDP growth over the period. Combined with the loss of revenues caused by the credit crisis, this led to the government's budget deficit being forecast to reach 11 per cent this year and a structural deficit estimated by the OECD to be the highest in the G7.

Clearly, government borrowing has now reached the point where it is no longer sustainable. Despite a recent rise in private savings, household debt

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1 Government consumption and investment combined

remains high and this will limit consumption growth. Instead, this needs to be a recovery based on an increase in investment and net exports.

Business investment has been exceptionally hard hit during this recession, having fallen over six successive quarters by a total of 25.7 per cent, the largest cumulative fall since 1965. Investment is needed to equip this country for the future – without it, we lack the means to earn our way in the global economy, respond to changing technologies, or upgrade our infrastructure. So we need the right framework to support this shift towards higher levels of investment targeted at building the productive capacity of the economy.

Growing exports are the means of benefiting from the expanding global economy. While the emergence of China, India and other Asian economies as potent competitors has attracted most attention, it is their role as potential customers that promises the greatest benefit to the UK. Being open to trade also forces a country to remain competitive and innovative, something that then delivers benefits throughout the economy.

Without open markets and enhanced business investment, we will not be able to compete in the world in the years ahead. In the long term we need to build a sustainable economy that is greener, more enterprising, more technologically advanced, more balanced across the regions and grounded in diverse sources of sectoral strength. We need an economy where private sector jobs are created and innovative opportunities seized. We need to respond to the challenges of a globalised and low carbon eco-friendly economy and support businesses to realise their ambitions. This paper sets out how we'll meet those challenges.

How can government support growth

There is a crucial role for BIS, and government more widely, in supporting businesses and individuals through the changes needed to return the economy to sustainable growth. There are three key planks of our strategy – promoting the efficient operation of markets to support growth; smarter public and private investment in the economy, including creating a highly-skilled workforce; and encouraging entrepreneurialism and individual engagement in the economy to support growth.

Promoting the efficient operation of markets to support growth

Businesses are the growth engines of the economy. Maintaining a stable framework within which businesses can set up and grow is therefore a critical duty of government. Well functioning, competitive markets are essential to this – being forced to sell in a free market drives efficiency and also spurs innovation in the quest of better ways to do things, and new markets to explore.

The vast majority of investment in the economy comes directly from the private sector. Investment is best encouraged by ensuring that our legal and institutional frameworks are fair, efficient and transparent and provide the necessary certainty for firms to conduct their business with confidence. For example, we need to restore the competitiveness of the UK as a location for economic activity. Reducing corporation tax rates is the first step in the government's aim to create the most competitive corporate tax system in the G20. A competitive tax system which provides more certainty and stability will support investment and allow business to enhance their export competitiveness.

Creating the best market frameworks through appropriate regulation

Fair markets and empowered consumers are vital for a well functioning economy. Businesses need to know that they will be able to sell their products within a stable market to consumers. The consumers in turn need confidence that firms will not exploit them and knowledge to make informed choices. A lack of trust within markets can be a major cause of missed economic opportunity. The UK has long been ranked among the world's best economies for our competition and corporate governance regimes and the flexibility of our labour markets. We also have a range of mechanisms for providing impartial advice and information to consumers through Citizens Advice, Consumer Direct, and other bodies.

We aim to keep such regimes as world class. While independence from political interference is critical for effective regulation, government has an important role in making sure that the regulatory framework is fit for the challenges of the future. That is why we are reviewing the competition and sector regulation regimes to streamline them. We want to improve their ability to take robust action to tackle vested interests in a consistent and timely way. Effective competition can stimulate product and service markets to meet customer needs efficiently and innovatively, and provide value for money. At the same time we need to strengthen and streamline consumer advocacy and enforcement.

Sometimes it takes active attention to make sure that markets are doing their jobs. An important example lies with the rules on takeovers, which should focus on generating long-term returns for investment rather than short-term returns for speculative trading. A critical part of our market regulation is ensuring that we have in place the right incentives for those owning and running companies. That is why we are considering again the takeover market and looking to reduce the instances of mergers which do not add economic value because synergy benefits and cost savings are not realised or the underlying rationale for the takeover is not well-founded. It is important that the Takeover Panel consultation gives serious consideration to options to address this by reducing the impact of short term-speculators and ensuring the voices of long-term owners of both acquirer and target company are heard.

As the past few years have shown all too well, particular attention also needs to be paid to the behaviour of financial markets, where BIS and HM Treasury are working together to create a more competitive and robust structure. Banking itself clearly needs reform if it is to play its essential role for the rest of the economy, providing finance for growth, while maintaining the sustainability of the City which is a key sector for our economy. BIS and HM Treasury have established an independent commission to investigate the structure of the UK banking sector, and consider structural measures to reform the banking system and promote competition, including the complex issue of separating retail and investment banking. We are also working together on a paper examining the question of access to finance.

However, any reform of these frameworks needs to bear in mind the fact that the time and money that businesses spend dealing with rules and regulations saps their ability to grow. Governments in the past have found it far easier to introduce new regulations that cut down the burden of unnecessary outdated rules. Instead, we want to find new intelligent ways to encourage, support and enable people to make better choices for themselves, moving away from the assumption that central government can only change people's behaviour through rules and regulations.

So it is central to our agenda that we achieve a level of regulation that promotes competition and stability without impinging on businesses' ability to operate. BIS will take a cross-Whitehall lead in driving forward this agenda. This is why new measures, like the Reducing Regulation Committee and a 'One In One Out' rule to force government to restrain its use of new rules, are a critical part of the business growth agenda. We will require 'sunset clauses' for regulations and regulators to ensure that the need for each is regularly reviewed, and we are giving the public the opportunity to challenge the worst regulations. We will also take action at a European level to remove barriers within the Single Market, which accounts for 50 per cent of UK trade in goods and services.

As an immediate priority we are conducting a fundamental review of all legacy regulations left by the previous administration. Two key reviews have already been announced: Lord Young of Graffham will lead a review of Health & Safety regulation, and a new industry-led taskforce, chaired by Richard McDonald, will consider ways to reduce the regulatory burden on the farming and food industry.

Removing barriers to global trade

It is a government priority to support UK export growth to emerging, high growth markets such as China, India and Russia, by building better links with these countries while also making the most of existing large export markets. This is an essential element of our rebalancing agenda. Fair access to international markets are an essential pre-requisite for the growth of the business sector – the rapid emergence of the large developing economies in recent years has radically reshaped global patterns of production and commerce. The IMF estimate that within five years Asia's economy will be about 50 per cent larger than it is today, and by 2030 the GDP of Asia will exceed that of the group of seven major industrialised nations[2].

For exporting companies, the benefits from well-functioning domestic markets could be amplified by focusing efforts on those overseas markets with the greatest growth potential. As these countries expand and become richer, they enable the UK to focus better upon areas of competitive interest, in high value-add areas where our unique capabilities earn the best return. BIS will continue to work closely with the Foreign and Commonwealth Office and UK Trade and Investment in order to strengthen the UK's relations with the fastest-growing areas of the world economy. As economists going back to Smith and Ricardo have pointed out, increased trade can benefit everyone.

The growth of emerging economies offers the UK an opportunity that cannot be overestimated. That is why the removal of barriers to trade globally is a cornerstone of our growth strategy. This provides an essential role for government – that of driving and keeping down trade barriers and in helping British businesses to take advantage of the opportunities to trade. This means working closely with EU partners and the G20 to press to complete the Doha trade talks, while also securing ambitious Free Trade Agreements with countries such as India and Korea. Through UK Trade and Investment, we will support British companies to ensure that they can access the support and advice they need to seize business opportunities beyond the UK and enable foreign investors to see the UK as an attractive investment location.

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2 Singh, Anoop, 'Asia Leading the Way', *Finance & Development*, June 2010, Volume 47, Number 2

Investment in our productive capacity to drive growth

Sustainable growth must be driven by the private sector, and requires investment in the UK's productive capacity. Private investment, whether it takes the form of inward investment in the economy by foreign-owned corporations or businesses investing in employees or learners investing in their own education, is now more important than ever.

But there remains a crucial role for government in creating the conditions within which businesses and individuals can recognise the benefits that investing in their future will provide and how to target their investments to realise these benefits. Sometimes public investment can be complementary to private investment because it tackles sources of market failures in areas essential to our growth capacity that would otherwise be under-invested. Common examples are when the public sector supports infrastructure, higher education, science and innovation – all of which are of crucial importance for our growth potential.

It is neither optimal nor affordable to rely on government expenditure alone for these areas. The aim of government should be to make those investments that maximize value for money, focusing on areas that are under provided by the market. We must make the best use of our spending power through smarter, more transparent and creative public procurement. In addition, Government will consider where well targeted help can leverage a far greater amount of private investment. Our aim is not to replace private sources of finance, but to improve the conditions for its deployment.

The greatest challenge for investment lies with long term projects such as infrastructure, where the benefits lie far in the future and can often be difficult to capture privately. This is as much about mature and coordinated working between government departments as it is about spending money. By getting the right regulatory environment, communicating and sticking to strategic priorities, and helping business to see the potential return on their investment, government can provide the certainty necessary for private investment.

Infrastructure priorities

Infrastructure investment is a sufficiently important area to merit attention on its own. To maintain our competitiveness and move to a greener economy, the UK may need as much as £40 – £50 billion per annum of investment in key infrastructure such as better transport links, information communication technologies, green energy, water and waste. Without it the business environment and UK competitiveness risks restricted capacity, higher costs and out-dated technologies. But with the need to manage down public spending, we need to find ways to facilitate greater private sector investment to deliver this.

The way to do this is to provide certainty for investors through the provision of clear information on our major infrastructure priorities goals and vision. We also need to explain the key policies that will enable delivery of this investment. This is why Infrastructure UK and the publication of the National Infrastructure Plan in the autumn is such a vital component of our approach. The plan will set out a long-term strategy for our key national infrastructure which will promote policy certainty for investors. It is important that the regulatory framework in utility sectors, including transport, energy, communications, water and waste, is appropriate, stable and able to facilitate the necessary investment.

The changes we are making to our planning regime will also help. National Policy Statements will provide a clear framework for planning decisions on major infrastructure projects and will provide greater certainty and predictability for investment in infrastructure. The government also plans to introduce a fast-track, democratically accountable process for infrastructure planning; and implementation of the Penfold Review will further streamline the wider consents process for smaller projects, to reduce costs for developers. The Government's Localism Bill will incorporate economic growth objectives and deregulation into the planning regime.

While the private sector will take the lead, we do recognise that there are situations where there is a role for government in directly facilitating infrastructure investment. For example, in areas such as transport where the market fails to provide socially optimal levels of investment, perhaps because of impracticalities or prohibitive costs in collecting payment from users. Whether it is through ensuring varied and sustainable sources of finance or through creating a positive environment for business innovation, government can and must take the necessary steps to support the private sector to invest.

A skilled workforce

A highly educated and skilled workforce are essential components of our growth potential. They enable people to find employment and create high value goods and services within a knowledge based economy, and to deliver high quality public services. They also contribute to social mobility and fairness. The best strategy is to focus government's resources where they can achieve greatest returns in building an internationally competitive skills base, especially to leverage the most private investment and create additional value. For example, through helping individuals recognise the value in ongoing skills development sufficient that they would be willing to support the costs of their own education.

We also recognise that for human capital to have economic impact and secure business investment, skills need to relate to employers' priorities. We need to take action to meet recent concerns that the recovery in the jobs market is slowing and that so-called skills gaps in the workforce could restrict the ability of companies to take advantage of the upturn[3]. The development of the apprenticeships programme, which evidence suggests generates substantial economic benefits including prioritisation of those disadvantaged in the labour market, is our priority and we intend to re-shape it to ensure that it provides a high quality training opportunity for young people and adults. The Apprenticeship programme, newly refocused to prioritise progression to Level 3 and higher will help deliver the technician level skills that a dynamic economy needs. This year we will also provide incentives to encourage provision and take-up of training in priority areas including a growth and innovation fund to support sector-based joint investment with employers in high-growth and dynamic areas of the economy. We will also review actions to support progression from further into higher education; through vocational as well as academic routes, and enabling a good range of higher education courses to be offered in colleges, the workplace and elsewhere.

While it is important that the public has confidence that we are controlling net migration, it is equally important that the migration system allows business to make best use of global talent. It must therefore have the agility to respond to business needs and support our universities and colleges in building on their successful international business. We also welcome the investment brought in by bona fide international students and researchers to the UK.

Higher education is a vital part of the Government's strategy. We will review the public funding of higher education in the light of the Independent Review of Higher Education funding and student finance led by Lord Browne which will report in the autumn. Lord Browne's proposals will be judged against the need to increase social mobility; take into account the impact on student debt; ensure a properly funded university sector; improve the quality of teaching; advance scholarship; and attract a higher proportion of students from disadvantaged backgrounds.

Scientific excellence and the value of research

In a similar vein to the arguments for skills, science, research and innovation are essential investments for the UK economy, because the introduction of new products, services and processes is the major source of growth in the long term. Investment in research delivers benefits to the economy through providing skilled workers, delivering improvements to existing businesses and creating new ones based on novel products and services. The UK research base is also a magnet for inward investment in R&D.

3 FT article Growth in Jobs slows from 6 July

To maintain the UK's leading research base we will continue to fund the most excellent science and research, respecting the independence of the Research Councils and universities. However, it is essential that we make this important driver of economic growth work harder. It is often necessary to conduct leading-edge research in order to understand, assimilate and exploit the leading-edge research of others. It is this absorptive capacity which is crucial.

The economic impact of science and research is essential for capturing a significant share of high value activity in large global markets. In order to maximise our investment, government needs to articulate a long term commitment to research; ensure access to finance for high tech companies; and incentivise business investment in innovation. BIS will continue to support collaboration between universities and businesses; the commercialisation of new technologies; and the building of relationships between institutions and businesses which foster the exchange of new knowledge.

Innovation policy will focus on realising the benefits that better links between universities, enterprise, skills and access to finance will bring through, for example, maximising the benefits of public investment, more co-ordinated use of strategic aims, regulation and public procurement. We are also looking at the facilitative role government can play in developing a network of innovation infrastructure and realising the public sector duty to innovate to deliver better and more cost-effective services. We are looking at how we can build on the UK's existing strengths and identify what the gaps and opportunities are, including whether there is a role for technology and innovation centres that sit between the academic base and business. As part of this it is central that we provide a clear, accessible and widely understood intellectual property framework to enable creators, owners and consumers to benefit from knowledge and ideas.

Access to finance

In recent years, access to finance has been one of the greatest sources of uncertainty for those planning investment. It was a collapse in financial conditions that preceded the recession from which we are now recovering. Fixing this is an essential part of our growth agenda.

Access to appropriate finance is important to facilitate business growth by helping businesses to fund investment and manage uneven cash flows. It is especially important now, as the economy grows and business confidence returns. The challenge is to ensure that the supply of finance in general, and the banking sector in particular, support rather than constrain the recovery. There is a key role for government to play in facilitating credit availability for viable smaller businesses as well as developing non-bank lending channels to enable more businesses to obtain financing from a greater variety of sources. In the short term we have taken a number of steps to encourage and facilitate bank lending, including the extension of the Enterprise Finance Guarantee to support up to £700 million of additional lending to SMEs until March 2011 and the creation of the Growth Capital Fund to address the finance gap[4] for established businesses seeking between £2-£10 million. The Government has committed to publishing a Green Paper on Business Finance before the Summer Recess which will examine a wide variety of options to ensure that a credit crunch does not derail the economy again.

Encouraging entrepreneurialism

After years in which growth has come to a large degree from government spending, there needs to be a redefinition of the relationship between the state and society in order to restore instead a spirit of entrepreneurialism in the economy. If private investment is to be a central part of our recovery, we need to do more than ensure a stable framework and correcting market failures. We also need to instil in businesses and individuals a sense of ownership over their own futures. This means providing the opportunities or removing constraints that stand in the way of businesses and individuals fulfilling their potential.

The UK compares favourably with counterparts in terms of the percentage of businesses achieving high growth[5]. But many start-ups and established small businesses are not reaching their full growth potential. Nearly 70 per cent of SME employers aim to grow their business over the next 2 to 3 years, but only 20 per cent experience growth[6]. According to the Global Entrepreneurship Monitor the UK outperforms several G7 countries, including Germany and France, on measures of entrepreneurial activity and culture. But we still trail the US and other competitors and there are significant differences between UK regions, indicating there is scope for improvement.

As part of this, a central element of the Government's growth plan is to make it as easy as possible to start, run and grow a business. As a first step we are tackling real and perceived barriers faced by people wanting to start a business. We will launch in April 2011 a one-stop-shop for starting a company, including an online incorporation service and access to registration for PAYE. By the end of 2011, we will go further with HM Revenue & Customs introducing a single interactive form to enable businesses to register for multiple taxes online and to authorise tax agents. This will contribute to

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4 Rowlands Review: The provision of growth capital to UK SMES, 2009

5 NESTA 2009 'Measuring Business Growth: High-growth firms and their contribution to employment in the UK'

6 Analysis of Annual Small Business Survey 2007-08, BIS, 2008

the long-term aim of ensuring incorporation and registering for taxes is as seamless as possible.

As well as improving business conditions, we need to take steps to encourage individuals to take more business opportunities – restore an enterprise culture in which everyone with talent is inspired to take up the challenge of turning their ideas into successful enterprises. For example, we want to do more to encourage and help the unemployed to see self-employment as a viable route off benefits and into financial independence. Our strategy for growing enterprise awareness and skills marks a step-change in government's approach, embedding enterprise into mainstream education, skills and employment provision – through schools, further education (FE) colleges, higher education (HE) institutions and the Work Programme.

This is not just about fostering new start-ups, but also encouraging existing businesses to grow to achieve their full potential. In addition to addressing specific market failures, we need to focus on encouraging SMEs to develop their internal capability to use knowledge and resources effectively in order to successfully navigate the path to growth[7]. Access to appropriate information, advice and guidance can have a significant impact on improving leadership skills and result in improved marketing and planning capability, increased investment in skills, and more innovation and export activity.[8]

Working with business

We also need to recognise that the people who are best placed to drive and own policy are those that know the business environment best. Devolving power to the most appropriate level enables policy to focus on the specific needs of the area and to provide each area with the best opportunity to flourish, ensuring that every area gets the opportunity to maximise its growth.

While it would be unrealistic to expect all parts of the country to have the same level of income per head, we need to lay the foundations for more sustainable and balanced growth, enabling all regions to reach their economic potential. For the last forty years, London and its surrounding regions have consistently grown faster than the rest of England, with the recent recession increasing unemployment in those areas where it is already highest.

It is essential we increase the ability of all areas to grow by removing barriers and improving the use of local resources and competitive advantages so that the right conditions for growth exist throughout the country. This means

7 Bessant et al (2005) "A review of the literature addressing the role of external knowledge and expertise at key stages of business growth and development"

8 Roper S., Hart M., Mole K., Storey D., (2007) 'Economic Impact Study of Business Link Local Service' (BERR)

devolving functions to a more local level where it makes economic sense to do so, and strengthening action to correct national market failures to stimulate growth. Taking such an approach will strengthen growth across the country and allow businesses and local authorities to take the lead in tackling the barriers to growth in their areas.

With Communities and Local Government (CLG) and HM Treasury, we will be publishing a White Paper on sub-national growth. Growth and jobs should be at the heart of our vision in this area. The White Paper will develop proposals for local enterprise partnerships, which we envisage to be a key tool in helping areas to create a supportive environment for business growth and private sector job creation, by tackling the local market failures which are holding back growth at this level. It will also set out the Government's approach to improving incentives for local economic development, increasing the ability of the planning system to support investment and growth and the operation of the Regional Growth Fund.

It is also essential that we adopt a more collaborative approach to improving growth prospects. Future growth will come from companies across all sectors and a key part of our policy on sectoral rebalancing is to ensure that all sectors are performing to their maximum capacity. To deliver this, we need to work in partnership with business, and to encourage businesses to work better together, to identify and propose remedies to barriers to growth in specific markets or sectors. The Automotive Council, the Space Leadership Council, and the Low Carbon Construction Innovation Growth Team represent the type of relationship government needs to have with industry – a relationship based on partnership to identify the main barriers and identify remedies that work with the grain of the market.

There is a role for government, not only in supporting this interaction, but also in making sure we have the right policy framework in place through developing and delivering horizontal policies with a clear sense of their vertical impacts. We need to understand where and how horizontal policy has a differential impact on different sectors so that we can minimise deadweight and focus our activities where the economic gains are likely to be greatest. This means understanding whether growth will be driven through increased productivity or through significant levels of employment. Such an approach will help us to maintain a diverse economy that is more resilient to economic shocks.

For example, our new approach to manufacturing, to be set out in our Manufacturing Framework to be published in the autumn, is to enhance the impact of horizontal policy and address specific barriers currently restraining manufacturing industries. These include constrained access to finance, weak intermediate technology and engineering skills, the ability of SMEs to access overseas markets and a continuing bias of perception against modern manufacturing.

Likewise, to support the transition to the green economy, we are working with industry as well as colleagues across government to ensure UK businesses are best positioned to deal with the costs and opportunities this presents. For example, to address specific challenges in access to finance, infrastructure and technological innovation, we will bring forward detailed proposals for a Green Investment Bank that will help the UK meet the challenges of green investment.

Working with individuals

In order to make this work we also need to engage individuals in the economy through ensuring they have access to quality information to drive informed choices about their skills needs and work prospects. For example, well-informed, empowered consumers should be able to choose the training or services that will best support them to achieve their goals, whether in employment or self-employment. This also has broader economic benefits; in skills for example, this will give a better alignment of skills supply and demand than manpower planning or long-term forecasting of skills needs.

For individuals, our vision is to enable those at the lower end of the labour market, including people who are out of work, to access the training they need to enter and progress in work and contribute to a practical, skilled and valued workforce for the 21st century. We will establish an integrated adult careers service to enable the market for skills to function better by providing better information and independent advice on the full range of work opportunities. We are also creating Lifelong Learning Accounts to encourage individuals to participate in learning. We will ensure that reliable information is widely available on the quality, standards and outcomes of education and training programmes.

We also want to help individuals engage more effectively and productively in the world of work. In part this is about building on our flexible labour market model to ensure that employment law promotes a constructive dialogue between employers and employees about rights and responsibilities. We will be consulting on the most effective way to extend family friendly and flexible working and to phase out the default retirement age, so that the needs and aspirations of both employers and employees can be aligned; and exploring the scope for ensuring disputes are resolved effectively in the workplace.

This is also about helping employers make full use of the skills of their workforce and ensuring more satisfying and better quality jobs. For example, we are providing advice and support to help employers to make better and more informed choices on skills and we will work with employers to capture the benefits of training and skills development, strengthening employee engagement. For skills to have economic impact, they must relate to employers' priorities. We will encourage employers to have their say in what vocational qualifications are developed.

Alongside this we are keen to encourage business models which give employees and workers the chance to participate in the management of businesses, and a stake in their success. Such employee ownership and engagement can result in a better working environment, a more innovative and focused workforce, and improved business performance. More widely it can help the wider community to share in the wealth that businesses generate, encourage entrepreneurship, and contribute to the sustainable, balanced and green economic growth we are seeking to achieve. We also recognise the value of social enterprise in providing a channel through which businesses and individuals can become more engaged in their local communities.

Conclusion

This is a tough challenge; but it is an important one. If we get this right the end result will be a balanced, sustainable and low carbon economy where all businesses and individuals can take advantage of the opportunities presented. Supporting sustainable growth is a key role for BIS, but we clearly cannot achieve this alone. We will develop our strategy in this area over the summer with a view to publishing a cross government White Paper.

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