The Rt Hon Jonathan Reynolds MP
Secretary of State for Business and Trade
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By email to: dbtcorrespondence@businessandtrade.gov.uk

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Dear Secretary of State,

On behalf of the Institute of Directors, I would like to congratulate you on your reappointment as Secretary of State for Business and Trade. I greatly valued our engagement with you previously and look forward to working with you again in the months ahead.

You return to office at a challenging moment for British business. While many firms remain fundamentally optimistic about the UK's longer-term prospects, business confidence has been kept subdued by a combination of rising employment costs, weak economic growth, persistent skills shortages, international uncertainty and an increasingly complex regulatory environment. Directors are keen to invest, innovate and create jobs, but many tell us that they are currently operating with heightened caution. Against this backdrop, the government's growth mission has never been more important.

As we head towards this year's Autumn Budget, we are calling on the government to seize the chance to unlock growth through smarter deregulation. Business leaders tell us that the biggest regulatory barriers they face are in employment and trade. However, whilst trade policy has focused on reducing frictions and opening opportunities, the government's employment policies risk moving in the opposite direction. Higher costs and rising regulatory risks threaten to undermine ambitions for jobs and growth.

As you will be aware, we have continued to call on the government to rethink aspects of its implementation of the Employment Rights Act if it is to deliver both stronger growth and its ambition of achieving an 80% employment rate. As set out in our recent policy paper, The Employment Rights Act: Insights from Employers, 86% of business leaders believe that the Act will have a negative impact on UK economic growth. Specifically, we are calling on the government to formally commit to tripartite negotiations on guaranteed hours reforms and union access provisions, and extend the implementation period for reforms to allow more time for compromise to be reached and for employers to prepare.

Businesses have welcomed the government's efforts to reset the UK's relationship with its European partners. However, significant barriers remain, particularly around border processes, regulatory divergence and business mobility. While we recognise the reasons for delaying the proposed UK-EU Summit, we would encourage the government to use the additional time to build consensus around an ambitious package of practical measures that can reduce friction and support economic growth.

The Summit represents an important opportunity to build on existing momentum, particularly in areas such as sanitary and phytosanitary (SPS) cooperation, professional mobility and youth mobility arrangements, all of which could deliver tangible benefits for UK businesses. There is also growing business support for closer regulatory cooperation with the EU where it serves the UK's economic interests. We therefore hope that the government will continue to pursue measures that strengthen the UK's trading relationship with Europe while preserving the flexibility needed to support domestic growth and competitiveness.

The government has rightly identified digitalisation and AI adoption as foundational to a more productive, competitive and resilient economy. Yet policy remains fragmented, with insufficient coordination across areas such as skills, finance, employment, energy and regulation. It will be essential that the transfer of responsibilities from the Department of Science, Innovation and Technology (DSIT) to other departments is managed as smoothly as possible.

The priority should now be to move from vision-setting to accelerating responsible adoption. This requires clearer governance frameworks, measurable adoption objectives and stronger incentives to invest in digital skills. Support mechanisms, particularly for SMEs, can be difficult to navigate and are often inadequate to offset the costs and risks associated with adopting new technologies. Government has an important role to play in providing strategic direction, ensuring policy coherence and creating the enabling conditions businesses need to invest with confidence, including in areas such as cybersecurity, technical standards, assurance frameworks and the alignment of technology, energy and fiscal policy.

We have also been encouraged by the Prime Minister's recognition that energy security is a critical component of economic security, which reflects feedback we have received from IoD members. Businesses and households alike benefit from reliable, affordable energy supplies. Reducing exposure to volatile international energy markets through greater deployment of low-carbon generation, including renewables and nuclear power, will be critical to improving the UK's long-term energy security and competitiveness.

At the same time, the UK will continue to require oil and gas during the transition to a lower-carbon economy. Policy should therefore seek to balance climate objectives, industrial competitiveness and security of supply in a pragmatic manner. During the transition period, domestic production can support energy security, strengthen public finances and improve economic resilience.

Alongside these policy priorities, the IoD has recently established a major new Commission, "Business: A Force for Good?", to examine the role of business in society and assess the extent to which business is, and is not, acting as a force for good in today's world.

Under the leadership of Lord Rees of Easton OBE, the Commission is undertaking a rigorous, evidence-based assessment of how businesses create economic, social and environmental value, as well as the behaviours, incentives and systemic factors that can either enable or undermine positive outcomes. We will publish our findings this autumn, with practical recommendations for directors, boards and policymakers on how businesses can generate sustainable long-term prosperity, strengthen public trust and contribute positively to society and the environment. I would welcome the opportunity to discuss the Commission's work with you once its findings are published.

Once again, congratulations on your reappointment. I hope we can find an early opportunity to meet and discuss how the Institute of Directors can support you in delivering the government's ambitions for investment, growth and competitiveness.

Yours sincerely

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