Funding the Future

IF UK companies want a bailout there must be conditions…

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There is a growing awareness that bailouts of UK companies are now going to become a fact of life. Starting with airlines, and then extending far beyond that, very large numbers of companies are going to require state support if they are to make it through the coronavirus crisis.

I have previously indicated that I do not have a problem with this: the UK is a mixed economy and the survival of the private sector is important. However, most of that private sector is in a mess precisely because of its own mismanagement. Corporate greed, the use and abuse of tax havens, poor accounting, over declaration of dividends, under-investment, poor treatment of staff, the introduction of zero-hours contracts, the abuse of the climate, and ignoring all stakeholders but shareholders, has left large parts of our private sector enfeebled. If that sector is to be bailed out now then massive conditions have to be attached. I am suggesting these for starters, which any company getting support must agree to:

* Zero-hours contracts must be abolished;

* Trade union rights must be recognised and supported;

* A true living wage must be paid in the future;

* Its gender pay differential must be published, and it must have a policy for reducing it;

* Put its full accounts on public record, whatever its size;

* It may not use any tax avoidance schemes of any sort whatsoever;

* It must never use a tax haven;

* If it is a large company it must publish country-by-country reports;

* No one must be paid more than ten times UK median earnings;

* Every large company involved must have a plan for becoming net-zero carbon and must include the cost of that plan in its accounts, and make annual reports about

progress on this issue;

* Publish information annually of the type required by the Fair Tax Mark;

* Dividends must be based on group retained earnings;

* No dividends should be permitted if group retained earnings would as a result be less than the last three years (in smaller companies, with five years being required in larger ones) average net profit after tax to encourage balance sheet resilience.

To enforce these conditions it would be reasonable to require that every single company taking advantage of these tax holidays should by legal automatic obligation be deemed to have issued 25.1% of its share capital to the government in exchange for the package that guarantees its survival, which proportion guarantees the government the right to block many shareholder actions in these companies.

An automatic right to appoint a majority of the board of directors in the event that the conditions of the bailout, as noted, are not met should also be implicit in the tax holiday terms.

You can be sure that those wanting to simply take a tax holiday to exploit the situation would be more than deterred by these conditions, but those desperate for the survival of their companies would not be. That is precisely why these proposals are fair whilst there can be no corporate exploitation of them right now.

If a package of this sort was assembled now, and it would be easy to write the relevant legislation, then I am sure there would be massive public support for this because it would guarantee jobs and a better and fairer society in the long term.