

## Bailouts should be subject to conditions, and most espe...

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The [FT has noted](#) that:

*Muriel PÃ©nicaud, the French labour minister, has personally called the bosses of big French companies to persuade some of them not to take advantage of the country's already very costly "temporary unemployment" scheme designed to limit economic damage from the coronavirus crisis.*

*"It's about a sense of responsibility, civic behaviour for the collective good," she told the FT in a telephone interview. She had called "a dozen or so of the big bosses" from the CAC 40 listed companies and others and told them to "re-examine their plans". As a result "they modified their demands", she said.*

I think the minister has an excellent point to make. The cost to governments of the coronavirus crisis is going to be enormous. That means that some decisions on priorities will have to be made.

The businesses that require support from any government in this crisis are threefold.

They are firstly, those that cannot otherwise access capital to survive it. That is mainly small businesses: large companies have ready access to capital markets.

Second, it is those businesses that employ large numbers of people relative to size because this delivers the highest return on investment when the aim is to deliver employment security. These businesses are almost invariably in the smaller business sector.

And thirdly, it is those businesses that can commit to the transformation required to deliver the environmental change that the new sustainable economy that we must have when this current crisis is over. To date large businesses have shown little desire to make these sorts of changes whilst smaller businesses tend to be readily adaptable.

Bailout schemes should for these reasons have an inherent bias to smaller business built into them.

That said, there will be large businesses requiring bailouts. They are strategically important and failing right now. But as I said on 22 March, there must be conditions attached. I see little reason to alter what I said then (edited slightly):

*If a company 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 support 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. These shares could be held by the government in perpetuity if it wanted, or be sold later.*

*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 support terms.*

*You can be sure that those wanting to simply take a payment 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.*

*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.*

It baffles me why such a proposal is not being made. All providers of capital impose conditions. Why isn't the government?