

# If we are to be pro-work we have to cut rents and finan...

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I was explaining my logic on the pressures business will face after coronavirus to a friend last night. They asked for an example to [illustrate the post I have written](#) on this issue, making clear why reductions in rent and finance overheads are needed now if most business is to survive.

This is a very simple example. The numbers can very obviously be altered:

	Before coronavirus £	After coronavirus £
Sales	2,500,000	2,000,000
Gross profit margin	40%	30%
Gross profit	1,000,000	600,000
Overheads excluding rent and finance	600,000	500,000
Rent and finance overhead	300,000	300,000
Profit / (loss)	100,000	(200,000)

I have made three key assumptions as to the changes that this business will suffer.

First, I have assumed sales will fall in a recession. That is what happens.

Second, I have assumed a fall in the gross profit margin the business makes. In other words, it costs more to make its products or services. That is partly because at lower volumes it will be less efficient. But mostly it is because lockdown rules are going to significantly increase costs in many businesses as they will impact seriously on efficiency as we once defined it.

Third, I have assumed that they will save some overhead cost. They may, for example, advertise less. They could reduce directors' wages too.

But I have not changed rent and finance costs.

All are, I suggest, reasonable assumptions given current expectations.

The result is that this profitable business becomes seriously loss-making. It will not survive that for long: few businesses do.

In that case there are two options.

Closure is one.

Or a reduction in rent and finance costs must happen if we think that jobs are more important than supporting landlords and propping up banks whose balance sheets are, we now know, riddled with overvalued assets.

And, as a matter of fact, let me add that if the company goes bust the landlord will not find another tenant.

So what is the only viable course of action if we are to keep our society, which is dependent upon our ability to make the goods and services each of us needs to live on, going? It is, of course, to impose mandatory rent and finance cost cuts. Because work should be the priority now.

That is my argument.

It is fundamentally pro-business.

It is pro-employment.

It is pro the mixed economy.

It is, admittedly, not pro-rentier.

But I won't for a moment be told that I am imposing ideology here unless it is the ideology of believing that people have a right to work, that we need them to work, and that a fixed economy is the best place in which they can work, which requires the preservation of private-sector employers to work alongside the essential role of the state.

Anything else looks to me like dogma.

I will just plead guilty to being a pragmatist.

And I would be more than happy for any business benefiting to have conditions

attached to their bailout - including paying living wages, recognising unions, setting plans to become net-zero carbon, having their full accounts on public record, not taking part in tax planning schemes, and more.

But I will not be accused of being anything other than being pro-work. Because that is what I am. I want it to be decent, good work. But work is essential. And I want to preserve it.