

DEBATE on the Right to Work

How to approach Rent through Rights



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The following story appeared in the Daily Mail of 21 May 2001:

When offered contract work, my firm went through the costings, cashflow and forecasting exercise. We judged there would be a fair return on the investment and decided to go ahead. However, the figures starting going through my mind and the following emerged: net profit to the firm – £18,598; net profit to the government – £24,767.

Why? With National Insurance, PAYE, VAT, fuel tax, insurance tax, land fill levy, road fund licences, operators' licence, personal tax liabilities, loss of interest on cashflow and other hidden taxes, the government will gain more from this investment than the company. In addition, if we took on three employees for this new job and they came off benefits, it would save the government another £23,400 a year, leaving the government a gain of more than £48,167 in the first year – 259% more than the risk-taker.

Why should I risk everything for a government that has accepted contract prices 30% lower than last year?

I am not going ahead with the investment, have sent back the contract and ten people have lost the chance of a job. It's not worth employing anyone because even if I make a decent profit the red tape leaves me less than 60% of my time to make any money.

If I shut the firm down I would come out with enough money to invest and gain more from the interest than take a wage and dividend.

I RECOUNT the sad story that appeared in the Daily Mail because it must be typical of many small new businesses that back out of taking risks because of tax and other government policies. What follows then is increased unemployment, reduced income for government, and - above all - the sacrifice of enterprise. What is surprising, and welcome, about the above account is that the writer understands

- as so few entrepreneurs do - the fact that it is the employer who pays the taxes. He gets carried away by "red tape" but the

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essential perception is correct, that the disincentive to employment lies in taxation. Yet the health of the nation depends on new small businesses springing up and flourishing and giving opportunities for work

Schumacher wrote: "If a man has no chance of

obtaining work he is in a desperate position, not simply because he lacks an income but because he lacks this nourishing and enlivening factor of disciplined work which nothing can replace".¹

Yet by virtue of his being a member of humanity, he is entitled to work. That is why he or she was given birth on this planet: to make use of his particular talents, however high or humble, for the benefit of others. The scriptures of mankind support this view: the Geeta says "But thou hast only the right to work; but none to the fruit thereof".² And St Matthew says: "Let your light so shine before men, that they may see your good works, and glorify your Father which is in heaven".³ Both quotations look to the work itself as being sufficient recompense. In a way, that must be so: the reward, the fruit, is how the other members of society value the talents thus demonstrated.

IN THE cornucopia of "human rights" now available to mankind, the most practical and useful must be the "Right to Work". It appears in the Universal Declaration of Human Rights, the American Declaration of the Rights and Duties of Man, the International Covenant on Economic, Social and Cultural Rights, the European Social Charter and even the draft Charter of Fundamental Rights of the European Union (but not the European Convention on Human Rights and Freedoms – perhaps with unemployment so high in the EU it was conveniently omitted!).

This Right to Work must be properly understood. So frequently it is considered to be just a matter of providing the training for skills, in a society which may or may not want them. Education is, of course, important; but the Right to Work is much more than that. Often it is misinterpreted as meaning only a right to employment which, since jobs may be scarce, government is afraid of what it would entail, in guaranteeing paid work.

I conducted a survey of British government ministries and other organisations to establishing whether they would support the introduction of the right to

work in the Human Rights Act of 1998.

We now have a Department for Work and Pensions which, you might think, would be keen to develop this approach. They wrote back in answer to my suggestion that "many factors need to be taken into account and possible long-term effects carefully considered before any single measure is implemented". Quite true; but not enthusiastic.

The Confederation of British Industries replied: "While we believe that governments have profound responsibility to create the economic conditions for full employment, we do not believe that they should step in as an employer of last resort where markets do not deliver jobs for all. A better approach is to ensure that all individuals have the opportunity to develop skills which will be saleable to employers" (*italics added*).

Lord Lester QC, the progenitor of the Human Rights legislation, was worried that the insertion of the right to work "would give the judiciary the power to overturn Government decisions in areas which involve complex questions of economic and social policy that are seen as within the remit of Parliament and Ministers, not of unelected judges". Curious this, as it is now too late to prevent Judges having oversight, for example on property matters, involving economics, since this is what the Human Rights Act decrees. And Lord Lester admits that the right is included in "many international human rights conventions which bind the UK in international law" (*italics added*). Presumably this law is administered by unelected Judges of the International Court of Justice!

No replies were forthcoming from the Trades Union Congress, the Federation of Small Businesses, or from Mary Robinson, the UN High Commissioner for Human Rights.

IT IS NOT JUST a question of finding work for people to do within the existing employment situation. Nor is it government acting as "employer of last resort". It is much more fundamental than that: it means not impeding anyone, through red tape or

taxation, from creating new small businesses. It is simply government getting out of the way, acting only to restrain improper activities.

Lifting the burden of taxation from the margin (by definition new businesses are marginal) may be the key to unlocking the rent of land for public purposes, for where else can the incidence of taxation then fall than directly on the economic rent of land? Since the margin cannot yield an economic rent of land, the taxation which formerly kept the margin out of operation (see the story in the Daily Mail) must fall on locations which can afford it.

I am thinking in particular of the illustrations afforded in Don Riley's recent book, *Taken for a Ride*,⁴ of the effect of the Jubilee line extension in London's Underground. He writes: "The Jubilee extension cost £3.5 billion and it delivered an increase in the capital value of land of the order of £13 billion. A 10% annual return on that £13 billion would yield £1.3 billion. A charge of 25% on that revenue would yield an annual flow of £325 million into the Exchequer, so the cost of the Jubilee could have been paid back over 20 years, while leaving ample rental income to fund other public services".

He should know: Mr Riley is a property developer!

References

- 1 *Small is Beautiful*, London: Blond & Briggs, 1973, p.51
- 2 Shree Purohit Swami, London: Faber 1935, p.16.
- 3 Chap. 5, v.16.
- 4 Centre for Land Policy Studies, London, 2001.