

New research reveals the scope of the 'British Corporate Welfare State'

July 8 2015, by David Garner



A pioneering study by a University of York academic estimates the value of Government support to businesses through corporate welfare could be worth as much as £180 billion a year.

The report, by Dr Kevin Farnsworth, of the University's Department of Social Policy and Social Work which is published today, examines the extent of corporate welfare as well as estimating the potential cost or

value of the various forms of public provision for private businesses.

Dr Farnsworth, using 2012-2013 as a snapshot year, estimates that [subsidies](#), capital grants, tax benefits, insurance and advocacy as well as transport, energy and procurement subsidies to be worth around £93bn per year.

He suggests indirect benefits, including wage subsidies, education and [public health care](#) are worth £52bn while the annual legacy costs of the 2008 bank bailouts and other crisis measures add a further £35bn.

To coincide with the release of the report, a new searchable database of subsidies and grants to individual companies will be launched at www.corporate-welfare-watch.org.uk. This has been developed with the help of generous funding from the Joseph Rowntree Charitable Trust.

The study contrasts the extent of corporate welfare with total corporate income tax contributions of around £42bn in 2012-13. Even with the addition of employers' National Insurance contributions, the total is still only slightly more than £100bn, while corporate tax avoidance (legal avoidance rather than evasion) costs the Exchequer £12bn per year.

Dr Farnsworth says: "Public services and the welfare state are as much about nurturing and supporting private businesses as they are about protecting the well-being of citizens. Subsidies and grants enable businesses to expand, invest and make profits when the 'free' market would otherwise drive them to extinction.

"Taxpayers contribute heavily towards the costs of research and development as well as investment in new plant, machinery and technologies. Government ministers and members of the Royal Family help businesses to market their goods abroad while companies also depend on publicly-subsidised road, rail, shipping and air transport

systems.

"Many draw on centrally funded advice and state insurance services and education and training services help to ensure that workers have the skills and qualities demanded by employers. Meanwhile, the NHS helps workers to remain healthy and productive. In-work benefits have effectively subsidised employers' wage costs. On top of all this, the Government is a major consumer of private sector goods and services.

"The net effect of these 'public' services is to effectively socialise business risks and boost business incomes and profits. The costs are huge, but they are also obscured and largely absent from the public agenda. However, even if we include in the focus only direct subsidies and grants to private companies as the minimum core corporate benefits, we would have a figure that is far higher than the UK Government spends on Job Seekers Allowance!

"A full debate about the ways in which corporate welfare is funded and delivered is long-overdue. Such a debate is hindered, however, by the fact that corporate welfare is, with very few exceptions, rarely acknowledged and discussed. This report and database seeks to reverse that."

More information: The report can be found here:
speri.dept.shef.ac.uk/wp-content/uploads/2015/07/Corporate-Welfare-State.pdf

Provided by University of York

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