

FOR A FAIRER, GREENER BUDGET



Green Party

A budget for fairness, prosperity and climate action

It's become a commonplace to say that we are all getting poorer as inflation has soared over the past year. But this isn't true. Those who live from investment and share income have never had it so good. Twelve years of Tory government have seen growing inequality: some accumulate obscene wealth while elsewhere in the same country children are cold and hungry. No wonder more and more people are saying that enough is enough.

The War in Ukraine has distracted government from the urgent and longer-term climate crisis. Elsewhere, in Germany for example, the war has been seen as evidence of the damage done by dependence on fossil fuels. But in the UK the government is turning its head away from the green economy, missing its climate targets, and committing the climate crime of enabling expansion of fossil fuel production in the North Sea.

So a Green budget would ensure that we actively promote measures both to stimulate the green economy and reduce our need for energy, while making sure that the considerable wealth this country generates is shared fairly between all our citizens.



Sharing Fairly

Rapidly rising prices have finally drawn attention to a problem that has been growing for decades: income and wealth inequality. The cost-of-living crisis demonstrates how a decade and more of austerity has left our society with little resilience in the face of this latest shock. Inequality was actually exacerbated by Covid, as those with spare income saved money while those with fewer assets and more insecure employment bore the brunt.

As Phil White, of the organisation Patriotic Millionaires, [writes](#), 'Through the years of the pandemic, more millionaires were created while most people struggled on reduced incomes and lockdowns. . . the ultra-wealthy saw their fortunes grow as asset prices increased, fuelled by furlough payments rippling up through rents and loan interest.' Meanwhile, real wages have seen a period of decline that we have not seen [since the end of the Napoleonic War](#). While the current crisis is often labelled a cost-of-living crisis it would better be thought of as a wages crisis.

In this context, there is no surprise that we are seeing a wave of industrial action across the public sector. The government has responded by making the specious argument that offering wage increases to match inflation would add to inflation, an argument that has been [refuted](#) by economists. Since the 'output' of public sector workers is not sold in a market for a price, their wages cannot feed directly into inflation.

The reality is that 13 years of cuts to the public services have undermined the effective functioning of our economy in numerous ways. Workers waiting for surgery are less productive or may not be able to work at all. Unreliable and over-priced transport options undermine people's ability to get to work. A failure to maintain our infrastructure creates a range of problems for businesses. We could find a

plethora of such examples but the conclusion is the same: to regenerate our economy we need to restore our public services.

And to fund the restoration of public services we need to have the courage to transform our taxation system – removing tax breaks for the wealthy like the lower rate of NI paid on higher incomes and introducing a wealth tax. This would have the additional benefit of reducing the scourge of inequality that disfigures our society.

Missing Workers

While rising energy prices are the primary cause of rampant inflation, the very tight labour-market has made the situation worse in the UK than in neighbouring countries. [According](#) to the CBI, 75% of firms say they've been hit by labour shortages in the last 12 months. A primary reason for this is the block on Europeans working in the UK since we left the EU. The thinktank EU in a Changing Europe [estimates](#) that the loss of these workers has left the UK with a net labour shortfall of some 330,000.

The growth in long-term sickness and chronic illness is a symptom of more than a decade of underfunding of our health service. Waiting lists are longer than ever before and around 10% of posts in the NHS are currently vacant. Health service staff are on strike not only because they are facing declining real wages but also because they face intolerable and unsafe working conditions.

Meanwhile the withdrawal of labour is also a symptom of demotivation after decades of the erosion of workplace conditions and loss of autonomy. The failure to respect and reward employees leads to poor productivity and lacklustre economic performance.



People with caring responsibilities are also choosing to leave the labour-market because their wages fail to cover the cost and stress of looking after their children. ONS [figures](#) show that of the 1.7 million economically inactive people who would like to work, 21% cite caring responsibilities as the main barrier: 29% of mothers with a child aged 14 or under say that lack of affordable childcare is the reason they have not returned to work. Other carers are unable to work because they cannot

find affordable social care option for elderly relatives.

We would support the proposal from the Department for Education for the state to subsidise free 30-hours-a-week childcare for parents of children aged between nine months and three years, but would go further, extending this to 35 hours, as proposed in our 2019 manifesto. We would also treat social care akin to health care, making it free at the point of use.

To address the labour shortages and end the damage this is doing to our economy the Green Party would:

- Enter negotiations with the EU for a free movement agreement independent of EU membership;
- Meet the demands of public sector workers for a pay rise that matches inflation
- Provide 35 hours a week of free childcare for all, from the age of nine months. This free childcare will include in-work facilities, such as on-site crèches and flexible working opportunities (e.g. jobshares) to help parents who choose to return to work
- Introduce a £1 single bus fare and free travel for anyone under 22
- Support sectoral collective bargaining in the public sector rather than the pay review body model
- End artificial self-employment so that agency and temporary staff are enabled to enjoy the legal rights that employees have.



Where is our Green Jobs Boost?

While the UK burns EU law to launch a regulatory race to the bottom, the USA and EU are doing the reverse: providing massive subsidy programmes for the green transition and to the green industrial sectors of the future. The US Inflation Reduction Act (IRA) is a \$369bn **package** to subsidise the green transition for industry, to support green energy and sustainable transport. In order not to be left behind, the EU has relaxed its strict subsidy regime known as 'state aid rules' to permit increased investment in the green economy. The EU has already **earmarked** some €250-280 billion with the biggest investments in Germany (with about €100 billion), the Netherlands (€45 billion) and France (with €55 billion over 10 years).

We cannot hope to compete on this scale but we need to have public money to ensure that our green industries have a chance to compete. We would especially encourage the Chancellor to dig deep to accelerate the green transition for energy intensive industries. The CBI is calling for 'full expensing of capital investment', meaning tax breaks to incentivise businesses to invest rather than to pay profits out as dividends. We would support the extension of the Super Deduction tax/subsidy regime (meaning that companies can claim 130% capital allowances on qualifying plant and machinery investments) but on the condition that such investment is into green sectors (as defined by the EU taxonomy until the UK taxonomy is agreed and usable). We also support the CBI's call for the Chancellor to extend the Industrial Energy Transformation Fund (IETF) from 2025 to 2030 and launch 'Help to Green' vouchers for small and micro businesses.

Key proposals for a greener budget:

- Extension of the Super Deduction tax/subsidy regime for investment into green sectors
- Extension of the Industrial Energy Transformation Fund (IETF) from 2025 to 2030 and launch 'Help to Green' vouchers for small and micro businesses.
- A change to the planning regime to encourage the development of onshore renewables development, with particular incentives for community-owned renewables.



Funding these Proposals

We will not be preparing a fully costed budget until closer to the general election but the indicative costings below show that the main proposals included above could be funded from adjustments to the taxation system to remove loopholes for the wealthy.

Extending free childcare for 30 hours to one and two-year-olds has been **estimated** to cost £6bn. The gross cost of 35 hours of free childcare would cost in the region of £7.5bn.

The Guardian **estimate** the cost of increasing the pay offer to public servants to 7% at £5bn.

Estimates based on Department of Transport figures for current revenue from bus fares indicate that the introduction of a £1 single fare on all routes across the country would cost about £2bn.

Total cost of proposals: £14.5bn.

Taking steps towards our policy of a Consolidated Income Tax include:

Aligning Capital Gains Tax rates with the effective rate of tax on earnings would raise some £16bn per year;

Extending National Insurance to investment income would raise £8.6bn.

Total additional revenue: £24.6

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