

There's merit in the gig economy

There are two main ways people can choose to earn a living. You can sell your time to an employer, or you can sell goods and services to customers.

Traditional employment – having a job – entails agreeing to be at your employer's place of work, or in other places at his request, during stated hours. In return for losing your freedom over what you do for around 40 hours a week, the employer agrees to pay you for weeks when you are on holiday, and for weeks when you are sick. The employer also has to let you go home at a stated time whether the work is done or not. The employer stops you working for anyone else during the stated hours of your employment and may even stop you working at other times for another employer.

Self employment, or being a contractor, means you sell a company a given service, product or output. The company normally has no right to require you to be in a given place at a given time, and cannot stop you working for others or doing other things as and when it suits you. It means that the individual is not paid when they are sick or on holiday, because they are not then supplying the good or service.

Parliament has always regulated these two different ways of working differently, and taxed them differently as well. The Labour party has concentrated in the past on improving working conditions for the large majority who opt for the job model rather than the contract model. Conservatives too support decent conditions of employment for those in jobs, and agree with a framework which limits hours, requires minimum pay rates, and provides decent terms for sickness and holidays.

Labour now wants to try to make many who work under the contract model work under the jobs model. They say some companies abuse the freedoms of the contracts model, effectively turning what should be jobs into self employed contracts to avoid holiday and sickness pay and the rest. They ignore the fact that many people working under the contact model have chosen to do so and do not want to be forced into an employment contract instead.

The last three taxi drivers I have talked to about the contract model have all been in favour of remaining as contractors. One likes the contact model because he can earn more and work more hours as it suits him. One liked it for the very opposite reason. He values his time more and only works the hours that fit in with his other interests, working less than he would have to under the jobs model and going home when he wishes. The third was starting his own business which is not yet anything like self sustaining, but requires him to be able to have hours off during the working day to see new clients and customers as need arises. The gig economy contract work pays the bills whilst he gets going with the new business.

The danger of the Labour approach is it will eliminate choice. I don't want people to have to take precarious contracts when they want a job, but I do want people who have good reasons to work as contractors to be able to do so.

There is room in life for the full time employed taxi driver and the self employed contractor driver. There is room for the staff journalist with holiday pay and the freelance journalist paid for each article. If we make everyone into an employee more of the entrepreneurial freedom loving types will go to another country.

[The UK should stop the fiscal and monetary tightening](#)

The UK economy has slowed a bit this year. This is the direct result of Treasury and Bank policy, which has been tightening.

In 2016 the then Chancellor decided to slow the housing market by hitting Buy to let hard with new taxes, and by imposing higher Stamp Duties on the high priced end. This policy did indeed slash transactions volume with knock on effects to conveyancers, removal companies, furnishings, decorators and the rest.

In 2017 the current Chancellor decided to hit the dearer end of the car market, at a time when cars were selling well with good growth in the market. His high levels of VED have knocked sales of higher priced cars ever since.

The Bank of England has reinforced these trends by issuing warnings over consumer credit, certain mortgages and car loans. There has been a macro prudential tightening, as messages have been sent to banks and finance houses to rein in credit.

The Chancellor is still out to tighten the fiscal stance, taking a tough line on more spending and revenue.

The Bank has recently been successful in talking up sterling, particularly against the dollar and yen. Whilst this has some desirable effects, it is also a clear monetary tightening.

There is no need for more tightening, and some need for a more balanced policy. The quickest way to get the deficit down faster is to grow faster. Both the Treasury and Bank need to be kinder to enterprise and growth in their approaches.

Dealing with the deficits

The UK has been running a substantial balance of payments deficit for many years. The main origin of this is the large balance of payments deficit on trade account with the EU, which has persisted throughout our time in the single market and is partly related to its asymmetric construction in ways favourable to continental agriculture and industry and against UK services. In the twenty years before we joined the EEC our balance of payments on current account was roughly in balance. During our time in the EEC up to the completion of the single market in 1992 our current account was typically in modest deficit. After 1992 in the single market our current account deficit ballooned to £40bn to £90 bn a year. Under Labour in their later years the UK also ran a budget deficit which became enormous with the banking crash. Since 2010 the budget deficit has been brought down from 10% of GDP to under 3%. The balance of payments deficit has stayed at around 5%.

I am more worried about the balance of payments deficit than about the budget deficit. There are only two ways we can finance the overseas deficit. Either we have to borrow money in foreign currencies, or we have to sell more and more of our assets to foreign interests. So far this has proved relatively easy, as foreign investors have found UK assets attractive. They like our property, technology companies and the rest. Our markets are particularly open allowing them to buy up businesses and real estate.

Where we borrow to sustain our excess consumption of European imports we run currency risk of having to repay in a foreign currency that has got dearer against sterling. Where we sell more assets we forgo future profits and dividends, and may see the foreign buyer transfer some of the economic activity elsewhere if they wish to help their home production at the expense of a former UK competitor.

This is why stopping EU payments is doubly important. If we stop all the EU payments but spend all the money saved at home we still make a big reduction in the external deficit as this is money which no longer has to be sent across the exchanges to overseas. Every pound we save on net contributions is a pound saved from the balance of payments deficit. I would like the Treasury to be more concerned about the government's role in boosting the external deficit, and keener to bring it down.

The Treasury does want to cut the budget deficit. That too is easier to do if we cut the amount we are sending abroad. If more of the overseas aid money was spent on the wages of UK public sector who go to help abroad, and more on UK supplies and equipment which we give to the aid recipient, the aid budget would be less of a strain on the balance of payments. If more of the actual costs incurred by our military and NHS in helping abroad was properly accounted as aid spending that would help the general budget. If more people who come to the UK for asylum were given housing and other financial support as part of the overseas aid budget that too would assist in cutting the overall deficit.

The Treasury needs to tighten up on the money spent abroad, as it imposes a double strain on our accounts.

The German election and the collapse in support for Mrs Merkel

Mrs Merkel lost a lot of ground in the German election, plunging from 41.5 % to 33% . She lost around 93 seats. In her place the anti Euro AFD soared to 13% to give it 88 seats, where it had none before. This is a contrast to the UK Conservatives rising from 36% to 42 % for their share of the vote in the last election.

Mrs Merkel may be able to soldier on at the head of a difficult coalition, but she has lost substantial authority for her EU policies as a result of this voting collapse. If she and the potential alternative left of centre coalition both refuse to include the AFD one of them would have to govern as a minority. Only a further CDU/SPD coalition can get her to a majority. This Grand coalition between the two main rivals is not easy, especially now both parties see how damaging it is for them electorally. So far indeed the SPD have said no deal. Germany has voted itself into weak and unstable government. The BBC calls this a Merkel win!

The UK government has to see this is a further strengthening of its negotiating position. It looks as if the EU has rejected Mrs May's generous offer and suggestions in her Florence speech, as appears to be the case from Mr Macrons words and from the reactions of the EU Commission. The UK government should in the event that the EU does confirm it refuses to widen talks and seek a positive future agreement soon make clear the offer is withdrawn given the lack of any positive response. The position anyway should be being reconsidered in the light of the German election.

The Prime Minister made a very generous offer but made clear all had to be agreed before any offer is confirmed. Circumstances are now different so the UK needs to firm up its position and intensify its preparations for no deal to show it is serious. Then the EU may start to talk about the things that matter to both sides. If they continue in saying they will not even talk about trade and the future relationship there is no point in being generous. We should neither pay to get talks started nor pay for a trade deal.

Wokingham schools funding

Last week I received from Ministers the government figures for Wokingham schools money once the fairer funding scheme is fully brought in.

According to these central figures the Holt will gain 4.8%, Bohunt 6.7%, St Crispins 5.8%, Emmbrook 6% and Forest 5.8%. That is more than £200,000 a year extra in each case.

I am still in discussion with Ministers about the timing of the introduction of these sums, as I appreciate the schools need more money now. The government has not yet set out its plans for transition to these higher figures.