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The accidental tourists: Brexit and its toxic employment underpinnings

Chris Warhurst

Sureties and surprises

On 23 June 2016, on a turnout of 72.2 percent of those eligible to vote, a small majority (51.9% vs 48.1%) in UK's EU referendum voted to leave the European Union (EU). UK people will now no longer be citizens of the EU but tourists and visitors to it. We should be clear however: it was an accidental exit. The EU Referendum was called to appease what former 1990s Conservative Prime Minister John Major called 'the bastards', a large faction of his own party for whom it's been a lifelong mission to force the Conservative Party to lead the UK out of the EU. Some wanted exit because they hate the EU and its perceived regulations; others because they pine for an imagined imperialist past. They were a problem within the Conservative Party then and continued to be so when Cameron became Conservative Party leader in the 2005. At that point, Cameron appealed to the party to park the issue, arguing with good reason after 13 years in opposition that a party divided was a party that was unelectable. The bastards understood and held back, appeased with the promise of a referendum but which was denied to them by their Liberal Democrat partners in the Coalition Government of 2010-15. Cameron maintained his promise entering the 2015 general election, though doubted that he'd win the election and so thought that he'd never have to make good his promise. The surprise of outright victory but with a very slim majority meant that he had to deliver on it or face five years of sniping and rebellion from his backbenchers. With the Labour Party in disarray the danger was that the (un)official opposition would be his own party.

However Brexit wasn't the intended outcome of the UK referendum on its EU membership. The government led by Cameron only triggered the Referendum because it thought that it would win it. Sometimes called the lucky Prime Minister, Cameron thought that his good luck with referenda would continue. He had fought two previously and won – first managing to prevent the introduction of a new voting system in UK general elections and, second, blocking Scottish independence and the break-up of Britain. In both cases he had help: in the first, in 2011, he had a hapless opponent in his Coalition partner the Liberal Democrats, in the second, in 2014, he had the support of a popular, leading Labour politician. This third time, luck again seemed to be with Cameron. Even as the 2016 referendum campaign started, the Leave camp was divided; there was, for example, no clear, agreed leader either within the Conservative Party or across the other parties. Moreover there was no opposition to the Government's position from Labour; it too supported Remain. The UK Government therefore seemed to have a clear field to accompany its clear position: to campaign officially and strongly for Remain. Moreover it was able to publicly muster business and political heavy-weights to its cause. Even US President Obama waded in to help.

As became clear post-referendum, neither the Remain nor Leave camps seriously thought that the UK would vote anything other than Remain. The only issue was the margin of victory; a small margin might trigger a leadership challenge by the Brexiteers to Cameron as Conservative Party leader. Neither camp had any plans in place should the UK vote to leave. For the Government there was no Plan B and for Brexiteers there was no Plan A. Only in the aftermath of the defeat has the UK Government belatedly begun to think about what to do and how to do it, and then only slowly,

refusing, most obviously, to even trigger the process of exit through Article 50 as Cameron stated that he would during the campaign if the Government lost. Little wonder that the result was such a shock in Westminster.

How it happened – the toxic employment mix

Much has been made of a disconnect between Westminster and those who voted to leave as a key reason underpinning the result and the Government's miscalculation. There is some truth in this claim. Whilst much has been made about older voters wanting to leave, the largest ratio by demographic was for the lowest skilled, voting 70% to 30% to leave (with an almost inverse ratio for the highest skilled voters, 32% vs 68%).ⁱ

Although the government argued an economic case for staying in the EU, that case was based on the *price of exiting*. 'The UK,' Chancellor George Osborne declared, 'would be permanently poorer if it left the EU' (2016: 9). His and the Governments widely publicised claim that every family in the UK would be £4300 worse off if the UK left the EU was the obvious example. What Osborne couldn't say was that those same families were already being penalised financially as a result of the Government's prolonged pursuit of austerity. As such the *current price* being paid by many of those same families because of government policy was not acknowledged. For the same reason it could not make a positive case for staying in the EU by acknowledging that countries such as Germany and France that epitomised the 'new Europe' had fared relatively well during the global economic crisis without resorting to prolonged austerity. By contrast, although some (often knowingly spurious) financial case was made for leaving the EU, the Brexiteers' real dog-whistle issue was im/migration into the UK. UKIP's now infamous poster portraying migrants on the march was merely a pictorial condensing of the argument. On this issue the Government was vulnerable. It too had long proclaimed it to be a problem in need of control and reduction. However, over six years in power, it had failed to do so. It tried to avoid the issue during the referendum, leaving the Brexiteers' claims mostly unchallenged. The result was a toxic mix that resonated with the experience of the low-paid: continuing austerity with mass im/migration.

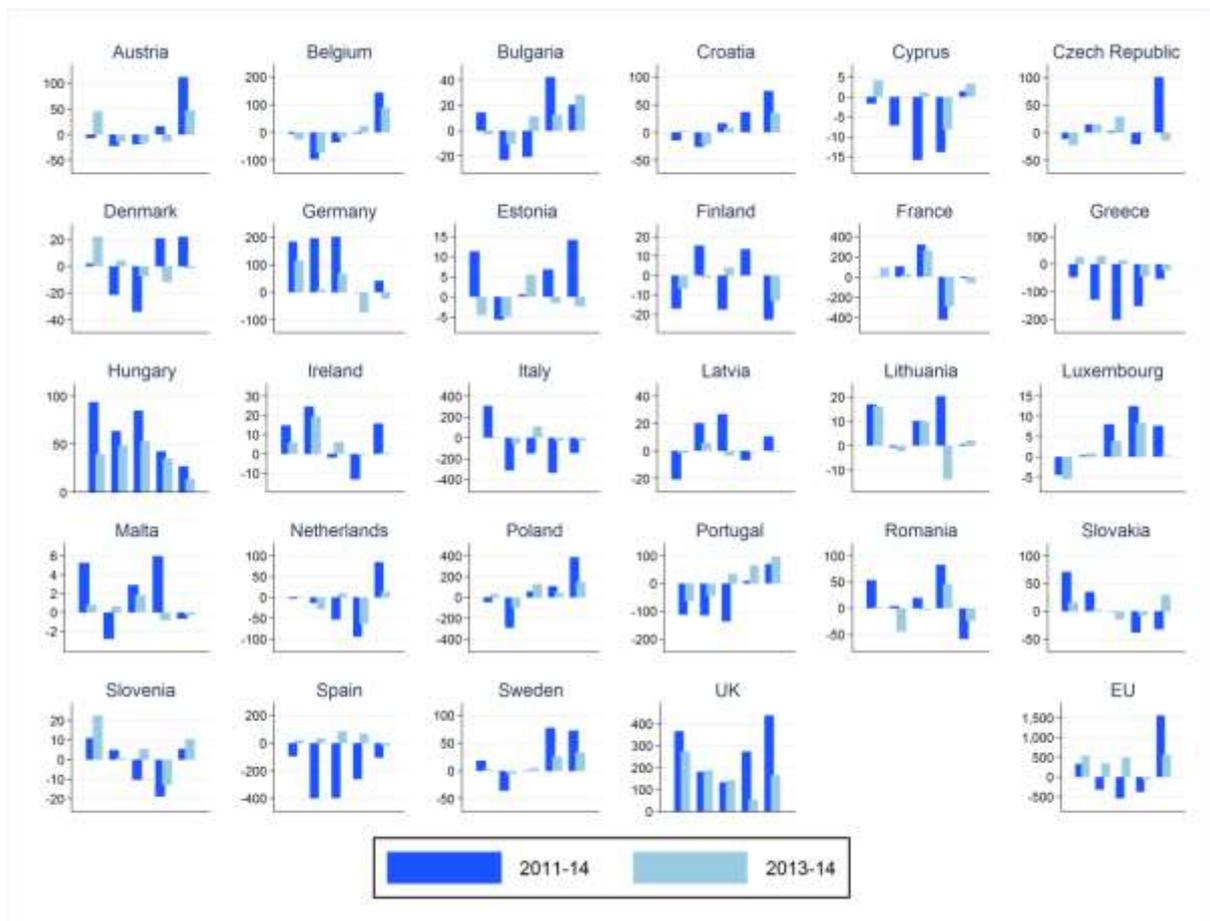
The impact of austerity is felt in many areas of life in the UK, one being employment. Since the crisis, the UK's employment rate has risen but real wages have fallen. Over 2007-15 the drop has been 10.4% – the worst, along with Greece, amongst the leading OECD countries. Over the same period in Germany real wages have risen 23%. The OECD average is 6.7% growth (TUC 2016). Moreover by 2015 around 20 per cent of jobs in the UK paid less than the voluntary living wage – then set at £9.15 in London and £7.85 elsewhere in the UK (TUC 2015).

However there are more subtle changes to the UK labour market as measured by pay, as data from Eurofoundⁱⁱ reveals. Using pay as a proxy for job quality then dividing the pay range of jobs into quintiles and charting the expansion and contraction of the number and proportion of jobs in each quintile over time, Eurofound has been assessing employment restructuring in Member States of the EU. Three developments are revealed for the UK: job polarisation, increased non-standard employment generally and amongst the worst paid jobs, and UK-born workers benefitting less from employment restructuring.

Undoubtedly job creation has been strong in the UK post-crisis; almost every quarter over the past few years the UK Government's Office for National Statistics reports a record number of people in

work (<https://www.ons.gov.uk/>). The type of jobs being created though is worrying. Unlike many other EU Member States, the UK labour market shows a stubborn trend of polarisation. Whilst some other EU Members States' employment has recovered and even upgraded, the polarisation of UK jobs has been steady and acute with and post-crisis. Chart 1 below shows job growth in the bottom and top quintiles, making the UK economy one of good and bad jobs by pay – or lovely and lousy jobs to use Goos and Manning's (2003) phrase. Significantly, this trend dates back as far back as the 1970s, according to Eurofound (2015). Reflecting this trend, wage inequality in the UK (as measured by the Gini index) has become so great since 2008 that it distorts the EU average; stripping out the UK results the EU average 'remained more or less stable' according to Eurofound (2016b: 78).

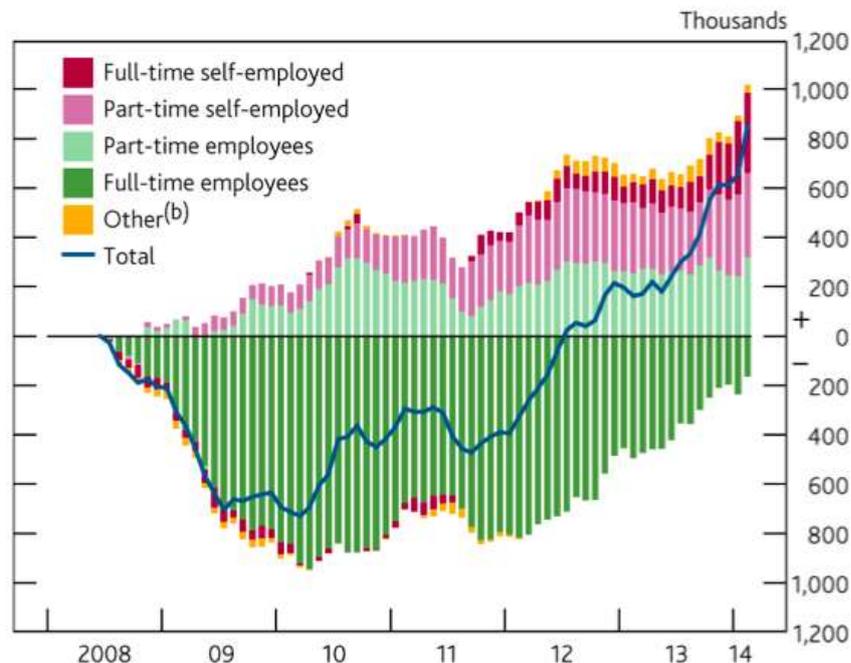
Chart 1: Net employment change by job-wage quintile EU and UK 2011-14 (1000s)



Source: Eurofound (2015)

There have also been subtle shifts in the types of status in the jobs created since the crisis, with the creation of more 'non-standard' jobs or what Eurofound terms 'core employment' (2016b: 23). As Chart 2 below shows, permanent, full-time jobs have been lost, replaced by part-time and self-employment. Over half of UK jobs growth to 2014 was accounted for by self-employment. In the three months prior to the referendum 88% of new 'jobs' were created through self-employment. It is this self-employment that keeps unemployment low in the UK (ONS 2016b).

Chart 2: changes to UK employment 2008-2014



Labour Force Survey.

(a) Rolling three-month measure. First data point is June 2008. Contributions may not sum to total due to rounding.

(b) Comprises unpaid family workers and those on government-supported training and employment programmes classified as being in employment.

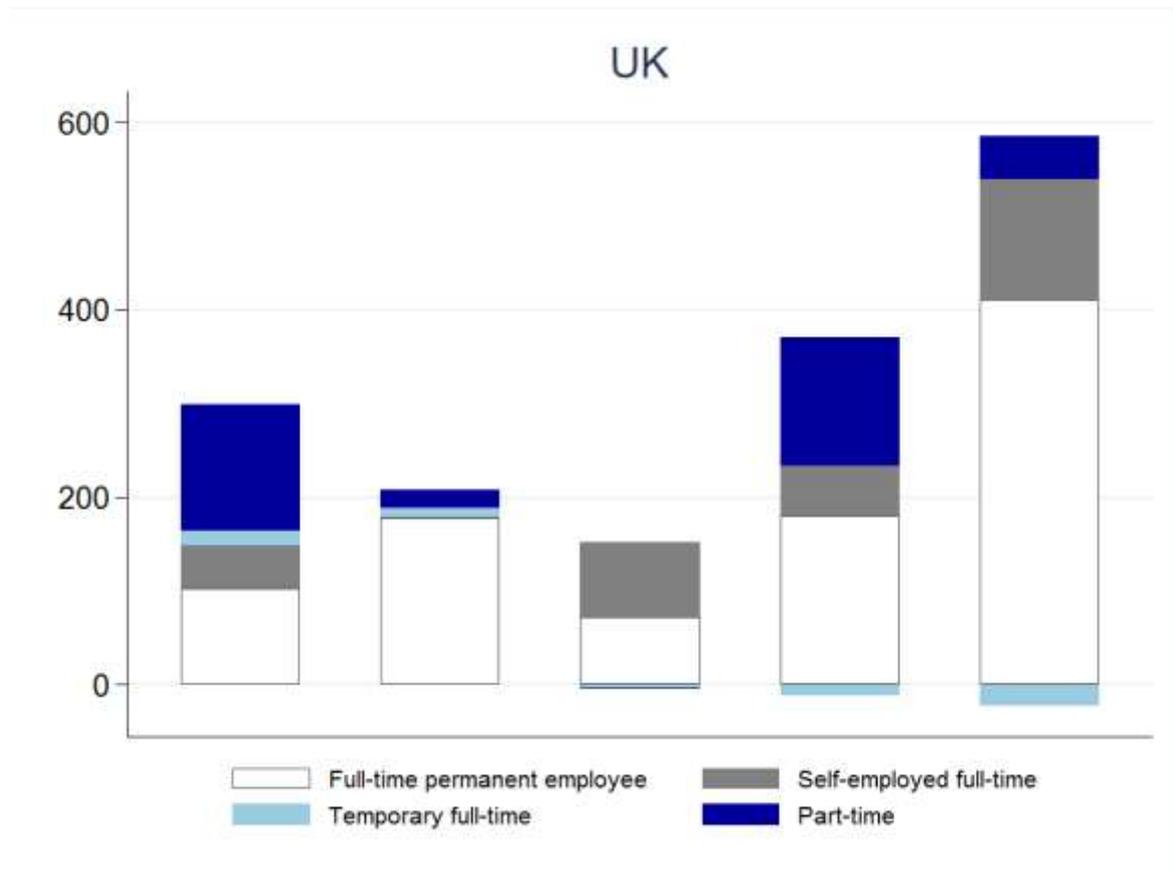
Source: Bank of England (2014)

Self-employment now accounts for 15 per cent of the UK workforce. Construction workers, taxi drivers/chauffeurs and carpenters/joiners were the ‘top 3 roles’ (ONS 2014). As the Office for National Statistics has recognised more recently, the growth of self-employment since the crisis is an outcome of the flight from unemployment and a shift from other forms of employment. Much of the latter is enforced. For example, since the economic crisis the number of jobs in public sector education increased by five per cent but the number of self-employed jobs in education rose by 58%. A similar pattern has occurred in health. What is significant is that this self-employment is provided through temporary work agencies which have contracts to provide temporary not permanent positions, with workers filling the posts having to be registered as self-employed in order to be eligible for placement (Cribb et al. 2014, Coulter 2016).ⁱⁱⁱ Significantly, average weekly earnings (excluding bonuses) for employees was £450 a week in June 2014; for figure for the self-employed was £207 a week and falling over 20 per cent since the crisis (ONS 2014). As Frances O’Grady, General Secretary of the UK’s trade union umbrella organisation the TUC, has remarked:

While it is good to see more people in work, the huge increase in self-employment raises questions about the nature of those jobs. These newly self-employed workers are not all budding entrepreneurs. Many don’t chose self-employment, being forced onto contracts with fewer rights, less pay and no job security. (quoted in Farrell 2016: np)

This development is most apparent in the bottom quintile of UK jobs. Whilst the majority of good jobs as measured by pay that have been created over 2011-15 are also good in terms of status – being full-time and permanent – the majority of jobs created in the bottom quintile are temporary, part-time and self-employed, as Chart 3 below shows.

Chart 3: Net employment change by job-wage quintile, decomposed by employment type, UK 2011-15 (1000s)

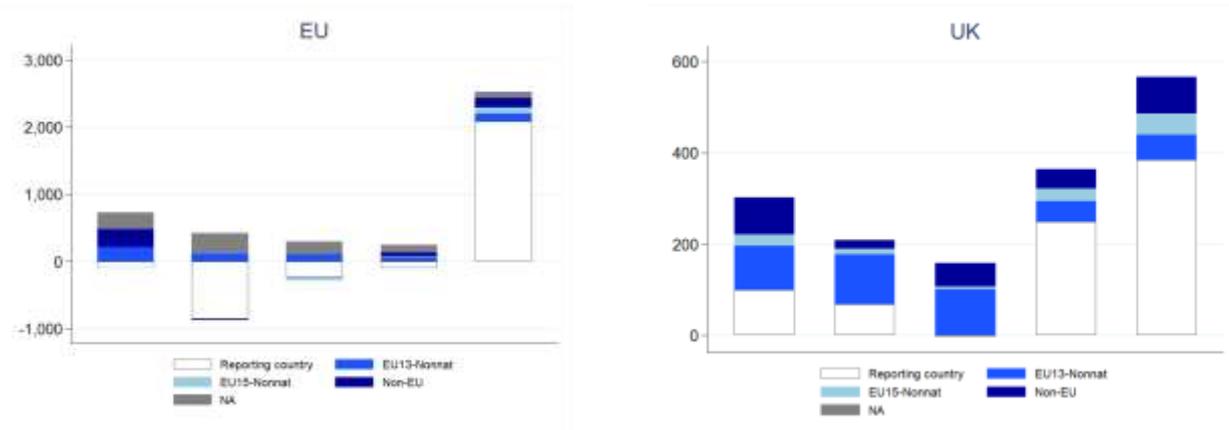


Source: Eurofound (2015)

Elsewhere, amongst the formally employed, zero-hours contracts have proliferated. Although measurement of it can be difficult, by the end of 2015, the Office for National Statistics estimated that just over 800,000 workers were employed on zero hours contracts. These contracts offer no guaranteed working hours and, as a consequence, disable income stability for workers and so undermine any possibility of a planned life around a solid wage floor. Moreover these jobs are not necessary temporary – well over half, 463,000, have been employed on these contracts for more than a year, some more than five years (ONS 2016).

In addition, who works in jobs in the bottom quintile is emerging as a problem in the UK. Im/migration within the EU is significant: in 2015 around 26 million workers or 12 per cent of workers were born in a country different to that in which they now live and work. It increased by two million over 2011-15. Within the EU most flows come from the new, poorer EU Member States to the old, richer ones (Eurofound 2016). By 2015 just over 10 per cent of the UK workforce was not born in the UK (ONS 2015). These workers spread across the quintiles but the largest proportion is employed in the bottom quintile – accounting for just over 20 percent of workers in this pay group (Eurofound 2016b).

Chart 2: Net employment change by job-wage quintile, decomposed by country of birth category for the EU and UK, 2011-15, (1000s)



Source: Eurofound (2016b); Hurley (2016). The EU15= the old Members States to 2004, the EU13 = the new Member States from 2004.

As Chart 4 above shows, across the EU and in the UK native workers (those born in the reporting country) have benefited most from good jobs growth in the top quintile. But there are also differences. Across the EU generally, native workers have tended to move out of the lower quintile jobs; by contrast in the UK native workers have remained in these jobs. A bad jobs trap thus still exists in the UK. Almost three-quarters of workers who were low paid in 2002 were still low paid in 2012 (Hurrell 2013 cf. Booth and Snower 1996). Moreover jobs growth in intermediate jobs, those in the middle quintile and which include skilled work, is almost exclusively dominated by non-native workers. For the last twenty years in an effort to create a knowledge-driven economy in the UK higher education has been boosted at the expense of the vocational education and training that underpins many of the intermediate jobs (Warhurst and Thompson 2006; Anderson 2009). With no springboard up into better jobs, UK native workers are benefitting less from employment restructuring and work more alongside non-native workers in bad jobs than in the EU generally. Thirty per cent of workers in hotels and restaurants are im/migrants for example (Butler 2016). Whether direct competition between native and non-native workers is real or imaginary, poorer, less educated workers with fewest resources and little hope of improvement might feel that their cake, such as it is, is now having to be shared with others.

The ability to hear voices is common sense not madness

Brexit may have been accidental but it was an accident waiting to happen. The UK has been good at creating jobs post-crisis but the quality of those jobs has been ignored by the Government. Too many bad jobs are being created and the terms and conditions of these bad jobs are getting worse (cf. Carre et al. 2012) and too many UK born workers are getting stuck in these jobs. Although the analysis presented here is crude and the data certainly needs closer examination, these bad job developments seem to have impacted voting behaviour in the referendum, particularly amongst the lowest skilled.

It should be noted that the rest of the EU has no inherent immunity to some of the employment developments experienced by the UK. Across the EU, latest available data shows that net employment growth has occurred in the bottom three quintiles. One reading is that the recovery is replacing the type of jobs lost during the crisis; another reading is that the recovery is based on the creation of lower quality jobs (Eurofound 2016a).

The morning after the night before, the reaction of many to the Brexit result was to seek to have the referendum re-run: over four million people signed a petition asking for a second referendum.^{iv} That demand sought to deny the voice of those who have voted to leave. Others wanted to have the referendum result binned, citing it to merely be advisory and wanting Parliament to assert its sovereignty and ignore the result. Others want a second referendum on the negotiated exit deal. Regardless which occurs, it is imperative that the voice of those who voted Brexit is heard and understood.

Replacing Cameron and sacking Osborne, in her first speech as the new UK Prime Minister, Teresa May recognised that 'If you're from an ordinary working class family, life is much harder than many people in Westminster realise.' Her government, she said, will 'be driven, not by the interests of the privileged few but by yours' (quoted in Perkins 2016). At the moment May's approach remains rhetorical; policies have yet to be developed that might translate into practice and evidence her commitment to hearing and learning from those who voted to leave the EU. However words do have affect; first, a yardstick has been created by which to measure the new UK Government's policies and their intended and actual outcomes; second, with her speech, space has opened up for progressive ideas to be aired around the need for making bad jobs better and the ways in which that might be done.

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Endnotes

ⁱ <https://yougov.co.uk/news/2016/06/27/how-britain-voted/>

ⁱⁱ Eurofound is the agency for improving living and working conditions in the EU.

ⁱⁱⁱ I am grateful to Lorraine Johnson of IER for this material.

^{iv} See <https://petition.parliament.uk/petitions/131215>