Essay Series
Does the EU work for working class people?

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Does the European Union work for working class people?

2016 EU referendum debate

The views expressed in this paper do not represent the collective views of the Centre for Labour and Social Studies (Class), but only the views of the authors.

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Can the European Union deliver for working class people?

The Government has announced a referendum on whether Britain should remain in the European Union will be held on Thursday 23 June 2016. But the debate has been narrowly focused on immigration with little discussion on what the referendum means for working class people more broadly.

There is a class division on Brexit, with the working class largely in favour of the UK leaving the EU and those in highly paid in professions generally wanting to stay in (YouGov polling April 2016). For many this discontent with the EU articulates itself as an anti-immigration stance – a sentiment that UKIP politicians and the ‘leave EU’ campaign have exploited. This political backdrop has greatly coloured the EU debate - misinformation is common and debates on immigration are wrongly divorced from broader trends in the labour market and EU policies.

In light of this, Class set out to make a balanced contribution to the debate, focusing on the areas and issues being overlooked and of most significance to working class people and communities in the UK. We asked key figures from across the labour movement and academic institutions- and with differing attitudes to the EU- the same question – “Does the European Union work for working class people?” – and have compiled their responses in this publication.
Has the EU been good for the working class?

Foreword

Class is a major predictor of which way you are likely to vote in the upcoming EU Referendum. Those in elementary and manual jobs are almost twice as likely to say they want to leave the EU than those in professional and managerial positions¹.

A similar division exists when considering qualifications. 70 per cent of those with university degrees want to remain in the EU, while only 32 per cent of those without qualifications feel the same way².

There are multiple reasons for this difference – but the obvious reason is that those higher up the income spectrum gain more from being in the EU than those at the bottom. This uneven distributional impact of the EU is the focus of this series of essays.

The ‘working class’ is used as a shorthand here to refer to those in manual or elementary jobs, on low incomes or welfare assistance – approximately 40 per cent of the population³.

Dr Faiza Shaheen, Director of Class

This is a group that has seen their wages decline in real terms, who have been growingly subject to precarious working conditions through the expansion of zero hour contracts and casualisation, disproportionately affected by spending cuts, and for those on welfare benefits been the focus of growing scrutiny, sanctioning and public demonisation.

There is no doubt that life for this segment of the population has grown worse over the past few decades.

But why has this hardship converted into Eurosceptism? The common answer is immigration. While the working class are not the only ones who worry about immigration, with more than half of the population feeling that immigration should be reduced by ‘a lot’⁴, they are more concerned than other groups⁵.

Democracy is another – those planning to vote for leaving the EU frequently state dissatisfaction with how democracy is or isn’t working at the EU level⁶.

However, immigration and democracy are simply the drivers of concern that are visible. Once you scratch beneath the surface it is clear that there is something more complex that underlies these frustrations. After all, why should the working class feel more disgruntled than others about immigration or a lack of democratic control?

What do we know?

Jobs are where we start our endeavour to answer this question. Howard Reed provides an overview of the impact of the EU on wages. Like many he finds little evidence of impacts of immigration on average wages, but the story does not end here.
Several studies have found small negative impacts at the bottom end of the income scale.

The overall effects on existing low qualified workers are, however, small and remain highly contested with causality difficult to prove. Stronger evidence has been found that more established migrants may lose out in the labour market as a result of a new wave of immigration.

At the other end of the scale, there is evidence that immigration has been good for those on higher wages. As such, when taking wages alone it is very possible that the working class have been negatively affected, especially when compared to workers with more qualifications.

However, as Reed explains, it is misleading to look at wage impacts in isolation. Immigration creates demand as well as supply.

Migrants have been found to fill labour market gaps, which may have contributed to an increase in business productivity and in turn created other jobs.

At the macro level, Reed argues, the increased investment that comes with being part of the EU has benefited everyone. Again, it is possible that these investment benefits, as well as other economic benefits such as lower consumer prices, have benefitted particular sectors and workers more than others.

Frances O’Grady of the TUC underlines the rights that have been won through a co-ordinated labour movement across the EU – the Working Time Directive’s implementation which included paid leave for those on temporary contracts made a material difference to those on low incomes.

But again the story is not all positive, Özlem Onaran catalogues the series of actions taken to moderate wages and rights across the EU while reminding us that the UK was not a passive recipient but rather a driving force for the falling wage share across Europe.

How much being part of the EU has driven market fundamentalism and inequality in the UK is a matter of contention. Those arguing to leave the EU on the left of the political spectrum point to the EU and European Central Bank as bastions of neo-liberalism, captured best by the example of Greece and imposed austerity.

While the EU certainly has driven some pernicious policies across Europe, the drivers of inequality and falling economic well-being for the poorest in the UK are largely nationally driven. The decimation of union power and collective bargaining rights, decline of the manufacturing sector, financialisation and public spending cuts have all been deliberate outcomes of successive UK governments. The EU is not the main culprit.

Conservative politician, Iain Duncan Smith recently quipped that the EU is a "force for social injustice" which backs "the haves rather than the have-nots".

Commentators did not miss the irony of this statement – with many pointing out that it was IDS who had implemented cruel cuts on the poor and those with disabilities during his time as the Work and Pensions Secretary.

The dilemma is, as Onaran underlines, reversing the trend in wages and fighting the power of banks and corporate lobbyist may be difficult to do as a single nation. Taking the high road on wages risks others undercutting on labour rights and conditions in an attempt to compete.
However, persuading the whole of the EU to increasing wages is, to put it mildly, a tall order. One can only deduce that driving change for the poorest in society will be a struggle in or outside of the EU.

A running theme throughout the essays is that many of the benefits of being part of the EU have been invisible. Higher levels of growth, or greater innovation because of immigration are not observable to the average person.

Olivier Sykes and Andreas Schulze Bäing consider the visible impact in our fourth essay, through a focus on EU funded regeneration. Between 2014-2020 a total of £351.8 billion EU regeneration and structural investment will find its way to some of the most deprived areas in the UK.

Liverpool is an obvious case study of the impact of EU funding. The city received considerable funding in a city ‘makeover’ and was also given the mantel of ‘European City of Culture.’

It is possible that this regeneration could have happened without the EU, but Sykes & Schulze Bäing underline that the evidence points in the other direction.

Margaret Thatcher and other policy makers in the 1980s and 1990s were reluctant to intervene in declining areas. As such, in the context of the question posed here – the EU does seem to have been positive in respect to the regeneration of deprived areas.

Our final essay by Ellie O’Hagan looks at the crucial issue of local community impacts on cohesion and on evidence of impacts on public services. There is a widely held belief that immigration is a burden on the welfare state¹¹.

The evidence is scant but perceptions are powerful. It is intuitive that the large influx of immigrants to somewhere like Peterborough would have created a shock to the local community and public services. Poor management at the local level did not go unnoticed by local residents and has often fueled distrust in politicians and local civil servants.

The evidence is only lacking because we have failed to properly catalogue the local level impacts and hence driven the anger and frustration of those in affected communities.

What we don’t know

Across the different areas we looked – from wages to community cohesion – there was a dearth of concrete evidence on the impacts on the poorest. As elsewhere in policy evaluation, we have been inequality blind when it comes to the EU.

For the main part, we have barely considered the distributional impacts of EU membership. This oversight must be at least partly to blame for a highly Eurosceptic working class.

What we have not considered here is the benefits that the working class have received from freedom of movement. Our testimonial from a young person from Spain is a stark reminder that migration goes both ways.

While those with lower qualifications are less likely to have moved to other parts of the EU for work than those with graduate degrees¹², an exit from the EU could limit the options of the working class who like to retire in sunnier places.

Of course, one cannot overlook the issue of xenophobia. While this is undoubtedly playing a role in public opinion, studies have found that a fear of the ‘other’ is often based on insecurity¹³.
It should be no surprise that the working class feel more insecure as they are the most reliant on public services and more likely to be directly competing with new immigrants. Meanwhile the middle and upper classes have benefited from cheaper cleaners and care workers.

Finally, the question remains of if the working class will be most affected by leaving the EU. Even if they have been more negatively affected compared to others by being in the EU, the likely economic downturn will hit those on the lowest incomes most, just as in past recessions\(^4\).

In the short run at least, this group could feel the brunt of the immediate economic consequences of leaving the EU. Some in the leave campaign have suggested that we would no longer need public spending cuts if we were to stop paying the EU the estimated net £8 billion a year\(^5\).

While there is no suggestion that the Brexit would result in the end of government’s plans cuts from the Prime Minister or the Chancellor, the end of public spending cuts would certainly benefit the poorest most.

**What next for the EU and the working class?**

In this essay series we do not set out to make a case for leaving or staying in Europe. Instead, we aim to take a holistic look across wages, workers’ rights, regeneration and community cohesion to understand the impacts of the EU on those on the lowest incomes. We find genuine reason for an aggrieved working class but we also find they have gained from UK’s membership of the EU.

The picture, as most would suspect, is mixed. Perhaps the most important observation is that many of the driving factors behind the decline of economic well-being at the bottom were driven by UK, rather than EU policy.

The question than becomes if the EU could offer a better chance of reversing current trends. Many policies, including the labour market, financial regulation, tax coordination, ecological sustainability and implementing a coordinated public investment policy could be far better done at the EU level than on our own.

The UK is a large country with substantial capacity to influence Europe. Following the global financial crisis in 2008, it used its influence to steer Europe and G20 to act together to mitigate against a global depression.

However, the UK has also been the leader of damaging austerity, low wage and precarious employment in the name of flexibility. Changing the ideology of UK and key EU governments seems, especially given the current political makeup, farfetched.

The EU debate had brought to the surface deep chasms in the UK on issues such as immigration, public services, jobs and sovereignty. Debates so far have demonstrated how elites dominate the public sphere and how years of neglect of the concerns of a particular group, poor leadership and communication has resulted in xenophobia and misunderstanding of who and what is driving hardship and inequality.

The chicken has come home to roost and it certainly not making for a progressive or even honest debate of the issues that matter for justice.

If come June 23rd we do vote to leave the EU, the working class may feel that they have finally prised back some power, but will not see their problems of low pay and insecurity disappear. If we stay, this group will be even more disgruntled, and appeasing the working class will need to be a matter of priority.
One can only hope that the clear class divide in attitudes and likely fallout after the referendum, including the defection of a growing number of the working class to UKIP, will open the eyes of politicians to how policies are affecting different communities and the dire social and political consequences that ignoring this inequality has.

References

² Ibid.
⁸ See, for example, Westmorland (August 2015) ‘5 reasons we should vote leave the EU.’ Counterfire.
⁹ Conservative Home “Iain Duncan Smith: Speech on why the EU is a force for social injustice” (10 May, 2016) http://www.conservativehome.com/parliament/2016/05/iain-duncan-smith-speech-on-why-the-eu-is-a-force-for-social-injustice-full-text.html
¹⁰ The Mirror (10 May 2016) Iain Duncan Smith accused of hypocrisy after claiming ‘the EU a force for social injustice’ http://www.mirror.co.uk/news/uk-news/iain-duncan-smith-accused-hypocrisy-7936079
A key issue in the upcoming EU referendum is whether being a member of the EU is good for workers on low wages. This article examines the evidence on this issue, focusing in particular on two aspects. Firstly, I examine the empirical evidence on whether increased migration from other EU countries in the past 15 years has had any negative impact on wages. Secondly, I assess the overall impact of EU membership on economic performance, looking at the effect on wages indirectly.

Freedom of movement of labour was a founding principle of the EEC (as it was originally known) and citizens from other member countries have been able to work in the UK since it joined the EEC in 1973. However, large-scale concern about the impact of EU membership on wages first began to be voiced in the UK media when eight countries from central and eastern Europe (known as the "A8" countries) joined the EU in 2004. Wage levels were much lower in these countries than in the UK and it was feared in some quarters that a large inflow of cheap labour from the A8 countries would result in lower wages for British workers.

But what actually happened after 2004? Looking at the data on average wages in the UK (as shown in Figure 1), it’s hard to see any impact of the A8 entry to the EU.

Figure 1. Median full-time gross weekly earnings in current and constant (2015) prices, UK, April 1997 to 2015
Average wages in real terms (the "constant (2015 prices)" line in Figure 1) were rising between 1997 and 2008 and then fell between 2008 and 2014, until by 2014 they were back down levels last seen in 2001.

The timing of the fall in average wages doesn’t match the timing of the expansion of the EU. Instead, the fall in wages appears to be a consequence of the severe economic recession of 2008-09 that followed the US subprime mortgage crisis and the resulting crisis in the global financial sector.

Furthermore, when workers from two more new entrant countries, Bulgaria and Romania, were allowed full access to the UK labour market in 2015, this coincided with wages beginning to rise again – the opposite of the effect one might expect if increased migration from EU countries was decreasing wages.

The impact of EU migration on those on low incomes

Just looking at average wages is a simplistic approach which does not control for other features of the UK economy which might have been changing over the last two decades². Fortunately, there are a number of more sophisticated empirical studies of the effects of migration which use survey or administrative data to measure the impacts in more detail.

Most of these studies focus on the overall effects of immigration (rather than just the EU) but as migration from other EU countries is a large component of overall immigration over the last 15 years, the results are still relevant.

Recent research suggests that increased immigration has had no measurable impact on average wages in the UK even when controlling for other factors³.

At the bottom of the wage distribution, there is potentially a small impact on the wages of low-paid workers born in the UK at the bottom of the distribution. However there does seem to be a negative impact on the wages of low-paid workers born outside the UK, i.e. earlier waves of migrant workers⁴. Evidence also suggests that increased immigration is associated with increased wages at the top of the wage distribution⁵.

The impact of EU membership on the UK’s overall economic performance

In the long run, the UK’s overall economic performance is a key determinant of wage growth. Therefore, in considering the impact of the UK’s membership on wages, it is important to consider the impact of EU membership on the country’s economic performance.

Most (although not all) economists believe that the UK has benefited from membership of the EU in terms of increased opportunities for trade and lower barriers to export markets, and inward migration from highly talented European workers.

By the same token, most economists believe that ‘Brexit’ would be bad for the UK’s economic prospects. In the Financial Times’s annual poll of more than 100 leading economic thinkers, around three-quarters of respondents thought leaving the EU would damage the country’s medium term outlook, while less than one in ten respondents thought the UK would benefit from leaving⁶.

The most important negative predicted consequences if Britain leaves the EU are reduced inward investment into the UK economy and reduced inward migration of talented workers. Reduced inward investment would almost certainly damage UK productivity (and hence wage levels)⁷.
Reduced inward migration could lead to skill shortages which might increase wages for certain occupations in the short run but would also be likely to have a negative impact on productivity through impairing business efficiency⁸.

There is also empirical evidence that increased migration increases innovation activity in the country migrated to (e.g. patent applications)⁹, suggesting that reduced immigration could reduce innovation and hence growth. This would also be bad for UK productivity (and hence for wages).

**Conclusion**

This article has shown that there is no evidence that increased immigration from other EU countries has had a negative impact on average wages in the UK, although there is some evidence of a small negative impact for low earners and other existing immigrants. In this regard, increasing the National Minimum Wage (now called the National Living Wage for workers aged 25 and over) is a good thing.

Meanwhile, the overall consensus among economists is that the UK benefits substantially from EU membership in terms of improved economic performance and greater innovation. To the extent that 'Brexit' harmed the economy, this would be likely to cause a negative impact on wages.

**References**

¹ The A8 countries are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. Cyprus and Malta also joined the EU in 2004.

² Note that in addition to increased immigration there have been many other changes in the UK labour market in recent decades which may have affected wages – in particular reduced trade union density, lower coverage of collective bargaining agreements, legislative changes (such as the National Minimum Wage) and changes to the industrial and occupational structure of the UK. For more on long-term trends in wages see Reed & Lansley, How To Boost The Wage Share, TUC Touchstone Pamphlet No 13, London: Trades Union Congress.

³ See Dhingra, Ottaviano, van Reenen & Wadsworth, "Brexit and the impact of immigration on the UK", LSE Centre for Economic Performance, CEP Brexit Analysis No 5, May 2016, in particular Figure 9.

⁴ Ibid, (in particular Figure 11).


⁶ Giles & Cadman, "Economists’ forecasts: Brexit would damage growth", Financial Times (3 January 2016) https://next.ft.com/content/1a86ab36-afbe-11e5-a1d298b6250

⁷ While the precise relationship between wages and productivity is complex, most economists agree that in the long run wage increases are paid for out of productivity increases, and hence a reduction in business productivity is likely to reduce wages.


⁹ See “What do we know about migration? Informing the debate”, Centre for Research and Analysis of Migration (CREAM) at University College London. http://www.cream-migration.org/files/Migration-FactSheet.pdf

Does the European Union work for working class people?
The impact of EU legislation on workers’ rights

Frances O’Grady, General Secretary of the TUC

Over the years, the EU has become central to workers’ rights in the UK.

Last time there was a referendum, the TUC advocated leaving, on the grounds that the Common Market was a free trade area without a significant social dimension (although the original Treaty of Rome contained a commitment to equal pay). After Jacques Delors made his famous address to the 1988 Congress, the growth of that social dimension cemented trade union support for staying in.

British unions became familiar with campaigning and lobbying in Brussels and together with trade unionists across the EU. We fought hard for better health and safety laws; protections for people whose jobs were not full-time and permanent; and equality regardless of gender, race, disability or sexual orientation.

We also campaigned against measures like the Services Directive as we now do against the Trans-Atlantic Trade and Investment Partnership (TTIP): no trade unionist ever said the EU was perfect.

But EU labour law has become a crucial element of UK labour law, as our legal advice from Michael Ford QC makes clear\(^1\). And the European Court of Justice (ECJ) has become a key defence for individual employment rights, with a far better track record than UK courts, although we oppose its restrictions on collective rights where they conflict with economic freedoms.

EU labour law

Books have been written about EU labour law, as the last forty years have seen a lot of it. Briefly, the main laws can be summarised as follows:

- **Health and safety law**: the 1989 Framework Directive and its five daughter directives covering issues like manual handling, work at heights, protective equipment, risk assessment and worker representation as well as subsequent directives on chemicals and asbestos;

- **Working time regulation**: putting limits on the length of the working week, providing paid holidays and adequately reflecting wages in the calculation of holiday pay, and defining what counts as working time;

- **Equality law**: equal pay between men and women, maternity and parental leave rights, protection from discrimination on grounds of sex, race, age, disability, gender reassignment, sexual orientation and religion or belief, and full compensation for workers who suffer discrimination;

- **Fair treatment for atypical workers**: ensuring that part-time workers, temporary workers and agency workers are treated the same as full-time, permanent workers;

- **Voice at work**: several EU Directives require consultation with union or worker representatives, for example on health and safety at work, where there are collective redundancies or a business transfer. EU law also provides for European Works Councils to be set up in transnational companies and arrangements for routine information and consultation of the workforce;

- **Protection for outsourced workers**: the acquired rights directive has guaranteed wages and other rights for millions of people whose jobs have been transferred from the public to the private sector, as well as other jobs.
However, the balance of EU law is far more about individual than collective rights, and the ECJ has been more positive towards individuals than trade unions, as shown by the cases known as Viking and Laval², which have restricted the scope of industrial action.

Even so, other EU law has benefitted millions of workers in the UK and throughout Europe. The Working Time Directive’s implementation led to 2 million workers getting paid leave for the first time ever, and increased the leave provided to 5 million more³.

Providing a floor of employment rights has improved the terms and conditions of millions of part-time workers, although it has also been argued that by providing a safety net, such atypical work has been facilitated as well as regulated.

The EU has also been less effective in dealing with more recent examples of flexibilisation — such as zero hours contracts.

The social dimension in context

Of course, not all developments in UK labour law come from the EU. The national minimum wage, unfair dismissal and redundancy protections are domestically-driven, and some rights exceed the European minimum, such as the length of maternity leave the UK provides.

But a lot of the labour law which has been determined at Westminster has been detrimental to workers’ interests. Wages Councils were abolished (the Agricultural Wages Board being the last), unions have been constrained by a series of laws in the 1980s and more recently the Trade Union Bill, and governments since 2010 have trimmed back protections for outsourced workers, made employment protection more difficult to earn, reduced limits on compensation for unfair dismissal and introduced fees for workers to enforce their rights at Employment Tribunals.

And globally, the situation facing workers has deteriorated, most recently as a result of the global financial crisis.

Employers internationally have attacked the right to strike (including at the ILO itself), and the drive for competitiveness and flexibility has seen workers’ rights to stable employment attacked, most recently in Turkey⁴.

What would Brexit mean for workers’ rights?

There has been a lot of speculation about what impact Brexit would have on labour law. It is unlikely that individual rights would be improved, because EU law only sets minimum standards and the UK government is already free to go beyond what the EU requires.

In theory, the restrictions the ECJ has placed on collective industrial action could be relaxed but given the sustained attacks on trade union rights we’ve seen in this country, we are probably more likely to get improvements by campaigning alongside other trade unions within the EU.

So the likelihood is that workers’ rights would be reduced if the UK left the European Union. The only question is: how much?

It is unlikely that whole laws will be scrapped – at least initially – but it is more than likely that ECJ judgments will be reversed in law, and certain groups of workers may well lose their right to work-life balance (for example, Christopher Chope MP’s Private Members’ Bill would remove the limit on working time for health workers⁵).

Agency worker rights have been singled out for removal by Open Europe⁶, and Economists for Brexit have also targeted equality laws⁷.
TUPE rights that have been trimmed back where not protected by EU law could see further erosion if not outright abolition, and limits would be placed on compensation for discrimination cases.

Every right that exists in European law would lose the protection created by the collective strength in numbers of the current EU, and could be liable to be overturned in the medium to long-term.

Unions would of course campaign against such moves, and some could be retained through collective bargaining, but we would need to devote considerable resources and effort to defend rights on which we can currently rely.

**What more has Europe got to offer?**

If Britain votes to remain in the EU, the possibility exists to strengthen workers’ rights. The European Commission is currently consulting on new rights for working parents and carers⁸, and on a new ‘social pillar’⁹ initially covering only the Eurozone, but which other countries could opt to join.

The proposed ‘social pillar’ is not currently worth much, but it provides the scope to campaign for the revitalisation of social Europe.

And the UK labour movement’s experience of campaigning for Britain to sign up to the social chapter in the 1990s offers an example of how any new rights could be extended to British workers too.

The sort of rights that European trade unions are seeking range from closing loopholes in the Posted Workers Directive (to prevent undercutting caused by exploitation of migrant workers) and the Temporary Agency Workers Directive (to stop the derogations which allow continued unequal treatment) as well as new rights in areas such as workplace democracy, equal treatment for domestic workers, cracking down on zero hours contracts, and measures to combat stress and musculo-skeletal disorders.

In campaigning for these rights at European level, the TUC would benefit from the support of strong trade union movements in Austria, Germany and Sweden, as we have in the past.

**Conclusion**

The impact of EU membership on workers’ rights has not gone far enough, and there are elements which we oppose. But overall, membership of the EU has been positive for working people’s rights at work.

No one knows exactly what impact leaving the EU would have on workers’ rights. But it would not be good, which is why the TUC is urging people not to risk it.

**References**

2. See [https://www.etuc.org/sites/www.etuc.org/files/ETUC_Viking_Laval_-_resolution_070308_2.pdf](https://www.etuc.org/sites/www.etuc.org/files/ETUC_Viking_Laval_-_resolution_070308_2.pdf)
5. [http://services.parliament.uk/bills/2015-16/workingtimedirectivelimitation.html](http://services.parliament.uk/bills/2015-16/workingtimedirectivelimitation.html)
“Personally I’m in favour of the EU because it’s given us more workers’ rights. We get more holidays now because of EU laws. Overall I think it’s a good thing.

But the EU also means big foreign companies get contracts in Britain, and then bring their own workforce over so they don’t have to pay union-agreed rates. It undercuts workers and causes resentment. My union is taking action to sort it out, but it is a problem.”

Ryan, construction worker
The role of the UK and EU in labour market deterioration

Özlem Onaran, Professor of Economics and Director of Greenwich Political Economy Research Centre, University of Greenwich

The TUC has demonstrated the risks of Brexit for the rights of working women and men in this publication and elsewhere¹. However it is also true that despite the rights secured by the European trade union movement in the last few decades, labour market policies in the EU Member States (MS) do not paint a rosy picture.

Individual EU MS and the European Commission (EC) have long encouraged wage moderation, explicitly recommending real wage growth below productivity growth to increase the international competitiveness of each country. This policy has resulted in three decades of increasing inequality, declining share of wages in national income, and the emergence of a new class of super rich, without generating a sustainable growth model for Europe.

Our research shows that this rise in inequalities and the decline in the wage share have been associated with a weaker and more volatile growth performance². This has affected all UK workers to varying degrees, but has been particularly damaging for those on the lowest wages. Wages have stagnated along with deteriorating working conditions and rise in zero hours contracts and other forms of precarious work. Increasingly low wage workers have had to rely on pay day loans to make ends meet.

The UK has been the leader of anti-labour low road labour market policies such as deregulation, zero hours contracts and dismantling collective voice at the work place; and used globalisation as a pre-text to implement them and to claim that there is no alternative.

In some instances the EU could be seen as diluting some of the most harmful labour market policies that the UK led. What’s more, implementing policies for a wage-led economy is more easily done as part of the EU with significantly stronger impacts on growth, rather than implementing them alone in the UK.

EU, wages and growth

The fall in the wage share has been a deliberate outcome of policies that led to the fall in the bargaining power of labour, welfare state retrenchment, and financialisation. The combination of these policies in the UK and Europe have led to the vicious circle of rising inequality, financialisation, chronically low demand, slowdown in investment and productivity and low growth and fewer or bad quality jobs³.

In the UK, households increased their debt to maintain consumption levels in the absence of decent wage increases. The crisis of 2007-9, and the subsequent Great Recession have proven the fragility of this model. The recovery in Britain is built once again on the shaky ground of household debt instead of a healthy wage growth.

Stimulating wages would not only improve economic performance and employment but would also help tackle unsustainable growth that is driven by debt. Higher wage and pro-labour policies can be implemented unilaterally in a large country with a substantial domestic market such as the UK, even if the rest of Europe or the world does not reverse their low road policies.

However, if only the UK takes positive action, it is possible that our trade partners across Europe could continue their aggressive wage competition policies via further decreases in the wage share.

The role of the UK and EU in labour market deterioration

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The fall in the wage share has been a deliberate outcome of policies that led to the fall in the bargaining power of labour, welfare state retrenchment, and financialisation. The combination of these policies in the UK and Europe have led to the vicious circle of rising inequality, financialisation, chronically low demand, slowdown in investment and productivity and low growth and fewer or bad quality jobs³.

In the UK, households increased their debt to maintain consumption levels in the absence of decent wage increases. The crisis of 2007-9, and the subsequent Great Recession have proven the fragility of this model. The recovery in Britain is built once again on the shaky ground of household debt instead of a healthy wage growth.

Stimulating wages would not only improve economic performance and employment but would also help tackle unsustainable growth that is driven by debt. Higher wage and pro-labour policies can be implemented unilaterally in a large country with a substantial domestic market such as the UK, even if the rest of Europe or the world does not reverse their low road policies.

However, if only the UK takes positive action, it is possible that our trade partners across Europe could continue their aggressive wage competition policies via further decreases in the wage share.
In short, if good pro-labour policies cannot be extended to the rest of Europe, the race to the bottom on wages elsewhere could prevent UK policy makers from ensuring higher wages and better conditions.

Furthermore, the negative impact on trade balance is also more negligible when our trade partners also allow their wages and hence demand to increase.

**The role of the UK and the EU in reversing poor labour market conditions**

We have strong empirical evidence to reject the myth that we cannot have pro-labour policies in Europe in the age of globalisation⁴. The EU as a whole is strong enough to pursue an egalitarian growth strategy and would benefit from a coordinated boost to the wage share. As such, the UK and Europe could, and should, take a step forward in terms of radically reversing the fall in the wage share globally.

The empirical evidence shows that to break the vicious circle of inequality and stagnation we need alternative economic policies based on a coordinated policy mix of equality-led development and public investment⁵. The strategy of wage-led development requires labour market policies aiming at pre-distribution as well as redistribution⁶.

These include strengthening the bargaining power of labour, ensuring higher collective bargaining coverage, increasing statutory minimum wage to the level of a living wage, enforcing gender equality, introducing and enforcing pay ratios to moderate wage inequality, restoring the progressivity of the tax system, and ending public sector pay freezes.

Furthermore, income distribution policies need to be embedded into a broader macroeconomic and industrial policy mix targeting equality, full employment, and ecological sustainability.

This requires regulating finance and implementing a public investment programme centred on substantial public investment in green physical infrastructure in renewable energy, public transport and housing and social infrastructure in care, education, and health.

Again, we can work for financial regulation, tax coordination, ecological sustainability and implement a coordinated public investment policy far better at the EU level than we could on our own.

**Conclusion**

The UK together with the EU, have followed policy paths that have resulted in deteriorating labour market conditions over several decades. While the UK could reverse these trends alone, the pro-labour policies are more likely to succeed and the effects would be a lot stronger if implemented at the European level.

A 1% point increase in the wage share in the EU as a whole increases the GDP in the UK by 0.2%; this is almost double the increase that could be achieved if the UK were to implement these policies alone⁷.
References


4 See Onaran and Obst, 2015, above.


7 See Onaran and Obst, 2015, above.
The impact of EU regeneration and structural funds

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This essay considers how EU regeneration and structural investment – worth 50.8 billion Euros in 2016 (a third of the EU budget) and around 351.8 billion over the 2014-2020 period, has benefitted deprived communities in the UK. As the effects of EU policies cannot be assessed without considering the interplay between EU and national contexts, the essay considers EU regeneration and structural investment against the domestic UK context.

EU Cohesion Policy – another British contribution to the ‘European project’?

From the 1930s onwards Britain has pursued some form of regional policy to try and provide opportunity and more equal levels of economic development between her regions, focussing in particular on the heavily industrialised North and West of the UK. This follows the idea that the state should not passively assume that people should simply migrate to where there is work, but also seek to bring work and opportunity to the places where people already live.

When the UK joined the then European Economic Community (EEC) in 1973 the creation of a European regional policy had been under discussion for some time, but it was the UK joining which provided an added impetus to its development. This ensured a larger direct return on the UK contribution to the EEC budget because the UK was not expected to benefit as much as other states from the Common Agricultural Policy (CAP).

The creation of the European Regional Development Fund (ERDF) in the mid-1970s was thus an early example of how working with other countries within the EEC could benefit the UK – in this case her economically struggling regions and their communities.

The emergence of a European regional policy and the associated ‘structural funds’ was particularly significant to the UK, which was facing dramatic economic restructuring sooner than countries like France and Germany. This impacted particularly on those areas and working class communities highly dependent on ‘traditional’ manufacturing sectors. Areas of northern and western Britain bore a disproportionate share of social, economic, environmental and cultural costs of this change in the 1980s.

It is worth noting too that by this time the broad ‘social democratic consensus’ of the post-war years had given way to the rise of neoliberal influence on the state and public policy advocating less state spending and intervention to address the consequences of economic and social change. Economic turbulence, mass unemployment and urban unrest in the 1980s, reinforced the emergence of ‘urban regeneration’ which sought to address urban ‘problems’, typically in what Thatcher famously described as “those inner cities”.

Urban policy was increasingly dominated by Central Government which privileged an increased role for the private sector. There was even talk within government of “managed decline” for certain major urban areas such as Liverpool. Such thinking would have been unthinkable to post-war British governments of any political hue prior to the neoliberal ascendancy. Crucially it remained unacceptable to a number of key actors in the UK (notably the pro-European dirigiste Michael Heseltine) and at the highest levels within European institutions.
Regional policy was in fact sustained as an idea and financially supported — notably after 1989 by the EEC. EU funding programmes provided opportunity and hope to communities devastated economically and socially by economic change and the state’s campaign against certain industrial sectors and communities (e.g. initiatives such as ‘RECHAR’⁵ which provided EU support to communities affected by pit closures).

**Impact on investment, jobs and on deprived communities**

As the 1990s arrived, the shocking truth was revealed that, based on their GDP figures, some areas of the UK were now eligible for the highest level of European regional policy support (called ‘Objective 1’). This was despite the UK having one of the largest economies in what was now called the EU. Through the 1990s, EU structural fund support in certain regions such as Merseyside helped regenerate the physical environment and ameliorate social conditions through initiatives like the ‘Pathways Communities’ programme⁶.

The requirements of EU funding such as the partnership principle and need to ‘match fund’ projects (meaning the member state had to contribute too) and the need to manage Structural Fund programmes also obliged national government to think about how it would deliver regeneration.

New institutions such as regional government offices were created in part to oversee EU regional programmes and played a role in tailoring policy to regional needs and feeding back such needs to Whitehall. The fact EU funding operated over a cycle of 6-yearly budgets gave more certainty over resources for a longer period. It also facilitated many investments which would not have been possible otherwise⁷.

Following the arrival of New Labour in power, EU structural funding priorities and programmes dovetailed with national initiatives such as ‘urban renaissance’, social inclusion and neighbourhood renewal. EU structural funds played a role in fostering faster growth in some previously ‘lagging’ areas such as Merseyside, South Yorkshire and the Highlands and Islands.

They also played a role in the physical transformation of places scarred by the economic decline and dereliction and neglect of the previous decades. Such changes were more than cosmetic for those who had had to endure such conditions. In many places projects to foster a renewed, more attractive and dynamic public realm received support from EU funds.

On the other hand, the entry of less prosperous nations into the EU in the mid-2000s had a so-called ‘statistical effect’, meaning that the average level of GDP per head level in the EU fell. Regional disparities were now much greater in the new EU of 28 rather than 15 states.

This made the UK regions which had previously been amongst the poorest in the EU appear relatively more prosperous against EU averages and resulted in the UK overall receiving less EU structural fund investment (though Cornwall and Isles of Scilly actually saw its allocation rise)⁸.

Today EU Structural Funds account for approximately 33.9% of the EU budget and fund area based, sector based, and people-focused investment. From 2014 to 2020, €16.4 billion is allocated to the UK amounting to 255 Euros per person⁹. The European Social Fund (ESF) continues to fund actions which can benefit working class communities with the UK programme focussing on reducing inactivity among young people and the long-term unemployed¹⁰.
As with any placed-based investment there are mixed views about the effectiveness of EU structural investment funds. But there is evidence that disparities in revenue & employment were declining in the EU before the 2008 financial crisis.

The impact on local autonomy
The symbolic and political value of EU structural funds to some places and the opportunities they have opened-up for empowerment of local decision-makers and communities should also not be underestimated. Access to EU funding and the European stage has enabled some cities and communities to regain the sense of worth and dignity which was stripped from them in the national context in the latter decades of the 20th century, through negative media and political stereotyping about certain places.

The renaissance of cities like Liverpool cannot be attributed solely to EU programmes, but the idea that major cities in the north of England can be described as international centres, ‘European Cultural Capitals’¹¹ or ‘powerhouses’ can no longer be as blithely dismissed by a London centric media and a home counties born and educated political elite.

It was notable too that in the early 2000s when a new EU regional policy was being discussed, many UK local authorities supported the EU Commission’s proposal for a larger EU budget rather than that advocated by the UK and other net contributor states. In other words the best way for some UK regions to get a larger share of UK national resources to spend on improving social, economic and environmental conditions in their areas was to see UK monies routed through the EU.

But returning to the idea of bringing the “People to the work, or the work to the people” and recognising the concerns which some have claimed working class people have about immigration; the EU regional and regeneration funds play another role. In helping to promote development in some of the less economically developed parts of the EU they effectively help to bring some “work to the people” and hence tackle one important push factor of emigration towards more prosperous EU regions¹². EU structural and regeneration funds therefore play an indirect role in addressing issues of apparent concern to some communities and individuals in the UK even when they are not spent directly in the UK.

Conclusion
This essay has highlighted how by EU structural and regeneration spending has sought to foster rights to equal territorial opportunity for certain communities and individuals. For all the frustration which its contradictory positions generate, the EU still devotes a third of its modest (in relative terms) budget¹³ to upholding the principle that “people should not be disadvantaged by wherever they happen to live or work in the Union”¹⁴.

This is a fundamental territorial expression of the principle of social democracy and of a European social model that advocates reinvestment in people and places facing development and regeneration challenges. EU action in this field has strongly complemented urban and regional development and regeneration activity in the UK. Through its demonstrable achievements it has also provided a powerful corrective to the view of free-marketeers who claims that regeneration support to certain communities and places is an inefficient use of resources which could be better deployed elsewhere¹⁵.

Does the European Union work for working class people?
References

2 Manzella & Mendez, (2009) The turning points of EU Cohesion policy
4 See: http://www.bbc.co.uk/news/uk-england-merseyside-16355281
7 See: http://www.liverpoolecho.co.uk/news/liverpool-news/liverpool-would-died-without-euro-3441114
8 See: https://www.cornwall.gov.uk/media/3622927/Post-2013-European-Funding-Building-on-Success.pdf
9 See: https://cohesiondata.ec.europa.eu/countries/UK
10 From 2014-2020, €4.9 billion is available to fund actions in Wales, Scotland, Northern Ireland, England and Gibraltar http://ec.europa.eu/esf/main.jsp?catId=381&langId=en
11 See: https://www.liverpool.ac.uk/media/livacuk/impacts08/pdf/pdf/Creating_an_Impact_-_web.pdf
12 Please Note: This argument is separate to that surrounding the benefits of EU immigration to the UK which are significant notably for migrants from countries that joined the EU in 2004.

13 The EU budget represents approximately 1% of the Gross Domestic Product (GDP) of the 28 EU states. A small proportion compared to national budgets.

The EU multiannual financial framework (MFF) allows the EU to commit to around €960 billion of spending for the 2014-2020 period. This compares to expected UK public sector spending of £772 billion (€980.28 billion) in 2016-17.

See: http://researchbriefings.files.parliament.uk/documents/SN06455/SN06455.pdf
15 See for example: http://www.policyexchange.org.uk/images/publications/cities%20unlimited%20-%20aug%202008.pdf
The pivotal issue for the EU referendum is migration. By this I do not mean that migration is the most important factor in whether Britain should leave the EU or not; I mean that – rightly or wrongly – it has become the focal point for public discourse. While this is in part because of perceived impacts on job prospects and wages (see essay by Howard Reed), it is also a reflection of concerns over public services and community cohesion.

These is no denying that pockets of the country have been affected by migration, while other places that have barely been affected at all.

This essay focused on what these effects are, in particular how it has made the local community feel, perceived and real impacts on local services and how concerns can be addressed in a progressive way which does not put migrants themselves at risk of harm or prejudice.

**Attitudes to immigration**

Attitudes and impacts of immigration are better gauged at the local level. Take Peterborough, for example. In the past decade (2003-2013) 24,000 migrants moved into Peterborough, making up more than one in eight of the population.

These migrants were not disproportionately from the EU – in fact more were from Pakistan – but their presence will have reshaped the experience of living in Peterborough quite significantly. In 2014, the IPPR spoke to residents of Peterborough about EU migration¹, reporting that “many participants raised major concerns about EU migrants’ access to welfare, pressures on public services, crime and personal security, and wage undercutting” but also that “many participants welcomed EU migrants that came to work and contribute.”

Despite voters consistently listing migration as one of their top concerns, research around the topic is hazy and incomplete. In 2012, the Migration Advisory Committee pointed to “serious difficulties in accurately measuring the effects of migration on the availability and quality of public services.”² The King’s Fund noted that there is “a lack of reliable data on the use of health services by immigrants and visitors.” We simply do not know the extent to which fears about migration are manufactured, or based on something concrete.

This is important, because hostility to migrants is widespread – and has increased considerably in the last decade. The number of people who say that the impact of immigration has been “very bad” has almost doubled from 11 to 21%³.

The poorest, least well-educated and most insecure percentiles feel this most - including many first or second-generation migrants themselves. So when it comes to the community impact of migration, separating myth from fact is vital.

So what do we know?

**Impacts on local services and housing**

**Health services**

As migration increases the population, it increases the number of potential users of public services. One of the key arguments made against migration is that UK public services simply cannot afford the strain.

But the reality is more complex. According to Full Fact, the extent to which migrants rely on public services varies depending on the characteristics of migrants and on the service in question⁴. For example, newly arriving migrants tend to be young adults. Because of their age, they are expected to be less likely to use adult social care and most health services than the UK born.
However, they are more likely than the UK born to have young children, and so they are expected to rely more heavily on education and maternity care.

Similarly, the King’s Fund notes that “the average use of health services by immigrants and visitors appears to be lower than that of people born in the United Kingdom, which may be partly due to the fact immigrants and visitors are, on average, younger.”

But a recent report does find that the arrival of immigrants, combined with “the fact that the supply of NHS services is mostly inelastic in the short-run,” might cause a rise in waiting times in deprived areas.

On the other hand, immigrants make up a substantial part of the NHS workforce. The Kings Fund notes: “With some key areas of the NHS workforce already in very short supply, this contribution is significant.”

Housing

Recent evidence suggests that immigration decreases house prices in England and Wales. This impact is likely to be the result of UK-born residents moving out of the areas with a large migrant concentration. Whether a decrease in house prices is a good or a bad thing probably depends on the social demographic of the beholder.

One thing we can be sure of is that migration is not having any significant effect upon the supply of social housing. The foreign-born population is almost three times as likely to be in the private rental sector (39% were in this sector in the first quarter of 2015), compared to the UK-born (14%).

Education

According to the Joseph Rowntree Foundation, the impact of migration on schools differs according to the level of resources available: “Where resources were adequate, schools enhanced new arrivals’ ability to participate in the community, and new arrivals could enhance the school’s educational performance.”

On the other hand, in deprived areas new waves of migration exacerbated tensions in the local community. These were only addressed by further resources being invested in the area.

The role of mismanagement and under-funding

New Labour was (and has admitted to being) unprepared for EU migration into Britain. It failed to consider the impact of EU immigration and what would be needed to ensure it was an overarching benefit, and that secondary issues were mitigated.

This lack of preparation and lack of research has allowed speculation to develop as to the levels and effects of EU migration – which in turn has had a huge effect on community cohesion. As Simon McMahon argued for Class in 2015, the public often wildly overestimates the number of migrants in the UK, and considers the cost of EU migration to outweigh the benefit.

The government’s unwillingness to resolve long-term problems such as the lack of social housing, funding gaps in public services, stagnating wages and the neglect of certain British towns has created a climate in which hostility towards migrants has been allowed to fester.
Conclusion

More research must be done into the material effects of EU migration on British communities, so that negative impacts can be mitigated.

But the long-term solution must involve the government investing in infrastructure and public services, improving wages and addressing deprivation in order to reverse the perception that migrants are the cause of a lack of resources.

References


³ BBC How has immigration changed Britain? (2013) http://www.bbc.co.uk/news/uk-politics-22339080

“I came to Britain because I wanted a job in the music industry. There aren’t many opportunities in Spain for those kinds of jobs, so I moved to London. I’ve been here for 3 and a half years. I spent my first year working in a restaurant and now I work in a start up for a music app. If Britain left the EU it would make a big impact on my life. There would be a lot of uncertainty.

I think people who move to Britain from other EU countries are mainly young people who moved here because of the financial crisis. We don’t rely on public services as much, because we’re young, and we work.

There are three-quarters of a million people in Spain, and some Spanish people think they are just there to use the health service – which is what a lot of British people say about us!”

Irene, marketing


⁷ See Migration Observatory http://www.migrationobservatory.ox.ac.uk/sites/files/migobs/Briefing%20-%20Migrants%20and%20Housing%20in%20the%20UK.pdf


⁹ McMahon Too often public opinion about migration is based on false information (2015) http://classonline.org.uk/blog/item/too-often-public-opinion-about-migration-is-based-on-false-information
The Centre for Labour and Social Studies (Class) is a think tank established in 2012 to act as a centre for left debate and discussion. Originating in the labour movement, Class works with a broad coalition of supporters, academics and experts to develop and advance alternative policies for today.