

Chapter 2

Brexit, the UK labour market and the lessons for Social Europe

Daniel Clegg

Introduction

On 23 June 2016, the British people voted to leave the European Union (EU) by a narrow majority of 51.9% to 48.1%, on a high turnout of 72%. The vote for ‘Brexit’ was above all the consequence of a political gamble by former Prime Minister David Cameron that spectacularly, if somewhat predictably, backfired. But it also laid bare a simmering anger among large parts of the British population about the recent trajectory of the country’s social and economic development. This popular revolt against the established policy consensus occurred despite it often being argued – both domestically and by outside observers – that the UK had incrementally developed a more socially and economically virtuous policy mix than many of its European neighbours, notably because of its ‘inclusive’ labour markets and strong employment performance even in the face of the economic turbulence of the last decade. Brexit suggests a less sanguine reading of the integrative powers of flexible labour markets. While it is unlikely that departure from the EU will create the conditions for a reorientation of the British socio-economic model, there are nonetheless important lessons in Brexit – and potentially opportunities from it too – for the rest of Europe.

This chapter is organised in three parts. The first section recapitulates the chronology of the UK’s departure from the EU during 2016, a year that began with attempts to negotiate a new membership status for the UK and ended with political and legal wrangles around the terms of the country’s impending withdrawal. Section 2 reviews the debate that followed the June vote regarding the underlying causes of Brexit, particularly the weight of economically marginalised voters – the so-called ‘left behind’ – in the decision to leave the EU. It also shows that economic factors mattered for Brexit despite the UK’s apparently resilient labour market, and the absence of any meaningful aggregate-level association between high vote shares for Brexit and standard indicators of labour market performance. Section 3 elaborates on some implications of this analysis for future socio-economic reform priorities and assesses their post-Brexit prospects in both the UK and the wider EU.

1. Brexit is an amalgamation of the words ‘Britain’ and ‘Exit’, and was inspired by the similar term ‘Grexit’ first used in 2012 to describe the possibility of Greece leaving the Eurozone.

1. From the 'best of both worlds' to 'hard Brexit'

Bound by a promise first made by David Cameron in his Bloomberg speech in early 2013, the Conservative Party Manifesto for the 2015 general election pledged to negotiate a 'new settlement for Britain in Europe' and to put that agreement to the vote of the British people in an in-or-out referendum before the end of 2017. This was a concession to a vocal section of Conservative MPs, who were growing increasingly anxious about the rising popularity of the eurosceptic United Kingdom Independence Party (UKIP) (Copsey and Haughton 2014). As prior to the general election few senior Conservatives thought the party had any chance of winning an outright majority, and as it was evident that no putative coalition partner would ever join a government committed to an EU membership referendum, it seems likely that Cameron never actually expected to hold the vote. But after the Conservatives unexpectedly won an outright, if tiny, majority of 12 seats in the May 2015 election, 'real change in our relationship with the EU' suddenly ceased being mere political rhetoric and became official UK government policy.

By the start of 2016, the first phase in the process of securing this change – the negotiation with other Member States of a package of changes to the UK's terms of membership of the EU, – was reaching its climax. Following intense and arduous negotiations, at the European Council of 18-19 February the heads of state or government of the 28 Member States agreed to a set of new arrangements in line with the Treaties, though in some cases requiring amendments to secondary legislation, designed to allay particular concerns that had been raised by the UK government. Some of these, like the UK's exemption from the objective of 'ever closer Union', were essentially symbolic. Others, like a renewed drive to reduce regulatory burdens and promote competitiveness, were not the object of significant disagreement. But Cameron did win some significant concessions in the face of opposition, for example on provisions to protect Member States remaining outside the Euro area – and, importantly from London's point of view, their financial services centres – from potentially 'discriminatory' consequences of developments in Eurozone economic governance.

By far the most contentious dossier in the renegotiation related to access to social benefits for people exercising their rights of free movement (Clegg 2016). While this issue had not even been mentioned in Cameron's 2013 Bloomberg speech, in the local and European elections of May 2014 UKIP had made spectacular electoral gains after refocusing its campaign on the supposedly negative consequences of immigration (Ford and Goodwin 2014). Subsequently, the prospect of limiting the 'big financial incentive' that access to welfare benefits allegedly created for migration to the UK from elsewhere in the EU was increasingly sold by the Conservative Party as the central plank of their pre-referendum renegotiation strategy. Following the preparatory technical discussions in late 2015, the UK government's negotiating letter translated this general preoccupation into two key demands: (1) requiring a four-year period of residence for EU/EEA nationals to establish eligibility for in-work benefits and social housing and (2) limiting the ability of EU migrants to send child benefits abroad.

While these demands may have been precise and strictly bounded operationalisations of the objective of limiting access to social benefits for EU/EEA migrants, they clearly

violated the principle of equal treatment that underpins the free movement of workers in the EU. Furthermore, the governments of Poland and a number of other newer Member States considered them a direct attack on their citizens, who had moved in great numbers to the UK for work since accession. Ultimately, the best the UK negotiators were able to obtain in this area was an agreement to change the approach to calculating the value of child benefits where a dependent child is resident in another Member State (initially only for new claimants) and consensus on creating a new ‘emergency brake’ mechanism that would allow Member States facing particular migration pressures to limit access to some welfare benefits for newly arrived migrants. Unlike under the UK government proposals, however, access to these benefits would not initially be zero, even with the emergency brake in force, and instead entitlements would be phased in progressively to reach parity with nationals after four years.

David Cameron tried to present this agreement as the basis for a UK relationship with the EU that gave the country the ‘best of both worlds’ (Prime Minister’s Office 2016): retaining membership of Single Market and the benefits it brings to British citizens and businesses, but restricting reciprocal obligations to other EU citizens that the British electorate found distasteful. However, it was difficult for the UK Government to reconcile its ‘game changing’ presentation of the renegotiation with the concessions it had won – and was ever likely to win – from other Member States (Thompson 2017). The concessions were real, hard won, and went in a direction likely to be popular with UK voters, but it was implausible to claim that the UK’s relationship with the EU would be fundamentally transformed if they were implemented (Glencross 2016: 30) a fact that a hostile domestic press was not slow to point out.

The government arguably also made a strategic error in trying to counter UKIP’s politicisation of the migration issue by putting it at the centre of the renegotiation and linking it to social rights for intra-European migrant workers. Social rights for migrants within the EU has long been a controversial issue well beyond the UK, and the government could reasonably think it was an area where opinion at European level was moving towards a more restrictive position, as illustrated by high-profile Court of Justice rulings such as *Dano v Jobcenter Leipzig* (C-333/13, 11 November 2014)². However, the evidence that the accessibility or generosity of social benefits plays a significant role in migration decisions has always been very thin (Geddes and Hadj-Abdou 2016). Despite this, eurosceptics used the government’s campaign platform to portray the deal as a manifestly inadequate way of tackling what everyone now seemed to agree was the key ‘problem’ with Britain’s EU membership, namely free access to the UK labour market for workers from other Member States. To limit inward migration, they were able to argue, the only effective approach was to ‘take back control’ of UK immigration policy.

On 20 February 2016, the day after the new settlement was finalised, Cameron announced that the referendum on the UK’s EU membership would be held only four months later, on 23 June. This date was far earlier than the government was bound to by its manifesto

2. In this case the Court of Justice confirmed the legality of the decision by a social security agency in Leipzig (Germany) to deny social assistance benefits to an economically inactive Romanian national resident in the city. The judgement appeared to row-back on some earlier CJEU case law, and was widely interpreted as a restrictive ruling designed to allay mounting concerns about ‘benefit tourism’ across the EU.

commitment. The government seems to have reasoned – partly based on the precedent of the Scottish independence referendum in 2014 – that a long referendum campaign would favour opponents of the status quo and thus make a Brexit vote more likely. As UKIP had spent much of 2015 on the verge of civil war over both its leadership and its future electoral strategy (Goodwin and Milazzo 2015), a snap referendum also held the possibility of depriving the eurosceptics of any charismatic figureheads.

This hope was dashed when Boris Johnson, the high-profile, telegenic mayor of London, declared his intention to campaign for Brexit the day after the date for the referendum was announced and against the official government position. This boost to the future ‘Leave’ campaign and the chance of a Brexit vote was reflected in the financial markets, where the pound instantly fell by 2.4% to its lowest level in seven years. Whether out of conviction, political calculation or both, ultimately a full quarter of David Cameron’s cabinet would campaign against the official government position of remaining in the EU, and many of those who formally supported the government – including future Prime Minister Theresa May – would keep an exceptionally low profile. Though also officially in favour of continued EU membership, the Labour Party would play an enigmatic role in the campaign due to a combination of (1) the ambivalence of new leader Jeremy Corbyn and his closest advisors towards European integration and (2) a strategic fear of alienating its electorate by campaigning too visibly alongside the government (Menon and Slater 2016). Unlike in the 1975 EU membership referendum, the Trades Union Congress (TUC) strongly supported continued membership, though a number of its affiliates adopted a neutral stance and some – such as the RMT railway union – supported Brexit (Gumbrell-McCormick and Hyman 2017).

Having failed to secure support for EU membership even from much of the cabinet, the UK’s reformed relationship with the EU did not feature substantially in the argumentation of the ‘Remain’ campaign, which focused overwhelmingly on the economic dangers of leaving the EU – reprising ‘Project Fear’ that had narrowly prevailed in the Scottish independence referendum of 2014. The campaign for Leave was less organisationally cohesive or controlled in its messaging, but over time increasingly also focused on the core argument of immigration control. In a classically populist vein, this emphasis on immigration was complemented with explicit mobilisation of ‘ordinary people’ against ‘elites’ and ‘experts’. With the status of evidence called into question, the campaign inevitably became more emotional, playing into the hands of Brexit campaigners who made simple but powerful appeals to ‘take back control’. Having at no point attempted to articulate a genuinely positive case for European integration or cooperation, which in any case would have sounded somewhat strange on David Cameron’s lips given his longstanding criticism of the EU, the Remain side had very little to offer in return.

Despite the fatal weakness of the government strategy and the Remain campaign seeming obvious with hindsight, and with the polling data suggesting the status quo would prevail, the narrow vote for Brexit on 23 June 2016 nonetheless came as a major surprise. In Brussels and other European capitals, the reaction was one of disbelief and the mood a mixture of doom and determination. In the UK, meanwhile, the political and economic upheaval was instant. Cameron announced his intention to resign as Conservative leader and Prime Minister after a replacement had been named, while a

slew of Labour MPs also resigned their seats in protest against what they presented as the lacklustre campaign led by Jeremy Corbyn. The London Stock Exchange plunged by 8%, the pound sterling fell to its lowest level against the dollar in over 30 years, and major rating agencies queued up to downgrade the UK's credit status.

It was only after the end of Parliament's 2016 summer recess that the task of working towards some form of British exit from the EU began in earnest. By that time, it was clear that direction of this task would fall to Theresa May, Home Secretary since the election of the coalition government in 2010, who prevailed over a number of more open Brexit supporters in the Conservative leadership contest. To widespread surprise, her first cabinet appointments were nonetheless Conservatives who had been extremely vocal in support of leaving the EU, including Boris Johnson as Foreign Secretary and the historically eurosceptic David Davis as the new Minister for Exiting the European Union. With these appointments, May put the most strategically significant posts in the forthcoming Brexit negotiations in the hands of arch 'Brexiters'. What this implied about May's own views on how Britain's relationship with the EU should be recast was not clear, as she would say little on the subject beyond 'Brexit means Brexit'.

As winter approached, however, it became increasingly evident that it was unlikely that any arrangement compatible with the UK's continued membership of the Single Market – such as European Economic Area (EEA) status – would be deemed respectful of the supposed will of the British people. This was notably due to the continued overriding focus on immigration control, a goal that Theresa May had also doggedly pursued – to the reported exasperation of George Osborne at the Treasury – in her long stint as Home Secretary (*The Financial Times* 2016). Though May had formally supported Remain, her government appeared to be preparing to make a more radical break with the EU than even many explicit pro-Brexit campaigners had sought. As the prospect of this 'hard Brexit' took shape, the currency – which had rallied over the summer – plummeted to new depths.

As the implications of such a Brexit sunk in, opponents mobilised to try and stop it, notably through the courts. Following a crowd-funded legal challenge by a UK citizen, in November the High Court judged that the government could not trigger Article 50 of the Treaty on European Union – starting the process of formally leaving the EU – without consulting Parliament. But the furious reaction in the media, where the judges who ruled on the case were labelled 'enemies of the people', and from the government, which announced its intention to appeal the ruling, underscored the determination of the forces behind Brexit. The UK government would trigger the process of leaving the EU by the end of March 2017 as Theresa May had announced, and it is likely that the eventual change in the UK's relationship with the EU will be a very profound one.

2. The Brexit vote, the 'Left Behind' and the UK labour market

With such a narrow margin of victory (51.9% to 48.1%), the vote for Brexit revealed a highly divided country on the issue of European integration. National divisions were most visibly manifest, with Scotland and Northern Ireland voting strongly for Remain, while England and Wales returned clear Leave majorities. Within the nations of the UK

there was, of course, also substantial variation between regions: in England, voters in the West Midlands were 60% for Leave, while voters in London were 60% for Remain (see Uberoi 2016).

Within days of the vote, a variety of accounts began to appear in the media of what the victory for Leave revealed about contemporary Britain. More slowly, academic studies have also begun to shed more systematic light on the political sociology of Brexit. Analysis on the aggregate level, especially with the exclusion of Scotland, has shown that high Leave votes were more likely to be found in geographic areas with older populations, voters with low or no educational qualifications and in small ethnic minority populations (Goodwin and Heath 2016a). Immigration levels appear not to have been a significant determinant of a Brexit vote, though areas which experienced rapid increases in inward migration in recent years were more likely to have voted Leave. While recent changes in average wage rates had little explanatory power with respect to vote choice in the referendum, structurally lower average wages appeared to characterise areas with large majorities for Leave (Clarke and Whittaker 2016). The picture that emerged was of chronically economically depressed areas of the country voting to leave the EU, especially when they had experienced recent sudden changes in the composition of the local population.

Analysis of individual level data underscored the crucial importance for Leave voting of being older, white, poorer and less educated, but was also able to add insight into the role of individual attitudes and values (Goodwin and Heath 2016b). Far more than self-positioning on a traditional left-right scale, holding socially conservative or 'authoritarian' values appears to have predisposed individuals to a vote for Brexit, just as this explains much electoral support for populist political offers more broadly (Inglehart and Norris 2016, Swales 2016). While this observation initiated a debate into the respective relative importance of the cultural and socio-economic drivers of Brexit (Kaufmann 2016), these dimensions are at least to some extent correlated, and both were clearly significant. Their interaction can nonetheless at times be counter-intuitive: one of the single strongest attitudinal determinants of a Leave vote was being hostile to welfare (Swales 2016: 16) despite socio-economic disadvantage simultaneously being a strong predictor of individuals voting for Leave.

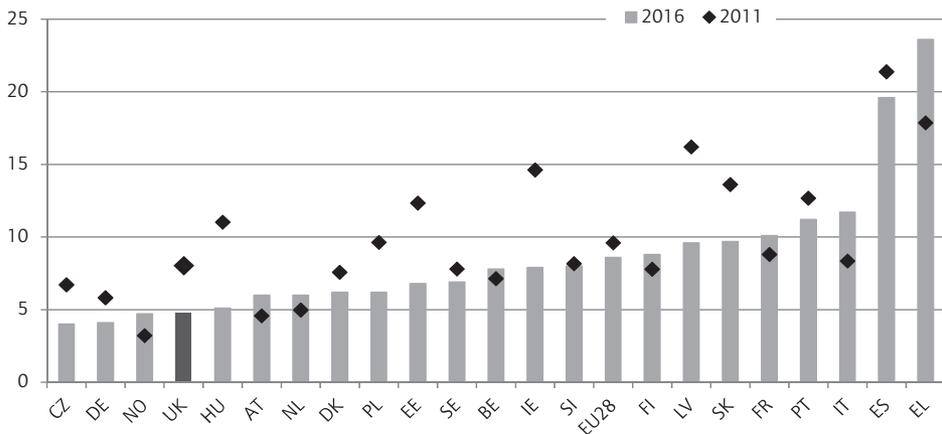
Media commentary and academic analysis has ultimately coalesced in characterising a key part of the Brexit constituency as 'the left behind', a catch-all concept that works equally well for areas as for individuals in both cultural dislocation and economic disadvantage. In these respects, it is similar to the concept of 'the losers of globalisation' (*les perdants de la mondialisation*), positioning the Brexit vote as a reaction to threats to social cohesion and stability that have come to be seen as a downside of recent trajectories of social and economic development across Europe and the developed world (Hobalt 2016; Hopkin 2017).

From the perspective of the wider European debate, however, one factor has been strikingly absent from most discussion of the importance of the left behind for the Brexit vote: unemployment. Particularly since the economic crisis, if there is one single factor that in European policy circles is seen as a proxy for the plight of the losers of

globalisation, it is unemployment. A common reading of the historiography of the Great Depression of the 1930s stresses the tight link between high unemployment and the rise of support for extremist, illiberal political movements (*e.g.* Kowall and Linder 2017). It remains a core assumption of policy making in rich countries that ‘work is the best safeguard against exclusion’ (OECD 2017: 12).

At first glance, however, Brexit is a puzzle for conventional understanding of the role of unemployment in fuelling political anger and alienation. From a comparative perspective, the UK has low unemployment and recovered quickly from the peak – also relatively low – of unemployment following the financial and economic crisis (Figure 1). In the months ahead of the referendum, UK unemployment dipped below 5%, falling to its lowest level in a decade. Nor is this a story of rising economic inactivity, which has been associated with the success of ‘toxic populist politics’ in the United States (Summers 2016); economic inactivity has been falling in the UK while it has been rising on the other side of the Atlantic (Corlett and Gregg 2015). The UK now has a comparatively high employment rate, not at the level of the Netherlands or the Nordic countries perhaps, but far above many Continental European economies.

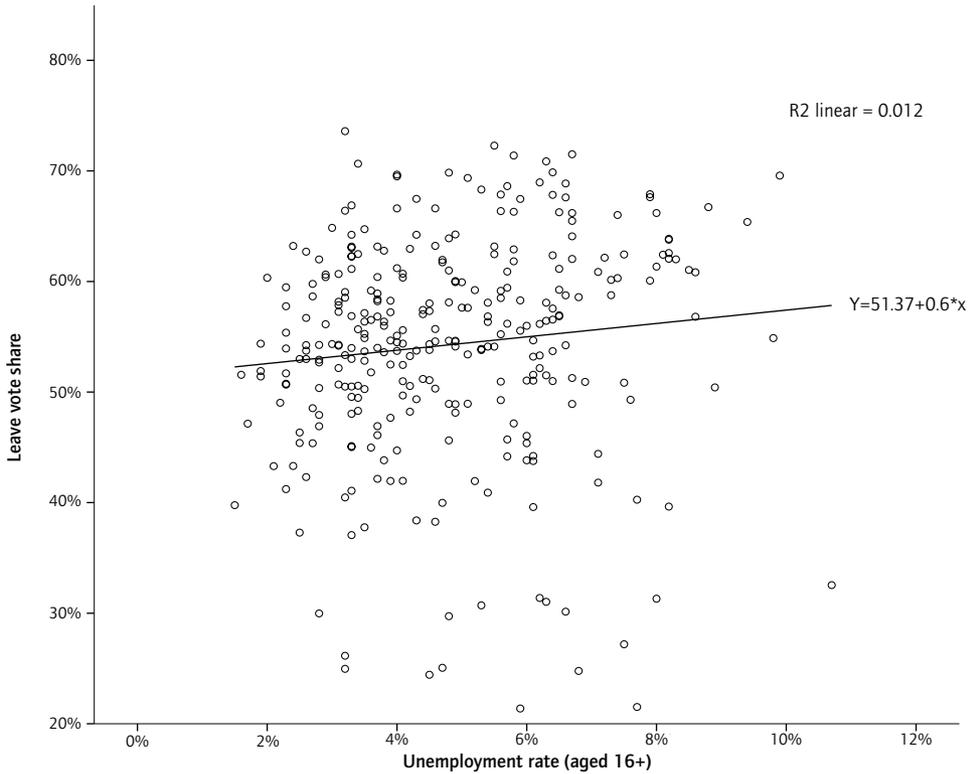
Figure 1 Unemployment rates 2011 and 2016, European Union countries



Source: Eurostat.

Local-level data confirms the absence of a meaningful relationship between unemployment and the Leave vote, even when the outlying case of Scotland is excluded (see Figure 2). Some of the regions with the lowest unemployment rates in the country, such as the East Midlands and the East of England, recorded the highest votes for Brexit. Furthermore, unemployment had been falling steadily in these areas in the run-up to the vote. The picture is largely the same for employment indicators, although Clarke and Whittaker (2016) do find a modest negative relationship between a high employment rate and the Leave vote if student employment is excluded from the analysis. All in all, though, there seems to be little that relates the conventional and most widely-used indicators for the health of the labour market with the outcome of the referendum.

Figure 2 Local authority leave vote share by unemployment rate, UK excluding Scotland



Source: Calculations from Electoral Commission (local authority vote shares in EU referendum) and Nomis (local authority unemployment rate)

What conclusions should we draw from this? Perhaps we should reason, like the former deputy Prime Minister of Poland, Jacek Rostowski, that the ‘social democratic’ explanation for the rise of anti-system sentiment is simply wrong, and that the common factor behind the Brexit vote in the UK and the electoral success of the Law and Justice party in Poland is rather that the two countries are ‘doing well’ in comparative perspective, emboldening voters to give populist solutions a chance (Rostowski 2016). This argument, however, not only contradicts the state-of-the-art studies of populist electoral success (Inglehart and Norris 2016), but also flies in the face of the aggregate- and individual-level data discussed above that links the Leave vote in the UK to indicators of labour market disadvantage other than unemployment, including low wages and incomes and lower levels of skills and education. As the UK has seen greater in median real wages since 2008 than all but three EU countries (OECD 2016) it also stretches credence to describe it as a country that is ‘doing well’, irrespective of other aspects of its economic and labour market performance.

Following from this, a more reasonable inference seems to be that the most commonly used headline indicators of labour market performance are simply no longer very

useful short hands for the health of the labour market, at least not in a country like the UK. Since the mid-1990s international comparisons have tended to focus mainly on employment rates, given well-known problems of interpretation when comparing unemployment rates across countries with very different patterns of participation among different sexes and age cohorts. Rightly, a high employment rate is considered a better proxy for an inclusive labour market than a low unemployment rate (Eichhorst and Hemerijck 2010). But in and of itself the employment rate remains quite a thin indicator of labour market inclusivity (Brandolini and Viviano 2015). For the purposes of employment statistics, someone is considered employed even if (s)he has only worked one hour in the last week, which would be considerably closer to most common-sense understandings of exclusion from the workforce than to full inclusion in it. Likewise, the employment rate tells us nothing about income – a self-employed person who derives no income whatsoever from her/his economic activity in a given week is still considered employed. A high employment rate is perhaps a necessary condition for an inclusive labour market, but it can't be seen as a sufficient one.

This is particularly true in contexts where employment relationships have become increasingly de-standardised as a result of labour market change. These trends can be seen across Europe and the rest of the developed world, as they are in part driven by common dynamics such as shifts in the global division of labour, technological change, new corporate restructuring strategies and the declining power of trade unions. But they are particularly visible in the UK, where in the name of promoting employment the active disorganisation of the low-skill labour market has been a more-or-less explicit aim of public policy for at least two decades (Rubery *et al.* 2016). Since the restrictions on individual and collective employment rights in the 1980s, the UK has maintained one of the most deregulated labour markets in the EU, with employment protection as measured by the OECD's index averaging 1.2 on a scale of 1-5 for the last decade (Coulter 2016). In parallel, and especially since the late 1990s, a dual strategy of restricting out-of-work benefits while liberalising eligibility for in-work benefits has been pursued with the aim of reducing unemployment and inactivity while subsidising the expansion of low-intensity, low-paid and low-productivity work (Griggs *et al.* 2014). Though the emphasis placed on the stick of 'activation' relative to the carrot of 'making work pay' has varied over time and under different governments, policy changes have consistently expanded the definition of work that working-age benefit claimants must be incentivised to enter (Clegg 2015). In this sense, employment quality considerations have been systematically subordinated to the aim of reducing out-of-work benefit receipt.

In relation to its proximate aims, this policy strategy was arguably a success, boosting employment while also – at least under the New Labour administrations – contributing to non-negligible reductions in poverty, particularly in households with children. But it has always been an at least implicit part the UK's employment promotion strategy that its benefits would be wider than this: the promotion of paid work was meant to play an 'integrative' function (Levitas 1998), both for individuals and for society as a whole. Following Bailey (2016), however, it is arguable that much employment in the contemporary UK labour market is itself exclusionary. He shows that as many as one in three adults of working age in the UK are in employment that fails to protect

them from poverty, leaves them vulnerable to job loss or is unrewarding and harmful to health and wellbeing. Moreover, for around a third of these people this is a durable situation, as they report no progress in their employment situation in the last five years. This highlights the logical flaw in advocating the integrative virtues of paid work while pursuing policies that undermine employment norms and standards.

For many years, labour market policy reform discourse in the UK has focused attention on the divide between workers and the workless. Labour market deregulation, activation and making any work pay have been presented as routes to job creation, the reduction of insider-outsider cleavages and thus wider socio-economic inclusion. The adverse effects these policies have had on broader norms and standards of employment have been considered as a price worth paying for making sure that nobody is left behind by being locked out of work altogether. The impressive rebound in employment in the UK after the 2008 financial crisis was celebrated by many, even when recognising that it went along with widespread wage stagnation and sharp rises in (involuntary) part-time and (often also involuntary and sometimes arguably ‘phoney’) self-employment – flexible labour markets help to ‘democratise’ the pain of economic adjustment and shocks, meaning harms are less concentrated and thus less damaging in the long run (see e.g. Portes 2012). But this begs the rhetorical question: from the point of view of political stability in democracy, does sharing harm more widely really make it less damaging?

Antonucci *et al.* (2017) have criticised the narrative of the ‘left-behind’ Brexit voter, emphasising the substantial vote share for leaving the EU among a ‘squeezed middle’ of Britons with intermediate levels of education, typical employment biographies and who self-identify as middle class – in short, groups that would often be classified as ‘insiders’ – but who also perceive their personal economic situation to be in decline. This terminological objection, however, seems to be premised on an assumption that those with conventional insider characteristics cannot be, or feel, truly left behind. Particularly with respect to the characteristic of being employed, this is in fact a similar assumption to the one that has justified more than three decades of deregulatory and activating labour market reforms in the UK. Arguably the key lesson that should be drawn from the socio-economic stratification of voting behaviour in the referendum is that this assumption is wrong. Despite and to an extent because of the UK’s successes in employment promotion, many working Britons feel insecure, unrewarded and like they are not sharing in general economic progress. Their malaise was expressed through their vote for Brexit – the long-run social and economic harms from which may be very damaging indeed.

3. Reforming the British and European Social Models after Brexit?

A key lesson to draw from Brexit in the realm of social policy, then, is that an employment promotion strategy cannot deliver on its integrative promise – or indeed on some of its other promises, such as boosting tax revenues and reducing demand for fiscal transfers (Rubery *et al.* 2016) – if employment quality considerations are totally subordinated to it. This is important because although job quality has been an official objective of European employment policy since the launch of the European Employment Strategy in

1997, from the early 2000s it became fairly apparent that quantitative objectives were largely taking precedence over qualitative ones on both domestic and European levels – in other words, that elsewhere in Europe and in EU policy coordination employment quality considerations have been to some extent subordinated to employment promotion goals too (Raveaud 2007). This has remained largely the case in more recent policy, though perhaps in part because of the rise in unemployment across the EU since the economic crisis.

What might a more balanced approach entail? In part, there is a need for a more evidence-based debate on the effects and contemporary role of labour market regulation. Though policy advice in Brussels and European capitals still frequently foregrounds the purportedly negative effects of employment protection, thereby driving a deregulatory reform agenda, the evidence that regulation is harmful to employment or increases labour market segmentation is far from compelling (Myant and Piasna 2017). As proponents of so-called ‘predistribution’ observe (Chwalisz and Diamond 2015), regulation is also a particularly useful tool for shaping market outcomes in times where both public finances and inter-group solidarity are strained.

The importance of social security in the promotion of decent work should not however be neglected. Far from being mere instruments of redistribution or insurance, as they are portrayed by predistribution advocates, social security policies in general, and unemployment insurance policies in particular, were historically just as much about underwriting and institutionalising norms of appropriateness around employment relationships – in other words, about the regulation of the labour market. It is important to reaffirm that, notwithstanding efforts in social security policy to make work pay or to activate those in receipt of out-of-work benefits, helping to uphold norms and standards in the labour market remains a legitimate and desirable function of social security. There is in any case no logic in stating a commitment to improved job quality while advocating social security policies which work against this aim. As social protection not only responds to but also structures patterns of labour market risk, there needs to be a more explicit discussion in social security policy about the types of work we want to promote and about better integrating social security issues in the job quality agenda.

But are there realistic prospects for this kind of turn in dominant social and labour market policy thinking in the wake of the Brexit vote? Perhaps paradoxically, the place where this seems least likely is the UK itself. Though swift action on interest rates by the Bank of England and a relaxation of deficit reduction targets helped to stabilise the UK economy following the June vote, with a ‘hard Brexit’ looming, the country’s economic prospects look decidedly uncertain (TUC 2016a). Economic stagnation and upward pressure on unemployment is likely to create the least favourable of climates for attempting to forge a compromise on bolstering employment rights and social protection. Indeed, if the UK economy suffers from its firms being locked out of the Single Market, pressures will inevitably grow for UK governments to seek competitive advantage through downward regulatory competition. Theresa May has already brandished the threat of the UK making social dumping an explicit economic strategy if other Member States were to seek to ‘punish’ the UK for Brexit.

Furthermore, many employment rights that British workers enjoy are either underpinned by or flow directly from EU law (TUC 2016b). The UK government may have pledged to convert the *acquis* of EU membership wholesale into British law, but this says nothing about how these domestic laws may be modified in the longer term. Given how hard they were fought by UK governments and how bitterly they remain contested by influential sections of UK business, there are reasons to be pessimistic about certain employment rights – in the areas of working time or rights for agency workers, for example – surviving in their current form following repatriation.

In this area, much will depend on the changing balance of domestic political forces. At present, political alignments do not seem so unfavourable to workers' rights. Theresa May has signalled her intention to govern from the centre, and repeatedly stated her commitment to improving the lot of Britons who are 'just about managing'. In October 2016, her government launched a Commission on Modern Employment Practices headed by Matthew Taylor, a former chief policy advisor to Tony Blair, with an explicit remit to promote a new balance between flexibility and social and employment rights and protections (UK Government 2016). Even before the Brexit vote, the previous Conservative government had introduced the first of a planned series of substantial increases in the UK minimum wage, rebranded a 'National Living Wage' – albeit alongside a package of swingeing cuts to both out-of-work and in-work social security benefits.

This hints at a deeper challenge facing any social justice agenda in the UK – the strength of anti-welfare sentiment among large parts of the British population, including and perhaps especially among those who feel 'left behind'. This has been stoked by successive governments using the opposition between 'hard working people' and benefit claimants to provide political cover for welfare state restructuring (Deeming 2015). As noted above, hostility to welfare was one of the strongest attitudinal predictors of a vote for Brexit. This deep contradiction between the strong demand for enhanced security and the equally strong rejection of many of the key policies that could deliver this will be exceptionally complicated for any UK government to manage.

In this respect, at least, the prospects for reorienting social models in the wake of Brexit look better in many other parts of the EU. Most other European countries have much stronger social insurance traditions than the UK, meaning that attempts to play on divisions between workers and welfare claimants have inherently less traction. The stronger involvement, in many countries, of the social partners in the governance and reform of social security acts as a safeguard against this risk too. This also creates institutional capacity, in principle, for better articulation of policy reform in the realms of employment protection and social security. In sum, against a recent tendency to portray robust social insurance traditions as a constraint on social model reform, it should be acknowledged that in crucial respects they are also a valuable resource.

The return, if still timid, of more solid growth across the Eurozone provides another reason for guarded optimism. Exploitation of interconnections between the recognised need for strengthening economic governance in the Eurozone and the EU social agenda may also provide the EU with greater leverage in social policy areas that remain a

national competence, as recent debates over shared unemployment insurance suggest (Andor 2016). Policy makers at European level have also not been totally deaf to the growing discontent with austerity and the pro-market emphasis of recent EU policy. This in part explains some of the steps taken to ‘socialize’ economic governance tools like the European Semester (Zeitlin and Vanhercke 2017) as well as the recent high-profile proposal for the creation of a European Pillar of Social Rights (see also Sabato and Vanhercke in this volume). Brexit furthermore eliminates perhaps the most severe case of operational and ideological inconsistency between such proposals and domestic policies (see e.g. McKeever and Simpson 2017 on European unemployment insurance); the relative exceptionalism of the UK welfare model in a European context has always been rather hard to reconcile with measures premised on stronger social insurance traditions, and Britain has long been the strongest advocate of a pro-market vision of the EU (Hopkin 2017). More generally, even if it is likely that a number of other Member States have been quietly content for the UK to do the ‘dirty work’ of opposing a strong social dimension, the withdrawal of the UK also means the removal of the most high-profile obstacle in recent years to new social legislation at European level.

It is important not to overstate the opportunities afforded by Brexit, however. If the UK does seek to secure competitive advantage by reducing rights for workers, a wider process of competitive social dumping could potentially be initiated across Europe (Gumbrell-McCormick and Hyman 2017). Anti-immigrant sentiment also remains very high across the EU, and right-wing populist parties armed with simple if chimeric policy messages about improving economic security are poised to exploit it. Meanwhile, proposals to address these issues from within the pro-European mainstream still seem to be hampered by the apparently dogged unwillingness to turn away from aspects of the current policy consensus. For example, while the recently published Commission communication on the Pillar of Social Rights devotes a full chapter to ‘fair working conditions’, the third sentence of the chapter makes reference to the need to ensure flexibility for employers to adapt swiftly to changes in economic conditions. Moreover, when referring to rights to unemployment benefits and minimum income (‘key principles’ 13 and 14), these rights are explicitly qualified with reference to the maintenance of incentives to work (European Commission 2017). Though Brexit is a massive wake-up call for the EU, it thus remains quite unclear where it will lead for Britain or the EU, in this area as others. Much depends of course on the Brexit negotiations that lie ahead, but perhaps more importantly on the capacity of pro-Europeans across the continent to articulate and work towards a credible vision for labour market reform that goes beyond employment promotion alone.

Conclusions

The UK’s vote to leave the European Union was not inevitable. David Cameron did not need to hold a referendum; high profile Conservative ministers might not have joined and lent credibility to the Leave campaign; and under different leadership the Labour Party might have made the social democratic case for continued EU membership more effectively. Once the referendum was announced, however, there was always a strong possibility that a vote for Brexit would be the outcome. As the success of populist parties

across Europe has shown, the EU is an ideal scapegoat for wider anti-system sentiments, and after years of post-crisis austerity set against a longer backdrop of rising inequality and profound economic transformation such sentiments abound.

Widespread discontent with the socio-economic status quo – the revolt of the left behind – was an important factor in the UK's vote for Brexit. As has been discussed above, this was despite the fact that the referendum took place with employment in the UK at record levels. The UK's labour market policy mix, combining deregulation, activation and making work pay, has been repeatedly justified as democratising economic opportunity by making labour markets more inclusive. What it instead appears to have done is to diffuse vulnerability and insecurity such that a large part of the British working population today feels left behind. Sharing the pain of economic adjustment and shocks may sound like a laudable objective, but unless it can be shown that burdens are genuinely being fairly shouldered by all in society then the most likely consequence is even more widespread resentment. In this sense, the UK's employment promotion strategy arguably led to broader and more explosive social divisions than the ones it appears to have helped resolve.

That the rise of anti-establishment sentiment across Europe calls for a stronger social dimension to European integration appears to have been understood, judging by initiatives such as the European Pillar of Social Rights. But what Brexit seems to suggest as needed is also a rather *different* social dimension to European integration than that which has prevailed for the last two decades. The overriding emphasis in European social and labour market policy in this period has been on employment promotion, with other considerations remaining very much in its shadow. European social policy coordination often seems to exhort other Member States to go as far in such agendas as activation and making work pay as the UK has done, while the emphasis on reducing segmentation between 'insiders' and 'outsiders' in European labour markets frequently degenerates into calls for outright deregulation.

If the lessons of Brexit are generalizable, then the empowerment of the EU to better drive a social dimension that remains rooted in the current employment promotion paradigm may only heighten the risks of Brexit contagion and, ultimately, the wider disintegration of the EU. If, alternatively, the Brexit shock can be a stimulus for attempts to articulate and support a 'thicker' approach to the promotion of socio-economic inclusion at European level, then it may still be the starting point for a virtuous circle of further integration and enhanced popular legitimacy. All that is at present clear is that the stakes are exceptionally high and serious reflection on the social and social policy determinants of Brexit is indispensable.

References

- Andor L. (2016) Towards shared unemployment insurance in the Euro area, *IZA Journal of European Labour Studies*, 5(10). Doi: 10.1186/s40174-016-0060-7
- Antonucci L., Horvarth L., Kutiyiski Y. and Krouwel A. (2017) The malaise of the squeezed middle: Challenging the narrative of the 'left behind' Brexiter, *Competition & Change*, 21(3), 211-229.

- Bailey N. (2016) Exclusionary employment in Britain's broken labour market, *Critical Social Policy*, 16(1), 82-103.
- Brandolini A. and Viviano E. (2015) Behind and beyond the (head count) employment rate, *Journal of the Royal Statistical Society (series A)*, 179, 657-681.
- Clarke S. and Whittaker M. (2016) *The Importance of Place: Explaining the Characteristics Underpinning the Brexit Vote Across Different Parts of the UK*, London, The Resolution Foundation. <http://www.resolutionfoundation.org/publications/the-important-of-place-explaining-the-characteristics-underpinning-the-brexit-vote-across-different-parts-of-the-uk/>
- Clegg D. (2015) The demise of tax credits, *Political Quarterly*, 86(4), 2015, 493-499.
- Clegg D. (2016) Welfare – the proposed restrictions to benefit for migrants and the referendum debate, in Jeffery C. and Penman R. (eds.) *Britain's Decision*, Edinburgh, The David Hume Institute, 100-104.
- Chwalisz C. and Diamond P. (eds.) (2015) *The Predistribution Agenda: Tackling Inequality and Supporting Sustainable Growth*, London, Tauris.
- Copsey N. and Haughton T. (2014) Farewell Britannia? 'Issue capture' and the politics of David Cameron's 2013 EU referendum pledge, *Journal of Common Market Studies*, 52(s1), 74-89.
- Corlett W. and Gregg P. (2015) *An Ocean Apart: The US-UK Switch in Employment and Benefit Receipt*, London, The Resolution Foundation. <http://www.resolutionfoundation.org/publications/an-ocean-apart/>
- Coulter S. (2016) The UK labour market and the 'great recession', in Myant M., Theodoropoulou S. and Piasna A. (eds.) *Unemployment, internal devaluation and labour market deregulation in Europe*, Brussels, ETUI, 197-227.
- Deeming C. (2015) Foundations of the workfare state: Reflections on the political transformation of the welfare state in Britain, *Social Policy & Administration*, 49(7), 862-886.
- Eichhorst W. and Hemerijck A. (2010) Welfare and employment: A European dilemma?, in Alber J. and Gilbert N. (eds.) *United in Diversity: Comparing Social Models in Europe and America*, New York, Oxford University Press, 201-236.
- European Commission (2017) *Commission Recommendation on the European Pillar of Social Rights*, C(2017) 2600 final, Brussels, 26 April 2017.
- Ford R. and Goodwin M. (2014) *Revolt on the Right: Explaining the Support for the Radical Right in Britain*, London, Routledge.
- Geddes A. and Hadj-Abdou L. (2016) An unstable equilibrium: Freedom of movement and the welfare state in the European Union, in Freeman G. and Mirilovic N. (eds.) *Handbook of Migration and Social Policy*, Cheltenham, Edward Elgar, 222-238.
- Glencross A. (2016) *Why the UK Voted for Brexit: David Cameron's Great Miscalculation*, London, Palgrave Pivot.
- Goodwin M. and Milazzo C. (2015) *UKIP: Inside the Campaign to Redraw the Map of British Politics*, Oxford, Oxford University Press.
- Goodwin M. and Heath O. (2016a) The 2016 Referendum, Brexit and the Left Behind: An Aggregate-level Analysis of the Result, *Political Quarterly*, 87(3), 323-332.
- Goodwin M. and Heath O. (2016b) *Brexit Vote Explained: Poverty, Low Skills and Lack of Opportunity*, Joseph Rowntree Foundation. <https://www.jrf.org.uk/report/brexit-vote-explained-poverty-low-skills-and-lack-of-opportunities>
- Griggs J., Hammond A. and Walker R. (2014) Activation for all: welfare reform in the UK, in Lødemel I. and Moreira A. (eds.) *Activation or Workfare? Governance and the Neoliberal Convergence*, New York, Oxford University Press, 73-100.

- Grover C. (2016) *Social Security and Wage Poverty: Historical and Policy Aspects of Supplementing Wages in Britain and Beyond*, Basingstoke, Palgrave Macmillan.
- Gumbrell-McCormick R. and Hyman R. (2017) What about the workers? The implications for Brexit for British and European labour, *Competition & Change*, 27 March 2017. Doi: 10.1177/1024529417698514
- Hobalt S. (2016) The Brexit vote: A divided nation, a divided continent, *Journal of European Public Policy*, 23(9), 1259-1277.
- Hopkin J. (2017) When Polanyi met Farage: Market fundamentalism, economic nationalism and Britain's exit from the European Union, *British Journal of Politics and International Relations*, 19(3), 465-478.
- Inglehart R. and Norris P. (2016) *Trump, Brexit and the Rise of Populism: Economic Have-Nots and Cultural Backlash*, Harvard Kennedy School Faculty Research Working Paper, RWP 16-026.
- Kaufmann E. (2016) *Brexit Voters: NOT the Left Behind*, The Fabian Society. <http://www.fabians.org.uk/brexit-voters-not-the-left-behind/>
- Kowall N. and Lindner F. (2017) Right wing populism and the social question, *Social Europe*, 11 April 2017. <https://www.socialeurope.eu/2017/04/right-wing-populism-social-question/>
- Levitas R. (1998) *The Inclusive Society? Social Exclusion and New Labour*, Basingstoke, Palgrave Macmillan.
- Menon A. and Slater J-P. (2016) Brexit: initial reflections, *International Affairs*, 92(6), 1297-1318.
- Myant M. and Piasna A. (2017) Introduction, in Piasna A. and Myant M. (eds.) *Myths of employment deregulation: how it neither creates jobs nor reduces labour market segmentation*, Brussels, ETUI, 7-22.
- McKeever G. and Simpson M. (2017) When worlds of welfare collide: Implementing a European unemployment benefit scheme in the UK, *European Journal of Social Security*, 19(1), 21-44.
- OECD (2016) *OECD Employment Outlook 2016*, Paris, Organisation for Economic Co-operation and Development.
- OECD (2017) *Understanding the Socio-Economic Divide in Europe*, Paris, Organisation for Economic Co-operation and Development/Centre for Opportunity and Equality. <https://www.oecd.org/els/soc/cope-divide-europe-2017-background-report.pdf>
- Portes J. (2012) Flexible UK workers are staying in work – but we must invest in job creation, *The Guardian*, 16 May 2012. <https://www.theguardian.com/commentisfree/2012/may/16/flexible-workers-invest-job-creation>
- Prime Minister's Office (2016) Prime Ministers Statement on EU Renegotiation, 3 February 2016. <https://www.gov.uk/government/speeches/prime-ministers-statement-on-eu-renegotiation-3-february-2016>
- Raveaud G. (2007) The European Employment Strategy: Towards more and better jobs?, *Journal of Common Market Studies*, 45(2), 411-434.
- Rostowski J. (2016) Why today's politics do not mirror those of the 1930s, *The Financial Times*, 28 July 2016. <https://www.ft.com/content/08760186-4a9f-11e6-8d68-72e9211e86ab>
- Rubery J., Kaizer A. and Grimshaw D. (2016) Flexibility bites back: the multiple and hidden costs of flexible employment policies, *Human Resource Management Journal*, 26(3), 235-251.
- The Financial Times (2016) Theresa May is pragmatic reformer but tough on immigration, 7 July 2016. <https://www.ft.com/content/38e535f6-4443-11e6-9b66-0712b3873ae1>
- Summers L. (2016) Men not at work, *The Financial Times*, 23 September 2016. <https://www.ft.com/content/eb0c4aa4-80b5-11e6-8e50-8ec15fb462f4>

- Swales K. (2016) Understanding the Leave Vote, NatCen/The UK in a Changing Europe. http://whatukthinks.org/eu/wp-content/uploads/2016/12/NatCen_Brexplanations-report-FINAL-WEB2.pdf
- Thompson H. (2017) Inevitability and contingency: The political economy of Brexit, *British Journal of Politics and International Relations*, 19(3), 434-449.
- TUC (2016a) Taking the Temperature of the Post-Brexit Economy: Britain's Economic Prospects after Leaving the EU, London, Trades Union Confederation.
- TUC (2016b) UK Employment Rights and the EU: Assessment of the Impact of Membership of the European Union on Employment Rights in the UK, London, Trades Union Confederation.
- Uberoi E. (2016) European Union Referendum 2016, House of Commons Library Briefing Paper, CBP 7639, 29 June 2016.
- UK Government (2016) Taylor review on modern employment practices launches, Press release, Department of Business, Energy and Industrial Strategy, 30 November 2016. <https://www.gov.uk/government/news/taylor-review-on-modern-employment-practices-launches>
- Zeitlin J. and Vanhercke B. (2017) Socializing the European Semester: EU social and economic policy co-ordination in crisis and beyond, *Journal of European Public Policy*, Published online 30 August 2017. DOI: 10.1080/13501763.2017.1363269

All links were checked on 13.11.2017.

