

Letter to friends (2): why Britain voted to leave, and what to do about it

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Nicholas Barr, whose [Letter to friends](#) was read more than 425,000 times before the referendum, looks to the future – seeking a meeting ground between freedom of movement and control of immigration. He explains that the division is partly between younger and older people, partly between different parts of the UK, and partly between skilled and unskilled workers. He argues that EU negotiations are not enough, but need to be accompanied by wider policies to address the concerns of the losers from globalisation, to create a balanced discussion of migration, and to recognise the position of younger people and of Scotland and Ireland.



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Summary

My [Letter to friends](#), posted in late May, explained why I would vote Remain. Since the referendum, many of the same friends have asked ‘What now?’

The specific ‘What now?’ is about relations with the EU and the wider world. Options include:

- ‘Norway’: remain in the EU single market but accept that this comes with free movement;
- ‘Canada’: a bilateral trade agreement with the EU, without free movement but accepting lower access to the EU market, particularly for services;
- Based on World Trade Organisation (WTO) rules without any specific agreement with the EU, but accepting significantly less access to the EU market.

Most of this note is not about making and implementing that choice – daunting though the task is – but about the implications for policy of the deep divisions that the referendum made clear.

- Between metropolitan and non-metropolitan areas;
- Between Scotland and Northern Ireland and the rest of the country;
- Between people with more skills and those with fewer;
- Between older and younger people.

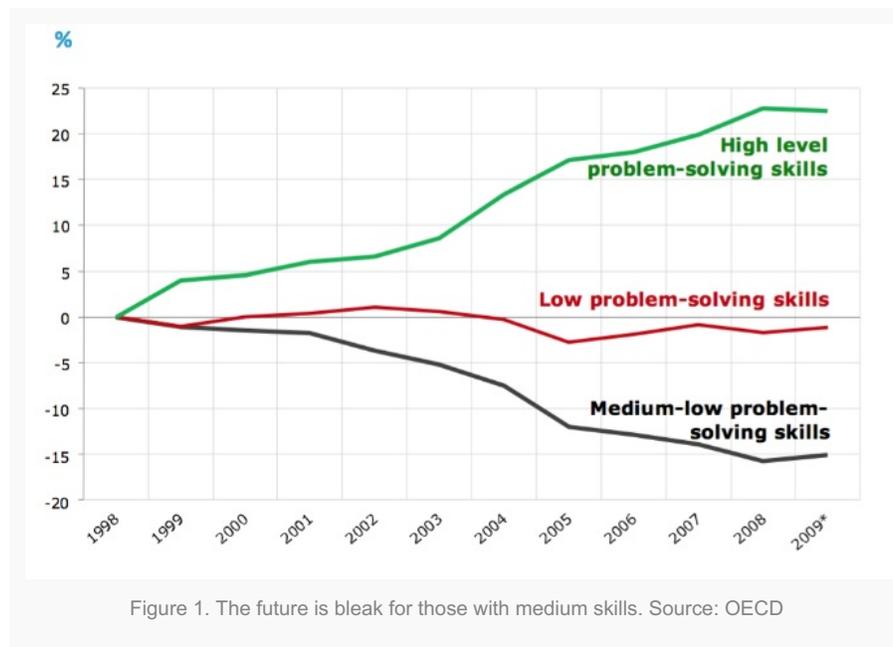
Those divisions mean that the agenda is much wider than negotiating a new relationship with the EU. It must also tackle at least three other areas:

- Sharing the gains from globalisation more equally;
- Ensuring an open, informed and balanced discussion of immigration and carefully-designed policy;
- Recognising the claims of groups who voted heavily to remain, notably younger people and the populations of Scotland and Northern Ireland.

Drivers of change

Technological change: Globalisation has benefits but leaves some people out

What economists call 'skill-biased technical change' has increased the demand for highly-skilled workers. As Figure 1 shows, employment of people with high-level problem-solving skills has increased, with a hollowing out of the demand for medium skills.



A second element is globalisation. A combination of free movement of capital and instant communication makes it easier for firms to move production abroad, creating downward pressure on wages, particularly for medium and lower skills.

Two conclusions stand out:

- Globalisation generally benefits countries by increasing trade.
- **But** the benefits do not flow evenly. Not all countries benefit ([Economist, 6 February 2016](#)). And within a country there can be losers, mainly those with lower skills.

Social change: Much progress, but also disagreement

In the 1950s people mostly got married and mostly stayed married, and mostly the men were the breadwinners. Male homosexuality was illegal. London underground trains had 5 smoking and 2 non-smoking carriages. Eating out was rare, and mostly fish and chips, Indian or Chinese. If you wanted wheelchair access, forget it. Boys collected

cigarette cards of (mostly English) footballers. Amateur and professional cricketers had separate dressing rooms. Till 1956 there was only one television station. In the 1960s, with virtually no pop music on the BBC, pirate radio stations broadcast from offshore ships.

Today, family structures are more varied and more fluid: people get married (or not), and may divorce. There are women bishops, CEOs, airline pilots, and members of the MCC and (almost) all golf clubs. Gay marriage is legal; smoking in public places is not. Eating out is common and varied (the skittle alley in our village cricket club is out of action once a month for an oversubscribed evening of Thai food). Tickets for the London Paralympics sold out. Many boys (and some girls) wear Messi shirts (an Argentinian playing for a Spanish club). Unlimited music and videos are available via smartphones, and satellite dishes allow access to television globally.

Though many regard these changes as progress, there is disagreement. Some people think that change has not been fast enough, for example, unfinished business on gender equality. Others, including some older people and the digitally disadvantaged, regard change as too fast.

Immigration creates overall economic benefits, but also costs in some localities

Some facts. Despite their political importance, neither the flow of new immigrants nor the total of foreign born is out of line with other countries.

- In 2015, net immigration of EU citizens was 184,000 and of non-EU citizens 188,000 ([Office for National Statistics 26 May 2016](#)). Overall UK net migration was 2.54 per 1,000 persons; in the USA, Canada and Australia it was 3.86, 5.66 and 5.65 ([World Factbook](#)).
- In 2011, 13% of the UK population was foreign born ([Office for National Statistics 2013](#)). The figures for the USA, Canada and Australia were 13.5%, 21.3% and 21.9%.

The benefits of immigration. Historically there have been great benefits, from the Huguenots to today's nurses, care-home workers and skilled researchers in the IT and biotech sectors. Immigrants are net fiscal contributors and '[t]he contributions of those who stay in Britain may well increase. It is a new form of foreign direct investment' ([Economist, 8 November 2014](#)).

The argument that immigration reduces the number of jobs for Brits (economists call it the 'lump of labour fallacy') though intuitively plausible is wrong (see Nobel economist Paul Krugman, [New York Times 7 October 2003](#)). Instead, the job market adjusts – computerisation has not created a large army of unemployed former bank clerks. Overall, immigrants add to domestic demand, which helps to generate employment.

But not everyone benefits. A rapid rise in population – an increase in the domestic birth rate or immigration – can create bottlenecks in access to local services. The problem is not immigration *per se*, but population increase, particularly in smaller towns which cannot as easily attract more doctors, nurses and teachers (in contrast, London, with considerable immigration, has greatly improved school performance since the mid-1990s ([Blanden et al. 2015](#))).

Who voted Leave

I have corresponded with people who voted Leave thoughtfully, for example to repatriate decisions currently taken at EU level. There are many such people. If that was the whole story, this note would be about future arrangements with the EU. But that is not the whole story. Many people voted to leave for very different reasons, and to get future policy right it is important to understand those reasons.

Globalisation. Alongside rising pay for the highly skilled, a large group of people experience low pay, zero-hour contracts, insecure jobs and austerity-driven benefit cuts, face a decline in social housing, and cannot even dream of getting on to the property ladder.

Immigration. An overlapping group see immigration as harming their job prospects. The counter argument is that it is not immigrants who are responsible for zero-hour contracts, but successive governments who have chosen to compete with flexible labour laws and low, tax-subsidised wages, rather than (as in Germany) through high investment in skills.

Others worry about immigration for less specific reasons, with evidence that those less exposed to immigration are most opposed to it. Large cities with many immigrants, including London, Edinburgh, Glasgow, Manchester, Liverpool and Bristol, all voted heavily for Remain. Whatever the facts, resentment is a reality that policy cannot and should not ignore.

Social change. A further overlapping group, many of them older people, see British culture changing in ways that they do not like.

In sum. A person might vote leave out of anger even if not in their economic interest. But that makes it sound as though people voted irrationally. Instead, policy must recognise that **if people regard themselves as losers from globalisation, it is rational to vote against more of the same.** The area that voted most heavily to leave was Boston in the East Midlands.

'The median income in Boston is less than £17,000 [the national average is over £26,000 ([Office for National Statistics](#))] and one in three people have no formal qualifications... Filled with disadvantaged, working-class Britons who do not feel as though they have been winning from European integration, immigration, and the global market, Boston turned its back firmly on the status quo' (Matthew Goodwin, [UK in a changing Europe 4 July 2016](#)).

The same, highly recommended, article quotes Robert Ford's explanation to those of us who voted Remain of the way the world looks in places like Boston:

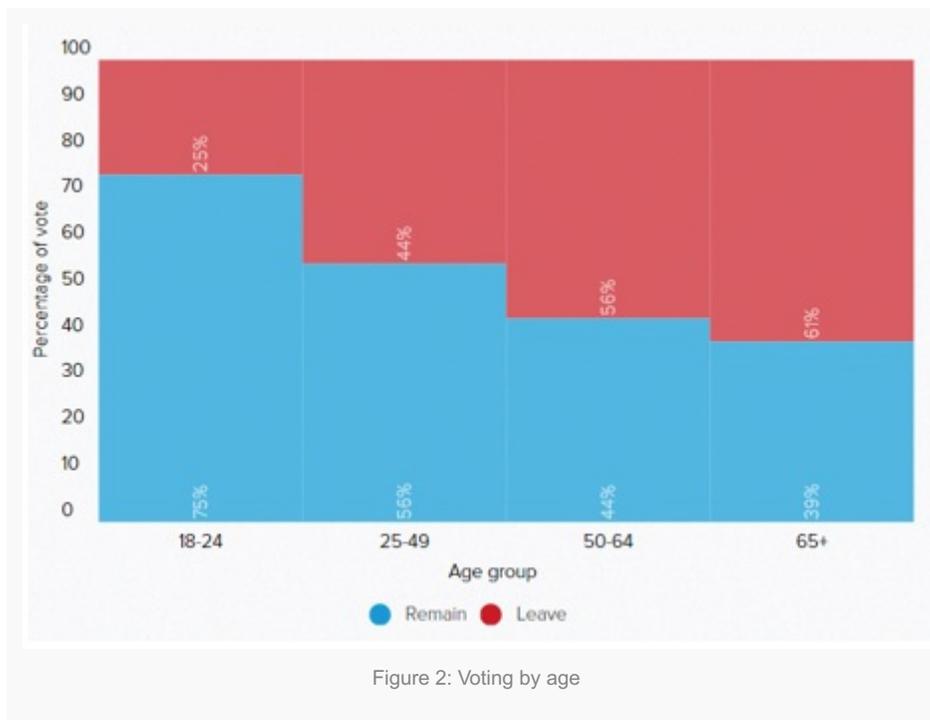
'Feeling upset by wrenching social change that has been imposed on you by people whose values you don't share or understand? Now you know how UKIP voters have felt'.

Who voted Remain

Younger people. As Figure 2 shows, 75% of voters between 18 and 24 voted to remain.

'[T]he younger generation has lost the right to live and work in 27 other countries. We will never know the full extent of the lost opportunities, friendships, marriages and experiences we will be denied. Freedom of movement was taken away by our parents, uncles, and grandparents in a parting blow to a generation that was already drowning in the debts of our predecessors' (reader comment, [Financial Times, 24 June 2016](#), heavily quoted on Twitter).

Such cries of distress are the mirror-image of those in the previous paragraph.



Source: [Politico](#), based on a YouGov exit poll

Turnout for the 18-24 group was almost double the figure initially reported.

'At a rate not seen for two decades, 64 per cent of the age bracket opted to vote on June 23, based on in-depth polling ... analysed by professor of political science and European politics Michael Bruter and Dr Sarah Harrison of the LSE' ([Independent 10 July 2016](#)).

This is a generation who understands how connected the world is today. A 24-year-old was born after I got my first email address. They have grown up online. With a few clicks they can share what people in other countries are wearing and listening to. They take Facetime and Snapchat as a natural part of their world. They take it for granted that the Premiership has many foreign players. They travel widely.

They feel angry. They will feel more angry when they face the realities of applying for a French work permit, or when their European boyfriend's or girlfriend's student visa expires and they cannot stay and work in Britain.

'So what?', some might answer. One response is intergenerational fairness – giving young people as good a start as possible. A more mundane answer is potential economic damage:

- The loss of visa-free work makes it harder for UK firms to recruit from a large talent pool (all the more since such recruitment often starts on an informal temporary basis);
- And a decline in the attractiveness of the UK labour market risks the loss of skilled British workers to more attractive international environments elsewhere.

Science, which is highly internationally collaborative, faces the same risks (see [BBC 19 July 2016](#)). The loss of free movement makes the UK a less good base, simultaneously reducing the inflow of scientists *and* increasing the likelihood that British scientists will choose to work elsewhere.

Scotland and Northern Ireland. Every voting district in Scotland voted to remain. A [second Scottish referendum](#)

could have a different result from 2014.

The Northern Ireland vote to remain was largely concerned with the Irish peace process (see [Guardian 19 July 2016](#)). With both parts of Ireland in the EU, people shop on either side of the border depending on the pound/Euro exchange rate. UK exit puts at risk free movement, a key element in the peace process. It is not surprising that the number of applications by Northern Ireland residents for Republic of Ireland passports has generated a plea for patience from the Republic's passport authority.

What to do about it

How did this happen?

- People on the rough end of globalisation are angry, but did not wish or intend to harm the young.
- Many older people are angry: they may feel misled in the 1975 referendum or may be unhappy at social change. But mostly they did not intend to harm the young.
- Many young people are angry but do not condone the failure to address the downside of globalisation.
- Governments in other countries are angry that a schism in the UK is taking up so much of the international agenda when so much else needs attention.

But anger is not a policy. Policy needs to address a genuine conflict of world view: **the flip side of 'gaining control of our borders' is reducing the right of younger people to live and work in 30 countries** (the UK, the EU, Norway and Switzerland).

Globalisation: More attention to the needs of losers

If globalisation creates overall benefits but at the expense of some groups, it is good economics, good politics and good social policy to share the benefits more equitably. We have not done so, instead cutting benefits for the working poor and reducing social housing.

Policies should include:

- More and better vocational training to increase skills;
- More generous in-work benefits in the short run, and over the medium term a higher minimum wage and reduction of zero-hour contracts and casual labour;
- Better support for people seeking work;
- Improved family support;
- Policies, including housing policy, addressed at poor communities as a whole.

These policy areas all need more resources *and* a longer-term view of policy.

The argument for higher spending on these areas is based not only on social justice, about which views can differ, but on tackling the divisions which the referendum brought out so vividly.

'Mrs May needs to win over the disaffected millions who chose to leave the EU as a protest and who in recent years have seen no improvement — even a worsening — of their prospects' ([Financial Times, 15 July 2016](#)).

In emphasising the needs of the less-well off on the day she took office, the Prime Minister's statement explicitly

recognised the point.

Immigration: A ‘proper’ discussion and carefully-designed policy

Immigration benefits the country as a whole but creates resentment for several reasons.

- ‘[The campaign] released a latent racism and xenophobia in all sectors, and challenges the prevailing consensus of tolerance and acceptance’ (the Archbishop of Canterbury, quoted in the [Guardian, 8 July 2016](#)).
- Discussions of health include the ‘worried well’ – people who are worried about their health when there is no need. The analogue are people who think that immigration harms their prospects, or might do so, when that is not the case.
- A third problem arises if a rapid increase in population stretches local services.

As with globalisation, successive governments have failed badly. Many politicians have not contradicted a culture in which immigrants are blamed for social problems not of their making. Because immigration is politically contentious, few politicians have pointed out its benefits, e.g. the 100,000 EU citizens working in health and social care, or that the UK has less immigration than the USA, Canada and Australia. Failure of political leadership has prevented balanced, realistic and humane discussion.

This diagnosis suggests the following policy directions.

- Robust rejection of racism and xenophobia.
- Dissemination of credible facts and independent analysis to ease misplaced worries.
- Policies that address local pressures on social services, on which government has done a very bad job. In 2008, the government created a Migration Impacts Fund to provide extra resources to local authorities with rapidly rising populations. But the fund was small (about £35m per year), abolished in 2010 and reinstated in 2015. The policy is right, but the scale needs to be greatly increased.
- Wider policies to address immigration include a medium-term view of training. Short-term spending cuts, for example for training nurses, has led to hiring more nurses from other EU countries.

Free movement: Policies that respect the aspirations of young people, Scotland and Ireland

The best way to accommodate the young, the Scots and the Irish is to continue to allow free movement. But the only way to contain immigration is to introduce some new controls.

Assessing the balance between free movement and control of immigration should take account not only of the costs of access to the single market, such as the net UK fiscal contribution and the acknowledged problems of the EU, but also its benefits. Membership of the world’s largest market brings direct economic benefits, greater influence over trade rules and greater leverage in negotiations with third parties. The single market is so large that no other trading power can ignore its clout in negotiations. And as discussed, Brits also benefit from immigration, and many benefit from living in other EU countries.

A partial solution is a [proposal](#) by my LSE colleague Richard Bronk to exclude students and young graduates from net-migration numbers and exempt students and recent graduates of *bona fide* university courses below, say, the age of 31 from tougher post-Brexit entry rules. Youth mobility is hugely valuable for the UK: it creates high-skill networks, helps project UK soft power, and contributes to the economy by allowing firms and universities to hire recent graduates on short-term basis. Crucially, these advantages put little or no pressure on places that feel threatened by immigration. Bronk points out that youth mobility is already a well-established concept in UK immigration law, with [a long-standing scheme](#) allowing young people from countries including Australia, New Zealand, Canada, Japan and Taiwan to work in the UK for up to two years below the age of 31. Youth mobility

assists the life-chances of young people and also the UK's social and economic integration with its European neighbours.

In a fuller solution, sometimes referred to as 'Norway-plus' ([Economist 2 July 2016](#)), the UK would remain part of the single market but with some control over numbers to prevent peaks. Ideally, such control would be an agreement that all member states could introduce some flexibility. The argument is that a freedom that is desirable in principle and was workable in practice for an EU comprising six countries with similar incomes is a less-good fit for 30 countries with widely different incomes, when movements of large numbers of people create pressures in recipient countries while depriving lower-income countries of some of their most dynamic young people. Introducing some control over numbers would be a strategic change that would have to be justified in terms of its benefits to the EU as a whole.

To end on a personal note, having spent my career teaching the (mostly) young and writing about [the role of the welfare state](#) in tackling disadvantage, the clash between the losers from globalisation, concerned about immigration, and the young, who want free movement, is particularly vivid. 'Norway-plus' does not give either side everything it wants, but does provide a genuine meeting ground. Any other solution will perpetuate existing divisions.

A minimal reading list

On diagnosis:

Matthew Goodwin, [Why Britain backed Brexit](#)

Andrew Higgins, 'Wigan's Road to 'Brexit': Anger, Loss and Class Resentments' [New York Times, 5 July 2016](#)

On ways forward:

Martin Wolf, 'Global elites must heed the warning of populist rage', [Financial Times 19 July 2016](#).

Leader in the [Economist 2 July 2016](#)

Richard Bronk, [Let young people move: why any post-Brexit migration deal must safeguard youth mobility](#)

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This post represents the views of the author and not those of the BrexitVote blog, nor the LSE.

Nicholas Barr's [Letter to friends: this is why I will vote Remain in the referendum](#).

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