

OUR WORK, funded by the Nuffield Foundation, maps out the potential consequences of the Brexit vote for social policy in the UK. We take a broad understanding of ‘social policy’, covering policies affecting employment, living standards and working conditions, as well as the traditional pillars of the welfare state – education, health and housing. Drawing together existing evidence and analysis, we explore the multiple ways in which European Union (EU) integration has affected these aspects of our lives, and hence the far-reaching implications of the Leave vote.

The referendum, political change and social policy

Regardless of what happens next, the referendum itself had significant implications for British politics. The following 12 months saw a change of Prime Minister and then the loss of the Conservative majority in Parliament. At least partly influenced by the referendum result’s message of disaffection, Theresa May brought a new rhetoric to the premiership: her first Downing Street speech focused on injustice and social mobility, marking a sharp change from the austerity agenda of the Cameron-Osborne era.

In practice, substantive policy change has been limited. Most of the £12 billion of cuts to social security pledged by the Conservatives in the 2015 election had already been announced by 2016, so although new Chancellor Phillip Hammond pledged no further welfare cuts, it was too late to make much difference. The four-year freeze on working-age benefits has continued, and the two-child limit was implemented nearly as planned, though with the important concession that children born before April 2017 would not be affected. The government has ploughed on with the implementation of universal credit in the face of evidence of serious problems and real suffering. This could, in part, be due to the ‘Brexit bandwidth’ effect – Brexit has squeezed the capacity of ministers, civil servants and the media to focus on other areas. Possibly, if the referendum had gone the other way, problems with universal credit would have had more traction and the system would have been scrapped or overhauled by now.

On the other hand, in both education and housing, Theresa May’s administration has opened up clear water with the direction of policy before the referendum. It was Cameron’s intention to make all schools academies by 2020; the May government abandoned this goal, and one-third of secondaries and three-quarters of primaries remain under local authority control. On social

What does Brexit mean for social policy in the UK?

The expected date for Britain to leave the European Union, March 29 2019, has come and gone, but the nature of the UK’s future relationship with the European Union remains uncertain. One thing is clear, however. The eventual outcome of the current deadlock will shape policy options and lived experience in the UK for many years to come.

Kitty Stewart, Kerris Cooper and Isabel Shutes **present the findings of a recent project mapping out some potential consequences.**

housing, May’s tone has been very different to that of her predecessors. Her government chose not to implement elements of the 2016 Housing and Planning Act, including fixed-term tenancies and a ‘pay-to-stay’ policy which would have required higher earning social housing tenants to pay higher rents. Universal credit housing costs were also reinstated for 18–21-year-olds. In some areas of policy, then, an unintended consequence of the referendum has been protection from potentially damaging reforms.

Brexit: the economy

Looking ahead, one of the main ways in which future UK social policy will be affected by Brexit is indirectly, via the effects on the economy. Economic growth has been slower since the referendum than pre-referendum forecasts, attributed to lower business investment and to higher inflation resulting from the depreciation in sterling.¹ The long-term economic consequences remain highly uncertain, in part because we do not yet know what form Brexit will take, but also because the move is unprecedented and the effects so wide-ranging, involving simultaneous shocks to trade, migration, financial services, regional aid and more.

However, most analysts are clear that the scale of the predicted effects will depend heavily on the nature of the UK's future trading relationship with the EU, with much larger negative effects linked to 'harder' forms of Brexit (such as trading on World Trade Organization terms) than to scenarios in which the UK remains closely aligned with the single market and part of a customs union.²

There are several ways in which economic effects may be expected to feed through into the social policy context. First, growth drives employment and wage growth, so slower growth will affect average living standards.

Second, the rate of growth determines the level of tax revenues and hence the possibilities for public spending: faster growth expands the fiscal envelope and vice versa. Reductions in growth so far are estimated to have already more than cancelled out the size of the UK's net contribution to the EU: there is no 'Brexit dividend' – no extra money for the NHS, despite the promises on the big red bus.³ Looking forward, civil service estimates project increases in annual borrowing in 2033/34 of between £20 billion and £80 billion compared with the status quo, depending on the form Brexit takes.⁴

Third, the effects are likely to be felt differently across regions, sectors and skill levels, depending on the extent of exposure to EU trade and the share of migrant workers, with implications for economic inequalities. Whitehall estimates project the largest losses for the north of England, West Midlands and Northern Ireland, and other studies have also suggested a deepening of regional inequality after Brexit, with areas already left behind most affected by the decision to leave.⁵ One group at particular risk may be workers in process, plant and machine operative occupations, often older men with specific skills.⁶

Could there be compensating effects for lower-educated workers as a result of lower competition from migrant workers? There is some evidence that higher migration has had small negative effects on wages of low-skilled workers, so a reduction in migration could have small positive consequences.⁷ But the effects are very small: the fall in the pound after the referendum raised prices by 1.7 per cent, and this is almost certainly a larger effect than the effect on wages and employment of all the European Economic Area (EEA) migration since 2004.⁸

An end to free movement

The second main way in which Brexit will affect social policy is via changes in migration. The end of free movement has been a 'red line' for May, and though future migration policy outside the EU has not been agreed, tighter restrictions on EU migrants look very probable. In addition, a weaker economy and perceptions of a less tolerant society may reduce interest in the UK as a destination for migrants.

Lower levels of migration are likely to have a significant impact on the delivery of public services, especially health and social care. Against a backdrop of a shortage of workers, 10 per cent of doctors in NHS England are EU nationals, with higher percentages for some specialisms.⁹ In 2015, almost a third of newly registered nurses had trained in the EEA, while EEA nationals also play an important role in delivering social care.¹⁰ In addition, EU migrants comprise a large share of workers in the construction industry, and are therefore relevant for the supply of housing: 18 per cent of the home-building workforce comes from an EU country; 50 per cent of the workforce in London.¹¹

Of course, lower EU migration would also reduce *demand* for services. In areas of high immigration, it is possible that some UK-born citizens may benefit from shorter waiting lists for housing or health services. But, in general, these effects are expected to be outweighed by the impact on service delivery. The evidence tells us that EU migrants do not use health or housing services any more than UK-born citizens – if anything, somewhat less.¹² And under a range of assumptions, EU migrants make a net contribution to public finances, paying more in taxes than they take out in benefits or use in services.¹³

To take the example of social housing, access for UK-born households has been slowly falling over time. But while immigration is one reason, the more important driver has been sales of

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housing stock alongside a lack of new construction.¹⁴ Tight fiscal conditions and a fall in the construction workforce mean the problem is likely to be made worse, not better, by Brexit.

One solution for the UK would be to train and employ more UK-born workers. New bursaries could offer better opportunities in healthcare for UK youngsters, and pay and conditions in social care could be made more attractive. But both strategies require substantial investment. Current staff shortages and recent cuts to training funds for nurses and midwives raise questions about the likelihood of this happening, particularly given fiscal constraints.

Finally, we must remember that an end to free movement will also have substantial implications for the social rights and lived experience of EU citizens in the UK. Facilitated access to permanent residence may potentially *enhance* access to social rights compared with the increasingly restrictive approach in place prior to the referendum. But those who do not obtain settled status – perhaps because of a lack of information or inadequate evidence of residence – may find themselves entirely excluded or subject to greater restrictions. Among future migrants, divisions in security of status and rights between those in higher-skilled and higher-paid jobs and those in low-paid work are likely to emerge.

Wider consequences of leaving the single market

Beyond the loss of free movement, there are wider implications of leaving the single market for social policy, especially in the health and higher education sectors. In health, patients are likely to face poorer access to new medicines in the long run if the UK fails to remain a member of the European Medicines Agency. A UK regulator would need to assess each drug itself, and pharmaceutical companies tend to prioritise applications to larger markets like the EU and US.

Single market exit will also mean more limited access to healthcare for UK citizens in EU countries, whether they are there as overseas residents, tourists or UK-based patients looking for the best treatment options. This would also carry a financial loss for the UK: the cost of meeting the needs of European visitors using the NHS is estimated at less than one-fifth the cost other EU states pay to treat British tourists.¹⁵

For universities, Brexit could mean the loss of access to EU funds and collaboration, as well as a smaller pool of talent for research and

teaching staff; between them, these developments may damage the long-run reputation of UK higher education.

Human and workers' rights

Once outside the EU, the UK will no longer be subject to the Charter of Fundamental Rights enforced by the Court of Justice of the European Union. Certain rights will still be protected in domestic law under the Equality Acts (2006 and 2010), but there will be important gaps, including the freestanding right to non-discrimination, the rights of the child and the right to dignity. Furthermore, protections in the Equality Acts can be amended; in the absence of a UK constitution, they are not constitutionally protected.

The UK *will* remain subject to the European Social Charter (though in practice there are not strong mechanisms for enforcement) and the European Convention of Human Rights enforced by the European Court of Human Rights, though this only covers civil and political rights and offers weaker remedial mechanisms than was made available by the Charter of Fundamental Rights.

There is no reason why Brexit would automatically lead to a weakening of social and employment rights, but they become vulnerable, and UK citizens could also miss out on any future progress made by the EU. In the past, UK governments have pushed back against regulations on working time and the rights of part-time and agency workers. 'Taking back control' may therefore mean diluting protection, especially given the need to attract inward investment once outside the EU. Workers' rights are also likely to be affected by trade agreements. Commitment to matching provision on rights could be a condition of a close trade relationship with the EU. But in the absence of such an arrangement, rights might become vulnerable in attempts to secure trade deals with other countries.

Procurement and industrial strategy

It has been argued that leaving the EU will leave the UK government freer to pursue policies that are ruled out within the single market, including targeted industrial strategy and some public procurement approaches, such as imposing pay ratios on contracted companies. It is also suggested that Brexit could offer an opportunity to limit the extent of competition involving private providers in the NHS in England. While these points are valid, it is also true that a wide range of actions are currently allowed within the EU to support national industries and local suppliers. To date, the UK has made less use of

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Lower levels of migration are likely to have a significant impact on the delivery of public services

these abilities than some other member states, casting doubt about how different UK policy will be on the outside. In some areas, such as the insistence on competition between providers where there is a purchaser-provider split in healthcare, EU policy is adopting or reflecting practices that have been pursued unilaterally in the UK.

In any case, it is not clear that the UK will have full freedom to make its own decisions, even if it leaves the single market. Accepting EU competition laws may well be a condition of an EU-UK trade deal. In the absence of such a deal, the NHS could become vulnerable, especially in negotiations with the US, with American private healthcare providers and pharmaceutical companies seeking greater access to the UK market. The NHS secured exemptions from a further opening to competitive pressures in EU-USA negotiations over the Transatlantic Trade and Investment Partnership, but UK negotiators are likely to be in a weaker position.

The implications for child poverty

What do the range of implications explored here mean for children and for child poverty? Indirect Brexit effects are likely to be felt keenly by children. The effects on relative poverty have been projected to be small for most scenarios, but inflation caused by currency depreciation is already squeezing real incomes with particularly severe effects in working-age households in receipt of cash benefits, which are currently frozen in cash terms.¹⁶ Children will also be affected by a smaller fiscal envelope, meaning less cash for health, education, early years and children's social care. Children whose home circumstances are least able to shield and protect them will be those for whom reductions in public services will have most impact.

There are also ways in which children in more vulnerable households may be particularly at risk from more direct Brexit effects. Children living with adults working part time, long hours or in precarious employment have all benefited from EU legislation and hence may be affected by dilutions in workers' rights.

Finally, children from other EU countries are in a potentially weak position. If they are living in the UK already, they are dependent on adults in their households to seek settled status on their behalf before the deadline. If they arrive in the future, their access to social rights and entitlements including, healthcare and social security, may be at risk, depending on the immigration status of their parents and guardians.

Aside from pursuing the closest possible future relationship with the EU, there are actions the government could take, in principle, to mitigate some of these potential effects; they are not inevitable. But these actions require not only political will, but economic resources. Projections for reduced economic growth are likely to make things very difficult, even if the will is found. ■

Kitty Stewart is Associate Professor in the Department of Social Policy at the LSE and Associate Director of LSE's Centre for Analysis of Social Exclusion, **Kerris Cooper** is a Research Officer at the Centre for Analysis of Social Exclusion and **Isabel Shutes** is Associate Professor in the Department of Social Policy at the LSE

For the full report, see K Stewart, K Cooper and I Shutes, *What Does Brexit Mean for Social Policy in the UK?*, Social Policy and Distributional Outcomes Research Paper 3, Centre for Analysis of Social Exclusion, London School of Economics, February 2019

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