



Brexit: the UK Social Policy Implications

Briefing from the London School of Economics and Political Science (LSE)

Overview

- A major new LSE review has found that **Brexit poses a major risk to the delivery of social policy objectives across the country**, and the Government must put in place urgent plans to offset negative consequences on priority areas including social care provision, tackling poverty, and delivering regional growth.
- The research, funded by the Nuffield Foundation and undertaken by Dr Kitty Stewart, Dr Kerris Cooper and Dr Isabel Shutes in LSE's Centre for Analysis of Social Exclusion (CASE), **analyses social and economic data to predict the effects on key social policy areas of the UK leaving the single market and ending free movement of workers**. It encompasses issues affecting living standards and employment conditions, as well as the traditional pillars of the welfare state – health care, education, and housing - setting out in stark terms the effects leaving the EU is likely to have.
- Underpinning the research is the fact that nearly all economic analysis points strongly towards lower economic growth under all Brexit scenarios. This will mean lower living standards and less money for public services – **the opposite of a 'Brexit dividend'**.
- **A fall in EU migration is also expected to have significant negative consequences for social policy**. EU migrants play a key role in delivering health and social care, as well as in construction: if numbers drop it will be more difficult and expensive to provide these services.
- The consequences for service delivery are likely to be much greater than any reduction in service demand – EU migrants use health and social housing no more (and if anything less) than UK-born citizens. They also pay on average more in taxes than they take out in benefits and services, and evidence does not suggest significant compensatory effects on wages of UK-born workers as a result of reduced competition.
- Of particular concern include the potential effects on:
 - those whose skills will leave them less able to navigate industrial restructuring;
 - those working long hours or in precarious employment, who have benefited from EU legislation;
 - those unable to afford private health or social care in the event of staff shortages; and
 - those in receipt of frozen cash benefits as inflation rises.

Required Government Action

- Pursuing a closer relationship with the EU is one way to minimise the risks to good outcomes in social policy areas, because these **risks become larger the more distant the UK's relationship with the EU turns out to be**.

- The research also calls on **Government to put in place mitigation measures that will protect the most vulnerable and help deliver positive social policy outcomes**. Key actions include:
 - increased strategic investment in education and training to support health care needs;
 - more resources for public services, in part to raise wages in social care to attract UK workers;
 - a significant and coherent strategy of regional and industrial investment;
 - commitment that UK rights legislation will keep pace with progress made in the EU; and
 - an immediate end to the cash freeze on working-age benefits, so that the most vulnerable are not hit hardest by inflation from currency depreciation.

A wide range of implications

- In terms of **social and employment rights**, the UK will no longer be subject to the Charter of Fundamental Rights. This will create gaps in human rights legislation and will leave other rights at risk because they are not constitutionally protected.
- While Government assurances are welcome, **workers' rights may come under particular pressure from slow growth**, as the UK tries to find new ways to attract investment. Rights may also become the subject of trade negotiations: commitment to matching EU standards could be a condition of a close trade relationship with the EU, but if such an arrangement is not reached these standards could be vulnerable in efforts to secure trade deals with other countries.
- New lines of inclusion and exclusion are likely to emerge within, as well as between, the categories of the UK, EU and non-EU citizen, with inequalities emerging in the day-to-day access to social provisions. These unintended consequences need to be fully understood and prepared for by the Government.
- There are also a series of wider losses associated with leaving the single market, beyond the effects of reduced migration. For example, in health, patients are likely to face poorer access to new medicines if the UK fails to remain a member of the European Medicines Agency. Universities stand to lose access to funding and EU-wide collaborations.
- Some of these outcomes may have been clear to people as they voted, but it is difficult to imagine that voters in the referendum had in mind the scale and breadth of some of the less direct effects.

Potential positive effects?

- The new research finds that there may be some small positive effects from Brexit, although these must be seen in the context of potential negative effects on social policy more widely.
- For example, Brexit may lead to a fall in house prices by reducing demand from overseas investors, which could improve affordability. A smaller financial sector could encourage a rebalancing towards other industries, pushed forward due to a lower sterling value.
- The UK could end up a slightly less unequal country, albeit a poorer one, though in part lower inequality is predicted to result from the loss of higher paid and more secure jobs, including for men working in manufacturing. There could be new employment opportunities for UK-born youngsters, as health professionals, for example, but as set out above **this will require substantial new investment in training**. Currently, the UK reaps the benefit of human capital investments made by other EU Member States.