

Brexit: blame it on the loss of industrial jobs, not on globalisation

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'Brexit is a rejection of globalisation' (Larry Elliott, *Guardian*, 26th June 2016).

Larry Elliott's claim about the causes of Brexit is stark, but one echoed, if usually in slightly more qualified fashion, by many other commentators. For example, in her [Sylvia Ostry lecture](#) in September 2016, Christine Lagarde, Managing Director of the IMF, put forward similar ideas, with the theme of 'Making Globalization Work for All'. In this view, globalisation has brought economic advantage to many, but equally left behind many others. Leave voting is explained as an expression of the anger of the 'left behind'.

One obvious qualification to such claims, linking economic disadvantage to Leave voting, is that the (small) Leave majority was most strikingly characterised by its age and educational profile (the older and least educated being strongly pro-Leave), rather than directly by economic condition. (See [here](#)). Leave was a clear victory for traditional Conservative voters, many of whom live in the prosperous South of England, rather than in less well-off parts of the country. Overall, we can perhaps helpfully characterise the Leave vote as an alliance between those who favoured 'taking back control', and those who saw the vote as a means of expressing opposition to their economic difficulties.

But insofar as Brexit reflected underlying economic discontent, is it helpful to link this to the effects of globalisation? The answer given here is that in seeking to understand the economic basis of the Brexit vote, we should concentrate not on globalisation but on the long-term impact of de-industrialisation.

In August 2016 Diane Coyle wrote 'The UK's "Leave" vote could be seen as a vote against globalisation and its uneven impact on different parts of the country, rather than a vote specifically against the EU. The proportions voting for Leave were higher in the Midlands and North of England, where deindustrialisation struck hardest and where average incomes have stagnated.' (D. Coyle, [Brexit and Globalisation](#)). Such claims reflect a common error of conflating globalisation and de-industrialisation, a confusion which ignores the clear historical evidence of the way de-industrialisation began long before the current phase of globalisation.

Globalisation has contributed to de-industrialisation, but it is only one contributor, and historically not the most important. De-industrialisation (a fall in the share of employment in the industrial sector) began in Britain in the 1950s. It was driven by shifts in patterns of demand and technological change, most strikingly in increasing the growth of productivity (and lowering the relative price) of manufactured goods.

Since 1948 the annual increase in labour productivity in services has been around 1.48 per cent, in *manufacturing* 2.78 per cent ('Industry' is normally defined as manufacturing, **plus** mining **plus** construction. Mining has all but disappeared, but construction has come to employ almost as many workers as manufacturing; productivity growth in construction is significantly slower than in manufacturing).

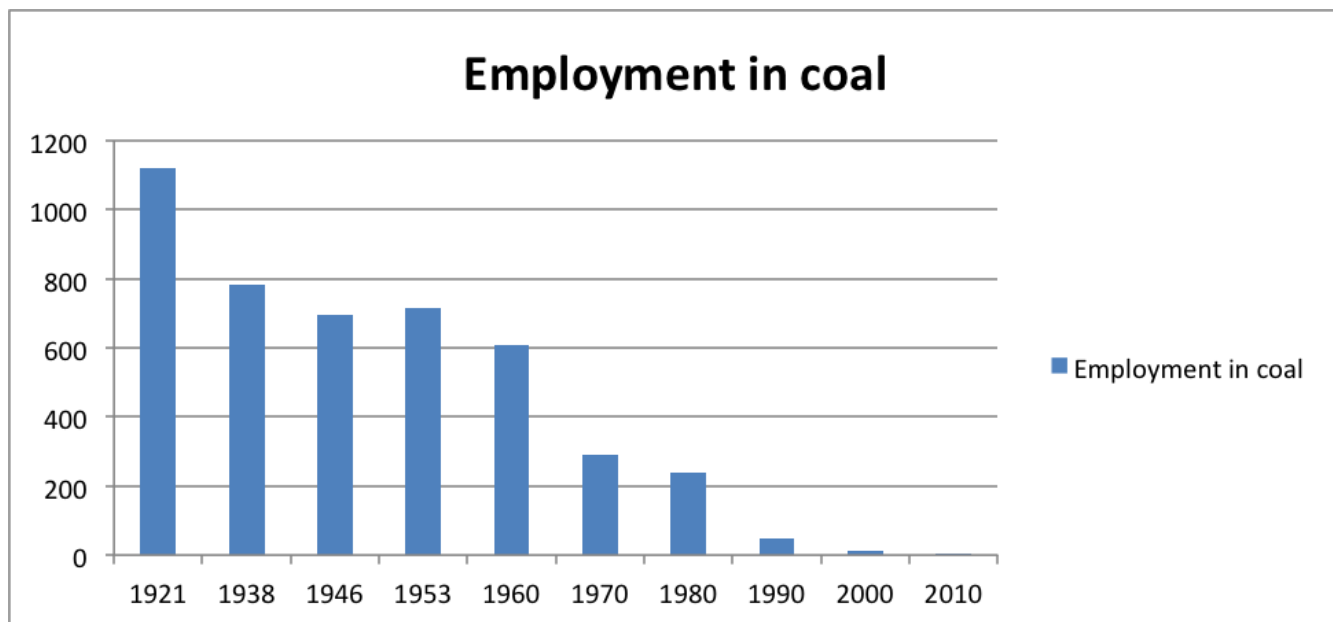
Note that the focus here is on industrial *employment*, not industrial output. That output has not fallen, but grown slowly on trend, so it is now at an all-time high.

Proportion of workers in industrial employment in the UK

1957	48%
1979	38%
1998	27%
2016	15%

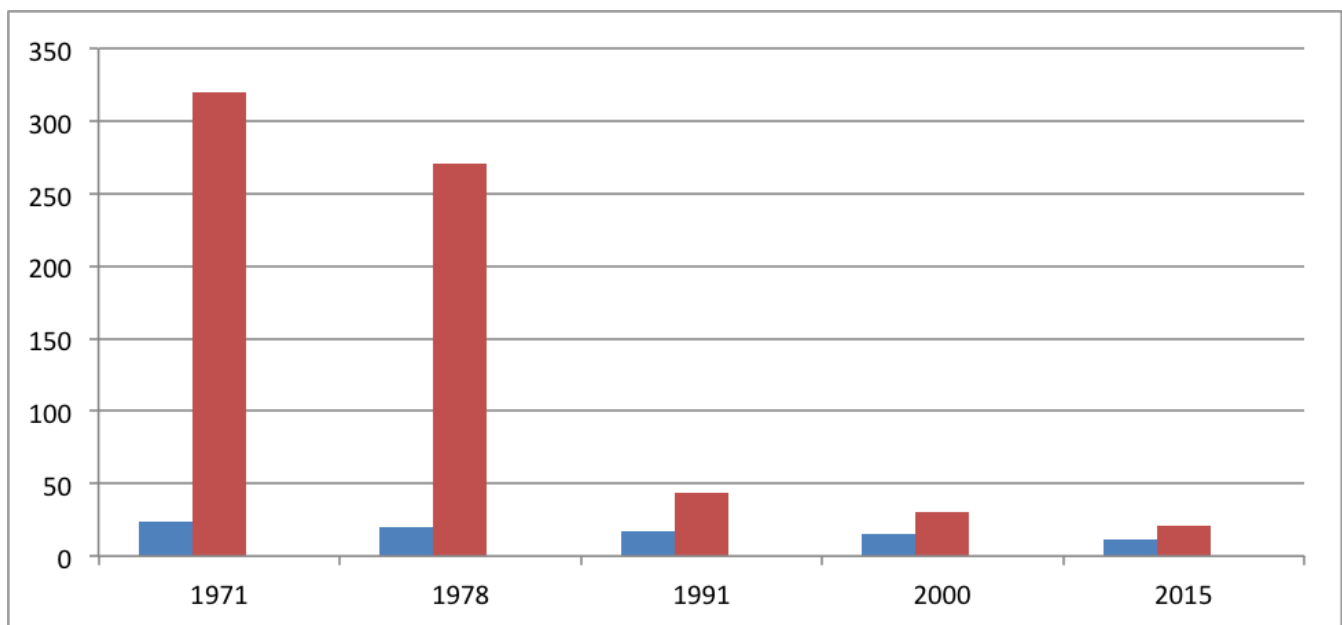
Peak employment in British industry came in the late 1950s, whilst peak employment in manufacturing alone came in the following decade. These broad trends have affected *all* industrial countries, so that industrial employment has fallen substantially even in successful industrial countries with a manufacturing trade surplus, such as Germany. German industrial employment has fallen more slowly than in Britain, but as a share of the total has more than halved since its peak in 1970.

The long-run nature of these trends is illustrated by the fact that many more coal-mining jobs were lost in Britain under Harold Wilson's government of the 1960s than under Margaret Thatcher's government of the 1980s. These trends reflected the collapse in industrial and domestic uses of coal, and latterly the shift away from coal in electricity generation.



It is true that with the decline of the British coal industry (deep-mining of coal ended in 2016), Britain has become a coal importer, with 25 million tons of imports in 2015. But if we ask how many jobs would be created if that coal were produced at home, the number would be perhaps 12,500. This is not a trivial number, but it would only take employment back to the level of the year 2000, and, of course, leave the numbers a tiny fraction of the industry's previous size.

The history of the steel industry is also highly instructive. The chart below shows employment in this industry (the red bars, in 000s of workers) alongside output (the blue bars in millions of tons). Iron and Steel has lost 95 per cent of its workforce since 1971, the great bulk of the fall coming in the 1980s (50 per cent of the fall in 1979-1981). Over the same period output fell by 50 per cent. Two points about this history should be stressed. First, we still produce a considerable amount of steel, but huge increases in productivity (and changes in the composition of output) mean this can be produced with far fewer workers. Second, the fall in output owes little to the Chinese competition which has been so much emphasised in recent discussions. *There was no big surge of Chinese imports until the 2000s; indeed, China was steel importer well into the 1990s.*



Similar stories of long-run decline could be told of textiles and clothing and shipbuilding. But also important is the story of more characteristically 'modern' industries like car manufacturing. Like iron and steel, output has diminished since the early 1970s peak, but has revived since the financial crisis to well over 90 per cent of that peak (though the composition of output has of course altered significantly). However, again because of productivity gains, far fewer workers are needed to produce a car than was the case forty years ago. While today car manufacturing directly employs around 140,000 workers, in 1972 the figure was half a million.

The loss of jobs through de-industrialisation matters because the service sector which has largely replaced industry offers far more polarised types of employment. While historically industry provided many secure and relatively well-paid jobs for those with low educational qualifications (but often with very high levels of industry-specific skills), most service activities offer much less to those who lack a high level of such qualifications. The number of very good jobs has grown in parts of the service sector, but has been paralleled by the rapid growth in numbers of poorly paid, often insecure jobs in such areas as care services and retailing.

This deterioration in the labour market has been met by an enormous growth in in-work benefits, (alongside housing subsidies), creating a wage-subsidy system costing around £30 billion per annum. This 'New Speenhamland' system has brought a striking *volte-face* in Conservative politics, with the attempt to switch some of the cost of raising sub poverty level wages on to employers by a statutory 'Living Wage'. (The Conservatives were bitterly opposed to a legal minimum wage when Labour proposed it in the 1990s – it was enacted in 1998). But this shift in

policy has only slightly dented the public expenditure cost.

Shifts in demand and technology, more than globalisation, have led to de-industrialisation. Serious errors of policy have undoubtedly accelerated this process, and compressed it into short time periods (most obviously, the extraordinary appreciation of the pound in 1979-81 as a result of the Thatcher government's policies). But overall the process has *not* mainly been policy-driven.

In responding to the economic problems that underpinned the Brexit vote, it is important to be clear that globalisation is only one part of the story. To put it crudely, if globalisation were somehow reversed, it would *not* return Britain to having anything like the number of industrial jobs that existed in the 1950s (or 1980s). *Some* increase in industrial jobs is of course possible, including by the expansion of such sectors as renewable energy. But the idea of a wholesale 're-industrialisation' which would offset the effects of the profound changes in demand and productivity of recent decades is fantastical.

While there are certainly powerful arguments for seeking to offset the impact that globalisation has had on particular groups of workers, the biggest challenge is how to make a service-dominated economy deliver much better outcomes for those who currently occupy the many lousy jobs in the service sector.

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Notes:

- *This blog post is based on the author's presentation at the 2017 Conference of the Economic History Society at Royal Holloway, University of London.*
- *The post gives the views of its author, not the position of LSE Business Review or the London School of Economics.*
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