Brexit Generation Game: How Conflict Between Old and Young Masks Welfare Challenges

by Matthew Donoghue and Mikko Kuisma
INTRODUCTION

The EU-Referendum on 23 June 2016 has served to highlight the divisions in British politics and in society more widely. In addition to the geographical divide,1 it has been claimed that Brexit has exposed an intergenerational gap. The claim is based on data demonstrating that older parts of the population voted for leave disproportionately more than the younger generations.2 Immediately after the referendum the assertion was that youth turnout had been much lower than that within the older age bracket but these claims were soon shown to be false. In fact, youth turnout was twice as high as originally thought. It was actually rather close to the national average.3 Hence, it is simply not valid to claim that the millennials had given up their right to decide. The Remainers among them were rather vocal about their disappointment after the vote. Many media outlets ran stories about the anger and resentment targeted by young people at the older generations who had, in their view, made a decision that would have a long-term impact not on their own lives but on those of the young.4

In this essay we explore the intergenerational origins of the Brexit vote and the longer-term effect of Brexit in more detail, especially from a welfare perspective. While intergenerational tension clearly played a role and was popularised in the aftermath of the referendum, contrary to some of these popular accounts, we argue here that both the past and the future of the UK welfare state in the context of Brexit depends rather more on the broader political economy framework than the intergenerational dimensions thereof. In other words, the post-Brexit welfare contract in the UK is more dependent on the longer-term trends of austerity and neoliberal retrenchment of the welfare state. Of course, these can, indeed, also lead to an intensification of the intergenerational divide. So, while they are related and interlinked, the broader political economy framework of British welfare politics is primary to the intergenerational dynamics.

THE BRITISH WELFARE SYSTEM

The UK welfare state is commonly classed as a 'liberal welfare state'.5 In practice, this means that social security benefits are modest, are aimed at poor relief and are designed to ensure that as many people as possible rely on the labour market for their income. To follow Esping-Andersen’s terminology, welfare services and benefits are highly commodified. In other words, public and social services are increasingly provided by the private and third sectors, while the state retains primarily a financing and regulatory role. Philosophically speaking, the liberal welfare state is concerned with minimal intrusion into individual lives, unless there is a case to be made that such intrusion can improve these lives and the well-being of society as a whole. After the 1980s Thatcherite reforms, New Labour carried on the neo-liberalisation of the British welfare state by embracing, to use Stuart Hall’s terminology, “managerial marketization”.6 As such, the modern neoliberal welfare state justifies intervention when geared towards increasing labour market efficiency and reducing the burden of the state,

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1 England (53.4%) and Wales (52.5%) voted for Leave while Scotland (62.0%) and Northern Ireland (55.8%) voted for Remain.
3 Seidler, 69–70.
both in terms of financial cost and numbers of people reliant on it for support. It builds on two popular discursive figures of the “taxpayer” and the “customer” who keep the wheels of the system going and who do not need to rely on public services. Therefore, the neo-liberal welfare state builds on and deepens the divisions existing in the classical liberal welfare model. The primary division sees the population being represented by two groups: those who pay for the welfare state and those who benefit from it. If compared to, for instance, the continental welfare model, largely based on wage contributions and social insurance, or the classical Scandinavian rights-based universal model, the British welfare model is one that is most affected by social stratification and stigma.

Though intergenerational transfers have always been a part of the UK welfare settlement, they have taken on a new significance in a post-crisis period characterised by austerity and a rising cost of living. Younger generations remain in education for longer, enter the labour market later, and have less access to credit (particularly if compared to the pre-crisis period). As such, the assets of the older generations are used much more readily by parents to support their children. In many circumstances, this can involve the older generation in fact leveraging more debt against their assets, such as releasing equity from their homes. There are also some transfers moving in the opposite direction, particularly in those cases where children must finance their parents’ social care.

Neo-liberal welfare retrenchment has, therefore, put extra pressure on the already fragile intergenerational contract in the UK. A common narrative is that it is, in fact, the middle generations that now feel stretched between caring obligations for both their children and their parents. For this so-called “sandwich generation” this all is compounded by the shock of finding that both private and public pensions face significant ongoing risks. Funds from public sector pensions have been placed into risky investments (in the case of the Local Government Pension Scheme, for example). Phillip Hammond, the Chancellor of the Exchequer, allegedly intends to ‘slash pension tax breaks for older savers’ in order to help ‘young voters who are struggling financially’. Finally, there have been high profile cases of private pensions being used to prop up failing companies such as British Home Stores, which at the time of collapse was running a pension deficit of £571m. Into this gap must step limited personal and family assets that are increasingly being used as a pension proxy. For the older generations their saving grace often is that their main asset is the house they live in while for the so-called “millennials” owning property is also a more distant dream. Furthermore, for them the notion of a pension that one is able to retire on is also progressively becoming more remote.

The main demographic change to affect the UK welfare system directly is the increase in life expectancy, which has put pressure on pensions. The government has attempted to

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7 Hall, 715–16.
account for this in a number of ways, primarily through increasing the statutory retirement age and also through reforms to the pension system such as automatic enrolment, in which employers must offer a workplace pension to all eligible employees and into which both parties must pay (currently 2% for employers and 2.4% for employees, rising in April 2019 to 3% and 4% respectively). Other changes include reforming pensions on ‘direct contributions’ lines, in which the burden of contributions rests primarily on the shoulders of individuals rather than the state. Although this relieves budgetary pressure on the state, it risks increasing inequality and poverty for pensioners in old age, especially given that pension contributions are linked to earnings. Thus, there is a significant threat of increased reliance on the welfare state in old age for those who are not as well off. As already mentioned, the focus is on asset ownership, which perhaps favours older generations who have firstly had more time to accumulate such assets but secondly who have been able to afford to accumulate them. Considering skyrocketing rents, utility bills and a rising cost of living in general, alongside stagnating wages, the younger generations are in a much more precarious position. Yet, as Bristow argues, to suggest this is a conspiracy on the part of the baby boomers is to obfuscate the complex and multifaceted explanation for how we ended up in this situation.

The structural makeup of the British welfare state presents problems for riding out a crisis, be that the Great Recession, Brexit, or new social risks which revolve primarily around changing family composition, ageing and greater labour market instability (e.g. precarity), all of which traditional welfare state structures are not set up to combat effectively. The pressing issue for a post-Brexit welfare state and labour market is in addressing increased employment instability and unsustainability (in terms of the quality and tenure of employment) in an era of historically low economic growth, when there has been no significant recovery even ten years on from the financial crisis. A key element of the British economic model has been to rely on the availability of mobile migrant labour to act as a pressure valve. It has also worked in this situation but many argue that in the post-Brexit world the valve might close. Indeed, there are already signs of this part of the model failing. As Afonso and Devitt argue, in order to be less dependent on immigration, Britain might have to change its whole model of capitalism.

Totemic British welfare institutions such as the NHS are continually reported as being chronically underfunded and under unprecedented strain. The current government’s solution to this is a fabricated ‘Brexit dividend’, similar to the equally fabricated pre-referendum promise of £350m per week to the NHS if the UK were to leave the EU. This is a fundamentally structural problem (whether the UK is in the EU or not) that the government refuses to address, instead blaming ‘others’ and putting the onus on those who do not have...
the wherewithal to discharge responsibilities, for example through ‘empowering’ community
groups to run public services as a local concern but with little or no funding support.

THE INTERGENERATIONAL CONTRACT IN THE UK

The relations between the baby boomer generation and the millennials is a UK theme that
pre-dates the EU membership referendum. According to research done by The Resolution
Foundation, while post-crisis employment has been robust in the UK, the millennials have
continued to experience poor pay outcomes.24 However, as Gal et al. argue, the accusation
that the ‘baby boomer’ generation hold a disproportionate amount of wealth is misleading.
This misunderstanding arises from analyses that focus primarily on state spending on
different generations. Pensions are by far the biggest item of expenditure for the UK welfare
state - 2018-19 spending on pensions sits at about £98bn, whilst 2021-22 spending is
projected to be around £105bn.25 This is compared to spending on working-age benefits,
excluding disability, of £17bn in 2016-17.26 It obscures the dynamics and levels of spending
on different generations within families.27 “Looking at the amount of cash and time working-
aged people give to their own family members, it is actually the young who turn out to get
most from society - but mainly from their parents, not states”.28

The headline from YouGov’s demographic breakdown of the EU referendum is that ‘over-
65s were more than twice as likely as under-25s to have voted to leave the European Union’. The
18-24 and 25-49 age groups contained a Remain majority, whilst the 50-64 and 64+
age groups contained a Leave majority.29 However, also important to note is that the largest
concentration of leave voters came from the south of England. Particularly interestingly for
us, ‘most leave voters are middle class, or at least were of the generation whose housing
and pension windfalls put them squarely in the category of wealthy’. According to Zoe
Williams, ‘the very most we can say is that leave had some popularity with the disaffected
and the disenfranchised; but it was not limited to that group, and the people who swung
the vote were affluent, older southerners’.30 It is fair to say, then, that the picture is mixed.
The leave demographic seems to lean towards older voters with more resources, whilst the
remain vote leans the other way. However, it is wrong to simply suggest that this represents
intergenerational conflict writ large. It is widely reported that the millennial generation will
be the first to do worse than their parents’ generation. Yet this is a very one-dimensional
perspective. Within every generation there are winners and losers who are enabled and
constrained by (un)favourable structural conditions, policy, technological change, etc.
Those coming of age in the so-called ‘golden age’ of the welfare state were able to take
more risks, but perhaps didn’t even need to take these risks. All welfare states, in one way
or another, work on the principle of contributions, be that through financial contributions
(tax, social insurance schemes), acts of good citizenship, contributing to the labour market,
or conforming to commonly accepted social norms. It is also important to highlight that
the baby boomer generation were unable to rely on intergenerational transfers from their

26 National Audit Office, 19.
28 Pieter Vanhuysse, ‘The Young May Get More than the Old out of Society – but They Get Less from the State’, The
Independent, 27 May 2018. https://www.independent.co.uk/voices/millennials-baby-boomers-welfare-state-society-
wealth-a8367256.html.
parents’ generation, whereas this has been a more viable option for subsequent generations precisely because of improvements in the economy, labour market and welfare state broadly conceived.

As Brexit is still an unknown quantity in real terms we cannot say for certain what the outcome will be for the contributors and beneficiaries of the UK welfare state. However, we can speculate based on the above that those without access to capital assets are likely to struggle to make ends meet significantly more so than those who do have such access. This is, therefore, primarily a conflict between haves and have-nots. This may of course be heavily conditioned by generational differences such as the relative affordability of housing in previous decades but it remains the case that it is the conflicts within rather than between generations that are by far the most significant.

BREXIT AND THE FUTURE OF BRITISH WELFARE POLITICS

As we have argued thus far, the notion of the intergenerational conflict as a central problem has been overplayed. Nevertheless, current conflicts within the UK, especially around the welfare state, are manifested partially through (the perception of) generational fairness and redistribution, and these will no doubt be exacerbated by Brexit. The first step to overcoming intergenerational conflict, then, is to identify the main conflicts that bear upon it. These are fairly traditional: the perennial conflict between capital and labour is the most prominent. The haves and have-nots mentioned earlier appear in each generation, and although social mobility has altered membership of these groups a little, the broad categories remain the same. Thus, good places to start would be to become serious about inheritance tax and housing. In particular, considering the increasing emphasis on asset wealth as a form of welfare provision, differentiating between inheritance taxes that penalise those redistributing assets from average-value homes, and those reaping rewards from million-pound-plus properties and/or those with property portfolios is called for. This is related to the second immediate strategy to lessen intergenerational conflict: the acute need for more genuinely affordable homes and social housing. This must mean ending (or at least significantly constraining) the accumulation of vast property portfolios (either by companies or individuals), as well as the accumulation of property in high-value areas (e.g. London, Oxfordshire, Brighton, etc.) as a form of savings scheme. If we must have a welfare system that operates on an individual’s ability to draw upon financial resources, we absolutely must ensure that all individuals have access to these resources.

Brexit is clearly a polarising process. Due to the legacy of Liberalism, the UK has a ‘soft’ social contract: the rights and responsibilities of both citizen and state are not clearly set out and can be more volatile than in other countries, and the primacy of the individual over community, society or state makes it increasingly difficult to develop a social contract that can go beyond tacit agreement. This produces a messy and contradictory ‘lived citizenship’ – the everyday and mundane practices through which people live out, claim and contest their rights and responsibilities31 – in which highly conditional provisions (e.g. social security benefits) are routinely understood as entitlements based upon years of contributions. The primacy of the individual means that throughout the Brexit campaign individuals’ sensibilities were appealed to. Discourses on sovereignty and ‘taking back control’ were aimed exactly at this - Britain as a single nation that did not want to be part of the European ‘club’; a

Britain that wanted full control over its laws and customs.\textsuperscript{32} In line with Anderson’s thinking on ‘imagined communities’,\textsuperscript{33} the notion of British control becomes individual control. British sovereignty becomes individual sovereignty; the individual’s mastery over their own lives. Yet the reality of the British political economy post-Brexit (at least in the short term) is highly likely to be significant structural constraints on spending within the context of a labour market under substantial strain, thanks to Theresa May’s ‘hostile environment’, created ostensibly to discourage illegal migration,\textsuperscript{34} that has (or will) spread to EU citizens - 2.29 million of the UK workforce as of May 2018.\textsuperscript{35}

The UK welfare state is highly stratified. This makes it vulnerable to (largely fabricated) threats from the ‘other’ – be that a ‘hoarding older generation’, a ‘feckless younger generation’, immigrants, ‘welfare scroungers’, or ‘unaccountable political bodies’ such as the EU. Within the system itself, an increasing reliance on means-testing and conditionality - which, at its heart, treats the need for benefits as an individual and behavioural rather than systemic problem\textsuperscript{36} - significantly increases competition between individuals and households facing hardship. Thus, the way the welfare regime is built amplifies and exacerbates conflict and tension, regardless of where the focus lies. More long-term, and alongside reducing reliance on financial assets as a form of welfare provision, the gradual introduction of more universal provision seems the most sensible option, considering that greater universalism reduces stratification, creates greater opportunities for political and social coalitions,\textsuperscript{37} and thus greater opportunities for meaningful social cohesion across different social divides.

Although there is an intergenerational tension in the UK, it is not the central factor driving the country’s fortunes during or after Brexit. However, emphasising this tension and elevating it to a ‘conflict’ serves the political purpose of diverting attention from more pressing and considerably more difficult structural problems. In fact, Brexit may necessitate an entirely new welfare state, as Peter Taylor-Gooby argues.\textsuperscript{38} Urgent focus is needed on how to reconfigure British social and public policy to cope with the UK’s new relationship with the EU – whether that is a hard Brexit, a Norway- or Switzerland-style relationship, or even continuing with full membership – precisely because the prospect of Brexit brings with it intense uncertainty politically, economically and socially. Reproducing discourses on intergenerational tension makes it harder to focus on these bigger issues and does little to actually address any intergenerational tension that does exist. Until we acknowledge that the core threat lies in the political economy of Brexit and the inadequacy of current institutional buffers, tensions across all sectors of society will only increase.

\textsuperscript{32}Matthew Donoghue and Mikko Kuisma, ‘British Welfare for British Citizens; or, Brexit as an Opportunity for Neoliberal Welfare State Retrenchment?’ (25th International Conference of Europeanists, Chicago, IL: Council of European Studies, 2018).


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