

Demolishing the three million jobs myth

1. The nonsense about ‘isolation costing jobs’

Intellectual flabbiness is a depressing characteristic of the Europeanism of the Whitehall and Westminster policy-making establishment. Politicians and civil servants put out low-grade analyses to justify the UK’s continued membership of the European Union, and fail to back them up with facts and figures. Unfortunately, they have ready access to the media and to a degree can manage the public debate. It is therefore of the first importance that supporters of British independence refute such arguments as the policy-making establishment does present. Perhaps the most familiar claim is that three million (or sometimes three-and-a-half million) jobs would be at risk if the UK were to leave the EU. To quote from Nick Clegg, leader of the Liberal Democrats, in an interview on BBC Radio Four on 31st October last year,

There are three million of our fellow citizens, men and women, in this country whose jobs rely directly on our participation and role and place in what is after all the world’s largest borderless single market with 500 million consumers right on our doorstep... isolation costs jobs, costs growth, costs people’s livelihood.

This claim has a superficial plausibility because of its appeal to geography. But this appeal to geography is a misunderstanding. Indeed, the whole argument is invalid and must be refuted.

Where does the three million figure come from? Roughly speaking, 30 million people are in employment in the UK. Meanwhile exports of goods amount to some 20% of our national income, with about half of these going to Europe. On the face of it, six million jobs ‘rely on exports’ in total and three million on exports to the EU by itself. However, appearances are deceptive. In this chapter I will set out two logical reasons for dismissing the Clegg proposition, and in the next I will offer compelling evidence that the UK’s association with ‘the European construction’ has actually destroyed jobs.

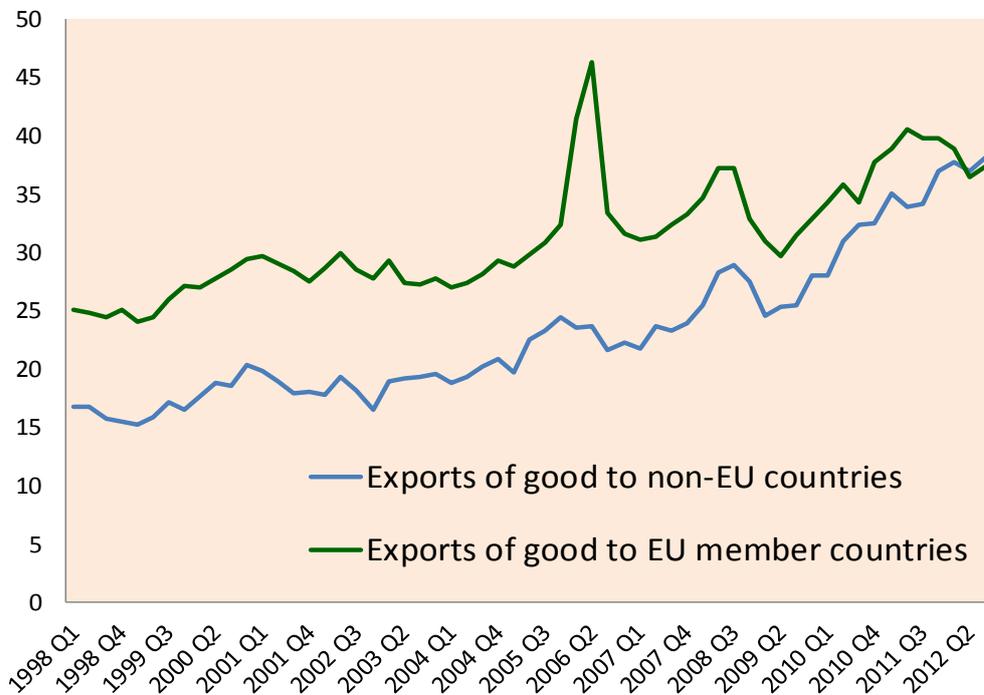
UK big exporter to nations outside the EU, with no political union

The first point arises – very simply – from Clegg’s own statement. He says that three million jobs ‘rely directly on our participation...in [the] single market’, where ‘participation in the single market’ is understood to require our membership of the EU and its institutions. But – please note – the EU is the destination for only half our exports. By implication, the UK’s remaining exports are to the rest of the world *and also generate three million jobs*. But we have not had to abandon our political independence to the rest of the world, to the nations that do not belong to the EU, in order to sell goods to them.

If three million of our citizens can sell goods to Asia, America and so on without any surrender of national sovereignty, why can three million of our citizens sell goods to the rest of Europe only if we belong to the EU and surrender the right to govern ourselves? Clegg seems to believe that our nation’s subjection to a foreign political elite and bureaucracy is a condition of trading with the other countries in Europe. But no such condition applies to our trading, of an equal size and growing much more rapidly, with the rest of the world. What is the rationale for the apparent difference between international trade in the EU and international trade more generally?

The second line of argument follows quickly from the first. The UK trades, freely and happily, with scores of countries in Asia, America and so on that do not belong to the EU. Also, as a matter of fact, Germany, France, Italy and other EU states trade, freely and happily, with scores of countries in Asia, America and so on that do not belong to the EU. Clegg is wrong to assume that political unification between nations, as in the EU, diminishes the scope for outside nations to trade with the inside members of the union. That is not how the modern world works.

Exports to the EU overtaken by exports to the rest of the world
- The UK's exports of goods, quarterly, in £b.



The EU has free trade agreements with non-EU members

Indeed, the EU has recently concluded a free trade agreement with Japan. The agreement with Japan follows earlier such agreements with Mexico and Israel. None of these three is an EU member. Japan, Mexico and Israel are independent, sovereign and self-respecting nations. Their companies are not subject to Brussels' directives and regulations, their courts are not subordinate to the European Court of Justice, their taxpayers are not obliged to fork out for regional development in Lithuania, Slovenia and so on, and they are not affected by the many other iniquities of EU membership. If the UK were to leave the EU, the EU would – almost certainly – want a free trade agreement with us, not least because the UK is a far more important market for European exports than any of Japan, Mexico and Israel. But – assuming that we have a free trade agreement with the EU – both our imports from the rest of the EU *and our exports to them* would be unchanged. The three million jobs would continue just as before.

Some people might protest that, if we left the EU, we would have no guarantee that a free trade agreement could be negotiated. In these pessimists' view the other member states would discriminate against us, keeping out our goods and punishing our investments. This too is nonsense. International relations are reciprocal, and European nations want to be on good terms with us, just as we want to be on good terms with them. The salient fact here is the UK is a massive importer from the rest of the EU, such a massive importer indeed that we run a large deficit on intra-EU trade. If they tried to keep out our goods and punish us, they would suffer more if we retaliated by keeping out their goods and punishing them. They would end up the losers.

This is most unlikely, however, and we should avoid talking in such negative terms. It must be remembered that the continent of Europe does include nations that are outside the EU, notably Switzerland and Norway (and Turkey if it is regarded as European). These nations have close and friendly commercial ties with the EU. Outside the EU the UK will have equally close and friendly commercial ties with the EU. Over the years the UK will import hundreds of billions of pounds of goods and services from the rest of the existing EU membership, whether the UK is a member of the EU or not. Similarly, over the years the rest of the existing EU membership will import hundreds of billions of pounds of goods and services from the UK, whether the UK is a member of the EU or not.

Three million jobs are not threatened by ‘isolation’

In short, the UK’s exports to the rest of Europe will flourish if and when we leave the EU. They will generate three million jobs regardless of our geopolitical status (or non-status) relative to the EU institutions. The UK will be a major exporter whether it is free, independent and self-respecting or an EU member state subject to a Brussels bureaucracy that has begun to treat it as a satrapy. Nick Clegg has totally misunderstood the basics of international economic relations in the early 21st century. He does not recognise the two big long-run trends that really matter here. First, international trade and finance are being globalized, rather than regionalized, and in this context Europe is only a region. Secondly, and perhaps more vitally, the share of Europe in global trade and output has been declining and will continue to do so because of deeply-entrenched demographic patterns.

Outside the EU the UK would not be ‘isolated’. If Clegg were right that nations outside the EU are by that fact alone ‘isolated’, then the USA, China, India, Australia and Canada are all isolated. Indeed, we can press this line of thought further. Since the USA, China, India and so on did not join the European Economic Community at its founding in 1957 and have eschewed membership of the European Union since that emerged from the EEC in 1993, the Clegg thesis implies that they have been isolated, alone in the world, for almost 60 years. If such supposed ‘isolation’ were truly a handicap in international trade and finance, we might expect them by now to be marginalized, impoverished and backward. But that is not so. On the contrary, in the last decade they have enjoyed far more rapid economic growth than the EU. That growth is one reason that they have also seen large increases in employment over that period, whereas employment in some EU countries has fallen. The Clegg assumption that EU membership translates into prosperity and jobs is at variance with the facts. The reality is that the average EU member state has, by international standards, a low proportion of its working-age population actually in employment.

The serious questions for Clegg, and indeed the whole Whitehall-Westminster policy-making establishment, are ‘do you really want your country to be increasingly bossed around by an alien bureaucracy operating from a foreign capital or to be free and independent like the 160 countries in the world that do not belong to the EU?’ and ‘do you believe that, once it is outside, the UK cannot be just as successful in exporting to the EU as those 160 countries?’. From an economic standpoint Clegg’s position is untenable. Of course he may favour continued EU membership because, deep down, he wants Britain to surrender its independence and to become one state in a United States of Europe. Fair enough, but he ought to be open about his views. He must stop waffling about three million jobs allegedly at risk from ‘isolation’. No jobs are at risk from the UK’s recovery of its full independence. On the contrary, the restoration of independence would mean that the UK again had the ability to lower taxes, lighten the regulatory burden and to pass employment-friendly legislation geared to our own national priorities. The recovery of full independence would allow positive changes in labour market policy, leading to the creation of more jobs. By contrast, over the last 30 years of ever-increasing interference in our nation by the EU’s bureaucracy, its EU taxes, regulations and legislation have destroyed jobs.

2. The facts about UK jobs since ‘joining the Common Market’ in 1973

To its credit, the current (December 2011) Conservative/LibDem coalition government has welcomed petitions from the general public on key policy issues. However, that does not guarantee that the official response to such petitions is impressive as an argument or even that it respects the truth. Consider the government’s statement in answer to a recent petition calling for a referendum on European Union membership. To quote, the government believes that EU membership is ‘in the national interest’ because the EU is ‘central’ to three desiderata, ‘how we create jobs, expand trade and protect our interests around the world’. In other words, not only is the creation of jobs in Britain said to be attributable to our participation in the European project, but the claimed creation of jobs is put first in a trinity of supposed benefits.

The rest of this chapter will show that the government’s statement is plain wrong. It is evident that the civil servants who prepared the statement had not bothered to check any relevant data. Whatever may be said of the British government’s statements in general, its views on the EU are not to be taken seriously. The discussion will be based on official statistics on employment in Britain since we joined the then European Economic Community (or ‘Common Market’) in 1973. The EEC became the European Union in 1993, but the EU is correctly understood as a continuation in a more ambitious form of the primarily economic Common Market. 1973 may therefore be seen as the start of the UK’s involvement in the long-term ‘European construction’.

The first decade of EEC membership

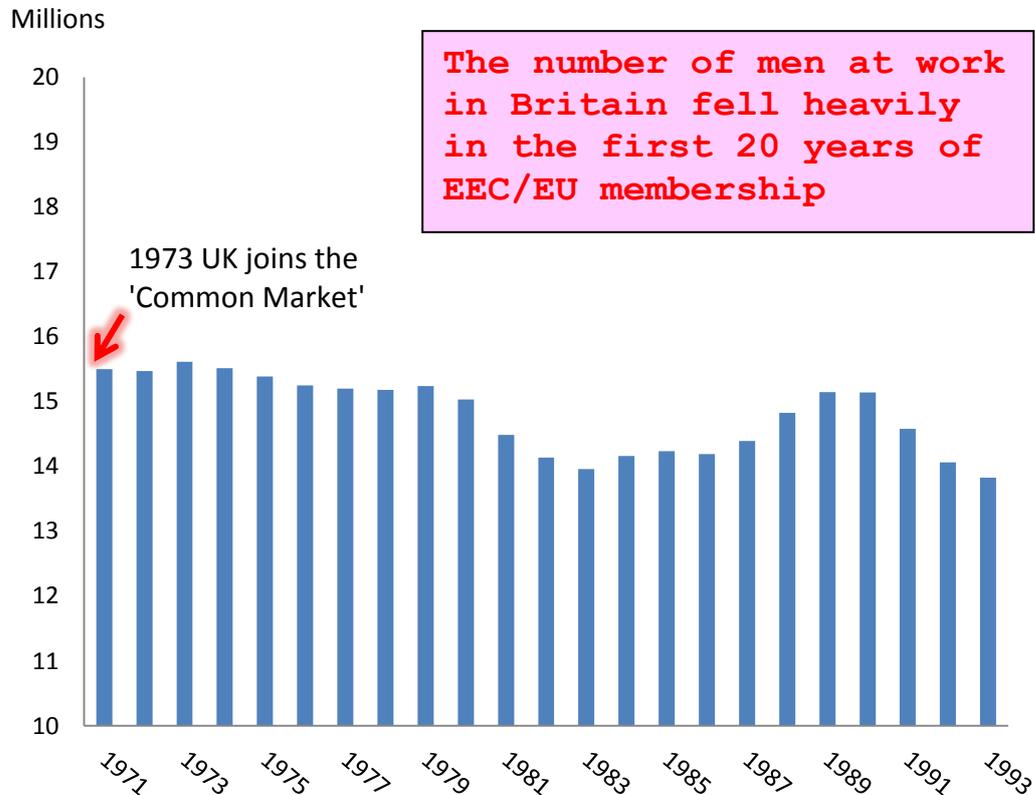
At the start of 1973 employment was 24.9 million. If Common Market membership were positive for jobs, the employment total ought to have been higher five and ten years later. What do the official figures show? In the first quarter of 1978 employment was lower, although not by much, a mere 40,000 or so. But by the first quarter of 1983 it had dropped to under 23.7 million. So the first full decade of Common Market membership saw a decline in employment – and, in that sense, a destruction of jobs – of over one million. On this basis the assertion that EEC/EU membership created jobs is false.

Of course a more careful analysis is needed to establish the underlying causes of changes in employment, since many variables in addition to the effects of Common Market membership were at work. According to the government’s statement, the EU is meant to confer on our country the advantage of trade expansion. This hints that the much-vaunted creation of jobs is to be explained by a boost to the growth rate of exports. Accordingly officialdom might argue that the 1.2 million fall in UK employment in the first decade of Common Market membership should be blamed on a host of other influences, while EU-related export dynamism by itself was good for jobs.

We have then to check whether exports were particularly buoyant in the ten years from 1973. Estimates for the UK’s exports of goods and services are prepared as part of national income accounting. They show that in the ten years from 1963 the average annual growth rate of the UK’s exports of goods and services in volume terms was 5.5 per cent, whereas in the ten years that followed accession to the EEC it was 3.9 per cent. Trade expansion was therefore weaker after we joined the Common Market than before. Again a key plank in the official platform for EU membership falls away. The government cannot say that particularly strong export growth from 1973 ought to have led to job creation, because – quite simply – export growth was not particularly strong.

In first 20 years of EEC/EU membership the UK's employment of men fell by almost two million

- Chart is of male employment in UK, annual data



And what about the first 20 years?

Closer inspection of the figures further demolishes the government position. A well-known pattern over the last 40 years is that more women have joined the workforce, reflecting such deeply-entrenched social forces as the fall in family sizes (because of birth control) and the use of labour-saving devices in the home (dishwashers, microwave ovens, high-quality frozen and prepared foods, and so on). Female employment in the UK ought to have risen strongly over the almost four decades of EEC/EU membership, regardless of that membership.

It follows that male employment is a better guide to the success or failure of the nation's economic and labour market policies, including its participation in the European project. As it happens, the numbers do show that male employment has done worse than total employment in the relevant period. In 1973 the UK had 15.6 million men in work. A decade later the figure had fallen to 14.0 million and 20 years later (i.e., in 1993, when the EEC was relabelled the EU) it was down to 13.8 million.

Twenty years of Common Market membership had been accompanied by a decline in male employment of almost two million. Where, please, is the evidence that belonging to the EEC/EU was good for jobs in those years – the first two decades of EEC/EU membership – when the effect ought to have been clearest?

Rising foreign-born employment in the Great Moderation and after

This is not to deny that over an extended period, the period of the so-called ‘Great Moderation’, benign macroeconomic conditions were associated in Britain with strong employment growth. In the 15 years to the first quarter of 2008 employment climbed, steadily and with hardly any interruption, from 25.3 million to 29.5 million. However, it is vital to delve into the statistical detail to identify whether this was genuinely to our ‘national interest’, to quote again from the government statement. The phrase ‘national interest’ begs numerous questions, but a reasonable interpretation is that it relates to the interests of ‘the British people’, where people are British by birth, residence and citizenship. By implication, the ‘national interest’ does not embrace the interests of people who do not meet these all of three criteria (i.e., of birth, residence and citizenship).

A vital point emerges from the official data. Since 1997 these data have broken down UK-born people in employment from the foreign-born. At the beginning of that year 1.9 million were foreign-born out of the employment total of 26.4 million. As is well-known, the Labour Party under Tony Blair won the 1997 general election and, without any parliamentary debate, it quickly relaxed immigration restrictions by various changes to administrative rules. Further, when the EU expanded in 2004 by incorporating eight formerly communist east European countries, it allowed free movement of labour from them into the UK. The results have been large inflows of workers from both within and outside the EU, and a dramatic rise in foreign-born employment.

At the end of last year foreign-born employment had soared to 4.1 million, an increase of 115 per cent compared with the start of the New Labour government. By contrast, UK-born employment had increased only 2 per cent, from 24.5 million to 25.0 million. Moreover, these years saw a continuation of the earlier trend towards greater female participation. As a result, the number of UK-born men in employment has declined by several hundred thousand in the 15 years since the start of the Blair premiership. Our membership of the EU, and our consequent inability to control the movement of labour across our borders, must take much of the blame for these developments.

The EEC/EU has destroyed British jobs

To summarize, significant declines in employment – and hence large-scale job destruction – characterized the first two decades of the UK’s membership of the Common Market. Since then the number of people at work in the UK has risen, but the employment gains have been disproportionately to the benefit of people born outside Britain. When an allowance is made for the deep-seated social trend towards higher female participation in the workforce, the 40 years of EEC/EU membership has done nothing for employment in our country. Indeed, the number of UK-born men in employment today is lower than in 1972, despite a substantial rise in the UK-born male population of working age. The costly and burdensome *acquis communautaire*, the body of EU law that has proliferated anti-employment directives and regulations, must be largely responsible for this setback.

The overall verdict is clear. EU membership has destroyed jobs and done nothing to boost our export competitiveness, and – from an employment standpoint – it has been strongly against our national interest. The phrase ‘economical with the truth’ entered popular usage after it was adopted by the Cabinet Secretary Robert Armstrong during the *Spycatcher* trial in 1986; it was a coinage of the British civil service to characterize a conscious attempt to deceive. The British government’s reply to the latest referendum petition is similarly ‘economical with the truth’, and must be condemned as deceitful and wrong. British government statements on the EU do not deserve to be taken seriously.