

The unexpected rise of the UK Independence Party's popularity over the last 18 months has come as a shock to the three so-called 'main parties', particularly to the Liberal Democratic Party. The LibDems are now regularly behind UKIP in both opinion polls and local government elections. Earlier this week a LibDem memo on the threat from UKIP was leaked, with suggestions about how best to counter criticism of Britain's membership of the European Union. One point came out clearly in this document, that the LibDems' core argument is that 'EU membership is good for jobs'. The Lib Dems intend to push the slogan, 'In Europe, in Work'.

The LibDems' claims are tripe. The truth is that EU rules and regulations destroy jobs in all the member nations and particularly so in the UK. Three main arguments can be developed. First, the proportion of working-age people actually in work (or 'the employment ratio') is *much* lower in the EU than in other high-income countries. Indeed, the nations sharing the European single currency do worst. This is evident from the table below, which shows the latest figures published in the database of the Paris-based Organization of Economic Cooperation and Development.

### Employment ratios in high-income nations

Table shows proportion of people in 15-64 age group that are in employment. Figures come from the OECD database.

	2nd qt., 2012	3rd qt., 2013
	%	%
Switzerland	79.3	79.3
Norway	75.9	75.4
Australia	72.5	71.9
New Zealand	72.4	73.2
Canada	72.3	72.4
United Kingdom	70.0	70.8
Japan	70.5	71.8
USA	67.1	67.4
European Union	64.2	64.0
Eurozone	63.8	63.5

The employment ratio in the UK was 70.8% in autumn 2013, compared with 63.5% in the Eurozone. About 30 million people are employed in the UK. If we were 'harmonised' with the Eurozone, about 7% of UK jobs - meaning jobs for about two million people - would go.

Source: OECD (The interpretation in the box is the author's.)

The gap between the Eurozone average (63.5%) and the two significant non-EU Western European nations (Switzerland 79.3% and Norway 75.4%) is large and conspicuous. The explanation is to a significant extent that excessive regulation – notably the regulation associated with ‘the Social Chapter’ of the EU’s *acquis communautaire* – adds to business costs. This discourages companies from offering jobs inside the EU and the Eurozone, but not in Switzerland and Norway which are outside it.

When the Social Chapter legislation was widely adopted in the EU from the early 1990s, the British government under John Major resisted it and secured an exemption for the UK. Major thought that EU regulation hurt job prospects, a view undoubtedly in line with majority Conservative Party opinion at the time. He noted in his memoirs that in the conduct of the Maastricht Treaty negotiations, ‘I pointed to the excellence of our record in job creation: we were creating more new employment in Britain than in all our partners put together.’ The UK’s position in the Maastricht negotiations was resented by other EU member states. Although Major kept the Social Chapter as such out of the treaty, the treaty tacked on a protocol which said the provisions of the Social Chapter would be in force in all the other member states.

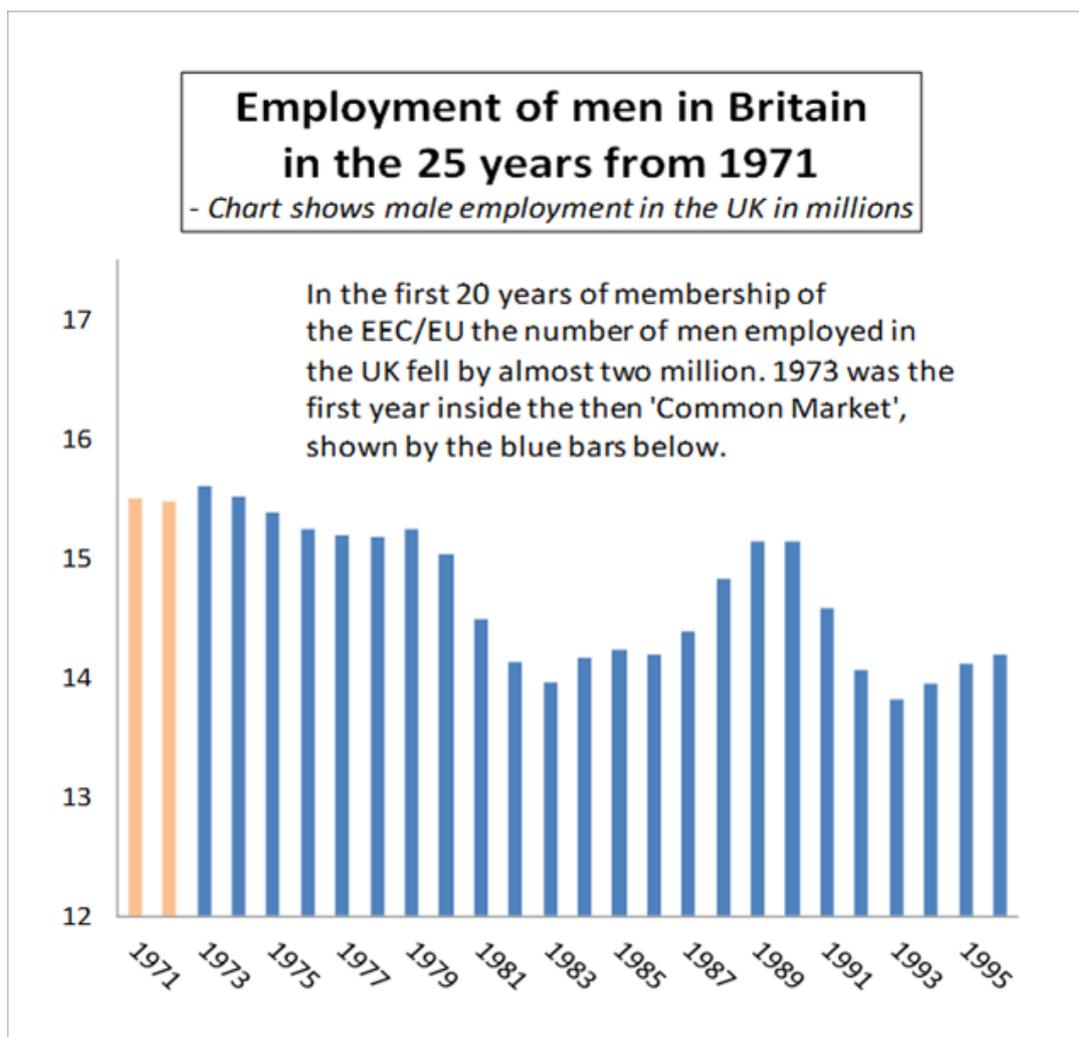
When Labour was elected to power in the 1997 general election, the new government under Tony Blair quickly adopted the protocol for the UK. The 1997 Treaty of Amsterdam, to which the UK was a signatory, incorporated the Social Chapter in full. Over the following 17 years a host of ‘social protection’ measures have been incorporated in British law, so that in this respect the UK increasingly resembles its neighbours. However, the UK’s employment ratio remains well above the Eurozone average. Plainly, in this respect we have lost nothing by keeping the pound. If the UK’s employment ratio were to be ‘harmonized’ with that in the Eurozone, about two million jobs would go. In other words, a policy of making Britain ‘more European’ would lead to large-scale job destruction. (The points developed here were covered in my 2013 pamphlet for The Freedom Association, which can be accessed from the following link,.....)

Second, EU membership requires all member states to accept the principle of ‘free movement of people’ across borders. The result is that large numbers have come to the UK from other EU member states, mostly East European, in the last decade. That has reduced job opportunities for the UK-born and hence reduced the number of ‘jobs for the British’, meaning ‘jobs for those who are UK-born and UK-resident, with UK citizenship’. In this sense a reasonable statement is that ‘EU membership destroys *British* jobs’. (I know how tendentious and controversial a reference to British-ness may have become in the modern world. Nevertheless, my statement is correct.)

More specifically, in the decade to 2013 employment in our country of UK-born people fell by about 100,000, whereas the employment of foreign-born people rose by 1.8 million. Roughly half of the 1.8 million came from the rest of the EU, predominantly from Eastern Europe where wages are much beneath those in the UK. With good reason many unskilled British workers came to feel in this period that their jobs were threatened by low-wage immigrants. The number of UK-born people in jobs today is lower than it would have been if immigration had been restricted effectively.

Finally, the notion that 'EU membership is good for jobs' implies that in the years immediately following entry to the EU employment should have grown strongly in the UK. After all, the LibDem attempt to link EU membership with job creation is an attempt to scare the electorate into thinking that exit from the EU would soon lead to more redundancies and higher unemployment. Let us check the facts. Remember that the UK joined the then European Economic Community on 1<sup>st</sup> January 1973. (The EEC was more popularly known as 'the Common Market'. The name was changed to 'the European Union' in 1994.)

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.



Strong emphasis must also be placed on the contrast between female and male employment. The 1970s and 1980s were a period of dramatic change in the UK's social structure, with a big rise in female employment. 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?

To summarize, EU membership destroys jobs because

1. **Too much regulation hits jobs.** The extra regulatory burden in the 150,000 pages of the *acquis communautaire* adds to business costs and discourages employers from taking on new staff. The Conservative government under John Major from 1990 to 1997 was so worried about the link between regulation and job closures that it kept the UK out of the EU's Social Chapter.
2. **Since 2004 low-wage immigrants from the rest of the EU have taken jobs away from British people 'at the bottom of the pile'.** The freedom of movement of people arising from EU membership had led to about a million jobs in the UK going to immigrants from the rest of the EU since 2004, when Mr. Blair opened our borders to immigration from the EU's new East European members. That has made it more difficult for UK-born people to find work and led to some job losses among the long-term British.

Moreover, the supposed connection between EU membership and job creation is easily refuted by the historical evidence. **The number of men at work in the UK fell by almost two million in the first 20 years of UK participation in the project of European integration (i.e., the years from 1973 to 1993).**

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