Who’s sticking up for the working class?

I’ve been turning over an idea in my head these last few weeks. I’ve been trying for the life of me to think of reasons why it wouldn’t work, or how it might already have been tried. I failed on both counts.

**The century of the working man**

In the United Kingdom, the 20th century belonged to the working man. It was the century in which working people found themselves holding if not all the cards, then enough of them to make a decent run of things. Industrial growth was dramatic, but ever reliant on the hard graft of the working classes. It was the century when organised labour got its act together. The power of unscrupulous employers and rentiers begun to be reined in by that of worker solidarity. In politics, we saw the rise of the Labour Party as the defender of the working class.

Militarily, the nation state was at the height of its power with conscripted armies running into the several millions at times. During WWI and WWII, the UK dedicated a huge proportion of its economic activity to the waging of ‘total war’, an experience with lasting effects on the economic thinkers of the time\*. But in the monstrous size of 20th century armies lay also their biggest weakness; even the grandest of armies would melt before the enemy if it lacked the tacit support of the lower classes, just as Tsarist Russia experienced in 1917 (<http://www.bbc.co.uk/history/worldwars/wwone/eastern_front_01.shtml>). The strength of the British government was ensured by the loyalty of its humble tommies.

After 1945, thankfully few Brits would die defending ol’ Blighty. Although countless millions still lived in poverty, the working class saw their living standards rise dramatically through the post-war era. This came thanks to an expanding economy that still depended heavily on manual labour. There were skilled jobs aplenty, and the pay and conditions of those jobs were successfully defended and improved upon by the trade unions. The children of the working classes often entered skilled and professional careers. By the end of the century around half of the UK considered itself middle class (https://www.theguardian.com/news/datablog/2016/feb/26/uk-more-middle-class-than-working-class-2000-data). For those who couldn’t find or were unfit for work, an ever-expanding social safety net was introduced. Houses were being built, and were much more affordable than today (see my blog on this topic).

For the working man, the 20th century was by no means perfect. For every skilled worker with a pension plan, there was someone else struggling to make ends meet. For every sector that saw growth and investment, there were others in decay and decline. Yet, on average, the picture to be painted is an *improving* one, all thanks to the ever-increasing value of elbow grease, hard graft and a day’s honest work. The rising value of working and middle class labour provided for steady(ish) real-terms wage growth until the 1980s.

From here on, I am going to lump together the working class and a significant proportion of the middle class. Let’s call these people the “wage class”, being those whose income derives mostly (often overwhelmingly) from salaries and wages in return for their labour. This encompasses more people than you might guess. Even an apparent high-roller with BMWs on the gravel driveway may be so far under water with mortgages and car loans that two months out of work would leave them filing for bankruptcy or selling their only real asset: their house.

But most of the wage class aren’t high rollers. Most of the wage class are just doing their best to pay the bills and mortgage (if they’re lucky) or rent, allowing for a holiday or two and keeping a little aside for a rainy day. The wage class has the traditional “you’re born, you work, you die” life cycle baked into their thinking. Education finishes sometime around 20 years old, at which time you get yourself a job. Maybe you get married. You buy yourself a house. You work for 40 or perhaps nowadays 50 years until one day, when you’re starting to feel a bit tired, you retire on your pension.

This wage class is heading towards a problem……………………….

If you’re working in the UK, then I do encourage you to contribute to a pension, especially when your employer matches what you put in. The government gives you at least a 25% bonus for every £1 you put into a pension through tax relief. The problem is, you can’t touch your pension at all until you’re 55. A stocks and shares ISA (https://www.moneysavingexpert.com/savings/stocks-shares-isas) allows up to £20,000 to be invested each tax year in a tax efficient way.

Aside from the obvious question, “Do you really want to work until you’re 70?”, are you sure you will even be able to afford to?

For anyone under 50 thinking along those lines, I have a two questions for you:

1. Are you saving enough for your retirement?

2. Do you really want to work until you’re 70?

There a two main problems with this approach.

1. stagnating/decreasing value of labour. Technology.

2. rich getting richer, better at exploiting capital using technology.

Solving the problems of democratic capitalism, defeating populism could be achieved cooperative investing.

Most of society in developed countries appears to eventually benefit from advances in technology. No guarantee this will continue, although it probably will. Problem is shifting power relationship, rich capturing more and more of economy and even government (through favourable regulation – see captured economy).

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/1997to2016>

At its simplest, this is an idea to make sure the poorer half of society don’t miss out on the rewards of the technological age in which we live. More profoundly, it may help the UK to reduce inequality levels that have remained stubbornly stable since the 1980s\*. Dare I say it even offers a tonic for the politics of populism and has swept the nation since the Financial Crisis of 2008.

I’m open to suggestions from my hordes of readers as to how this could be implemented or why this wouldn’t work

\* Granted that inequality in the UK has decreased slightly in the last 10 years (see Figure 7 <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2017>) and the richest fifth have actually had the lowest income growth.

\*\* It does well to think that nationalisation in the UK came out of the experience of war, where an astonishing proportion of UK economic activity was funnelled into government hands, perhaps justly so in WWII, but more controversially when thinking of the killing fields of 1914-18 Flanders.

* Inequality in developed countries rose during the 1980s. In the UK, inequality peak in 1990 and has been hovering around the same level (see Gini coefficient). The Gini coeff likely would have been higher without the social programs of the New Labour years and the increase in tax free allowance during the Lib-Con and Conservative years since then.
* 19th and 20th century saw the rise to power of trade unions and also of social democratic parties (such as Labour in UK) whose origins were from within the labour movement
* From 1980 onwards, factory automation reached new levels. Factories are now a handful of people monitoring robots instead of long production lines of workers.
* The rise of AI means the process of automation is likely to accelerate.
* Trade unions exist to protect labour from being exploited. What happens when your labour is no longer valued as it was before? How does collective bargaining help you when your role is at risk of being automated? The slow decline of the trade unions has been well documented [1]. Those who are members of trade unions in 2018 are actually disproportionately likely to be middle-income professionals (with degrees) and a full-time, permanent job – i.e. not members of the aptly-named “precariat” ( <https://en.wikipedia.org/wiki/Precariat>) who are much more in need of support.
* Before the 21st century, labour (and by that I mean manual labour) was just as important an ingredient in producing a finished product as were knowledge and capital (access to commodities and raw materials was much more critical in economies pre-globalisation). It seems likely that we are now (in rich countries) seeing labour’s relative value decrease as a highly-educated elite with access to capital create products and services with little manual work involved.
* <https://www.economist.com/news/finance-and-economics/21588900-all-around-world-labour-losing-out-capital-labour-pains>
* There is the possibility of allowing machines to do the work so that we can take time off. In this I am ahead of the game as I took the decision last year to change to a four day week (link). However, I don’t advocate a complete withdrawal of humans from work. And by this I am also not saying that humans should do social or other work that requires empathy and social interaction; we need to be involved in the running of the future automated businesses to ensure our wants and needs are catered for, rather than those of an elite. We don’t want to end up like Eloi in some HG Wells nightmare.
* Wrapped in with working less or perhaps not all (at least for money), universal basic income is touted by some as a way for the state to guarantee us all an income from the dividends of economic progress. I’ve explained here (link) why I think UBI might not be a good idea. I also explain that it’s likely that whole industries of currently unimaginable jobs will spring out of any AI revolution, lessening the impact of automation on the devaluing of labour.
* But let’s stick with the idea that knowledge and capital in future may completely shadow the value of labour. We’ve already decided that relying on the government alone to provide you with an income may be at best unreliable, at worst bad for your freedom. That leaves really only two options:
* 1. Knowledge: educate, educate, educate. Be one those educated elite designing the software and robots. In a way, this has been the policy followed by most developed countries since the beginning of deindustrialisation. In the UK, the Labour government made it a keystone policy to get 50% of young people going to university. Even in a scenario where this is achieved and every single graduate finds a skilled, professional job (far from guaranteed), this still leaves the obvious question: what of the 50% of society not attending university? The fact that the Labour party, traditionally the party of the working class and the “bottom” 50%, was so obsessed with university attendance is another story in itself (footnote: I recommend “Listen, Liberal” by Thomas Frank for his treatment of how the US Democratic party abandoned the working class – the parallels to the Labour Party in the UK are obvious).
* If you’re in the non-university 50% of society (the figure for higher education attendance was the highest ever at 49% in 2015/16 [4]), is it likely that you’ll ever be able to become a programming guru or robotics engineer? If not, then is this your fault given that at least a significant portion of your intelligence was doled out to you at birth anyway (general estimates are upwards of 30% [5])?
* 2. Capital: If it’s not possible for everyone to have the *knowledge* to run a future automated economy, how about some way of controlling the *capital*? By capital I mean cash, company shares and bonds and property, as well as what are known as “tangible factors of production” such as machinery (including robots), production equipment and software.
* Wait a minute…..workers controlling money, property and the means of production? Sounds like Marxism! The parallels are obvious, but hopefully you’ll agree what I am proposing is something quite different.
* If the days of labour have succumbed to the financialisaton of everything, should we be following the maxim, “If you can’t beat ‘em, join ‘em”? What if, starting from tomorrow, the working and middle classes began to club together money into an investing cooperative with the goal of buying up positions in all the major employers within the UK? The cooperative could buy shares on the open market with two major objectives: 1. Provide investment growth and income to the members of the cooperative, with profits shared amongst the members. 1. Aim to influence company boards to improve the pay and conditions of their employees (similar to the role of a trade union), and
* Vanguard in the US (the UK model is slightly different) claims to provide a product that meets the first of those two objectives: their passive index funds and ETFs are owned by the customers who buy them, enabling Vanguard to deliver any savings back to customers through lower fees.
* Vanguard assumes your proxy vote at shareholder meetings but doesn’t questions its customers on what they want to do.

After the Second World War, the population of the UK could no longer keep up with the rate of economic expansion. This coincided with a period where technology had created the need for highly-skilled labourers who could not be easily replaced by someone off the street. These two factors meant that a certain segment of the working class, perhaps for the first and last time in history of the United Kingdom, began to exercise political and economic power that was the match of the landed and business-owning class. It was the height of trade union power.

[1] The Economist, “Why trade unions are declining”, Sep 2015, URL (accessed 06-04-18): <https://www.economist.com/blogs/economist-explains/2015/09/economist-explains-19>

[2] UK Department for Business, Energy & Industrial Strategy, “Trade Union Membership 2016 – Statistical Bulletin”, May 2017, URL (accessed 06-04-18): <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/616966/trade-union-membership-statistical-bulletin-2016-rev.pdf>

* Professionals more likely to be in unions
* Permanent full time employees more likely to be in unions
* Middle income earners more likely to be in unions
* Public sector more likely to be in unions (13.4% to 52.7%)

[3] Jonathan Cribb, “Income Inequality in the UK”, Institute for Fiscal Studies, URL (accessed 06-04-18): <https://www.ifs.org.uk/docs/ER_JC_2013.pdf>

[4] UK Department for Education, “Participation Rates In Higher Education: Academic Years 2006/2007 – 2015/2016 (Provisional)”, Sept 2017, URL (accessed: 06-04-18): <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/648165/HEIPR_PUBLICATION_2015-16.pdf>

[5] Emily Smith-Woolley et al., “Differences in exam performance between pupils attending selective and non-selective schools mirror the genetic differences between them”, npj Science of Learningvolume 3, Article number: 3 (2018), URL (accessed: 06-04-08): <https://www.nature.com/articles/s41539-018-0019-8>

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From the end of the Second World War up to at least the first Oil Shock in 1973?, it was a pretty good time to be a working class man\*. Living conditions for Britain’s poorest members of society improved dramatically (get graph or data) during this period. Work was, in general, both plentiful and rewarding. By rewarding I mean the jobs were physical but not demeaning, and that the workers were generally proud of what they did. I’m talking about jobs in primary or the manufacturing industries such as in a car factory or a steel mill. Nowadays, many of the lower-skilled members of society are limited to the stacking of shelves in Sainsburys or the bicycle delivery of take-away food.

As well as paying well and being good for the workers’ self esteem, workers in the industrial sectors were gifted (or rather, won for themselves) a further benefit: that of worker solidarity. Since Victorian times when the bulk of the population migrated off the land and into the factories, the worker has often been exploited by the hated mill owner. The workers quickly realised that the only way to stand up to the boss was to stand together; it made little difference to the owner if one worker were to walk out, however the whole workforce downing tools was a different prospect.

During the early days of industrialisation, the effectiveness of such worker action was limited by the ability of the owner to bring in replacement labour from a seemingly endless pool of the poor and unemployed. By the turn of the 19th century, worker movements had grown both in size and in power as they learnt to coordinate strike actions across entire or multiple industries. These movements were influenced to varying extents by the ideas of socialism. The movements eventually coalesced to form a political party with MPs in parliament: the Labour Party. The *raison-d’etre* of Labour was to provide a voice to a working class who had only recently been granted the right to vote…………………

As the 1980s wore on, things began to change………..

I am not here to argue about the rights and wrongs of trade union activities during the 1960’s and 70s. I simply want to make the point that the trade unions, at least in theory, were trying their utmost to improve the lot of the working class. ………….

Who is sticking up for the working class in 2018? Not the Labour Party. The trade unions have more or less disappeared………..

From the first Oil Shock, and more markedly since the Thatcher period, the UK economy has gone through drastic change.

\* for women of course it was a different story

Notes

The Nationwide house price methodology has developed over time and this needs to be considered when interpreting the long run series of house prices. Maintenance in terms of updating weights for the mix-adjustment process is carried out at regular intervals.

Significant developments include:

* 1952 - 1959 Q4 Simple average of purchase price.
* 1960 Q1 - 1973 Q4 - weighted average using floor area (thus allowing for the influence of house size).
* 1974 Q1 - 1982 Q4 - weighted averages using floor area, region and property type.
* 1983 Q1 - Development of new house price methodology. A statistical ‘regression’ technique was introduced under guidance of ‘Fleming and Nellis’ (Loughborough University and Cranfield Institute of Technology). This was introduced in 1989 but data was revised back to 1983 Q1.
* 1993 - Information about neighbourhood classification (ACORN) used in the model were significantly updated following Census 1991 publication - regular updates since but typically for new postcodes.

