

Are “We” all Working Class Now?: The Rise of the New White Collar Working Class and Why Radical Tax Cutting Measures are Key to restoring the fortunes of the Tory Party

The link between economic performance and voter behaviour appears to be broken. Three consecutive Quarters of improving Economic Growth have failed to dent a stubborn lead in the Opinion Polls for Labour. Despite the usual caveats warning of margins of error, that lead appears not only to have grown but to be extending into the 7 to 10% territory associated with an opposition victory by a healthy majority.

Hold on you argue, this is simply a function of the time-lags that exist between improved economic performance and the inculcation of a feel-good factor in the population as a whole in the UK, as the beneficial effects of Economic Growth are ultimately felt beyond the confines of Greater London and the Home Counties. Or is it? Has the impact of a prolonged recession and the impact of Austerity policies in Britain effected fundamental changes in the nature of both the class structure as well as the behaviour of key socio-demographic groups? Political affiliation has become less about aspirant lifestyles and more about the maintenance of living standards in which, despite the rate of inflation being much reduced in absolute terms in comparison to previous eras, inflation in the price of commodities and utilities in particular continue to far outstrip that of wages. The resultant impact is that the effect of inflation is actually felt far more than when it was at double digit levels because wages were rising much faster to compensate for this. Consequently, it is taking far longer for the feel good factor to be felt in Voter's pockets, particularly amongst current or former Public Sector Employees who have either been subjected to a pay freeze for the last three years or are having to face the brutal realities of working in a far more insecure private sector in which they are much more expendable commodities. It is an experience that many are not enjoying and blame the Conservatives for their plight. Public Sector Employment was seen by many as a safe haven. Exposed to the brutal realities of the Private Sector from which they were cushioned from the effects of, they are adopting a fundamentally different outlook - indeed reverting back to their roots. These are Working Class Strivers who sought through Education and Professional Qualifications a root into White Collar Employment.

Suddenly, as a consequence of the Economic Insecurity they face they are beginning to question what it means to be Middle Class. Being told that everybody is in it together has made them look over their shoulder, seeing where they have come from and question hard whether their situation is in fact not dissimilar to the Working Class lifestyle that they originally escaped from. The result is that they are asking themselves the question: Are “We” all Working Class now? and turning to the Labour Party as the Party that is most likely not only to give them back their Middle Class status but also critically as far as they are concerned to rebuild the Public Sector through an increase in Spending thus providing them with employment and a greater bulwark of relative economic security than they possess at present.

It is a false dawn. We need to disabuse what I call the New White Collar Working Class that it will be possible to build a Public Sector State as large as the one that is taking so long to dismantle now, ever again! It will simply not be possible to finance a Public Sector that absorbs close to 50% of GDP as it did under Labour and was 25% deficit funded through Government borrowing. Lean Public Sector Institutions are the order of the day. The consequence is that Government will no longer be able to formulate policy directly to the benefit of a major client group of Voters. That raises long-term questions about the political loyalty and allegiance of a key constituency: Public Sector & Former Public Sector Employees.

The problem has been compounded by the length of the recovery and the time it is taking to rebuild the economy. Elsewhere I have argued that the squeezed Middle Classes in the UK are suffering from what I have called Post Traumatic Debt Stress. The Squeezed Middle which have been economically hit the hardest as demonstrated recently by the ONS now fear that Britain's economic problems are so intractable as to be resistant to even the strongest fiscal medicine. This sense of powerlessness with an increasingly traumatized population watching from the sidelines as the crisis unfolds and is being played out in the media has fostered unrealistic expectations as to what is achievable in the short to medium term. As a population we have been conditioned to believe that things are going to get better and that Governments will be able to deliver during the period of an electoral cycle and in some cases - like Former Public Sector Employees - that we can simply turn back the clock. The current recession has elongated the political business cycle. Governments for the foreseeable future will be faced with managing expectations over a much longer economic horizon. For that to occur they have to be able to date precisely when the economy will enter a sustained phase of growth to deliver a political feel good factor and with it electoral success. The polls already suggest that debt fatigue has already set in. The problem is that certain parts of the electorate are struggling to see the light at the end of the tunnel. After an artificially overextended credit fuelled period of growth the electorate is struggling to come to terms with the prospect of an equally long period of economic rebuilding. It is akin to some form of post-traumatic economic stress.

The consequence is that there is a danger for the foreseeable future of single parliament governments or a willingness to turn to political alternatives offering simple reflationary solutions or more extreme political solutions like withdrawal from the EU. Neither are they likely to deliver a permanent feel good factor or one sufficiently long lasting to sustain a government in office for the long-term. This is the enduring paradox that the current economic recession has bequeathed to Britain.

Peter Kellner's recent article for You Gov: "What the 'squeezed middle' really want" is particularly revealing. He rightly identifies that Ed Miliband's call for a twenty-month freeze in gas and electricity prices has struck a chord with White Collar Working Class Voters. Where I take issue with him is the ephemeral nature he accords to the debate over living standards, which he argues "is likely to ebb and flow" in the run up to the General Election. Instead, I would

argue that it has become a much more permanent fixture in of the political narrative in the UK as a direct consequence of deep changes that have taken place in the class structure. His problem is that he fails sufficiently to understand that the “squeezed middle” is not ill-defined. Yes its politics are currently confused and ambiguous as it continues to Janus face upwards looking at what it could aspirationally achieve but also downwards looking to what it needs to protect and maintain. The ultimate political allegiance of this group unfortunately will not necessarily be a bellweather perception of the performanc of the economy it will also be as much about political personalities and whether the area that they live and the services they receive are perceived to be rising or falling. That perception will be heavily influenced by key peer groups such as colleagues at work and neighbours in the community where they live.

This idea was first articulated by John H. Goldthorpe and David Lockwood et al in their series of The Affluent Worker studies published in the mid to late 1960s and which made major contributions to the debate on Social Mobility. Are we perhaps witnessing the first indications of Negative Social Mobility and what Marxist tinged Sociologists have dubbed the “Proletarianization of the Bourgeoisie”? The class schema that Goldthorpe established was ultimately much more sophisticated than more orthodox pyramid shaped models and approaches with the Upper Class at the summit, the Middle Class in the Middle and the Working Classes clustered in large numbers at the bottom. He identifies eleven classes, which are grouped into three main clusters—the service class, the intermediate class – covering a wide range of occupations and employment types, and the (manual) working class. Central to Goldthorpes approach is his theory of social mobility.

In The Affluent Worker: Political Attitudes and Behaviour published in 1968 Goldthorpe and Lockwood report on the voting and political attitudes of highly paid manual workers employed in Luton, a town which benefited faster and more consistently than almost any other in Britain from the economic progress of the 'fifties and early 'sixties. The sample was chosen as a 'critical' case to test some widely accepted views on the assimilation of the working classes into patterns of middle-class social life. On the basis of material from interviews, the authors give an account of the workers' political orientations, and this is followed by an analysis of voting in relationship to income house ownership, social origin and trade union membership. The main findings - that, despite their affluence, the majority of these workers remained staunch supporters of the Labour Party - runs counter to contemporary beliefs about working-class embourgeoisement.

Embourgeoisement theory posits that as a result of their economic efforts Working Class people tend to assume the lifestyle and individualistic values of the so-called middle classes and hence reject commitment to collective social and economic goals. It is argued that this change is the result of the post-industrialization of society, in which there are far fewer manual labor jobs, which is the main classification of blue-collar work. With post-industrialization, former upper-level Blue-Collar workers move to White-Collar work because of the decreased availability and prestige of manual labor jobs. Even when their

actual jobs do not change, their lifestyles based on their job situation often change into a lifestyle which more closely resembles the Lower-Middle Class than the rest of the Lower Blue-Collar workers. The result of this idea of embourgeoisement is that more people are incorporated into the Middle-Class. As a result, there is decreased class consciousness and declining working class solidarity

The question is, has the process gone into reverse? Indeed as Goldthorpe argues in *The Affluent Worker in the Class Structure*, because of competing social influences on political behaviour this dispels the notion that affluent Working Class Voters necessarily adopt Middle Class lifestyles or that your position within the Middle Class and with it Middle Class attitudes are necessarily fixed or irreversible.

The idea was given much fuller treatment originally by David Lockwood in his book *"The Blackcoated Worker: A Study in Class Consciousness"*. This is a study of the clerical worker, his aspirations, his view of himself and his relationship to the manual worker and the trade union movement. The author documents how the development of class consciousness and trade unionism among clerical workers reflected changes in their economic position. The black coat of the mid-19th century had symbolized his middle-class status. The black coat he wore was, however, only one mark of his distinction from the working classes. The education required for his job, the rewards and responsibilities it offered, and the fact that it was clean and non-manual established themselves as key determinants of social standing.

Consciousness of status deriving from the workplace came to reinforce class consciousness thereby enhancing social distinctions. The main argument of the book is that clerks from the mid-nineteenth to mid-twentieth century, have viewed themselves as being 'of different clay' from the manual labourers despite being regarded as working class. He illustrates to what extent the clerks and manual workers shared the same class position. To contrast the nineteenth and twentieth centuries he uses the 'Counting-house' and the 'modern office' of the twentieth century. The message is clear that outside the 'modern office' or 'Counting-house' it has sometimes proved difficult for clerks – White Collar Workers to distinguish themselves as being above the working class once one goes beyond the issue of employment status, particularly in periods of economic upheaval when that status is threatened placing Middle and Working Class alike on the same footing in terms of the day to day struggles they face in their non-work home life situation which are not markedly dis-similar. Indeed the position of the White Working Class Voter is likely to be more fraught because of the volume and scale of the financial commitments they have taken on.

A modern take on the issue has been offered by David Boyle in his recently published book, *"Broken: Who Killed the Middle Classes?"* For the first time ever, he argues, today's middle classes will struggle to enjoy the same privileges of security and comfort that their grandparents did. Those born after 1985 are the first generation in Britain who can expect a lower standard of living than their parents.

Boyle addresses the question of why the middle classes are diminishing and how their status, independence and values are being eroded. This isn't the life that the Middle Classes were aspiring to. Middle Class strivers who worked hard to get into University, funded recently by expensive student loans have found that their career advancement is blocked as large blue chip companies struggle in the post Banking Crash environment with many facing the threat of redundancy and permanent job insecurity. Stagnant wages meanwhile have severely limited people's ability to climb up the housing ladder and more often than not find themselves in negative equity because they bought at the top of the market. This is most notable in his take on the property market. He rightly points out how the idea of owning your own home is becoming a less and less achievable ideal, with renting now on the up again in the UK. Such people feel conned and cheated, not by a Conservative Government facing insuperable obstacles to repair the damage done by the previous Labour Government but by the Political System itself. The very institutions that used to serve them have turned against them without their realising it. The enemy, in Boyle's view, are the politicians and the bankers, for whom 'a culture of greed and corruption' became endemic. Banks and building societies are 'so deregulated, they also have immunity for the results of their negligence'. Not only that, the taxpayer obligingly bails them out when they fail. Add to that the loss of many certainties (such as job security, professional development, ability to afford a new house and a decent pension) and one is confronted with a poisonous mixture of uncertainty and doubt about their position and role which reinforces their self-view that maybe they are not Middle Class after all. Returning to the issue of the disambiguity of the political allegiances of White Collar Working Class Voters it is worth deconstructing Peter Kellner's recent analysis. According to Kellner a typical member of the "squeezed middle" can be defined as having a white collar job but say either that they can't afford luxuries or that they struggle to make ends meet. Kellner calculates that just over a quarter of the whole electorate (26%) are White Collar Workers who say that either they can afford essentials but have nothing left over for luxuries (18 of the 26) or "can only just afford my costs and often struggle to make ends meet" (8). It is these 26 that are classified here as "squeezed middle". Kellner shows that Labour has made significant gains among "Squeezed middle" voters, comparing Voting intentions now with how the group voted at the last election.

	"Squeezed" middle		
	May 2010	Oct 2013	Change
	%	%	
Con	32	27	-5
Lab	32	46	14
Lib Dem	29	8	-21
UKIP	3	11	8
Other	5	8	3

The big losers, he points out, however, are the Liberal Democrats. Their vote among the "squeezed middle" has collapsed by almost three-quarters, from 29% to 8%. Most of the Lib Dem deserters have switched to Labour, but UKIP

has also made gains. A sizeable proportion of UKIP support is based on their appeals to White Collar Working Class Voters who are financially insecure. This is actually an unremarkable story, representing the realignment of former New Labour White Collar Working Class Voters Employed or Formerly Employed within the Public Sector who abandoned Labour during the Brown Years as a consequence of the Financial Collapse suddenly discovering that the Liberal Democrats were not the comfortable Social Democratic Home that would restore their jobs and thus their fortunes in the medium term. Their return to Labour is thus unsurprising.

It is a group however whose base political instincts are immediate centred on the pursuit of short-term self-interest. For some this is selfish, greedy and ultimately self-defeating. It is no less true. What they care about is very much themselves. The coalition is slowly beginning to win the argument on whether public expenditure is being cut too far and too fast. What they want is to be able to maintain their standard of living during this period. The best way they see of doing this is by radical tax cutting measures allowing them to keep as much of the money in their pockets to counter the impact of wages not keeping pace with persistently stubborn inflation and rising commodity and energy price rises.

Which would be best...	For Britain as a whole	For you and your immediate family
	"Squeezed middle"	"Squeezed middle"
	%	%
Lower taxes	16	40
More spending on public services	40	37
Reducing the Government's debts	34	12
Don't know	10	11

I would argue that the Conservative Party is missing a trick in pushing immediately for deep cuts in the Rate of Income Tax for Middle Income Groups not only to make them feel more prosperous at precisely the time when the Economy is beginning to demonstrate real sustained growth but also critically to shorten the time-lag between the beginning of recovery and the beginning of a feel good factor. It is the shortest route to bringing White Collar Working Class voters back onside and kickstarting genuinely sustainable consumer led growth.

Rather than presenting Labour with an opportunity, as Kellner states, the opportunity is actually there for the Conservatives for the taking. If anything we need to be more, not less Thatcherite in our instincts appealing to the self-interests of Voters whose fundamental concern is the erosion which has taken

place in their income over the last 5 years. As Kellner rightly identifies there is a very real opportunity to tailor individual policies to the concerns of voters about their living standards. It is not however, a trade off between measures that put more money into people's pockets and keeps down prices, it is ultimately about allowing people to keep more of their own money that they work so hard to earn. As Mrs Thatcher rightly identified it is not the Governments money which it spends it is our own.

Q. If the Government were to decide to put more money into people's pockets, which two or three of these would you most like to see?

Top choices for easing people's finances	"Squeezed middle"
	%
Freezing home energy prices	43
Lower income tax	42
Lower VAT	42
Lower council tax	36
Lower fuel duty	35
Lower bus / train / tube fares	26

Freezing home energy prices has proved a popular soundbite with White Collar Working Class Voters but I wonder how much of a passing fad this is, if we consider just how important they value lower taxation in general alongside this? This is where their true interest really lies.

Q. If the Government were to decide to spend more on public services, which two or three of these public services would you most like to get the money?

Spending priorities	"Comfortable middle"	"Squeezed middle"
Hospitals / local GP surgeries	58	64
Schools	34	37
Infrastructures spending (e.g roads, railways)	42	30
Britain's armed forces	16	13
Nurseries / childcare	8	13

The Table above, which provides only a sample of responses from the You Gov Survey, is also highly indicative. What it shows is that there is rapidly declining support for infrastructure spend. What White Collar Working Class Voters want to see is an immediate improvement in their circumstances and not the unclear delivery potential of large scale infrastructure projects with uncertain time horizons.

In a previous article I argued that economic decision-takers have not only to demonstrate that the economic climate is improving but also when things do get worse their plan for improving economic performance has credibility. Credibility, unfortunately, is not simply a black letter exercise in demonstrating clearly that a range of indicators are heading in the right direction, it is also an exercise in political popularity. Popularity, however is time delimited. As a population we have been conditioned to believe that things are going to get better and that Governments will be able to deliver during the period of an electoral cycle. The current recession has elongated the political business cycle. Governments for the foreseeable future will be faced with managing expectations over a much longer economic horizon. For that to occur they have to be able to date precisely when the economy will enter a sustained phase of growth to deliver a political feel good factor and with it electoral success.

The most effective way of date stamping the beginning of the feel good factor and squaring the circle by, as I also argued, combining periods of extreme economic surgery and radical restructuring with periods of economic recovery and intensive economic care is via radical tax cutting measures in the run up to an election to put money back in people's pockets. This is not simply a case of maintaining a certain level of disposable income nor is it about maintaining a level of affluence. Affluence is a state of mind which is as much a function of being a beneficiary of Government Spending in Policy Areas where White Collar Working Class Voters have been the ultimate beneficiaries in areas like Health Care, Schools and Nurseries. For that reason it is about restoring the differentials that existed between themselves and their Blue Collar compatriots. In that sense it is about the distance they maintain between themselves and Blue Collar Workers. White Collar Working Class Voters therefore are happy to see cuts in spending on areas like Defence and the even the Police as long as money is diverted and seen to be diverted to real issues that matter to them closer to home like Hospitals, Schools and Childcare. This has been born out by a whole host of surveys which have shown that far from reducing the quality of service delivery across Central and Local Government people are broadly happy with the service they receive and in many cases have actually seen an improvement in the quality of that service. Indeed to be truthful unless it affects them directly White Collar Working Class Voters simply haven't noticed.

As Kellner correctly concludes the political priorities of the "squeezed middle" are heavily influenced by their day-to-day struggle to keep afloat and build a better life for their families. Boyle, meanwhile goes further arguing that the key to winning back the support of White Collar Working Class Voters is to fix the Banking System.

Vince Cable in his book "The Storm: The World Economic Crisis and What it Means" rightly identified that rebuilding the economy is ultimately dependent on rebuilding a banking system which had completely collapsed, a situation which has no historical precedent. It has proved a hugely problematic balancing act. Growth in the economy is driven in part by bank lending but the balance sheets of the major banks need rebuilding in order to both erode the

still very sizeable amount of bad debt which sits on their Balance Sheets but also to maintain the enhanced levels of reserves that are now required under the Basle Three Multilateral International Protocols that the UK Government has signed up to in order to mitigate the threat of default created by risk based lending strategies.

For Boyle the reason why fixing the Banks is so important is that the availability of easier Credit is the Key to the economic Mobility which White Collar Working Class Voters feel has been increasingly denied them. It is not Mortgage Lending for first time buyers that is the problem it is the fact that existing Home Owners are finding it impossible to trade either up or down because of either a fall in house prices or a reduction in the availability of Mortgages particularly for slower moving Properties on the lower rungs of the price curve. It is the most fundamental differentiator that exists between the Old Blue Collar Working Class and the New White Collar Working Class. So called mortgage portability is one of the most visible physical aspects of the White Collar Working Class lifestyle allowing them to maintain a distinctive identity. The recent collapse in house prices particularly that outside London and the South-East has not helped trapping them in a situation which they feel is not of their own making.

That feeling of a lack of financial empowerment is the principal reason why we should engage in radical tax cutting measures sooner rather than later in order to rapidly restore the fortunes of the Conservative Party.

The question posed at the beginning of this essay – whether the change in the class structure of the UK is fixed and permanent or is a temporary blip in the fortunes of certain groups of White Collar Working Class Voters remains unanswered. In his groundbreaking study “Turbo Capitalism: Winners and Losers in the Global Economy” and the book which proceeded it, “The Endangered American Dream: How to Stop the United States from Becoming a Third-World Country and How to Win the Geo-Economic Struggle for Industrial Supremacy” Edward Luttwak argues that the whole world is inevitably moving in a turbo-capitalist direction. "Turbo-Capitalism" is defined as the worldwide trend toward unregulated markets, free flow of capital and the pervasive impact of information technology which he argues has been a net destroyer of jobs in those areas of the economy and professional services that used to be dominated by White Collar Working Class Employees. He argues that via University Education, Professional Qualifications and Technical Training White Collar Workers had achieved a margin of Economic Affluence which allowed them to achieve a degree of separation from less Skilled and Qualified Blue Collar Workers in terms of their occupancy of positions on the managerial hierarchy but also critically in terms of lifestyle based on the trappings associated with holding down well paid jobs. The pervasive impact of neo-liberal economics and information technology has kicked that out from under them.

Privatization of formerly nationalized industries and de-regulation are now the driving forces, bringing rapid change, dislocation of labor, uncertainty of employment and anxiety about economic security. Turbo-Capitalism Luttwak

argues breaks up families; discourages investment; generates structural unemployment; and the simultaneous retraction of state social welfare provision established as part of the post-war consensus.

For Luttwak these changes represent a permanent fixture of life for members of the New White Collar Working Class. Life is becoming more uncertain, jobs being eliminated, families and societies being torn apart, and "job security" becoming a thing of the past. According to Luttwak today's capitalism with it's managing for the short time, profits the happy few, but is a disaster for the many: abrupt mass firings, disruption of individual lives, of families, of communities and even of entire regions – represents permanent insecurity for the middle classes. Turbo capitalism he demonstrates utilising a range of statistical evidence has accelerated and accentuated class divides, reducing the influence and size of the middle class.

A less more philosophically based critique of the same phenomenon has been offered by the English Neo-Conservative philosopher John N. Gray in his book, "False Dawn: The Delusions of Global Capitalism". For Gray the Banking Crash of 2008 and the deep economic recession which followed was the inevitable climax of the process of neo-liberal ascendancy.

The deep irony of the situation is that deliberately holding Interest Rates at their lowest level since records began since the deepest point of the post Banking Crash recession, the most beneficial aspect of the Governments Economic policy as far as members of the New White Collar Working Class are concerned has the potential to be the most destabilising off all in the long-turn as long suppressed Interest Rates and with it Inflation take-off. All we are doing is digging ourselves an interest rate trap. Historically Interest Rates have averaged in the region of 5 per cent region. Home buyers will now be incredibly sensitive to interest rate hikes. Buying a Home at such Low rates of Interest now represents a considerable Financial Risk. A 2.5 per cent increase in the interest rate would cause considerable discomfort for these borrowers with an extra £300 per month potentially falling due for a £200,000 mortgage. It is little wonder therefore that there is felt to be no hurry to rebuild the banking Sector. The last thing the Treasury wants to do is to have to deal with another Economic crisis when the Banking Sector is insufficiently prepared and when Bank Balance Sheets have been inadequately rebuilt. I personally believe that this will take far far longer than anyone imagines.

The Bank of England are right to be cautious about raising interest rates until there has been a dramatic reduction in Unemployment and when the Private Sector has even greater capacity to absorb the further reductions in Public Sector Employment that will be required to reduce the deficit in Government Spending. I have no doubt that over the coming months there will be a greater focus on the kind of Jobs that are being created in the Private Sector: Full-Time versus Part-Time and especially the issue of Zero Hours Contracts and Permanent versus Fixed & Short-Term Contracts. A far greater of transparency and honesty is likely to be required in an area of the Reporting of Employment Data than has been seen previously in an area which has been one of the

Black Arts of Government Media Management & Communications. MPs are already asking such questions in PMQs on a regular basis.

It is also hardly surprising therefore that there has been relentless public criticism of the behavior of Big Business in the Energy and Banking Sector. A structural feature of the British Economy which is a greater cause of imbalance than any other is the lack of sufficient competition in key functional areas of the Economy as a consequence of Concentration of Monopoly Buying Power – the Big Six (Energy Companies); the Big Five (High Street Banks) and the Big Four (Supermarkets). What we lack in the UK in comparison to the US according to Edward Luttwak is effective Anti-Trust legislation to force the break-up of Private Sector Monopolies and literally force greater competition into key areas of the Economy to the greater benefit of White Collar Working Class consumers.

I failed initially to make the connection between some of the initiatives that David Boyle puts forward in his 12 Point Plan at the end of “Broke: Who Killed The Middle Classes” but the logic of creating local institutions, especially a Network of Local High Street Banks makes absolute sense. Indeed, if anything, the desperate plan that has recently been put in place to rescue the Co-op Bank demonstrates the continuing redundancy of the national Banking network model. Philip Blond in his controversial book, “Red Tory: How Left and Right have Broken Britain and How we can Fix It” advocated the creation of a series of regional or indeed locally based networks of Savings & Loan Banks on the Dutch and German Model.

I therefore advocate the setting up of a Royal Commission to look at The Future of High Street Banking in the UK. As the Bank of Dave has shown us Local Banks not only fulfil a need but they work and can be seen to work. I applaud and commend such an initiative. Ultimately the future financial prospects of the New White Collar Working Class will depend, and here I agree wholeheartedly with David Boyle, less on national solutions and more on locally based initiatives.

**Dr. Ged Mirfin
07841 729 146
ged@mirfin5064.freemove.co.uk
Friday 08th November, 2013**