

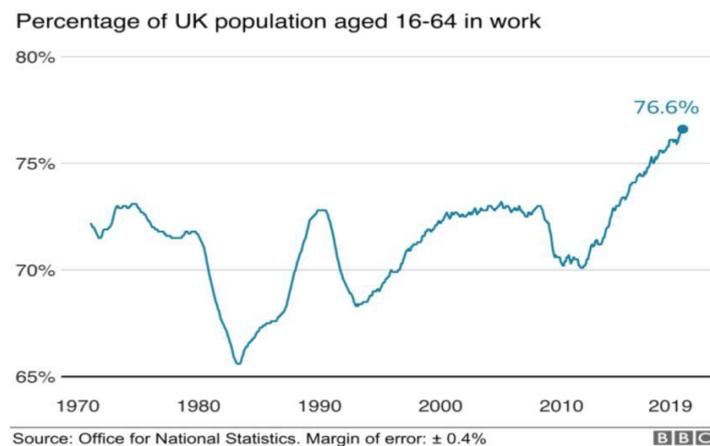
Will the new 'normal' be that different?

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In the next couple of weeks, we expect the return to normal to gather pace. Having been cooped up for the last three months and deprived of being able to do things previously considered mundane, many will see their ability to engage in – restrictions on social distance and the need to wear masks notwithstanding – shopping and going to pubs and restaurants as exciting.

What's being referred to by some commentators as either ['The Glorious 12th'](#) or ['Freedom Monday'](#) is covered by the media in this country and [abroad](#). Given the torrid time that many in retailing have experienced in the last year, it's hardly surprising they eagerly want customers back as soon as possible. For them, and the many hundreds of thousands of employees who depend on these sectors for a living.

However, though a return to normal is undoubtedly an objective that'll be welcomed by businesses affected, many economists and, of course, a government which has dedicated so much finance to provide life-support during the pandemic, there's a view that recovery should not merely recreate what existed before. This was an economy in which, though employment reached 76.6%, a level not experienced for over fifty years, the nature of jobs has shifted considerably.



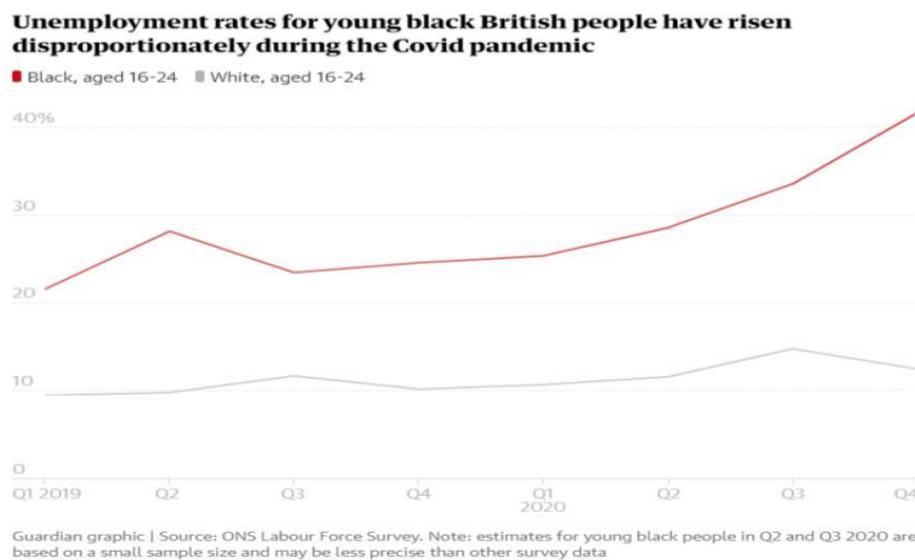
Though not unknown previously, in recent years we've seen the emergence of employment whereby workers are paid on a 'when required' basis. Frequently employed on 'zero hour' contracts, such workers have much less security than those receiving an agreed salary for a standard working week. This allows employers to expand and contract its workforce to suit prevailing demand. In the likes of hospitality, which is highly cyclical, and in which workers tend to be young, this can be hugely beneficial.

The downside is that employees have no certainty. Their earnings will vary making financial planning problematic. Though perfectly fine as a way of earning between school and university, for example, or in the holidays, short-term and erratic employment is hardly what many aspire to when they set out in life.

However, for many young people seeking jobs, such methods of employment have become a preferred way for employers to provide gateways to their organisations. Though some sectors are more prone to adopting flexible contracts than others, in the last couple decades, there's been a

vast increase in the number of those whose conditions lead them to be considered part of the 'precariat'. Covid-19 and the need to close down parts of the economy employing young and female workers, especially hospitality and retailing, has exemplified problems experienced which already existed in many parts of society.

As [the Guardian](#) story, 'Black youth unemployment rate of 40% similar to time of Brixton riots, data shows' indicates, the impact of the pandemic has caused unemployment to rise among a part of a community that was already disadvantaged to levels not seen since the 1980s. According to Office for National Statistics (ONS) data, in the period October to December 2020, 41.6% of black people aged 16-24 were unemployed. This astounding figure starkly contrasts with to white workers of the same age during this period of 12.4%.



Source: *Guardian*

Clearly, given that ONS data shows some 1.7% million are unemployed across the UK, an average of 5%, even the 12.4% figure should be of concern to the government. However, if the 41.6% figure is not causing intense alarm amongst ministers, it should. As the *Guardian* reported, deep-seated resentment at exclusion combined with what Lord Scarman's subsequent report identified in 1984, racism among the Metropolitan Police, and crude use of 'sus' laws, led to riots in Brixton in 1981.

The assumption is that easing of current restrictions will reduce the 'experimental measure' of claimant count which, because it includes those in receipt of benefit, including furlough payments, rose in the last three months of 2020 to stand at 2.7 million, almost 8% of the working population. However, though reopening of the economy after the latest lockdown will allow hospitality to reemploy those laid off and thus decrease the number of young people unemployed, this will not solve all existing issues.

As described in previous blogs, whilst the pandemic has underlined the importance of deprivation and inequality experienced in regions across the UK, it's unfortunately created new ones in areas that'd previously been much less prone to such problems. It might be asked, what happened to the 'JAMs', families just about managing, whose lives, Theresa May, on becoming Prime Minister (PM) in 2016, pronounced herself to be passionate about improving?

The challenge of creating a fairer, more inclusive society, in which all citizens can play their part is hardly a novel objective. It has been made harder by a severe global health issue that led to economic crisis. Though this challenge would confront whichever government was in power, the current administration is led by a PM who'd achieved power promising to implement an 'oven ready deal' unleashing, he claimed, pent-up investment opportunities enabling 'levelling up' to occur.

Though it's easy to criticise Johnson for many things, his desire to be an optimist struck a chord. However, as many commentators contend, the sort of investment essential to create the structural change likely to produce a better society based on a greener economy would rival what's been spent by the treasury during the pandemic. Besides, as well as there being no guarantee of success, any benefit might take at least a generation to be felt.

Some commentators fear that in the rush to recover from the pandemic, the potential to achieve a radical transition from the 'old economy' may be lost. [The Guardian's Phillip Inman](#) makes precisely this point in arguing that 'bounce back', so feverishly promised by the government and some within the Bank of England, may mean that there's no longer any desire to "reinvent the way the UK does business"

Inman asserts that the increase in house prices, driven by its interventions, particularly, "taxpayer-funded concessions on stamp duty", means young people, more likely to be on temporary and short-term contracts, are doubly failed by their inability to gain access home ownership. Inman contends this exemplifies a traditional partisanship to companies making donations to the Conservative Party. As such, interventions are highly unlikely to be beneficial to "Generation Rent".

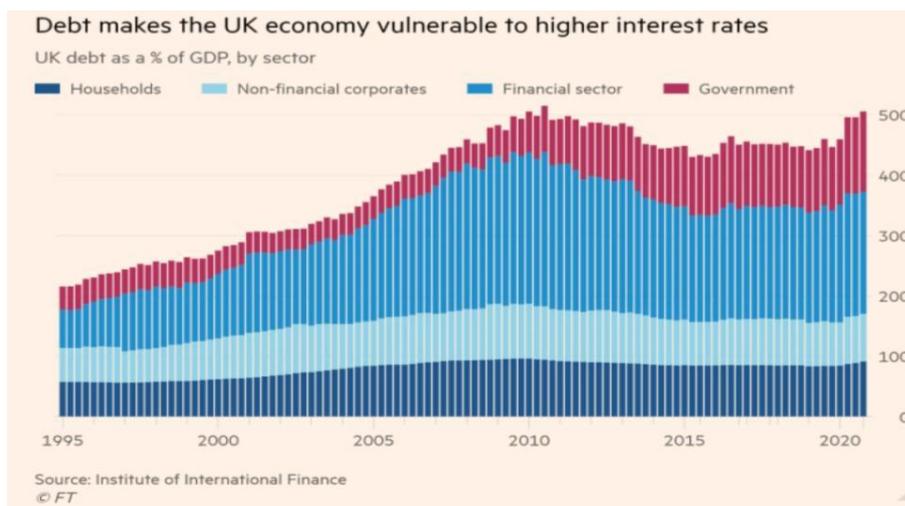
Economist Larry Elliot, also writing in the [Guardian](#) is equally concerned by what's likely to follow a "short-term boom" and, he explains, result in longer-term pain due to inflation and a "ballooning trade deficit". Many businesses are saddled with debt from having, just about, survived lockdown closures. Inability to invest in expansion to cope with increased demand will cause an increase in prices and more imports. Significantly, Elliott concurs with Inman that money dedicated to house builders represents poor investment and instead government finance should provide hands-on support to businesses through equity stakes.

If the new 'normal' looks pretty similar to the old in most regards, inflation, believed by some to have been consigned to history, is a phenomenon feared by commentators across the political spectrum. [The Telegraph's Ambrose Evans-Pritchard](#) analysis of continued government spending through quantitative will, he argues, result in "stoking an irresponsible economic boom". Economic Perspectives' Peter Warburton, according to Evans-Pritchard, thinks we are now a "hostage to fortune" to inflation and that a rate of three or four percent by the end of this year is very possible; "with higher levels to follow."

In an admirably detailed analysis of the threat posed by inflation in the [Financial Times](#), seminal commentator Martin Wolf considers what may happen. As the chart below shows, even the relatively low levels being touted are almost nothing when compared to the eye watering 27% experienced in August 1975 or 22% endured by the UK in April 1980 when unemployment, which some considered "a price worth paying" to defeat inflation, was starting to increase dramatically:



Wolf stresses that economic conditions of the 1970s and early 80s were very particular. In the short-term we have little to worry about. However, resonant with commentators cited above, he believes the level of debt held by many businesses, high even before the pandemic, makes us vulnerable to any further shocks. Higher inflation would, he explains, inevitably lead to increased interest rates. This would turn the screw on businesses further undermining those teetering on insolvency.



The longer-term consequence of this would be, Wolf speculates, a wave of defaults even “more pervasive than in the early 1980s”. That, as economists reflect, is a truly scary prospect. It would undermine all of the proclamations of bounce-backs and levelling up. Dealing with this would sap energy and ensure some dreadful economic consequences. Notions of the ‘coiled spring’ that global Britain is about to become having left the EU might become nothing more than a myth.

The most obvious danger would be levels of unemployment predicted this time last year and only avoided by the huge sums of money spent by the treasury. High levels of unemployment, as we’ve discovered in the past, most particularly in the early 80s amongst those with least optimism of escaping its clutches, can lead to discontent and potential disorder.

Such is the dilemma the current government finds itself in.

As many acknowledge, Johnson’s government recognised the importance of avoiding high unemployment by intervention. However, as is being suggested, only a radical alternative and wholesale change in orthodoxy might it be possible to avoid potential pitfalls outlined above which

may result in even longer-term misery for the young who, it must be stressed, have already suffered disproportionately.

Dr. Steven McCabe is co-editor of *Brexit and Northern Ireland, Bordering on Confusion* (published by Bite-Sized Books, ISBN-13:978-1694447807) and *English Regions After Brexit: Examining Potential Change through Devolved Power* (published by Bite-Sized Books, ISBN-13: 979-8666953099). His latest co-edited book, *Exploring the Green Economy, Issues, Challenges and Benefits*, will be published in May. Additionally, 'Al Promised You a Miracle – Life Under 'Greased Piglet' Johnson', will be included as a chapter in a forthcoming book, *Populism and the Media*, to be published by Abramis Academic Publishing in June.