

Through the Recovery Looking Glass: A Polarising Transformation for People and Places

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A Turbulent Context

Pre-Covid trends roll forward in exaggerated form

A year ago, in the ninth paper of our series on Covid-19¹, expecting to see the impacts of the pandemic declining, we tried to look forward to what things might look like on the other side. It was, of course, still far too early to know with any clarity what was going to emerge in terms of society and economy. Our broad take was that the post-pandemic era could, at least as a first approximation, be examined by looking at the big structures of things already under way before it happened – ‘looking back to look forward’.

In many key contexts the pandemic could already be seen as an **accelerator**, picking up some identifiable prior tendencies and speeding them up. Three areas for further study were innovation, the impact of the digital and network technologies, and the way the labour market was already being radically transformed.

Across the board, the intensity and range of the wave of **innovation** that sprung out of pandemic necessity was massive. Without the mRNA vaccine technology², and all the associated testing devices and procedures, it is hard to imagine where we would now find ourselves.

It was already clear at the end of 2021 that the **digital transformation** had stepped up to a wholly new level in the pandemic. Many work lives could operate remotely through Zoom and MS Teams. Domestic life patterns took on more online shopping and entertainment streaming. The internet, the Cloud and social networks became part of the essential infrastructure of life to a degree that was unimaginable before March 2019.

In the **labour market** context, we were particularly conscious that both those employed in the public sector (hospitals, surgeries, care homes, schools etc.) and those working in other high-risk jobs requiring frequent interaction with people (transport, retail, domiciliary care etc.) would continue to struggle after their huge contribution during the pandemic. Significant resources for pay and staffing would be required for any process of balanced recovery³. Sadly, this was destined to be disappointed for the public sector, as we saw in a devastating House of Commons Select Committee Report on July

¹ <https://www.peter-lloyd.co.uk/app/download/5812616788/Labour+Market+Change+Paper+%28New+Version%29+39+Final.pdf>

² <https://www.economist.com/graphic-detail/2022/07/07/covid-19-vaccines-saved-an-estimated-20m-lives-during-their-first-year>

³ <https://www.economist.com/britain/2022/07/07/britains-labour-market-is-straining-to-recover-from-the-pandemic>

25, 2022. This warned that “*The National Health Service and the social care sector are facing the greatest workforce crisis in their history*” and that “*In the face of this, the Government has shown a marked reluctance to act decisively*”⁴.

Of course, what could not be foreseen when we wrote the 2021 paper, were three additional systemic shocks. First, an **energy crisis** that served to remind us that cheap energy is no longer a prospect⁵. Second, a **climate crisis** that requires our societies, infrastructures, and labour markets to adjust *much more quickly*⁶. Third a **war in Ukraine** (and an accompanying impact on food supplies⁷) that would propel the UK into double digit inflation, following on a decade of real terms pay decline⁸ and resulting in the fastest rise in the cost of living for 50 years⁹.

Fast change in the conditions and places of work

Pre-pandemic, digital technology had already helped transform the world of work over many decades. In production, process control, logistics and communication, a platform was in already place with the capability to respond to the pandemic event. A key new accelerator changing workplaces arose out of the lockdown restrictions on human mobility. With the extensive switch to ecommerce and remote working (for some, but not for all) there were huge implications for the office and for urban form and transport systems generally¹⁰. While leisure travel rebounded quickly, commuting did not return to previous levels, presenting the workforce with additional uncertainties on top of wage pressures and rising living costs (reflected now in contested positions between the employers and the trade unions¹¹ and a summer of rail strikes¹²).

A particular feature of work and workplace transformation already evident in 2021 was the rise of “fulfilment centres” that came quickly on stream or were rapidly expanded both in physical size and the number of employees¹³. These represented a classic example of how the digital transformation could quickly respond to meet the challenge - how jobs, labour conditions and places were impacted and how rapidly things could change for the worse, as well as for the better. Acres of new warehouse and order processing ‘sheds’ - mostly located at key transport nodes - were dedicated to operating the complex

⁴ <https://publications.parliament.uk/pa/cm5803/cmselect/cmhealth/115/report.html>

⁵ “Ministers must offer bigger cost-of-living support payments as energy bills are expected to soar further this winter, a committee of MPs has said.” <https://www.bbc.co.uk/news/business-62291652>

⁶ <https://www.ft.com/content/8efa341b-f447-4027-8e62-ca06dfe930dc>

⁷ “Consumers have become used to cheap food. But it’s a model that makes little sense environmentally, and has led to tremendous consolidation on the production side”. <https://www.ft.com/content/f04e9e61-4a12-409a-a457-fbda710e9418>

⁸ <https://www.ft.com/content/38378af9-6f55-4bde-8c04-d13ee35cac07> “Pay for nurses has fallen more than 7 per cent, that of midwives by 10 per cent and that of a hospital consultant by 12 per cent. In schools too, experienced teachers’ pay has fallen twice as much as that of new entrants to the profession over the period from 2007 to 2021”.

⁹ And for the impact on someone earning £10.71 an hour, which is actually £1 about the national ‘living wage’, read this stark example of the struggles to ‘live’ <https://www.ft.com/content/af633a2e-3e46-4eaa-9173-167b87dc8c3e>

¹⁰ <https://www.economist.com/leaders/2022/05/19/travel-patterns-have-changed-for-good-transport-systems-should-too>

¹¹ <https://www.theguardian.com/commentisfree/2022/jul/06/union-leaders-strike-uk-workers-cost-of-living>

¹² And, not surprisingly, the trade unions are conveniently being branded as ‘radical’ or ‘left’ with right-wing polemic returning to regulate public sector employees further in any ability to strike. <https://www.ft.com/content/deab4e48-b22d-4278-b31c-f018a534ddbc>

¹³ <https://www.bbc.co.uk/news/business-57109282>

logistics and work methods involved in serving the sudden expansion of online purchasing. Meanwhile, the traditional settings for retail shopping continued to experience accelerating decline.

Across the labour market, working conditions have been increasingly influenced the practices in digitally organised¹⁴ and monitored¹⁵ task environments and the flexible working and contract conditions that tend to go with them¹⁶. Where the market can recover and in those activities where the digitalisation of work processes is feasible, large numbers of employees could quickly be added with a limited need for training. Wage rates could be better tagged to productivity and kept relatively low. The intense application of computer-assisted, time-driven labour tasking can make close employee surveillance necessary to the process - with consequences for the privacy for the workers. What the pandemic saw, then, was the further strengthening of a technologically managed work process and the extension of those flexible reward and contract structures already in place for decades. As with the digital transformation in general, the process was taken to *wholly new levels*.

The rush to online commerce also had collateral effects with a powerful impact on the key economic indicators that we are so concerned about today. Capacity problems in logistics supply chains, manageable in the less turbulent just-in-time world before the crisis, rose sharply during the pandemic response only to be hit by Putin's war in the recovery. Blockages and increases in shipping costs were inevitable and a driver for inflation¹⁷ (prompting in some quarters a reconsideration of the risks involved in geographically extended and complex supply chains¹⁸). Adding in those costs further exacerbated by Brexit¹⁹, energy cost increases that challenge not just the supply of food, but what we eat²⁰ and it is easy to see where we find ourselves in August 2022.

An austerity-blighted public sector left to face multiple challenges

We noted in our 2021 paper how the nation's post-pandemic future would continue to be affected by what had happened before and during the pandemic as a result of the post-2008 policy of austerity²¹. The suggestion was that unless *a recovery plan and resources* were to be in place, the public service system was going to fail in key areas²². A feature of the pre-pandemic period under Neoliberal "small

¹⁴ For a wider review of European developments see <https://op.europa.eu/en/publication-detail/-/publication/2ec2eba7-cf42-11ec-a95f-01aa75ed71a1/language-en>

¹⁵ <https://www.economist.com/business/welcome-to-the-era-of-the-hyper-surveilled-office/21809219>

¹⁶ And with poor outcomes where contracts and conditions were not acceptable. In May 2022 "*the UK's Nursing and Midwifery Council disclosed that just over 27,000 nurses and midwives left the official register in the year leading up the end of March 2022 — a rise of 13 per cent from the year before. One-third of respondents to its survey said the pandemic influenced their decision to leave, as did pressure and a poor workplace culture.*" <https://www.ft.com/content/402df6ca-5098-40ca-9cc8-bae331c39398>

¹⁷ <https://www.ft.com/content/40d23da5-c321-4b56-8ec7-551573a7a485>

¹⁸ <https://www.ft.com/content/ff96f6f9-2c53-4e55-8a54-75a5c67e0d19>

¹⁹ <https://www.ft.com/content/55d33996-fef4-4aaa-8f8c-644a20ddf5a5>

²⁰ "*The meat and dairy industries are serious contributors to global warming, accounting for about 14.5 per cent of global greenhouse gas emissions, according to the UN's Food and Agriculture Organization*" <https://www.ft.com/content/1db76427-fbd8-498c-9f27-7e6427cad43f>

²¹ This had particular significance in July 2022 as one of the key contenders to be the next Prime Minister was rolling out the same austerity logic as the basis of their economic policy platform. <https://www.bbc.co.uk/news/uk-politics-62299111>

²² For example, the extreme pressures on the health service resulting in more people going to private healthcare <https://www.healthwatch.co.uk/response/2022-07-22/are-nhs-waiting-times-pushing-more-people-go-private> or the risks that the bus network may be shredded when Covid-19 funding support ceased <https://www.ft.com/content/eb1cabdb-7329-4e8a-82a4-fdeba2bac83b>

state” ideology was that over four decades the public sector was subjected to cuts and, where possible, turned over to privatisation and the competitive free market.

What remained in the public domain was reorganised around ‘customer-contractor’, ‘internal market’ and ‘best value’ principles designed to open up each element – business unit or trust - to competitive inter-trading to achieve cost efficiencies through business and market methods. The declared aim of this was to reduce the ‘burden’ on taxes and public debt from what was alleged to be an over-large public sector. This was seen to be stifling investment and enterprise and preventing the tax cuts that would liberate demand in the marketplace. There was a deadly price to pay for this short-sighted view at the peak of the pandemic.

The liberal market philosophy that was applied in the post-Thatcher era changed more than just the resources allocated to public purposes. The nature and ethos of work in the public service in health and social care, education, government administration and the public utilities was to be re-aligned around a market perspective²³. In governance terms, the ‘network strength’ of an integrated health and care service that has to face complex and closely inter-connected conditions was, wilfully, set aside in favour of competitive market logics²⁴. Through our Covid-19 series of papers, we showed in a contemporary record of the time, how this new ‘lean’, ‘market facing’, public sector fared when it was confronted by the pandemic crisis – drastically short of resources and with private sub-contractors failing to supply useable PPE and face masks²⁵ – despite huge outlays of public contract funds.

As part of the same package, the expectations of the public were adjusted to align with the consumer-market ethos. A Citizens’ Charter²⁶ (under John Major) had set out what people (as consumers) should expect from government services. The obligation for the public to pay in taxes to maintain the scale and quality of these services was not given the same emphasis. Positioned as a matter for State fiscal policy, the supply of investment and recurrent funding was always presented as a problem when the economy ran into difficulty – massively so after the financial crash of 2008. In response to this longstanding philosophy of the place of the public sector in UK society, wages and conditions for workers in the public sector were generally, *by design*, to be maintained at the low pay end of the spectrum - tightly held there by government mandated pay constraints²⁷. We hoped in the earlier paper

²³ In the UK case, the loss of public funds for health under austerity led to a private sector response that flowed through to how the pandemic was handled. We have emphasised elsewhere the path dependency (a marker for ongoing Neoliberalisation) that conditioned how the liberal centralist government of the UK dealt with Covid-19

²⁴ Only to be put back again by the same party in power in the form of Integrated Health Systems.

²⁵ For example, as the Public Accounts Committee noted: “*During the COVID-19 pandemic, the Department of Health & Social Care (the Department) awarded contracts worth almost £777 million to Randox Laboratories Ltd (Randox) for COVID-19 testing services and goods. However, the Department’s poor record-keeping means that we cannot be sure that all these contracts were awarded properly. Even allowing for the exceptional circumstances at the start of the pandemic, basic civil service practices to document contract decision making were not followed.*” <https://publications.parliament.uk/pa/cm5803/cmselect/cm Pubacc/28/summary.html>

²⁶ <https://www.historyandpolicy.org/policy-papers/papers/the-citizens-charter-towards-consumer-service-in-central-government>

²⁷ And in March 2021, as the health sector was offered a miserly pay ‘increase’ of 1% a Minister of Health argued that nurses (who had been at the forefront of emergency care with the other health staff) were “*well-paid for the job*”. <https://www.bbc.co.uk/news/uk-politics-56260038> It would seem that the Minister was too busy to watch the BBC series ‘Ambulance’ which starkly showed the traumatic experiences of health workers. To those who watched the programmes the Ministerial statement was unpleasant rhetoric. <https://www.bbc.co.uk/programmes/b09393rd>

that the sense of obligation that was obvious in the darkest days of Covid-19 would be carried forward into a new perspective on the value of the public sector and its employees²⁸ - it was not.

Creativity and social stability in the pandemic but threats rising in a fast-changing dynamic and complex system

Looking back, it is worth reflecting at this point just how huge an event the pandemic was, and still is²⁹. It is easy to forget. Humanity at large was, however, able to prove to itself just how malleable, creative and simply stubborn people could actually be in absorbing an event that killed millions worldwide. Anarchy did not break out, government systems remained in place (but not without some questionable practices), and across the globe we did not get anywhere near 'all against all and Armageddon'. However, it is by no means all over – as a medical event or as a challenge for the order of society³⁰.

The thrust of the argument that follows is that the three structural processes we have selected out above play themselves out differentially by age, social class, gender, and ethnicity, and are differentially experienced across regions and in local places. They are deeply transformative in their effects and provide us with the complex landscape of 'unevenly changing unevenness' we are living in today. The speed and complexity of change means that there is no 'normal' to go back to. Indeed, the entire concept of the 'normal' fits uneasily with a rapidly changing, dynamic system whose directionality is evolving in ways we cannot easily grasp in advance. From this viewpoint, the guiding models (orthodox and normative are the familiar words to describe them) are struggling to capture what is going on. Paradoxically, however, they are still framing political discourse where the comfort of the simple explanation has become increasingly attractive to those whose interests can be served by it as policy by slogan³¹ increases.

A Changing Context: Wholly New Threats Emerge

Existential challenges multiply

In August 2022, things look very different. Covid-19 is still with us and there are surges of new infections with new variants, but overall, the vaccines have allowed us to begin to imagine that, though it will apparently be with us long term, we can find ways to 'live with Covid' like winter flu. There is, however, little likelihood of 'going back to normal' in the context of many areas of work. And, at a time when people have rediscovered the importance of pulling together for the greater good, there is a war of

²⁸ Post-pandemic public sector wages have consistently fallen relative to living costs and this legacy goes with us as we run into a period of serious economic and social difficulty. See also <https://commonslibrary.parliament.uk/what-happened-to-wages-in-the-coronavirus-pandemic/>

²⁹ At the start of August 2022 the WHO reports 6.3 million deaths from Covid-19 and nearly 1 million infections a day. <https://covid19.who.int/> These barely feature in the media now as we are told to 'live with Covid' – even New Zealand ceased travel restrictions on August 1 2022 <https://www.theguardian.com/world/2022/aug/01/new-zealand-borders-fully-reopened-as-last-covid-restrictions-lifted>

³⁰ While all this was going on, the government of the day was absorbed by its obsession with "getting Brexit done". It would be too much of a deflection for us to incorporate the Brexit story into the narrative here and we shall address its impact on the economy at various points later in the paper. Suffice it to say that, with everything else going on during a deadly pandemic which up to here has cost over nearly 200,000 lives (<https://coronavirus.data.gov.uk/details/deaths>), the timing for such a radical shift in the nation's focus of attention could not have been more unfortunate.

³¹ Typified by the daily drift to the right as the two Tory Party contenders in July/August 2022 fought it out in a form of 'slogan leap-frog' <https://www.theguardian.com/politics/2022/aug/01/righter-than-right-tory-conservative-hardline-drift-public-opinion>

aggression on the European Continent. The threat of nuclear war – so long forgotten – has been reappearing as something real in the minds of Russian and NATO strategists to the alarm of many³².

Yet again, there is another oil and gas crisis and the major global power blocs are seeking to re-align themselves in geopolitical terms. Oil and gas are the pivots around which global alliances are being reconfigured. The EU, finding itself too heavily dependent on Russian supply, is having to redefine its economic model as it calls for an embargo on Russian supplies³³. Tragically, the mass murder of one State's people by another in the search for territorial gain is a worrying echo of the dreaded 1930s and 1940s.

Living standards in the UK have been forecast to decline at levels last experienced in the 1950s³⁴. We are thus re-entering the world of the past while adopting the technological instrumentation of a different future. Another 'Great Transformation' is at hand, but in the Summer of 2022 any meaningful response is on hold as a largely paralysed UK government awaits the replacement of a Prime Minister forced to resign by his own party. The scramble to replace Boris Johnson is being played out against an economy on the brink of recession and with living costs rising steeply to levels not seen for over half a century.

Growing uncertainty and the political retreat to simple messages

Before the pandemic arrived, political movements had already drawn strength through claiming to tackle the uncertainties facing the electorate by means of simple messages amplified through social media. In particular, it was the perceived impact of globalisation or immigration on certain social groups and places that rendered them susceptible to beguiling messages. The causes for long-run industrial decline in certain regions were simplistically ascribed to things like the effects of international free trade or cross border movements, or 'outsider' workers in general³⁵.

The rise to positions of power by Trump and Johnson was driven by a climate of general uncertainty and anxiety as much as by their ability to capture hearts and minds in the voting population through carefully targeted messages. Simple causes and obvious remedies played well across the popular newsheets and the social media landscape. Forms of 'ourselves alone' nationalism were already gaining traction in the US Rustbelt and the English Red Wall constituencies and were being promoted politically as counter to globalisation. Facilitating this, developments in communication technologies opened the door to a politics driven more intensively by public relations and marketing techniques³⁶.

³² <https://theconversation.com/are-vladimir-putins-nuclear-threats-a-bluff-in-a-word-probably-187689>

³³ https://ec.europa.eu/commission/presscorner/detail/en/IP_22_3131

³⁴ <https://www.theguardian.com/uk-news/2022/mar/23/uk-living-standards-fall-sunak> and more recently <https://www.theguardian.com/business/2022/jul/19/uk-living-standards-fall-inflation-cost-of-living-crisis-prices>

³⁵ How ironic given the obsession with stopping migration, and with a food crisis, that In August 2022 the National Farmers Union survey reported *“that £22 million worth of fruit and vegetables has been wasted directly because of workforce shortages in the first half of 2022 alone. As the survey represents around a third of the UK horticulture sector, the NFU estimates the overall value of food wasted accumulates to more than £60 million. The results demonstrate the detrimental impact workforce shortages are having on the food and farming sector, resulting in significant crop losses at a time when the country is experiencing the worst cost-of-living crisis in generations.”* <https://www.nfuonline.com/updates-and-information/nfu-horticulture-mid-season-labour-survey-results/>

³⁶ And it is not just the current prevalence of Twitter and Facebook. Search for 'spin doctor' and you will see that the manipulation of news and facts has been a characteristic of many recent governments, Tory and Labour alike. <https://publications.parliament.uk/pa/cm199798/cmselect/cmpublicadm/770/77020.htm> and [https://en.wikipedia.org/wiki/Spin_\(propaganda\)](https://en.wikipedia.org/wiki/Spin_(propaganda))

Fast transformation and uncertainty as normal

The idea of moving to some ‘new normal’ implies that there is actually some normative order of things – that there is some understandable theory, model for events that we can look to as a guide. What we had become used to before was an era dominated by economics and by the comfortable idea of things tending toward equilibrium. The touchstone to depend upon was Orthodox Neo-Classical economics, which had provided a functional and sophisticated discourse for answers to the big questions. But well before Covid-19, confidence had been shaken by a financial crash that none had anticipated. That financial crisis is in many ways, still with us – not least by virtue of the choices that were made about recovering from it.

In ‘here and now’ terms, we still face a global pandemic, perhaps just in temporary abeyance, with new variants³⁷ of the virus, and infection surges that may still cause further crises. We have a war in our European backyard with threats of nuclear conflict and warnings of a worldwide recession. Meanwhile, a long-standing propensity to forget the finiteness of the planet is even more concerning – not least because it is perceived as just another in the list of those wicked issues to be dealt with after getting today’s problems sorted out.

The past normal had stripped out the carbon content of the earth’s sub-stratum to drive mass production, mass consumption and mass movement. It now remains to confront the ultimate cost to the living habitat as an over-riding problem. Immediate events have, however, conspired to take the eye off the climate change ball. There was little mention of the subject in the pitches in the aspirant Prime Ministers until an extreme heat event in July 2022 captured their attention. Even now, there exist factions in the government willing to see a policy for “net zero” as getting in the way of investment.

Varoufakis³⁸ gets it right with his claim that for a better future we need “*another now*”. Since the late 17th Century, we have been happily framing our world primarily in economic terms with the living habitat conceptualised as an exploitable/ expendable resource valued in terms of money in the marketplace. A recognition of the dynamic, interactive system that is the environmental habitat of the planet has been disastrously marginalised for too long in intellectual discourse. A big question for the next decade is this: “*Can we extract another story from the cataclysm of the early 2020s to set us on our way to a liveable planet with a population content to work together to share its resources*”? This is an *epochal moment* different from those shaped by wars and plagues in the past. This time, as the UN Climate Change Commission reported³⁹, the survival of humanity itself is on the table.

A Revolutionary Moment?

A background of internal and external threats

After two and a half of the years of the Covid-19 pandemic and a stumbling and patchy restart of the economy, the nation struggles on hopefully, but has been largely abandoned by a government in leadership turmoil that has chosen to look away from Covid-19 and continue with a Brexit as an ideological project. Returning to type after mobilising massive public spend through furlough, the

³⁷ [https://www.who.int/emergencies/diseases/novel-coronavirus-2019/question-and-answers-hub/q-a-detail/coronavirus-disease-\(covid-19\)-variants-of-sars-cov-2](https://www.who.int/emergencies/diseases/novel-coronavirus-2019/question-and-answers-hub/q-a-detail/coronavirus-disease-(covid-19)-variants-of-sars-cov-2)

³⁸ <https://www.yanisvaroufakis.eu/>

³⁹ “*Without immediate and deep emissions reductions across all sectors, limiting global warming to 1.5°C is beyond reach*”. <https://www.ipcc.ch/report/ar6/wg3/>

Treasury Spring financial statement featured a restoration of fiscal conservatism - one that risked bearing heavily on the poorest in society⁴⁰.

The leadership contenders, still in thrall to Thatcherism⁴¹, pledge to shrink the state still further as a means to deliver tax cuts⁴². Meanwhile, the statistical trigger for a recession - three successive quarters in negative growth - was missed only by a rise of 0.5 percent in May, and the Bank of England in August then warned of a forthcoming recession⁴³. Government warnings about the inflationary dangers of asking for higher wages at a time when average wages have fallen by 2.3 percent represents an unthinking return to old scripts from the 1970s. All this is while the inequalities that have been growing steadily for 40 years under the hegemonic model of the time are producing a situation where increasing numbers in one of the world's richer countries are at risk of food insecurity⁴⁴.

The greatest new uncertainty has been the trauma of Putin's war and its impact on the global economy through its long post-war dependency on oil and gas which continues its record of triggering geopolitical crises⁴⁵. In its latest manifestation, the timing adds to the already serious state of Covid-disrupted supply chains in producing further shortages and even more sharply rising commodity prices. The threat of an EU-UK trade war is a real possibility if the UK government abandons the Northern Ireland Protocol⁴⁶. There is a significant impact here on those basic goods that form a key position in the shopping baskets of the less well-off. Evidence comes in daily of the rising difficulties of the poorest in society and of predicted energy price rises that will see annual bills close to one third of the level of the entire State Pension⁴⁷.

The World Bank has warned⁴⁸ of the prospect of the *stagflation*⁴⁹ similar to that which followed the oil crisis of the 1970s. As noted above, the Bank of England warned - as in August it raised interest rates

⁴⁰ A report from the Institute for Fiscal Studies in July 2022 noted "*the powerful impact prices have on the living standards of families on low incomes. Overall material deprivation fell before the pandemic due to falling prices, but with inflation currently at a 40 year high and the basic rate of benefits at a 40 year low, we know large numbers of families are going without essentials once again.*" <https://ifs.org.uk/publications/16128>

⁴¹ That is 'Thatcherism' because that is what they assume the (about) 180,000 members of the Conservative party (<https://commonslibrary.parliament.uk/research-briefings/sn05125/>) who will elect the next leader (and de facto the Prime Minister to replace Johnson) still believe in. As a result, 0.29% of the UK population will decide the next Prime Minister. <https://inews.co.uk/news/politics/conservative-party-members-how-many-people-voting-next-tory-prime-minister-1762143>

⁴² With Liz Truss proposing that public sector workers should be paid differently across regions (as if regions are the best geography or category to assess wage levels). A rapid U-turn occurred on August 2 as "*the policy was criticised by several senior Tories, who argued it would mean lower pay for millions of workers outside London*". In effect, 'levelling up' became 'levelling down'. <https://www.bbc.co.uk/news/uk-politics-62390016>

⁴³ <https://www.bbc.co.uk/news/business-62432568>

⁴⁴ In the UK "*The situation only appears to be getting worse. A total of 7.3 million adults and 2.6 million children experienced food poverty in April 2022, according to the Food Foundation*" <https://www.bigissue.com/news/social-justice/food-poverty-in-the-uk-the-causes-figures-and-solutions/> See also: <https://www.jrf.org.uk/data/food-security-status-different-people-poverty>

⁴⁵ Only those in their 50s and older will have experienced the oil crisis of the early 1970s. <https://placesjournal.org/article/the-twilight-of-autopia/> Yet the lessons about dependency on major suppliers seem to have been forgotten by Germany and the Merkel regime:

<https://www.theguardian.com/world/2022/jun/02/germany-dependence-russian-energy-gas-oil-nord-stream>

⁴⁶ <https://www.lewissilkin.com/en/insights/controversial-ni-protocol-bill-passed-eu-issues-further-legal-action-against-uk>

⁴⁷ <https://www.dailyrecord.co.uk/lifestyle/money/martin-lewis-new-energy-warning-27449970>

⁴⁸ <https://www.worldbank.org/en/news/press-release/2022/06/07/stagflation-risk-rises-amid-sharp-slowdown-in-growth-energy-markets>

⁴⁹ "*Stagflation is an economic cycle characterized by slow growth and a high unemployment rate accompanied by inflation. Economic policymakers find this combination particularly difficult to handle, as attempting to correct one of the factors can exacerbate another*". <https://www.investopedia.com/terms/s/stagflation.asp>

for a sixth successive time - that Britain is on course for a recession lasting more than a year and inflation above 13%. This time, however, it would have a very different shape. It is not that wage increases pursued by powerful unions lie at its heart, but the impact of a structural shift in the financial system that has moved its focus from financing productive activities to concentrate on rents and wealth accumulation. It is accompanied by serious challenges from global supply chains still struggling to reposition after the pandemic. This time, then, the supply-side crisis tends to be situated in the domain of capital and logistics rather than wage labour. Policy remedies will find liberal capitalist governments having to find ways to challenge their own constituency in the business and finance community.

Four decades of a primary focus on private consumption, free market economics and an increasing focus on giant global corporations dominating the digital marketplace – with a falling sense of responsibility to the needs of social justice and environmental sustainability - have seen the emergence of a fractured and unequal society and rising real poverty. With threats of double digit inflation from the Bank of England, interest rates are beginning to climb on a monthly basis, the cost of living is increasing, and global recession threatens⁵⁰. And all the time the clock on measures to offset climate change to save the planet is ticking out.

The technological transformation continues

All is not entirely negative, however. A wave of creativity and innovation is sweeping across the technological landscape – who, for instance, could have imagined the penetration and impact of Zoom and MS Teams three years ago. The opportunities to arise from Virtual Reality (VR) and Artificial Intelligence (AI) are yet to make their full impact. The world of social interaction has shifted as communication has moved toward screen, text and picture. The rapid developments in robotics and AI have the power to change things both economically and socially through the impact on workplaces and the conditions of labour, while also (for example through the algorithmic management of workers⁵¹) presenting ethical challenges.

Also, on the side of hope for the future, there are initial steps to turn early dreams about nuclear fusion⁵² into practical reality as a cheap and sustainable source of energy. New materials technologies like graphene⁵³ are opening up profound new possibilities. Therefore, it is important to resist the temptation to frame the transformation only in negative terms. The present revolution in technological possibilities is redolent of the 1830s with things as yet unheard of waiting in the wings. The big question mark is not, however, about the *availability* of game changing technologies – that is a given – but *to what ends and in whose interests they will be developed and applied*. The possibilities for innovation are exciting: the challenge in delivering the possibilities equitably and sustainably as well as efficiently lies in the realms of *politics and governance*.

A fast-moving, fully interconnected and digitally mediated system

During the two pandemic years there was a massive acceleration in the speed and range of change – much of it driven by immediate necessity⁵⁴. For many, however, there may have been a sense that change was happening too fast. Everything was moving at once – an environment of threat required

⁵⁰ <https://www.theguardian.com/business/2022/may/05/bank-england-raises-interest-rates-inflation-cost-of-living>

⁵¹ <https://www.futureofworkhub.info/comment/2021/7/26/algorithms-in-the-workplace-the-rise-of-algorithmic-management-hcd4f>

⁵² <https://www.bbc.co.uk/news/science-environment-60312633>

⁵³ https://www.sciencedaily.com/news/matter_energy/graphene/

⁵⁴ <https://doi.org/10.1787/0a76109f-en>

that the most basic social norms be suddenly discarded, and interpersonal contact be either ceased or quickly transferred to the cybersphere. The phone, the laptop, the digital camera and the web as the “saviour” devices for the crisis saw contact dramatically re-engineered into digital network form.

Life was quickly transferred to something that – while it worked wonderfully to solve the immediate problem – had much wider and deeper effects. At the same time, however, drivers still drove trains, buses and taxis, and paramedics still drove ambulances, people staffed distribution centres, retail staff still served in stores, and care workers still had to physically care for patients etc. Many precarious jobs (more precarious because of the contagion risk or the instability of job security) continued as before.

There is a concern that, in this massive technological revolution, labour is being left behind and the wealth of the society is being continuously drawn upwards. The middle management that was the mainstay of the Fordist era of technology is being hollowed out and with it the bourgeois middle class is losing its weight in society. This also happened in the past when previous periods of rapid technological advance, and the ‘creative destruction’ that accompanied them, left whole segments of society to face poverty and precarious living. The rise of populism⁵⁵ and revolutionary movements was the response.

While the benefit of the move to digital communications and networks has been clear, there is a related concern that it also brings with it an added degree of vulnerability and potential exploitation. The feature that has had the greatest attention thanks to the work of Shoshana Zuboff⁵⁶ is the vast increase in the possibilities for surveillance at the workplace, in public spaces, and in personal lives. Less widely acknowledged, until some event or war strategy reveals it, is just how far the control systems for the basics of life – infrastructure such as energy⁵⁷ and water⁵⁸ supply - are open to intrusion and hacking by malign interests. Cyberwarfare (and the need for strategic and robust governmental response⁵⁹) is a real and present danger and most people little understand the potential fragility of the system under which we have come to be living.

Faced with a fast-changing dynamic system characterised by *unevenly changing unevenness*, complexity is a huge conceptual challenge when we look at the observable world. This is, of course, a world to which we are more exposed through the communications revolution. Part of people’s anxiety stems from being able to see much more in real time. New conceptual thinking has, of course, been emerging across the academic disciplines from the 1960s onwards. Ideas around Systems Theory, Network Theory and Chaos and Complexity Theory, at a time when Quantum Theory was revolutionising the Physical Sciences are widely grasped. The problem is that the disjuncture between what it takes to understand how the modern – digitally framed and media infused – world works and what the political realm needs in terms of clear messages that people can understand has become very wide indeed.

Democracy has at its heart a need for informed choices at the ballot box but living under a system where everything looks so complex, fast moving and unevenly changing makes things particularly difficult for the electorate to grasp. The danger is that there will be a continuing tendency to privilege the satisfaction of personal desires over the imperative to maintain a stable social order on a liveable

⁵⁵ <https://blogs.lse.ac.uk/politicsandpolicy/populism-neoliberalism-brexit/>

⁵⁶ <https://shoshanazuboff.com/book/>

⁵⁷ <https://www.mckinsey.com/business-functions/risk-and-resilience/our-insights/the-energy-sector-threat-how-to-address-cybersecurity-vulnerabilities>

⁵⁸ https://www.ey.com/en_lu/power-utilities/water-utilities-six-focus-areas-to-help-build-cyber-resilience

⁵⁹ <https://www.ncsc.gov.uk/>

planet. A 40-year trajectory of individualism and a consumer economy dominated by finance capital and large oligopolistic corporations has a momentum that will be hard to deflect⁶⁰ Contemporary politics is struggling to make a meaningful impact and there seems to be no new 'grand narrative' available with the power to change hearts and minds.

There is, then, no simple, multi-use logic to be deployed able to match that of the past era of dominance of economics as the fulcrum of political debate. 'Economic man' (sic), the propensity of humanity to 'truck barter and exchange', and the power of the market efficiently to solve the issue of scarcity, were wonderfully easy to understand and translate into political messages. Complexity, dynamic change and uncertainty will never sell well in the marketplace for political nostrums.

The world of democratic politics needs its communicable messaging and the impact of the digital transformation on the media – mainstream and social – has opened the door to information overload. From propaganda bots⁶¹ distributing messages globally to the echo chambers of social media⁶², what is termed the 'post-truth' society is changing the political realm. Fascinating for academics and theoreticians, a dynamic systems view of the world in all its observable complexity looks deeply unhelpful for messaging in the corridors of political power. The simple message that plays into personal insecurities in a world of uncertainties is going to be hard to resist going forward.

Some Defining Features of the Emerging Order:

Inequalities running to extremes

Before the pandemic hit, there was a feature of the UK that was already becoming steadily more prominent. This was the level of *inequality* that had increased over the previous four decades. According to the Office for National Statistics in 2021, the top 10% of households by income earned 6.8 times more than those on the lowest rung, and the wealthiest 10% had 290 times more in total assets than those at the bottom of the pile⁶³. Even at a time of post-crash national austerity, wealth – the value of property, cash savings, shares and pensions – rose by 15% in just the two years up to June 2016.

Remarkably, it continued to grow despite the events we have just reviewed. The top 10% of households still own half of all this wealth, while the poorest fifth's overall share has declined sharply in real terms⁶⁴. This is against a trend where average wages have flatlined for decades and the downside of the economic crash of 2008 was experienced in very different ways between capital and labour and across the social class distribution. Concepts of the 'just' and 'good' society that were part of the national discourse 20 years ago are nowhere to be found, and expectations of 'levelling up' are chasing the coat tails of the longstanding upward concentration of affluence.

During the pandemic, the Resolution Foundation thinktank said it was rare for wealth to increase during a recession but the impact of events during 2020 and 2021 had been to "turbo-charge the gap between

⁶⁰ See "HyperNormalisation". This is a 2016 BBC documentary by British filmmaker Adam Curtis. It argues that governments, financiers, and technological utopians have, since the 1970s, given up on the complex "real world" and built a simpler "fake world" run by corporations and kept stable by politicians.
<https://en.wikipedia.org/wiki/HyperNormalisation>

⁶¹ <https://spectrum.ieee.org/how-political-campaigns-weaponize-social-media-bots> and <https://www.technologyreview.com/2020/01/08/130983/were-fighting-fake-news-ai-bots-by-using-more-ai-thats-a-mistake/>

⁶² <https://www.forbes.com/sites/theyec/2022/02/22/social-media-content-overload-what-it-is-and-how-to-deal-with-it/?sh=1b0c63b421bc>

⁶³ <https://www.theguardian.com/uk-news/2019/nov/27/parts-of-england-have-higher-mortality-rates-than-turkey>

⁶⁴ <https://www.theguardian.com/news/2019/sep/09/inequality-is-it-rising-and-can-we-reverse-it>

rich and poor”⁶⁵. This was under conditions where UK incomes for the worst off are “a staggering 20% lower than those across the Channel (£14,700 v £18,500)”⁶⁶. To make things worse, the most recent increase for Universal Credit (3.1 per cent) in the UK is only half of that of inflation, which reached 6.2 per cent in February⁶⁷ (and is now being projected to go as high as 13 percent⁶⁸). A recent ONS report found that between April and June 2022 regular pay fell in real terms by 3.0 percent – a record.⁶⁹

Inequality has taken an upward step and welfare benefits a downward one. This came before the most recent events in Ukraine that saw fuel and food costs rise sharply, raising the prospect of the worst fall in the standard of living for 50 years. Consistent with the long run trend, the profits of the largest corporate enterprises in the UK have posted 2022 profit margins between 32 and 42 percent – gas, electricity, water and real estate ranking most significantly among them⁷⁰. BP announced a doubling of its profits for the first three months of 2022 to £5Bn and recently reported a further 6.9Bn for April to June⁷¹. This is alongside Shell at £7.4Bn⁷² House prices have consistently bucked the trend and continue their meteoric rise.

By any measure, the UK can be seen to be emerging from the pandemic years as an even more deeply unequal and polarised society. The worst pandemic outcomes were suffered by the poorest while the position of the well off and major corporate business was not only not significantly impacted but even improved in some sectors. The extent of the concentration of wealth in the hands of a small number of people and the dominance of a handful of global mega-businesses is redolent of the last decades of the 19th Century. That was before the two world wars and revolutionary turmoil arrived as a political and social reaction. There are dangerous portents here that aspiring political leaders would do well to note.

In trying to gain a perspective on current events, It can be no surprise then that, while Marx still has his dedicated audience, the most widely read political philosopher at the present time is Karl Polanyi⁷³. According to Polanyi (writing in 1944), the mistake of liberal capitalism was to attempt to “dis-embed” the economy from society. Not just the market for products, but the whole economy was conceived as autonomous and self-regulating, with labour, nature (or land), and money conceptualised and dealt with as commodities⁷⁴. By being subjected to the whims of the supply-demand-price mechanism, society became an “adjunct” to a market that was seen as a self-adjusting automatic mechanism (See. Jessop, 2001).

Economic growth and low inflation made it possible to accept this, but once growth slowed and then disappeared in the decade after the 2008 financial crash, the social costs of the approach became

⁶⁵ <https://www.theguardian.com/business/2021/jul/12/uk-wealth-gap-widens-in-pandemic-as-richest-get-50000-windfall>

⁶⁶ <https://www.theguardian.com/commentisfree/2021/apr/25/in-britain-the-rich-are-richer-but-the-poor-far-poorer-than-in-europe>

⁶⁷ <https://www.bigissue.com/news/social-justice/uk-poverty-the-facts-figures-and-effects/>

⁶⁸ <https://www.itv.com/news/2022-08-04/bank-of-england-predicts-long-recession-in-uk-as-inflation-peaks-above-13>

⁶⁹ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/latest>

⁷⁰ <https://www.ibisworld.com/united-kingdom/industry-trends/industries-highest-profit-margin/>

⁷¹ <https://www.bbc.co.uk/news/business-62382624>

⁷² <https://news.sky.com/story/shell-reports-record-operating-profits-of-91bn-but-takes-4bn-hit-from-russia-withdrawal-12605716?dcmp=snt-sf-twitter>

⁷³ Karl Polanyi, The great transformation: the political and economic origins of our time (first published 1944, 2nd Edition, Beacon Press 2001) https://www.goodreads.com/book/show/53981.The_Great_Transformation

⁷⁴ With the qualifier ‘fictitious’ often added from an early observation from Marx used to recognise a significant difference.

evident. The liberal free market period after 1980 and another financial crash, unsurprisingly, provoked a widespread re-reading of Polanyi and his concern about societal costs. His post-war concept of a double movement⁷⁵ explored the dangers of rising populism. We cannot do this huge literature justice here but it has the merit of helping us stand back from the complexity of the observable world to explore earlier debates on the structural forces at work.

We pointed out in Paper 9 that, *geographically* as well as socially inequality was becoming more extreme and more widespread. The UK was also more inter-regionally unequal than the United States, France, Germany, Spain, Sweden and South Korea⁷⁶. Nothing seen recently serves to alter that view. Indeed, the evidence is that geographical change can now be revealed as having been intensified both in scale and scope. Not just inequality but real poverty is spreading discontinuously across a uneven landscape of economic and social exclusion. The *significant socio-economic inequality* that was already a defining characteristic of the Neoliberal era is now being illustrated through place-based settings where food banks⁷⁷ rather than supermarkets have become the fastest growing food and provisions outlets.

Aggregate measures of inequality in income and wealth have, hidden within them, a whole nexus of interrelated features that are harder to measure and less cross-comparable between nations. One of those, and clearly one of great significance in a pandemic, is *health inequality*. Despite having the internationally much lauded NHS, the UK presents itself to the world as a country of extreme health inequalities⁷⁸. It is also a nation where life expectancies have stopped growing for the first time in a Century and where life expectancies in the North are 10 years lower than in the South. Diseases of the poor like Type 2 Diabetes⁷⁹ are rife⁸⁰ and poor mental health is declared by experts in the field to be at an all-time high. Add in shockingly high levels of poverty⁸¹, particularly among children and the pressures on the national health and care system are all too predictable. We also read that “chronic illness makes the UK workforce the sickest in developed world”⁸².

Inequalities “baked in” through the operation of the housing market

The story up to here has been one where an economy and society recovering from the pandemic has been undergoing transformational change. There is, however, one area where the trends of the past seem to have just rolled on regardless through the pandemic and on into the recovery. Even in a country struggling to get its GDP growth back above zero and with wages flat for a decade, *house prices have continued their upward trend and are still rising at their fastest rate for 15 years*⁸³, with a reported 11%

⁷⁵ A complex idea, this refers to a process to re-embed economy in society and through movements and countermovement to de-commodify land, labour and capital

⁷⁶ <https://www.sheffield.ac.uk/news/nr/uk-higher-regional-inequality-large-wealthy-country-1.862262>

⁷⁷ <https://commonslibrary.parliament.uk/research-briefings/cbp-8585/> and <https://www.trusselltrust.org/news-and-blog/latest-stats/end-year-stats/>

⁷⁸ <http://www.instituteofhealthequity.org/resources-reports/build-back-fairer-the-covid-19-marmot-review>

⁷⁹ <https://www.nice.org.uk/guidance/ph35/evidence/ep-3-socioeconomic-status-and-risk-factors-for-type-2-diabetes-pdf-433771165>

⁸⁰ Facing this, the government Food Strategy <https://www.bda.uk.com/resource/government-s-food-strategy-white-paper-is-a-missed-opportunity.html> announced in June 2022 has stepped back from confronting the levels of sugar and salt to counter obesity on the grounds that those in poverty could not afford more expensive healthier food. On 2 August 2022 Liz Truss said that if she became Prime Minister she would abolish any regulatory plans <https://www.reuters.com/article/us-britain-politics-truss-food-idAFKBN2P80HM>

⁸¹ <https://www.manchestereveningnews.co.uk/news/greater-manchester-news/pandemic-lessons-from-the-north-20233278> and <https://www.bmj.com/content/372/bmj.n376>

⁸² <https://www.ft.com/content/c333a6d8-0a56-488c-aeb8-eeb1c05a34d2>

⁸³ <https://www.theguardian.com/money/2021/dec/07/uk-house-prices-rise-property>

increase in the year to July 2022⁸⁴. This story is often left out of income-based discussions of inequality but has a powerful role in how income differentiation plays out on the ground.

On an inexorable upward curve, the average price of a home in England has risen to a record £272,992 (later data suggest £290,000) and the ratio of median house price to median gross annual income stands at 7.84⁸⁵. That is a price nearly 8 times what the median household earns. There are, of course, geographical variations, but places with lower prices also have lower wages⁸⁶. Facing this, the *real* demand driving price trends in the housing marketplace (that is need but *backed with the resources* to meet it) has come from one segment of the population – the better off⁸⁷. Home owners' assets are being accumulated and are appreciating in value while rising rents and pressures on household finance are the norm for those unable to get a mortgage and part-own a home.

In this same unequal world, housing developer profits have also followed an uninterrupted upward growth path since the shock of the financial crisis in 2008⁸⁸. Share prices have also climbed and house prices are forecast to go even higher⁸⁹. An attractive bet for global finance especially in hard times, housing development has seen investment and equity funds (home and offshore) take a growing interest. In this apparently shock-proof world, mortgages are readily available for the right applicants to join in this virtuous circle. After the crash, quantitative easing kept interest rates close to zero, which was a boost to demand and prices and a further bonus for mortgage holders inside the circle of privilege. This enabled home owners to borrow more freely using their existing assets as collateral.

Access to home ownership is a prime discriminant in shaping how different groups in society access not just housing but opportunity and life chances in general⁹⁰. Under the conditions we faced in the pandemic and at the present time, those with equity in a home are much better equipped to ride out the downturn of the economy. They can fall back on their capital (witnessed by the promotion of equity release⁹¹ schemes) to absorb the 'waiting time' of periods like the present where living costs are rising sharply. Any approach to 'levelling up' that treats the geographies of deprivation without a grasp of the structural context underlying how people have access to a home and a neighbourhood in a context of rising general inequality is no more than politically convenient window dressing.

⁸⁴ <https://www.bbc.co.uk/news/business-62390578>

⁸⁵ <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoresidencebasedearningslowerquartileandmedian>

⁸⁶ There are worse places. In New Zealand house prices rose by 256% between 2000 and mid-2021 and currently the ratio in the capital Auckland is 35 times median income
<https://www.economist.com/asia/2022/02/12/new-zealands-housing-crisis-is-worsening>

⁸⁷ In the wider background to the current position is a story of a four-decade-old *national housing crisis* – a question of having enough homes at the right price in the right places. Report after report has brought this into the news cycle – only for it to fade back again into the list of those things we all know about but that no one seems willing or able to fix.

⁸⁸ Developers' profits are even protected under the terms of the National Planning Policy Framework (NPPF) <https://www.gov.uk/government/publications/national-planning-policy-framework--2> "The updated NPPF indicates a suitable developer's profit margin of between 15 and 20 per cent of GDV, though it recognises that different levels of profit may be appropriate" <https://www.theplanner.co.uk/opinion/nppf-20-and-viability-problem-solved>

⁸⁹ <https://www.theguardian.com/money/2021/dec/01/uk-house-prices-return-to-double-digit-growth>

⁹⁰ For a useful exploration see; Adkins L, M Cooper and M Konings (2021), Class in the 21st century: Asset inflation and the new logic of inequality, EPS Economy and Space, Vol 53(3), pp548-572
<https://journals.sagepub.com/doi/full/10.1177/0308518X19873673>

⁹¹ "Equity release activity climbed 24 per cent annually to £4.8bn as homeowners unlocked a record amount of property wealth last year [2021]" <https://www.mortgagesolutions.co.uk/news/2022/01/25/equity-release-market-returns-to-growth-with-record-4-8bn-total-lending-erc/>

By contrast, for many of those in society where wages and rent payments present a monthly challenge when incomes are under pressure and living costs rise sharply as they are at present, there is no asset cushion to provide waiting time. A decade of flat average wages has worked against this group being able to assemble 'rainy day' savings or a housing deposit. Rising rents, static wages and the rising cost of the energy⁹² and food can quickly lead to indebtedness. Since many of the poorest renters lack the credit ratings need to acquire loans at decent rates, they can easily fall prey to loan sharks. Rapidly growing numbers of food banks – some spreading into new, previously better off, communities – are the bellwether of our troubled time.

For 'generation rent'⁹³, then, distributed across younger ages and stages in the life cycle, the chance of buying a house to join the more secure asset-holding class has, for decades, been moving further out of reach. For a large segment of the population, particularly the young, the less well and off and first-time buyers in general⁹⁴ renting has become the expected reality. Once again, we see past trends re-emerging with a substantial share of the UK population living a life familiar to their forebears – struggling to pay the rent when such jobs as are available push them to the margin when inflation and basic living costs rise.

In sharp contrast, capital in the hands of UK homeowners is currently estimated to stand at around £237 billion⁹⁵. It is a key pillar of the contemporary state's capital base, not to mention a huge asset-backed sum of security available for banking and finance to deploy in the financial marketplace. No wonder moves to change the system to make it fairer prove to be so difficult when so many have such a stake in the status quo⁹⁶. It is for all these reasons that trying to attach what housing means to inequality in the UK is something of fundamental importance that is often overlooked.

We have used the phrase 'baked in' to emphasise how important people's positioning in relation to home ownership status is to the inequality currently seen in the UK. So much about life and opportunity flows from the relation of a person or a group to the property they reside in. We have explored the powerful distinction between owning a home as an asset and simply renting from a landlord. Flowing from this, the available choices are different in ways structured by economic and social status⁹⁷.

Intensifying social and spatial polarisation

If there is one broad trend in the way the labour market and housing conditions cycle together, it is through a disturbing one of *accelerated and widespread polarisation*. Good jobs have been retained or are being recovered in an improving context for some in the upper, better paid segment where the power exists to capture flexibilities for the employee in a positive way. Bad jobs, by contrast, have

⁹² On August 3 it was reported that "Tenants whose bills are included in their rent could miss out on the government's £400 energy rebate because it is paid to their landlord, warn charities".
<https://www.bbc.co.uk/news/business-62375576>

⁹³ Generation rent is a term to describe those young adults (18-40) who have been priced out of the housing market – unable to buy and having to pay a high percentage of income on rent.
<https://www.economicshelp.org/blog/15804/housing/generation-rent/>

⁹⁴ Home ownership is, of course a choice. In many advanced countries it is not the dominant option. Even in rental dominated countries like Germany the growing unaffordability of homes is recognised as a national crisis.

⁹⁵ Zoopla estimate that "UK homeowners are sitting on a staggering £237bn of hidden equity"
<https://www.zoopla.co.uk/press/releases/uk-homeowners-collectively-undervalue-their-homes-by-237bn-as-zoopla-reveals-the-nations-hidden-equity/>

⁹⁶ <https://www.theguardian.com/commentisfree/2022/feb/21/the-guardian-view-on-unaffordable-homes-building-injustice-into-the-economy>

⁹⁷ We are now seeing the first hints of a fall in house prices
<https://www.theguardian.com/business/2022/aug/05/uk-house-prices-fall-for-first-time-since-june-2021-says-halifax>

become more prominently a pathway to precarity and lack of resilience for those at the bottom of the stack - where flexible contracting is destined to expand⁹⁸. Both feed into the prospect for differential access to finance and for access to the housing market. This, in turn, through the properties of neighbourhood amenities, public services and school choice, positions people within an opportunity context for daily living and for the progression of their children.

There is nothing particularly new about this in general terms. What is disturbing, however, is the trend. More people in the population as a whole are still suffering from the downside effects of the financial crash and the pandemic but, while a small but electorally influential subset have been able to come out of the last decade in good order, the 'already struggling' have been pushed further toward precarious living⁹⁹. The nation was already becoming more fractured in the austerity years before 2019 but the pandemic continues to have impacts that went much wider and deeper than its deadly outcomes for health at the peak of the infection cycle.

Conditions have worsened substantially in the nation's most deprived places. While the long standing regional differences still set a base level derived from the past, there is now a complex mosaic of places across the entire nation where the trends we have been describing have been playing themselves out. Continuing to see the problem through an exclusively sectoral-spatial lens and selecting certain places for "levelling up" treatment through what has been described as some "Hunger Games" competitive process, is primarily about *garnering electoral advantage*. There is a highly complex wave of polarising disadvantage and precarity working its way from place to place across the country. Only the 'great simplifier' approach to dealing with a complex world could capture it in such banal terms through a set of geographical cliches of value chiefly to political sloganeers. The hope of a better economy and society from Brexit is turning out to be illusory and local places have little to gain from this source¹⁰⁰.

An impoverished public sphere failing to cope

A special feature of the pre-Pandemic period under the Neoliberal "small state" ideology, as we set out at the beginning of the paper, was that over four decades the public sector was subjected to cuts, and wherever possible, turned over to privatisation and the competitive market. As part of this, the nature and ethos of work in the public service was to be subject to a market forces approach. However, the state had different priorities when it came to its own expenditure for public sector workers. Whatever the 'market' might indicate, for wages in health and social care, education, government administration and the public sector generally the key ambition was to maintain low pay wherever possible, especially across the austerity decade, and even now with a reduced scale of active labour causing severe shortages¹⁰¹.

⁹⁸ <https://www.norden.org/en/news/women-benefit-digitalised-labour-market>

⁹⁹ Current reports of a much wider social and geographical spread of food banks (Trussell Trust) and data on child poverty provide the evidence.

¹⁰⁰ "A study by Ipsos UK in partnership with the EU-UK Forum found that the proportion of Britons who think Brexit has made their daily life worse has risen from 30 per cent in June 2021 to 45 per cent now [June 2022]. Some 17 per cent said their lives had been made better" <https://www.ft.com/content/c1821751-731a-49c3-b563-ca0241107b27> "as the sixth anniversary of the UK's vote to leave the EU approaches, economists are starting to quantify the damage caused by the erection of trade barriers with its biggest market, separating the "Brexit effect" from the damage caused by the Covid-19 pandemic. They conclude that the damage is real and it is not over yet" <https://www.ft.com/content/7a209a34-7d95-47aa-91b0-bf02d4214764>

¹⁰¹ In the UK case, the loss of public funds for health under austerity led to a private sector response that flowed through to how the pandemic was handled. We have emphasised elsewhere the path dependency (a marker for ongoing Neoliberalisation) that conditioned how the liberal centralist government of the UK dealt with Covid-19.

The National Health Service (NHS), while more protected, had long experienced pay and grading struggles. Continuing staffing shortages had drawn in workers from all over the world to sustain the service. Social care was another major national source of employment where privatisation pressures had kept pay to national minimums. Brexit was to see both lose very large numbers of EU resident employees who left during the pandemic and did not return. Overall, the Local Authorities took the brunt of austerity with 40 percent cuts¹⁰² experiencing a considerable shakeout of workers in all grades. This came alongside collateral losses for those voluntary and charitable sectors dependent on them for funding generally in the poorest communities.

At this point, it is appropriate to repeat a section of our earlier Paper 9 on the subject of the public sector exactly one year ago.

“Even as we begin to grasp the emerging financial situation, another thing is clear about the public services.. The pressure of need on services to the public will continue to be extreme. There is a backlog waiting list for the NHS of over 5 million operations. There is, also, no clear plan properly to finance social care. Local authority finances are already pared to the bone at a time when, particularly in the so-called “left-behind” places, demand is at an all-time high. The list goes on. The strong signal here is that, outside the sphere of capital and finance, the residual impact of a decade of austerity and a pandemic on the working population and on the public services they depend on will probably continue to be huge and under-funded. Waiting for a market-oriented economy on the terms of the “old normal” to recover its profitability and then go on to provide wages and services sufficient to provide what will be needed is a pipedream. One way or another, state intervention at least on the scale of furlough is going to be needed to repair broken and overwhelmed public services, to provide living incomes for the poorest and opportunities for the young. Sadly, however, the strongest signal from government is that it will go in the opposite direction...There is no easy route to be found here from classical public finance policy. What is surely needed is a latter-day New Deal (one far beyond HS2 trains and local infrastructure projects and bid and challenge funds)”

While before the pandemic there was some anticipation of a general growth in public sector occupations in *education, healthcare, and in wider public service employment* as the recovery arrived, there has been a reversion to the old Neoliberal logics of fiscal conservatism, pressure on wages in the public sphere, continued privatisation of the public realm, a new austerity agenda and an obsession with tax cuts. In this context, the public sector and its workers are being asked to mediate their demands for funds to protect the national state from the threat of inflation following a decade of cuts and workforce reductions. Since so many of the nation’s poorest localities have the public sector as by far their largest employer, special funds measures to revive their town centre high streets – though worthy in themselves – need to be seen in context. Public expenditure cuts will hit these “levelling up” targets particularly hard.

While, as we have set out above, transformation and change is the normal state of things in mid-2022, a government in abeyance as it awaits a new leader has gone back to an old political ideology that flies in the face of not just national but global trends. While there is much talk of tax cuts, defeating inflation, and a Brexit that will work if only it ‘were to be done in the right way’, there is little analysis of what is needed and a plan deal with it. Yes, it is difficult to ‘ride the tiger’ of another Great Transformation but to just ignore it and retreat to old shibboleths is a dangerous proposition.

¹⁰² <https://www.theguardian.com/society/2021/dec/04/councils-have-been-short-changed-we-need-more-government-money> see also <https://www.museumsassociation.org/museums-journal/news/2019/05/29052019-local-cultural-spending-ifs-report/#>

A recovery in reverse: Pressures on wages, shortages and locational disconnects

Just a year ago, nobody could have imagined that we would be talking of a repeat of the “Stagflation” of the 1970s. Globally, we are confronted by another fuel, war and inflation crisis. In mid-2022, the UK is facing what has been termed “*the worst cost of living crisis for 50 years*”¹⁰³. Inflation is expected to run into double figures. Falls in output, flat GDP growth for the rest of 2022 and decline in 2023¹⁰⁴, sit alongside a balance of payments crisis of the kind not seen since the late 1950s. A falling sterling currency and rising negative sentiments among international investors are revealing how the UK is seen in global markets. There are serious logistics and supply chain issues and massive queues have occurred at the border ports¹⁰⁵. The public finances are being drawn into deeper deficit as growth falters and the trade balance weakens. Levels of child poverty¹⁰⁶ and food insecurity are beginning to re-evolve the conditions of the 1930s.

An unlooked for paradox of the recovery period is that there is little evidence of the high unemployment that most (including ourselves) had predicted, but widespread *shortages of labour*. Shortfalls in labour availability are evident both in the low pay and conditions segments as well as in those for higher-level skills. The special conditions of Brexit, and the toxic attitudes towards migrants, have clearly played a role in this. Many EU workers returned home in response to Brexit and are simply no longer available in the UK¹⁰⁷.

Counterintuitively perhaps, the labour market category of *inactivity* appears to be playing a prominent role. While many of the old jobs – say in town centre retail – are not coming back, it seems that many of the regular workers – particularly in the older age groups¹⁰⁸ – *are not coming back either* – certainly not with the wages and conditions currently on offer as a ‘discouraged worker’ issue. This is seen particularly among those over-50s whose jobs were lost and who had some assets and savings to fall back on. Rising fuel bills and living costs may, however, serve to bring many back to looking for employment¹⁰⁹.

The inability or unwillingness of many employers to offer more attractive wages (particularly in the public service and private activities pared to tight margins on cost) makes it hard to use income incentives to get the workers needed. From the workforce side, a decade of flat wages and the prospect of eye-watering living cost increases is provoking labour unrest and strikes. This is particularly the case in the public and privatised services sectors where government is content to hold the line and urge ‘wage restraint’ (and take steps to recruit agency workers¹¹⁰).

The NHS in July 2022 had over 100,000 vacant posts and is described as facing the “*Worst staffing crisis in its history (that is) putting patients at serious risk*”¹¹¹. Care homes are “*missing a third of the*

¹⁰³ <https://www.independent.co.uk/tv/news/inflation-cost-of-living-crisis-b2057356.html>

¹⁰⁴ <https://www.bankofengland.co.uk/monetary-policy-report/2022/may-2022>

¹⁰⁵ <https://www.theguardian.com/business/2022/jul/22/dover-port-declares-critical-incident-travellers-four-hour-queues-french-border-control>

¹⁰⁶ <https://www.jrf.org.uk/blog/its-wrong-so-many-working-families-are-trapped-poverty>

¹⁰⁷ <https://www.ft.com/content/de721f35-d228-48de-bd9f-d2168b16aba6>

¹⁰⁸ <https://www.ft.com/content/3f77deb3-d577-4c93-8f31-b7261be36522>

¹⁰⁹ <https://www.theguardian.com/business/2022/jul/26/energy-bills-will-plunge-millions-into-unmanageable-debt-warn-mps-ofgem>

¹¹⁰ <https://www.theguardian.com/uk-news/2022/jun/23/ministers-press-on-with-cynical-plan-to-let-agency-staff-replace-striking-workers>

¹¹¹ <https://www.theguardian.com/society/2022/jul/25/worst-nhs-staffing-crisis-in-its-history-is-putting-patients-at-serious-risk-mps-warn/>

staff they need’ and many are being forced to close¹¹². Airports have been struggling for months to recruit staff¹¹³. The ports, airports and railways are the regular story of the moment, as postal workers are also taking strike action.

With constraining inflation as the prime focus of Treasury and Bank of England attention, this is being reflected in regular interest rate rises. In turn, squeezed margins and rising debt servicing costs are becoming a problem for many small businesses. Business interests generally are describing the current situation as a ‘perfect storm’. Materials cost and supply chain problems sit alongside labour shortages. At the same time, there is disruption as essential services workers strike to demand higher wage rates to try to keep up with their own cost of living pressures. This is a serious crisis by any measure,

Meanwhile, an obsession with “making Brexit work”, with tax cuts, public expenditure savings, and stronger sanctions against asylum seekers frames the headlines for the policy pitches of the Tory party leadership contenders. This gives little hope that even when active government returns, there will be a recognition of the complexity of the transformation under way and the dangers it presents for an already struggling and increasingly polarized society.

Conclusion

Milton Friedman (1962)¹¹⁴ made the following observation:

“Only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable.”

It is more than a little ironic that the “*ideas lying around*” at that time have turned out to have had such a powerful role in bringing us to the crisis of today and will, it appears, will still be those in play as we face a crisis of potentially greater severity than at any time in the post-war years. We should, however, take seriously the second half of the quotation and hope that the “**politically impossible**” aspiration to have a “**safe and just space for humanity**” on an “**ecologically safe**” planet¹¹⁵ will become “**politically inevitable**” before it is too late.

When the financial crash and Covid-19 arrived, there was already a growing national and international debate about the long reign of orthodox economics and Neoliberalism (Harvey, 2007) (Peck, 2010). The imbalances in equity and wealth that seemed to accompany it were becoming ever more evident. It provoked Thomas Picketty (2017, 2019) to begin a multi-volume series on inequality and had widely stimulated a re-reading of Polanyi’s seminal work *The Great Transformation* (1944). Polanyi accepted that the market system did indeed have immense value in creating wealth, but that its excesses and failures in the area of distribution needed to be constrained in the interests of social cohesion. Although this work was published in 1944, 21st Century commentators are beginning to see in it an important contemporary message about the profound damage to society that can arise from conceding too much to unchallenged free markets.

¹¹² <https://www.theguardian.com/society/2022/jan/13/staffing-at-uk-care-homes-30-less-than-needed-survey-finds>

¹¹³ <https://www.euronews.com/travel/2022/06/01/airport-queues-could-last-into-next-summer-if-staffing-issues-aren-t-fixed-says-top-indust>

¹¹⁴ Quoted in the Introduction to UNDP and Dark Matter Labs (2020); [A Way Forward \(undp.org\)](https://www.undp.org/publications/a-way-forward)

¹¹⁵ Kate Raworth, 2017; *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*, see also <https://doughnuteconomics.org/about-doughnut-economics>

After 2008, the financial crash and the decade of *austerity* that followed has produced an existential crisis for the system of value and economic theory underpinning Neoliberalism. The primary need to shore up the financial marketplace had workers and the domestic public purse pay the price. Average wages remained flat for a decade and a deliberate policy to shrink the public service realm, privatise as much as possible and depend on market forces left the nation with a badly impaired ability to respond when the pandemic arrived. The ambition was to bring about an economic recovery from the crash by means of the accepted theoretical approach of the time. This has clearly not happened¹¹⁶.

Notwithstanding these debates about the right and wrong theoretical approaches to reviving the economy, we have shown in the paper that what we called ‘defining features of the new order’ have presented a narrative of the kind that Polanyi would have recognised as the failure of the system to distribute wealth in such a way as to prevent a reaction from society in some form or other. People have been confronted by rising inequality and polarisation, flat wages and less secure contracts. They are aware of strong discrepancies in how incomes are distributed and how work of different types is valued by a market that is dis-embedded from the society in which it operates. Access to a housing market that has denied large numbers the hope of home ownership is a burning issue of the moment.

We have used the idea of the ‘looking glass’ to suggest that, although we have seen the sort of social inequity we may have to face in coming years before; this time it is happening in a world being intensively and widely transformed by a *digital communications revolution* and its interaction with a longer-running *change in the nature of work and the position of workers*. In a world in fast and complex transition facing a number of inter-connected crises, new grand narratives with the same logical clarity and internal consistency as those we have been content to live by are in the past, are very hard to find and probably inappropriate in any case.

We live in a context of uncertainty, complexity, and fast, dynamic change. A political retreat to government by slogan and a regression to populism is a real and present danger – since oversimplifications are quickly overtaken by disappointment and can lead politicians to lies and denials and the electorate to lose faith in the democratic process.

Shocks and turbulence have to be accepted as part of the new normal and building the resilience to cope with them is now more challenging than ever. Even while in the process of editing the final draft of the paper, we have been overtaken by further shocks. We find ourselves on the brink of a deep recession of at least the order of that in the 1970s – with the Bank of England suggesting that it will last for at least five quarters and indicating that inflation may rise above 13 percent. Interest rates have risen this month by 0.5 percent and are predicted to rise still further. The current¹¹⁷ mandate of the Bank is to keep inflation to a 2 percent target, and it suggests it must do this to “*prevent things getting much worse especially for the poorest in society*”¹¹⁸.

Stagflation seems now to be an expected reality. Even before this gets fully under way, however, we hear daily stories of food banks overwhelmed and running short of stock and of the real inflation of prices for the most basic goods already at 30 percent – and this is before the crisis of doubling domestic energy bills kicks in at the end of the summer. The nation is on the *brink of a precipice*. Short-term

¹¹⁶ A debate rages – largely these days inside the Tory party - around whether or not it might have done the trick if Brexit had been applied properly and if the pandemic had not got in the way but it is effectively a sideshow - if one with serious consequences for the UK and its people.

¹¹⁷ We emphasise ‘current’ since Liz Truss has talked about changing the mandate <https://www.ft.com/content/a25dd145-7508-4fd4-afb9-312d1a0e58ac>

¹¹⁸ <https://www.theguardian.com/business/video/2022/aug/04/uncomfortable-situation-bank-of-england-warns-uk-enter-recession-video>

firefighting is, then, going to be a vital requirement for government - once we finally have one in place. The leadership contest has been particularly revealing in demonstrating how little the sheer severity of the crisis or its roots is understood and what practical measures will have to be taken as a matter of urgency.

We are in deep trouble - but while firefighting the immediate crisis it is critical that we take steps to think about and plan for the long term. This is not the time to be looking backwards to some better version of Thatcherism. We need to strive for an *ecologically safe planet and a safe and just space for humanity*.

This is not a plea just for a long term vision and a plan. It goes much wider. This is an age of uncertainty and risk and there is a need to begin to pursue a comprehensive governance revolution able to cope with it. The three 'core provocations' set out in *A Way Forward* (UNDO and Dark Matter Labs 2020)¹¹⁹ might be a good place to start:

1. An urgent call to build a new *statecraft* (art of government and diplomacy) for the age of uncertainty and risk.
2. A recognition that we are operating in a new context of shared vulnerabilities, risks and interests which require *new models of societal and transnational innovations*.
3. An acknowledgment that the mere response to the immediate set of cascading crises is not enough, we need to scaffold the transition to *a new human contract with the world around us*.

That is the sort of driven creativity the immediate post-World War 2 generation took on board to transform society along more socially just lines. More importantly, however, it was able to *turn its ambitions into innovative practical action*.

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¹¹⁹ <https://awayforward.undp.org/>