There has been a renewed attention on inequality in social sciences, in policy-making and in the public debate in the last five years. If at first the focus has been on presenting evidence regarding the increase of inequality in our societies, most recently the debate seems to have shifted on the consequences of inequality, in particular in respect to the recent political shifts and the popularity of anti-establishment parties in politics. The first part of my essay will revolve therefore on the discussion of the new politics of inequality. It will attempt to decipher Brexit and try to clarify how inequality plays a role in the current rise of anti-establishment politics. The core argument of this part is that, instead of witnessing a rebellion from the working class, these shifts are determined by the impoverishment of the intermediate classes.

The second part of this essay covers the decline of the middle in the Western World, discussing two fundamental drivers: the long-term shifts in the world economy; and the changing nature of work and the rise of precarity. In the third part I discuss more specifically three popular areas of debate in reforming public intervention to the spreading inequality amongst the low and middle classes in our societies: the basic income, with its strengths and limitations; the potential reforms of the labour market protection systems; and the reforms of the EU’s European Semester, with the introduction of a new Pillar of Social Rights. I conclude by stressing that, while some evolutions of inequality in our society reflect inevitable global shifts in the distribution of wealth and capital, there are a number of policies that could mediate these long-term processes and lead to a more equal distribution of resources in our societies.
A Brexit effect? Understanding how inequality plays a role in the current political drifts

Several commentators have ‘resuscitated’ old class analysis to explain the recent political drifts. Brexit and Trumpism have been both interpreted as a symbol of the historical shift towards anti-establishment politics by the angry working classes. This trend is also visible looking at the electoral results in France, the Netherlands, Germany and the UK. The increasing political support gained by anti-establishment parties (populist, extremist or simply new-comers in the electoral system) has been well-reported in the literature before Brexit\(^{10}\), but seems to have now gained momentum.

According to several commentators the Brexit vote even reflected a broader European trend consisting in the re-awakening of class politics. If we are really witnessing a ‘Brexit effect’ across Europe, it is crucial to clarify what Brexit really meant for the new politics of inequality.

The initial interpretations of the Brexit vote have depicted Leave voters as marginalised segments of the population (in both education and economic terms) who channelled their discontent through the referendum\(^{11}\). A similar narrative followed for the election of Trump, which was accompanied by several analyses on the rise of working class communities in the Midwestern and Rust Belt states. The current political drifts occurring across Europe, be those in the shape of Brexit or of the rise of the National Front in France, are often explained using Rodrik’s concept of “globalisation losers”\(^{12}\). This term indicates a segment of the population which is affected by the increasing competition in the global markets and that would move away from traditional politics as a result of its dissatisfaction. According to this idea, those who support anti-establishment parties and those who continue to support traditional parties would reflect two sharply divided social profiles: leave voters that represent globalisation losers lacking education and employment opportunities, while Remain voters are globalisation winners and reflect the profile of the educated urban voter. This idea is increasingly

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employed to understand the evolutions in current European politics: those who continue to support centrist agendas would be the globalization winners, while voters experiencing a declining socio-economic position would be drifting towards more radical political proposals.

Another popular view of recent political drifts links the current shifts to the re-appearance of a resurgent ‘working class’, representing a distinct class identity politics (see the view of Brexit as the voice of the working class). The working-class identity is often built around a mythological vision of the past and rooted in shared consumption habits and tastes. An acrobatic inference is frequently made on the material conditions of this category of people, who might share cultural traits. This confusion is already producing a number of intellectual paradoxes, which are found to be very popular in particular in the British media. For example, David Goodhart, a public commentator who has endorsed Liberal policies inside the centre-left, has abandoned his liberal stances in favour of a new post-liberal vision of British society. According to Goodhart\textsuperscript{13}, cleavages in British society emerge between the ordinary British people who have rooted identities (the ‘Somewheres’), and university-educated people without cultural roots (the ‘Anywheres’). Goodhart believes that the failure of Labour in the UK consisted in supporting the agendas of Anywheres, such as investment in higher education, instead of listening to the needs of Somewheres.

This view can be easily problematized in two ways. Firstly, using the distinction established by Houtman \textit{et al} (2009)\textsuperscript{14}, we need to distinguish between cultural voting (voting for similar cultural features, such as nationalism) and class voting (defined as voting on the grounds of economically egalitarian political values generated by a weak class position). The current developments could signal the presence of cultural voting on the basis of identity recognition, rather than class voting. It is also relevant to stress that most of the people in the UK self-identify as working class, even when they hold middle-class jobs – a process called the ‘working class of the mind’\textsuperscript{15}. Their identification with the working-class identity reflects cultural features rather than class solidarity behind class voting.

Secondly, the dichotomous language used does not seem to explain the most recent political drifts and, in particular, what occurred during Brexit. The rigorous analysis by Swales showed that the profile of the Brexit voter is way more heterogeneous than initially thought, and much more diverse than the left-behind: in addition to a group of people with low education and in lower-class positions, it also comprises voters with high education and ‘middle-class’ jobs. The popularity of Brexit among middle-class communities has also been reported by newspapers. How can we make sense of this apparent contradiction?

Certainly, there are profound socioeconomic processes associated with Brexit, in particular in relation to the effect of austerity. Unconvinced by the dichotomous language used until now to explain Brexit (e.g. globalisation winners vs. globalisation losers, working classes vs. middle classes), we ran a new study that paid attention to a category of British society that more closely represents the experiences of ‘ordinary Brits’: namely, the intermediate class. Rather than representing the voice of the ‘left-out’, we found that Brexit was the voice of the intermediate classes with a declining financial position. This category of voters represents a group of high sociological relevance, labelled as ‘the squeezed middle’: a category of ordinary workers with intermediate incomes whose position is rapidly declining. We found this to be true in respect to different areas: education, perceived change in personal finances, emotional feelings, income and class identification. Part of our argument is based on the idea of overcoming the link between voting for Brexit and being at the bottom of the social scale.

Regarding education, for example, our findings confirmed a negative relationship between education and voting Leave: in general terms, the higher the level of education, the lower the predicted proportion of Leave voters. The findings rejected, however, the dichotomous view of the low-

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educated Brexiter vs. the high-educated Remainer. Indeed, they showed that the Leave vote was not more popular among the low skilled, but was more prevalent among individuals with intermediate levels of education (A levels and high GSCE grades), in particular when their socioeconomic position was perceived to be declining and/or stagnant. Regarding the relationship between income and voting for Brexit, our study confirmed previous reports’ findings that higher income linked to the Remain vote. However, we found that only the top quantile – the richest respondents – slanted significantly to Remain. Looking at class, we found the Leave vote to be associated with middle-class identification and the more neutral ‘no class’ identification, but found no evidence behind a link with working-class identification.

These evidences do not deny the popularity of the Leave vote among working-class communities, but show that the Leave vote is far from being the expression of a conscious working-class vote, as several commentators assume. They also confirm that the middle-class support was very relevant to the outcome of the Brexit vote and supports the idea, initially formulated by Dorling, that ordinary voters in intermediate positions could be the predominant group behind Brexit. Overall, the trigger behind the most recent voting pattern seem to have little to do with cultural identifications and more to do with emotional subjective feelings about perceived declining material circumstances. These ‘feelings’ are not exclusive to poor segments of the population and marginalised communities, but are part of a more generalised sense of dissatisfaction in the society (including the New Middle Class examined by Evans and Tilley). A similar conclusion to the analysis presented above has been reached, for example, by Williams, in her discussion of the relationship between class and the rise of populism in the US. According to Williams much of the elite’s analysis of the white working class is rooted in class cluelessness. She explains that many people have conflated “working class” with “poor”, while the working class represents, in fact, the elusive disappearing middle class in the US (or the ordinary citizens).

We are yet to understand if the perceived declining economic position (and attached malaise) of supporters for non-traditional politics is rooted

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in fears or in experienced material changes. Certainly, the wave of reforms that occurred in the 1990s have been centred on job creation at the price of wage negotiation, redistribution and improving working conditions, affecting therefore ‘ordinary’ citizens. The sense of dissatisfaction with the system that can be found in very different groups could well reflect their increasingly similar material conditions. In order to understand this, we need to focus on the declining position of ordinary citizens (the so called ‘squeezed middle’).

The declining position of the middle in Europe

The ‘squeezed middle’ is a term originally coined in the United States, which describes the situation of ordinary workers coping with the increasing cost of living and inflation. The convergence of the socio-economic conditions of Europeans post-2008, and the rising level of inequality across the Continent, allows us to think about the existence of a squeezed middle across Europe. The squeezed middle constitutes an intermediate social position that is slowly declining these are ‘ordinary’ families with intermediate/upper-intermediate levels of education, stable jobs, but which face an increasing challenge in maintaining their lifestyle. This group is experiencing a decline in economic circumstances due to the widening inequalities between classes which rewards those at the top and the declining capacity of contemporary welfare states to protect the ‘middle’ against social risks. Two trends need to be considered in order to understand the declining material conditions of the squeezed middle: the changing positions of the middle in the recent evolutions of global inequality and the relevance of precarity on a global scale.

The emergence of left behind feelings in the western world can be directly linked to the evolution of the world economy and to the way the balance of resources and power is currently being shifted from the hegemonic parts of the world economy to the semi-peripheral places. Only a few years ago

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Wallerstein was commenting in the following way the sentiments of the ‘left behind’ in the peripheral parts of the world economy:

[The states in those countries] have said to their own working classes that they were ‘developing’ their economies, and these working classes must be patient while the fruits of economic growth eventually improve their life situations. They have preached patience not only about standards of living but also about the absence of political equality.\(^{26}\)

It seems like now the western states are preaching patience to their own working and middle classes while they try to revert an inevitable turn in the world economy. Such dynamic goes against our current understanding of inequality in relation to economic development: income inequality according to Kuznets curve was supposed to rising first as societies grew, while the large pool of un/underemployed poor people kept wages low, but then to fall as countries reach full employment and wages start to rise. The present dynamics go against this theory.

Recent commentators have found different ways to interpret this anomaly. For Streeck the rising inequality is indicative of the end of capitalism.\(^{27}\) For Piketty the downslope of the U was an unusual event driven by the destruction of capital by two world wars, and it has now been replaced by the normal rise of inequality which can only be addressed by a radical change in state intervention.\(^{28}\) For Milanovic the historical evolution is that of a long wave with various forces alternative – some that lead to an increase inequality (growth, differentiation and elite) and some that decrease it (war, welfare and progressive politics).\(^ {29}\)

Whichever the economic sources, Milanovic has shown that there is a convergence between rich and poor countries which is returning the world to the status quo of 1820, when the main source of inequality was class rather than location. Importantly, looking at 1988-2008 there has been a progressive rise of the emerging world (mainly Asian) middle class and the global plutocracy - accompanied by the hollowing out of the Western

middle class and the declining position of those at the bottom. In this new dynamic of the world economy, therefore, the globalization losers in the western world are not just the poorest parts of the population, but also the middle classes of the western world, affected by a change in economic dynamics and a shift in welfare state interventions.

The second element that could be connected to the declining (material and perceived position) of the squeezed middle is the changing nature of work. The diffusion of precarity is an effect of macro-changes, such as the passage to post-capitalism and the informatisation of the economy during the fourth industrial revolution\(^3\). It is also an effect of specific policies adopted in European countries. While in the previous welfare state era, social protection was mostly managed by social security policies which were dedicated to those out of work (as individuals in work were automatically protected) labour market insecurity is now widespread also amongst those in work. After the crisis, even in EU’s most developed welfare states, minimum income protection systems for work-poor households with children fall short compared to the poverty threshold (defined as 60% of the equalized median household income)\(^3\). Social protection systems have focused on job growth since the 90s and have neglected the importance of direct cash redistribution\(^3\). As an effect of those changes in protection systems, precarity is now widely diffused also amongst those in work, touching more ample segments of the population than only the ‘left behind’.

While not all those belonging to the squeezed middle are in irregular and casual contracts, an increasing number of workers are affected by precarity in the broad sense. For example, indicators of precarity affecting the squeezed middle would be: the stability of employment income; the capacity of finding a similar job in the labour market; and the benefits paid in case of illness and the effects of precarity on health and mental well-being. These are all areas that not only affect the ‘left behind’ (defined as those out of work), but they affect the majority of people in work. From a political point of view, this general diffusion of precarity asks for solutions.

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that speak to the majority, even though the diffusion of precarious jobs might not be a majority issue. This means overcoming the insider-outsider politics that has dominated during the 90s, considering that new political actors are mobilising widespread frustrations experienced by insiders and outsiders in the labour market by focussing on the common areas of dissatisfaction, which often involve labour market conditions.

The emergence of the squeezed middle interestingly poses new challenges, but also new opportunities in the new politics of inequality. An area of opportunity concerns the potential new cross-class coalitions that could arise between the traditional working class and the squeezed middle based on the converging material conditions of these two social groups. In order to catalyse these potential cross-class coalitions, the policies strategy should focus on tackling the areas of widespread insecurity and precarity described above.

**Strategies and policies to address inequality**

One of the most interesting aspects of the new politics of inequality concerns the emergence of new policy tools and policy solutions. I will review in this section three popular areas of debate in reforming public intervention to address inequality: the basic income debate; the reforms to the labour market protection system; and the current changes to the European Semester policies, with the introduction of a new Pillar of Social Rights.

**Basic income**

Looking at the growing mismatch between European lives and European policies described above it is not hard to understand why a basic income strategy, as a universal and unconditional form of support, is becoming so appealing for a large section of the electorate. A basic income policy would offer direct cash and its unconditionality would break the costly (and often counterproductive) spiral of our social protection systems towards means-testing. A basic income policy would (partially) address the gaps of the current systems of social protection by providing support for ‘the precariat’, namely providing a safety-net for those who experience frequent spells of unemployment in current precarious labour markets. There is of course an issue of feasibility around the implementation of basic income, in particular

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at the European level. How can the EU agree on a basic income policy, when it fails to agree on a European minimum level of social assistance? Creating a European basic income policy would present several challenges, not least for the need of establishing different national definitions of ‘basic income’.

Basic income can take many different shapes and there is nothing inherently progressive on basic income per se. Not surprisingly, the basic income has recently gained momentum among venture-capitalist circles, which have promoted a Silicon Valley Version of a basic income, providing welfare without the welfare state as a form of ‘Venture Capital’ for the people. The venture capitalists-initiative Y Combinator is working to create a market-based basic income measure. This private version of a basic income without a welfare state, however, would not be allowed to exploit a key feature of a basic income strategy: its capacity to de-commodify people’s lives, namely to make people able to survive without having to rely on the market.\(^\text{34}\)

If universally implemented, a basic income would reverse the trend towards means-testing, creating the basis of universal policies. Basic income can, however, hardly be considered an all-solving strategy and one of its major caveats is that it does not deal with labour market failures, such as the presence of low wages. A basic income policy will not directly address one of the main drivers of social exclusion: in-work poverty generated by the declining level of wages. A basic income policy which is not combined with a strategy to ‘making work pay’ would end up using public resources to absorb social externalities created by the market, such as falling wages. For this reason, a basic income strategy would need to be put forward as a complementary social security measure introduced to reverse the trends towards means-testing in contemporary social security systems. Other solutions for people in work have to be put in place to tackle precarity in a more direct way.

**Updating labour market policies**

Another solution that I believe should have the priority in this debate would revolve around updating the current system of labour market protection. In this respect, Pisany-Ferri has proposed the creation of Individual Activity Accounts (IAAs) for each new entrant in the labour market, where points are earned on the basis of the type of job and are fully portable across sectors.

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and jobs. According to this scheme, rights and benefits would be attached to individuals, not to companies or employment status. An individualised system of social protection might overcome the limits of those who have fragmented trajectories in the labour market. An idea put forward by this proposal is that those points can be ‘spent’ across the various areas of welfare provisions, e.g. for receiving training, for pension benefits etc. This is an idea of welfare state interventions which promotes choice over rights and would mean affirming a welfare state model deprived of its collective roots. Such system would not, however, exploit the benefits of a collective social protection system which offers ‘risk pooling’ across generations and groups of workers.

In order to address the limitations of these recent proposals, I have elaborated a new proposal in forthcoming policy publication for the Foundation of European Progressive Studies (FEPS), which aims to update the current labour market protection system to respond to the needs of workers, while, at the same time, keeping the collective roots of the labour market protection systems. A reformed system could take the shape of a contemporary version of Birmarck’s kasse (a ‘scheme’ aimed at pulling resources from employers and workers) for precarious workers to cover short-term spells of unemployment and transitions from education to work. These forms of labour market protection will be intended for those in work and in temporary contracts which face spells of unemployment and irregular patterns of income. These funds will cover the period where the worker is finishing an employment and looking for another. An important difference with the previous forms of labour market protection is that they cannot be, by definition, available after long periods of work (this should be covered by traditional social security) and they would be available also to those with few years of contributions in the labour market. Employers and those with more regular working patterns should contribute in funding those systems in order to operate a ‘risk-pooling’ of precarity across employers and workers.

The current progressive debate on reforming state intervention and tackling inequalities has been focusing on taxation on capital. Following Piketty’s

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proposal of a global tax, Atkinson, for example, has proposed to intervene on capital income by establishing a sovereign wealth fund so that the public has a collective claim on returns to capital. Another way to intervene on this issue would be intervening on capital income by creating a tax that funds the system of kasse described above, so that the beneficiaries of this revenue would be specifically workers. Finally, such systems could be funded by putting a tax on automation which permits to socialise the benefits made by companies in using automatic production, rather than people. Initiatives regarding the ‘revenues’ of the new labour market protection systems are already starting to be proposed around Europe. For example, there is a current discussion on the so-called ‘tax on robots’, namely taxes that allow the state to get a societal revenue from companies which are IT-intensive and rely heavily on automation. These ideas have been put forward in a recent recommendation for the European Parliament37, and are spreading across countries. For example the Machine Tax, or Maschinensteuer, is currently discussed in Austria and a tax on robots to fund Universal Basic Income has been proposed by the Socialist candidate Hamon at the French national elections. These measures tend to attract much criticism by right-wing groups claiming they are anti-economic and discouraging IT innovation. The success of these proposals would depend on how they are framed: they are more likely to be adopted if framed as a contribution from employers to society in the form of a new kasse (where workers, the state and employers all contribute) and less likely to be supported to have universal basic income for people out of work. In other words, this form of revenue should be framed to benefit people in work. Overall, a modern kasse would permit us to re-define the conversation between employers and workers, re-insert capital into the economy, and recast the relationship between income and capital in current European economies.

Reforms to the EU Pillar of Social Rights

The third and final debate concerns the potential of tackling inequality at the EU level. In the framework of the existing European Semester, there is the possibility of sustaining bargaining strategies asking for national living wages to be included in Country Specific Recommendations. Employers should also be involved in a debate regarding forms of social protection to sustain those in work and with low-wages: if the levels of salary do not

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increase employers and workers could agree on forms of contributions to top-up the current level of salaries for them to reach the living wage.

Probably the most relevant area of debate in EU affairs concerns, now, the direction of the Pillar of Social Rights and the possibility of asking the EU to monitor and address inequality through the European Semester. In March 2016 the Commission published its Communication on the Pillar of Social Rights, with the explicit aim of deepening the EMU and add a social component on the economic focus of the European Semester.\(^{38}\)

The Recommendation’s Annex outlines the 20 principles behind the Pillar, ranging from equal opportunities and non-discrimination in the labour market to adequate social protection, encouraging social dialogue, the right to a healthy work environment and adequate income as well as long-term care, unemployment benefits and access to essential services (European Commission 2017). The language used in this Pillar is not new and reproduces some of the old language used in EU policy-making referring to: equal opportunities and access to the labour market; dynamic labour market and fair working conditions; and social protection and inclusion. In other words, there is no specific mentioning of inequality and instruments to address spreading inequalities.

A parallel process has been also set up entailing the creation of a social Scoreboard, whereby 12 indicators are used to measure member states’ performances on labour market access, poverty and social exclusion, inequality (including gender-based discrimination), living conditions, childcare, healthcare and digital access.\(^ {39}\) Due to the limitations of the current process, and the lack of the explicit reference to inequality at the EU level, the Committee on Employment and Social Affairs of the EU Parliament is currently discussing a Communication for the Commission on ‘Combating inequalities’.


Conclusion

I have argued here that one of the most striking features of contemporary European societies is the widespread discontent, due to declining material conditions of the middle or the ‘ordinary’ people. This discontent is tangible when assessing the Brexit effect across Europe, consisting in a rising support for anti-establishment positions and parties in politics. I have also discussed how the increasing malaise in European societies is affecting not only the traditional left out groups, but also the declining middle.

The increasing similarities between the intermediate groups, and those at the bottom, should drive a re-think of policies and politics. A labour market protection system for the current times should address the lowering capacity of labour markets to sustain people’s livelihoods and the fact that salaries are declining compared to the cost of life. We should also take into consideration that the decline of the middle in our societies reflects long-term processes regarding the historical (and inevitable) shift in the distribution of wealth and power towards other areas of the world. Is there something to do to counter-balance the trends of the rising inequality? Certainly, the popularity of the basic income shows that there is still an untapped potential for pursuing universal policies that can create a bond between different social groups in our society. A priority should be developing modern systems of labour market protection, which are able to transfer the resources from wealth creation to the labour market, and that consider the current non-linear and fragmented labour market experiences. There is a wider scope for pursuing these policies not only at the national level, but also in EU policy-making. While at the moment the EU Pillar of Social Rights does not mention inequality, monitoring and addressing inequalities across European Member States should be made a priority. Without these instruments and policy innovations, we risk witnessing a further detachment of citizens from the existing established institutions.