

LEAVING THE EU, NOT THE EUROPEAN MODEL?

**NEW FINDINGS ON PUBLIC ATTITUDES
TO BREXIT (PART ONE)**

Marley Morris

February 2018

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This paper was first published in February 2018. © IPPR 2018

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ACKNOWLEDGEMENTS

I would like to thank the Barrow Cadbury Trust for their generous support of this project, without which this research would not have been possible. I am also grateful to Opinium for their help in conducting the survey. At IPPR, my thanks go to Phoebe Griffith, Tom Kibasi, Joe Dromey, Charlotte Snelling, Chris Murray, Catherine Colebrook, Alfie Stirling, and Ed Cox for their advice on the survey design and their comments on earlier drafts of this briefing.

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Morris M (2018) *Leaving the EU, not the European model? New findings on public attitudes to Brexit (part one)*, IPPR. <http://www.ippr.org/research/publications/leaving-the-eu-not-the-european-model>

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INTRODUCTION

As the UK and the EU move to the next stage of the Article 50 negotiations, the UK faces a fundamental choice over the type of country it wants to be post-Brexit. Should it continue to align with EU rules and regulations – such as EU-derived consumer, financial, employment, environmental, food safety and animal welfare standards – or should it opt to diverge from this legislation and move away from Europe’s economic and social model?

This choice is critical to the shape of the Brexit negotiations, given that it is clear that the scope of any trade agreement with the EU is contingent on the extent of future regulatory alignment. It also goes to the heart of the UK’s domestic policy agenda. The UK’s future economic and social model will apply to nearly every aspect of our lives – from what we consume to how we work; from the products we buy to the air we breathe.

In a series of two briefings, we will explore the public’s perspective on this choice now facing the government by detailing the results of new polling on attitudes to EU rules and a range of critical Brexit trade-offs now facing the country. Our first briefing will focus on public attitudes to a number of different consumer, financial, employment and environmental standards that originate from EU law.

THE US OR THE EU?

At its most extreme, full regulatory alignment between the UK and the EU could help to guarantee a high level of single market access. IPPR has previously argued for a future partnership between the UK and the EU, based on the idea of continued alignment in core areas of the single market as a means of securing the single market's benefits (Kibasi and Morris 2017). Third countries such as Switzerland and Ukraine have trade agreements with the EU that commit them to aligning extensively with the EU *acquis* in return for close integration with the single market in particular areas (ibid).

But, even if the UK does not choose to align so comprehensively with the EU, a weaker form of alignment will still be required to secure a standard free trade agreement post-Brexit. Michel Barnier, the European Commission's chief Brexit negotiator, has made clear that a comprehensive trade agreement will require a 'level playing field' between the UK and the EU. This means common rules on fair competition, taxation and state aid, and – most importantly for this briefing – alignment on consumer, environmental, food safety, employment and financial standards (Barnier 2017; European Commission 2018).

The UK therefore has a choice as it leaves the EU: it can continue to align with these EU standards – i.e. it can largely retain the European economic and social model – or it can diverge from this model, potentially risking the quality (or even the existence) of a UK-EU free trade agreement in the process.

But what might divergence mean in practice? It could be argued that the UK government might diverge from the European model by improving EU standards rather than lowering them. Alternatively, the UK government could adjust rather than lower standards – that is, it might seek to maintain similar outcomes in different ways by repealing EU rules and replacing them with alternative policies. But there are four reasons to think that the UK might diverge by – explicitly or implicitly – in fact lowering standards, rather than raising or otherwise altering them.

First, in many cases, EU rules set minimum rather than maximum standards (known as 'minimum harmonisation'). Alignment therefore often does not prevent the possibility of raising standards. EU member states are, for instance, free to set higher renewable energy targets or more stringent working time requirements than the minimum rules legislated by the EU. Divergence from the European economic and social model therefore has a natural bias towards deregulation, since in a number of cases improving standards would not require divergence at all.

Second, there has been a sustained argument in the UK for withdrawing from the EU as a means of deregulating to improve economic efficiency. In recent months and years, leading politicians and business figures have characterised deregulation in certain areas as an opportunity for post-Brexit Britain. Bank of England governor Mark Carney has suggested that various elements of current banking regulation could be loosened after EU exit – notably, the cap on bankers' bonuses, because he believes it is too crude a measure (Spezzati 2017). At the same time, there have been a number of reports that ministers are considering abolishing certain employment, consumer and environmental regulations; for instance, renewable energy targets and the Working Time Directive (Wooding 2017; Swinford 2017). Even if the UK does not deregulate swiftly post-Brexit, it may

gradually choose to have lower standards than the European model over time, as the EU continues to reform and raise standards and the UK does not follow suit.

Third, even if the UK retains the standards currently in place, without an agreement on alignment there may simply be not enough bandwidth and resources across government to regulate at the pace of the EU on consumer, financial, environmental, and employment standards. Over the last few decades, the EU institutions have taken on much of the responsibility for improving these standards; if the UK chooses to diverge from the European economic and social model, it may struggle to keep up with EU standards by accident rather than design.

Fourth, as a mid-sized economy, the UK can only maximise the benefits of trade by aligning its rules to larger countries or trade blocs. In the modern world, facilitating free trade is less about reducing tariff barriers, which are now in many cases already low; they are largely about bringing down non-tariff barriers. Often this means aligning – or ‘harmonising’ – rules and standards to ensure that goods and services can be traded easily across borders without excessive checks and authorisations.

Therefore, if the UK does diverge from EU rules and standards post-Brexit, it would need to find another country or trade bloc to which it can align. (Of course, it could choose to adopt a protectionist position and not align with *any* country, but this would almost certainly be highly damaging for UK trade.) While the UK seeks to develop closer economic ties to major developing countries with large growth potential, such as China, these countries’ reluctance to move towards trade liberalisation, their less robust commercial law systems, and their fragmented regulatory environments mean that they are not a plausible choice for future close alignment post-Brexit. Instead, aside from the EU, the US is the UK’s major trade partner and is the world’s largest economy (ONS 2018) – the obvious choice, then, for a ‘diverging’ UK is to move towards alignment with US rules and standards (Lowe 2017).

In practice, alignment with the US would mean lowering standards in multiple areas. Most strikingly, US commerce secretary Wilbur Ross has made clear that a UK-US trade deal would be contingent on greater alignment with the US regulatory regime. In a recent speech to the CBI, he highlighted a number of areas where there was a need to “reduce regulatory divergence”. This included sanitary and phytosanitary policy (i.e. food safety and animal and plant health standards), where the EU, unlike the US, adopts the ‘precautionary principle’ in relation to health risks, and motor vehicle standards, where US policy allows for a greater use of self-certification for meeting safety regulations (Gordon 2017). In response, EU chief Brexit negotiator Michel Barnier has warned that the US will urge the UK to diverge from the European regulatory model in order to move towards “less environmental, sanitary, food but also probably financial, taxation and social regulation” (Cooper and Ariès 2017).

As the UK leaves the EU, the central choice facing the UK is between either continuing to align with the European economic and social model or lowering standards from the EU minimum in an attempt to improve competitiveness and secure a deep trade deal with the US. This choice is fundamental to the type of country the UK wants to be. In this briefing, we will explore public attitudes to some of the totemic standards and regulations that help to constitute the current European economic and social model.

OUR SURVEY

In order to explore public attitudes to these questions, we have commissioned new public opinion research from the polling company Opinium. The online survey took place between the 19th and 22nd January 2018 and sampled a total of 2,004 UK adults. The survey was weighted to reflect a nationally representative audience.

We surveyed the public on two sets of questions. First, we asked respondents whether they wanted to retain, tighten, loosen, or remove a range of EU rules, relating to key areas of consumer, financial, employment and environmental policy. Second, we posed a series of potential trade-offs to respondents over how future trading arrangements would interact with domestic policy.

For the first part of the survey, we focused on six examples of EU standards and regulations that underpin the European economic and social model. We asked two questions on environmental standards: one on reducing greenhouse gas emissions from vehicle fuels, and one on binding renewable energy targets. We asked a further two questions on employment standards: one on the Working Time Directive and one on temporary agency workers' rights. Finally, we asked a question on consumer rights – specifically on the right to cancel the purchase of goods that haven't been seen in person – and a question on financial regulation – specifically on bankers' bonuses. These examples were largely chosen from Open Europe's list of the costliest EU legislation for the UK economy, on the basis that these include the rules with the highest possibility of changing post-Brexit (Open Europe 2015). Some of the examples were simplified for clarity and intelligibility. We have not made a judgment on which of these rules the UK might be required to retain for the future UK-EU partnership, as this will depend on the course of the Brexit negotiations.

For each policy, participants were asked whether they wanted to remove, loosen, retain, or tighten the relevant regulation. In order to help clarify the question for respondents, we made explicit how standards could be loosened or tightened. For instance, for the question on renewable energy targets, we asked whether the 15 per cent target for the UK should be raised or lowered, while for the question on the Working Time Directive, we asked whether the 48-hour working week should be increased or decreased. While we recognise that this does not capture the full range of options for regulatory change available to the UK, it was the clearest way of setting out the choices for our survey participants and ensuring a meaningful response.

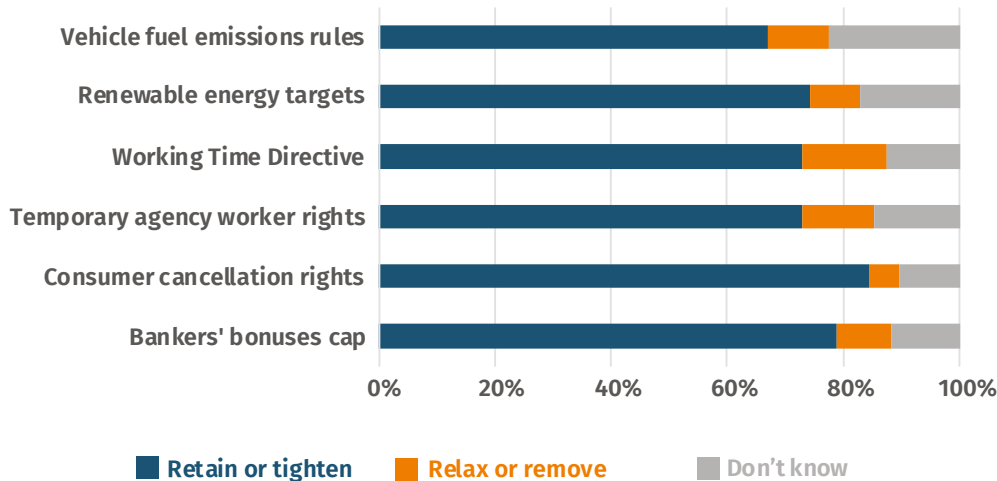
In the following sections we highlight the three most important findings from the first part of the survey. The full survey questions and results can be found in the annex to this briefing. We will release the second part of the survey on potential Brexit trade-offs next month.

FINDING 1: THERE IS MINIMAL PUBLIC SUPPORT FOR DEREGULATION

There is little to no appetite among the public for reducing or removing EU standards. Across a range of consumer, financial, employment and environmental legislation, a considerable majority of the public want to keep the current standards in place, or indeed go further than the minimum requirements specified by EU legislation. Even with respect to more controversial legislation, such as the Working Time Directive and the cap on bankers' bonuses, there is minimal support for deregulation among the public. Only 14 per cent want to either loosen or

remove the current Working Time Directive rules, and only 9 per cent want to raise or remove the cap on bankers' bonuses.

FIGURE 1: A LARGE MAJORITY OF THE PUBLIC FAVOUR RETAINING OR TIGHTENING A RANGE OF EU-DERIVED STANDARDS



Source: IPPR/Opinium survey, 19–22 Jan 2018

FINDING 2: THERE IS SUPPORT FOR STANDARDS AMONG BOTH REMAINERS AND LEAVERS

Remainers and Leavers may be divided on a number of critical Brexit issues, but there is one thing on which they can both agree: retaining our current consumer, financial, environmental and employment standards. On all questions, a large majority of Remainers and Leavers agree with either keeping or tightening current standards. For instance, only 5 per cent of Remainers and 5 per cent of Leavers support the loosening or removal of consumer cancellation rights. Even with respect to the Working Time Directive, which has the strongest opposition among Leavers, only 17 per cent of Leave voters support lowering or removing standards.

Similarly, our survey results indicate that support for retaining or extending standards cuts across gender, age and geography. For each EU standard we tested in our survey, there was majority support for retaining or tightening in every nation and region of the UK.

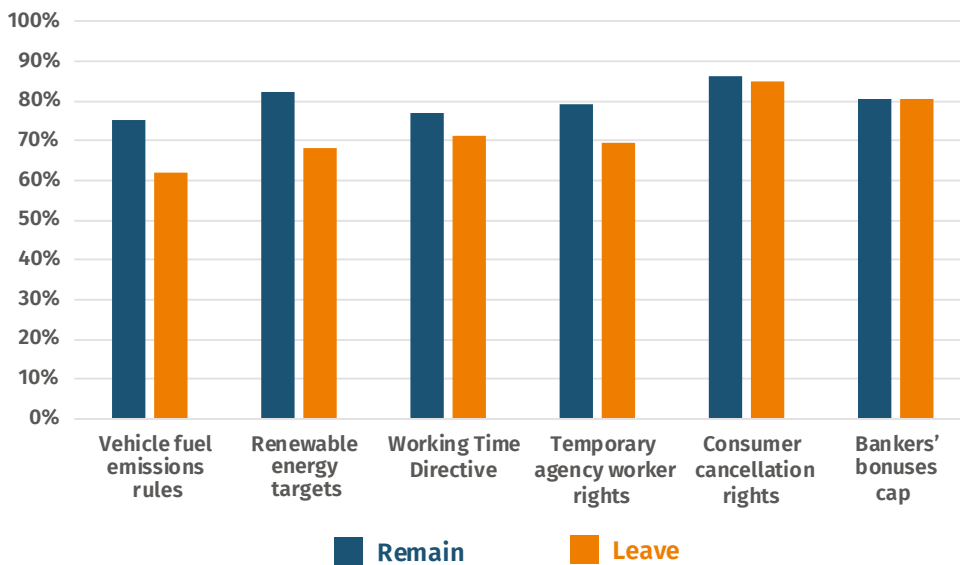
FINDING 3: IN SOME AREAS, THE PUBLIC STRONGLY SUPPORTS STRICTER STANDARDS

There is, in fact, strong support for tighter standards in certain areas – most notably, in environmental policy and financial regulation. 48 per cent (58 per cent excluding ‘don’t knows’) support higher legally binding targets for renewable energy, compared to 26 per cent who support retaining the same targets and 9 per cent who support lowering or eliminating the targets. Even more strikingly, 58 per cent (66 per cent excluding ‘don’t knows’) support a lower cap on bankers’ bonuses, compared to 21 per cent who support retaining the current cap, and 9 per cent who support raising or removing the cap.

In each of these cases, the strongest support for tighter regulations comes from different demographic groups. In the case of renewable energy targets, there is particularly strong support for tighter regulations among 18-24 year olds and

Londoners. In the case of the cap on bankers’ bonuses, there is particularly strong support among older and retired groups. Therefore, while the vast majority of the public is in favour of high standards, there are some differences among respondents on particular issues, with young Londoners appearing to favour greater environmental protections and older respondents appearing to favour tighter regulations targeted at financial elites.

FIGURE 2: THERE IS MAJORITY SUPPORT FOR RETAINING OR INCREASING EU STANDARDS AMONG BOTH REMAINERS AND LEAVERS



Source: IPPR/Opinium survey, 19–22 Jan 2018

Our first briefing therefore demonstrates clear public support for retaining or increasing the current standards set by the EU across a range of policy areas, and minimal support for reducing these standards. There is little evidence of public support for any form of regulatory divergence that lowers standards. Although we have not been able to ask respondents about every type of EU-derived standard, our first polling release indicates that there is largely strong support for continued alignment with the European economic and social model. In the next briefing, we will explore public attitudes to trade and standards further by analysing their responses to a number of difficult Brexit trade-offs.

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ANNEX: FULL DETAILS OF QUESTIONNAIRE AND OUTPUTS

QUESTIONNAIRE

We are now going to ask you some questions about consumer, environmental and employment standards in the UK after Brexit.

Some people believe that these standards can help to protect employees, consumers, and the environment. Other people think these standards add costs for business and hurt our economy.

Each of the following statements relate to standards that currently exist in the UK. After Brexit, do you think these standards should be tightened or loosened?

Q1: The government is introducing new rules to reduce the greenhouse gas emissions from vehicle fuel by 6% between 2010 and 2020. Should these rules:

Stay the same

Be tightened by requiring reductions of more than 6%

Be relaxed by requiring reductions of less than 6%

Be removed altogether

Don't know

Q2: There are currently legally binding targets to make sure at least 15% of our total energy comes from renewable sources by 2020. Should these targets:

Stay the same

Be increased to more than 15%

Be lowered to less than 15%

Be removed altogether

Don't know

Q3: Currently the number of hours someone can be required to work is limited to an average of 48 hours per week, although people can opt out and choose to work longer. Should these rules:

Stay the same

Be tightened to reduce the number of hours a worker can be required to work

Be relaxed to increase the number of hours a worker can be required to work

Be removed altogether

Don't know

Q4: After an initial 12-week time period, agency workers are guaranteed the same employment rights (e.g. paid annual leave) as workers who are employed directly. Should these rules:

Stay the same

Be tightened to guarantee these rights after a shorter time period

Be relaxed to guarantee these rights after a longer time period

Be removed altogether

Don't know

Q5: When they buy something they haven't seen in person, consumers can currently cancel the purchase for up to 14 days after receiving the product. Should these rules:

Stay the same

Be extended so that the 14-day cancellation period gets longer

Be limited so that the 14-day cancellation period gets shorter

Be removed altogether

Don't know

Q6: Currently the bonuses of bankers are capped to no more than the amount of their normal salary. Should this cap:

Stay the same

Be stricter so that the maximum bankers' bonus is smaller

Be looser so that the maximum bankers' bonus is larger

Be removed altogether

Don't know

TABLE A: SUMMARY RESULTS OF IPPR / OPINIUM SURVEY ON EU STANDARDS

Rules	Vehicle emissions rules	Renewable energy targets	Working Time Directive	Temporary agency worker rights	Consumer cancellation rights	Bankers' bonuses cap
Base: all respondents	2,004 100%	2,004 100%	2,004 100%	2,004 100%	2,004 100%	2,004 100%
Stay the same	552 28%	529 26%	905 45%	967 48%	1158 58%	421 21%
Stricter / tightened	789 39%	958 48%	557 28%	493 25%	534 27%	1161 58%
Relaxed / loosened	131 7%	87 4%	170 8%	160 8%	71 4%	72 4%
Be removed altogether	81 4%	86 4%	118 6%	89 4%	33 2%	117 6%
Don't know	451 23%	345 17%	254 13%	295 15%	208 10%	233 12%

Source: IPPR / Opinium Survey, 19–22 Jan 2018

Note: Table shows weighted total and percentage share

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The image features a solid blue background with several large, overlapping orange shapes. These shapes include a large curved area in the top right, a rectangular block in the middle left, and a curved area in the bottom left. The overall composition is minimalist and modern.

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