



THE ADECCO GROUP

The facts about Brexit

April 2017

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Finance concedes passporting

“You will start to see movement in a reasonably short period of time.”

Jes Staley, CEO, Barclays.

April 2017 saw a change of tack for London's Financial Services sector, a tacit acceptance that Brexit will happen and that it is unlikely to gain full access to the European market it craves while retaining a European base in London.

Jes Staley, Chief Executive of Barclays even admitted that passporting was not the key issue for the sector anymore, access to talent was - he called it 'tremendously important'.

To that end a number of employers sent out signals that they were at least seriously considering moving some of their workforce to the continent.

Lloyds Bank has decided to upgrade their Berlin office to a base of European operations, this would certainly involve increasing the 300 people currently based there and probably reducing some of the London workforce.

Deutsche Bank has also said up to 4,000 of the 9,000 workforce could move - initially 2,000 client facing roles with a further 2,000 if regulators insisted that support functions be conducted there.

Barclays and HSBC have already admitted that plans are close to being triggered with Barclays moving 150 roles to Dublin and HSBC taking 1,000 to Paris. "You will start to see movement in a reasonably short period of time" said Jes Staley.

"You will start to see movement in a reasonably short period of time"
Jes Staley, Chief Executive, Barclays.

German media reported that, in total, seven banks currently based in London are preparing to open branches in Frankfurt.

One German MEP, Manfred Weber, suggested that all financial business denominated in euros should be moved to a location inside the European

Union. Weber said his remarks on relocating business from London were general but added they were about "European supervision, the European Banking Authority (EBA) and defending European jobs".

Adam Farkas, Executive Director of the European Banking Authority (EBA), has also previously admitted that a vote to leave the EU would "likely lead to a removal of the EBA from London." The Authority employs 900 highly skilled individuals. As an aside this is also true of the European Medicines Agency.

In contrast Jamie Dimon, Head of JP Morgan, has changed his mind apparently and suggested that 'not many' roles will leave the UK. Last year he said thousands would go. This said there have been reports that the bank has been considering leasing space in Dublin for a thousand workers.

Potential Impact

There has been a steady stream of research on the potential impact of Brexit on the financial sector and this continued. A report from the Political Economy Research Institute, based at Sheffield University, suggested that clearing and asset management roles are the most at risk with 130,000 currently in the City (80,000 in clearing and 50,000 in city-based asset management firms). The Irish Development Agency has a five-year plan to add 10,000 roles to the financial sector. The German research arm of the Helaba bank estimated that London could lose as many as 32,000 jobs to an array of rivals.

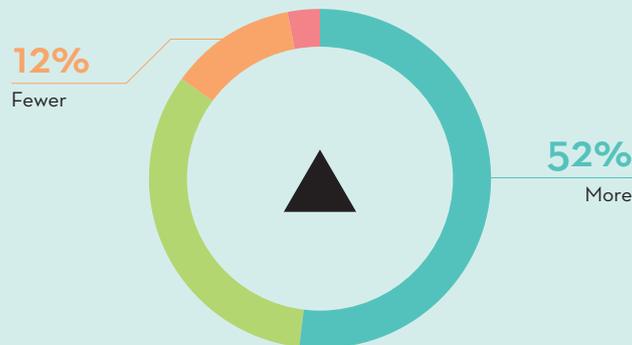
A lack of talent may also impact future growth and innovation as the co-founder of Transferwise, Taavet Hinrikus, said if he were to do it all over again he would not choose London.

As well as financial services both Diageo and Nestle moved a total of 400 jobs away from the UK as a result of concerns around the future of the UK post-Brexit.

Skills shortages are biting

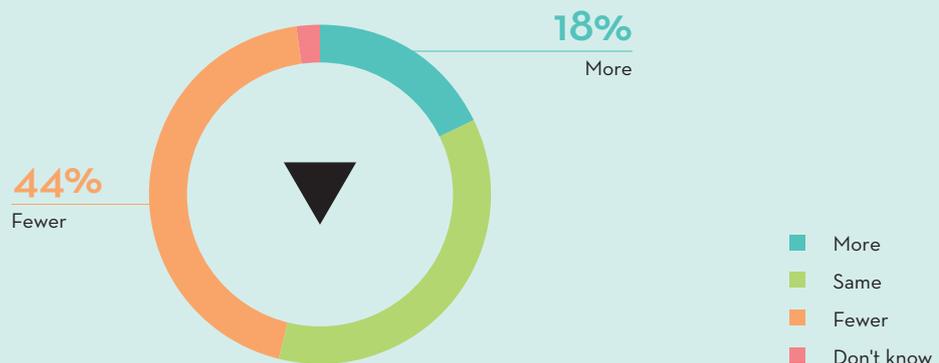
How many high skilled migrants should be allowed into the UK?

(Source: Ipsos Mori & Kings College London, April 2017)



How many low skilled migrants should be allowed into the UK?

(Source: Ipsos Mori & Kings College London, April 2017)



- More
- Same
- Fewer
- Don't know

A range of sectors have been worried about skill shortages even before the referendum hooved into view. The UK's inability to produce enough STEM graduates to support our its economy has long been discussed. This could provide immense challenges for areas such as the burgeoning Fintech industry.

The REC also said that a lack of "appropriately-skilled" candidates was a problem widely in Scotland even before the referendum.

High Skill Workers

Engineering is one well documented area, Engineering UK recently concluded that the annual shortfall in the UK is around 20,000. The [Chief Executive of Jaguar Land Rover, Ralf Speth](#), said that despite record sales (the company topped 600,000 units for the first time) that he might not be able to attract the talent he needs after Britain leaves the EU.

The technology industry also has worries with 57% of gaming businesses currently employing EU workers according to industry body Ukie.

If all non-UK nurses stopped coming to the UK in 2019 then the UK would

face a shortage of between 26,000 and 42,000 by 2025/26 according to the Department of Health. [Janet Davies, Chief Executive of the Royal College of Nursing](#), said the College had warned of the situation "years ago" but had been "told we were scaremongering".

With 127,000 EU nationals currently studying the commons education select committee is also worried a 'damaging brain drain' - which would have a longer term effect on the labour market. The committee was presented with evidence from Professor Catherine Barnard from Cambridge University, that her university had already seen a 14% drop in applications from EU nationals. She specifically warned of the loss of talented eastern European mathematicians.

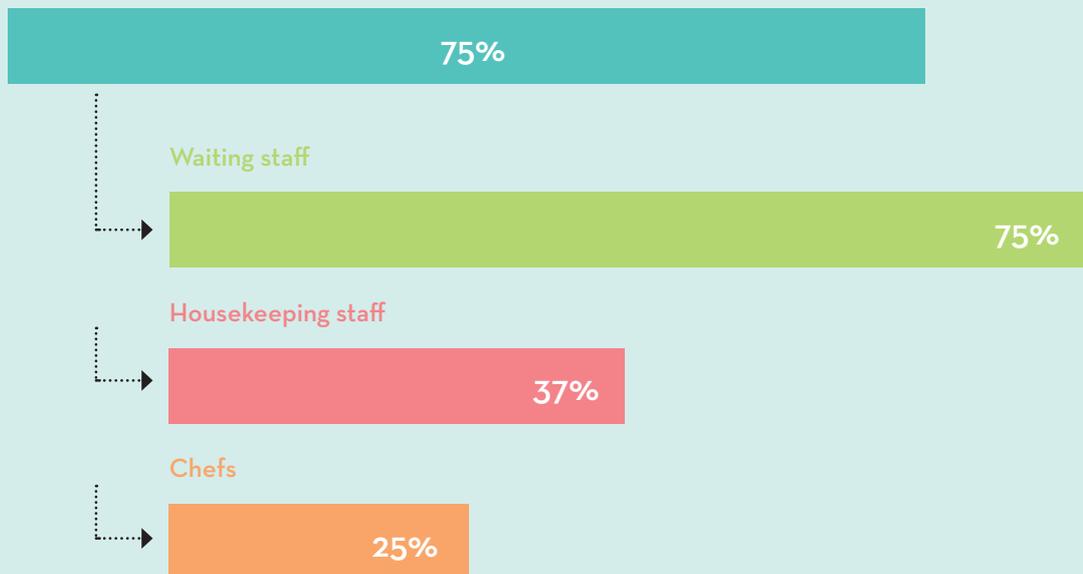
Similar comments were made by the commons science and technology committee in relation to scientists and researchers.

High skill workers have always been less of a problem to create a case for politically, in fact a recent Ipsos Mori and King's College London poll found that more than half of British adults (52%) believe immigration of high-skill immigrants should increase. This is compared to 12% who disagreed.

Skills shortages are biting (cont'd)

Hospitality sector's reliance on EU Nationals (Source: KPMG)

Hospitality Sector: 75% EU Nationals



Low Skill Workers

The British public is less accepting of low skill workers with the same poll suggesting that less than one in five (18%) agree that more low skill immigrants should be allowed, compared to 44% who said fewer should be.

The British Hospitality Association (BHA) claims it will experience a shortfall of 60,000 workers each year without EU migration. It claims that only 24% of staff in their sector are from the UK according to a report by KPMG.

The BHA also told the House of Lords economic affairs committee that it was a 'fallacy' to assume that the industry could just raise wages and attract UK nationals given their 'incredibly tight profit margins.'

The British Association of Leisure Parks, Piers and Attractions (BALPPA) also agreed there were 'significant issues' with attracting staff to seasonal roles.

In fact, the Winter 2016 edition of the Labour Market Outlook report that the CIPD produces in partnership with The Adecco Group UK&I found that one in five employers (19%) said that they employ EU nationals because they simply cannot attract UK-born applicants to fill unskilled or semi-skilled roles.

The Home Office announced it was looking at proposals based on the current Youth Mobility Visas currently employed by a handful of countries such as Australia, New Zealand and Canada. They have been dubbed 'barista

visas' and would allow young EU citizens to come to the UK and work in the hospitality industry for two years.

Existing Skills

The CIPD claims the UK is sleepwalking into a low-value, low-skills economy which is ill-prepared for our post-Brexit future. The CIPD suggests that the UK lags well behind other countries on key measures including literacy, numeracy and digital skills.

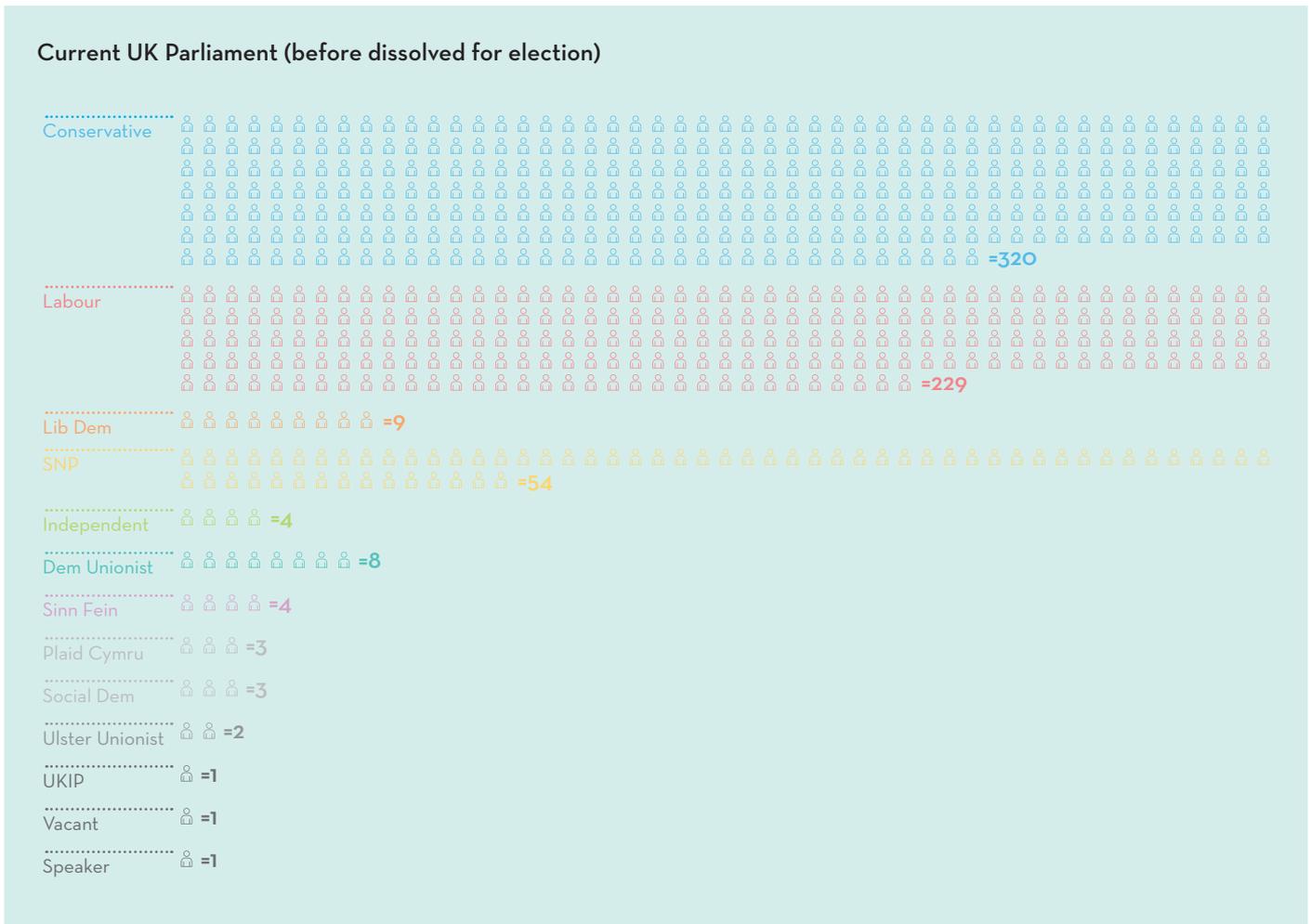
These skills aren't even being taught in the workplace as the UK ranks 4th from bottom of the EU league table for adult job-related training.

Furthermore, a majority of Britons (55%) don't believe that EU nationals currently in the UK should be guaranteed the ability to remain once the UK leaves the EU.

The Home Office has recently advised EU nationals not to apply for UK residency but sign up for email alerts as they were deluged with applications. There were 10,000 applications in the summer of 2015 but 45,000 a during the summer of 2016.

This contradicts the advice of EU embassies that advise application to remove doubt. More than 1/5 enquiries to the EU legal advice service in 2016 were related to UK residency following Brexit.

The 'Brexit' election



Having previously said numerous times that she would not hold an election before 2020, Prime Minister Theresa May used April 2017 to call a snap one for June 8th 2017.

She has said it can be completed 'while the European Union agrees its negotiating position'.

As expected pledges concerning the withdrawal from the European Union have been high on every party's list.

Conservatives

Although they called the election the Conservatives have not actually published a manifesto yet. There are expected to be at least three key elements related to Brexit in there: to end free movement of EU citizens, to leave the European single market and end jurisdiction of the European Court of Justice.

The Conservatives have actually dropped one pledge - to withdraw the UK from the European Court of Human Rights. It is claimed simply because it would be a distraction from current tasks at hand.

The key hope from the election is to increase the Conservatives slim working majority of 17 in order to pass legislation connected to Brexit, such as the 'great repeal bill' as well as potential immigration ideas. Furthermore, it allows the changes to bed in for a few years after 2019 before the government has to start campaigning.

Labour

The Labour party has said it would ignore the current white paper that is the current government's negotiating priorities and draw up new ones according to shadow Brexit secretary Sir Kier Starmer.

The party has pledged to retain "the benefits of the Single Market and the Customs Union", which the party says will be key to preventing job losses. And also allow all EU nationals currently in the UK to remain.

Labour would also scrap the Government's Great Repeal Bill and replace it with an EU Rights and Protections Bill that would "make sure that all EU-derived laws - including workplace laws, consumer rights and environmental protections - are fully protected without qualifications, limitations or sunset clauses".

Liberal Democrats

The Liberal Democrats have promised to hold a second referendum once the EU exit negotiations are complete on whether or not to accept the deal.

Although not directly Brexit related they have also suggested they will be focussing on the gig economy. A party spokesman said that while he would not reveal manifesto contents the party was committed to ensuring 'freedom cuts both ways' and to 'stop employers forcing workers out of staff jobs' to be self-employed.