



THE ADECCO GROUP

The facts about Brexit

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August roundup

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Leo Varadkar, Irish Prime Minister (Taoiseach)

Given that MPs are on summer recess for the whole of the month of August it is unsurprising that little progress has been made on the issue of Brexit during that time.

Irish border

The situation of Northern Ireland and how exactly the UK might operate a border with the EU there has been the most prominent conversation in August, although little has been agreed. Both the EU and UK agree that the whatever outcome is decided upon must put the people of Northern Ireland and the existing peace deal at the forefront.

The new [Prime Minister of the Republic of Ireland Leo Varadkar](#) made his first visit to Northern Ireland as country head in August – he proclaimed that Brexit would be the ‘challenge of our generation’.

He continued: “Every single aspect of life in Northern Ireland could be affected by the outcome – jobs and the economy, the border, citizens’ rights, cross-border workers, travel, trade, agriculture, energy, fisheries, aviation, EU funding, tourism, public services, the list goes on.”

Mr Varadkar has vocally opposed to any form physical border appearing between Northern Ireland and the Republic but thus far as have both the UK and EU. While this agreement is positive there is no sense of what this border would look like in practice and Mr Varadkar has previously said he would not help Britain design an economic border for Brexiteers.

The outgoing [Irish Ambassador to the UK Daniel Mulhall](#) said: “There is no practical hard-border solution available, therefore, you have to find what the EU negotiating directive calls imaginative and flexible solutions.”

“That’s what we’ve been looking for the past year. The clock is ticking now, time is moving on.”

Mr Varadkar would prefer the Irish sea to become the border with the UK while the ambassador would want to see the UK remain in the customs union in the future.

Mr Mulhall also said that a record 500,000 Britons had applied for Irish passport in the first half of 2017 in case they lost their right to work in the UK.

Theresa May confirmed that those citizens of Northern Ireland would hold

both UK and EU passports following Brexit regardless of the outcome of border discussions.

Transition period

It seems more likely than ever now that there will be a transitional period for the UK following its departure from the EU in March 2019. [Chancellor Philip Hammond and International Trade Secretary Liam Fox](#) declared, in a joint article for the Sunday Telegraph that it will be ‘time-limited’ although they have not specified a time period.

According to the article: “That means businesses need to have confidence that there will not be a cliff-edge when we leave the EU in just over 20 months’ time.”

“But we are also clear that during this period our borders must continue to operate smoothly; goods bought on the internet must still cross borders; businesses must still be able to supply their customers across the EU and our innovative, world-leading companies must be able to hire the talent they need, including from within the EU.”

A similar viewpoint was subsequently recorded in an official government position paper which suggested the possibility of striking a ‘temporary customs union’.

Delays

August saw delays creeping into the Brexit process that mean negotiations may now not begin in earnest until the end of the year or even into 2018. Originally it was expected that the second phase of negotiations that would cover a future trade deal, not just the withdrawal would begin in October.

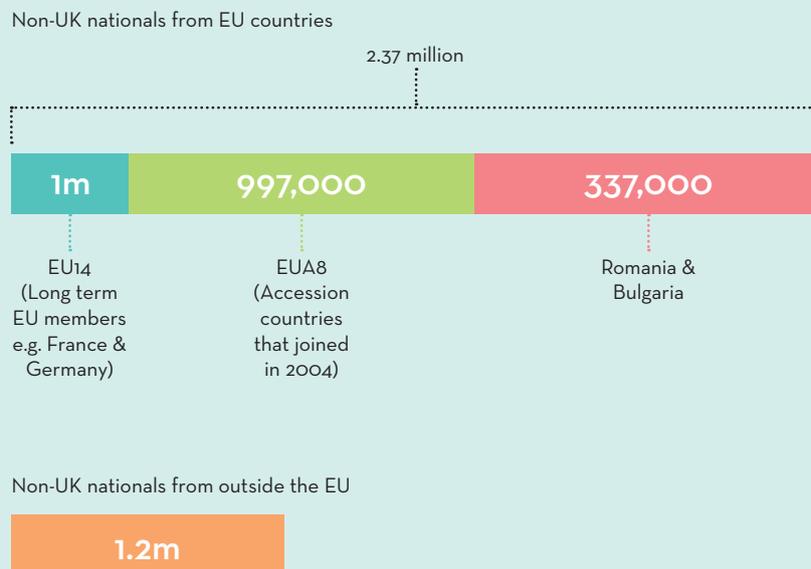
[Michel Barnier, Chief Negotiator for the European Commission](#), has said they will decide at a summit in October whether enough progress has been made to proceed.

Prime Minister Theresa May is not planning to wait and see, however. She published five key papers on key elements of the talks including the jurisdiction of the European Court of Justice (ECJ), data protection, and goods and services after Brexit.

Economic impact

EU Nationals in the UK: April-June 2017

(Source: Office for National Statistics, Migration Statistics Quarterly, August 2017)



Regardless of any political movement the Brexit deadline inches closer and the economy never stops moving.

Job creation

Much has been made of the jobs that might leave the UK but in August there were signs of public sector roles being created in anticipation of the UK government taking up responsibilities previously held by Brussels.

One such department was unmasked via a job advert as the Department for International Trade (DIT) expects to create the UK Trade Remedies Organisation, to tackle incidents of unfair trade. The body should employ 130 people and should be operational in just over a year (October 2018).

Up to 20 of these agencies are expected to be created in cities outside London.

Negotiators are likely to be required in many government departments going forward, if the UK is to start making its own international trade deals. In the year to July 2016 the DIT spent £1.15 million on recruiting these individuals.

At the same time, Brexit was reported to claim 260 jobs as a salad supplier in Kent ceased trading following the devaluation of the pound and loss of its European customer-base.

Immigration

There is evidence that the balance of immigration to the UK from the EU is starting to change but overall the number of EU nationals working in the UK is still climbing.

According to the Office for National Statistics (ONS) there were an estimated

2.37 million EU nationals employed in Britain between April and June 2017. This is an increase of 126,000 from the year before and the highest number since comparable records began 20 years ago. Although this is still an increase it is a far smaller increase than in recent years.

ONS Senior Labour Market Statistician Matt Hughes said: "The number of workers born elsewhere in the EU continues to increase, but the annual rate of change has slowed markedly."

A drop in immigration and a rise in emigration are the reason for this slowing in the rate of change. Long-term net international migration fell by a third in the 12 months to March 2017 compared to the 12 months to March 2016.

Immigration fell by 50,000 to 588,000 while emigration was up 31,000 to 342,000 – giving a net migration figure of 246,000 which was 81,000 lower than the year before.

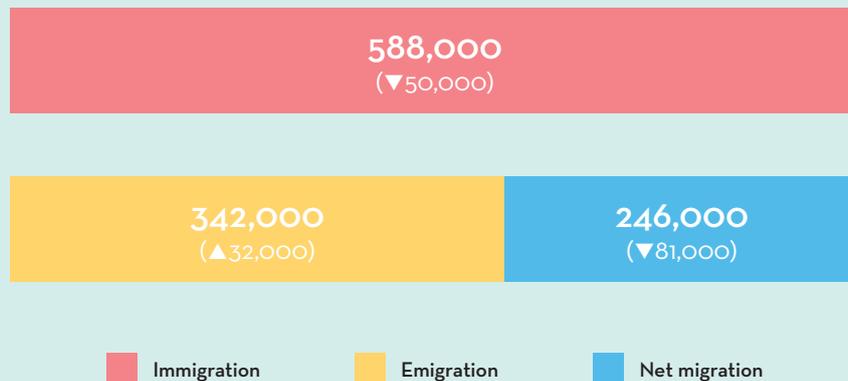
Nicola White, Head of International Migration Statistics at the ONS, said: "We have seen a fall in net migration driven by an increase in emigration, mainly for EU citizens and in particular EU8 citizens, and a decrease in immigration across all groups."

"International migration for work remains the most common reason for migration with people becoming increasingly likely to move to the UK or overseas only with a definite job than to move looking for work."

One of the individuals who may be part of this emigration from the UK is Nobel Prize winning Physicist Sir Andre Geim. The man who discovered Graphene is concerned that the UK will be 'kicked out of crucial scientific collaborations'.

Economic impact (cont'd)

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He says: 'The question now is simply: to what extent is this going to be a disaster for science in the U.K.?'

Skills shortages

The Recruitment and Employment Confederation (REC) is reporting that starting salaries are rising at their fastest pace for 20 months and attributing this to Brexit and the skills gap they claim it is creating.

This month has seen a number of business bodies and commentators again suggest skills gaps will be exacerbated - including the Institute of Directors and Confederation of British Industry (CBI).

A CBI survey found fears of a lack of skilled labour restricting production among small and medium manufacturers in the UK were at their highest level for nearly 30 years this month.

What this means

The fact that things are starting to move is unsurprising, they were always going to have to. The question that is yet to be answered is how it will affect the UK recruitment market.

Seamus Nevin, Head of Employment and skills policy at the Institute of Directors, said: "No one should celebrate these [immigration] numbers. Given unemployment is currently at its lowest level ever (4.5 per cent), without the three million EU citizens living here the UK would have an acute labour shortage. Signs that it is becoming a less attractive place to live and work are a concern.

Skills gaps are widely reported in the media, the argument makes a lot of sense and the logic is sound but the difficulty is in actually measuring and identifying a skill-short recruitment market. Report on Jobs produced by the REC currently identifies 35 shortages across both the permanent and contract markets but this is done by surveying recruiters for their opinion.

The Open University Business Barometer found that 90% of employers found it difficult to recruit workers in the last 12 months. Regardless of any skills shortages the only way removing candidates from the workforce doesn't make it harder to recruit is if the number of jobs in the UK also falls.

With this in mind it is important to remember that the DIT reported that direct investment in the UK from EU companies has created 110,000 new roles since 2012 and safeguarded a further 80,000.

At the same time, we cannot yet be sure if the recent trend in immigration is part of a long term pattern of just a blip so right now a lot of this could mean nothing.