



THE ADECCO GROUP

The facts about Brexit

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The Great Repeal Bill

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Repeal the 1972 European Communities Act,
meaning the EU law is no longer effectively UK law.



Convert all existing EU law into UK law,
so that it can be amended as desired



Give ministers power to make secondary legislation,
to allow them to fix issues as they arise from the conversion.

Now that the process to leave the European Union has officially begun one major question must be answered - what do we do with the all the European laws currently active in the UK?

Although the answer has been widely expected for some time it was confirmed during the Queen's Speech at the end of June and much discussed during July. It is the Great Repeal Bill, a term coined by the Prime Minister (but unlikely to be the bill's final name).

This act of parliament will do three main things:

- Repeal the 1972 European Communities Act, meaning the EU law is no longer effectively UK law.
- Convert all existing EU law into UK law, so that it can be amended as desired.
- Give ministers power to make secondary legislation, to allow them to fix issues as they arise from the conversion.

While this all sounds very sensible it is likely to be very difficult to pass in practice given that the Conservatives will require at least the backing of DUP - assuming they don't lose any of their own MPs. The recent poor election results may have emboldened pro-EU backbenchers to rebel and even some more senior elements such as Nicky Morgan and Anna Soubry. The latter having recently formed a cross-party group with MPs such as Chuka Umunna and fight to water down the plans to leave the EU.

The Labour party has already said it will vote against the bill in its current form while the Liberal Democrats have said they will make the bill's passage 'hell'. [BBC Political Editor Laura Kuenssberg](#) has suggested that will be 'parliamentary guerrilla warfare'.

One of the biggest concerns, voiced by Chairman of the Brexit select

committee Hilary Benn, is that the bill allows for ministers to make alterations without fully taking account of parliament's wishes. It has been suggested that there will need to be up to 1,000 corrections made without requiring approval from MPs, although all would have to be implemented within two years of leaving the European Union.

What this means

In the short term this bill is intended to make sure that nothing much changes but given how wide the potential impacts are it is difficult to be able to say that with any certainty.

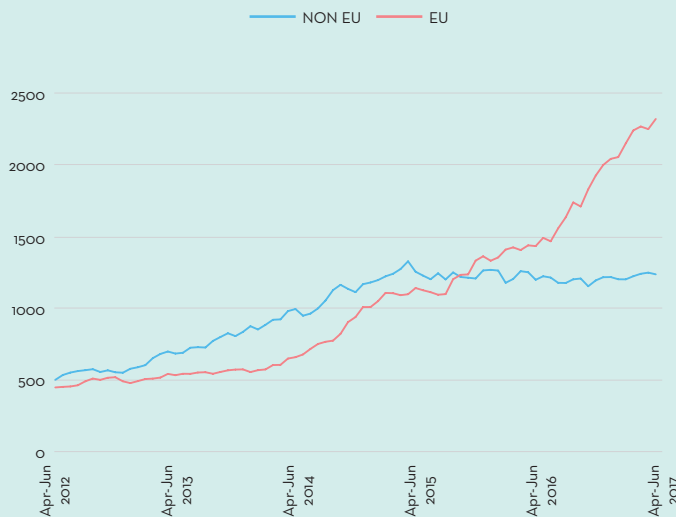
"A legislative transition of this scope has never before been undertaken," [Adam Marshall, Director General of the British Chambers of Commerce \(BCC\)](#), said in a statement.

"We will be keeping a watchful eye for the possibility of unintended consequences that lead to new burdens or compliance costs."

Immigration

Non-UK nationals working in the UK, not seasonally adjusted ('000s)

(Source: Office for National Statistics, UK Labour Market, July 2017)



An area of continued uncertainty is the availability of EU nationals to be a part of the UK workforce after Brexit.

Although the government attempted to clarify that free movement of labour would end in 2019 both Chancellor Philip Hammond and Home Secretary Amber Rudd agreed that transitional arrangements would be required. This might mean some form of movement might continue. International Trade Secretary Liam Fox then admitted that the cabinet had not agreed a stance on immigration.

The Recruitment and Employment Confederation (REC) has said that the failure to outline a post-Brexit immigration policy was adding to uncertainty for both businesses and candidates.

Kevin Green, Chief Executive of the REC said: "Businesses need access to people to deliver growth, and that the current UK workforce alone cannot meet demand."

A lack of figures

Mr Green also said "Decisions about the future immigration system are too important to be subject to political whim - we need policy to be built on sound evidence and data" but a lack of evidence was an issue for the government this month.

Firstly, a report from the House of Lords Economic Affairs Committee called into question the credibility of the current method for tracking the flow of migrants in and out of the UK. Given that Conservatives have repeatedly announced an immigration target the accuracy of these figures would be especially vital for them.

The minister in charge of the Home Office has already talked of the need to a registration system but given that the department admitted it does

not currently hold data on whether EU nationals had searched for or found employment this would be a big change.

Mr Green has already offered the help of the REC on this matter and LinkedIn has proved capable of providing at least some pieces of the puzzle. The professional networking site reported that despite current uncertainty that the UK is still the most popular destination for Irish professionals with 26% of those who leave choosing the short trip across the Irish sea.

Workers' Rights

Brexit Secretary David Davis has said that a quick deal on the rights of was a 'moral imperative' however a deal does not seem any closer this month than last month.

Chief EU negotiator Michel Barnier said the two sides had a 'fundamental divergence' on the issue with Guy Verhofstadt, Chief Negotiator for the European Parliament, unhappy with proposals to run background checks on all EU nationals applying to settled status.

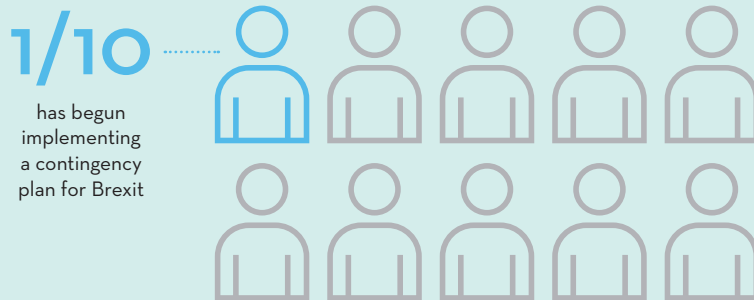
To add to the confusion Dutch Prime Minister Mark Rutte has told Dutch nationals living in the UK that dual-nationality would not be an option and that they would risk losing their Dutch citizenship by applying for that of the UK.

What this means

This still means continued uncertainty for employers in the UK. What it doesn't mean, however, is that there is nothing that can be done in the meantime. At the very least businesses should be mapping out the state of their workforces and any areas that might be affected by changes to the immigration system. This can be both areas where a high proportion of the workforce is currently from the European Union or any area where they are currently experiencing a skills gap.

Providing some clarity

According to the Institute of Directors barely one in ten (11%) of their members has begun implementing a contingency plan for Brexit currently.



The lack of clarity for a number of issues is perhaps the biggest reason why there is has been so much discussion around the need for a transition period after the UK has left the European Union.

Business uncertainty

According to the IoD barely one in ten (11%) of their members has begun implementing a contingency plan for Brexit currently. Similarly, a survey by Lloyds Banking Group found that nearly half of British Exporters have not yet even reviewed their sales strategy.

It has even been suggested that the UK is getting to the point where there needs to be clarity on a transition period let alone the elements after it. The Bank of England requested that firms in the City submit Brexit plans by the 14th July. This request was reiterated by the newly elected chair of the Treasury Select Committee Nicky Morgan.

Andrew Bailey, Chief Executive of the Financial Conduct Authority, says that unless City firms were able to be sure they will be able to operate after March 2019 they would be forced into taking steps to move staff.

A delegation from the City of London led by Mark Hoban, board member of TheCityUK, has also approached the EU directly about a trade deal for UK financial services after Brexit.

Carolyn Fairburn, Director-General of the CBI has said that a transition period will be required as it will be 'impossible' to agree a new trade deal in two-years.

Terry Scuoler, chief executive of EEF, said: "The brinkmanship involved in taking Brexit negotiations to the line, while leaving businesses guessing about the likely outcome, risks causing serious economic damage."

To further complicate matters the UK is examining a proposal that would allow the country to become an associate member of the European Free Trade Association (EFTA) and use their free-trade agreements rather than starting from scratch.

Giving business a say

Adam Marshall (of the BCC), earlier this month called for "day-one certainty and stability on the rules and regulations they will face when the UK leaves the EU".

In the absence of more exacting clarity the government has moved this month to allay any existing fears by increasing engagement levels with UK businesses.

Theresa May launched a new advisory group to discuss Brexit terms and wider industrial strategy with companies such as Tesco, Jaguar Land Rover and Prudential. Chancellor Philip Hammond and Business Secretary Greg Clark will also attend alongside business groups such as the CBI, IoD and Federation of Small Businesses (FSB).

Mrs May dismantled a former advisory group earlier this year that had been hosted by David Cameron.

In the same month Brexit Secretary hosted 30 business leaders from companies such as HSBC, Barclays, Easyjet and Rolls-Royce at Chevening Hall in Kent.

Philip Hammond had a private meeting with the entire board of Goldman Sachs to discuss concerns and offer reassurances. He also met with the Chief Executive of the Investment Association, Chris Cummings.

Greg Clark, along with Health Secretary Jeremy Hunt, wrote a letter to the Financial Times intended to calm fears within the Pharmaceutical industry as well.

The Chancellor also actively recognised the issue on the Andrew Marr show: "It is absolutely clear businesses where they have discretion over investment, where they can hold off, are doing so - you can understand why.

"They are waiting for more clarity about what the future relationship with Europe will look like," he said.

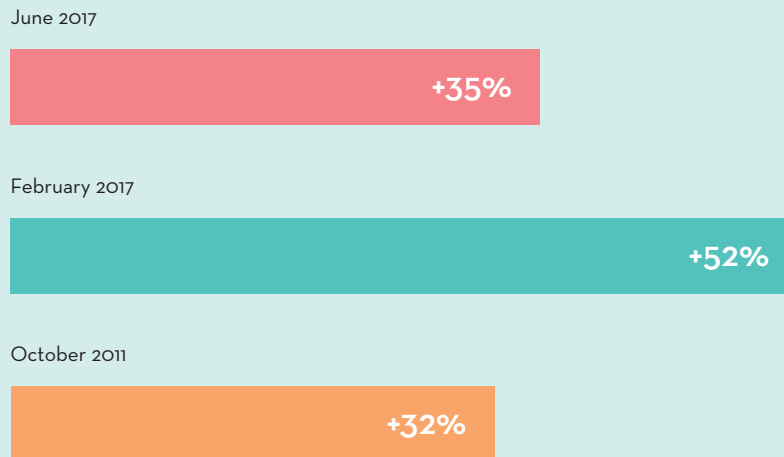
What this means

The House of Lords EU Committee recently published a report that said the effect of leaving the European Union would be 'profound and unpredictable'. Businesses know that it is true but will require as much information as possible in order to make the best possible decisions in good time.

Engaging them in conversation can only be a benefit but may well not change the final outcome in terms of the employment market.

Business reaction

Balance between companies expecting increased business activity in the next 12 months and those expecting a decline
(Source: IHS Markit Business Outlook Survey, July 2017)



It is the UK Financial Services industry who continues to be the only sector willing or capable of outlining post-Brexit plans.

Citi became the latest bank to announce plans this month, they named Frankfurt as the location for their new dealer-broker. While this seems like a big deal it will probably not affect more than 150 UK-based jobs plus the company already has a 2,500 strong base in Dublin.

This adds to the likes of Goldman Sachs, Morgan Stanley, Daiwa Securities and Nomura who have chosen to establish or grow operations in the German city.

Barclays has confirmed it is in discussions with regulators in Dublin about extending its licence. They already employ 100 people in the Irish capital.

Deutsche Bank will not have to set up a new subsidiary on the continent but has admitted it will probably look to move a significant portion of operations, and therefore jobs, away from the UK.

By contrast [Jamie Dimon, Chief Executive of JP Morgan](#) has said he will only move roles out of the UK if the EU explicitly instructs him to given. He explained that the bank could handle most of its activities through existing operations in Dublin, Frankfurt and Luxembourg.

Dimon said: "People should focus more on the second step...What happens next is totally up to the EU. It's not up to Britain.

"If the EU determines over time that they want to move a lot more jobs out of London into the EU, they can simply dictate that. The regulators can dictate it, the politicians can dictate it," he said.

"If regulators say one day 'we're not comfortable with your risk people, your lawyers, your compliance being in the UK,' they can make us move it."

Consultancy firm Oliver Wyman was the latest to predict the scale of job losses to the UK financial services sector this month - 40,000 investment banking jobs, unless a 'softer' deal is struck. Between 12,000 and 17,000 would be in the initial wave but issues such as clearing could see the number more than double.

Outside financial services

One company outside of the finance sector announced plans as well - Easyjet is required to have an air operator certificate in an EU member country so is setting up a subsidiary in Austria.

The UK is also currently home to a number of European agencies which will need to be relocated, this month saw bidding open to host the European Banking Authority and European Medicines Agency. Both currently reside in Canary Wharf and between them employ just over 1,000 people.

Business confidence

Increased and sustained uncertainty is never good for businesses and IHS Markit reported this month that confidence was at a six-year low currently.

[Chris Williamson, Chief Economist at IHS Markit](#) said: "The drop in confidence pushed the level of UK optimism below that seen in the Eurozone for the first time in seven years, and contrasts with multi-year high levels of optimism in the United States and Japan. As such, the survey results suggest the UK is at risk of falling behind in an otherwise solid-looking global economic outlook."

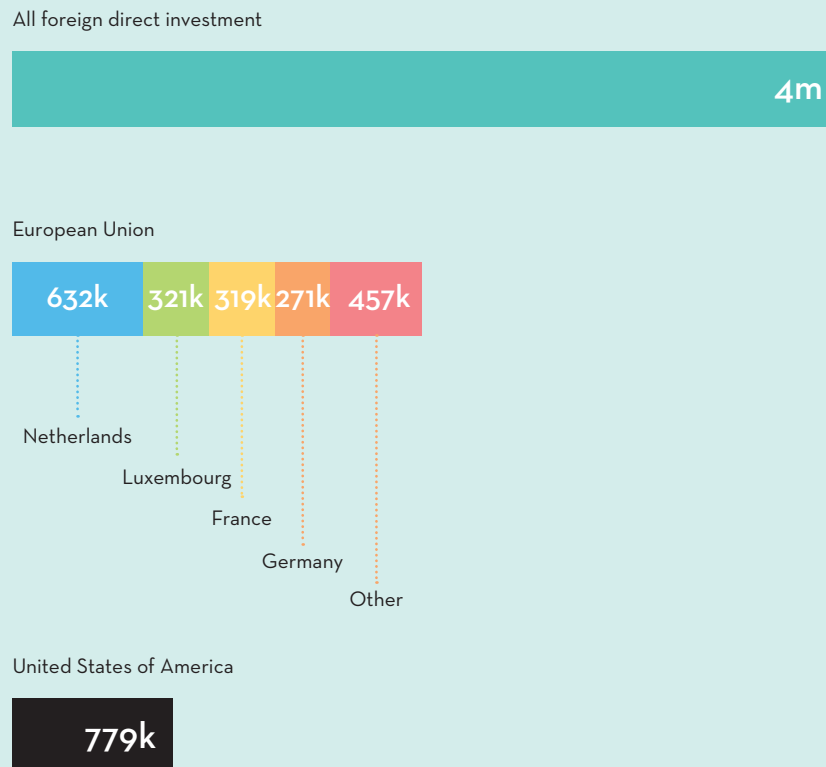
This view was backed up by predictions from the EY Item club that economic growth will continue to weaken this year. A report from the think tank Centre for London reported that the London economy is 'beginning to wobble'.

Despite initially strong figures after the EU referendum the Society of

Business reaction (cont'd)

Potential number of UK roles dependent on foreign investment

(Source: Office for National Statistics. UK foreign direct investment: trends and analysis: summer 2017)



Motor Manufacturers and Traders (SMMT) has warned that growth in the automotive sector is stalling. Manufacturing output was down 13.7% in June compared to a year before, in large part due to a 10% drop in domestic demand.

SMMT Chief Executive, Mike Hawes, said clarity for all was now needed after a "turbulent" year for the sector.

"Investors need certainty so, at the very least, the UK must seek an interim deal which maintains single market and customs union membership until we have in place the complex new agreement sought with the EU."

Investment levels

Linked into all this uncertainty and faltering confidence is the level of European investment in the UK currently.

According to 'experimental' figures from the Office for National Statistics (ONS) more than two million UK employees work for companies that are somewhat reliant on money from the European Union.

The Centre for Economics and Business Research (CEBR) has previously estimated that 3.25 million roles are linked, directly or indirectly, to EU trade.

Beyond this the Local Government Association (LGA) is worried about a funding gap for local councils once the EU stops providing the £8.4 billion currently promised for regeneration projects. The LGA says this money is vital to create jobs and boost infrastructure.

What this means

Uncertainty and low confidence are unlikely to instil confidence in the UK staffing market, this is likely to mean higher demand in the non-permanent markets for the foreseeable future. Any moves that look to add certainty to the future could start to see this trend begin to be reversed.

Currently financial services are amongst the few sectors that are being forced to make decisions but other sectors that require EU operations will start following suit soon.