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THE ADECCO GROUP

# The facts about Brexit

— February 2018 —

# Moving Through the Process

Days Two and Three of the Lords Committee Stage were completed at the end of February 2018.

The Lords discussed reciprocal health arrangements for UK citizens in the EU and EU citizens in the UK, higher education research funding, student exchanges, security, criminal justice, the European Court of Justice and the Charter of Fundamental Rights. The government restated a desire to participate in these projects but could not commit to it as this was a matter for negotiations. This saw the end of the debate over clause one.

Day Three saw discussion to ensure that consumer protection and employment rights could not be removed or weakened along with the importance of achieving legal certainty and clarity in the bill.

March 2018 will see a further 7 separate days of hearings. On the European side, the EU published its draft withdrawal agreement which provides a framework for how the region will operate during negotiations. It has been drawn up by chief negotiator Michel Barnier within the framework set down by the member states who still have the opportunity to make changes.

This document solely relates to Britain leaving the union and does not discuss the state of any future relationship which will be agreed later.

The document sets down three options related to the border between Northern Ireland and Ireland, making it clear that all three are still potentially viable.

- 1 Option A**  
*is a future relationship between the UK and the EU that avoids the need for a border*
- 2 Option B**  
*is that unique solutions - like technology - are found to solve the issue.*
- 3 Option C**  
*is that Northern Ireland remains aligned with EU rules in a number of areas.*

# A Lack of Preparation

These elements of progress were not particularly high profile so much of the rest of the month was characterised by comments suggesting a lack of progress and preparation. Nicky Morgan, chair of the House of Commons Treasury Select Committee, criticised the government for advising companies to prepare for Brexit when they are unable to tell them what to expect/prepare for.

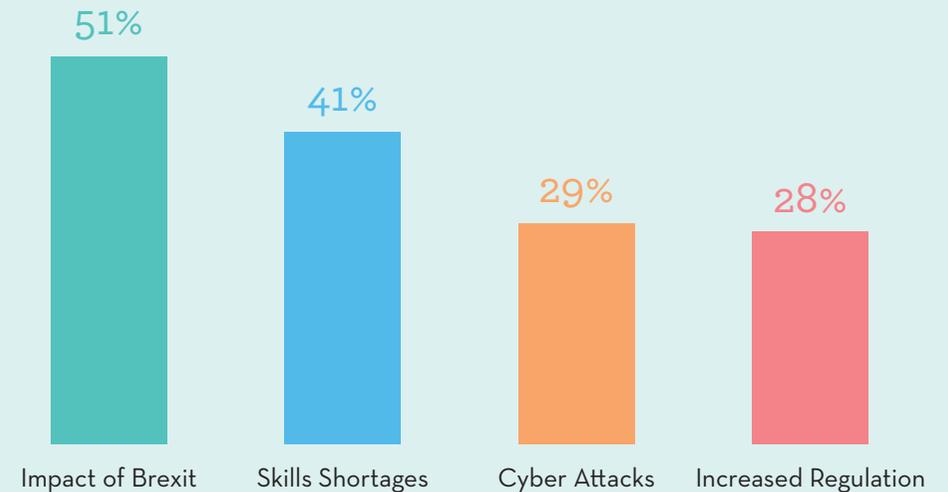
Another parliamentary committee, the Home Affairs Select Committee, also suggested that the government lacked preparation, but specifically with relation to the changes in the immigration system. A report from the committee suggested that 'unacceptable' delays in publishing plans will soon make it impossible for immigration to be managed properly. The report also blamed ministers for not providing sufficient resources to process all EU nationals living in the UK alongside new arrivals.

Dublin appears more decisive and has confirmed that Ireland's largest sea terminal will complete building new customs booths and freight inspection points by the end of 2018.

Both committees may be reflecting wider opinion as 94% of small and medium-sized businesses told accountancy firm Moore Stephens that they felt their views on Brexit were actually being ignored. This is particularly important as the impact of Brexit was by far the single biggest concern for them in 2018.

Adam Marshall, director general of the British Chambers of Commerce (BCC) went even further suggesting that a lack of action would force certain businesses out of operation.

## What is the single biggest concern for UK SMEs in 2018?



Source: Moore Stephens, February 2018

# Skills Shortages

The second biggest concern on the Moore Stephens survey was skills shortages, a problem which half of UK employers believe will be exacerbated by Brexit as well according to Totaljobs. Almost two-thirds employers believe that their own business will suffer from a lack of workers with required skills and to continue the theme one-in-four believe the UK is not prepared to compete in the global marketplace due to the skills gap.

These fears were given credence when the UK hit the limit for Tier 2 visas for the third consecutive month in February, having only hit the level for one month ever before that.

The rights of those working for UK firms to remain for a given length of time will cause their employers some concern as the Brexit deadline nears and will certainly make talent planning more challenging in the short term.

The **BCC's Adam Marshall** said that their surveys showed nearly three-quarters of firms trying to recruit had been experiencing difficulties "at or near the highest levels since [BCC] records began over 25 years ago".

**Carolyn Fairbairn, director general of the Confederation of British Industry (CBI)** said that the government urgently needed to guarantee pathways into British businesses for EU nationals. She warned that without this certainty UK companies would no longer be able to compete.

*"We know from the Federation of Small Businesses that one in five small businesses rely on skills and labour from the EU. This isn't just about the best and brightest - it's about giving companies of all sizes access to the skills and labour they need to succeed"* she said.

## Skills shortage



**65%**

of employers believe they will face a shortage of skilled professionals in 2018



**50%**

believe leave the EU in March 2019 will make skilled professionals harder to acquire



**23%**

say Britain is not prepared to compete on a global stage due to its skills gap

Source: Totaljobs, February 2018

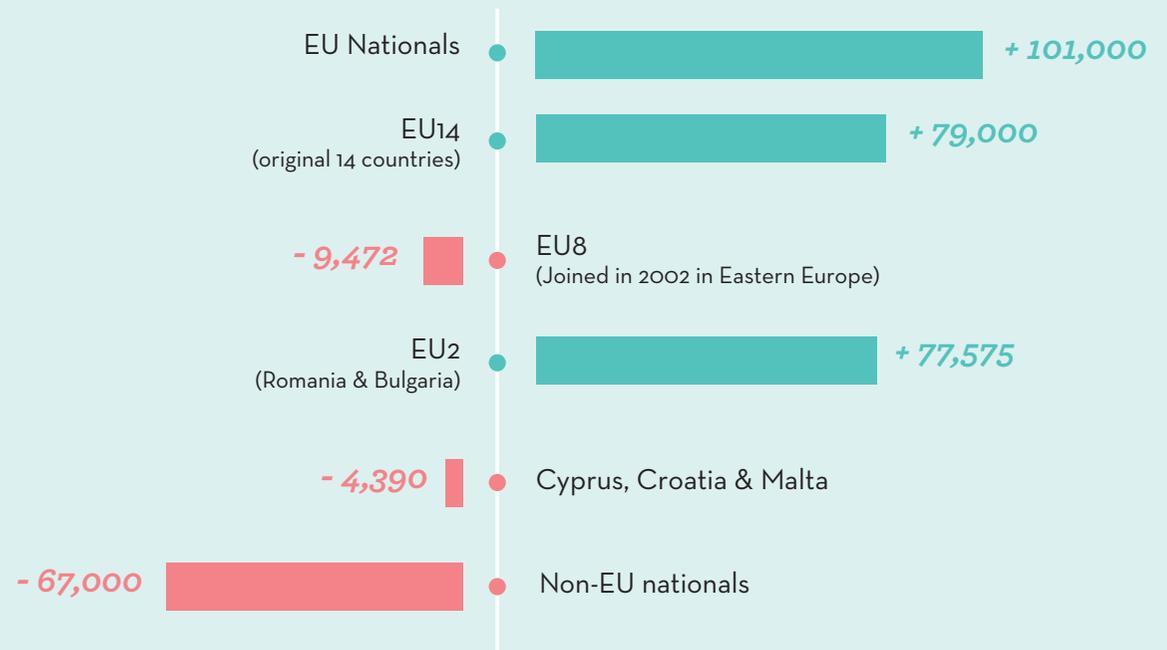
# Immigration Levels

The Office for National Statistics (ONS) announced that the number of EU nationals working in the UK is still on the rise in February. In the three months to December 2017 there were 2.35 million, a rise of 101,000 from the year ago however this was slowest growth for four years.

**Jonathan Portes, Professor of Economics at King's College London,** commented on the figures, *"Since the EU referendum, the number of people from elsewhere in the EU working in the UK has been broadly flat. That doesn't suggest a 'Brexodus' but this is consistent with the immigration statistics which show that even before Brexit net migration from the EU has fallen sharply. And this in turn accounts for some of the growing pressures on NHS staffing, agriculture and other sectors that rely on migrant workers."*

The number of international students applying for UK universities has risen to more than 100,000 for the first time, a rise of nearly 8% from the previous year, despite the uncertainty over future immigration restrictions. The number of EU applicants increased by 3.4% to 43,510, meanwhile the number of international applicants rose by 11.1% to 58,450 – the highest on record. This follows the first ever fall in the number of EU nationals applying during the previous year.

## Changes in the UK workforce (Oct-Dec 2016 vs Oct-Dec 2017)



Source: Office for National Statistics, UK and non-UK people in the labour market: February 2018

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# Triggering Plans

Nicky Morgan also warned that a lack of progress on a transition deal may force companies to relocate employees from the UK to the continent and activate contingency plans without waiting.

Credit Suisse was one such company during February as it announced it would move 250 of its 5,500 London jobs. Earlier in the month chairman Urs Rohner suggested banks would have to trigger their contingency plans within two or three months due to a lack of clarity whilst Goldman Sachs said that contingency planning was reaching the point of no return.

At the same time, however, Citigroup have announced they will invest in London and build an innovation centre that will initially employ 60 technologists.

The Dutch government has triggered its own contingency plan involving the recruitment and training of 930 customs officers, with 50 already in place. This was confirmed in a letter to MPs by the finance minister Menno Snel in which he blamed a "*remaining lack of clarity*" from the UK.



“ A lack of progress on a transition deal may force companies to relocate employees from the UK to the continent ”

*Nicky Morgan*