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THE ADECCO GROUP

# The facts about Brexit

— May 2018 —

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# EU Withdrawal Bill completes its passage through the House of Lords

The European Union (Withdrawal) Bill completed its third reading in the House of Lords on the 16 May 2018. The Government lost a vote at this stage to go along with the 14 votes that happened (and they lost) during the report stage – making a total of 15 votes so far. Peers voted by a majority of 50 that the Government should set up a body to maintain EU environmental protection standards.

Other votes in May included prevention of the establishment of a new Irish border arrangement without mutual agreement, and protection of UK membership in EU agencies such as Euratom.

The Lords also accepted 170 amendments proposed by the Government.

Proposed amendments will now be considered by the House of Commons (at the time of writing there was no scheduled time for this) and unless they are all accepted, the Bill will then return to the Upper House. This process would continue until all points of disagreement are resolved.



**Martin Callanan, Minister of State in the Department for Exiting the European Union and member of the House of Lords, said:**

*'no one can be in any doubt that we have listened.'*

*'Although I regret the number of defeats I am grateful to those many Lords who I think have worked constructively to improve the bill.'*

*'This House has done its duty as a revising chamber.'*

**Labour's leader in the House of Lords Baroness Angela Smith, said the Bill was now 'in better shape'.**

*'I hope Mrs May will take a pragmatic view of how best to proceed rather than follow a purely ideological route that rejects sensible amendments,' she added.*

# Impact on the economy

Bank of England Governor, Mark Carney, reiterated to the House of Common's Treasury Committee his belief that the vote to exit the European Union means the UK economy is 2% behind where he would expect it to be if the vote had gone the other way. He stated that this is equivalent to £40bn in GDP or £900 per household in real income.

Mr Carney does not mean that the UK's GDP has actually fallen by 2%, in fact it was 2.83% higher in Q1 2018 than in Q2 2016 (before accounting for inflation), but it has also not been growing at the same speed as the rest of the Eurozone.

The UK economy grew by 1.2% in the year to Q1 2018, this compares to 2.5% across the Eurozone and nearly 3% in the United States of America. The UK's growth in the first quarter of 2018 was only 0.1% according to the Office for National Statistics, the weakest for five years.

The Organisation for Economic Cooperation and Development (OECD) has actually increased its growth forecast for the UK from 1% to 1.4% in 2018, but they also warn that these projections remain modest (compared to the 4% global forecast), 'owing to high uncertainties about the outcome of Brexit negotiations'.

The OECD also reported that 2017 saw foreign direct investment into the UK fall by 90% in 2017, admittedly following a big spike in the previous year.

Individual companies continue to make decisions through this uncertainty. US TV company,

Discovery, has decided to close its European broadcasting base in London as it decides on a new continental hub. This action will affect 100 roles, although the company will continue to employ more than 1,300 workers in the UK.

## GDP growth: Q1 2018 vs Q1 2017



USA



3%



EU



2.5%



UK



1.2%

# Fall in EU nationals working in the UK

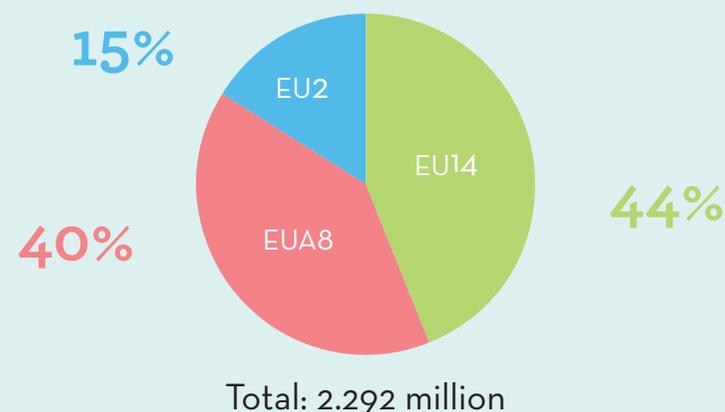
For the first time in eight years, the UK recorded a fall in the number of EU nationals in the workforce. Between January and March 2018 there were an estimated 2.29 million EU nationals employed, a fall of 28,000 from the year before.

This is primarily due to a reduction in the number of workers from the A8 countries that joined in 2004 that are based in Eastern Europe. This group saw a fall of 91,000, the largest annual reduction since records started in 1997. The workforce for employees from the original 14 EU countries, along with Romania and Bulgaria (who joined in 2007), still increased over Q1 2018.

Three EU countries (Poland, Romania and Republic of Ireland) are now the three most common non-UK nationalities in the UK population.

Jonathan Portes, Professor of Economics and Public Policy at King's College, London, said: 'A combination of factors - a slowing economy here combined with recovery on the continent, but also the political and physiological impact of the Brexit vote - have made the UK a significantly less attractive place to live and work.'

EU Workers: Jan-Mar 2018



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

At the same time, Madeleine Sumption, Director of the Migration Observatory at the University of Oxford, pointed out that the employment rate of these A8 candidates is close to record highs, more than 85%, and that more data would be required to know for certain if this was the start of a real trend or just a short-term blip.

With EU nationals possibly less likely to want to be working in the UK, employers may well be looking at workers from outside the EU but there is currently an issue there as well. May saw Tier 2 visas hit their limit for the sixth month in a row. The cap is set at 20,700 per year, with a monthly limit of about 1,600.

The points system that this program uses effectively increases the minimum salary that candidates would be receiving during times of high demand, at the moment that minimum is £55,000.

Figures obtained by the Campaign for Science and Engineering (CASE) found that more than 1,600 IT workers and engineers were denied visas in just the first three months of 2018, areas that are consistently reported as having major skills gaps.

This being said, a Home Office spokesman said that none of these refusals related to a role currently on the Shortage Occupation List.

### Five most common non-UK countries of birth and non-British nationalities for usual residents of the UK, 2017

#### Country of birth

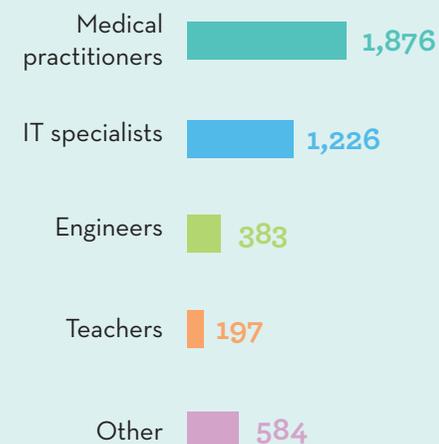
Poland	922,000	Romania	390,000
India	829,000	Republic of Ireland	390,000
Pakistan	522,000		

#### Nationality

Poland	1,000,000	India	346,000
Romania	411,000	Italy	297,000
Republic of Ireland	350,000		

Source: Office for National Statistics, Population of the UK by country of birth and nationality: 2017, 24 May

### Tier 2 (General) Certificate of Sponsorship refusals by profession: December 2017 - March 2018



Source: Home Office, Freedom of Information Request