



THE ADECCO GROUP

The facts about Brexit

— November 2018 —

A November Snapshot

November was a busy month on the Brexit front. On the 13th the UK and EU finally unveiled the draft text for a deal which was then approved by the heads of all 27 countries in the European Union.

Following that, Prime Minister Theresa May received the resignation of the Secretary for Exiting the European Union, Dominic Raab, and Works and Pensions Secretary, Esther McVey. Mr Raab said he 'cannot in good conscience' support the deal. He was replaced by Department of Health minister and MP for North East Cambridgeshire, Stephen Barclay.

These were followed by the resignation of a junior minister for Dominic Raab, Suella Braverman, who is MP for Fareham and then Sam Gyimah, who had been Minister for Universities, Science, Research and Innovation.

These four ministers have all announced they will vote against the current deal.

By the end of the month Mrs May was preparing for a five-day debate in the House of Commons and a live TV debate with Labour leader Jeremy Corbyn.

It is worth noting at this point that the situation is changing even more rapidly than usual so all comments in this document are correct as of 1st December 2018. Any change will be covered in the next edition of this report.



Deal agreed

The released text of the agreement held very few surprises and certainly none from a talent management point of view. EU nationals living in the UK and UK nationals living in the EU will be allowed to remain for five years, after which, they will be allowed to apply for a permanent right to remain. This applies to those people arriving during the transition period (31st December 2020) not just at 29th March 2019.



EU nationals living in the UK and UK nationals living in the EU will be allowed to remain for five years



Timeline for December:

1

4th December

Five-day debate in the House of Commons begins.

2

9th December

TV Debate between Theresa May and Jeremy Corbyn (at time of writing this is not confirmed but expected.)

3

11th December

Vote in the House of Commons on the withdrawal treaty and declaration of future relations. This is a legally required under the European Union (Withdrawal) Act 2018. Should the vote not pass, the government must make a statement within 21 days on how it intends to proceed.

4

13th-14th December

The last EU summit of 2018 is only important if the UK parliament chooses to vote against the deal.

Freedom of movement

As expected, EU nationals will no longer be free to move to the UK and work; the same will be true for UK citizens going to Europe. It is expected that this will mean a visa system for those wanting to work in the UK, with EU nationals being treated in the same way as those outside the EU.

As discussed in the October edition of this report this is in line with the advice from the Migration Advisory Committee (MAC) which the government has said it will follow. This said, the Home Office is yet to publish its official consultation document, and it is still possible that MPs will be expected to vote without seeing it.

The MAC advised a skills-based system similar to the current system with a defined salary limit, recommended at around £30,000.

Both parties have agreed to maintain visa-free travel for short-term visits. All countries outside the EU are placed on one of two lists; visa-exempt or visa required. Those on the visa-exempt list are allowed to travel with a visa for short stays of up to 90 days in any 180-day period.



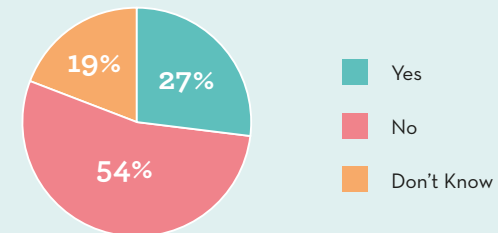
Customs union and supply chain

The agreement states that the UK and EU will continue to be a 'single customs territory' until the end of the transition period on 31 December 2020. This will mean that organisations with European operations, customer bases and supply chains, will have to wait longer to make decisions about the future of their workforces.

A statement that the UK will remain in a customs union with the EU indefinitely, if a new trade agreement is not reached by the end of the transition period, should provide confidence but may not give enough of a basis for businesses to make long-term strategic decisions.

Given that more than half (54%) of UK organisations do not feel they have enough information to start making post-Brexit recruitment decisions, according to the most recent edition of the Adecco Group UK&I Brexit tracker, this may actually have more impact than initially supposed.

Does your organisation have enough information to start making decisions about your post-Brexit recruitment strategy?



Source: The Adecco Group Brexit Tracker Autumn 2018 Edition



The agreement states that the UK and EU will continue to be a 'single customs territory' until the end of the transition period on 31 December 2020.



Business reaction

The general view from the UK's business bodies and organisations has been that the priority is to avoid leaving the EU without a deal and avoiding the disruption that would bring. Business stakeholders would much prefer an orderly exit for which they can carefully plan.

As **Stephen Martin, Director General of the Institute of Directors**, said: "The deal the EU approved today provokes a wide range of reactions across the political spectrum, and indeed among business leaders, but the steer from our members is that avoiding no deal must be the main priority".

TheCityUK, which represents financial institutions in the centre of London said that the option of 'No Deal' offered 'only higher risk, costs and disruption'.

While acknowledging the value in the announcement, the British Chambers of Commerce (BCC) also pointed out that it probably hasn't made that much difference to many businesses in the UK.

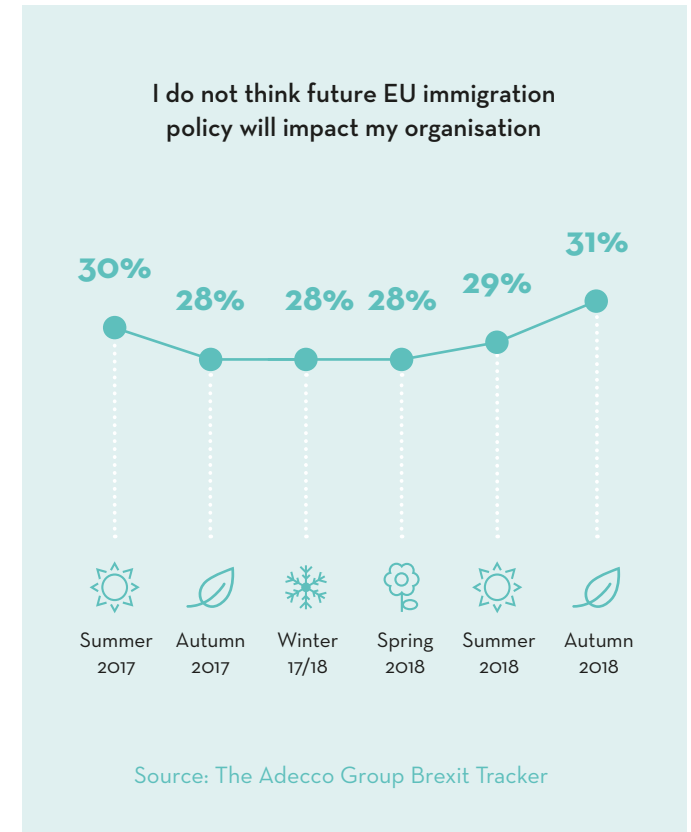
"The simple fact is that businesses all across the UK are carrying on. Directly-affected companies are

being pragmatic and are preparing for a range of possible outcomes. Away from Westminster, many businesses are ignoring the Brexit 'noise' completely" said **Adam Marshall, BCC Director General**.

This rings true with data regularly seen in the Adecco Group Brexit Tracker. The Autumn 2018 edition found that nearly one in three UK organisations don't believe future EU immigration policy will impact them at all.

Manufacturing giants Rolls Royce and Aston Martin confirmed they are continuing with contingency plans in the wake of the deal. "This agreement is only a draft," Rolls Royce Chief Executive Warren East told BBC radio.

Airbus also hasn't changed its opinion on the back of the agreement alone, but Katharine Bennett, Senior VP and Head of Airbus in the UK, told a House of Commons committee that it would consider investment in the UK if a withdrawal agreement was successfully reached.



EU nationals in the UK

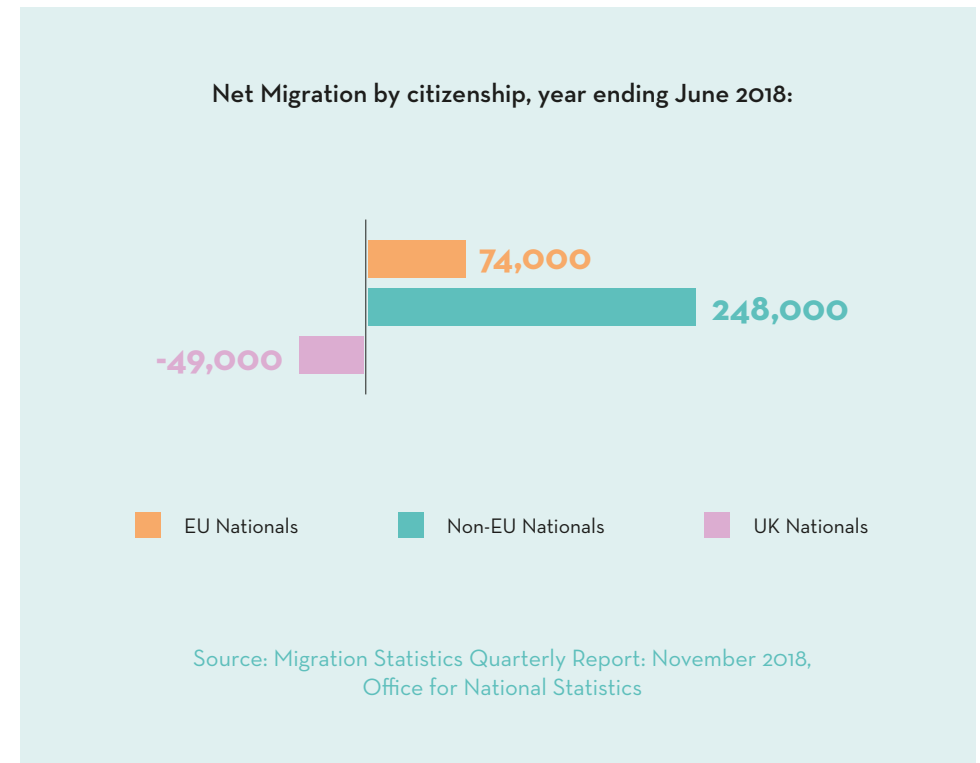
In November, the Office for National Statistics (ONS) published two studies related to EU nationals in the UK. The specifics are a little different and they are not directly comparable due to differing samples, but they do both paint a similar picture in that the UK is becoming a less attractive location for EU nationals.

The Migration Statistics Quarterly report suggested that while net migration from the EU continues to fall it is still positive with 74,000 more EU nationals arriving in the UK in the year to June 2018.

At the same time, a report on UK and non-UK nationals in the workforce reports that there are now 2.25 million EU nationals working in the UK. This is down from the all-time high of 2.37 million, a fall of 132,000, the year before, and the number has been falling consistently since then.

The migration report is based on Long-Term International Migration (LTIM) estimates and is essentially based upon people changing their permanent residence for a period of at least a year. The second report is based on the Labour Force Survey which looks at estimates of current employment levels.

It is possible to argue that labour market estimates are more current than LTIM estimates by their very nature, but ONS makes very clear that the two are not directly comparable, and care should be taken when drawing conclusions.

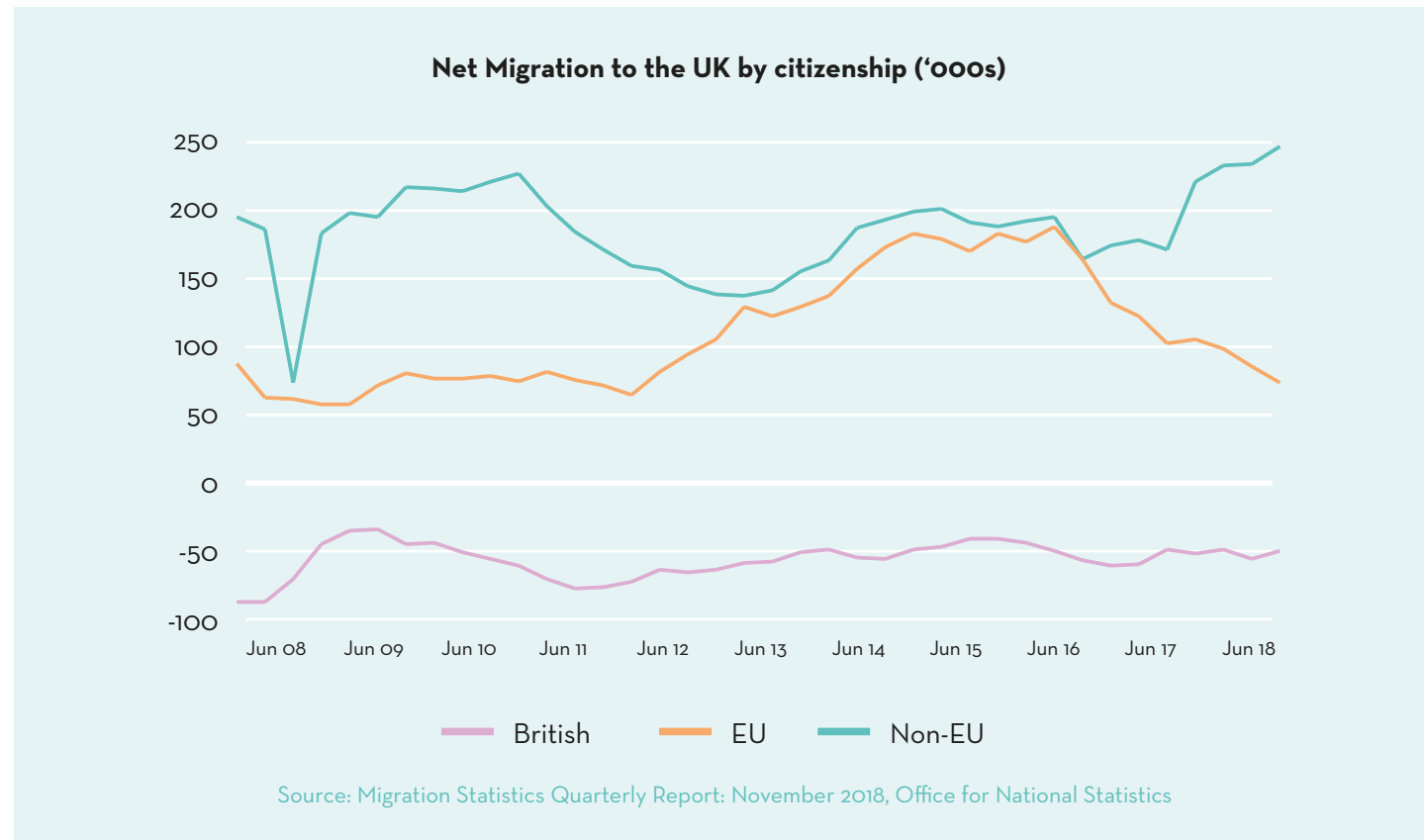


Long-term migration

Overall net migration to the UK is still adding to the population but this report suggests that increasingly this is being driven by migrants coming from outside the EU. This figure was 248,000 in the 12 months to June 2018, this was the highest figure since 2004.

The fall in net migration has been steady since the UK's referendum to exit the European Union. It has been driven by a distinct decrease in immigration numbers, but an increase in the rate of emigration, that had already been slowing for the previous four years.

Previous Migration Statistics Quarterly reports had shown a fall in EU nationals arriving in the UK looking for work while those arriving with a job offer had remained steady. This trend has now reversed with those arriving looking for work having stabilised at a level similar to that seen in 2010-12, and a significant fall in those arriving with a job offer. The early part of 2018 saw this fall to a level similar to that of 2014.



EU nationals in the UK labour market

The number of EU nationals working in the UK continued to rise after the referendum to a peak of 2.37 million in the summer of 2017. Since then it has fallen, and now stands at 2.25 million, which is around the same level it was at the time of the referendum.

Over the same period, the number of nationals from outside the EU has increased by 34,000 to 1.24 million. This figure has been broadly stable for the last ten years.

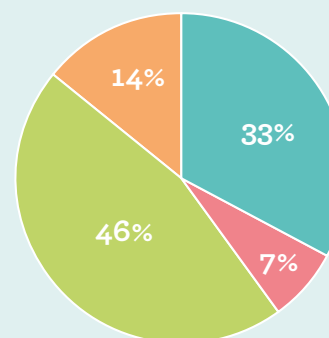
If EU nationals are leaving the UK workforce, as is suggested, then where from exactly?

The Autumn 2018 edition of the CIPD/Adecco Group Labour Market Outlook (LMO) asked organisations whether they had seen a change in the number of EU citizens in the company; either leaving the EU or expressing insecurity about their jobs.

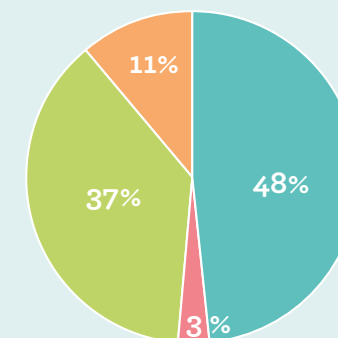
Both questions showed that the vast majority had seen either no change or an increase. In the case of insecurity, nearly half had experienced an increase and one in three saw no change. In terms of those leaving the country, those figures were reversed with nearly half seeing no change and only one in three seeing an increase.

In both cases, the public sector is more likely to have seen an increase. Healthcare and education are also high but both industries are strongly connected to the public sector that makes sense. Whilst actual movement seems to be similar across the country, insecurity seems to be lower in the north than in the south.

As a direct result of the UK's decision to leave the European Union in June 2016, do you think there has been an increase, decrease or no change for each of the following in your organisation?



The number of EU citizens at your organisation leaving the UK



The number of EU citizens in your organisation expressing insecurity about their jobs

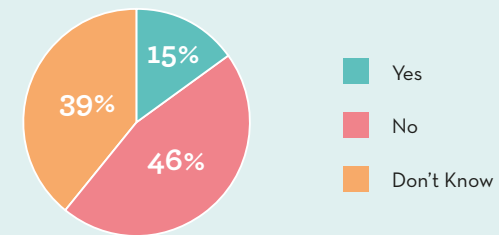
■ An increase ■ A decrease ■ No change ■ Don't Know

Source: Labour Market Outlook Autumn 2018 Edition, CIPD/Adecco Group

Three NUS trusts in London (University College London Hospitals, St George's Hospitals and Guy's and St Thomas's) confirmed in November that they were offering to reimburse the fees for EU employees to secure settled status in the UK after Brexit. These trusts are in the minority of UK organisations; according to the LMO only 15% of are currently providing or planning to provide this kind of financial support.

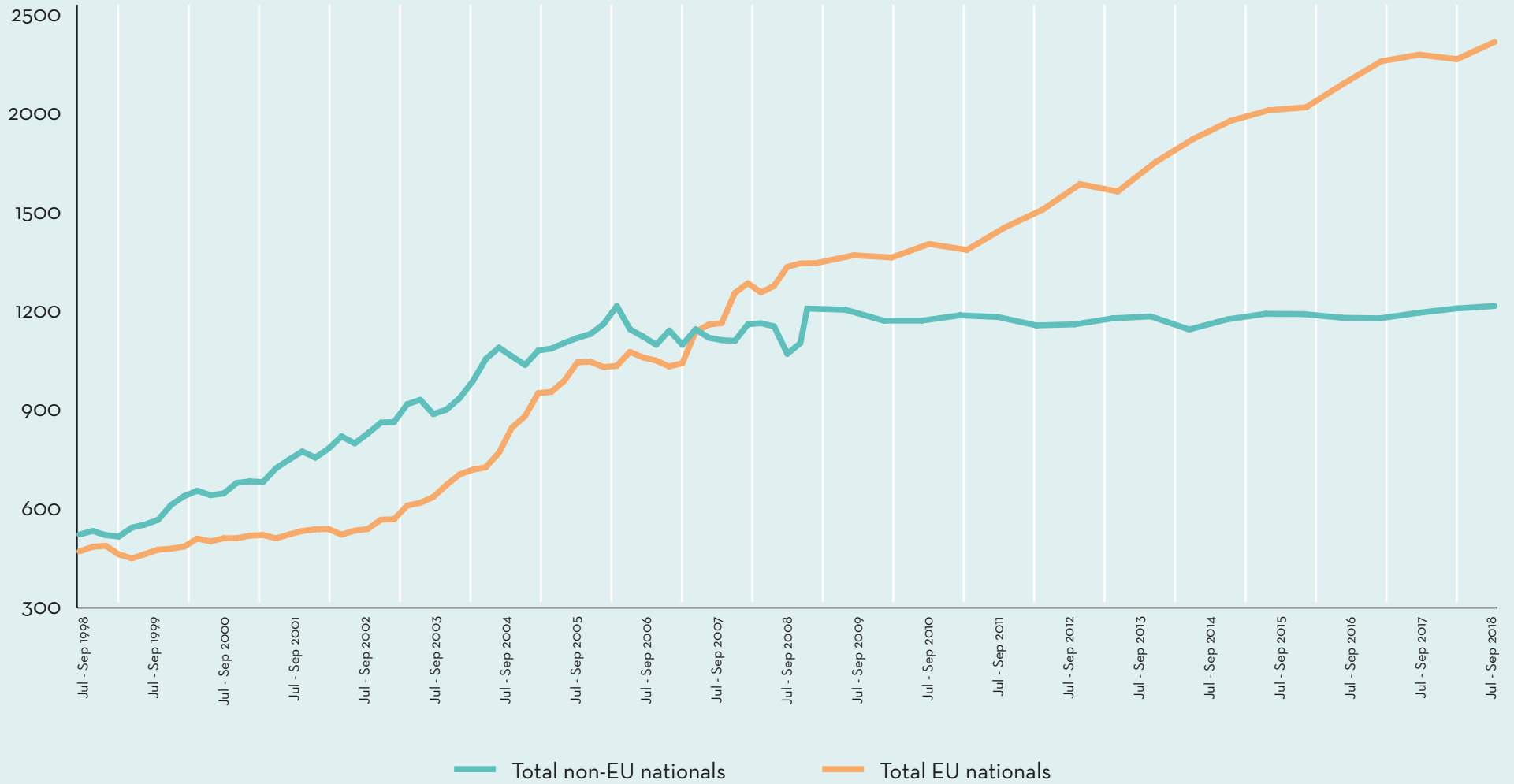
“ ... according to the LMO only 15% of are currently providing or planning to provide this kind of financial support. ”

Is your organisation providing or planning to provide financial support to your EU citizen employees to help them obtain the required settled status document if that comes into force?



Source: Labour Market Outlook Autumn 2018 Edition, CIPD/Adecco Group

Non-UK nationals working in the UK ('000s)



Source: UK and non-UK people in the labour market: November 2018, Office for National Statistics, 13 November 2018