



THE ADECCO GROUP

The facts about Brexit

— December 2018 —

December brings key political votes

The month should have started with a five-day debate in Parliament to discuss the terms of the deal agreed with the European Union followed by a vote. This plan was not completed as the Government lost three key votes on the first day and then on the fourth day chose to defer the vote to an unspecified date in the future.

The vote was rescheduled for the week commencing 14th January 2019 with three further days of debate before this on the 9th, 10th and 11th January.

The initial debate ran with each day focused on a key theme and fronted by a senior government minister. On the first day, Prime Minister Theresa May made her case to the chamber on why they should support her deal. Home Secretary Sajid Javid spoke first on the second day with Chancellor Philip Hammond on the third day.

As a result of the lost votes, the Government was forced to reveal the legal advice it received from the Attorney General Geoffrey Cox. The Government attempted to amend this vote so that the issue could be considered by the House of Commons Privileges Committee given that legal advice has traditionally not been released.

The three votes were as follows:

- Ministers found in contempt of Parliament and ordered to publish full legal advice on Brexit deal (311 votes to 293)
- Government's amendment of the previous motion rejected. This would have meant the matter would be considered by the House of Commons Privileges Committee (307 votes to 311)
- Parliament will now get a meaningful, non-binding, vote on the Brexit deal process if the current deal is rejected at the end of the five-day debate (321 votes to 299)

The effect of the third vote has not come into force at the time of writing, as no vote has been held. The motion would allow MPs to make amendments to the vote on the deal, essentially allowing them to potentially direct process.

Although the vote will not be legally binding, it would be politically difficult to ignore, in much the same way as the initial referendum was.

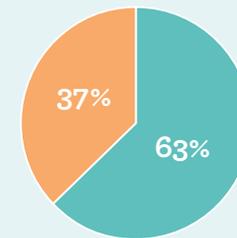
The next vote is unlikely to be postponed as the EU Withdrawal Act defines that a deal must be reached and approved by Parliament by January 21st 2019 or they will enter a no-deal scenario.

Vote of No Confidence

Following these defeats, Prime Minister Theresa May was forced to face a vote of no confidence by her own party after 48 Conservative MPs sent letters to the Chairman of the 1922 Committee.

Theresa May won this vote but only after promising that she would stand down before the next election. The vote means she will not have to face another leadership challenge for at least a year from her own party. The Labour Party could still call a vote of no confidence in the Government as a whole but not in Mrs May as leader.

Result of secret ballot on Theresa May's leadership



- 200 MPs voted to back the Prime Minister
- 117 MPs voted against the Prime Minister

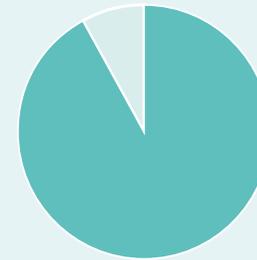
Negative economic impact becomes more apparent

In recent months the economy has not always reflected the concern displayed and commented upon in the media over Brexit.

The employment market continues to be one such arena. December's Labour Market Statistics report from the Office for National Statistics (ONS) showed wage growth of 3.3%, the highest since November 2008. It also showed the highest average wage since 2011 and lowest unemployment since 1976.

Yet, despite this, the Director of the Institute for Employment Studies (IES), Tony Wilson, suggested that this was just because the figures only cover July to September, so the impact of current uncertainty has yet to trickle through.

Tony Hadley, Director of Policy at the Recruitment and Employment Confederation (REC) agreed and suggested that employer confidence in the economy has been falling in recent months according to their research. This may be because nine in ten businesses told the Confederation of British Industry (CBI) that Brexit has affected their ability to recruit staff.



92%

of UK businesses say
Brexit has made it
harder to recruit staff

Source: Confederation of British Industry (CBI)

The monthly Purchasing Managers' Index, published by IHS Markit and the Chartered Institute of Procurement and Supply (CIPS), suggested that growth was almost flat in November and was the worst figure since the immediate aftermath of the referendum in 2016.

Data from the British Retail Consortium showed that while consumer spending still grew from October to November (0.5%), it was the slowest growth for more than a year.

The ONS also reported a slowing of growth in the Gross Domestic Product (GDP) that fell to 0.4%, considerably lower than the 1.5% growth in the same period the year before.

One area that has been consistent in its economic impact from Brexit is the manufacturing sector. EEF, formerly the Engineering Employers' Federation, reported that export order growth halved in November and predicts growth to slow significantly in 2019.

One highlight though was Belgian pharmaceutical manufacturer UCB which has announced that it expects to invest £1 billion in the UK over the next five years.



The moderation in manufacturing performance over the course of this year appears to have gathered pace during the final quarter with more clouds on the horizon than there have been for some time.



EEF's Chief Executive, Stephen Phipson.

Preparations underway

While Virgin Group co-founder Richard Branson announced that it would be impossible for UK companies to fully prepare for a 'hard Brexit,' an increasing number are trying.

Sweden's Handelsbanken converted its British business into a standalone subsidiary that could operate independently and would be better insulated from disruption in cross-border links.

The UK Government has hired 50 civil servants internally and is training them in crisis management. The pool is taking a lead role in the cross-government contingency planning, known as Operation Yellowhammer. They will also be given training on the 'mechanism' of COBRA, the Government's emergency committee, and be required to oversee "rapid policy developments" in response to "fast moving" and "major" events.

The Government also sent the second version of a letter to 145,000 businesses registered with HMRC as trading with the EU. The letter provided simple suggestions for preparing for a new trading relationship.



The third edition of the Partnership Pack was also released.

This is a 100+ page document that covers areas such as regulatory changes, what to expect on day one of a 'no-deal' scenario, and transportation.

Heathrow airport announced it would cover the £65 application fee for settled status to which approximately 350 of their employees are entitled.

Commenting on the move, **Heathrow's Chief Executive John Holland-Kaye** said it was crucial the organisation maintained a workforce that reflected Heathrow's position as a national business and continued to retain and attract top talent after exiting the EU.

"It is critical for us to have diverse, happy and valued colleagues," he said. "Many of our people are worried about Brexit and this move will provide reassurance and certainty."

According to Migrate UK, almost six in ten UK businesses have also paid up to £100,000 in additional benefits to staff since the referendum vote.

"This included the permanent residence fee, and on top of that some were paying for British nationality application fees, which is approximately £1,300 per person. If you take into account family members, this could amount to quite a significant amount of money" said **Immigration Analyst Karendeep Kaur**.

