



THE ADECCO GROUP

The facts about Brexit

— February 2019 —

Political fallout

As in recent months, February passed with a number of Brexit-driven resignations, but these were overshadowed by some high-profile defections.

The month had not gone well for the Government up to that point; a motion brought forward by the Prime Minister Theresa May was defeated by 45 votes (303-258).

This was not a binding vote, meaning it doesn't force the Government to change anything, but does show a lack of support since members of the Prime Minister's own party abstained from voting.

Mrs May also told the House this month that the UK would only leave the EU without a deal if Parliament agrees, and that they would be given a vote on the matter.

House of Commons motion to support the Government's current negotiating strategy:



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Resignations

Minister of State for Agriculture, Fisheries and Food, George Eustice, MP for Cambourne and Redruth, became the 14th member of Theresa May's cabinet to resign over Brexit. It happened after Theresa May promised to allow the House of Commons to vote on a delay if her deal was rejected. Mr Eustice believed this weakened the UK's position and that the country should be prepared to leave without a deal if it came to that.

Parliamentary Private Secretary to the Office of the Secretary of State for Scotland, Alberto Costa, MP for South Leicestershire, also resigned after proposing an amendment that sought to guarantee the rights of EU nationals in the UK and Britons in the other EU27 member states, even in the event the UK leaves without a deal.

It is traditional that government members do not amend government motions, so Mr Costa stepped down despite the fact that the Government was not opposing the amendment.

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Defections

In the middle of the month, seven Labour MPs announced they would be leaving the party, in part, over its approach to Brexit. An eighth Labour MP resigned a day later and joined the group.

All of these MPs campaigned for the UK to remain in the European Union and all back a second referendum. They subsequently founded The Independent Group (TIG).

A week after this happened, the Labour party announced it would support a second referendum if Parliament rejects Labour own alternative plan which includes a permanent customs union. Shortly after, three Conservative MPs also left their party over the government's 'disastrous handling of Brexit' and joined the group.



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MPs who resigned from their parties over Brexit in February 2019

Labour

- Chuka Umunna (Streatham)
- Luciana Berger (Liverpool Wavertree)
- Mike Gapes (Ilford South)
- Chris Leslie (Nottingham East)
- Angela Smith (Penistone & Stocksbridge)
- Ann Coffey (Stockport)
- Gavin Shaker (Luton South)
- Joan Ryan (Enfield North)

Conservative

- Heidi Allen (South Cambridgeshire)
- Anna Soubry (Broxtowe)
- Sarah Wollaston (Totnes)

Reports

The lack of certainty around the future of the British economy after Brexit does seem to be having a negative effect according to an array of reports released in February 2019.

Employment in the UK continued to rise, and the unemployment rate remained at its lowest rate since early 1975, at 4%. That said, February brought more reports of falling confidence and hiring intentions.

The CIPD/Adecco Group Labour Market Outlook (LMO) reported a third consecutive month in which hiring intentions fell, although it is important to remember that they remain positive and relatively high.

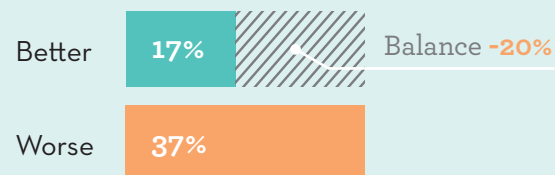
The Recruitment and Employment Confederation (REC) reported the first contraction in the number of permanent placements recorded by their members since just after the referendum in 2016. This is reflected in falls in the REC's scores for employer confidence. This survey showed the lowest level of confidence in the UK's economic conditions (-20) since the survey began in June 2016. The REC does still have an overall positive view of hiring/investment decisions.

Similarly, the Ulster Bank Northern Ireland Purchasing Manager Index suggested that companies are expecting employment to fall in the region for the first time in four years.

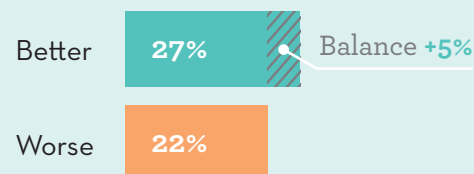
HIS Markit's Household Finance Index suggests that employees are also concerned about the future. The index dropped to its lowest score since March driven by a fall in the component reflecting job security to its lowest level since January 2018.

Recruitment and Employment Confederation (REC) Employer Confidence Measures:

Do you think economic conditions in the country as a whole are getting better or worse?



In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get better or worse?



Source: JobsOutlook February 2019, Recruitment and Employment Confederation

■ Better ■ Worse

Jobs moves

Britain's automotive manufacturing sector saw a number of reports related to job losses this month.

First off, the Ford Motor Company confirmed that 370 jobs would be lost from its engine plant in Bridgend, Wales. These roles will be offered as voluntary redundancy initially, but it didn't come as a surprise after a January announcement that 990 roles will be cut by 2020.

Following that news, Nissan announced that it will not build the new X-Trail at its Sunderland plant. The plant currently employs more than 7,000 people directly and produces around 2,000 cars a day.

Honda followed its announcement of six non-production days to mitigate disruption from Brexit, with an even bigger one - that it would close its only British factory in Swindon by 2021. The company says this decision, which affects 3,500 employees, was not driven by Brexit.

Total also announced a deal that will involve jobs leaving the UK and bound for mainland Europe. The oil and gas company said it would move its trading operations, comprising 200 roles, to a new location in Geneva. The firm said the move was related to the acquisition of another company made last year.

JP Morgan is not moving roles but has secured additional office space in Paris which can accommodate 200 employees for a temporary hub if Britain leaves without a deal.



Planning

According to a government document published in February, after demands from MPs, nearly one-third of the 'most critical' preparations for a no-deal Brexit are behind schedule. The document also states that government communications are not having the desired effect as UK citizens are not preparing properly - they do not view the risk as 'sufficiently credible'.

A letter signed by the leaders of 32 industry bodies suggests they are taking it seriously but are struggling to find the resources to undertake planning. A letter from the industry bodies asks the Government to halt consultations on all food, farming and environment issues because businesses can't spare the resources they need with Brexit impending.

Although the Department for Environment, Food and Rural Affairs (DEFRA) has said that a Brexit deal remains the top priority, there was no indication that it would pause consultations on issues such as a tax on plastic and advertising restrictions.

Barclays bank has launched more than 100 clinics where small business clients can speak to 1,500 staff about managing cashflow, exporting goods and supply chain management.

The planning process has a direct effect on jobs in certain regions.



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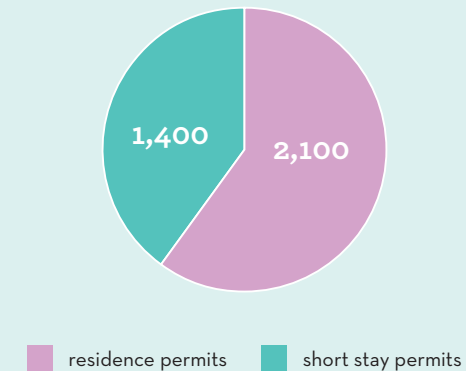
The port of Ramsgate had initially been identified as alternative sea route to the EU and a way to alleviate any delays at Dover. A £13.8 million contract was awarded to Seabourne Freight to run a service to Ostend in Belgium but that was withdrawn after the company was found to own no boats.

Thanet District Council has put a £730,000 cut in funding to the port on hold until the issue is resolved. Both funding sources would have a major impact on jobs in the area.

A notable impact of this process was the decision by the UK Government to pay £33million to the operator of Eurotunnel as it claimed the operator was not given a chance to compete.

Switzerland has chosen to replace the current Agreement of Free Movement of Persons, which runs out on March 30th, with a quota system of permits. The UK will have 2,100 residence permits and 1,400 short stay permits available between March 30th and December 31st, 2019 in the event that the UK leaves the European Union without a deal.

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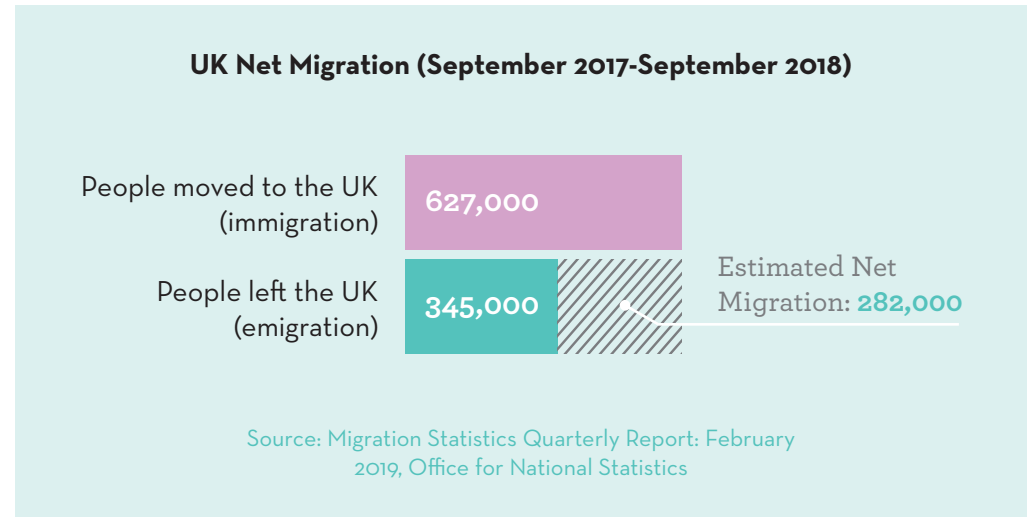
Immigration

In February, the Office for National Statistics (ONS) published its most recent version of Migration Statistics Quarterly. This report provides useful context for the impact of Brexit, but it should always be remembered that the data presented is lagging behind the current situation. This report only includes data up to September 2018.

Net migration from the EU fell to its lowest level in 10 years; to 57,000 people, in the year to September 2018. This is still a positive figure for the year.

At the same time, net migration from outside the EU rose to its highest level for 15 years; to 261,000 people. This figure has been rising steadily since the EU referendum.

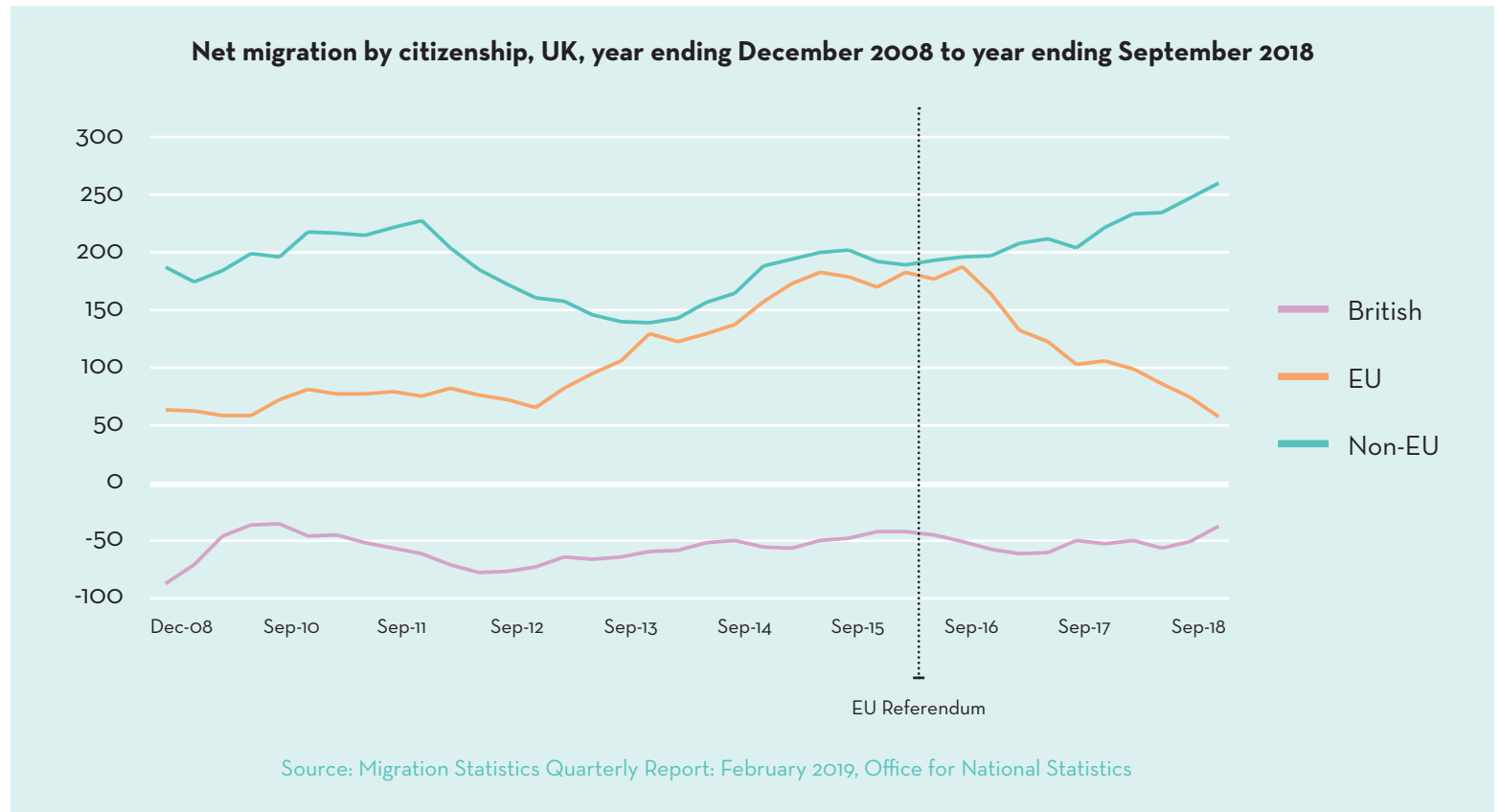
In total, migration to the UK remained largely unchanged as 627,000 people moved to the UK and 345,000 left, leaving a net score of 282,000.



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Since Britain's decision to exit the European Union, net migration from the EU has fallen sharply but it should be noted that a sharp rise had occurred in the years preceding the referendum. The current figure is now at the relatively stable level that was seen around 2010.



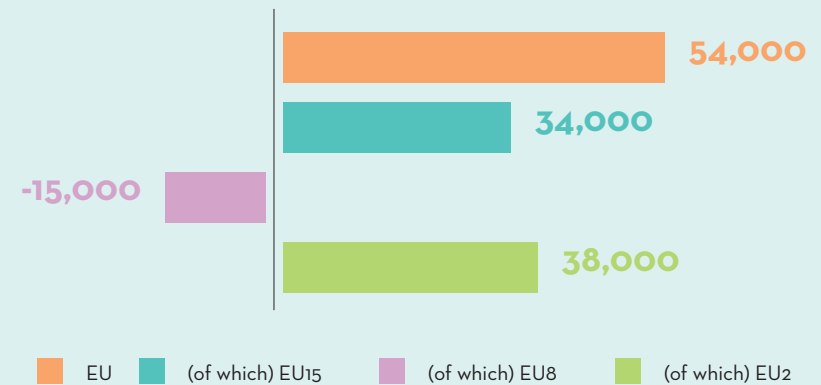
While EU immigration to the UK continues to fall, the emigration level has plateaued for the last few quarters. This doesn't mean that no one is leaving the UK, but rather that the same number of people is leaving each quarter. It is important to remember that although immigration levels are falling, and emigration is static, immigration is still higher than emigration meaning net migration is still positive.

One area where net migration is negative is citizens from EU8 countries. These are the eight countries in central and eastern Europe that joined the European Union in 2004. These eight are: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.

The number of EU nationals arriving in the UK with a definite job offer was relatively stable directly after the referendum but fell sharply throughout 2018. In contrast, the volume of EU nationals arriving in the UK looking for work fell sharply after the referendum and was fairly stable throughout 2018.

As those arriving from outside the European Union would require a visa to work, their rise is driven by a rise in those arriving with a definite job offer.

Net migration by EU Citizenship, year ending September 2018



Source: Migration Statistics Quarterly Report: February 2019, Office for National Statistics