



THE ADECCO GROUP

The facts about Brexit

— August 2018 —

The Growing Thread of 'No Deal'

The UK Government was on summer recess for the whole of August 2018 (this ended on 4 September) so very little progress was made on Brexit negotiations during August.

Although the Government remains convinced that a deal is the most likely outcome, much of August was spent making preparations for life without it. The UK Government published 25 documents across a variety of areas, from applying to EU funded programmes to workplace rights.

A KPMG poll (of more than 3,000 people) shows that 54% now think that 'no deal' is likely compared to just 20% who think it is unlikely.

Areas covered by 'No Deal' preparation documents published in August 2018:

- Applying for EU-funded programmes
- Civil nuclear and nuclear research
- Farming
- Importing and exporting
- Labelling products and making them safe
- Money and tax
- Regulating medicines and medical equipment
- State aid
- Studying in the UK or EU
- Workplace rights

Published by the UK Government, 23 August 2018

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There are some areas in here that may be of interest to employers in the event of 'no deal', although some of it is common sense:

- **Workers' rights:**

1. EU legislation will be transferred to UK law but the UK Government will make 'small amendments to ensure the existing regulations reflect the UK is no longer an EU country'
2. No new requests for European Works Councils will be accepted

- **Money and tax:**

1. There will be some changes to Value Added Tax (VAT) rules if the UK leaves the EU without a deal
2. The UK says without EU action, a 'no-deal' Brexit would mean EU customers cannot use investment banks in the UK
3. A no-deal Brexit could increase costs and processing time for transactions in Euros

- **Importing and exporting:**

1. The UK import tariffs without a deal may be different to current tariffs
2. Goods exported to the EU will be liable for customs and excise rules
3. The UK will create a subsidy control framework to ensure the continuing control of anti-competitive subsidies in a 'no-deal' scenario
4. The UK will introduce postponed accounting for import VAT on goods brought into the UK if it leaves without a deal

This is not expected to be the full gamut of reports as a list of 84 different areas was leaked to news website BuzzFeed News. Other useful areas for companies included: company law, competition, data, EU citizens in the UK, financial services, intellectual property, procurement and trade agreements continuity.

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Business Reaction

Stories of businesses reacting to Brexit continue in August. Japanese electronics firm Panasonic announced that it would be moving its European headquarters away from London as it would no longer be a suitable tax base. The headquarters itself only employs 30 people so will not have a direct impact on employment; the wider Panasonic workforce in the UK is likely to remain intact, but it will impact tax revenue in the long run.

Panasonic follows fellow Japanese firms Nomura Holdings, Daiwa Securities, MUFG and Sumitomo Mitsui Financial Group in moving their European headquarters away from the UK.

At the same time, Goldman Sachs has announced it will sell its Plumtree Court office to Korea's National Pension Service for £1.16 billion. Goldman has also agreed to lease the office for 25 years. **Richard Gnodde, Chief Executive of Goldman Sachs International**, said: "The development of Plumtree Court and our signing of a long-term lease demonstrates our continued commitment to London and our European operations more broadly."

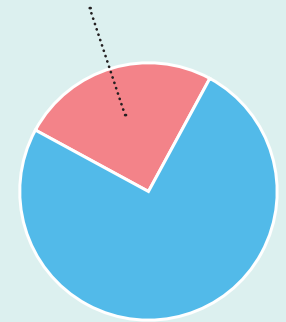
The move comes after outgoing Chief Executive Lloyd Blankfein had previously cast doubt on the bank's future in the UK.

Brexit's impact is now starting to be felt more widely according to the latest Lloyd's Bank Business Barometer as overall confidence dropped in August. A third of UK companies say Brexit is having a negative effect on their business.

Hann-Ju Ho, Senior Economist for Lloyds Bank commercial banking, said: "Business confidence was resilient in the first half of the year, but has eased back recently. This reflects changes in perceptions of Brexit risks, which underscores the importance of current EU-UK negotiations."

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Source: August Business Barometer, Lloyd's Bank, August 2018

Migration Statistics Quarterly

The Office for National Statistics (ONS) produces a quarterly migration statistics report which provides a useful view on the impact that Brexit discussions are having on the flow of potential labour into the UK. The correlation is not always obvious to see but the overall trends can be viewed as an indication of overarching sentiment.

The July edition of The facts about Brexit discussed the previous release of the Migration Statistics Quarterly Report but this had been rescheduled from May 2018 to July 2018. As such this report was always expected.

The ONS reports that net migration into the UK was 270,000 for the year ending March 2018 and that it has been broadly stable since falling off peak levels in 2015 and 2016.

Within this is the continued drop in EU net migration which was 87,000, the lowest figure since 2012. This compares to a peak of more than double that, 189,000, in the 12 months to June 2016. The figure has been fuelled by a fall in immigration and a rise in emigrations across all three EU blocks (EU15, EU8 and EU2) over the 12 months to June 2018.



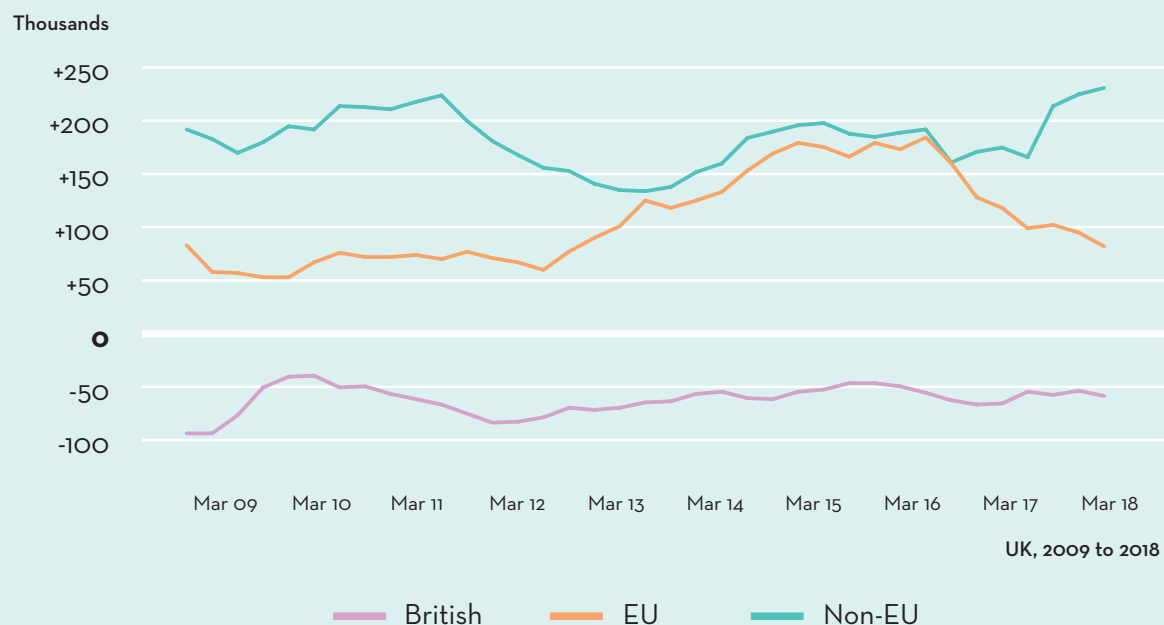
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These trends are likely to continue to impact the UK recruitment market going forward. "These figures are nothing to celebrate, and given businesses are facing record skills gaps at every level, it's disappointing to see the decline in people from Europe coming here to work," said **Jane Gratton, Head of Business Environment and Skills at the British Chambers of Commerce**.

Net Migration by Citizenship, UK, year ending 2008 to year ending March 2018



Source: Migration Statistics Quarterly Report: August 2018, Office for National Statistics

Gerwyn Davies, Senior Labour Market Analyst at the CIPD, added: “Today’s figures offer further evidence that the UK labour market has lost its pulling power as far as EU citizens are concerned. The drop in the value of the pound, the strong labour market performance of some EU economies and the ongoing uncertainty over Brexit are undoubtedly key factors behind the UK’s loss of standing among EU jobseekers.”

And the Institute for Public Policy Research’s Associate Director for Migration, Phoebe Griffith, said: “The figures suggest that uncertainty over their status is leading EU nationals to leave in higher numbers. As a result, even before we leave the EU, key sectors of our economy which depend on EU workers – from construction to social care – are facing skills shortages.”

Definitions:

- **EU15** – original 15 member states of the EU, in this case it refers to the other 14 omitting the UK (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden)
- **EU8** – eight of the ten countries that joined in 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia) – excludes Cyprus and Malta as low incomes make comparisons unfavourable.
- **EU2** – Countries that joined the EU in 2014 – Bulgaria and Romania

