Making the most of Brexit

Opportunities and risks to a fairer, more sustainable economy

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DEMOS

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ABOUT THIS REPORT

This report is the result of three expert summits held in London during February 2017. They explored the risks and opportunities of Brexit for: Labour Markets, Social and Environmental Outcomes, and Industry, Trade and Devolution respectively. The attendees included academics, representatives from business and civil society, and policy-makers. In total, ninety people attended, participating under Chatham House rules. In advance of each summit, attendees were sent a briefing highlighting the key economic data and political context for each policy area, alongside a series of questions to explore. Attendees worked through these in small groups before sharing their views in a plenary session, where important areas of agreement or disagreement were aired. All discussions were recorded to ensure a faithful record was kept. We also carried out structured interviews with representatives of the English regions and organisations based in devolved administrations. The following report summarises the themes and key messages which arose.

We thank all who attended for their contributions, and are grateful for the financial support of the Friends Provident Foundation, without whom this report would not have been possible.

The Friends Provident Foundation

The Friends Provident Foundation exists to help build a just and sustainable world where everybody can live meaningful lives, with respect and care for ourselves, each other and the planet. They believe that the purpose of money and the economy is to enable and serve human flourishing and a healthy environment, and that currently they do not. They work through grants, investments and their own activities, seeking to create a fairer economy that serves us all.

KEY MESSAGES AND SUMMARY

Key Messages

"The Vision": what needs to be achieved by the Brexit process and its aftermath must be informed by a Vision for economic and social renewal. This Vision needs to be formed from a national conversation, where businesses, the third sector, devolved administrations and the general public have the opportunity to share their views.

"Inclusive Process": The negotiation process must be open to input from businesses, the third sector and devolved administrations as a truly national challenge, remedying the democratic deficit that is beginning to emerge. Many civil society organisations also have policy knowledge, expertise, research, and legal skills and could provide much-needed support to what is an already overstretched Civil Service.

"Sectoral Plan": Given that Brexit will affect different sectors of the economy in different ways, the government should explain how it is analysing those effects, how it will prioritise different sectors, and how it is working with devolved areas to manage these effects.

"Levelling up": Brexit presents an opportunity to raise levels of productivity and skills. However, to make this happen, government needs a plan for meeting potential skills shortages that will likely emerge during and after Brexit; this should include not just immigration policies but policies for encouraging investment in education, adult skills and new capital.

"Bottom-up economics": Since the impact of Brexit on different regions of the UK will also be highly variable, devolved areas and local authorities need to analyse the potential impacts and develop plans for seizing opportunities that may emerge. It is vital that Brexit does not halt the process of devolution but is seen as an opportunity to accelerate it. Devolving power to the regions is an important tool for managing the process of Brexit: each area can help tailor the industrial strategy to their own specific risks and opportunities.

"Brexit Dividend": Government has highlighted its concern for the "left behind". However, it could do more to clarify how these groups will be affected by Brexit in partnership with third sector organisations, and use their insights to inform future government policy that will deliver improvements in living standards.

“Blank slate”: We must use the opportunity of Brexit to consider, from first principles, the future of UK policies that are likely to supersede areas of current EU policy-making such as agriculture, fisheries, the environment and regional policy.

“Civil society partnering”: Businesses and third-sector organisations can and should play a central role in shaping the vision that informs Brexit and the colossal implementation task it entails. But doing so will require these organisations to work more closely together to form networks of shared interest. This will overcome finance and legal expertise capacity deficits; help unify their voice, increasing their chance that it will be heard; and ensure that the reforms Brexit brings will be embedded within a broader process of civil renewal rather influenced in silos.

Summary

The UK’s decision to leave the EU creates both opportunities and risks in both the process of negotiation and the outcomes for the UK. The experts we consulted consider these to be:

Negotiation process: The Civil Service lacks the right staff and may be overwhelmed by the task, is approaching negotiation without a clear vision for the UK, and is riven by two incompatible ideological positions. However, some think we benefit from a strong negotiating position and the opportunity to think afresh about the future of the UK.

Industry and Trade: Risks include declining business investment, a loss of trade, the industrial strategy being inadequate and little fiscal room to cushion any potential downturn. On the other hand, there are opportunities to strike new trade deals that focus more sharply on emerging technologies and areas of specific comparative advantage for the UK. There is also a view that, such as agriculture or manufacturing, could function better outside the EU in the long term.

Labour Market: Risks include skills shortages, incoherence on immigration policy, a ‘race to the bottom’ on employment protections, and an emerging two-tier labour market. Sectors such as healthcare, agriculture and universities might be hit particularly hard by lack of access to EU workers. However, there is an opportunity post-Brexit to “level up” the labour market away from unskilled work, and for firms to invest in more training and capital to improve productivity. Brexit could be an opportunity to improve employment protections for some (perhaps the self-employed) while creating renewed focus on adult skills.

Social and Environmental outcomes: There is a risk, even if the UK adopts EU regulations and environmental standards, that leaving European institutions removes enforcement and implementation mechanisms. We might simply settle for copying EU regulations but not improving on them, partly because the process of reform might overwhelm Parliament. Tackling cross-border environmental problems may also become more difficult, and leaving the CAP may reduce food quality and lead to worse outcomes for farmers. On the other hand, there could be a "Brexit dividend" following a new recognition of some "left behind groups", and the pace of regulatory reform could be accelerated. Leaving the CAP could lead to lower food prices and a more productive agricultural sector or, alternatively, a more sustainable 'stewardship' approach to land management. Trade deals could also be struck with a stronger emphasis on environmental sustainability.

Devolution and civil society: Risks include rising tensions with Scotland over independence and EU membership, a stall in the process of English devolution, and a withdrawal of EU Structural Funds that will hit Wales, Scotland, Northern Ireland and many pro-Brexit 'left behind' communities particularly hard. However, Brexit could provide an opportunity to rethink how regional funds are allocated amid a broader acceptance that each area of the UK will require a different response. For civil society organisations, there is a risk that the Government's negotiation approach diminishes their voice and distracts from important domestic policy agendas, such as housing or poverty alleviation. However, Brexit may also encourage civil society organisations to work together to become a more powerful voice in the Brexit process, forming coalitions that might help tackle the long-term challenge of civil society organisations being 'pigeonholed', thus increasing their ability to shape economic, environmental and social agendas.

INTRODUCTION: BALANCING RISKS AND OPPORTUNITIES

On 23rd June, 2016 the UK voted to leave the European Union (EU). The Government intends to invoke Article 50 of the Lisbon Treaty by the end of March 2017, initiating a two-year departure process. Barring unexpected developments, the UK's 40-year membership of the EU will come to an end in early 2019.

Brexit could be implemented in a number of ways, but since Theresa May's recent speech setting out negotiating principles, we have a better idea of what the Government aims to achieve.[1] The UK will leave the Single Market; it will no longer be subject to the European Court of Justice; and is likely to retain only partial membership of the Customs Union. Doing so, it is believed, will fulfil the government's aim of gaining control over immigration, not being subject to EU law, and being able to strike its own trade deals. While this sets out an intended direction of travel, there are many areas of uncertainty.

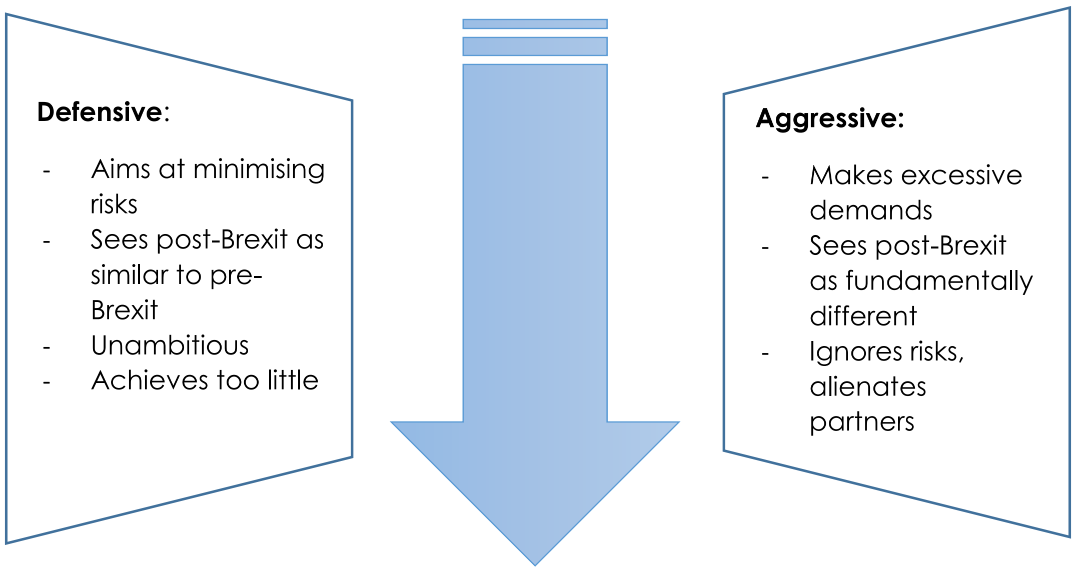
Moreover, we can distinguish two tendencies in the government's approach to Brexit so far, which to some extent mirror the division between Remain and Leave camps: one is a *defensive* approach, aimed at minimising the risks inherent in Brexit. This sees Brexit as inherently dangerous and the task of negotiation as one of trying to keep as many of the benefits of EU membership as possible. *Defenders* see a successful outcome of the UK post-Brexit as fundamentally continuous with the UK pre-Brexit – business as usual.

The other approach is an *aggressive* one, in which we attempt to seize or demand the benefits we believe are rightfully ours. This focuses on the possible benefits of say, future trade deals outside the EU, or the corporate benefits of loosened regulations, while dismissing the likely risks involved. They see UK post-Brexit as fundamentally *different*, transformed (for the better) by its new relationship with Europe.

Neither of these is likely to be successful. The *defensive* approach is likely to focus excessively on retaining what we have, and preventing loss, rather than imagining and grasping the potential benefits to be gained by leaving. By being unambitious it risks achieving too little. On the other hand, the *aggressive* strategy is one which is more likely to seize possible opportunities but very likely at the expense of alienating European partners and generating unacceptable risks for the UK economy and society.

Instead, government should adopt a broader negotiating strategy which blends these two tendencies. We need to approach negotiations with a full awareness of *both the opportunities and risks involved*. This will then help inform a cooperative and flexible approach, utilising the support and expertise of civil society for negotiations with our European partners. Inevitably, choices and trade-offs will have to be made; these will involve accepting *risks* in exchange for grasping new *opportunities*.

Figure one: Negotiation strategy – two pitfalls to avoid



We see these risks and opportunities as applying first to the process of negotiation and secondly in terms of the future impact in various policy areas. The four policy areas we examined were: Industry and Trade, Labour Markets, Social and Environmental Outcomes, and Devolution and civil society. The remainder of this paper dedicates a chapter to each of these areas, set out in a series of potential risks and opportunities, based on the insights of the experts we consulted.

THE NEGOTIATION PROCESS

Risks

1. The Government's political direction is incoherent

At our summits there was much debate as to whether the desire to create an "economy that works for everyone" was compatible with an economic model based on deregulation, free trade and low taxes. On the one hand, attendees saw a strong libertarian streak in current government thinking, expressed by some prominent Leave advocates, that Brexit would lead to more free markets, free trade and less government intervention. On the other hand, a more paternalistic and interventionist tendency has emerged, which might see Brexit as an opportunity to use government activity to remedy economic and social problems. The danger of this incompatibility is that it may lead to incoherence in the government's negotiations with EU partners.

2. The UK government lacks the capability to negotiate effectively

Many experts pointed out that the UK lacked trained trade negotiators, and because of this would be in a weak position during negotiations with the EU. Typical comments included:

> *"We have legal expertise, we have commercial expertise, but this is a very specific type of negotiation, and we don't have that expertise in the UK because we relied on the EU to negotiate our trade deals for the last twenty years."*

> *"I heard that that they were approaching negotiators at law firms and big management consultancies and offering ridiculous salaries to come and go on secondment to the Civil Service. So, I think actually having the talent in the public sector to be able to handle those negotiations effectively will be a challenge."*

The government's resistance to utilising outside expertise and its centralising tendencies – an issue we discuss further below – exacerbates this problem.

3. Brexit negotiations are not used as an opportunity to fundamentally address deeper economic and social problems

A consensus emerged that, frustratingly, the government was not seeking to embed Brexit within a broader political vision. The Brexit process was being approached in a 'transactional' sense rather than a 'transformational' one.

> *"I think we need a community based, citizen sponsored, not parliamentary imposed, vision of what the country should and*

could be. What people want, what they think we're capable of, what would excite people, and there's a complete absence of that at the moment."

Experts across all three summits agreed that what was needed was some 'systems thinking' at a high level about the key problems facing the UK and the strategic choices we need to make. But they were concerned that if we didn't manage to address these, then it would create new problems and divisions:

"This isn't about whether we can rapidly negotiate trade deals with five leading countries where they're going to consume our products. This is about what drove the vote in the first place. It's the inequality. It's the absence of jobs and opportunity. It's the training that focuses on the wrong things. It's the educators who don't understand what skills they should be giving young people…. If we don't have systems thinking in a broad way, then we're just going to recreate all the same problems. Then, we're going to wind up with the people who voted Brexit who are poorly served by it, angry, and we're going to wind up with the people who voted Remain, furious at the people who voted Brexit. "

4. There are few opportunities for stakeholders to influence the process

The government's stated approach to negotiations, of only giving minimal information about its objectives and priorities until the negotiations are concluded, risks negative outcomes. Such a method places excessive reliance on the Civil Service and excludes civil society organisations and devolved bodies with expertise which could help inform the process. Indirectly this lack of transparency could also help spread uncertainty, which could be economically damaging in sectors like construction or engineering, which require long-term investment up-front:

"The biggest thing is uncertainty and how that impacts investment [in housing]… there are so many unknowns it is hard to get a feel and take decisions".

However, this is clearly not just a question of efficiency – experts were quick to point out the incongruity of a directly democratic process with high voter participation rates being followed by an entirely centralised process, where there was little or no opportunity for consultation with those most likely to be affected by the outcome. The risks of this democratic deficit could include greater disaffection among "left behind" groups, and tensions between devolved regions and Whitehall government. Nicola Sturgeon claiming her call for a second Scottish Independence Referendum was a result of the government's refusal to compromise or engage in meaningful discussions about negotiation strategies suggests this may indeed be a serious risk.[2]

5. The process will struggle to balance sectoral priorities

The aforementioned opaque process may create an unfair and inefficient system of special favours for some sectors over others:

> *"I think, like you were saying, that the Prime Minister can't give running commentary, but equally I think there has to be some kind of commentary or transparency, because I think some of the concern around the Nissan deal is, like, no one knows what was said."*

But relatedly, should the government pursue different deals for different sectors of the economy (e.g. manufacturing, financial services), the process of consulting stakeholders and determining what deal, if any is acceptable, is very unclear.

> *"There are going to be vested interests - how much say are they likely to get? Is it going to be a centralised process, in which case they both get to sit back and see what slice of the pie they get? Or can they lobby for more than industrial interests, or East Anglian fruit-picking, whatever it is?"*

A strong message was that government, given its limited resources and time available to negotiate, would have to prioritise some sectors over others – but how could it do this? One distinction an expert made was that there may be sectors that are significant for the overall economy but which are less likely to be affected by Brexit (and vice versa). How could the government navigate that? What is the right prioritisation?

> *"So, there are two separate 'lists', as it were, you know, an 'industrial strategy list', about which are the priority sectors for the economy. Then a kind of 'Brexit list', about which are the ones that are going to be hit most by Brexit, and trying to marry those two, is actually quite complicated."*

Equally, participants noted that balancing a sectoral strategy with the need for a geographical analysis representing a significant challenge. One expert also argued that too rigid a sectoral analysis can create "industrial silos" missing the fact that many supply chains and new opportunities work across sectors. We have provided some initial sectoral and geographical analysis regarding the potential impact of Brexit in Appendix 2.

Opportunities

1. To have a fundamental rethink about the nature of the economy and society we want for the UK

The magnitude of Brexit provides a unique opportunity to consider at a high level the type of economy and society we want to forge for the next generation, and to use the Brexit legislative process and subsequent trade negotiations as a means of implementing this. As one expert explained:

> *"I think the opportunity that comes out of Brexit is for us to have a fundamental rethink about how we redefine the social contract and the economic contract with work. So that people can have the value of work which is income, structure, purpose in life, affiliation with others. All of those things are what we need from work but they are disappearing. With or without the EU we can't have full employment as we know it today because things were becoming automated and globalised and we can't stop that even if we pull out of the EU, so we need to have a fundamental rethink. The opportunity, to me, is that we're facing this huge change and this perhaps means we force ourselves to take an opportunity to rethink it."*

Or more succinctly:

> *"It's a bit of a year zero moment, isn't it? It could be that you could do something good."*

On top of this one participant argued that the emergence of a cluster of new technologies in key manufacturing sectors such as energy generation, automotive components and rare earth material extraction in the North Sea meant that this 'year zero moment' could be well timed. As he put it:

> *"Brexit could make us more nimble on technology. It's actually a great time for a reset."*

This rethink, as we explain above, requires 'systems thinking' and a big picture vision which can only be effectively constructed if based on a wide engagement process with businesses, the third sector, local community representatives and the general public. All of these stakeholders need their voices heard if the vision is to resonate and stand up to social and economic pressures over the longer term. This "national conversation" is vital so that the Government has a clearer understanding of what they should be working towards, during the negotiation process and beyond.

2. To benefit from a relatively strong and united position in negotiations with the EU

A further area for optimism is the UK's potential strength in negotiations, once Theresa May made clear our preparedness to leave the Single Market and even leave the EU without a free trade agreement in place.

> *"I think we are in a stronger negotiating position than we thought. I think, by showing that she's willing to leave the single market, if that's what it takes to get what she wants in terms of other aspects of the Brexit deal, namely immigration, I think that's sent a clear message that…she's not, perhaps, going to compromise on as much as they would have thought."*

The Conservative Party also has a very strong position in UK domestic politics, whereas the EU negotiators will be under pressure from the very varied views of all 27 EU member states (and their voting publics).

INDUSTRY AND TRADE

Context

The UK entered the European Economic Community at a time of global economic turbulence and relative national decline. Over the subsequent four decades the performance of the UK economy improved significantly. [3] Analysts are in general agreement that membership of the Common Market contributed to this through increasing trade and reinforcing competition.[4] In 2015, the UK exported around £96 billion of services to the EU – 42 per cent of all UK service exports.[5] It is likely that a number of services sub-sectors – life sciences, research, financial services – will be sensitive to Brexit changes. In some areas, there may be the potential for business activities currently carried out abroad to be a relocated back to the UK (reshoring).[6]

Trade

Theresa May's January speech provided some clarity on the trading relationship the Government aims to secure.[7] The goal is to agree a Free Trade Agreement with the EU[1], ideally coming into effect immediately after departure. What conditions, if any, that will be imposed by the EU on such an agreement is unclear. The Government has established the Department of International Trade to strike trade agreements after departure. A number of countries – the USA, Australia and New Zealand – have apparently expressed interest.[8] Ideally the UK would negotiate agreements to come into force immediately after departure. However, it seems likely that only initial talks will be possible until the UK has departed. It is not clear what will happen to trade relations with countries that have trade agreements with the EU e.g. Israel, South Africa and South Korea.

Industry

The government has made clear that it plans to adopt a new approach to economic management – to achieve 'an economy that works for everyone'. At the Autumn Statement, Philip Hammond unveiled a number of measures to boost productivity,[2] as well as a £435 million rate relief in the Budget. Central to the new approach is to 'build on the

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[1] The EU is the UK's largest trading partner. In 2015 it accounted for £230 billion, or 44 per cent, of the UK's exports. In the same year, the UK imported around £291 billion worth of goods and services from the EU – 53 per cent of the total. For comparison, the UK exported around £95 billion of goods and services to the United States and £16 billion to China that year. However, the share of trade going to the EU has been falling: in 2002 it accounted for around 55 per cent of the UK's total exports.

[2] The National Productivity Investment Fund (NPIF) will provide an extra £23 billion of spending between 2017-18 and 2021-22, focused on four key areas: transport, digital communications, research and development, and housing.

country's strengths and address structural economic weaknesses'[9] with a draft Industrial Strategy which aims to boost productivity across the UK and spread prosperity more evenly outside London and the South East. It identifies 10 pillars to support this, including increasing investment in R&D; boosting workforce skills, with a focus on science and technical education; and improving infrastructure, with a focus on digital, energy and transport.[10]

Risks

1. A fall in FDI as businesses seek to relocate parts of their business to mainland Europe

Many of the experts attending our summits felt that as the process of Brexit continued, more businesses would reduce their investments in the UK and seek to relocate or invest in other European countries as an alternative.

> *"If you're a multinational company, when you've got an investment to make do you do it in the UK or, say Belgium? I think a lot will be choosing Belgium."*

> *"My working assumption is that thousands of firms are doing what we're doing, which is forget any proposals about investment in the UK. But instead we're beefing up our capacity to sell directly to Europe by investing abroad."*

However, some thought that the recent fall in sterling was helping to preserve business investment in the short-term (because it makes investing in sterling cheaper for foreign firms) but that this effect would wear-off over time. Others also made the point that many UK firms only operate domestically, so might not be directly affected by Brexit.

2. There are new trade restrictions and we struggle to strike free trade deals

Because the UK government is barred from negotiating new trade deals until we have left the EU, there is a real possibility of a "cliff edge", as described by one expert, of having no trade deals in place for some time. Another predicted this would mean that if a transitional deal was offered by the EU we would be forced to accept it, no matter the terms.

It was not thought that a free trade deal with the US was very likely, and a minority of attendees felt that the UK might benefit from imposing protectionist measures (i.e. tariffs) while we could offset the cost of tariffs through devaluation of sterling (which has already happened). But by far the more common opinion was that such measures would be very damaging, leading to higher prices and costs for British consumers and firms, reduce the volume of trade and economic growth. It was strongly argued that the likely impact of higher UK tariffs would be on lower real wages (rather than consumer price inflation):

> *"So, it may well be that it won't pass through into consumer prices but that doesn't mean the British people won't feel it, because if they suffer fall in real wages their living standards fall, even if inflation is around 2%."*

Attendees at the summits also raised the risk of non-tariff measures being used to restrict the export of services, and dismissed the idea of "equivalence" (i.e. we might retain access to the Single Market if our regulatory environment remains equivalent to that of the EU) as a short-term solution.

3. The Industrial Strategy is inadequate to the task, and perhaps encourages the wrong sort of relationship to business

Although the experts we spoke to were generally supportive of the overall principles behind the government's recent industrial Green Paper, there were some significant doubts about its implementation. One criticism was that it required the government to pick winning sectors of the economy:

> *"Those who were involved in previous industrial strategies would say that it wasn't a case of government picking winners but losers picking government. There's always that risk."*

Another common criticism was that it was not seen as very substantive but rather "platitudinous", so that it would only be upon implementation that its potential benefits (or lack thereof) would be seen. Greater certainty and explicit detail were viewed as vital for encouraging investment and growth in a period of economic uncertainty generated by Brexit.

4. The fiscal cost of Brexit means that there is little money left to be spent on important priorities

Several experts pointed out that on current economic forecasts there is likely to be a shortfall in tax receipts which will have a knock-on effect for the availability of resources for government to spend.

> *"The trouble is, with the risk being that there ends up being a large fiscal cost to Brexit, we can't afford that stuff. If the economy doesn't grow very fast and you have to pay a lot of money to the EU or to maintain access to certain bits of the*

single market then we won't have the money to pay for R&D, infrastructure and skills training."

5. The Department for Business, Energy and Industrial Strategy is not fit to meet the challenges posed

While attendees accepted that the expanded brief of the newly created BEIS was appropriate given the inter-connections between the three areas, there was concern that it may struggle to manage its competing priorities effectively. The Department – dubbed "The Department for Juggling" by one expert – has too broad a brief and it relies excessively on secondments or temporary staff because many of its civil servants were transferred to the Department for Exiting the EU.

Opportunities

1. Benefiting from increased trade with economies such as China

One argument experts made was that as China's economy relied less on exports and more on consumption, a rising middle-class was a potentially large opportunity for a post-Brexit UK:

> *"[china is becoming] a mature economy with a very large middle class that likes to travel, likes to buy stuff and enjoy life, and marvelous opportunity actually for British businesses, and British service businesses particularly, to do business with China."*

Another argument was that increased US protectionism might make it easier to strike trade deals with countries that might fare worse under that scenario: for instance Canada and Mexico.

2. Unleashing "creative destruction" in some industries more exposed to market forces

Although many at the summits accepted that the Common Agricultural Policy may have promoted food security and helped to retain a desirable rural landscape, most agreed that it had been wasteful and damaging in many ways. Many argued that leaving the EU would give us an opportunity to completely re-think how we support agriculture. There was some discussion of the experience of New Zealand (which removed agricultural subsidies in the 1980s). On attendee said that after a painful period of adjustment it emerged as one of the most innovative and productive global producers of food products. Attendees felt such an outcome might also be possible for the UK.

3. To rationalise supply chains, rebalancing the economy towards exports and manufacturing.

One argument put forward was that Brexit represented an opportunity to rationalise supply chains and create helpful conditions for rebalancing the economy towards exports and manufacturing, thus reducing the UK's trade deficit. In this analysis, the devaluation of sterling would boost Britain's export competitiveness and also weaken short-term price motivations for trans-national supply chains (irrespective of trade and customs arrangements). However, other respondents were sceptical of this contention, suggesting that UK economic competitiveness is dependent upon and greatly enhanced by trans-national supply chains. As one expert put it:

> *"Getting into that kind of business is a zero-sum game. Ultimately Britain will lose out".*

4. More freedom to use industrial activism if state aid rules are relaxed

There was some disagreement about how useful or realistic it might be take advantage of a potential relaxation of state aid rules to promote industrial activism. However, some respondents saw it as a clear opportunity:

> *"It allows us to be more pragmatic and long-term. If we'd spent about £30m on supporting [the Redcar] steel [factory] during the recent crisis, then we could have saved the government a massive potential liability.*

However, some respondents were sceptical as to whether such powers would be either desirable or supported by other multilateral arrangements.

LABOUR MARKETS

Context

EU influence on employment protections

The EU has played an important role[3] in shaping the UK labour market over the last four decades. [11],[12] Reflecting this, campaigners regularly invoked employee protections as a part of the case for remaining in the EU. Jeremy Corbyn, for example, suggested Brexit could lead to a 'bonfire of rights'.[13]

Overall, the EU's role has been to set minimum standards for employment protection. In some areas, however, e.g. agency workers and working time regulations, the EU has pushed member states to adopt higher standards than they would have done of their own accord. The UK Government, for example, resisted the introduction of directives on agency workers and the working time directive.

Having said that, we shouldn't overstate the extent of the EU's influence in this area. EU member states have continued to shape their employment regulations to suit domestic preferences. In some areas, the UK has exceeded EU requirements, such as parental leave and minimum wage requirements. Nonetheless, the CIPD found that only the USA and Canada have more lightly regulated employment markets than the UK.[14]

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[3] Areas in which the EU has been active include:

Freedom of movement: **-** a core element of the EU's Single Market is the right for EU citizens to live and work in other EU states. Currently around 1.2 million UK citizens live in other EU countries.[3] Around 2.9million EU citizens live in the UK.[3]

Discrimination – combating discrimination has been central to the EU's economic approach and is enshrined in the EU treaties. In addition, a collection of regulations and directives have been passed to reduce discrimination. Gender equality is governed by the 2006 Equal Treatment Directive which has had particularly profound consequences. Directives in 2000 also tackle discrimination based on race, ethnicity, religion, age or sexual orientation.

Maternity and parental leave – the Pregnant Workers Directive passed in 1992 established that employers must assess how to protect against risks to pregnant workers; and it established a right to a minimum of 14 weeks' maternity leave paid at least in line with sick pay. The Parental Leave Directive 2010 followed establishing a collection of minimum standards including a minimum of four months' parental leave for parents and adopters.

Part-time, fixed-term and agency workers – directives passed in the 1990s provide a level of minimum protection for part-time workers. In 2008 the EU passed directives on agency workers seeking to set minimum levels of employment rights such as access to communal facilities and equal treatment in employment conditions.

Working time – the EU's Working Time Directive, originally introduced in 1998 and updated in 2003, limits workers' average weekly hours to 48. In addition, it specifies requirements for rest breaks, paid annual leave and extra protection for people who work at night time.

Appendix 1 outlines some of the key data related to the UK labour market at the present time.

Risks

1. Serious skills shortages emerge

A common theme emerging in our summits was that skills shortages are likely to emerge in many areas of the economy due to immigration restrictions. Moreover, in some areas there would be a significant time-lag between the potential loss of EU labour and being able to train domestic workers to fill the gaps.

> *"In the short term, there are going to be shortages and lots of people who don't 'fit the holes'. So, you're going to have lots of round pegs, square holes. To get everyone to become square pegs, you've got a ten year lag, right?"*[4]

It was also argued that due to the interconnectedness of the labour market, restrictions in one area could have unpredictable and damaging consequences elsewhere: a shortage of unskilled labour e.g. in care work could create damaging new pressures within the NHS, and new demands for additional (high skilled) nursing staff. But the magnitudes of these effects are essentially unpredictable, creating potentially difficult planning problems for organisations in both the public and private sectors. Experts also pinpointed the financial services industry, with its employment of EU workers and reliance on the banking passport, at significant risk, affecting not just London and the South East, but many regions of the UK:

> *"One of the things people don't necessarily consider is that quite a significant proportion of financial and professional services aren't based in London. It's around 40%. It's Edinburgh, it's Swindon."*

Another area of concern was agriculture, partly because of its reliance on migrant workers, but also because of the protections currently offered to it under the EU's Common Agricultural Policy.

> *"There's lots of talk of our soft fruits sector just being exported to Ukraine, just because we won't have the workers to pick fruit."*

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[4] This comment resonates with the recent statement from the British Hospitality Association, which warned that the staff shortages generated by Brexit would take 10 years to fill given the "talent pipeline". See https://www.theguardian.com/business/2017/mar/11/eu-hospitality-workers-brexit-pret-a-manger-hotels-restaurants - accessed 11/3/17

If that happens, many rural areas of the UK will be at significant risk from Brexit. The result may be a significant structural unemployment. Similar threats were envisaged in relation to the retail, hospitality, healthcare, engineering and construction sectors. In the short-term this would require much higher investment from the UK government to offer more training, and perhaps subsidise new business parks or enterprise zones to replace lost employment.

The universities sector was also mentioned as being at specific risk.

> *"If we clamp-down on the number of foreign students coming to this country, there are a lot of courses, particularly those in the STEM sector, that are highly reliant on students from overseas."*

It was argued that this would affect not just Russell-Group universities but also those outside of the South East, which play an important role in their local economies. A point made several times was that the UK's strengths in many service industries rely heavily on EU graduates from UK universities.

2. Future policy on immigration is incoherent

Experts were critical of the economic viability of the government's approach to immigration policy. Many argued forcibly of the impossibility of separating skilled and unskilled workers. It was argued that the economy always needs both and that a shortage of unskilled workers would cause higher prices and business costs throughout the economy, damaging everyone. Another possible area of incoherence was in the supposed "solution" to future skills shortages:

> *"If you buy that Brexit means we have to deal with the 'left behind', then how does it help British people who are unemployed or in low paid jobs to force them into low skilled jobs [that EU workers have vacated]?"*

Other people questioned the viability of defining effectively what skills the economy needs. How is it possible to know what workers are needed and in what quantities? And if that's not possible how can immigration policy be established in a sensible way? Another risk expressed was that the 'promise' the government appeared to be making to Leave voters that immigration would be substantially reduced might be broken:

> *"What will actually happen, if we enter into another free trade treaty, and free movement of people is part of that? So if*

these issues are not addressed, then it would be an unhappy resolution for everybody."

3. A damaging 'race to the bottom'

It seems clear that the UK Government will have greater freedom of manoeuvre in relation to labour market protections after Brexit. However, it is not yet clear whether they will choose to exercise this new-found freedom in the long term. The UK has been described as exhibiting a "cheerful lack of cooperation", tending to drag its feel when it comes to enforcing or implementing EU labour market protections. Together with the possibility of pursuing a "Singapore model", experts felt that after Brexit there might be a "chipping away" of labour market protections in a bid to create a more flexible labour market:

> *"Incrementally things will get tweaked and fiddled and you'll look back over ten years and think, 'Oh, actually, things have changed quite a lot, but we didn't notice those."*

However, some argued that any further deregulation would risk creating even greater insecurity and in-work poverty, with a corresponding undesirable knock-on effect for tax revenues and expenditure on benefits, putting the government off from such a route. As one attendee put it:

> *"A race to the bottom would mean either a very high tax credit bill for a long time or accepting pretty major increases in problems for people when they are poor and in work."*

Furthermore, it was believed that businesses themselves would oppose any extreme attempts to undermine working rights or conditions:

> *"There are natural countervailing forces if it gets so grim, and most businesses don't want an environment which is so punitive, regressive, hostile. That's not where business thrives."*

Nonetheless it was felt that the government might identify some areas where it could 'safely' deregulate without much impact for the Exchequer – one possibility could be cutting maternity or paternity benefits. Attendees also felt that "on the chopping block" might be the existing rights of agency workers and the Working Time Directive – mainly because they are already controversial. The Working Time directive was mentioned by some attendees as particularly problematic within the NHS.

One possible risk was that the government would include in the Great Repeal Bill so called Henry VIII clauses - to amend employment laws without necessarily having to consult parliament. If such provisions were passed it would significantly increase the risk that deregulatory reforms would be implemented more quickly.

In any case, most agreed that any 'picking off' would not occur straight away but rather, after the Brexit negotiations are concluded and the Great Repeal Bill has been passed, and over a long period of time, perhaps as much as twenty years. This was partly because the legislative burden of leaving the EU was already so great that in the short-run the government would mostly opt to leave existing regulation as it is.[5]

This gradual process, and one bolstered by Henry VIII clauses, was viewed as being particularly challenging to monitor and fight against by third sector organisations, unions and other representatives of civil society seeking to tackle issues such as in work poverty, exploitation and protect the rights of workers (particularly, vulnerable ones).

Strategic intervention

Grant makers and social investors ought to consider investing in the capacity of the UK third sector and other NGOs with specialist skills to help them monitor and where necessary oppose instances of damaging deregulation.

4. The possible emergence of a two-tier labour market

Summit attendees felt that a crucial determinant of negotiation outcomes would be how the government viewed the future economic model of the UK. If our vision is to be a "Singapore of Europe" then the risks are likely to be particularly serious – for example, defining nationality or citizenship in such a way that many workers from outside the UK are not automatically entitled to the same protections as ordinary UK workers. In Singapore, large numbers of immigrants work in low skilled occupations for short-periods of time, but are not afforded the rights given to Singapore citizens – a dangerous possibility for the UK. A duality in the UK labour market – high skilled, paid and protected versus low skills, paid and vulnerable – was identified as an existing problem, at risk of exacerbation after Brexit.

[5] See further comments below regarding the risks of a lack of systems thinking and vision, and creating "EU-lite"

5. A loss of mutual recognition

At the moment, many professions, e.g. architecture, have qualifications that enjoy mutual recognition across the EU. This enables UK workers to work across the EU (and likewise for EU workers). However post-Brexit there would be a question about whether this mutual recognition could be maintained:

> *"So, at the moment if you qualify in the UK, you can practice anywhere in the EU and your qualifications are recognised and vice-versa…So it's no good just being able to go and work there, if your qualification's not recognised, essentially you can't do your job."*

Opportunities

1. To "level up" – rebalance towards a higher skill, higher productivity economy

Some experts felt that it may be no bad thing if certain sectors of the economy went into decline or were offshored to other countries post-Brexit. They felt that it was possible that by limiting the supply of unskilled migrants, and reducing the competitive position of certain sectors that employ them, we might get an (albeit modest) increase in wages in some areas and their loss would help redefine the UK economy. Would it be so terrible if we didn't pick soft fruit in the UK? These big picture questions – essentially what sort of economy we want for the future – would need to be part of a wider "vision", as we describe elsewhere in this report.

2. To introduce even stronger employment protections

Businesses need to compete for a more limited pool of highly skilled workers after Brexit. The relative disadvantage of being outside the EU might lead to UK business improving its offer to British workers:

> *"From a financial and professional services point of view I think some of those things will start to act as a competitor to attract the best talent. So, whether it is things like flexible working or paternity leave or holiday or things like that, when you break down the different regulations, I think they won't just get swept away. "*

Many also felt that in some areas the EU's rules were holding back potentially beneficial reforms, and that leaving the EU could provide the

UK with an opportunity improve the employment rights offered to UK workers. Examples such as positive discrimination, or using public procurement as a tool for increasing workplace diversity, which were currently prevented by EU rules, were cited.

3. To give a new priority to areas that were previously neglected – skills investment in particular

One theme which arose in all three of our summits was the possibility of greater investment in the long-neglected adult skills and further education sectors in response to Brexit-related skills shortages. Training UK workers would be vital to replace lost EU-workers in a variety of middle and high skills professions – though recognising the long lead time on this policy would be a risk to some sectors (see above).

> *"Whilst we could say we're losing skills, there is an opportunity for us long term to be upskilling the UK and therefore hopefully making the economy more productive as well."*

Another area of new policy development was the Tier 2 immigration system (for skilled workers), which was seen as bureaucratic and expensive. A third was the possibility of a more interventionist industrial strategy, stemming from freedom from EU rules on state aid and procurement.

> *"If we are going to come out of the EU, at least we'll be able to promote our own industries and protect those industries and give them the nourishment to succeed on a global stage, which isn't possible at the moment."*

Lastly, it was suggested that Brexit might be a good opportunity to reform the regulatory environment for the self-employed[6] or those working in the gig economy, and take a wider look at whether employment law is fit for the kind of working lives that are now so much more prevalent.

4. To raise rates of capital investment

Businesses may invest more in capital equipment and machinery to raise output and productivity in response to a skills shortage, supported by a weaker currency. As one industry expert put it:

> *"if you've got an inexhaustible supply of labour that's prepared to work for low wages, it's not much of an incentive for anybody to invest in labour-saving machinery to improve productivity in that way. If there are restrictions on the number*

[6] Calls for which have increased since the Budget's proposed NICs increase for the self-employed.

of people who can come in from Eastern Europe, I think that may have some positive effect, when it comes to mechanising."

The possible negative side effect might be that businesses recognise that investing in machinery is preferable to training staff.

"it's probably quicker to invest in the IT system than to train someone who hasn't got basic skills because that's a ten-year project going back into schools, whereas I can get my brilliant new logistics system, which takes out half our warehouse staff. I can get that in a year's time."

There was a general nervousness about the potential impact of automation on unemployment and wages post-Brexit, aside from the employment in programming and engineering automation may well generate.

SOCIAL AND ENVIRONMENTAL RESILIENCE

Context

Social and environmental value

Social value aims to capture the non-financial contribution that any business or public activity makes to society – particularly the wellbeing of individuals, communities and environments.[15] Its application requires decision-makers to consider a wider array of factors than traditionally has been the case in business and public policy.

The EU has advocated this broader conception of value for some time. It informs the European Social Model of active redistribution and a well-developed system of industrial relations; and is reflected in the EU's 10-year growth strategy, which was published in 2010 and targets employment, climate sustainability and poverty reduction.[16] As one expert put it, the EU has "dragged up" UK environmental standards, playing an important and broadly positive role in environmental policy [7][17]

Stakeholders who recently provided evidence to the Environmental Audit Committee were in broad agreement that EU membership has been a net positive for the UK's environmental protection,[18] as such, departing the EU may lead to a degradation of these protections. In addition, key areas of policy, particularly farming and fisheries, will need to be redrawn. New trade agreements are likely to have implications for domestic business policy, possibly eroding existing regulation to allow companies to compete.

Risks

1. The process of unpicking or altering EU law is so complex it could overwhelm Parliament

Experts at our summits with a legal background were agreed that the UK's regulatory position is so enmeshed with EU law that establishing a new framework would be incredibly complex and time-consuming.

> *"In the Department of Health, I gather, there are 1,800 statutory instruments now identified which will need*

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[7] These include:
Air quality: The European Commission set targets for the reduction of a number of air pollutants. The UK is on track to meet its first three carbon targets but to miss the fourth.[7]
Habitat protection: Directives on habitat and birds play an important role in habitat protection in the UK and shape how land can be developed.
Waste management: The EU developed a suite of directives governing packaging, varieties of waste and landfill use.
All apply in the UK currently.

amendment, which have some relationship to European law. Each statutory instrument, could require a debate on the floor of the house. That's 1,800 debates just from DH statutory instruments."

2. Leaving Institutions may create a "legal and implementation gap".

Even if the UK adopts regulatory equivalence on environmental and sustainability standards, it is unclear where responsibility for enforcement and implementation will lie. As one expert pointed out:

> *"There could be a legal gap on enforcement – the European Court of Justice has been responsible for ensuring member states adhere to standards. So we are very concerned about what will take on the Commission's role in implementation and what replaces the ECJ to create pressure".*

3. Cross-border environmental problems become harder to tackle

Many of the environmental problems we face, including most notably, climate change, require cross-border cooperation to address. Post-Brexit, this sort of cooperation will be more difficult and may even prove challenging within the UK if political tensions rise between its constituent parts.

4. We may have to follow EU regulations, without having any say over them

If we leave the EU but wish to carry on being able to trade without restrictions it is likely that we will have to prove at least 'regulatory equivalence' – effectively that our regulations are as good as the EU's. But in the past the UK has often been leading the formulation of these standards. That influence may now be lost:

> *"Britain will have to follow European Union manufacturing standards, otherwise the companies won't be able to trade. So, we'll be in the Norwegian position of having to follow, or not being able to trade into that market."*

4. We may replicate regulations as they are, rather than change them for the better

Related to the point above, some experts reflected that the Great Repeal Bill might simply be a way of mirroring existing EU law so that there is continuity when we leave the EU. But this might mean we don't grasp the opportunity to reform existing legislation for the better, or have a much needed "rethink" – a major opportunity identified by many in all three summits, and one we describe above. We may simply become "EU lite".

> *"My concern is that we will be short-sighted and try to renegotiate a bunch of mirror-image policies to what we had before. Whether you liked them or not, they're not going to work in the coming decades. I think that's my question, is, 'Can we be long-sighted in how we renegotiate…, rather than try and recreate the same things that were beginning to fail us?'"*

5. There is no countervailing pressure to a deregulatory agenda which could be damaging to social outcomes

Many experts expressed the idea that the EU, with its commitment to a social model combining free markets with strong social safety-nets, has been an effective bulwark preventing a strong strand of aggressively libertarian ideas from dominating UK policy-making.

However, once we leave the EU this bulwark may be lost, and some experts were concerned that there would be little or nothing to prevent the emergence of an economic model that could lead to rising inequality.

> *"If the shape of Brexit is for small government, low taxation based economy, where does that leave people in poverty? What will happen to the safety net that's provided by welfare benefits? What will happen to people who are in very low paid jobs?"*

Some explained how third sector organisations seeking to tackle poverty, help vulnerable groups, or encourage environmental protection often used the EU legislative or institutional framework as a form of support – once removed, these organisations could be potentially in a weaker position from which to oppose Government policy.

A related concern was that if, post-Brexit, we develop closer economic ties with the USA, then this might also lead to a substantial weakening of environmental protections:

> *"The US has a completely different approach which does not bode well for environmental standards".*

6. Leaving the CAP means other countries 'dumping' cheap, poor quality food in the UK market

EU policies govern the UK's approach to farming and fishing via the CAP[19] and CFP.[20] Both have been subject to strong criticism.[21] [22] Although many attendees at our summits saw potential benefits of leaving both, a minority pointed to a risk that we could start importing goods from other nations that didn't meet appropriate hygiene and health standards, while UK farmers might make losses or demand a reinstatement of the CAP subsidies they had lost. Some pointed to the experience of New Zealand, after it removed agricultural subsidies, where in the short-run many farmers went out of business.

Opportunities

1. To deliver a "Brexit dividend"

A consensus emerged across the three summits that the Brexit vote had galvanised the government into tackling social and economic problems that possibly lay beyond the referendum result. The Prime Minister's commitment to an economy 'that works for all' has filtered down to government departments and is now informing policy-making, with the Casey review and forthcoming social justice strategies cited as examples.

> *"Because everybody has got on board with this view that there have been people left behind and that's what partly caused the Brexit and what the government is focusing on. So, I think the politics actually, if anything, could be more important than some of the regulations or some of the things that arise directly as a result of Brexit."*

This could be seen as a 'Brexit dividend' – greater political attention (and policy intervention) for marginalised groups across the UK related to tackling social mobility, local employment and training, housing, etc. This also represents an opportunity for the third sector and front line organisations working with vulnerable groups and in disadvantaged communities to both share insight and expertise to help shape this domestic policy response, as well as help deliver it. This could, in theory, provide a much-needed funding boost to organisations who have suffered from cuts to grant funding in recent years.

2. To improve the accountability and responsibility for effective regulation

Although much EU regulation has been beneficial (an example cited was the great improvement in the cleanliness of UK beaches), the origin of and accountability for such policies was blurred. The public often saw them as dropping in "from nowhere", and if policies were implemented poorly (by national policy makers) the EU could be blamed. After leaving the EU, however, the responsibility for introducing and implementing regulation, and the ability to hold the decision-makers to account, will be improved.

Strategic intervention

One way of capitalising on greater transparency and accountability could be by introducing more "polluter pays" type legislation, so that (for example) businesses bear the real costs of infrastructure and other investment currently borne by the taxpayer to support their businesses. This would encourage business to see a strong business case for more sustainable energy policies, for example.

3. To accelerate the pace of reform, and level-up environmental standards and raise social value outcomes beyond EU requirements.

As we rewrite our environmental and other social value legislation, there is an opportunity to aspire for even higher standards. One clear example is the Common Agricultural Policy, which has long been criticised for not promoting a proper balance between food production and sustainable land management. As one participant argued:

> *"CAP was never as 'green' as it should have been. If we go back to the drawing board we should move towards a more transparent, less cumbersome system that subsidises stewardship and land management not just food production, on a public money for public good basis".*

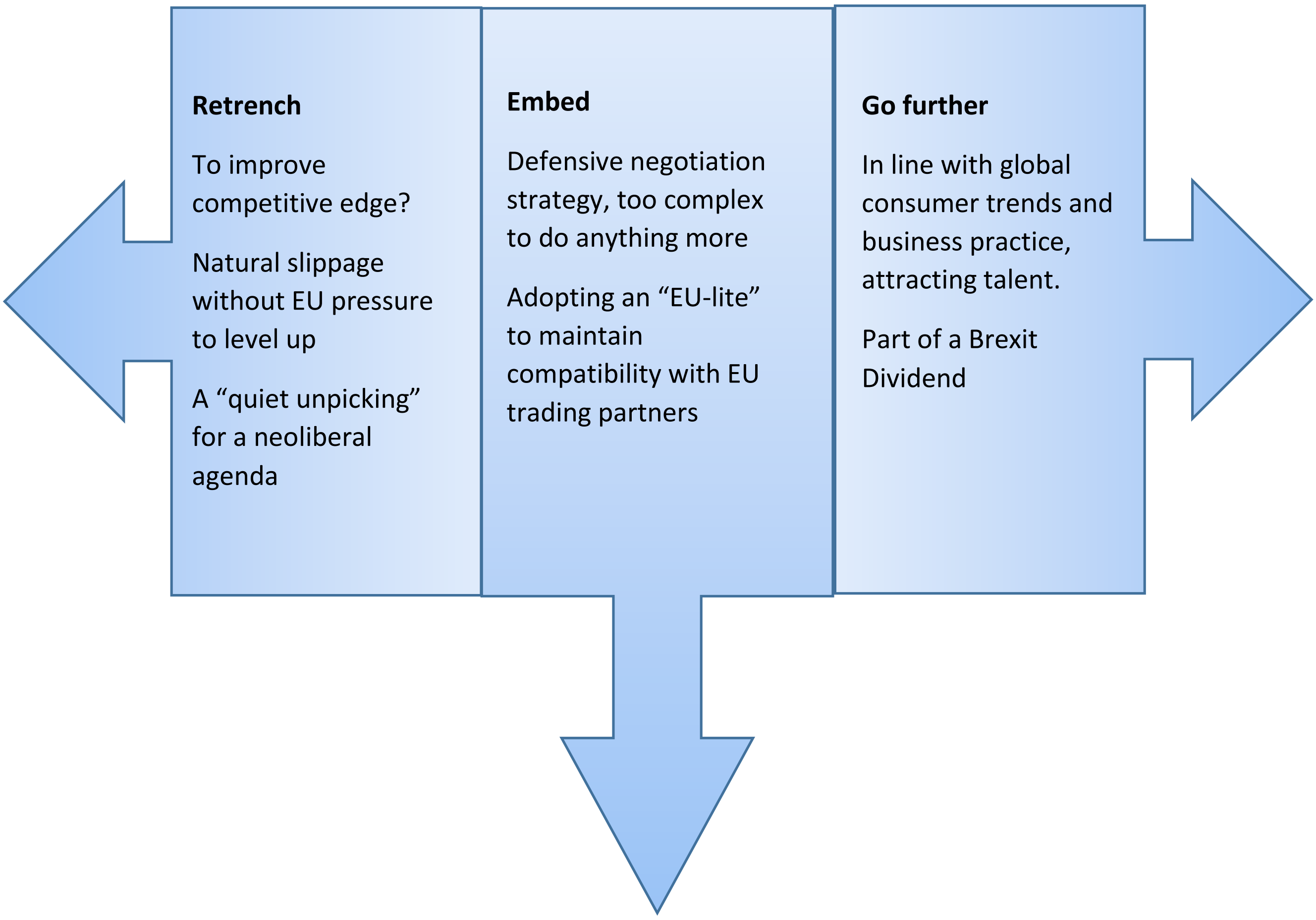
Equally, just as trade deals might weaken environmental standards it is equally conceivable that trade deals could be negotiated that strengthened sustainable objectives. For example, a trade deal which focused on the UK's comparative advantage in renewables technology and energy generation would advance both sustainable and economic objectives simultaneously.

Being a member of the EU has often meant that policies have moved at "the pace of the slowest member". The UK could be more nimble and introduce new policies at a more rapid pace upon leaving the EU, and become known for its responsible business practice as a USP in attracting investment, talent and younger generations of more ethically-minded consumers.

> *"In all kinds of areas we can say, 'Well, we don't need to go at the pace of the slowest, we could step ahead a bit here. We could do more things, we could go faster."*

Experts felt ethical, responsible business practice was the business "of the future", with regressive, protectionist or unsustainable policies "of the past". Some cited the Governor of the Bank of England's comments on businesses still investing in fossil fuels as unsustainable[23], and how this changed investor behaviour, as one example of the direction of travel which – in exiting the EU – the UK government could grasp and become known for globally.

Figure two: for labour market, social and environmental protections, the Government may use Brexit to retrench, embed or go further



DEVOLUTION AND CIVIL SOCIETY

Context

The referendum debate largely focused on how Brexit would impact the UK as a whole, while the process which followed the result, leading up to the triggering of Article 50, has been almost entirely dominated by the UK Government to the exclusion of devolved and local representatives, as well as the business and third sectors. All indicators suggest this will continue to be the case, with almost no reference to these stakeholders having any role in the negotiation process once Article 50 is triggered. Nicola Sturgeon's frustration at being excluded in such a way was clear when she called, it seems unsuccessfully, for another referendum on Scottish independence.

Experts at the summits pointed out how incongruous such a centralised, closed process felt coming so swiftly after a directly democratic vote, and argued for the importance of the inclusion of a wider set of actors in the negotiation process not only for reasons of efficiency (in that these organisations would be able to share expertise and insight to help government in a mammoth task) but also on principle, to uphold a sense of democracy in what was a defining moment in the future direction of the UK economy and society.

Moreover, the consequences of Brexit are unlikely to be uniform – excluding local government could exacerbate serious regional tensions. First, EU regional policy affects areas differently. The EU distributes regional structural funds to reduce inequality,[24] and so some less prosperous areas of the UK – Wales, Northern Ireland, Scotland, South West and North East – stand to lose. Wales received over £2 billion in structural funds between 2007 and 2013. Second, the volume of trade with the EU varies across the UK.[25] In 2015, 67 per cent of Wales' exports went to the EU; in contrast, only 40 per cent of exports from the South West went to the EU. We provide more detailed analysis of geographical disparities in Appendix 2.

Given this, and the regional cleavages in public opinion revealed by the referendum result, Brexit has reignited debates about how political power is distributed across the UK and possible new settlements.

Northern Ireland, Scotland and Wales

Today the legislatures and executives in the devolved nations are well established. Since the vote, leaders in devolved nations have been articulating their distinctive visions of the UK's future relationship with the EU:

- On 13 March 2017 Nicola Sturgeon announced her intention to hold a second independence referendum in, with a view to staying in the EU should she win a "yes" vote. This was subsequently rejected by the UK Government.
- The Welsh Government accepts Brexit and is focused on a new settlement for political decision making within the UK.
- In Northern Ireland, the Democratic Unionists supported leave and Sinn Fein advocated remain. The impact on the Good Friday Agreement and relations with the Republic of Ireland are particular areas of concern. Following the recent collapse of the executive, elections to Stormont are scheduled for March.

The recent Supreme Court case debating the prerogative powers of the Government pitted the UK Government against the executives of Northern Ireland and Scotland. The Court decided the devolved assemblies will not be invited to vote on the invocation of Article 50.[26]

An evolving settlement in England

In England, regional devolution has advanced at pace over the last two years. Shortly after the 2015 general election, George Osborne announced a 'revolution in the way we govern Britain' based on devolving power to city regions.[27] This built on his prior interest in establishing a 'Northern Powerhouse'. The Cities and Local Government Devolution Act was passed last year to provide a statutory basis for ongoing change.[28] There will therefore be a new cohort of elected leaders – alongside pre-existing mayors in London and Bristol – to make the case for further devolution. In the Budget, held shortly before the triggering of Article 50, Philip Hammond announced a "Midlands Engine" strategy and a deal for further devolution for London.

Risks

1. English devolution stalls

A view expressed by some experts was that devolving to English city-regions was the legacy of the last Prime Minister, and not such a priority for a Brexit government:

> *"I feel like devolution was very much a Cameron/Osborne, kind of, baby. You know, things like George Osborne's Northern Powerhouse and I feel like Brexit has taken a lot of attention away from that."*

> *They are going to be totally, completely and utterly absorbed by this [Brexit] and domestic issues will probably take a backseat. The mayoral-cities already have a good head of steam, but the next wave of potential devolution deals – that is where Brexit could really interfere.*

2. Growing political tension between the UK government and Scottish government, with a second independence referendum

Scotland was one of the few regions of the UK to vote decisively against Brexit (62% to 38%) and is also a net recipient in terms of EU funding. The government's determination to proceed with Brexit could therefore lead to heightened political tensions with Holyrood. Many debated the likelihood of a second independence referendum vote, an outcome which came to fruition a few weeks later as Nicola Sturgeon announced a new referendum on 13 March 2017. Experts commented that Scotland would not join the EU as an independent country easily, given their fiscal status and the excess deficit rules on membership.

Tension between Scotland and England could have other negative consequences, including less collaboration on environmental protection, which one expert commented had been working well post-Scottish devolution but could be under threat if the relationship deteriorated.

3. Some areas suffer from a loss of EU Structural Funding

Many of the 'left behind areas' and those that voted to leave the EU had over the years received billions of pounds of support from the EU through the Structural Funding programme. The loss of these funds is of great potential significance for the economic future of these areas:

> *"You can't walk down a street in Merseyside without seeing the impact of the European Union, yet they voted to leave. Cornwall, Cardiff, all of those places. After voting very strongly to leave, the next day they [Cornish] were writing a letter to Whitehall going, 'But you will give us that £60 million, won't you?' No, they won't, because they weren't giving it beforehand."*

4. Northern Ireland becomes poorer and less stable

Northern Ireland was considered one of the areas at most risk from Brexit, as the border with the Republic of Ireland makes it easy and attractive for NI firms to relocate southwards. Other risk factors are its relative dependency on EU Structural Funds, and the political instability of the region, which is in the midst of power-sharing negotiations, following recent elections. It was felt that Brexit divisions might make a lasting political settlement even less likely: "one more ruinous blunder" as it was described by one expert.

However, some thought that Brexit might change or improve relations between the North and the Republic – that it might encourage politicians on both sides of the border to work together to manage the process of Brexit.

5. Civil society's voice gets side-lined leading to the neglect of "left-behind" communities.

As outlined above, experts felt an important aspect of Brexit would be the "dividend" for vulnerable groups, and the opportunity to tackle the domestic issues that underpinned the vote. In order for this to be effective, however, the government would need to work closely with third sector organisations and those on the front line in local communities, to get a better understanding of what the priority issues and concerns might be, and to help then deliver the social investment needed.

However, the Brexit process thus far – conducted largely in secret and driven at the centre of government – does not bode well for an inclusive domestic policy agenda underpinning it. Experts identified a risk that Brexit could lead to a further marginalisation of important organisations such as unions, employers and third-sector organisations as central government felt they did not have the time nor resource to consult with a wide range of stakeholders when making time sensitive decisions.

Furthermore, many organisations reported already serious shortages of capacity in areas such as in finance and legal expertise, meaning their ability to assess the impact of Brexit related decisions on the communities or groups they represented, or to hold the Government to account in any deregulatory agendas (for example) would be limited.

Strategic intervention

Grant makers and social investors could look to boost the legal expertise of civil society organisations to help them push for legislative or regulatory improvements in the wake of Brexit. The interaction and unpicking of UK from EU law is complex, and third sector and other organisations interested in the implications of this – from environmental standards to labour market protections – will be at a disadvantage without the ability to understand the process.

6. The importance of CSR is down-graded by firms

Some experts felt that Corporate Social Responsibility is still seen by many companies as optional, rather than necessary, and, if economic conditions deteriorate after Brexit, their commitment to it will slip. This could lead to fewer positive relationships between the business and third sectors, and less engagement from business on social issues. Nonetheless, a counter view aired at the summits was that various wider pressures would keep ethical practices a business priority even without the EU, including the need to attract skilled workers from the millennial generation, many of whom are concerned about the social value of their employer (see above), and the spending patterns and preferences of younger consumers, who favour firms that are more ethical and transparent in their business models.

Strategic intervention To help boost support for social value as embedded business practice, one suggestion was to create a new legal entity modelled on the US 'benefit corporation' – which would require firms to report on environmental and social outcomes as well as invest a proportion of profits in these areas each year. This could be led by Government, but would be more impactful for business leaders to drive themselves, demonstrating their reputation as "self-policing" and leading the way on responsible and ethical practice post-Brexit.

Opportunities

1. To launch a new, more devolved approach to regeneration

Some attendees at the summits were quite critical of the way EU structural funds were spent, with perhaps too much going on infrastructure and too little on measures to improve people's working lives and incomes – as one person put it: "You can't eat a motorway." Or as another said:

> *"They just were deprived and impoverished areas with nice industrial estates in which there was only low-wage jobs and nice motorways to take people out of them."*

Also, recipients of EU funding are relatively passive actors within that process - decision-making powers ultimately reside in the centre. Therefore, Brexit represents a significant opportunity to improve the way in which funds available for regeneration are spent, with greater consideration of sustainable investment, lasting impact on jobs and prospects, and locally specific needs. Possibly, such funds could be allocated to the devolved regions with much greater freedom over how they are used.

Strategic intervention

One idea mooted was to use Brexit as an opportunity to revisit the Barnett formula (the formula used to determine how funds are allocated to different parts of the UK):

"I think it would be really good to have a look at the Barnett formula and the funding of the regions and the rest of it, particularly in the light of the possibility that we will lose EU structural funds."

2. To encourage civil society organisations to develop collaborative approaches to exercising political influence.

As outlined above, third sector organisations were felt to be at risk of exclusion from different aspects of the Brexit negotiation process: this includes not being included in help to define the priorities for domestic reform and the wider much needed "vision" for economic and social renewal; but also they may be limited in their abilities to hold the government to account in the wake of a gradual deregulatory agenda. This threat of exclusion could, however, act as a spur for greater collaborative working and the development of a more unified voice among coalitions of common interest. One long-term challenge for civil society organisations is the problem of being pigeon-holed. As one expert described it:

> "*Civil society organisations are often put into boxes, so if you are an agriculture focused organisation you meet the farming minister, if you are an environmentally focused organisation you meet the environment minister and so on. This gives us a real disadvantage when trying to campaign for sustainability to be at the heart of things like trade deals*".

While some experts argued that this problem might be exacerbated by the pressures of Brexit, others more optimistically felt the magnitude of the challenge would be a game-changer, enabling third sector organisations to collaborate in areas where there had been organisational politics or rivalries.

Strategic intervention

The third sector and other civil society actors need to form coalitions of common interest, developing cross-sectoral networks that may not have existed before but which could be crucial in influencing a particular aspect of the Brexit process for the benefit of the environment, particular vulnerable groups, workers' rights, particular communities or regions, and so on.

Grant makers and social investors could aid in kick starting this process with strategic investment, as well as providing the impetus through their own expertise and networks.

3. To develop different solutions in different places - "bottom-up economics"

Most attendees agreed that the Brexit vote had revealed the vast differences between different areas of the UK, not just in terms of income or employment but also attitudes, values and opinions. Together with the very different effects of Brexit on different parts of the UK, there is a strong case for more local decision-making. It was argued that newly created combined authorities or Mayors could take a lead in delivering new solutions for these areas.

> "...*the Brexit vote showed regional differences and perhaps an opportunity to develop a more bottom-up kind of economics. Perhaps not straightforward devolution but at least something where, you know, we create a more balanced economy of more resilient local economies*."

However, it was pointed out that because different parts of the UK have different levels of funding from local taxation, that this could generate inequalities in the provision of services:

> *"Some [local authorities] are better off than others. Some of them give social care a higher priority than others do. Consequently, you end up with a lottery in something as crucial to our public as that. That actually is immensely destructive, so I think we have to consider very carefully how much we really want to devolve."*

3. City-regions, local authorities, and devolved administrations look beyond the UK and EU to attract foreign investment

While acknowledging the potential funding difficulties arising from a loss of EU Structural Funds and less generous funding settlements from central government, attendees also thought Brexit might spur many local authorities and devolved regions to be imaginative in looking abroad to attract new companies and new investment into their areas.

> *"Some are very worried because of the potential shortage of funding from the EU and others say we really shouldn't be quite so transfixed about that, we've got to look for investment opportunities from overseas. Actually, now is an opportunity to do that and to go out and speak to the Chinese about investing in our region... There may be opportunities there for looking more outwardly and I guess that may be reflected eventually in trade deals as well. "*

CONCLUSION

This report is the result of a collaboration of 90 experts and practitioners from a variety of fields, who shared their insights and debated their views in order to better understand the implications of Brexit for the economy and society. The group had very different areas of expertise and experience, and included those who supported both Leave and Remain. It was heartening, therefore, that over the course of the three summits, broad areas of consensus emerged. The consensus was one that acknowledged *both* the risks *and* the opportunities Brexit posed to the labour market, to environmental and social protections, to industry and devolved nations and civil society. And it was one that felt that Brexit, if handled correctly, was a once in a generation opportunity to re-think the economic and social landscape of the UK.

The overarching message must be that whilst divisions from the referendum linger, with both sides wishing to defend their arguments and refute the other side, finding a successful route through Brexit can't be based on a stubborn advocacy of the (as yet unrealised) benefits of leaving, nor in an inflexible warning about its (also unrealised) dangers. Instead a full awareness of the opportunities and risks needs to inform both the process of negotiation and its aftermath. There is much government can do now to increase the likelihood of a successful outcome. For instance:

1. Resist the defensive and aggressive approaches to negotiation, and be clear about both the risks and opportunities on offer.
2. Open-up the process of Brexit to business, third sector, regional representatives and the general public not only to improve the effectiveness of negotiations (being armed with greater expertise and insight) but as a means of tackling the emerging democratic deficit and the risks that poses.
3. Use Brexit as an opportunity for a fundamental rethink regarding what we want the British economy, labour market and society to "look like". This systems-thinking needs to develop a compelling vision for the social and economic renewal of the UK, bringing in a range of stakeholders in a national conversation, *ahead of* the exit and subsequent trade negotiations.
4. Recognise this vision allows the UK to "level-up" the economy towards high skills and high productivity. To make this happen, government needs a plan for meeting potential skills shortages that will likely emerge during and after Brexit; this should include not just immigration policies but policies for encouraging investment in education, adult skills and new capital.

5. Develop a sectoral plan, which could form the basis for more successfully nuanced negotiations for free trade arrangements. Given that Brexit will affect different sectors of the economy in different ways, the government should explain how it is analysing those effects, how it will prioritise different sectors, and how stakeholders from different parts of the economy can influence the negotiations.
6. Clarify the "Brexit dividend" for left-behind groups and as a means of tackling inequality and living standards.
7. Work with local authorities and devolved administrations to develop a form of "bottom-up economics", in recognition of different policy responses to Brexit in different parts of the UK.
8. Use the opportunity of Brexit to consider, from first principles, the future of UK policies that are likely to supersede areas of current EU policy-making such as agriculture, fisheries, the environment and regional policy.

Other stakeholders must also play their part:

- Local authorities, city regions and devolved administrations can share insights to inform sectoral plans as well as identify local priorities to help shape the Brexit Dividend. They are also the conduit for local communities to have more of a say in the negotiations and tackling the democratic deficit.
- Businesses can send a clear message that they remain ethically and socially conscious, in line with global business and consumer trends, and ensure this is part of a vision for post-Brexit economic renewal. Business leaders – following the example of Mark Carney, mentioned above, can emphasise the importance of environmental and social sustainability to businesses' bottom line.
- The general public must engage locally to ensure their voices are heard regarding their priorities for Brexit negotiations and for a domestic Brexit dividend. They can use their consumer power to ensure businesses get a clear message of the importance of responsible business practice.
- Civil society will be a crucial partner in helping define the vision for social and economic renewal and monitor the process of Brexit through a lens of social change. It must develop new ways of partnering to strengthen its "voice".
- Social investors ought to boost the capacity of third sector organisations to help them monitor the Brexit process and fight against potentially harmful developments, and assist with their collaborative efforts to create coalitions of interest.

APPENDIX 1 – A VIEW OF THE UK LABOUR MARKET

Employment

The UK labour market has performed strongly since the 2008/09 financial crisis – exceeding performance in the wake of previous recessions and analysts' expectations. In the fourth quarter of 2016 there were 1 million more people in work compared with the pre-crisis level. Unemployment was at 4.8 per cent – a 12-year low.

Earnings

Earnings in the UK suffered in the wake of 2008/09 – median household incomes fell 3.8 per cent in the two years after the crisis. Only more recently has household income growth picked up; in 2014/15 median real household disposable income grew by 3.4 per cent. This has been helped by a period of low inflation: through 2015 and most of 2016 the Consumer Prices' Index (CPI) stayed below 1 per cent. The outlook for earnings is less positive: rising inflation – in December 2016 the CPI reached 1.6 per cent – is expected to erode workers' incomes.

Productivity

Productivity has become a key theme of the UK economic debate – particularly what economists refer to as the 'productivity puzzle'. Between 2000 and 2007 the UK enjoyed steady growth in labour productivity. In the wake of the 2008/09 financial crisis, however, productivity fell and since then has stagnated. Productivity in the third quarter of 2016 stood more than 15 per cent below its pre-downturn trend.

Changing labour market

The UK labour market is changing. One important trend over recent years has been a growth in self-employment. In 2008 around 3.8 million people were self-employed, by 2015 it had reached 4.6 million. Part-time self-employment has played a key role in this growth, growing by 88 per cent between 2001 and 2015.

Others have argued that shifts in the UK's labour market is 'hollowing out'. This refers to a falling share of mid-skill jobs and greater polarization between low-skill and high-skilled work. The Government has commissioned Matthew Taylor of the RSA to investigate how employment practices can keep up with the modern labour market.

APPENDIX TWO – SECTORAL AND REGIONAL ANALYSIS OF THE IMPACT OF BREXIT

About this Appendix

One common theme to emerge from the summits was that the likely impact of Brexit on the UK economy and society would be different for different sectors of the economy (e.g. financial services, manufacturing) and different regions (e.g. Wales, the North West). It was widely agreed that more analysis was needed about which sectors and regions were at most risk from Brexit. This Appendix is an attempt to provide some early indications about these impacts, based on publicly available data.

Note on Methodology

Clearly it is not possible to know with any degree of confidence at this stage what the impact of Brexit will be on the economy, since no one knows what sort of deal (if any) will be agreed with the EU prior to our likely departure in March 2019.

However, we do believe it is possible to identify at a high level which sectors and regions are likely to be affected by our departure. Under a 'Hard Brexit' scenario, leaving the EU would involve us leaving the Single Market, the Customs Union, and no longer being subject to EU policies such as those on agriculture, fisheries on the regions. That provides the basis for the analysis offered here.

Assumptions

- That leaving the EU involves leaving the Single Market and that levels of immigration from the EU will be much lower
- That leaving the EU involves leaving the Customs Union and that we will face tariffs from the EU on our goods exports at the current rates facing non-members
- That we will no longer received EU Structural Funds, and that they won't be replaced by the UK government

We have not attempted to analyse the potential for future trade deals outside the EU, the potential impact of UK-imposed restrictions on trade, or the potential gains to firms from being outside the customs union. All of those could potentially offset or mitigate against the risks identified here. Nor have we attempted to anticipate how changes in the future immigration regime might affect different sectors or regions, nor have we analysed the impact of leaving the Common Agricultural and Fisheries Policies.

The categorisation of sectors is not consistent across different data sets. For example, the sectors used to classify employment by the ONS are not exactly the same as those used to classify exports – therefore an exact correspondence is impossible. Nor have we been able to analyse service exports at a regional level due to a lack of data.

At a high-level, the firms that stand to lose most are therefore those which:

- Which employ a large number of EU migrants
- Export a large amount to the EU
- Export goods which are subject to high tariffs from the EU

The regions which stand to lose most from Brexit are those which:

- Export a large amount to the EU
- Employ large numbers of EU migrants
- Receive large amounts of funding from the EU

We consider each in turn in this appendix, and identify which sectors and regions may experience multiple risks and could, therefore, be deemed as most vulnerable to the negative effects of Brexit.

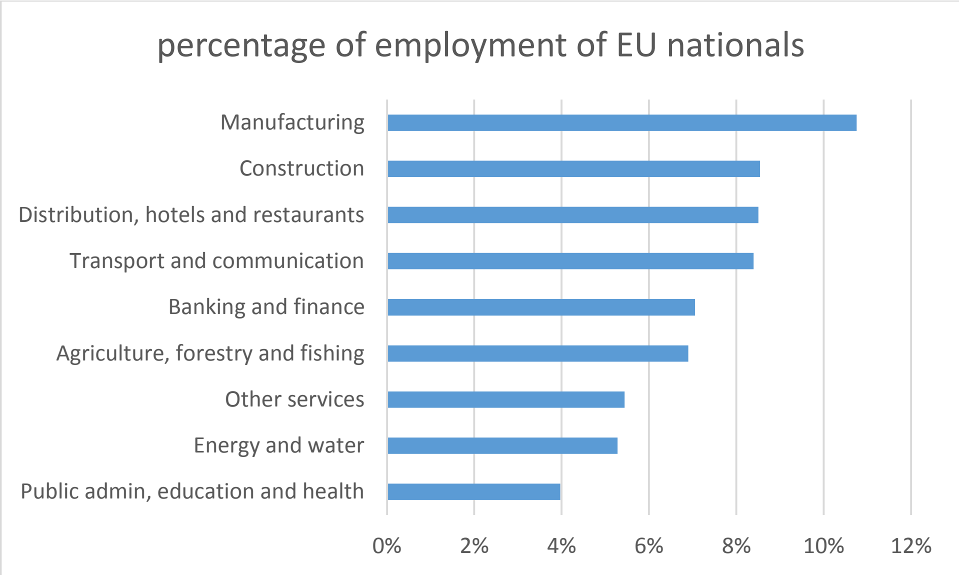
SECTORAL ANALYSIS

Employment of EU workers

Reliance on EU workers is highest in the manufacturing and construction sectors. On the other hand, it is lowest in the public administration, education and health sectors. In no sector are EU workers more than 12% of the workforce, or lower than 4%.

Figure three: Employment of EU nationals by sector of employment[8]

[8] Source: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/006641numberofuknationalseunationalsandnoneunationalsinemploymentbyindustryandregionoctober2015toseptember2016uk



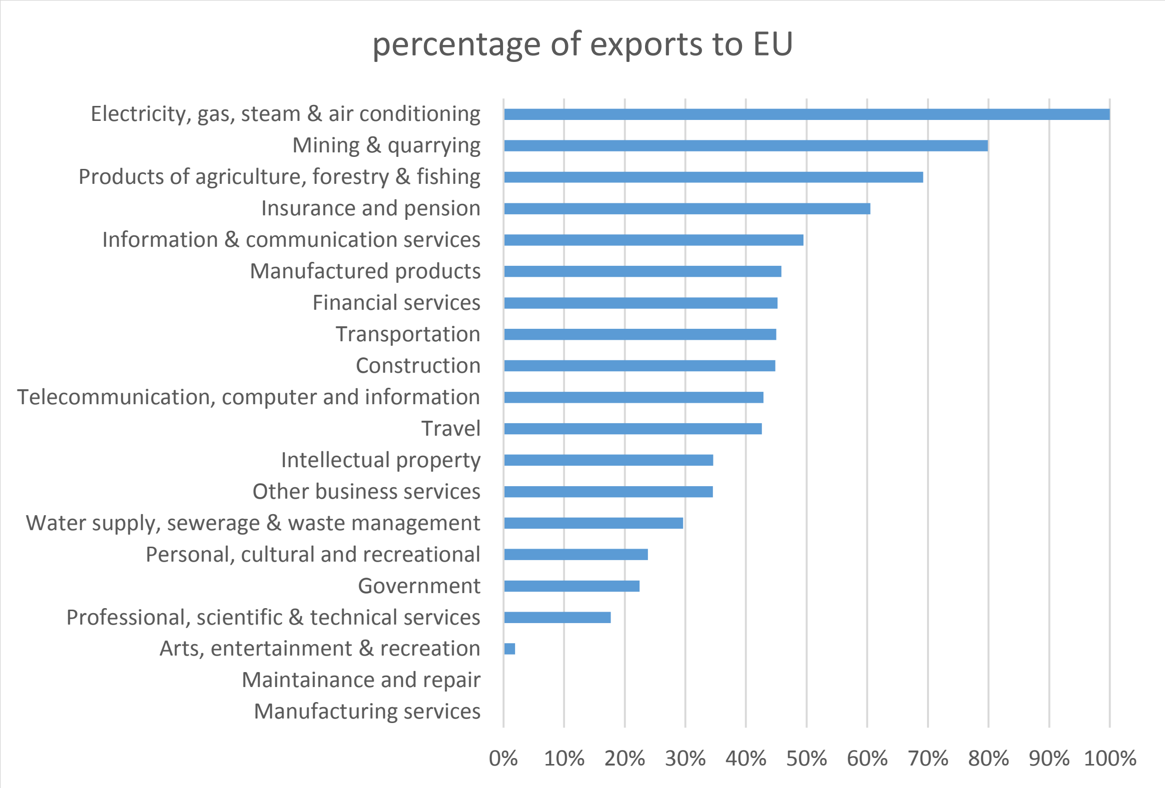
Looking at the graph in more detail, we can identify roughly three groups. Manufacturing, construction, distribution, hotels and restaurants and transport and communication are at highest risk, while energy and water and public administration, education and health are at lowest risk.

Exports to EU

If we look at the proportion of a sector's exports that are sold to the EU a somewhat different picture emerges. (Note that the sector classifications here are somewhat different from those for employment.)

Figure four: Proportion of exports to the EU, by Sector[9]

[9] Source: ONS Trade Statistics, Pink Book (2015).



We can see that electricity, gas, steam and air conditioning, mining and quarrying, agriculture, forestry and fishing and insurance and pension services are at highest risk from a loss of trade with the EU. Government, professional, scientific and technical services and arts, entertainment and recreation are at lowest risk from new trade barriers.

Although the categories do not correspond precisely[10] we can combine EU employment with dependence on the EU for exports for some of the sectors to provide a combined risk assessment. (Some sectors have not been included due to a lack of correspondence between categories.)

EU tariffs

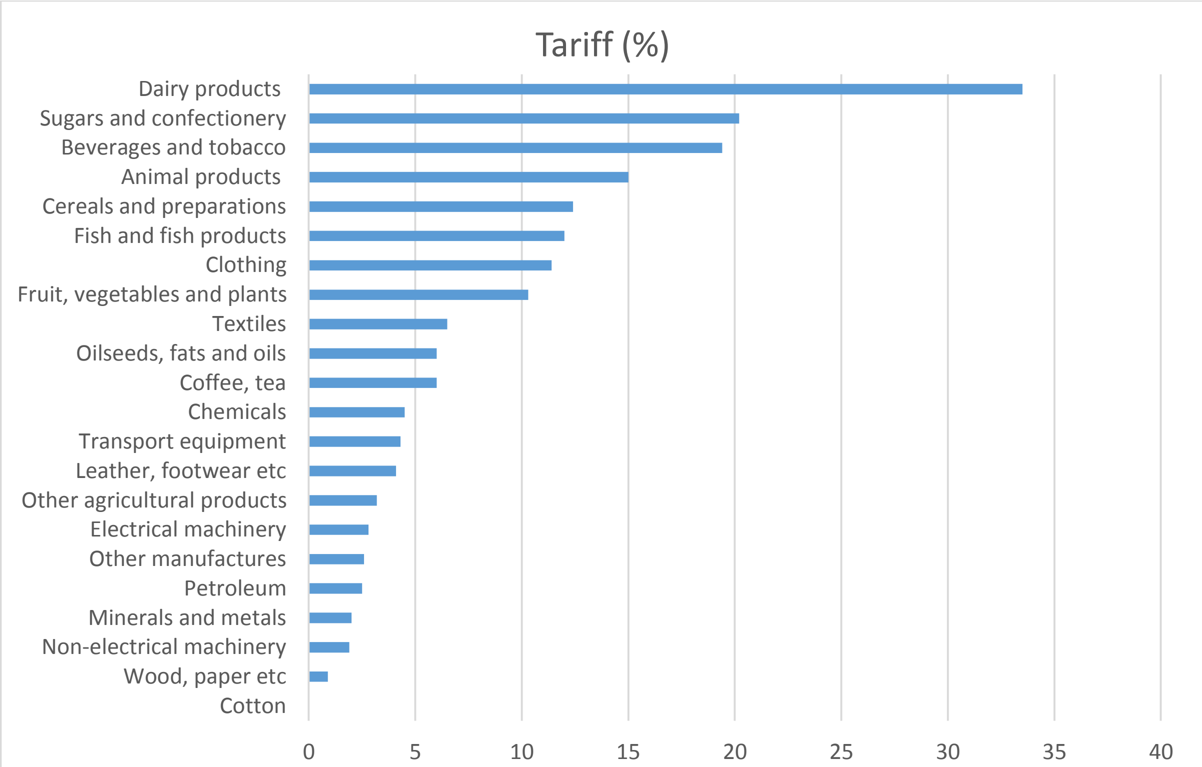
If we leave the EU without a free trade agreement in place, then we would be likely to be subject to tariffs imposed on some of our goods exported to the EU, perhaps along WTO lines. The three broad sectors

[10] The categories are not exactly the same so the procedure I adopted was as follows.

- Government is the same as Public administration, education and health
- Insurance, pension and financial services correspond to Banking and Finance
- Arts, entertainment and recreation corresponds to Distribution, hostels and restaurants
- All other export categories omitted due to lack of comparability

that would be most impacted by this are ones where goods carry high WTO tariffs currently - agriculture, forestry and fisheries, manufacturing and mining and quarrying. Tariffs currently range from 33.5% on dairy products to 0% on cotton.

Figure five: Tariffs on goods entering the EU[11]



Looking at the average tariffs across the three main sectors affected we can see that agriculture, forestry and fisheries is at particular risk from being outside the customs union (assuming tariffs to export to the EU would use WTO profiles), while manufactured goods, including textiles, may also be subject to tariffs approaching 10%.

Figure six: Average tariffs, by sector[12]

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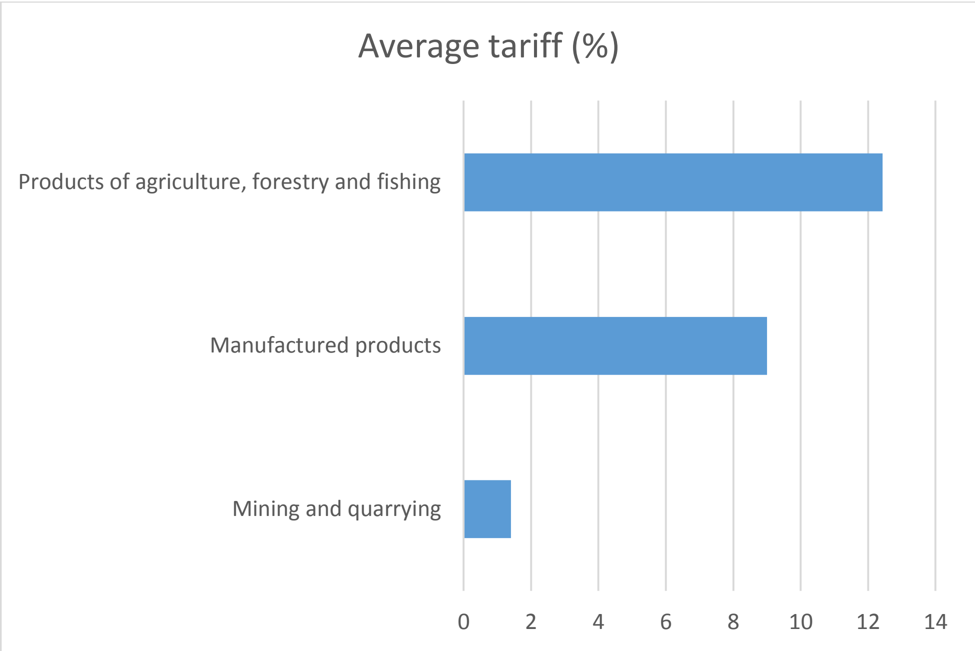
[11] Source: Source: WTO World Tariff Profiles 2016, p81. The MFN AVG rate has been used here.

[12] Source: Ibid.



Sectoral Conclusions

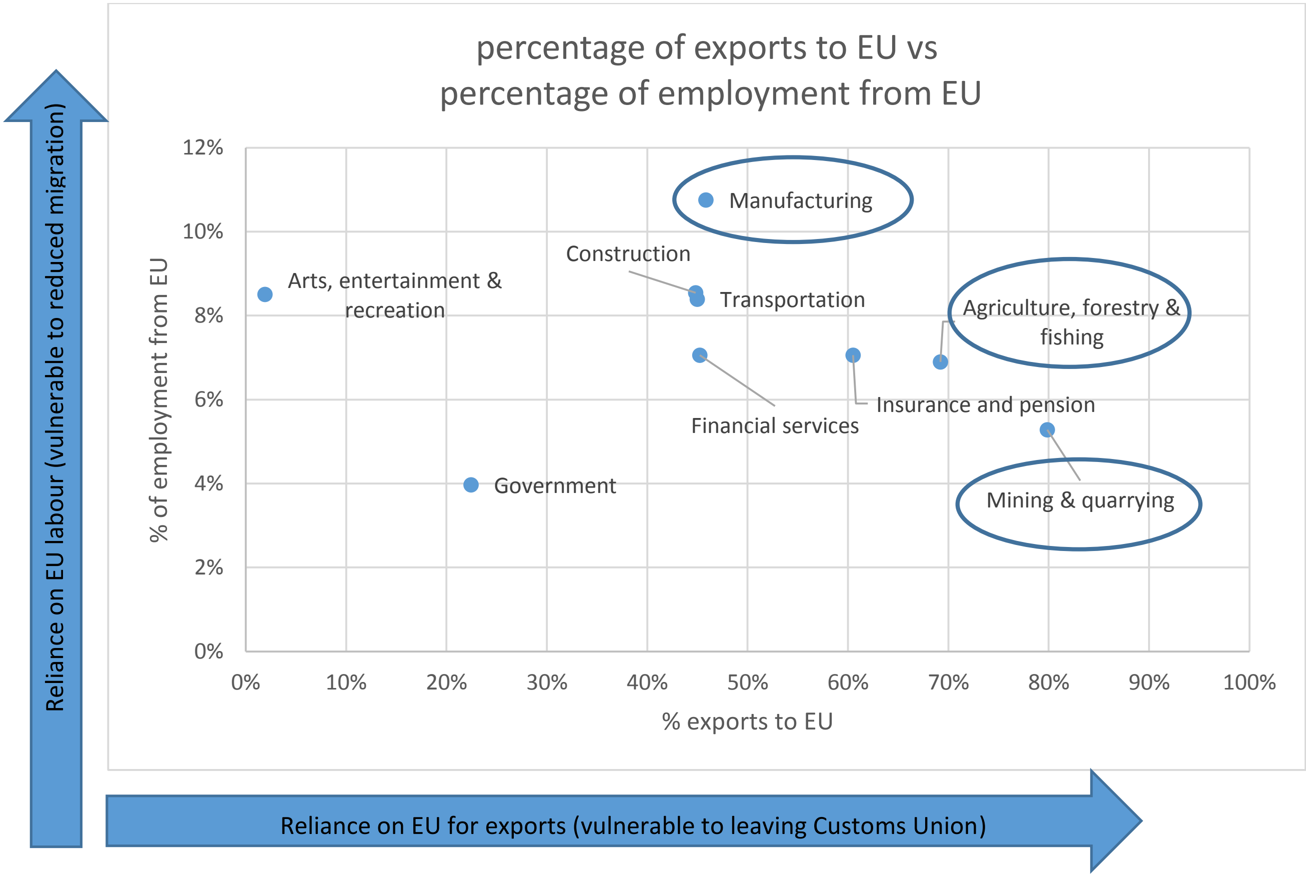
Although the analysis is somewhat hampered by an inconsistent use of sectoral categories, we can reach the following conclusions. First, that the likely impact of leaving the EU will not fall principally on one sector, but potentially affect many. Manufacturing, financial services, agriculture, mining and quarrying, construction and transportation are all, to a significant extent, reliant on the EU as a market for their exports, and as a supply of labour.

Manufacturing is at high risk due to a high proportion of EU nationals, and a medium proportion of exports to the EU. Agriculture, forestry and fisheries and mining and quarrying (energy) is another sector at risk due to medium proportion of employment of EU workers but a very high proportion of exports to the EU. Based on this analysis the financial services industry is also at risk, although perhaps not as high as that affecting manufacturing and agriculture – it employs medium levels of EU nationals and has medium levels of exports to the EU.

The inclusion of tariffs into the analysis suggests that the risk to agriculture and manufacturing is potentially even more pronounced – both face potentially high tariffs. However, should the service sector lose its ability to sell services on a level playing-field within the EU that would, of course, be of great significance for those industries. UK producers of dairy products, confectionary and alcohol and tobacco products are all likely to be hit especially hard.

In Figure Seven, we have combined two potential negative impacts – a loss of exports to and employment from the EU. As we move from right to left on the x axis and from bottom to top of the y axis, the impact of Brexit may be more keenly felt. The top right quadrant is therefore where there is greatest vulnerability to a loss of workers/skills shortages, and to a loss of trade. Circled are those sectors whose products are also potentially subject to high tariffs should a trade deal with the EU not be reached – as we can see, this is again affecting those already vulnerable to the first two factors.

Figure seven: combined risk - employment of EU workers and exports to the EU

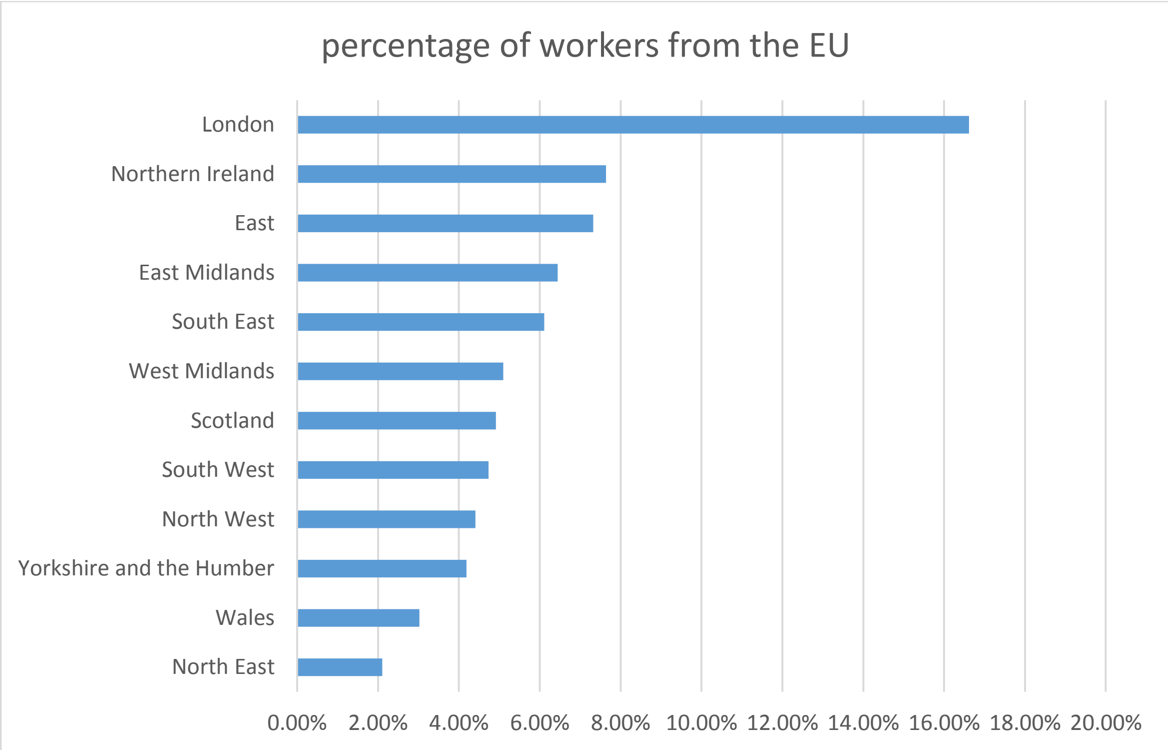


REGIONAL ANALYSIS

Regional Employment

Different parts of the UK have very different levels of EU workers. London is an outlier, with nearly 17% of its workers from the EU. Meanwhile in the North East, just 2% of workers are from the EU.

Figure eight: Proportion of employees from the EU, by region[13]



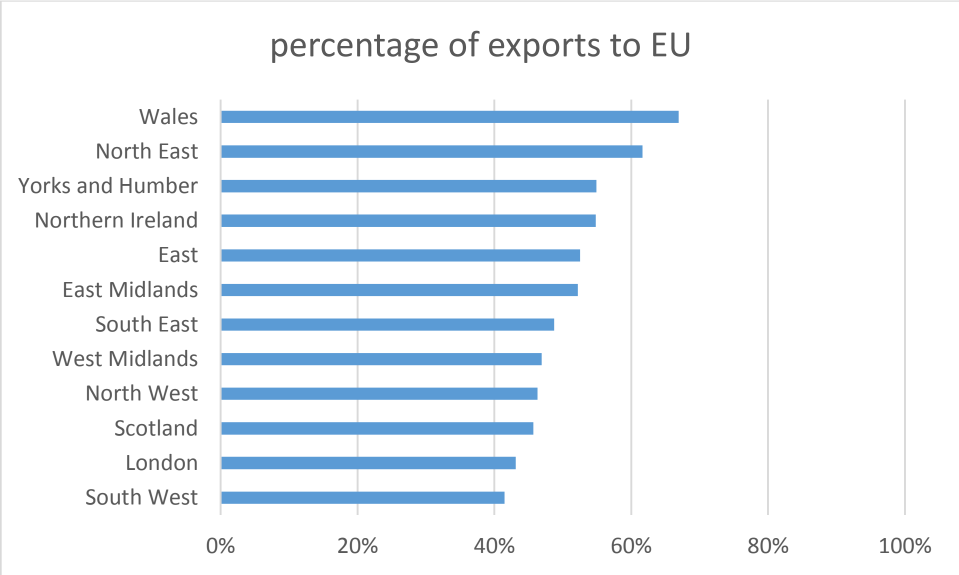
This suggests that in the event of significantly reduced migration from the EU, London would be worst affected, and the North East the least.

Regional Trade with the EU

All regions of the UK engage in significant trade activity with the EU, with around half of goods exports[14] country-wide having the EU as their destination. However, the reliance on EU trade varies.

Figure nine: Proportion of goods exported to the EU, by region

[13] Source: ONS based on Population Survey. Oct 15-Sep 16.
[14] Data on the trade in services with the EU by region is not currently available, therefore we have not been able to analyse the reliance of different parts of the UK on service exports to the EU.



Overall Wales has the highest proportion of exports going to the EU, and therefore most affected by a potential loss of trade agreements – nearly two-thirds of their exports go to the EU, followed by the North East, Yorkshire and Humber and Northern Ireland. London and the South-West export just over 40% of their goods to the EU – still a high proportion, but considerably lower.

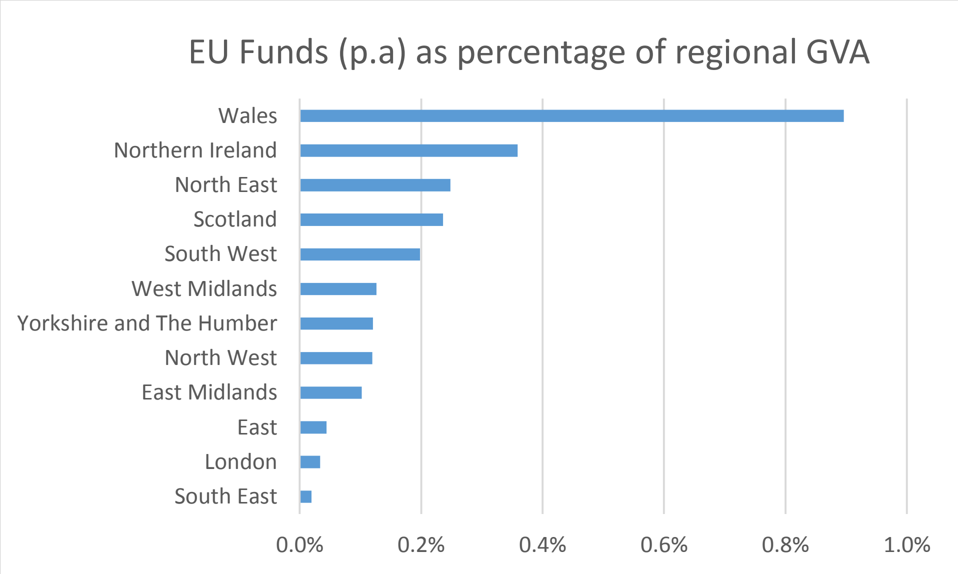
Loss of EU Funds

The UK receives considerable funds from the EU to support economic development. The two main funds are the European Regional Development Fund and the European Social Fund. Funds are allocated over a six-year time period; allocations were last agreed for the period 2014-2020. These funds are allocated partly based on how poor an area is, to help increase productivity and living standards.

An analysis reveals that the significance of these funds as a proportion of region's Gross Value Added is highly variable.

Figure ten: EU funds as a proportion of regional GVA[15]

[15] Sources: https://fullfact.org/europe/how-much-do-regions-uk-receive-eu-funding/



Generally, regional funds are a small proportion of overall Gross Value Added for the regions. However, for Wales they are quite significant, amounting to nearly 1% of GVA annually. This suggests that Wales is at most risk from the loss of EU funds, followed by Northern Ireland, the North East, and then Scotland. London and the South East are least reliant on them. Once again we can assess the risks as follows:

In Figure Twelve, we have combined two potential negative impacts – a loss of goods exports to and workers from the EU. As we move from right to left on the x axis and from bottom to top of the y axis, the impact of Brexit may be more keenly felt. The top right quadrant is therefore where there is greatest vulnerability to a loss of workers/skills shortages, and to a loss of trade. Circled are those regions or devolved nations which receive a relatively higher percentage of the GVA from EU funds – as we can see, two of the three (Wales and the North East) are already particularly vulnerable on one dimension – a loss of exports.

Figure twelve: Proportion of EU workers against proportion of exports to the EU

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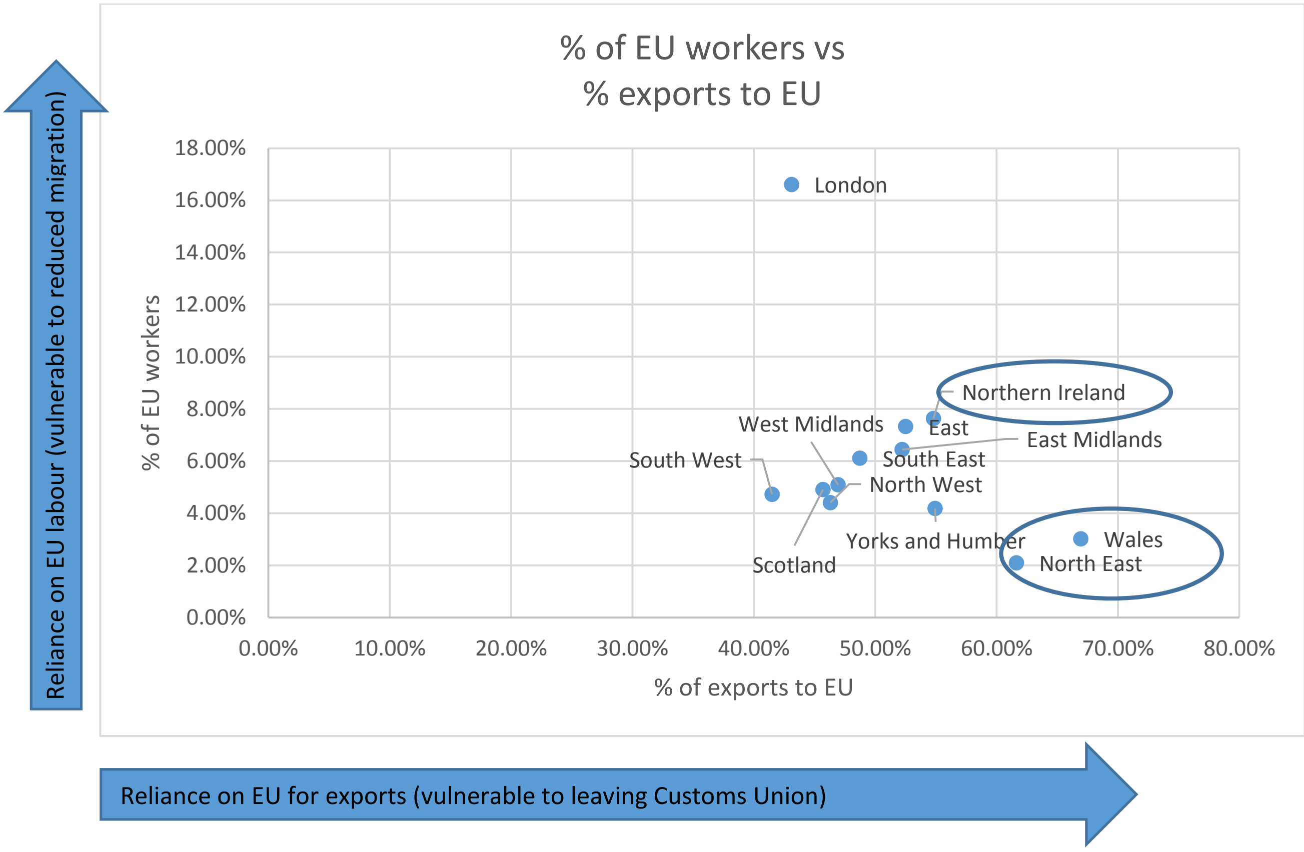
http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2016-04-08/33071/. The EU fund data is approximate and has been averaged over 6 years. Regional GVA is for 2015.



Regional conclusions

We can summarise the risks to regions as follows, with the combined effect showing Wales and Northern Ireland most vulnerable across all three dimensions, followed by the North East and London, and then the East Midlands.

Figure thirteen: Summary of Risks facing regions from Brexit

Region	From loss of EU workers	From loss of exports of goods to EU	From loss of EU funds
South East	Medium	Medium	Low
London	High	Medium	Low
East	Medium	Medium	Low
East Midlands	Medium	Medium	Medium

North West	Low	Low	Medium
Yorkshire and Humber	Low	Medium	Medium
West Midlands	Low	Low	Medium
South West	Low	Low	Medium
Scotland	Low	Low	Medium
North East	Low	High	Medium
Northern Ireland	Medium	Medium	High
Wales	Low	High	High

CONCLUSIONS

The impact of Brexit on the UK is unknown and therefore so too is its impact on the different sectors and regions of the UK. However, our knowledge about the government's intended direction of travel – leaving the Single Market with much greater limits on immigration and also probably leaving the Customs Union, and a loss of EU regional funds – provides us with a tentative ability to analyse its impact on sectors and regions.

This analysis suggests that no sector is likely to be completely insulated from the effects of leaving the EU. However, manufacturing and agriculture appear to be particularly exposed, due to their reliance on the EU for both labour and as a market for exports, and the significance of EU tariffs. The impact on financial services, construction, transportation, and mining and quarrying is also likely to be significant but depends on the (currently unknowable) access the UK will have to the Single Market.

The likely impact on regions is somewhat different. London is particularly reliant on EU labour, making it specifically at risk from any future restrictions on migration. All regions are significant exporters to the EU, so they would all face risks from leaving the customs union. However, Wales and the North East are most dependent on the EU for exports. Furthermore, Wales and Northern Ireland are likely to be worst affected by the loss of EU structural funds.

Of course, this analysis is only provisional. Much more work is required to incorporate the potential loss of access to the service sector, as well as the impact of withdrawal from the Common Agricultural and Fisheries policies.

Moreover, this analysis has not identified the regions and sectors which may stand to gain the most from the new opportunities that emerge from Brexit. These opportunities, as we explain in the body of the report, are currently unrealised and therefore difficult to predict or quantify. However, they are likely to go some way to offsetting some of the negative impacts identified in this analysis. We might see this analysis as an indicator of potential vulnerability to negative impacts and an alert of sorts – the sectors and regions identified will need to work hard to have their voices heard during the negotiation process in the areas that most affect them (such as immigration policy, EU tariffs, etc.), and to grasp, where possible, new opportunities for themselves – with new trading partners, and so on.

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