The Labour Market Implications of Brexit

- Brexit and the Labour Market – John FitzGerald, TCD and ESRI
- The likely effects on the workplace – All
- Panel discussion – joined by Ronan Hill of Morgan McGinley & Terence McCrann of McCann Fitzgerald
Brexit and the Labour Market

John FitzGerald
TCD and ESRI
8th September 2016

Outline

• Labour market trends
• British Isles Labour Market?
• Brexit
• Brexit and the Labour Market
**EU15, Tertiary Education**

- **Labour supply**
- **Employment**

**Education – cohort of 1951-5**

**Educational Attainment, birth cohort 1951-55**
Education – cohort of 1981-5

Unemployment Rate
% of Labour Force
Annual Net Emigration

% of Population 15-34

Republic of Ireland
Northern Ireland

Annual Net Emigration

% of population 20-34

UK
Other
Annual Net Emigration
% of population 20-34

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Unemployment Rate
% of Labour Force

Ireland --- UK
Relative wage rates
Ireland Part of British Isles Labour Market

Proportion of Population in Education
%

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Irish Labour Market 2016-21

• Continuing economic growth?
• Employment predominantly for well educated
• Crisis - higher participation in education
  – Will it persist
• If growth continues:
  – Rapid growth in construction?
  – return to full employment and to immigration?
• Implications of Brexit?

Brexit

• Brexit – negative impact on UK economy
  – Bad for financial sector
  – Bad for manufacturing of transport equipment
    • E.g. Airbus, Nissan etc.
  – Will be negative for FDI seeking access to EU market
    • E.g. Indian investment
• Brexit – minuses and pluses for Irish economy
  – Probably positive for financial sector
  – Negative for smaller firms exporting
    • E.g. food processing
  – Pluses and minuses on FDI
ESRI Conclusions on Labour Market

• Large migratory flows between Ireland and the UK continue and these flows are related in part to economic conditions.
  – Net flows from Ireland to the UK increase when the Irish unemployment rate rises relative to the UK rate. This suggests that the closure of the UK labour market for emigrants from Ireland would tend to put upward pressure on unemployment rates and wage rates in a future downturn.
• Simulating the effect of an inflow of 60,000 labour force participants in Ireland i.e. ‘non-outflow’ due to migration restrictions, shows that wages in Ireland would fall by almost 4 per cent.

Possible Labour Market Effects

• Pretty negative for UK economy in long-term
  – Restriction on immigration - labour supply
    • Irish?
  – Overall negative effect on employment
• Ireland – on balance negative for economy
  – Possible wins – financial sector
  – Could affect labour market behaviour in future
    • Depends on agreed outcome
Brexit – Negotiating Objectives

• Top Irish priority – Northern Ireland
  – However, Ireland needs to remember that Northern Ireland is UK’s responsibility
  – Objective: do not destabilise through new borders

• Brexit – may result in a customs border

• Brexit – Can there be free movement of people?
  – Building a wall on the island to stop people moving would be unacceptable (and impracticable)
  – Need to find an alternative

Free movement of people?

• Today Ireland has a joint opt out from Schengen with UK
  – Need to negotiate a continuing opt out for Ireland to permit possible continuing common travel area

• Continuing common travel area?
  – Today similar visa arrangements in Ireland and UK
  – In future what Ireland requires from UK:
    • No visas for EU citizens
    • Continuing similar visa arrangements?
    • The onus of adjustment must be on the UK
    • Ireland has EU obligations which we have no wish to change and cannot change
Right to Work

• Essentially separable from right to enter
• In practise there could be problems for the UK
  – If Ireland admits people who travel to the UK and work illegally this is a UK problem, not an Irish problem
  – UK must act to deal with any problems they perceive through internal action – e.g. ID cards

Right to Work

• Right to work of Irish in UK?
  – Highly likely continuing rights for those Irish already working there. Also possibly for other EU citizens
  – EU citizens moving to UK in the future will probably be subject to work permits
  – Irish citizens?

• Right to work of British in Ireland
  – Almost certainly will continue.
    • e.g. Debarring Unionists with British passports impossible
Effects on Labour Market

• Scenario 1:
  – Irish can continue to move to work in UK (and vv)
  – EU citizens restricted entry into UK to work
  – Could see more immigration into Ireland
  – Wage rate effects in UK?

• Scenario 2:
  – Irish moving to work in the UK in the future require permits
  – This could impact on domestic labour market, especially in a downturn.

Migration flows within EU

• Will also affect migration flows within the EU
• Less movement from Central Europe – Ireland remains open
• Less opportunity for highly skilled EU15 migrants in UK
• Uncertain long term impact – probably more immigration to Ireland if economy continues to grow
Possible movement of some activity from UK to Ireland

• If Financial sector in UK loses out
  – Movement of activity to other locations in EU
  – Frankfurt, Paris, Luxembourg, Dublin

• Would have implications for domestic infrastructure
  – e.g. need a lot of office space
  – Well paid workers would need housing
  – Could put pressure on housing market etc.

Conclusions

• Not a good outcome
• On most issues negotiations will be between EU and the UK
• On free movement – necessary bilateral talks
• Will take many years to play out
  – This gives time to reap some benefits
  – Time to deal with some costs
• Labour market – may or may not still be part of a British Isles Labour market
  – Depending on the outcome it could significantly affect the behaviour of the Irish labour market in the future
Effects on the workplace

• How has the UK decision to leave the EU effected your workplace to date, if at all?

• In the short to medium term what do you see as the implications of Brexit for your workplace – both potential positive and negative effects

Supports

• What kind of resources / information will help support the HR profession in Ireland to adjust to Brexit?

Panel

John FitzGerald, TCD and ESRI
Ronan Hill, Morgan McGinley
Terence McCrann, McCann Fitzgerald
Mary Connaughton, CIPD

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