The TUC’s ten-point plan to protect jobs, rights and public services after Brexit
Introduction and summary

The TUC believes the UK-EU trade deal agreed on 24 December 2020 falls far short of the ‘oven-ready deal’ promised. Without further action jobs are under threat, hard-won rights will be put on the line and our public services risk continued underfunding.

The government now needs to build on this agreement with a new approach that puts decent work at heart of trade deals, and crucially, builds a domestic strategy that supports investment in jobs and industries.

The TUC has set out a plan to help fix the shortcomings of the UK-EU deal and protect jobs, rights and public services. We are calling on the government to:

Protect jobs:

1. Help our hard-pressed manufacturing sector cope with the new barriers this deal will create, with a package to rival the best in Europe – investing at least £10bn to build supply chain capacity and resilience, green the sector, and create jobs across the UK, supported by a proven workplace training programmes to skill up the workforce. This should be just the first step in a new industrial strategy to deliver decent jobs across the UK, and protect sectors hit by both the coronavirus crisis and a degraded relationship with our largest trading partner.

2. Hire the 50,000 customs officers needed to ensure border crossings are as speedy and friction free as possible.

3. Implement a new state aid regime that supports companies struggling to keep afloat with the hit their businesses is taking both from coronavirus and from the new trading arrangements.

4. Get back to the negotiating table to protect our service industry, with an additional service agreement to get closer to pre-Brexit market access, including mutual recognition of qualifications. Government should be ready to bargain greater regulatory alignment to help protect service sector jobs.

Protect rights:

5. Get going on the promise to ‘protect and enhance rights’ by bringing forward the long-awaited employment bill including a pledge to end zero-hours contracts.

6. Give guarantees that no existing rights will be watered down or fall behind, now or in the future, and that workers’ rights in the UK will be at least as good as those in the EU.

7. Ensure workers are not priced out of justice when their rights are compromised in the workplace by guaranteeing there will be no re-introduction of employment tribunal fees.

Protect public services:

8. Ensure health and social care will be protected from privatisation in any trade deal, by setting this out in a joint interpretive instrument.
9. Support decent jobs through social clauses in public procurement to drive up employment, labour standards, skills and environmental outcomes.

10. Increase funding for overstretched public services, fill the current 600,000 vacancies, and don’t cap public sector pay.

The deal agreed on Christmas Eve will be put to parliament with implementing legislation. But the deal says nothing about what the country needs to weather the historic change in its relationship with our biggest market.

This document both outlines the TUC’s initial assessment of the deal, and the action we believe that the UK Government will now need to take to ensure the country can weather its consequences. This includes action at domestic level or through additional dialogue with the EU to build on the foundations of the agreement.

The UK-EU deal

Our broad assessment of the deal

This is not the deal we were promised, and the government needs to try harder. The deal poses threats to jobs and rights that the government must now work to address. Government must stop hiding behind the EU and its rules and come forward with an industrial strategy with real investment behind it that creates good quality jobs. It must ensure the UK upholds its promise to have the highest standards when it comes to rights at work. And it must start hammering out a better deal for our service sector in fresh negotiations with the EU, building on the ambitions in the joint declarations that come with the agreement.

The TUC’s objectives for the future EU-UK partnership were:

i) protect jobs through tariff and barrier free trade for goods and services,

ii) protect rights through a non-regression clause and dynamic alignment so the UK keeps pace with rights across the EU

iii) protect peace in NI and prevent disruptions to the all-island economy that underpins the Good Friday Agreement.

Other objectives that the TUC pursues in trade policy that are relevant are:

iv) a complete exemption for public services through a ‘positive list’ approach to service listing.

v) enforceable labour commitments and no Investor-State Dispute Settlement court system.

vi) involvement of unions in trade negotiations and in monitoring the agreement.

Government has a long way to go before these objectives are met.
In the following paragraphs we assess the deal against each of these objectives, and set out the actions government must now take.

i) Protect jobs through tariff and barrier free trade for goods and services

The deal does guarantee zero tariffs and zero quota for goods, thus ensuring the continued flow of goods and components that are essential for our manufacturing sector.

Automotive, transport equipment, chemicals and chemical products and textiles were the sectors facing the greatest risks as we leave the EU - in particular from the prospect of tariffs. Thus, an agreement on goods is welcome as it shores up jobs in these sectors. It also helps stabilise prices for agri-food products, preventing cost increases that would be damaging to household budgets already stretched by the pandemic.

However, there remain other obstacles in the form of non-tariff barriers that will have a bearing on timings of just-in-time supply chains and could drive up production costs. These technical barriers to trade will entail regulatory checks for example sanitary and phytosanitary checks, conformity assessment and labelling. Suppliers will have to certify rules of origin, adding significant additional trade frictions, even though the EU and the UK have also agreed a grace period of six years for electric vehicles components.

These barriers will not be completely eliminated by the custom facilitation scheme within the agreement: while cooperation between custom authorities and the mutual recognition of ‘trusted trader schemes’ is ensured, controls will be in place from 1 January 2021 for goods entering the EU and from June 2021 for goods entering the UK. The delays will be compounded by the lack of preparedness as the new IT system to support the new Border Operating Scheme won’t yet be functioning on 1st January 2021.

The government will try to blame business without the right paperwork for delays at the border, but no one can prepare adequately when the new terms of trade have become known barely a week before the end of the transition period, which could have been extended in the summer: it was the government’s decision to forego this extra time for preparation.

To protect jobs government should:

• Help our hard-pressed manufacturing sector cope with the new barriers this deal will create, with a package to rival the best in Europe – investing at least £10bn to build supply chain capacity and resilience, green the sector, and create jobs across the UK, supported by a proven workplace training programmes to skill up the workforce. This should be just the first step in a new industrial strategy to deliver decent jobs across the UK, and protect sectors hit by both the coronavirus crisis and a degraded relationship with our largest trading partner.

• The government should hire 50,000 custom officers and border agents to create more jobs and ensure border crossings are as speedy and frictionless as possible (each day of delay at ports costs £600).

• The government should also support companies’ struggling to keep afloat with the hit their businesses is taking both from coronavirus and from the new trading
arrangements. For this a new state aid regime is needed. The TUC set out the principles we believe this regime should follow in October 2020.¹

Why the manufacturing sector needs a support package to thrive in the post Brexit UK

The manufacturing industry employs almost three million people across the UK, manufacturing contributes ten per cent of our GDP, and goods account for over half of our exports. But the sector, and automotive in particular, have been hit hard by the coronavirus crisis and now face a second blow from the impacts of a poor Brexit deal. The Society of Motor Manufacturers and Traders (SMMT) note that UK car production fell to its lowest level since the second world war, down 99.7 per cent in April 2020 and the new car market fell 43 per cent in the first quarter of 2020.²

Based on media announcements so far this year, we estimate that over 11,000 jobs have potentially been lost across the automotive industry (inclusive of automotive retail) since the onset of the pandemic. And more could be on the way - for example, the OECD estimates the unemployment rate could rise by 2.4 per cent in the motor vehicle, parts and transport equipment industry.³ According to Make UK, one fifth of manufacturing businesses intend to make redundancies in the next six months.⁴

The changed trading relationship with the EU is a particular challenge to manufacturing companies in the North: as Make UK’s recent report on the role of manufacturing in the levelling up agenda found: “As has been identified by manufacturing businesses in the North, the leading challenge to the future prosperity of the region is the future trading relationship with the EU. Whilst this is a pressing concern for the entire UK economy, it is particularly pertinent to those in the North, as 56.4% of all of the North’s regional exports are bound for EU shores, which is significantly above the UK average of 48%.”⁵

The deal has avoided the tariffs that could have devastated the automotive sector. But the sector still faces significant challenges in adjusting to new regulatory barriers, at the same time as the support provided falls far short of that seen in other European countries as part of their coronavirus response.

In France, the Government have brought forward an £8bn plan to support the automotive sector, which includes policies to encourage renewal of the French car fleet with a focus on less

¹ TUC, Levelling up the UK: the role of state aid, October 2020 https://www.tuc.org.uk/research-analysis/reports/levelling-uk-role-state-aid


carbon-intensive vehicles, a €1 billion fund for the modernization and digitization of automotive production chains, and support for companies and employees, especially encouraging vocational training schemes. 6

In Germany, the Government has introduced a €6.0 billion fund to support climate-friendly mobility through grants for e-cars, an investment program for e-mobility manufacturers, expansion of e-charging facilities, investment grants for Deutsche Bahn rail network, federal investment grants for e-Busses and e-Trucks and climate-friendly power and fuel supplies for the shipping and aviation industries.7

To level up, achieve our green ambitions and deliver the UK supply chains the manufacturing industry will need to thrive in a post-Brexit world, the manufacturing industry needs support now.

The UK should invest £10bn in a manufacturing support plan with the aims of:

- Greening the industry
- Developing domestic supply chains and jobs; and
- Helping deliver an industrial strategy that can level up the country.

The support should be overseen by a sector council bringing together unions and employers to design the best support possible. And this support should be a down payment on the £85bn investment the TUC has called for over the next two years to help deliver a just transition and over 1 million new jobs.

Significantly, the EU-UK deal does not adequately cover the service sector: the settlement is very far from the comprehensive and substantial sectoral coverage the government had promised. UK services will be faced with many more obstacles around recognition of professional qualifications (for which an application in each of the 27 EU countries would need to be made), licenses applications (which will be limited in number), fees, stricter rules on workers’ mobility (key for the creative arts and entertainment), loss of passporting rights and issues relating to data adequacy (both essential to finance and communications sectors).

This could have knock on impacts on jobs through displacement towards subsidiaries in the EU (especially in the case of banking) and have knock-on consequences for secondary employment in the domestic supply chain, as well as entailing a decline in productivity across the service sector of an estimated 3-5 per cent in the medium term, with transport and storage; professional, scientific and technical; and financial and insurance services being most affected by this decline.8

7 See Bruegel.org ‘The fiscal response to the economic fallout from the coronavirus’ last updated 24th November 2020 at https://www.bruegel.org/publications/datasets/covid-national-dataset/#belgium
Because of the importance of services to the UK economy (services account for around 80 per cent of output and employment) these potential reductions in output and productivity represent large losses. In terms of regions, the OECD identifies the North East, the West Midlands, Wales, London and the South East as being particularly exposed due to their reliance on exporting services to the EU.9

Regulatory alignment is paramount if the UK service sector is to continue to trade in the EU as the EU will decide unilaterally whether UK regulations are ‘equivalent’ to EU standards. The government should not deviate from the common standards it has with the EU if it serious about protecting British leading services such as finance and creative industries

Government should:

- Get back to the negotiating table to protect our service industry, with an additional service agreement to get closer to pre-Brexit market access, including mutual recognition of qualifications. Government should be ready to bargain greater regulatory alignment to help protect service sector jobs.

ii) Protect rights through non-regression clause and dynamic alignment so the UK keeps pace with rights across the EU

The deal says that the EU and the UK commit to maintain a level playing field between them by not rolling back the rights that exist today in the field of fundamental rights at work, health and safety, fair working conditions and employment standards, information and consultation rights at company level and restructuring of companies.

But the clause falls short of our expectations as it does not clearly indicate that the all EU-derived rights – beyond those listed above and including their evolving interpretation through EU case law – that exist at the end of the transition period are to be maintained. This could allow the government to say that the body of acquired rights is much smaller than the protections we have fought for and gained from EU law over the years. For example, the government might choose to interpret this as not including decisions made in EU case law that have granted additional rights in the area of working time or equal pay.

The commitment to the level playing field also applies over time, but there is no ‘ratchet’ clause that would require the UK to keep pace with improved rights in the EU and vice versa, even though in case of persistent and significant regulatory divergence either party can trigger retaliatory measures and seek the views of a panel of experts (see enforcement further below). This means that Government will have only limited responsibilities to ensure that the rights of workers in the UK do not fall behind those of workers across Europe.

Because the non-regression clause is not as strong as trade unions wanted and does not amount to dynamic alignment, the deal provides extremely weak protection for workers’ rights. There will be limited immediate change to UK employment laws at the start of 2021 because under the European Union (Withdrawal) Act 2018, virtually all EU employment law transferred into UK law. The main exceptions to this are workers’ rights under European

9 Ibid
Works Councils, and rights on insolvency for people working for UK companies based outside the UK.

After January, the government will be able to amend or repeal existing EU-derived employment law. The impact of coronavirus on workers and the economy has drawn attention to the importance of many specific areas of employment law where current legislation is derived from the EU, including the right to refuse labour if conditions are unsafe; information and collective consultation rights ahead of redundancies; insolvency rights; anti-discrimination protections; working time rights; control over personal data and use of surveillance.

Changes may not necessarily come in the form of repeals, but through subtle amendments; the creation of free-ports and free enterprise, de-regulated zones where employment rights are waived or lowered; small business exemptions or through the government instructing the courts to depart from retained EU case law ‘when it makes sense to do it’\(^\text{10}\) (which seems a very low bar). These rights could also be rendered unenforceable through the re-introduction of tribunal fees, under-resourcing the courts, or inhibiting judicial review proceedings.

EU citizens who do not receive permanent ‘settled status’ in the UK are also at risk of being unable to claim their rights. The TUC is concerned that 1.6 million EU citizens currently only have ‘pre-settled’ status which only entitles them to five years residency in the UK after which they may lose their legal status and their ability to claim rights at work.

In order to protect workers’ rights:

• Government must show it is serious about enhancing rights, bringing forward the employment bill they have promised with a pledge to end zero hours contracts.

• Government must give guarantees that no existing rights will be changed or watered down, now or in the future. And government must ensure that workers’ rights in the UK will be at least as good as those in the EU and be prepared to match improvements in EU law – like the currently proposed directives: mandating national action plans to ensure collective bargaining coverage of 70%; pay transparency; protection of platform workers; or the recently adopted directives on work-life balance giving new rights to paid paternity leave to all workers and predictable and transparent working conditions.

• Ensure workers are not priced out of justice when their rights are compromised in the workplace by guaranteeing there will be no re-introduction of employment tribunal fees.

• The government must guarantee permanent right to remain to all EU citizens who were in the UK before December 2020, and separate employment rights and immigration status so all workers are able to claim their rights, regardless of immigration status.

\(^{10}\) amendments to s 6 of the Withdrawal Act introduced by the European Union (Withdrawal Agreement) Act 2020 and European Union (Withdrawal) Act 2018 (Relevant Court) (Retained EU Case Law) Regulations 2020, regulation 4(2).
iii) Protect peace in NI and prevent disruptions to the all-island economy that underpins the Good Friday Agreement.

The agreement does not replace what the UK and the EU have already agreed in the Withdrawal Agreement and the protocol on Northern Ireland – that Northern Ireland remains in the custom territory of the UK but continues to apply the EU custom rules. This was done to avoid a hard border on the island, effectively shifting it to the sea. Checks would thus be required on goods between Great Britain and Northern Ireland, unless it can be shown these goods will remain in NI.

This arrangement is ‘permanent’ (unlike the original protocol, which was a temporary backstop) and can be undone only by cross-party consent in Stormont with a vote every four years.

The agreement does not affect the pre-existing arrangements for the Common Travel Area between the UK and Ireland. However, following the UK’s withdrawal from EU programmes such as Erasmus, Ireland has decided to unilaterally continue to include students in NI in the student exchange programme, whereas the UK will introduce its own new scheme that will apply worldwide.

The UK has indicated that it wishes to continue its participation to the PEACE+ programme that supports peace and reconciliation and promotes economic and social stability in NI and the Border Region.

- The government should commit to continued funding to the EU PEACE+ program and to pursue negotiations with the EU as early as possible to ensure continuity in the region.
- Alternatively, the government’s Shared Prosperity Fund should match the same resources to support the economy on NI, heavily dependent on unfettered access to the Irish market.
- The government should reconsider its decision to withdraw from the Erasmus program.

iv) Protect public services through a complete exemption and a ‘positive list’ approach to service listing

The agreement protects the rights of both the UK and the EU to regulate and organise their public services, but it uses a ‘negative list’ approach which bears the risk that the sectors that are not explicitly listed as being exempted, would be deemed to be covered by the market access provisions of the agreement. The only sectors that are explicitly excluded are aviation, audio-visual, national maritime cabotage and inland waterways transport. Both the EU, member states and the UK have expressed reservations on the liberalisation of certain other sectors, listed in annexes, but anything that does not appear in these lists is deemed to be open to operators from the EU and the UK on a reciprocal basis.

There is also a blanket exclusion from liberalisation of public utilities in the future, which may continue to be subject to public monopolies; publicly funded education services; health care and social services.
Notable exceptions are telecoms and computer services, neither of which is ringfenced – which means existing levels of liberalisation are locked in and EU and UK operators will have access to these sectors in the future, as will be post/delivery and maritime transport services that are covered in the service chapter.

There is no clarity as to whether services that have been outsourced could be brought back in-house or be re-nationalised. In addition, public services are at risk of continued underfunding because of a reduction in tax receipts: economic forecast from OECD, Institute for Fiscal Studies, Bank of England and Office for Budget Responsibility all put the impact of a minimal trade deal such as this agreement at between 3-5% drop in GDP.

The agreement would allow EU companies to tender for contracts in UK public services\(^\text{11}\), but it is not clear under what conditions. The agreement commits the parties to ensure that social and labour considerations may be taken into consideration when awarding contracts, provided these are clearly indicated in the tender notice. However, this clause is not prescriptive and each party will award contracts according to their respective systems. At the very least, if the deal prevents reversing privatization, EU companies should be required to respect local terms and conditions and collective agreements. Leaving the EU public procurement directives, with their requirements around social considerations, and moving to the WTO Global Procurement Agreement would leave us worse off in terms of protecting social value.

To protect our public services:

- Government must rebut threats of NHS privatization coming from a potential deal with the US, where big pharma has offensive interests; and should seek assurances that similar risks are not lurking behind the deal with the EU by setting out in a joint interpretative instrument that additional exemptions can be added to the agreement to ensure comprehensive protection for health and social care.

- Government should also review public procurement policy to support decent jobs through social clauses to drive up employment, labour standards, skills and environmental outcomes.

- The government needs to protect our public services by increasing funding for services that are overstretched, hiring for the current 600,000 vacancies and not capping public sector pay.

\( v) \) Enforcement of labour clauses and no Investor-State Dispute Settlement (ISDS) court system.

It is welcome that the deal does not contain ISDS nor similar bodies like Investment Court System that is contained in the EU agreement with Canada, that allow foreign investors to challenge governments for actions that threaten profits.

However, the enforcement mechanisms within the deal are insufficient to protect workers’ rights.

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\(^{11}\) including gas, private utilities, services in hospitality, telecoms, real estate, education and other business sectors. A notable exception is health services (note 3 of the Annex Proc-1).
The dispute settlement mechanism in the agreement remains a state-to-state system i.e. a mechanism where only the government and the EU (represented by the Commission) will deal with their divergences in interpretation, monitoring and implementation of the agreement through a Partnership Council. This is not a judicial body though it can issue decisions that are binding on the parties. However, these are taken by consensus so no one party can override the other. Technical committees assist the work of the Council, including a Trade Specialised Committee on the Level Playing Field.

In case divergences cannot be resolved within the Partnership Council through political dialogue, the parties can seize an arbitration panel of the matter.

However, the level playing field commitments on workers' rights are not subject to the deal's dispute mechanism, but to a separate panel of experts, and provisions on labour and social protection are left mainly to UK domestic enforcement. In case of a dispute on the labour clause, first the parties must engage in consultation, failing which the parties can turn to a panel of expert that will issue a non-binding report.

In case of a significant divergence in labour standards, that has a material impact on trade demonstrated with reliable evidence, for example actual legislation and not simple conjecture, the injured party (either the UK or the EU) can adopt retaliatory measures unilaterally (tariffs) and adapt the market access granted to the other party.

In case of persistent violations of the labour commitments, a party can request a review of the trade part of the agreement after four years from its entry into force i.e. not before 2025, so that the market access rights are commensurate with the level of compliance with the agreement's obligations. This mechanism is supposed to maintain the playing field for fair competition level.

It is unlikely such a review clause would be an effective deterrent to regulatory divergence, because the injured party can only request a review if it the retaliatory measures have been taken too frequently or if divergence has an impact on trade.

Even though such a clause is new to EU agreements, the approach (negative impact on trade and labour clauses subject to a separate dispute settlement mechanism) is rather standard in Free Trade Agreements and one trade unions have always rejected as impractical because of the burden of proof required to show that a downgrading of workers' rights has a material impact on trade.

And because the agreement does not confer rights to individual workers – except those on social security – an individual will not be able to rely in a domestic court or elsewhere on the provisions of the agreement to defend their rights. The agreement expressly prohibits the possibility of an individual's right of action against an alleged breach of the agreement by either the EU or the UK. This is in stark contrast with the right of an individual company, affected by illegal state aid granted to a competitor, to go to court in the UK or to complain with the European Commission.

Finally, the unilateral retaliation and the countermeasures, especially those that reduce market access rights, could hurt individual companies and potentially jobs. To avoid triggering sanctions without hurting employment the parties could pay a fine rather than lose market access – the burden would then fall on UK government and the EU/EU27, rather
than individual workplaces. But the agreement does not foresee financial penalties for violations of the level playing field.

To better protect the enforcement of workers’ rights,

• Government must guarantee that avenue for redress will be available to workers within the agreement.

• Government and the EU should negotiate a joint interpretive instrument that commits both to ensure labour clauses can be effectively enforced

• Should there be evidence that workers’ rights in the UK are being violated or protections are falling behind, the government must take responsibility and remedy the situation to avoid incurring EU unilateral measures that will end up hurting jobs.

**vi) Involvement of unions in trade negotiations and in monitoring the agreement.**

This system set out above does not allow the possibility for trade unions to enforce the deal and bring complaints for violations of the level playing field clauses, contrary to our demands.

There is an obligation for the EU and the UK respectively to set up a domestic advisory group (DAG) that represents workers and their trade unions, employers and civil society and both the EU and the UK must consult the DAG on the implementation of the agreement. The DAG meets at least once a year and can adopt recommendations and submit its views in the consultation process described in the section above. But there is no obligation to seek the views of the DAG and its recommendations are not be binding on the parties, even when the DAG discusses the implementation of the agreement.

There is also a civil society forum where dialogue on the trade part of the agreement takes place, but it does not play any role in enforcing the agreement.

The TUC has long believed that the DAGs are inadequate for the purposes of enforcing free trade agreements. Neither the DAG nor the civil society forum can substitute for individuals and/or trade unions’ ability to file complaints.

To ensure workers have a voice in the implementation of the agreement:

• Government must set up an economic and social committee in the UK, representatives of which can act as the UK DAG, and this in consultation with the TUC.

• Government must ensure the DAG’s ability to trigger investigations by negotiating an additional Memorandum of Understanding or joint interpretative instrument that clarifies and extends the powers of the DAG.

• Government must ensure that dialogue with civil society is structured so that consultations on the agreement include all parts of British civil society and its representatives can take part in the annual meetings of the Civil Society Forum set out by the agreement.

**Conclusion**
This deal is better than nothing, but not by much. It is disappointing in scope and depth – while some jobs will be protected by the absence of tariffs, the advantages will be cancelled by regulatory barriers in other sectors or higher production costs. And it puts hard-won workers’ rights on the line.

As we come out of the pandemic, we’re facing a crunch point for jobs and living standards. This deal is the prime minister’s responsibility, and it is now the government’s responsibility to make sure working families don’t end up worse off.

Government must deliver an industrial strategy for decent work, with investment in jobs and green industries in parts of the country that need it most. Government must live up to its commitments to protect workers’ rights. It must put decent work at the heart of future trade deals. And it must keep working to ensure the consequences of this deal do not drive down living standards across the UK.