Taking the temperature of the post-Brexit economy

Britain’s economic prospects after leaving the EU

Contents

Executive Summary

This report looks at what we know about the economic impacts of the decision to leave the EU.

First, however, the report looks at what was happening to working people in the UK before the referendum. Weaknesses in the UK economy were evident well before the vote. The figures show feeble pay growth following years of a pay freeze, a slowing in employment growth, and an increase in insecure jobs.

In the immediate aftermath of the vote, we saw a sharp fall in the stock market, and drops in many surveys of business and consumer confidence. Following the Bank of England's decisive action to cut interest rates and increase quantitative easing, measures of confidence appear to have stabilised, although there is still little hard data on which to base an assessment.

In the medium term however, there remain risks to jobs and pay arising from the uncertainty about our future trading relationships with the EU and the rest of the world. Many of our convenors report that decisions on investment in their workplace remain on hold, with businesses taking a 'wait and see' approach. Any resulting slowdown in growth would have clear impacts for jobs, with current forecasts predicting around quarter of a million job losses into 2017.

One clear indicator we do have is the value of the pound, which has fallen dramatically and stayed down. With this likely to feed through into higher inflation as rising import costs raise the prices of every day goods, the return of the wage squeeze is a distinct possibility. Current forecasts would see working people's pay rise by just 0.1 per cent next year.

The uncertainty and possible wage squeeze arising during this "phoney war" before Article 50 is triggered, and possibly during Brexit negotiations themselves, are risks that must be addressed. The TUC has called for immediate infrastructure investment from government, not only to build the homes, railways and broadband connections the UK economy desperately needs to boost productivity, but to give businesses the confidence to keep investing and hiring.

But the real economic consequences of Brexit will only be known when the UK does leave. Prospects for workers' jobs and pay will depend on the terms of trade with Europe and the rest of the world negotiated as part of the Brexit settlement. The TUC believes that maintaining the advantages we get from membership of the single market is the key to a successful Brexit for working people.

These advantages vary by sector; while tariffs are the major issue for some manufacturers, many service industries rely on the removal of non-tariff barriers, for example the application of common regulatory standards.

It is vital that ministers consider both the sectoral and regional impacts of any new trading arrangements. In every English region and Scotland, almost one in ten jobs are linked to EU exports. And initial analysis in this report shows that in every part of the UK except London, manufacturing jobs dependent on EU exports are more significant than jobs in financial services that rely on the EU.

That is why the TUC will argue for a deal that works for all sectors of the economy, and protects the well-paid jobs that boost the low-wage economies of some of our poorest regions. Protecting manufacturing is key to stopping the stark regional inequalities exposed in the Brexit vote from widening further.

Of course, policies to bring prosperity across the UK and boost jobs and pay in the years to come will need to go well beyond an attempt to address the impact of Brexit, and encompass a renewed industrial strategy, reforms to corporate governance, a pay increase for Britain's poorest workers, and a concentrated attack on insecure forms of work. These will be the subject of future TUC reports.

Section one

Introduction

The TUC campaigned to stay in the EU at the referendum because we thought that was the best way to protect decent jobs and rights at work. But the British people have made a clear choice. Our priority now is to ensure that working people don't pay the price for the decision to leave the EU.

Even prior to the vote, Britain suffered the largest fall in wages following the financial crisis of any developed country except Greece. It's clear that working people across the UK cannot afford another hit to their pay and their jobs.

The trade union movement wants what it always has: a strong economy for the UK that creates and maintains decent well-paid jobs for everyone. We think that will be harder outside the European Union, but we do not seek confirmation of the concerns about the economic impacts of Brexit that we expressed pre-referendum. Instead, we want to see the government take pre-emptive action to stop any economic slowdown, calm any uncertainty and ensure that jobs, pay and rights are protected in the process of British exit.

Two months after the vote to leave the EU, this report sets out to take the temperature of the post-Brexit economy, and understand the emerging impacts on working people. Some commentators have pointed to positive or negative economic indicators to confirm their pre-existing views about Brexit: but the message of this piece is that it is too early to tell what the full impact of the decision to leave will be. The uncertainty during this 'phoney war' while the government is determining its policy may, without swift action, hit jobs and pay. But the major economic impact is likely to be felt during and after the actual transition to a post-EU Britain.

This piece contains new analysis of national data, and includes the first post-referendum insights from the TUC's panel of trade union convenors working at major private sector employers across the country. This panel is made up of senior volunteer union officers who have responsibility for negotiation with the employer for a significant number of staff, often across two or more unions and a number of sites. They are an invaluable source of real grassroots intelligence about the impacts of wider economic and market changes on employees at some of the UK's biggest companies, and are often valued partners for their companies in working through the workforce implications of change.

About our convenors panel: The TUC has established a panel of trade union convenors across a wide range of industrial sites, including steel, automotive, and energy industries. We spoke to 35 convenors for this research. Their comments are reported anonymously, and identifying details have been removed where necessary.

Section two

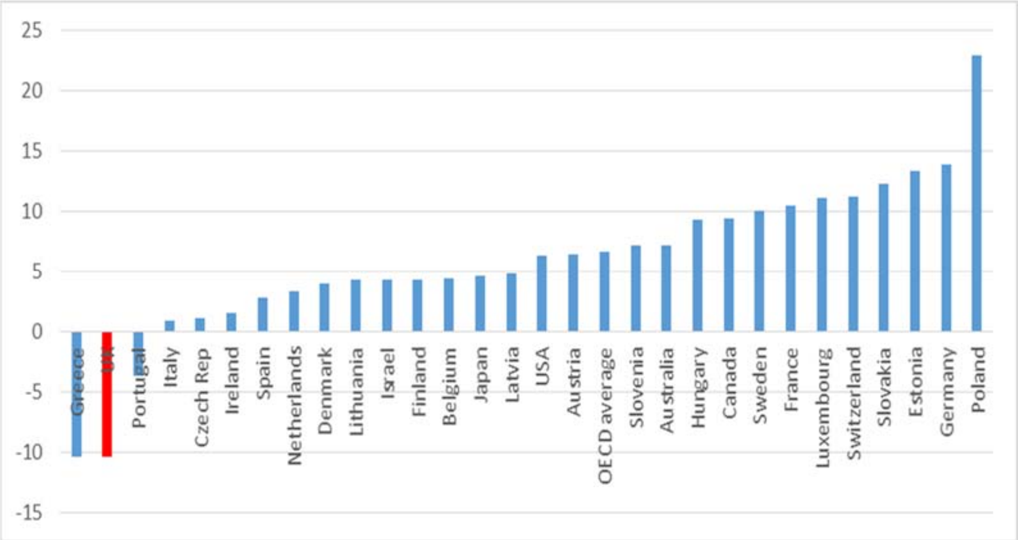
Britain before Brexit: a weak and unbalanced recovery

This section looks at how working people's pay and employment prospects were faring before the 23rd June in order to give a baseline from which to assess the impact of Brexit.

Pay and incomes

The most notable feature of the UK economy for workers has been the prolonged pay freeze, with workers in the UK suffering the largest fall in wages following the recession of any developed economy other than Greece.[1]

Change in real wages, 2007-2015

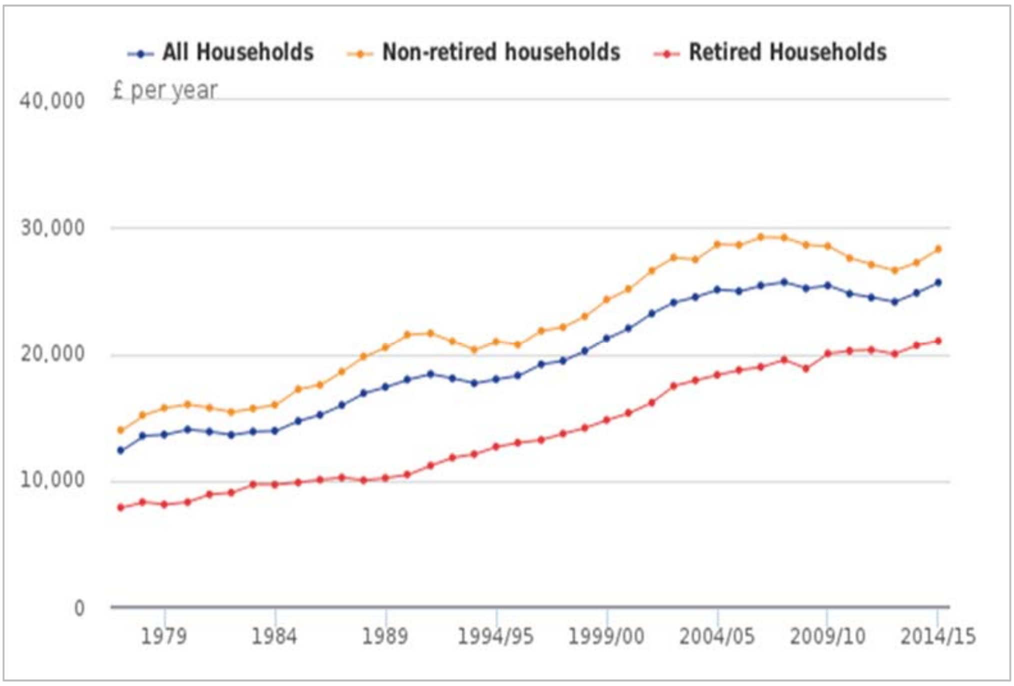


Source: TUC analysis of OECD data.

While pay has kept ahead of inflation in 2016 so far, pay growth has been weak at best. The latest figures show real weekly pay still £20 below its pre-recession peak.[2] That's helped contribute to a situation where annual household incomes for people of working age are still £900 below their pre-recession (2007/08) level, despite a welcome recovery for older people.

[1] TUC analysis of OECD data.
[2] Regular pay for June 2016, current prices, using CPI.

Median equivalised disposable household income by household type (2014/15 prices)



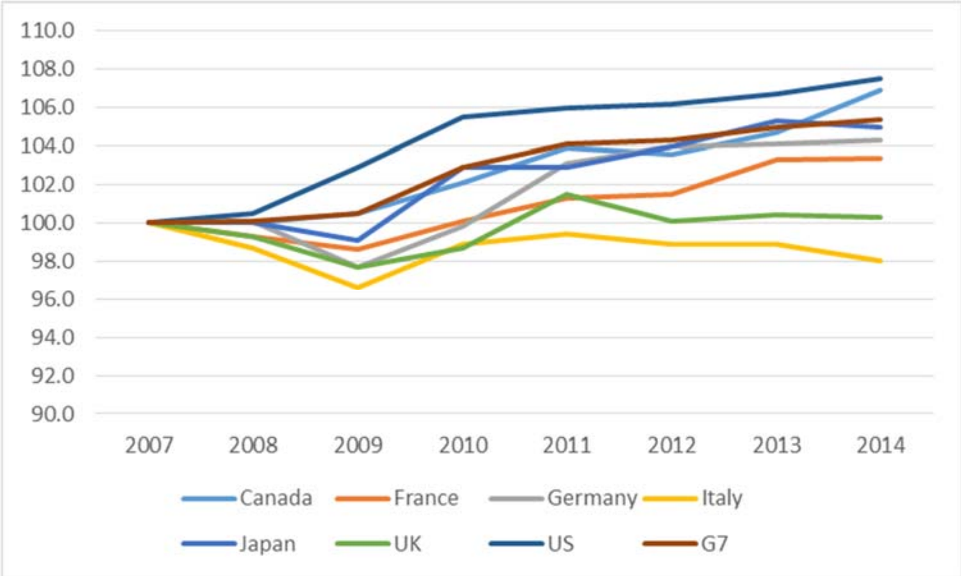
Source: ONS 2016, Household disposable income and inequality: financial year ending 2015[3]

Productivity and growth

Weak pay growth has accompanied poor productivity, and unbalanced growth across the economy. While the productivity slow-down has affected many advanced economies, the UK has seen a weaker performance since 2007 than any G7 country except Italy.

[3]Available at: http://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2015#trends-in-household-incomes

Productivity in G7 countries, constant price GDP per hour worked, indexed to 2007

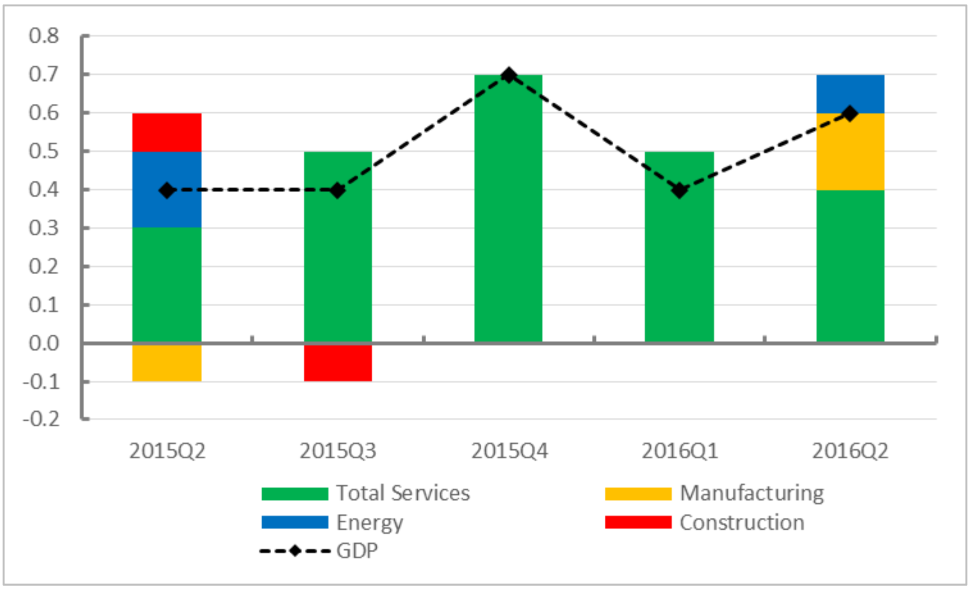


Source: ONS (2016) International comparisons of productivity, Table 3[4]

Growth in the UK has also been unbalanced, driven (until the last quarter) by the services sector, with manufacturing and construction providing either no contribution or a drag on growth in four of the five most recent quarters.

[4] Available at: https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/internationalcomparisonsofproductivityfirstestimates

Industry contributions to GDP quarterly growth, percentage points



Source: ONS

Weaknesses in manufacturing were apparent when we spoke to our convenors, with several reporting that their workplace was facing problems before the Brexit vote.

"The main problem is not so much Brexit, as whether the company will continue to exist"

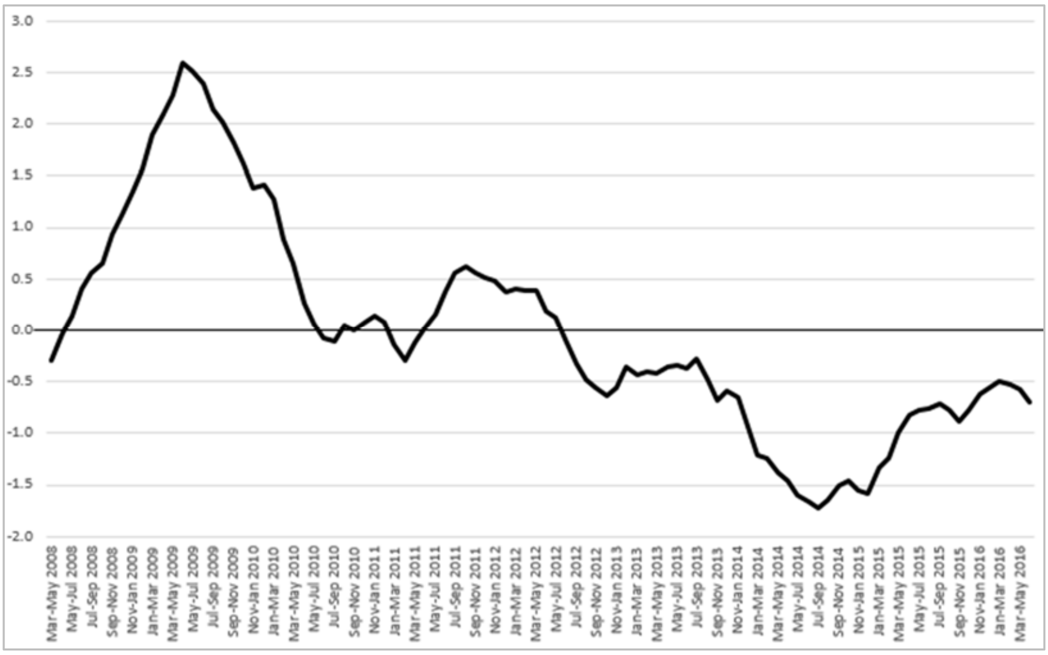
"[Company name] has not been doing well at all. It will be closing down one [location removed] plant, and it's rumoured the rest are going too. Over the past five months, 100 people at [location removed] plant, have been made redundant. Not hiring new people, but expecting those left to work harder. Morale has been very low."

"The industry has declined. It's a lack of investment due to lack of action from Government in the last twelve months. My colleagues are struggling to find work, companies don't seem to be recruiting, there's no guidance from government, and they're just taking a back seat."

Employment and unemployment

The UK was experiencing record employment rates going into the Brexit vote. More people are in work than ever before. However, as the chart below shows, the rate of reduction in unemployment seems to have slowed in recent months, suggesting that the UK could have been reaching the end of a cyclical recovery.

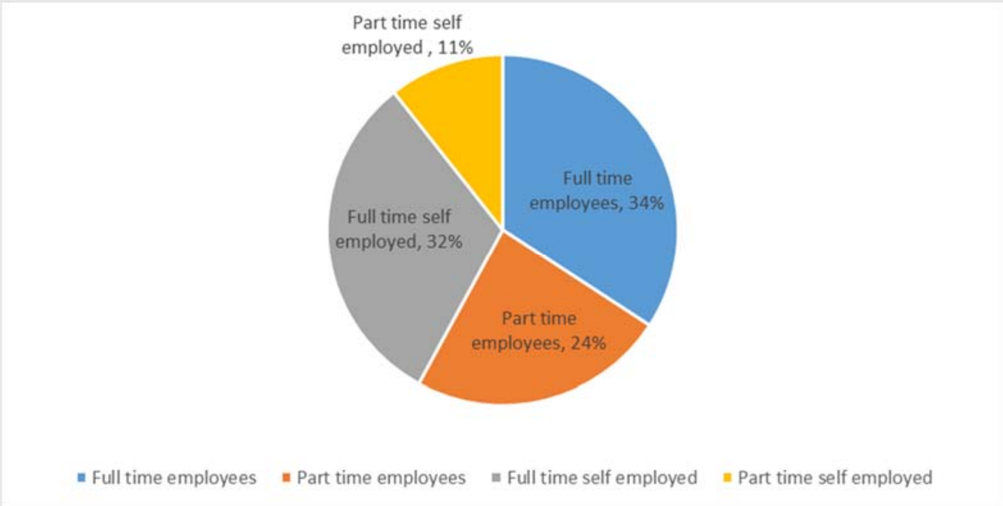
Rate of change in the unemployment rate, 2008-16



Source: Labour Market Statistics, August 2016.

High employment rates are welcome, but there remain signs that weak pay growth is underpinned by an increase in insecure forms of working, with nearly two thirds of the employment growth over the past 12 months in either part time work or self-employment.

Share of total growth in employment, April-June 2015 – April-June 2016



Source: Labour Market Statistics August 2016

While many people welcome the flexibility that self-employment brings, that flexibility too often comes at an unwelcome price. In 2014/15, self-employed earnings were still a massive 24 per cent below their pre-crisis peak, with the gap with employee earnings widening so that, in 2014/15, the self-employed earned over £8,000 less a year than employees.[5]

Moreover, the growth in employment has been unevenly spread. Between 2010 and 2015, jobs in London grew at twice the rate of those in the rest of the UK, at 14.4 compared to six per cent.

Since the referendum, many have suggested that the economic situation of many working people had a direct influence on their vote – with suggestions that a vote to leave the EU might affect Britain's economic prosperity failing to connect with working people who did not feel that they had a share in that prosperity. As the Joseph Rowntree Foundation point out:

"the poorest households, with incomes of less than £20,000 per year, were much more likely to support leaving the EU than the wealthiest households, as were the unemployed, people in low-skilled and manual occupations, people who feel that their financial situation has worsened, and those with no qualifications."[6]

The next section turns to the immediate impact of the Brexit vote.

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[5] Family Resources Survey: financial year 2014/15 Table 7.1: Median gross earnings of employees and the self-employed, 2004/05 to 2014/15, United Kingdom (2014/15 prices)[1]

[6] JRF (2016) *Brexit vote explained* https://www.jrf.org.uk/brexit-vote-explained-poverty-low-skills-and-lack-opportunities

Section three

The short to mid-term impact of Brexit: the phoney war?

The short answer to the question of the economic impact of Brexit is that it's too early to tell. While many are looking in the current data for confirmation of their prior assumptions about the impact of an exit from the EU, whether positive or negative, as yet we have little good data on the period after the vote took place.

Indicators in the period immediately after the referendum reflected the shock many felt at the decision to leave, with the stock market initially falling sharply, and a range of business confidence measures following suit. The July Purchasing Managers Index survey showed a sharp fall and the Recruitment and Employment Confederation's regular survey also showed a slowdown in hiring intentions, illustrating how declining business confidence feeds into poorer job prospects and pay. Permanent job placements fell at the fastest rate in seven years and permanent salaries increased at the slowest rate in over three.

These initial indicators may have contributed to the Bank of England's decisive action in August. The cut to interest rates and expansion of quantitative easing appears to have calmed nerves a little, and the surveys of purchasing managers for August have shown a return of confidence across both the services and manufacturing sectors.

But while the initial shock of the decision may have faded, there is still considerable uncertainty about Britain's future economic prospects. Ultimately, the shape of any future trading relationships with the EU and beyond will determine our prosperity. But in the meantime, working people's jobs and pay remain vulnerable to two key risks;

- Firstly, uncertainty about the future trade deal may impact on business investment, feeding through to a hit to growth and jobs.

- Secondly, the fall in the value of the pound – itself a reflection of that uncertainty – is likely to lead to higher inflation. With pay still weak, that could mean another squeeze on living standards for working people.

The impacts on growth, jobs and pay are by no means inevitable. Government must play its part in bolstering economic growth, and the TUC amongst many others has called for a boost to infrastructure investment not only to build the homes, transport and broadband connections the UK economy desperately needs to boost productivity, but to give businesses the confidence to keep investing and hiring. As the first section of this report sets out, reform was needed well before the Brexit vote to tackle Britain's poor productivity and anaemic pay growth, and remains needed now.

Without this investment, there is a clear risk that the inevitable uncertainty about the outcome of the Brexit negotiations will see workers paying the price for the decision to leave the EU. This uncertainty may form a "phoney war", before the major impacts of Brexit are felt when the UK actually leaves the EU.

The risk to jobs and growth

We spoke to convenors across the country to get an idea of the impact of Brexit on plans within their workplace. While many of the convenors we spoke to were not yet seeing the impact of Brexit (and some, including those with government contracts, did not expect to do so), for several, particularly those in the automotive industry, the hit to investment was already in evidence:

"No-one really knows what's going on and there's lots of uncertainty… all investment has stalled…in [location removed] 80 per cent of exports go to Europe. One future model will be built there, but the [name removed] model will be stopped, and no new models are planned."

"After Brexit there have been about 40,000 unsold cars. Until Brexit there were record sales… There is no investment now, the company doesn't want to invest or spend after Brexit. …they are threatening to shut a plant… Brexit will give the company an excuse to cut jobs."

"All the capital investment decisions are made in [European capital]. Following the referendum they turned the taps off overnight. There was no business plan beforehand about what would happen in the situation of Brexit. Answers from management are very vague – they say no developers want to commit, and there is uncertainty in the markets."

Others saw their company as in 'wait and see' mode, with potential impacts further down the line.

"No drive to create full time jobs. Management are citing too much uncertainty in the market. If there was a downturn, management wouldn't want to make new recruits permanent."

'Not seen any real impact as yet… there are concerns that Brexit may lead to even less work… there's a concern that companies won't want to invest. We are waiting to see what happens."

"There's been no adverse effect where we are, but we're not out of the EU yet. The negotiations over several months is where we'll see any effect."

The potential hit to business investment was reflected in the Bank of England's August forecasts for economic growth. For 2016 business investment is now expected to decline by -3.75 per cent, well below the previous forecast for growth of 2.5 per cent, and there is an even bigger reduction into 2017, with the forecast falling from 7.75 per cent to a decline of -2 per cent.[7]

The decline in business investment risks feeding through into a hit to growth, and the Treasury's round up of independent economic forecasts in August saw projections for GDP growth overall in 2017 fall to 0.7 per cent from a pre-referendum estimate of 2.1 per cent.[8] While these forecasts were made before the better survey data, the risk to jobs remains real. The same forecasts show a rise in the unemployment rate to 5.6 per cent in 2017, up 0.7 points from the current 4.9 per cent and equivalent to a return to the levels of 2015. This would equate to an increase in the level of unemployment of around 230,000 – or nearly quarter of a million jobs.

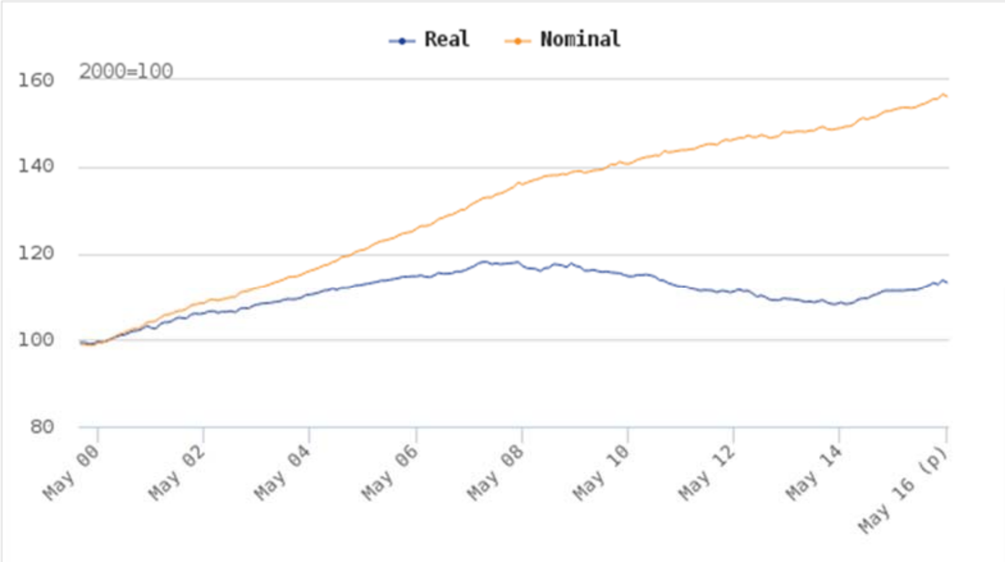
The return of the wage squeeze?

Following the financial crisis, working people saw the longest squeeze on their living standards since the 1850s, with Britain experiencing the largest falls in real pay of any developed country except Greece. While pay has recovered slightly this year, the rate of growth has clearly slowed since the financial crisis.

[7] Bank of England, August 2016, Inflation Report, Table 5.C

[8] HM Treasury, Forecasts for the UK economy, August https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/546720/2016_08_forecomp_august_2016.pdf and June https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/529303/forecast_for_the_uk_economy_june_2016.pdf

Average weekly earnings (AWE) regular pay, real and nominal, seasonally adjusted, 2000=100



Source: ONS Supplementary analysis of average weekly earnings: July 2016, Figure 1

Low inflation has helped working people feel more of the benefits of any increase in pay, with inflation below one per cent since December 2014.

But the dramatic impact of the referendum on the value of the pound is likely to lead to a rise in inflation, as an increase in import costs feeds through into prices for everyday goods. While there has been a minor recovery in the value of the pound since the post referendum lows, it still remains well below the pre-Brexit level.

Bank of England spot exchange rates, 4th January 2016 to 5th September 2016

Source: Bank of England

The forecasts for inflation clearly reflect the weakening pound, with a previous estimate for CPI in Q4 of 2017 of 1.8 per cent, now upgraded to 2.4 per cent.

That means that any increases in pay are likely to be all but wiped out. The average forecast for nominal pay growth in 2017 was 2.5 per cent.[9] That would mean a real pay increase of just 0.1 per cent. With real household incomes for working people still not recovered to their pre-recession peak, this is a pay squeeze that many working people cannot afford.

These are forecasts, not certainties, and the hit to jobs and pay are by no means inevitable. But the risks make clear that Government needs to take action now.

An early indication that government intends to stick to its target for the National Living Wage to hit £9 by 2020 would reassure the lowest paid workers that it understands that they cannot afford another hit to their living standards. And with record profitability in the service sectors where most jobs affected by the National Living Wage are based, business can afford this.

Government can give businesses the confidence they need to invest and retain staff by making it clear it has a plan to invest in the infrastructure Britain needs. Giving the go ahead to a third runway at Heathrow, getting going on high speed rail projects,

9 HM Treasury, Forecasts for the UK economy, August https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/546720/2016_08_forecomp_august_2016.pdf and June https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/529303/forecast_for_the_uk_economy_june_2016.pdf

and building the homes Britain desperately needs, would help protect jobs now as well as improve productivity well into the future.

In the long term however, Britain's prosperity will depend on the trade deals it cuts with the rest of the world. The next section looks at the how the shape of these could affect jobs on a regional and sectoral basis.

Section four

Longer term: what kind of deal?

While uncertainty about a future trade deal may damage the economy in the medium term, the long term prospects for jobs and pay depend on the terms on which British companies are able to trade with Europe and the rest of the world.

At present, Britain's membership of the single market brings a number of benefits to UK businesses in terms of their ability to trade. These include:

- Membership of a customs union, with no tariffs on goods moving between EU member states;
- A common tariff applied to goods entering from outside the EU;
- Common regulatory standards and restrictions on non-tariff barriers to trade, including protections for workers, consumers, and the environment;
- Co-operation on customs administration processes;
- Harmonised rules on intellectual property arrangements;
- Rules to facilitate the free movement of services, including the EU's financial services 'passport' which means that "*financial services firms authorised in a Member State, such as the UK, can provide services across the EU without the need for further authorisations.*"[10]; and
- Access to workers from across Europe.[11]

Several convenors in our panel reported that the outcome for their business was likely to depend on the type of deal secured, with a clear priority placed on maintaining as many of the advantages of the single market as possible:

"If the UK doesn't secure access to the EEA then [company] will probably move out of the country."

[10]https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/516501/Rights_and_obligations_of_European_Union_membership_web_version.pdf
[11] The TUC's report *Managing migration better for Britain: what the government should be doing now*, can be found here:www.tuc.org.uk/sites/default/files/ManagingmigrationbetterforBritain.pdf

Longer term: what kind of deal

"If we get Brexit light and access to the EEA then probably the company will continue to grow. But if we are made to leave… then a lot of the work will go to Germany."

"We're worried about ten per cent tariffs under WTO rules, and non-tariff barriers would mean that the plant would be forced to manufacture top spec cars, which would be the most expensive way to do it. [Company name] may as well transfer resources to Turkey who aren't in the EU but can manufacture top spec for cheaper labour."

About this analysis

This is an indicative analysis of the regional and sectoral spread of jobs that may be vulnerable as a result of Brexit. The analysis does not suggest that these are jobs that will be lost as a result of the decision to vote leave; the outcome clearly depends not only on our future trading arrangements with Europe, but also with the rest of the world. There may also be other opportunities from Brexit, for example, leaving the EU may mean that jobs that are based in Europe but service the UK could be brought 'in house' due to new obstacles to pan-European networks. However, understanding where jobs are currently linked to our trading relationships with the EU is important to the ability to assess the potential of any trade deal to support future prosperity.

Our figures are based on HM Treasury analysis of jobs linked to EU exports on a regional basis.

We then used the ONS Workforce Jobs dataset to provide a sectoral breakdown of jobs within each region.

We then assumed that jobs linked to exports follow the same sectoral patterns within each region, in order to give a regional and sectoral estimate of jobs that could be vulnerable as a result of Brexit.

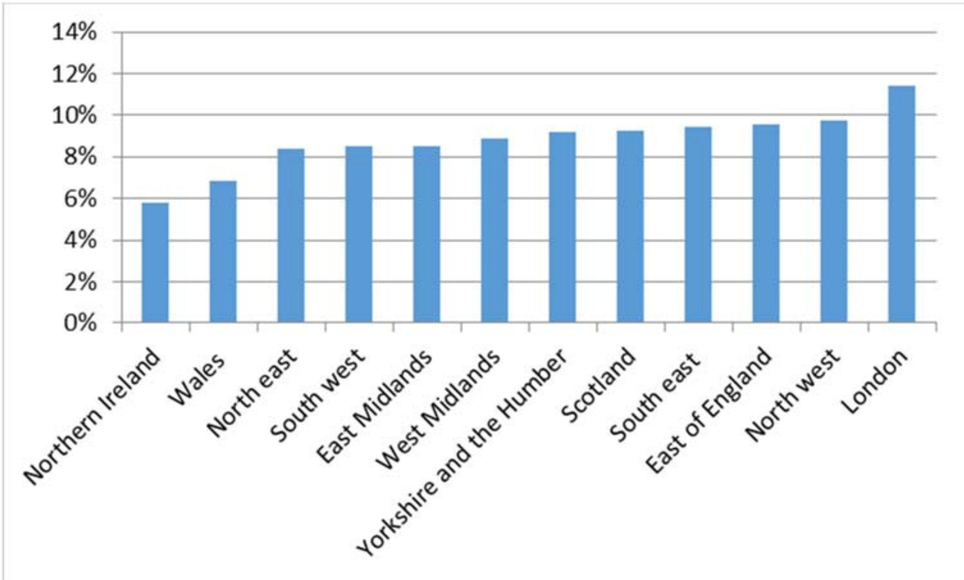
As our convenors make clear, both tariff and non-tariff barriers (such as common regulatory standards) are important to manufacturing companies. But different sectors and industries will have different priorities within the current single market provisions. The TUC's priority is to secure a deal that protects jobs, rights and pay across the country. This section therefore reports indicative analysis of the types of jobs that are linked to EU exports across the UK, and how these vary by region. The long term impact of the decision to leave the EU on working people will be determined by the extent to which any trade deal is able to protect these jobs.

Where are jobs currently linked to EU exports?

Nationally the EU accounts for 44% of all exports from the UK[12]. In total this has been calculated to support 3.3 million jobs,[13] which are now vulnerable to changes in trade arrangements with Europe.

We estimate that around one in ten jobs are currently linked to EU exports in each of the English regions and in Scotland. In Northern Ireland and Wales the figure is around one in twenty.

Proportion of jobs in each region that are EU export dependent[14]



Source: ONS workforce jobs by region and industry, HMT Number of regional jobs related to EU exports,

The figures show that EU exports currently account for over 100,000 jobs in every region except Northern Ireland, and for an average of over 200,000 jobs per region.[15]

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[12] See ONS UK Balance of payments http://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/timeseries/l7d7 and http://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/timeseries/ktmw

[13] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/509499/Number_of_regional_jobs_linked_to_EU_exports.pdf

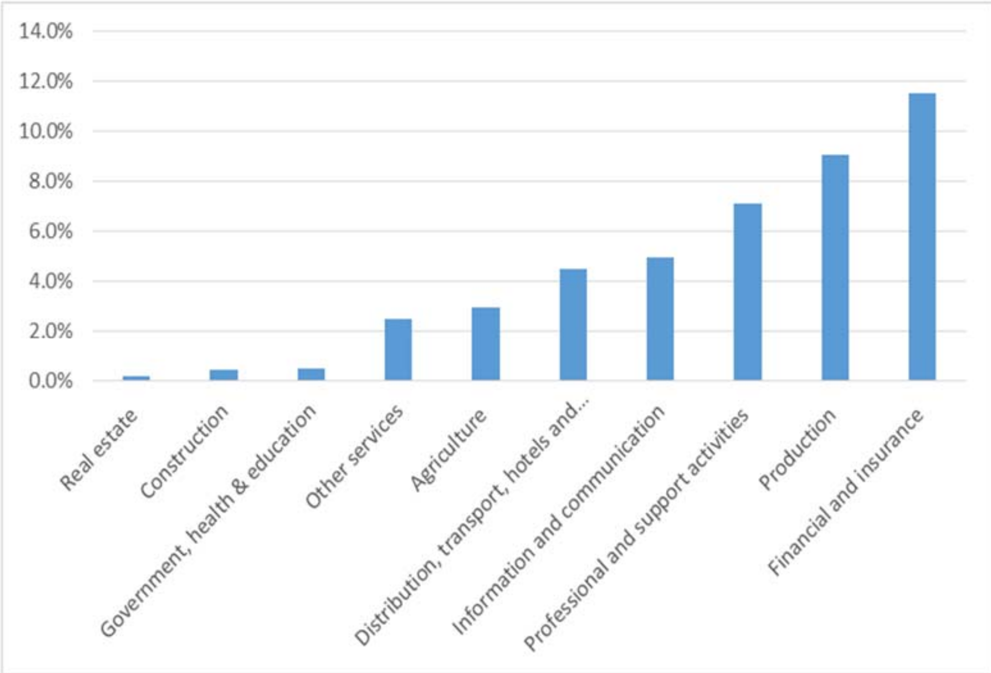
[14] ONS UK workforce jobs by region and industry http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/workforcejobsbyregionandindustryjobs05

[15] HMT Number of regional jobs linked to EU exports https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/509499/Number_of_regional_jobs_linked_to_EU_exports.pdf

Region	*Number of jobs dependent on EU exports* (rounded to nearest 50,000)
London	650,000
South East	450,000
East of England	300,000
Scotland	250,000
South West	250,000
West Midlands	250,000
Yorkshire and the Humber	250,000
East Midlands	200,000
Wales	100,000
North East	100,000
Northern Ireland	50,000

Looked at a national level, the sectors most reliant on exports are financial and insurance services, where EU exports account for over ten per cent of demand. Close behind them is production – including manufacturing, where EU exports account for just under ten per cent. Professional and support services, information and communication, and distribution, transport, hotels and restaurants all see EU exports account for over ten per cent of demand.

EU Export dependent industries (% of demand for products) [16]



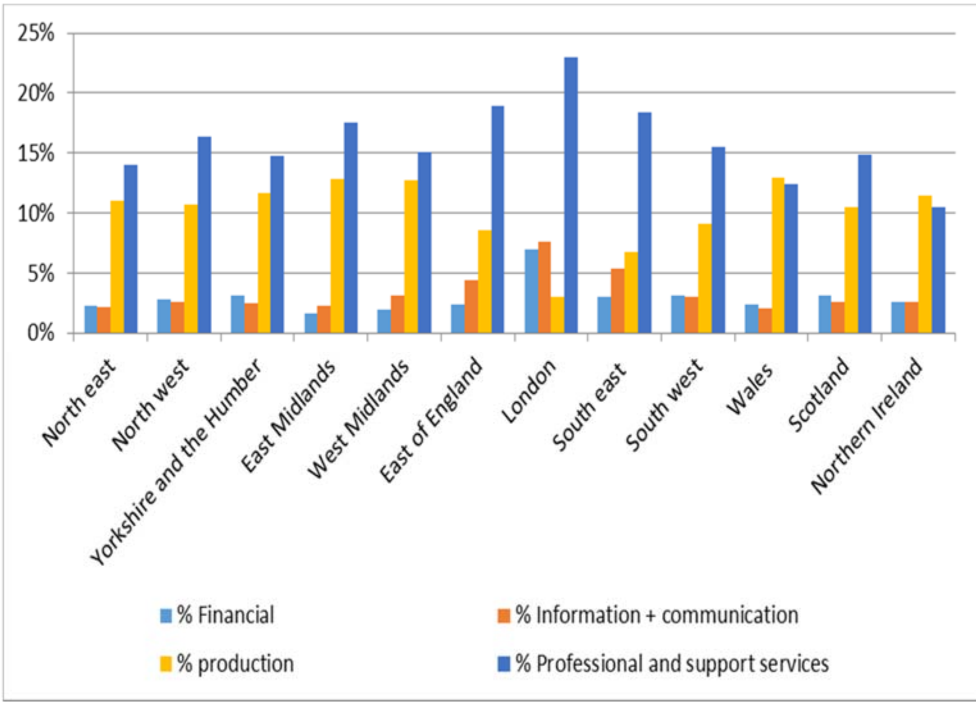
Source: ONS supply and use tables, ONS UK balance of payments taking export as percentage of final demand multiplied by percentage of national exports to EU

However, this doesn't tell us about the size of each of these sectors, and therefore the impact on jobs of any change in trading relations. If we look the number of people directly employed in each of the five most export dependent sectors, the largest employer is distribution, transport, hotels and restaurants (8.8 million jobs), followed by professional and support services (5.9 million) then production (3.1 million), information and communication services (1.3 million) and finally finance and insurance activities (1.1 million jobs).

The distribution of these jobs varies around the UK. This analysis has removed the transport, distribution and hotel jobs as while activity in this sector relies on tourism, measured as exports, these jobs are less likely to be subject to EU trade negotiations. It shows that professional and support services (such as cleaning services, private security provision, and call centres) dominate EU export dependent jobs in each region. In addition, in every region except London, there are more EU export dependent jobs in manufacturing than in financial services.

[16] ONS Input output supply and use tables
http://www.ons.gov.uk/economy/nationalaccounts/supplyandusetables/datasets/inputoutputsupplyandusetablessummarytables

Proportion of EU export dependent jobs in each sector, by region[1]



Source: ONS workforce by region and industry, HMT Number of regional jobs linked to EU exports.

The table below shows this in numerical terms. While we estimate that London has around 45,000 jobs dependent on exports to the EU in the finance and insurance industry, and 20,000 on production, in the North West for example, there are 37,000 production jobs reliant on exports, and just under 10,000 in financial services.

Estimated number of EU export dependent jobs by sector and region

	Production	Financial and Insurance	Information and communication	Professional and support services
North East	11,000	2,000	2000	14,000
North West	38,000	10,000	9,000	57,000
Yorkshire and the Humber	29,000	8,000	6,000	37,000
East Midlands	26,000	3,000	4,000	35,000
West Midlands	32,000	5,000	8,000	38,000
East of England	26,000	7,000	13,000	57,000
London	20,000	45,000	49,000	149,000
South East	31,000	14,000	24,000	83,000
South West	23,000	8,000	7,000	39,000
Wales	13,000	2,000	2,000	12,000
Scotland	26,000	8000	6,000	37,000
Northern Ireland	6,000	1,000	1,000	5,000
Total	280,000	113,000	134,000	563,000

The reliance on EU export dependent production jobs in regions outside London has clear implications for a government that wants to rebalance economic growth within the UK. As set out previously, between 2010 and 2015, overall jobs grew in London at twice the rate of the rest of the UK. While the financial services sector is clearly important in producing jobs at a national level, it helps contribute to the imbalance of jobs and growth across the country.

Government will have a range of priorities as it goes into negotiations about the shape of any trade deal with Europe after Brexit. But it's clear that if workers across the UK are not to pay the price of the decision to leave the EU with their jobs, ensuring that our manufacturing industries can continue to trade with our European partners must be a key priority, alongside efforts to protect jobs in the city and in other service sectors.

Section five

Conclusions and recommendations

The British economy was far from strong before the decision to leave the European Union. The living standards of working age households have still not recovered to their pre-recession levels, fuelled by the largest fall in wages of any developed country except Greece. Weak productivity and unbalanced growth mean that action was needed to achieve the growth that could support higher living standards well before the decision to leave the EU.

The Brexit vote will make the challenge of boosting living standards for ordinary working people harder. While action by the Bank of England may have helped the economy recover from the initial shock of the vote, uncertainty over our future trading arrangements during this 'phoney war' before we actually leave the EU has the potential to hit jobs, growth and pay. On current forecasts, nearly quarter of a million jobs could be lost next year, and pay growth return to practically zero, without government action to restore confidence and keep the economy moving.

In the long term however, it is the type of deal we negotiate with the rest of the EU that will make the difference to working people's jobs and pay. While the TUC believes it is important that we protect jobs right across the economy, this analysis shows that it will be vital to protect manufacturing jobs if regional inequalities are not to grow.

None of the risks presented here are inevitable. The government can act to make sure that Brexit does not disproportionately hit ordinary working people.

To make sure working people don't pay the price of Brexit, the government must:

In the immediate and medium-term:

- Reassure the lowest paid workers that they understand the pressure on their living standards and will stick to their £9 target for the national living wage by 2020
- Take immediate action on infrastructure spending to boost future British productivity, and provide the confidence British business needs to invest. Government should give the go ahead to the third runway at Heathrow, support HS2, initiate new high speed rail projects, and start building the hundreds of thousands of homes Britain desperately needs.
- Use public procurement to support British business

For the longer term:

- Set out the government's policy on leaving the EU, and their priorities for negotiations.
- Guarantee an opportunity for a national conversation about the real trade-offs and priorities for the UK that involves the four nations, engages the regions of the UK, and involves both business and unions.
- Set out how Britain will protect the interests of all of its regions and sectors, charting a way forward that does not prioritise financial services above manufacturing

The government also needs to act to address the long standing weaknesses of the economy, and prepare Britain life outside the EU. The TUC will be outlining how government can take forward reforms to corporate governance and an effective industrial strategy in forthcoming reports.

Endnote

[1] Proportion of EU export dependent jobs in each sector by region

	% Financial	% Information + communication	% distribution, transport, hotels + restuarants	% production	% Professional and support services
North east	2%	2%	26%	11%	14%
North west	3%	3%	27%	11%	16%
Yorkshire and the Humber	3%	3%	27%	12%	15%
East Midlands	2%	2%	27%	13%	18%
West Midlands	2%	3%	28%	13%	15%
East of England	2%	4%	27%	9%	19%
London	7%	8%	23%	3%	23%
South east	3%	5%	26%	7%	18%
South west	3%	3%	26%	9%	16%
Wales	2%	2%	24%	13%	12%
Scotland	3%	3%	26%	11%	15%
Northern Ireland	3%	3%	27%	11%	11%

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