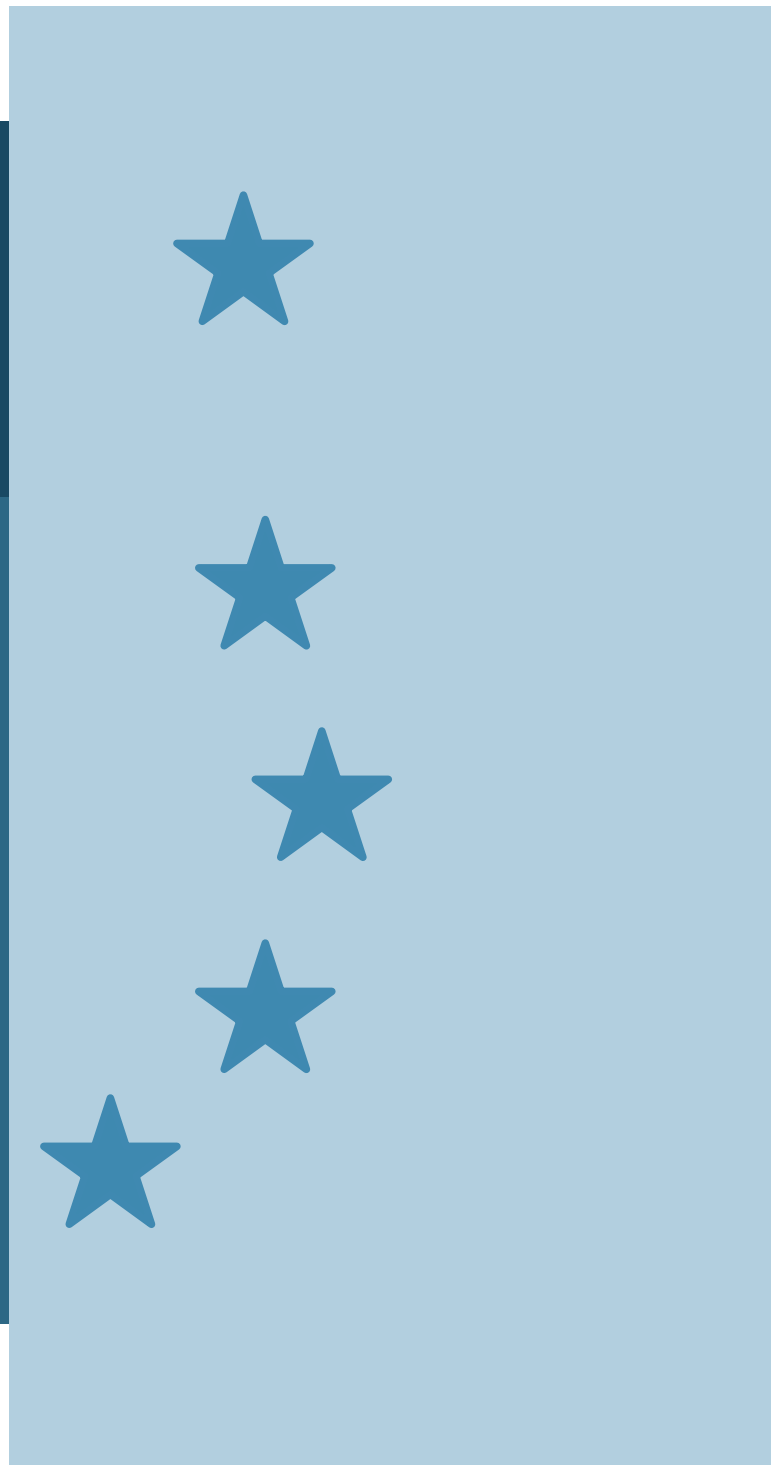


Brexit: The Key Issues

The United Kingdom's Exit from the European Union
Irish Congress of Trade Unions' Briefing

Winter 2016



CONGRESS
BRIEFING

Introduction

This briefing outlines the policies that Congress will pursue in the event of the UK triggering Article 50 of the Lisbon Agreement, leading to the commencement of negotiations on a UK exit from the European Union.

We do so conscious of the fact that the democratic will of the people of Northern Ireland and the Republic of Ireland is to remain within the European Union.

As the largest civil society grouping on the island, Congress is deeply concerned that a UK exit from the European Union will have significant, enduring negative consequences for all the people of the island.

We are also mindful that the principle of consent underpins political and community life in Northern Ireland and governs relations between both parts of the island, as enshrined in the Good Friday Agreement.

It is our strong view that the principle of consent must be respected and upheld.

Congress believes that an exit from the European Union poses a constitutional threat to the existence of the rights established with the formation of the Northern Ireland devolved administration, as set out in the Good Friday Agreement.

We are determined to ensure that working people across the island do not pay the price for the decision to exit the European Union.

We urge the administrations in both parts of the island to work together and with the trade union movement and wider civil society to ensure the democratic will of the people on the island is upheld.

Congress will support the policies outlined in this document across the island of Ireland.

1. Workers' Rights & Protections

Much of current EU law will cease to be enforceable if the UK exits the Single Market. While the majority of EU legislation has been transposed to UK law, there is a danger that key rights and obligations, derived from EU directives, could be removed. These relate to: employment rights, equality, health and safety laws, part-time workers, agency workers, working time, product standards and the regulation of markets. Changes to employment rights in the UK could place downward pressure on employment protections across the island. This in turn could endanger job security, threaten key industries and effectively lead to a 'race to the bottom' across the island.



Congress Position

Brexit must not be used as a pretext to dismantle hard won rights and protections or to drive down employment standards generally. Congress is calling on both governments to make a public declaration that no existing rights or protections will be lost or eroded as a result of Brexit and that all such rights will be maintained, in the event of a UK exit. Congress will work to ensure that any new rights gained under the European Pillar of Social Rights will apply across the island.



2. Jobs & Employment

The implications for employment and the labour market generally will hinge on the form of trading relationship that is finally agreed between the UK and the EU. A strategy to address the risks (and opportunities) resulting from Brexit must involve the following:

Dealing with Near-Term Risk

The Irish government needs to work on five levels:

1. Bring together trade unions and employers to identify companies and sectors at particular risk from Brexit. This '**early warning system**' should enable relevant industrial bodies and state agencies to be equipped for most eventualities.
2. Work with the Northern Ireland executive in planning for post-Brexit arrangements in relation to the **energy market** on the island.
3. Working with the relevant European authorities, establish a **Retraining Fund** to enable workers facing redundancy in vulnerable sectors and enterprises to make the transition to work in newly emerging industries and occupations.
4. Establish a **Strategic Investment Bank** that would monitor, train, advise and finance new and existing enterprises through equity holdings, with a focus on new indigenous enterprises that are targeting new export markets. Firms in particular regions are vulnerable to Brexit shocks. In many cases it may be possible to re-direct export business to markets outside the UK in companies that are more vulnerable to Brexit.
5. Work with European partners to change how **public capital investment** is dealt with under the fiscal rules. An EU-led investment stimulus is needed across the Union to raise productivity levels and enable regions, enterprises and individual states to cope with shocks, such as that arising from Brexit.

Dealing with Medium-Term Risk

Greatly increase the level of investment in education, training and innovation as the best way to deal with the longer-term implications of Brexit.

This would equip workers and companies with the skills and capacities necessary to survive and flourish in the new post-Brexit world. It would also help to create the appropriate transport, innovation and social infrastructure at regional and national level that would be required to facilitate readjustments for companies impacted by Brexit.

The future lies with a stronger European Social Model that boosts living standards and productive capacity. Other key factors to be addressed, include:

a. Retraining of Workers & Strategic Investment

Goods exports destined for the UK account for 15% of the total goods exported from the Republic of Ireland. UK goods imported to the Republic of Ireland account for 30% of total goods imports in the latter. The bulk of goods imported from the UK is accounted for by gas and oil. Most of the goods exports from the Republic of Ireland is in the agri-food sector.

Currency volatility coupled with the fall-out of impending Brexit negotiations for investment, employment and incomes demands a coherent strategy from the Irish government, working with trade unions and business representatives.

A recent paper dealing with risks to companies in the Republic of Ireland and undertaken for the Department of Finance concludes that:

*"Overall, excluding the Pharma-chemical sector, the exposed sectors are mostly Irish owned, regionally based, have relatively low profit levels and have a greater share of small and medium-sized enterprises. In addition they have a relatively high multiplier and account for a relatively high share of employment in regions which have experienced a slower labour market recovery since the financial crisis period."*¹

The orientation of Irish government policy in response to Brexit appears to mimic a UK 'low-tax, light-touch regulation' model. This will not work and would see us fall increasingly out of line with European Union norms.

The best shock-absorber for dealing with Brexit is investment: to strengthen social cohesion and to make Ireland a better, fairer place in which to live and work.

b. New Industrial Strategy for Northern Ireland

Northern Ireland's goods trade with the EU is heavily focused in the Agri-food, Textiles, Transportation and other smaller manufacturing sectors. Manufacturing employment is skewed towards sectors that have greater trade with the EU and are therefore more vulnerable to disruption from Brexit. Since 2012, the manufacturing sector has suffered a series of closures, resulting in the loss of some 6,000 quality jobs. Clearly, existing risks to the sector are amplified with Brexit. To counter this, the authorities must act with urgency to develop a new Industrial Strategy for Northern Ireland, one that is capable of dealing with the impact of Brexit and other threats.

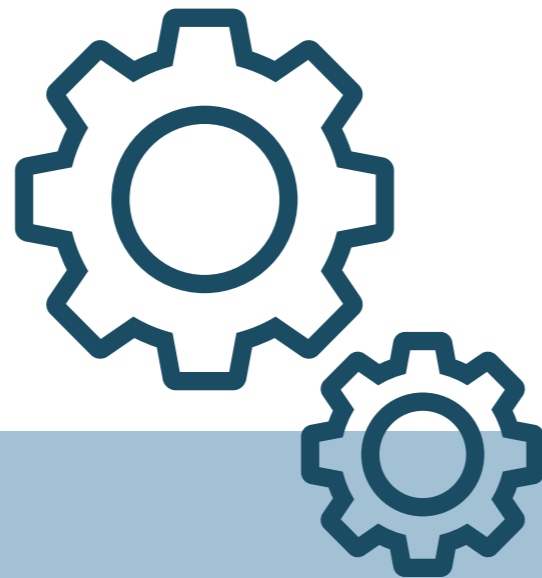
c. The Single Electricity Market (SEM) This is key to boosting indigenous energy production and keeping energy costs low for businesses on the island. A new interconnector is central to completing this market but there has been little discussion of how it would survive outside of the EU Single Market.

d. Access to Labour Continued access to EU labour will be critical for certain industries in the UK, such as health and education. The same is true for seasonal industries such as agriculture and hospitality. Limiting work entitlements for EU citizens will have an economic cost and this should be reflected in visa arrangements that are put in place post-Brexit.



Congress Position

Congress is calling on both governments to proactively develop strategies that protect existing job levels and deal with the uncertainty arising from Brexit. Both governments should work closely together to maximise the impact of any measures designed to assist vulnerable sectors and help create jobs in new sectors. It is also critical that the future of the SEM is secured under any new agreement and that the UK preserves access for both skilled and unskilled labour from outside the UK, for key sectors. Congress believes that the UK government should designate and promote Northern Ireland as an Enterprise Zone and ensure there are sufficient resources allocated to make this a reality.



3. Trade

In order to protect the maximum level of jobs and investment on the island, it is vital that the UK retains as close a trading relationship with the EU as possible. These are the options under consideration:

1. European Economic Area (Single Market)

This allows non-EU countries to participate in the EU Single Market. With the agreement of all current members, the UK could maintain its membership of the EEA. However, the conditions attached to membership make this option difficult for any UK government, as they include a continued contribution to the EU budget (at a reduced rate), coupled with no say in Single Market negotiations. EEA membership also entails acceptance of the Four Freedoms of the EU; movement of people, capital, goods and services.

2. European Free Trade Association (EFTA)

Current members of the EFTA are: Switzerland, Iceland, Norway and Lichtenstein. If the UK joined it would benefit from the existing trading relationship between the EFTA and the EU and also the 27 agreements the EFTA has signed with other countries. But the EFTA also has free movement of people enshrined in its agreement with the EU and so this would be an unlikely long term option for the UK.

3. Customs Union

This represents a deeper form of integration than a classic Free Trade Area, such as NAFTA, CAFTA or indeed EFTA. All goods produced in member countries can be traded freely within a Customs Union, which is a critical factor given the globalised nature of the modern manufacturing sector.

Norway is a member of the EEA and trades freely within the Single Market – but it is not a member of the Customs Union. Under EU Rules of Origin any product not wholly or substantially produced within Norway can invite a tariff when it is traded within the Single Market. For firms engaged in cross-border trading on the island, *Rules of Origin* regulations could prove crippling.

To remain in the Customs Union the UK would have to accept all existing trade deals between the EU and other countries and would be unable to strike an international trade deal that gave more favourable tariff treatment to any goods, than currently applies in the EU. The Customs Union will likely be the most important aspect in maintaining the all-Island economy and ensuring that there is no economic border on the island of Ireland.



Congress Position

Congress is calling on both governments to support the UK's continued membership of both the Single Market and the Customs Union, which is crucial to ensuring continued trade and investment in Northern Ireland and the Republic.



4. The Good Friday Agreement

The Good Friday Agreement (GFA) is an international treaty signed by both the British and Irish governments and makes specific reference to European institutions such as the EU and the European Convention on Human Rights.

The North South Ministerial Council has an explicit mandate to consider the European Union dimension of key matters, including the implementation of EU policies and programmes and proposals under consideration in the EU framework.

Membership of the European Convention on Human Rights is mandatory for EU membership. Some UK politicians want the UK to withdraw from the ECHR on sovereignty grounds. To date, EU membership has prevented this. In addition, the GFA mandated the UK government to enshrine the ECHR into UK law.

Critically, the passage of the GFA ensures that the principle of consent is now central to political and institutional life in Northern Ireland and across the island, something which has clear implications for the status of Northern Ireland in any post-Brexit scenario.

Equally, the agreement itself is predicated on Ireland, Northern Ireland and the UK all being members of the European Union.



Congress Position

The UK government must reaffirm its commitment to the ECHR and any UK-EU deal must include a continuing role for the EU in safeguarding the Good Friday Agreement and the institutions it supports. Congress is calling on both the UK and Irish governments to reaffirm their ongoing commitment to the maintenance and upholding of the Good Friday Agreement.

5. Free Movement of People

Free movement of people is of critical importance as the Republic is the only EU member state to share a land border with the UK. An estimated 20,000 people regularly commute across the border for work or study.

a. EU Citizens in the UK & UK Citizens in the EU

Any EU-UK agreement must settle the position of EU and UK citizens currently living in opposing jurisdictions. It is imperative that both continue to enjoy residency and other rights in respective jurisdictions.

b. **Right to Travel vs Right to Work** Currently, all EU 28 citizens have the right to travel and work in the UK and the Republic of Ireland. The UK may decide to limit the right of EU citizens to work in the UK, which may lead to a 'hard border' between the Republic and Northern Ireland.

If the UK allows EU citizens the right to travel in the UK there would be no need for passport control between Northern Ireland and the Republic of Ireland. The UK could limit the right of EU nationals to work but such arrangements would have to involve an exemption for citizens of the Republic – if a borderless all-Island economy was to be maintained. The UK government may be agreeable to this arrangement but EU authorities could have a difficulty with the citizens of one member state (Ireland) enjoying a right to work not available to other member states.



Congress Position

Congress is calling on both governments to support continued free movement of people on the island. A 'hard border' can be avoided if the UK maintains the right to travel for all EU citizens. It is also imperative that mutual recognition of professional qualifications – as provided for by EU Directive 2005/36/EC – continues to operate on the island, post-Brexit. Congress is calling for the governments in Belfast and Dublin to publicly commit to these principles.

6. The Role of EU Funding

Northern Ireland received €340m in fishery and agricultural funding in 2015 alone. The UK may envisage Brexit boosting trade in these sectors, but transitional funding arrangements will be required to avoid a collapse of the industry in the short term. Northern Ireland also received €160m in structural and investment funds in 2015, which supported jobs in the community and voluntary sector and through investments in infrastructure. Universities and private companies benefit from R&D grants. Any disruption could be economically damaging. The EU provides €270 million in funding under Peace IV to assist in the process of peace and reconciliation, on a cross community basis.

In addition, Northern Ireland's allocated funding under the EU's 2014-2021 Budget comprised:

- CAP Funding (€714million);
- ESF for skills training (€205million);
- ERDF for infrastructure (€308million);
- Interreg, in relation to links to Scotland and other EU regions (€283million).



Congress Position

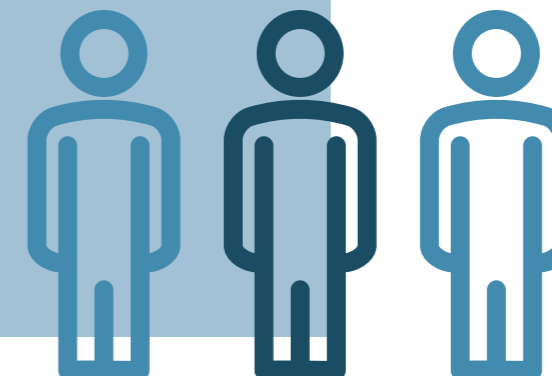
The UK government must introduce a Sunset Clause in relation to EU funding, which guarantees continuation of that funding for up to 15 years after the date of the UK's formal exit from the European Union. Congress is calling for both governments to support the introduction of the funding guarantee.

7. Role for the Trade Union Movement in Brexit Negotiations

As the largest civil society body on the island, with some 800,000 members working in all sectors of the economy, north and south, Congress has a crucial role to play in any negotiations or formal discussions on Brexit, given that it has and will have major consequences for the people we represent.

Congress is calling on both governments to bring unions and employers together to develop 'an early warning system' that would identify at risk sectors and enterprises and establish appropriate retraining resources and systems.

Both governments must make a public declaration to the effect that no existing rights or protections will be lost or eroded as a result of Brexit. The principle of consent must be upheld across the island and the democratic wishes of the people of the island adhered to, on this critical matter.



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