

EU Referendum

Roundup, week 08

Friday 26 February 2016



Institute
and Faculty
of Actuaries

Past week's events

Mon 22 Feb.	<p>Cameron seals deal at EU Summit and announces referendum date to be Thursday 23 June The complete set of arrangements, which will come into effect if the UK votes to remain in the EU on 23 June (37 pages): http://www.consilium.europa.eu/en/meetings/european-council/2016/02/EUCO-Conclusions_pdf/</p> <p>In short, what has been agreed is:</p> <ol style="list-style-type: none"><u>Economic Governance (pp.12)</u>; Those outside the Eurozone / Banking Union:<ul style="list-style-type: none">- Should not be discriminated against- Will not participate in Euro bailouts- Keep their own financial supervision/macro prudential regulation (No law applicable regarding ECB, SRM, Credit institutions)- Will have visibility on all pertinent Eurozone talksSpecifically, the text mentions the prospect of “specific provisions within the single rulebook” for financial institutions, meaning possibility of differentiation inside / outside the Banking Union (bank regulation, prudential requirements, etc.) An enforcement mechanism will, if a non-euro / non Banking Union member believes principles are overridden, it can request further discussion at EU Council level – but no veto.<u>Competitiveness (pp.15)</u><ul style="list-style-type: none">- Declaration that EU will continue to work on Single Market integration (services, digital, energy)- Promise to expand Free Trade Agreements- Commitment to “feasible burden reduction targets in key sectors”- Commitment to examine if laws are proportionate and created at right level (EU vs national level)<u>Sovereignty (pp.16)</u><ul style="list-style-type: none">- “The UK is not committed to further political integration into the European Union”- “ever closer union does not offer a legal basis for extending the scope” (will be incorporated at next EU Treaty revision)- ‘Red Card’ allowing 55% of the national parliaments to object to draft legislation (within 12 weeks)<u>Migration / access to welfare (pp.19)</u><ul style="list-style-type: none"><i>Emergency break</i><ul style="list-style-type: none">- UK can restrict and phase in EU migrants’ access to in-work benefits 4 years.- Applicable immediately, for an initial seven years- (Needs EU Parliament approval)<i>Child benefits</i><ul style="list-style-type: none">- Children outside the UK: amount paid can be indexed to receiving country’s living standard- All member states are allowed to do this<i>Out-of-work benefits</i><ul style="list-style-type: none">- UK can deny access, if they don’t have a job (is done already in the UK, via Universal Credit)- Ability to deport migrants if they haven’t found work within 6 months <p>Surveys by the Institute of Directors (IoD) and the manufacturers' organisation EEF found a majority (around 60%) of firms backed staying in the single market.</p> <p>European Union Finance Commissioner Pierre Moscovici says there is no Plan B in place, for if UK votes out of the EU</p> <p>The Government has published a document outlining why the UK will be stronger, safer and better off by remaining as a member of a reformed EU. The document is the analysis of the UK’s relationship with the EU – as required to be published ahead of the referendum.</p> <p>Standard Life said it was preparing for the possibility of Brexit, and warned that it was “potentially</p>
------------------------	---

	damaging” to the UK economy if Britain were to leave the EU.
	Moody's argued a vote to leave the EU could lead to a fall in exports, a drop in international investment and a “negative” impact on the UK’s credit rating.
	Boris Johnson announces to support the leave campaign; Pound Sterling immediately drops around 2 dollar cents on Forex markets
Tue 23 Feb.	Germany, Austria, Denmark and the Netherlands also interested in plan to index payments to living costs in country where children live
	A letter signed by firms including BT, Marks & Spencer and Vodafone – says that an EU exit would deter investment in the UK.
	Lord Jones asked a written question to DWP: How many people living in each country of the EU are in receipt of the UK state pension which is currently uprated annually under EU regulations and reciprocal agreements, and what assessment they have made of what will happen to those pensions if the UK leaves the EU. <i>Due for answer on: Tuesday 8 March 2016</i>
	BoE is engaged in contingency planning for the EU referendum , Mark Carney told the Treasury committee. He also revealed the PRA is keeping abreast of the contingency plans that UK banks are making ahead of the June 23 vote. Further details will be discussed on March 8, when the governor testifies to the committee specifically about the referendum. (see Q55)
Wed 24 Feb.	British firms are likely to delay hiring decisions ahead of a referendum on EU membership, CEO of recruitment firm Hay says.
	95% of over 200 of the city’s business leaders say access to the European Union’s Single Market is the single greatest strength of London, according to the CBI/CBRE London Business Survey
	(see full press release on page 2) The IPPR says that migration stats are a headache for both Leave and Remain camps. , IPPR’s research suggests that in many cases the public’s priority is to ensure EU migrants contribute before they claim benefits, to reduce pressures on public services, and to place greater controls on the types of people – rather than the total number – who come to the UK.
Thu 25 Feb.	http://www.theguardian.com/uk-news/2016/feb/25/net-migration-to-uk-falls-for-first-time-in-almost-two-years
	George Osborne, at the G20 in Shanghai , is pushing the Group of 20 leading economies to warn about the dangers of the UK leaving the EU, whilst Chinese officials express concern
	ONS: Net migration to UK falls for first time in almost two years; small fall indicates flow of EU migrants coming to work in UK has peaked after seven successive quarters of rises
Fri 26 Feb.	George Osborne warns that leaving the EU would represent a profound economic shock for the UK.
	Lord Howard comes out in favour of Brexit

Upcoming events

5 May	London mayoral elections + London assembly elections
5 May	National Assembly for Wales election
5 May	Scottish Parliament election
23 June	EU Referendum date
23-24 June	EU Summit

Migration stats a headache for both Leave and Remain camps

With the EU referendum now set to take place on June 23, the ONS quarterly migration statistics, released tomorrow, will raise some important challenges for both the Remain and Leave campaigns.

Net migration is likely to still be approximately three times the government's target, and EU immigration is likely to make up around 40 per cent of inflows.

But while the debate focuses on figures, IPPR's research suggests that in many cases the public's priority is to ensure EU migrants contribute before they claim benefits, to reduce pressures on public services, and to place greater controls on the types of people – rather than the total number – who come to the UK.

For Remain, the challenge is to address public concerns about high levels of EU migration. The Prime Minister's recent renegotiation aimed to reduce the 'pull factor' for EU migrants by restricting access to in-work benefits. But the agreed 'emergency brake' mechanism will only work for a limited period and will only limit access to in-work benefits in a graduated way.

There is little evidence to suggest that EU migrants are attracted to the UK to claim benefits. Only around 14 per cent of working age EU migrants report receiving tax credits and they are more likely to claim the longer they are here. Therefore these changes are unlikely to bring down EU migration.

Moreover, flows will probably remain high in the near future if the UK votes to remain in the EU. EU immigration to the UK has consistently stayed far above 100,000 over the past ten years.

For Leave, the challenge is to set out an alternative, credible migration system for the UK outside of the EU. The impact of a Leave vote on EU migration is unclear and will depend on a range of policy decisions. If the UK leaves the EU but then stays in the EEA – like Norway – then it will continue to sign up to free movement. EU migration levels would likely still remain high and the Prime Minister's 'emergency brake' on in-work benefits would no longer become EU law.

On the other hand, if the UK agrees a new deal with the EU that does not involve retaining free movement, then it will gain greater control over migration from other EU countries. Under this scenario, EU migrants would no longer have free movement rights but, like non-EU migrants, may still be able to migrate to the UK as skilled workers, students, family members, or entrepreneurs.

However, such a change alone would not result in a fall in net migration to the government's target of 100,000 per year. Even if net EU migration fell dramatically from 180,000 to approximately 65,000 – as one estimate has suggested – then (other things being equal) net migration would still be around double the government's target, given high levels of net non-EU migration. Moreover, before the UK transitioned to the new arrangements it could see a surge in EU migration under existing free movement rules. After the changes, EU migrants might be more likely to settle permanently – this could reduce emigration and thereby put the net migration target further out of reach. In order to reach the government's target after leaving the EU, the UK would therefore probably have to introduce a range of further restrictions on migration from both EU and non-EU countries.

Marley Morris, Research Fellow at IPPR, said: "It is crucial for this referendum that both sides are honest about EU migration. It is doubtful that the 'emergency brake' will significantly reduce EU migration, which is likely to continue to be high if the UK remains in the EU. Likewise, it is unclear how EU migration policy would work if the UK left the EU: if the UK discarded free movement rules then it would have more control over EU migration but, without drastic action, would most likely not come close to meeting the government's target.

Our research on public attitudes suggests that concerns about EU migration are often not simply about bringing down numbers but also about other things: limiting access to benefits, reducing pressures on services, and making sure the system is fair and under control. Some of these things can be done from within the EU; others can only be done outside it. But rather than obsessing over numbers – which are hard to limit inside or outside of the EU – the campaigns should focus on these issues in the months ahead."