

WALES AFTER BREXIT:

AN AGENDA FOR A FAIR, PROSPEROUS AND SUSTAINABLE COUNTRY

On 23rd June 854,572 people in Wales – just over half of those who voted - chose to leave the European Union.

The result heralds a period of unprecedented political, constitutional, economic and social uncertainty and change. Nobody knows what the future holds – the optimistic and pessimistic forecasts are all based on assumptions that may or may not be realised.

The risks and opportunities arising from Brexit come on top of already significant challenges facing Wales, in terms of its economic performance, demographic changes, pace of technological development and climate change, to name but a few.¹ How our leaders respond in these extraordinary times will be critical.

Charting Wales' course through the next few years will be a major challenge. It will require strong leadership, a clear vision for a post-Brexit Wales, a new approach on many key policies and the ability to unite people in common cause. Much depends on the terms of the UK's exit from the EU, on constitutional change within the UK and – at least as importantly - on the post-Brexit policies and legislation adopted by the UK and Welsh Governments.

In this uncertainty, it would be easy to opt for maintaining business as usual. But the referendum result was more than just a vote to leave the EU – it was a vote for greater control over and a stronger say in decision making,² and for a better quality of life now and in the future.³

Our leaders – be they politicians, public servants, business people, community leaders and faith leaders – must do more than point the finger of blame elsewhere and seek to carry on as before. They must recognise and respond to the desire for radical change felt by ordinary people.

That is why the Bevan Foundation is setting out an agenda for Wales' departure from the EU. This agenda sets out the principles and key actions which should underpin Wales' economy, society, environment and democracy as Wales withdraws from the EU and responds to the risks and opportunities ahead.

Economy and Business

Brexit brings some very real challenges as well as opportunities for the economy in Wales, and comes on top of already mixed economic prospects. A great deal depends on the agreements in place after leaving the EU, whether this is membership of the European Economic Area, a bi-lateral agreement with the EU or operation within World Trade Organisation rules. But the UK and Welsh Government's actions matter hugely too.

The impact of Brexit on Wales is uncertain. On the one hand, foreign-owned businesses account for nearly 30% of Wales' Gross Value Added⁴, with around 500 businesses whose ownership is in other EU countries providing more than 59,000 jobs.⁵ Exports to the EU account for more than £1 bn of business each quarter.

Depending on the terms of the exit and on Government policies, there could be a significant loss of investment and employment in Wales. On the other, Wales is less reliant on EU exports than the UK as a whole, has strong business links with non-EU countries and is well placed to grasp new opportunities.

While the way forward remains very unclear, already some economists are calling for radical changes such as abolishing Corporation Tax,⁶ and full global free trade.⁷

We welcome the Welsh Government's business confidence plan and new jobs and growth fund⁸ as short-term measures, but in the medium term there needs to be a more fundamental change in approach.

To create a prosperous post-Brexit Wales we call for a radical rethink of Wales' economic policies, so that they are based on a new, sustainable approach.

This should include:

- Fostering indigenous growth, including that of the foundation economy.
- Ramping up exports to countries outside the EU.
- Transition plans for vulnerable sectors including agriculture, steel, automotive and aviation.
- Development of post-Brexit public procurement policies to stimulate the economy.

Employment

The EU has shaped the labour market in Wales as elsewhere, contributing to the protection provided to workers and enabling the free movement of people between member states. Some provisions, such as the freedom of movement and the Working Time Directive, are directly attributable to the EU whilst others, e.g. some equality legislation, are long-standing, UK-initiated provisions.

Recent years have seen deep structural changes to employment. Much of the growth since the recession has been insecure: more than half the increase in employment since 2008 has been in self-employment and in part-time work, and one in five new jobs has been temporary. At the same time, living standards have fallen: the average gross weekly earnings of the least well-paid quarter of employees in Wales are £30 a week less than in 2008.⁹

These changes have little to do with in-migration. At the end of 2014, in Wales there were an estimated 45,000 workers born in non-UK EU countries, accounting for just 3.3% of the workforce.¹⁰ Non-UK EU workers are important in some public services e.g. the NHS with more than 500 doctors working in Wales being trained in other EU countries.¹¹ Indeed, with its relatively high proportion of older people and above average levels of sickness and disability Wales **needs** a supply of younger workers to contribute to revenue and perform essential work.

How Brexit affects employment is far from clear. Depending on the agreements reached on the movement of people, employers may face recruitment shortages – Welsh Government Ministers have already tried to reassure non-UK EU NHS and social care staff that they are welcome.¹² It remains to be seen which if any of the EU protections the UK Government would repeal: for example there have been calls to repeal anti-discrimination legislation on the grounds of sexual orientation¹³ and race¹⁴ and to reduce maternity rights for women working in small and medium sized firms.

In creating a fair post-Brexit Wales we call for decent work to be a priority.

This should include:

- A rejection of a ‘race to the bottom’ in employment rights.
- A right to remain for all non-UK EU nationals resident in Wales.
- Full employment in all parts of Wales and for all groups of people.
- New solutions to get rid of the scourge of discrimination, low pay and insecure work.

Environment

The EU has developed probably the most complete and influential body of environmental law and policy in the world, establishing a common approach on a wide range of environmental issues and influencing environmental policy outside the EU too.¹⁵

EU environmental policies affect almost all aspects of the environment in Wales, from the quality of water at bathing beaches, to air quality along the M4, to how households dispose of their waste to the numbers of rare species.

Brexit will not automatically repeal the EU provisions in UK and Welsh law, but UK and Welsh Governments could be able to do so in due course. Already there have been calls to repeal ‘spirit-crushing’ green directives,¹⁶ for example in respect of habitats, use of GM crops and fisheries policies.¹⁷

Many environmental fields are devolved to the National Assembly for Wales and there are in addition statutory duties on Welsh Ministers to promote sustainable development in all their business.¹⁸

Although the scope is as yet unclear, there is potential to set new environmental standards and introduce new legislation to reflect Wales’ priorities and circumstances.

In creating a sustainable post-Brexit Wales we call for Wales to set and uphold high environmental standards.

This will involve:

- Wales continuing to fulfil its global obligations to cut its carbon emissions.
- Policies and legislation that are based on sound scientific evidence.
- Incentives to invest in green technology and solutions across Wales.

Public Finances

The impact of Brexit on Wales' public finances is impossible to predict as it depends on the terms of the exit, the consequences for revenues of the economic impact, and the UK Government's own fiscal and other priorities. In addition there is uncertainty about whether Wales will receive compensation for the loss of EU structural funding and agricultural subsidies and the basis of future financial settlements should Scotland leave the UK.

Notwithstanding the difficulty of forecasting, it is likely that only in the most optimistic of circumstances would Wales be better off as a result of Brexit, by some £220 million a year (around 1.5% of current expenditure).¹⁹ Much more probable are further cuts to public spending: the only question is how big they are likely to be. At worst, it is estimated that the National Assembly for Wales could lose up to £860 million a year (about 6% of the current budget).²⁰

Any post-Brexit reductions in public funding would be on top of already-announced cuts - yet Labour's manifesto commitments actually increase spending, albeit by an unspecified amount.²¹ It remains to be seen how the Welsh Government will respond to the prospect of a substantial reduction in its budget, especially at a time of rising demand across a range of public services.

To meet the Brexit challenge we call for a radically new approach to public finances in Wales.

This will involve:

- a new 'fiscal framework' that properly reflects Wales' needs;
- full use of tax and borrowing powers to fund investment and maintain services;
- full compensation for loss of EU funding.

A New Democracy & Constitution

The referendum clearly mattered to people. Turnout at 71.7% exceeded all recent election turnouts: it was nearly twice that in the 2012 local elections (38.6%) and substantially exceeded the turnout out at the National Assembly for Wales elections (45.3%) just 6 weeks previously. It was higher too than the UK general election.

The referendum result has exposed and perhaps exacerbated divisions within Wales - between different generations, between different nationalities and between different social backgrounds, culminating in heightened racial tensions during the referendum period. Those voting to leave the EU were much more likely to be older, in lower socio-economic groups and with only secondary school education than remain voters,²² with many of those voting for Brexit feeling forgotten and 'left behind'.²³ The referendum has also highlighted divisions within the UK as its constituent nations and regions returned very different results.

The outlook is extremely uncertain: a great deal of ill-feeling has been unleashed and it remains to be seen what the consequences will be. There is the possibility of a second referendum on Scottish independence and uncertainty about Northern Ireland's future.

In the years ahead it will be the UK Government which leads the negotiations. The call for devolved governments to ratify the Brexit terms²⁴ is vitally important, but so too is a strong voice for Wales in Westminster in shaping the terms of Brexit in the run up to the deal, any future trade agreements and moves to repeal EU-related legislation.

In creating a post-Brexit Wales we call for politicians and leaders to renew their efforts to build a cohesive and participative society.

This will involve:

- embedding freedom from discrimination in practice as well as in policy and legislation
- a re-invigorated democracy, which ensures people have a strong voice in decisions that affect them;
- a new constitutional settlement, including new or additional powers for post-Brexit Wales
- a cross-party and pan-government alliance to secure a fair deal for Wales.

We call on politicians and leaders from all walks of life to adopt this agenda in the coming months and years. They need to meet the challenges and take up the opportunities brought by Brexit, and build a genuinely fair, prosperous and sustainable future for all.

¹ Bevan Foundation (2015) **The Shape of Wales to Come**.

² 49% of leave voters said the biggest single reason for wanting to leave the EU was “the principle that decisions about the UK should be taken in the UK”. Lord Ashcroft Polls **How the United Kingdom voted on Thursday... and why**, 24th June 2016 <http://lordashcroftpolls.com/2016/06/how-the-united-kingdom-voted-and-why/>

³ 73% of remain voters think life in Britain is better today than it was 30 years ago compared with 58% of leave voters who say it is worse. Lord Ashcroft Polls **How the United Kingdom voted on Thursday... and why**, 24th June 2016 <http://lordashcroftpolls.com/2016/06/how-the-united-kingdom-voted-and-why/>

⁴ Office for National Statistics (2015) **UK Non-Financial Business Economy, 2013 Regional Results**

⁵ Woolford, J. and Hunt, J. (2016) **Wales and the EU: International Trade**. Cardiff University: Wales Governance Centre

⁶ Pirie, M. (2016) **Rebooting Britain**, Adam Smith Institute

⁷ Economists for Brexit (2016) **A vote for Brexit: what are the policies to follow after and what are the economic prospects?** <http://www.economistsforbrexit.co.uk/a-vote-for-brexit>

⁸ Welsh Government (2016) **First Minister announces business confidence plan and new jobs and growth fund**. 25th July <http://gov.wales/newsroom/firstminister/2016/160725-business-confidence/?lang=en>

⁹ Average gross weekly earnings of the 25th percentile of workers in 2008 were £225.30. Inflation (using the RPI) between 2008 and 2015 was 23.94%. If earnings had increased in line with inflation, average gross weekly earnings in 2015 would be £279.23 rather than actual earnings of £248.90.

¹⁰ Stats Wales (2016) **Persons in Wales in employment by country of birth and year** <https://statswales.gov.wales/v/BmkT>

¹¹ Welsh Government (2016) **Doctors by First Qualification** <http://gov.wales/docs/statistics/adhocrequests/2016/160627-stock-doctors-country-first-qualification-2013-and-2014-en.xls>

¹² Welsh Government (2016) **EU health and social care staff make huge contribution and are extremely valued, say Welsh Health Ministers**, 13th July <http://www.wales.nhs.uk/news/42092>

¹³ Duffy, N. (2016) **Anti-LGBT Christian activists already calling for equality to be rolled back after Brexit**

<http://www.pinknews.co.uk/2016/07/08/anti-lgbt-christian-activists-already-calling-for-equality-to-be-rolled-back-after-brexit/>

¹⁴ BBC News (2016) **Nigel Farage would axe 'much of' race discrimination law**, 12th March.
<http://www.bbc.co.uk/news/uk-31846453>

¹⁵ Institute for European Environmental Policy (2016) **The potential policy and environmental consequences for the UK of a departure from the European Union**.

¹⁶ Brexit would free UK from 'spirit-crushing' green directives, says minister, **Guardian 30th May 2016**

<http://www.theguardian.com/politics/2016/may/30/brexit-spirit-crushing-green-directives-minister-george-eustice>

¹⁷ Letwin, O. (2016) **Leaving the EU would improve our environment**, Conservative Home June 8th.

<http://www.conservativehome.com/platform/2016/06/owen-paterson-leaving-the-eu-would-improve-our-environment.html>

¹⁸ Government of Wales Act 2006, Climate Change Act 2008 and the Wellbeing of Future Generations (Wales) Act 2015.

¹⁹ Zolle, N. (2016) **Impact of Brexit on public services in Wales**, revised July 2016. Wales Public Services 2025

²⁰ If the UK reaches a bilateral agreement with the EU in which its current contribution continues, makes only a modest replacement for EU agricultural subsidies and none for other EU funding, at the same time as tax receipts fall resulting in further UK public spending cuts.

²¹ The Labour Manifesto included £255 million of costed spending commitments as well as commitments where costs are not included (Zolle, N. (2016) **Implications of party manifestos on public services**, Wales Public Services 2025)

²² Lord Ashcroft Polls **How the United Kingdom voted on Thursday... and why**, 24th June 2016

<http://lordashcroftpolls.com/2016/06/how-the-united-kingdom-voted-and-why/>

²³ Wright, D. and Case, R. (2016) **Leave voters felt ignored and left behind as post-Brexit poll reveals extent of economic division across UK** <https://www.jrf.org.uk/press/leave-voters-felt-ignored-and-left-behind-brexit-poll>

²⁴ BBC News (2016) **Four Parliaments should agree Brexit deals** says Carwyn Jones, 22nd July

<http://www.bbc.co.uk/news/uk-wales-politics-36857547>

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