



A FAIR BREXIT FOR CONSUMERS

THE PEOPLE ROADMAP

Autumn 2017

#BREXIT



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INTRODUCTION

From distribution to stores and in head office roles, EU colleagues in retail contribute enormously to the choice, price and availability of goods available to shoppers. A lack of certainty about the future status of EU colleagues and the UK's future relationship with the EU is driving workforce changes that have the potential to impact consumer choice and experience.

The goal of our *Fair Brexit for Consumers* project is to support the Government in ensuring we get the best deal for consumers as we leave the EU. In our first paper, *The Tariff Roadmap*, we detailed why we need a tariff-free deal with the EU to avoid increasing prices. *The Customs Roadmap* sets out the challenges the Government faces in delivering frictionless trade and the steps that must be taken. Here, in *The People Roadmap*, the third in our series of reports, we focus on the people issues of Brexit. Drawing on fresh data gathered from our members, this research considers the role of EU colleagues in both the retail workforce and their supply chains and presents the key steps necessary to provide certainty for EU colleagues now and to ensure the UK's future immigration system meets the needs of the retail industry and its customers.

The retail industry is going through a period of transformational change that is directly affecting the size and the skills profile of the workforce. We have estimated that the number of jobs in retail will fall over time but the roles that remain will become more highly skilled. Brexit presents an opportunity to design a new, sustainable immigration system that recognises the changing nature of retail and has the confidence of the general public. To make the most of this opportunity, we need to design a system that recognises the workforce needs of the industry, at all skill levels, while at the same time working in partnership with industry to equip the domestic labour market with the skills of the future.

Our aim is to ensure our world-leading retail industry has the people, skills and resources to continue meeting the needs of consumers as well as also grow its huge contribution to the UK economy.

RECOMMENDATIONS

DELIVERING CERTAINTY NOW

- A simple and accessible system for securing settled status.
- Align the date for acquiring settled status to the date the UK formally leaves the EU.
- Automatic transition to settled status for those who have already acquired permanent residence under EU law.

A SYSTEM FOR THE FUTURE

- A simple, demand-led system that does not require employer sponsorship.
- Access to non-graduate labour from the EU.
- Effective integration between the new immigration system and UK employment law.
- Cross-border mobility throughout Europe for business travel without the need for work permits or visas.
- A parallel focus on skills development for the domestic labour force.



THE IMPORTANCE OF EU COLLEAGUES IN RETAIL

While the overall share of EU colleagues in the retail workforce is smaller than other industries such as hospitality and care, a more detailed look at where EU colleagues are working within retail organisations and their supply chains clearly shows that certain geographies and retail functions will feel the impacts of the end of freedom of movement more strongly than others.

EU nationals are also critical to the ensuring the nation is fed. The food and drink supply chain represents 13.2% of UK employment and a significant proportion of those individuals are from the EU. Without the right systems in place for retailers and their supply chains, when the UK leaves the EU consumers could be left with less choice and higher prices.



170,000

EU nationals work across the retail industry.¹



26%

of retail employees working in distribution in the Midlands are from the EU.²



4%

of head office staff are EU nationals.³



1/3

of the permanent workforce in the food & drink supply chain are EU nationals.⁴

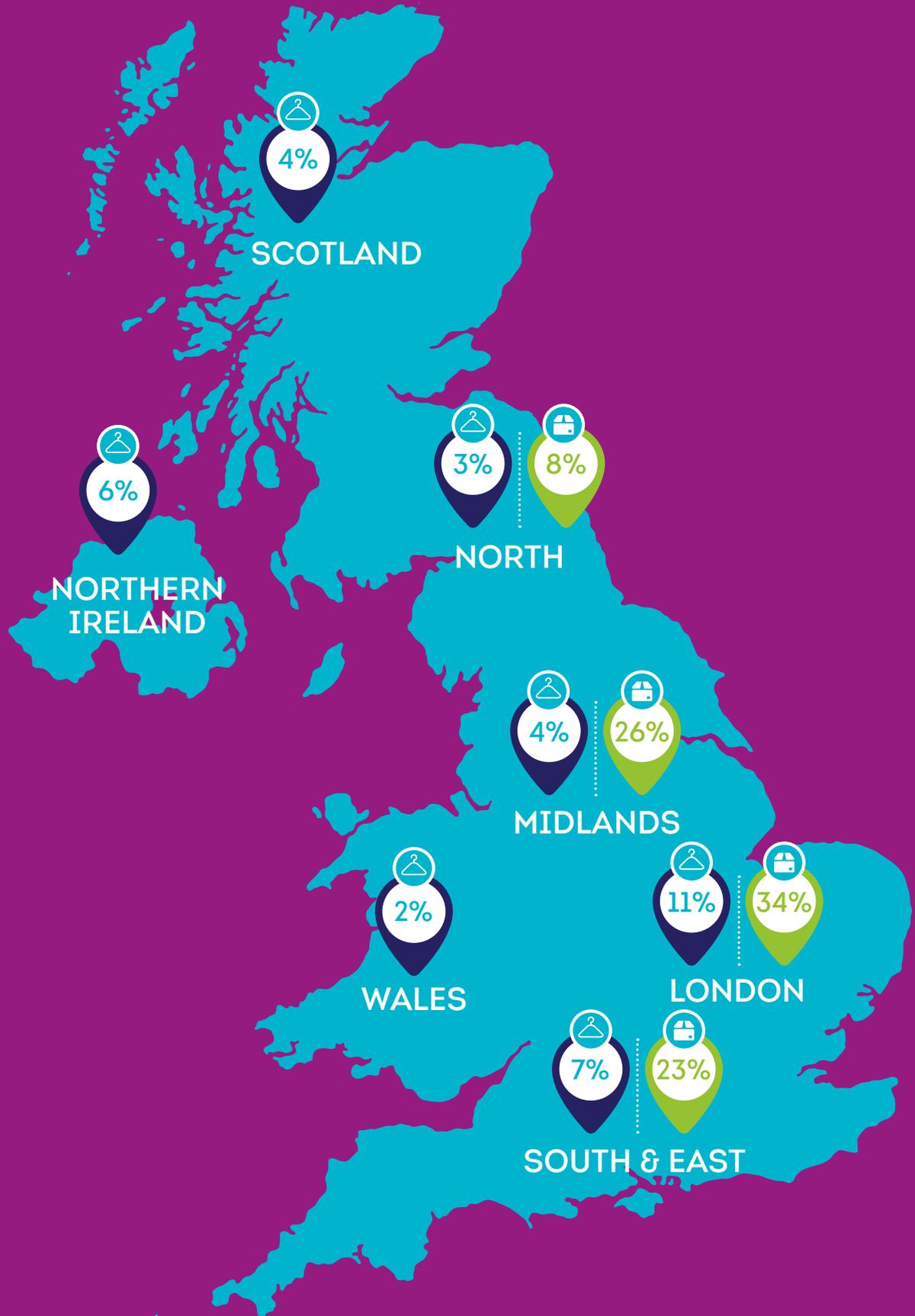
1. ONS Labour Force Survey microdata for Q1 to Q4 2016.

2. BRC member data, 2017.

3. BRC member data, 2017.

4. UK Food and Drink Supply Chain Workforce Group, Breaking the Chain, July 2017.

THE SHARE OF EU NATIONALS IN THE RETAIL WORKFORCE



KEY:



Shop floor



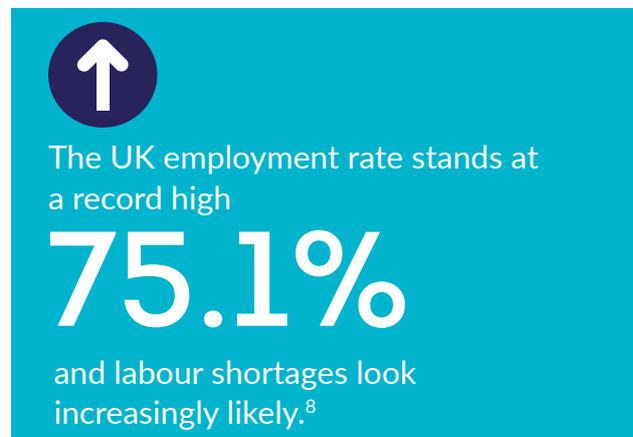
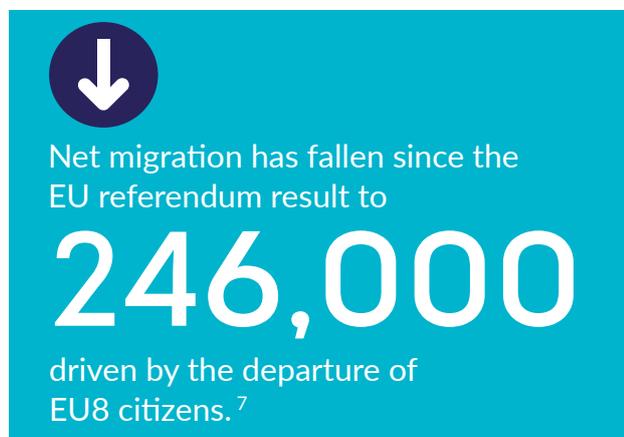
Distribution and Logistics

Source: Estimates based on data provided by BRC members.

THE ROAD AHEAD

Maintaining the choice and availability of affordable, quality products for consumers is at the centre of achieving a fair Brexit for consumers. The retail workforce, and the workforce across supply chains, are critical to achieving this.

Since the vote to leave the EU in June 2016, uncertainty has been rife among the workforce and the latest immigration figures demonstrate that EU nationals, unsure about their future status in the UK, are voting with their feet. The impact on the availability of workers and the cost of employment could be felt by consumers unless the retail industry perspective is recognised as the Government focusses on the post-Brexit labour market.



5. BRC, Workforce Survey, 2017

6. BRC, Workforce Survey, 2017

7. ONS, Migration statistics, quarterly update, August 2017.

8. ONS, Labour Market Statistics, September 2017.

1 DELIVERING CERTAINTY FOR EU COLLEAGUES

The UK's decision to leave the European Union has created huge uncertainty for EU colleagues. EU citizens who have come to live in the UK and work in the retail industry contribute enormously to the economic and cultural life of the UK.

RETAIL WORKFORCE CHANGES FOLLOWING THE EU REFERENDUM (% OF RETAILERS)

56%

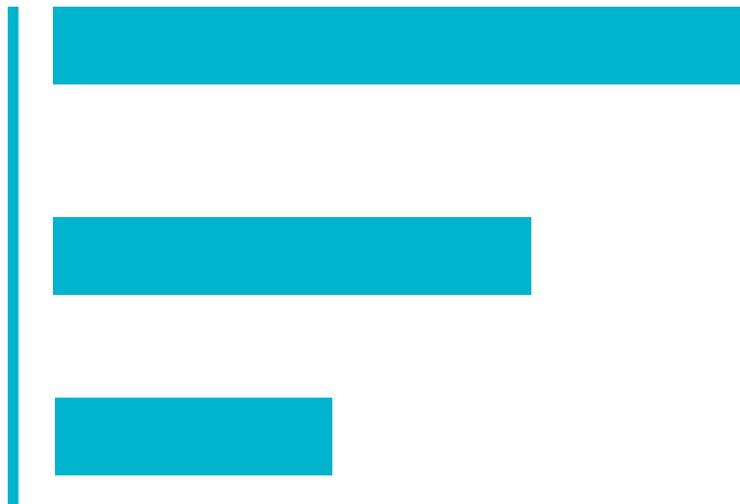
of retailers reported EU nationals are concerned about their right to remain in the UK.

39%

of retailers reported some EU nationals are considering leaving the UK.

22%

of retailers reported EU nationals have left the UK.



To provide certainty, EU colleagues must have their status confirmed as a priority. The UK's offer of settled status in June was welcome, but the UK Government must go further in outlining what the process for acquiring settled status looks like and provide greater clarity about when the cut-off date is, confirming it will not be retrospective. Many individuals, often supported by their employers, have gone through the process of acquiring permanent residence under EU law. For these individuals, an automatic transition to settled status must be put in place. The price for acquiring settled status must also be set a reasonable rate to ensure that all individuals can access it.

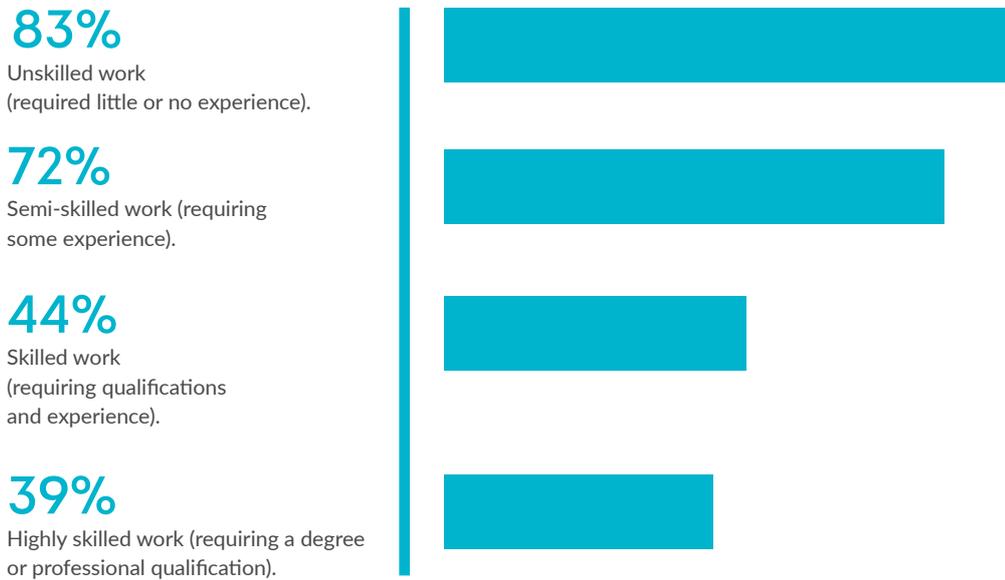
RECOMMENDATIONS

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2 RECRUITING THE RIGHT PEOPLE AT THE RIGHT TIME

EU colleagues work across the retail industry in roles that require different levels of skill. As the employment rate increases, the labour market tightens and the ability to recruit at all skill levels becomes harder. Retailers are reporting shortages of highly skilled roles such as data scientists and software engineers as well as warehouse workers and drivers.

PROPORTION OF RETAILERS EMPLOYING EU NATIONALS, BY SKILL LEVEL (%)



In the short term it is essential that the UK's new immigration system provides access to non-graduate labour to ensure the retail industry can continue to meet consumer demand. Over time, as jobs in retail evolve and become more skilled, employers and the Government must work together to provide the right skills for the industry. The UK's new immigration system must complement the domestic skills base. The Apprenticeship Levy presents an opportunity to develop the skills needed for the future, but the industry needs additional flexibilities in how they can spend the funds to engage effectively with the policy.

RECOMMENDATIONS

- Access to non-graduate labour from the EU.
- A parallel focus on skills development for the domestic labour force.

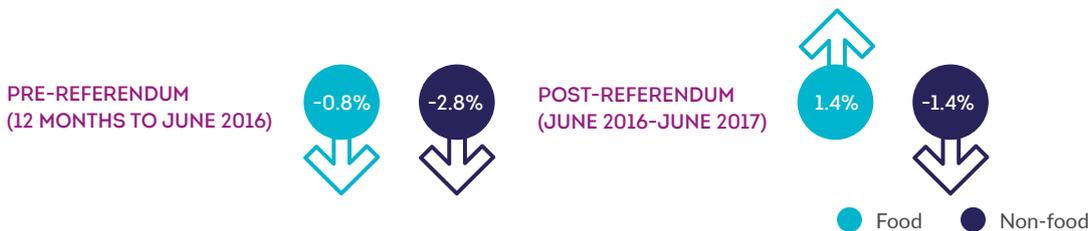
3 MANAGING A GROWING COST BASE

Consumers have already felt the impact of the referendum, through price increases on the goods they buy, as the sterling depreciation has made imported goods more expensive. Prices for both food and non-food items have already been affected by the depreciation of sterling following the vote to leave the European Union.

To date, retailers have worked hard not to pass on additional costs associated with employment to consumers. But as government interventions such as the Apprenticeship Levy and the National Living Wage continue to increase the cost of employment, retailers have indicated they will find it harder to avoid passing on future costs.

Greater competition for workers as a result of inadequate provisions following Brexit would only add to that growing employment bill. Similarly, an onerous and expensive system of sponsorship of EU nationals in the future would further add to the cost base of retailers.

% CHANGE IN SHOP PRICES 12 MONTHS TO JUNE 2016 AND JUNE 2017



RECOMMENDATIONS

- A simple, demand-led system that does not require employer sponsorship.

4 RETAIL IN A GLOBAL WORLD

Retail is an industry that spans national borders. The ability to move across borders swiftly without the need for visas is essential for the ongoing success of the industry. Similarly, a number of retailers operating in the UK are headquartered in other European member states. Business travel without the need for visas and the ability to move employees for a short period of time as part of their training and development will be critical to the success of the retail industry in a post-Brexit world.

Brexit presents the opportunity to ensure a new immigration system rationalises the interplay between the immigration rules and employment law. The current immigration rules for non-EU nationals are often incompatible with UK employment law and employment practices, leaving retailers vulnerable to legal recourse or a loss of their sponsor licence. As the UK Government embarks upon designing a new immigration system for EU nationals, ensuring the two sets of regulations are compatible is essential. The Government should also look to review the immigration rules for non-EU nationals.

RECOMMENDATIONS

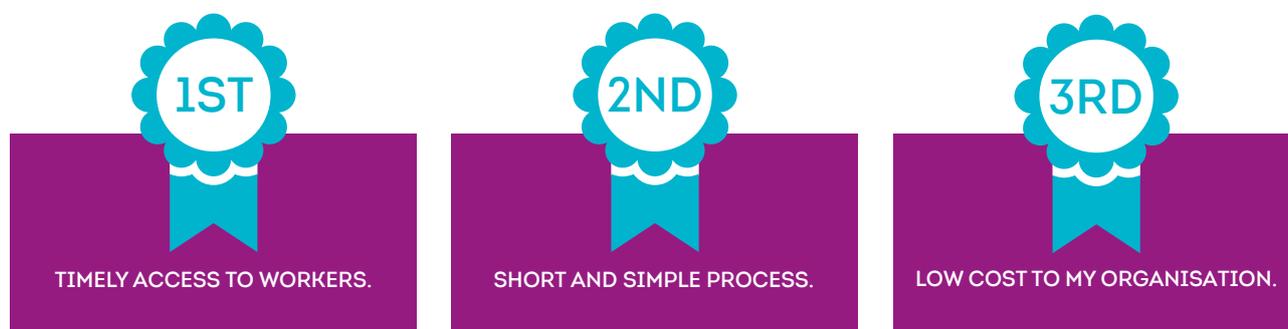
- Effective integration between the new immigration system and UK employment law.
- Cross-border mobility throughout Europe for business travel without the need for work permits or visas.

DEVELOPING A NEW IMMIGRATION SYSTEM FIT FOR THE RETAIL INDUSTRY

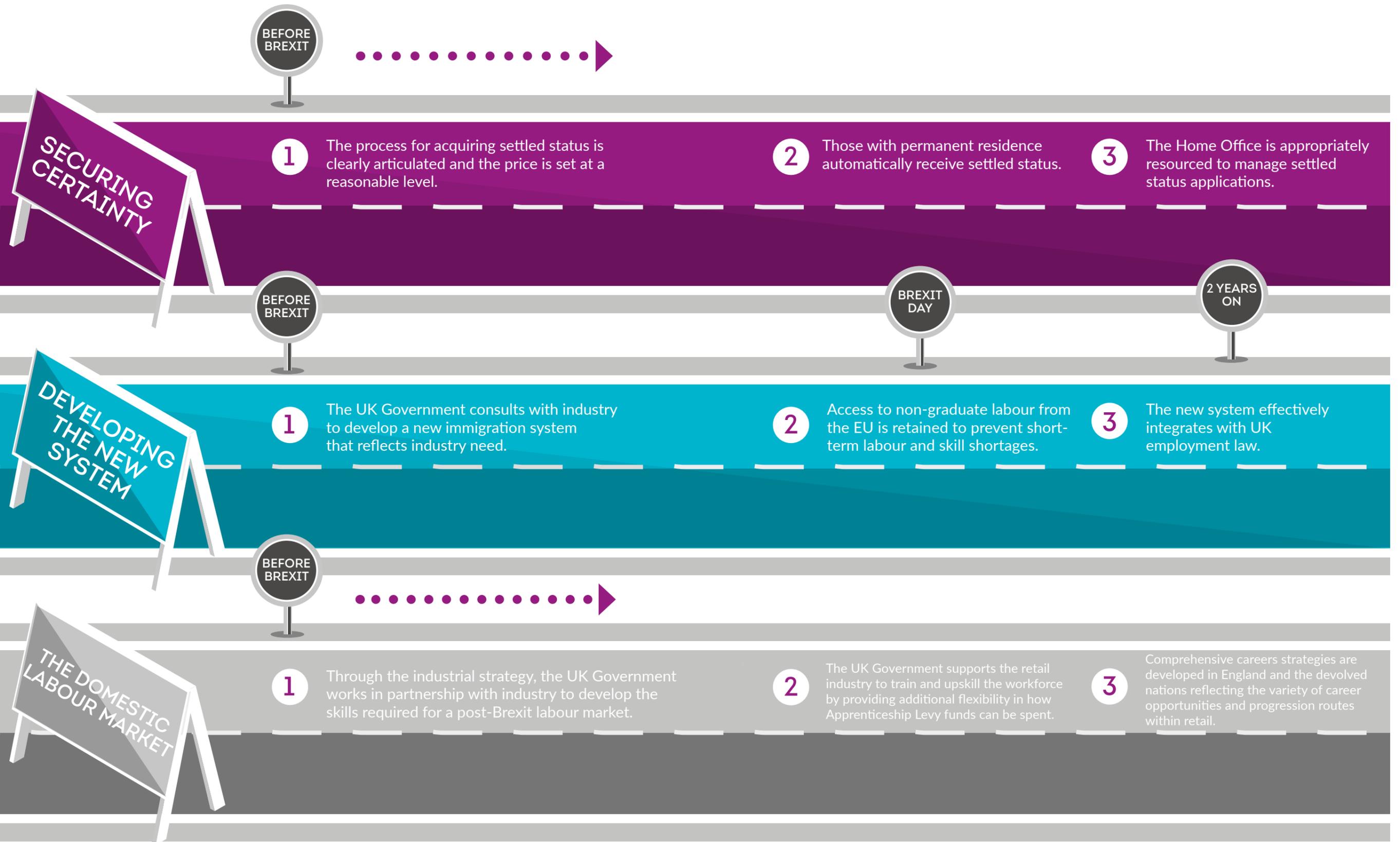
Immigration was at the centre of the referendum debate in 2016 and continues to dominate political discourse. The decision to leave the EU presents an opportunity for the UK Government to reset our migration system as well as to ensure the domestic labour market is equipped with the skills necessary for the future success of the retail industry. It is important that we take an evidence-based approach in designing the new immigration system which is why the BRC welcomed the Home Secretary's commission to the independent Migration Advisory Committee in August.

Retailers recognise that the end of free movement will result in lower migration to the UK. Retailers also recognise the future of the industry is likely to be one with fewer jobs overall, but a higher number of skilled roles. Going forward, striking the right balance between a domestic skills agenda and a migration system that complements the UK labour market will be critical. It is essential in the short to medium term that European workers can continue to work in the UK to fill both labour and skill shortages. Longer term, we need a migration system that reflects the way in which retailers operate, enabling quick recruitment, avoiding complex processes and without significantly increasing the cost of employment.

PRIORITIES FOR A NEW IMMIGRATION SYSTEM RANKED BY RETAILERS



THE PEOPLE ROADMAP



WORKFORCE Q&A

WHAT IS SETTLED STATUS?

- Settled status is a new immigration status that the UK Government has proposed to the EU as part of the exit negotiations. It is expected to be very similar to Indefinite Leave to Remain granted to non-EEA nationals after five years of continuous residence in the UK. Any disputes relating to settled status would be dealt with by the UK courts.

WHAT IS PERMANENT RESIDENCE?

- Permanent Residence can be acquired by EEA nationals who spent five continuous years living in the UK. Permanent residence provides an ongoing right to be joined in the UK by eligible non-EEA family members without meeting the rigorous financial criteria applied to non-EEA spouses and partners of UK citizens.

WHAT IS A TEMPORARY WORKER?

- A worker engaged in work for period of up to 9 months. Temporary workers can often go on to become permanent employees and work in a number of different roles.

WHAT IS A SEASONAL WORKER?

- A worker employed over a particular period of the year, often covering summer and Christmas peaks.

WHAT IS NON-GRADUATE LABOUR?

- Non-graduate labour refers to any individual looking to work who does not have a degree or equivalent NQF Level 6 qualification. Within the Points Based System for Non-EEA nationals entering the UK to work under a Tier 2 (skilled worker) visa must meet both a salary threshold and a skills threshold. The current salary threshold is £30,000 p/a and the skills threshold is Level 6 (degree level).

WHAT IS THE CURRENT SYSTEM FOR NON-EU IMMIGRATION?

- The non-EU immigration system for the UK operates as a points-based visa category system. Applicants must score a minimum number of points on an assessment test to be eligible for a visa. The test takes into consideration factors such as age, fluency in the English language, and other factors dependent on the specific Tier under which you apply:
 - Tier 1, High-skilled workers
 - Tier 2, Skilled workers
 - Tier 3, low-skilled workers
 - Tier 4, Adult students
 - Tier 5, Temporary workers

THE BRITISH RETAIL CONSORTIUM

Retail is an exciting, diverse and dynamic industry undergoing transformational change. The BRC is at the forefront – enhancing, assisting, informing, and shaping. Our broad range of stakeholders demonstrates how retailing touches almost every aspect of our culture.

The BRC leads the industry and works with our members to tell the story of retail, shape debates and influence issues and opportunities which will help make that positive difference. We care about the careers of people who work in our industry, the communities retail touches and competitiveness as a fundamental principle of the industry's success – our 3 Cs.



BRITISH RETAIL CONSORTIUM

2 London Bridge, London SE1 9RA

+44 (0)20 7854 8900 | info@brc.org.uk | brc.org.uk

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