

Briefing Paper

Scottish Business Views on the UK Government's Brexit Negotiating Performance



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About Scotianomics

In the 21st century data is everywhere but it is the analysis that transforms data into valuable, actionable knowledge that is key to success.

Organisations, both in Scotland's private and public sectors, lack access to useful, reliable data and value-added analysis of the kind that most advanced countries take for granted. This creates a hidden but real disadvantage for Scottish business, limits public policy and disrupts the pursuit of shared prosperity.

Scotianomics aims to spark a knowledge revolution and inform the decision-makers on Scotland's economy. We provide cutting-edge intelligence and strategic planning resources so that stakeholders can gain a wide view of the threats and opportunities in the world through our geopolitical, economic and policy analysis, unique historical datasets, risk and opportunity forecasts, Geographic Information System mapping solutions and strategic planning services.

Gordon MacIntyre-Kemp

Director

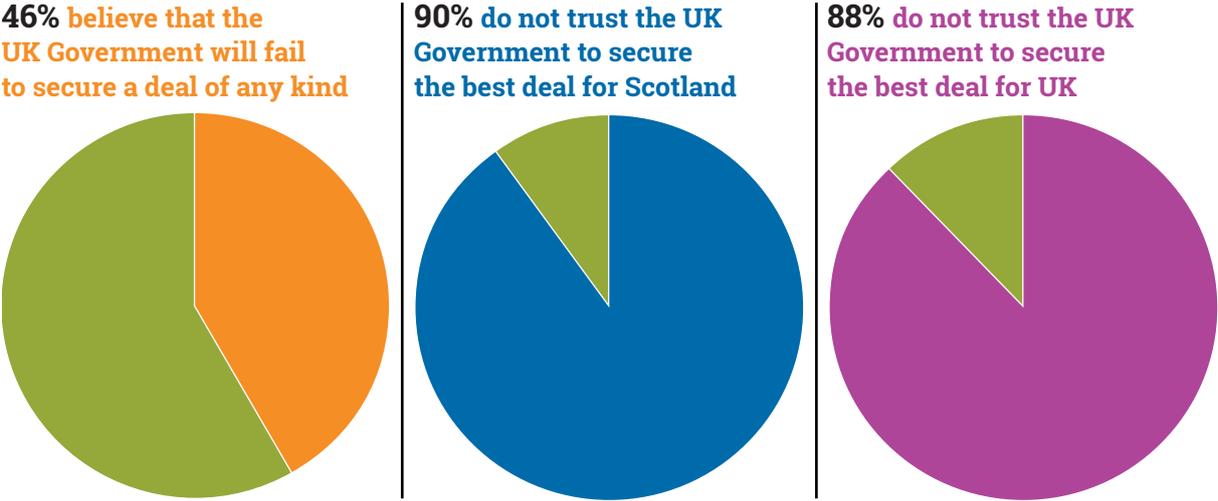
Executive summary

- We have surveyed 758 business owners and directors across Scotland to map out the business community's opinion on the ongoing the Brexit negotiations.
- Only 8% of Scottish business owners trust the UK Government to secure the best Brexit deal for Scotland, and 79% want to see a second EU referendum after the terms for leaving the EU are clear.
- 90.19% thought a hard Brexit with no trade deal (WTO option) would have a negative impact on the Scottish economy.
- 86% of respondents thought that Brexit with a preferential trade deal (Canada option) would be negative with 25% 'extremely negative', 42% 'very negative' and 18.88% just 'negative'.
- Opinion started to become less polarised when the option of a Brexit with an EFTA style deal to access the single market (Norway Option) was considered. Although the spread of answers was more equal, only 33.52% thought this would have a positive impact when compared to the other Brexit options. 43% still thought this would have a negative impact but 23.13% were neutral.
- 76.81% stated that calling a halt to Brexit would be positive for the economy, and within that 41.37% 'extremely positive'.

Introduction

We have surveyed 758 business owners and directors across Scotland to map out the business community’s opinion on the ongoing the Brexit negotiations. This, our latest EU research report, highlights numerous concerns, particularly from those employing EU nationals and those who either import from, or export directly to, the EU.

Figure 1. Perceptions on securing a deal in the Brexit negotiations



The survey results

Only 8% of Scottish business owners trust the UK Government to secure the best Brexit deal for Scotland, and 79% want to see a second EU referendum after the terms for leaving the EU are clear.

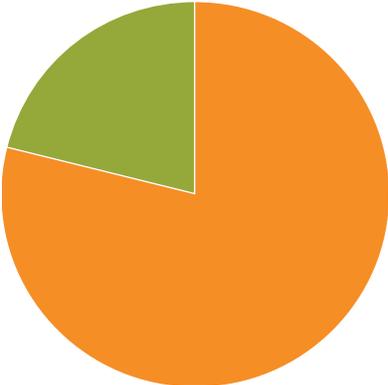
Of those surveyed:

- 90% did not trust the UK Government to secure the best deal for Scotland.
- 44.57% of all respondents had direct commercial dealings with either customers or suppliers within the EU.
- 84.37% voted Remain and 87.52% would vote Remain in second referendum.
- 11.26% voted Leave and 11.55% would vote leave in a second referendum – this shows that attitudes are hardening, but that the vast majority of past non-voters would now vote remain.
- 78.73% believe there should be a second EU referendum after Brexit terms are clear.
- 88.77% did not trust the UK Government to secure the best deal for the UK.
- Whilst 45.77% believe the UK Government will fail to secure a deal of any kind only 19.18% thought the UK would be able to secure a trade deal at all.

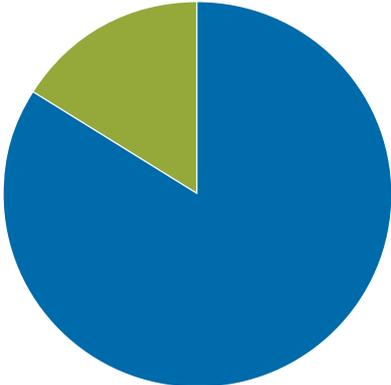
Additionally, the respondents were asked if they believed negotiations would be more productive with direct involvement and representation of the devolved administrations – 77.98% said yes.

Figure 2. Voting in the EU Referendum

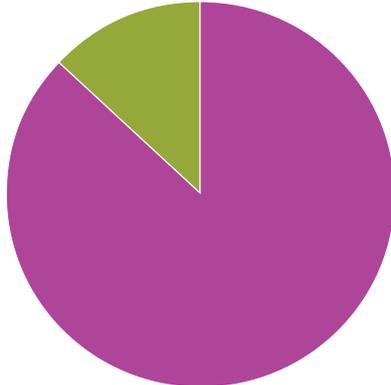
Almost 79% want to see a second EU Referendum after the terms of Brexit are clear



84% voted Remain in the 2016 EU Referendum



87% would vote Remain in a second EU Referendum



The combined number of employees of the firms the respondents represent was 199,000. EU nationals employed by the respondents were approximately 11,000; 41% of all respondents had at least one non-UK born EU national on their staff and 100% of companies employing more than 50 employees stated they had at least one non-UK born EU member of staff.

Economic impact of Brexit scenarios

Respondents were asked “To what extent do you believe the following outcomes of the Brexit negotiations would have either a positive or negative impact on Scotland’s economic prospects?” Their answers were ranked on a scale ranging from ‘extremely negative’ to ‘extremely positive’.

90.19% thought a **hard Brexit with no trade deal (WTO option)** would have a negative impact on the Scottish economy. With 68.28% selecting ‘extremely negative’, 15.26% ‘very negative’ and 6.65% just ‘negative’. Interestingly, only 43% of those who would vote Leave in a second referendum thought a hard Brexit would be positive in any way, suggesting that a majority of Leave supporting businesspeople at least prefer some form of softer Brexit, painting some level of access beyond WTO trading rules.

86% of respondents thought that **Brexit with a preferential trade deal (Canada option)** would be negative with 25% ‘extremely negative’, 42% ‘very negative’ and 18.88% just ‘negative’. Again, only 7.97% thought this type of Brexit would be economically advantageous in any way.

Opinion started to become less polarised when the option of a **Brexit with an EFTA style deal to access the single market (Norway Option)** was considered. Although the spread of answers was more equal, only 33.52% thought this would have a positive impact when compared to the other Brexit options. 43% still thought this would have a negative impact but 23.13% were neutral. It's worth noting that some of the pro-Brexit respondents who thought the WTO option was positive started to rate that the softer Brexit options as bad for the economy, but their numbers were so small as to be statistically insignificant.

76.81% stated that **calling a halt to Brexit** would be positive for the economy, and within that 41.37% 'extremely positive'. However, 14.56% thought stopping Brexit would be negative for the economy and this included some Remain voting respondents whose comments can be summarised as; it cannot be stopped now, as that would cause political uncertainty which would now be more damaging than a soft Brexit option.

Respondents' comments

Common descriptors included "unplanned", "shambles", "shambolic" and "disgust", but a number of respondents detailed why they were so concerned.

A director of FTSE 100 company commented:

"When the virtually inevitable car crash happens the Scottish end of the business will most probably be moved to Europe which is a crying shame as the expertise at home is unsurpassed in our market segment. However, with no likelihood of stability it will be a logical step to move."

A director of an NYSE listed company with a base in Scotland said:

"Stop now and ask the people, do they want to continue with this process, knowing what they know now?"

A senior manager of a global organisation with 800 employees in Scotland and 80,000 world-wide said:

"Appalling incompetence and condescending to the devolved administrations."

The owner of a major hotel and leisure group said:

"We need to retain our current EU labour base and allow additional EU nationals to join us."

The director of one of Scotland's largest waste and recycling companies said:

"I think the negotiations are being handled terribly by the UK Government. They treat the EU negotiating team with disdain it would appear and don't seem to understand all of the potential impacts of a failed negotiation."

A director of a leading automotive supplier said:

"Absolute shambles with no idea what they are trying to achieve or why/how."

Access to both skilled and migrant workers is a major issue raised by others in the comments section:

- "Coming from a farming background, I have several friends who have diversified to soft fruit growth who are now looking at possible bankruptcy if they cannot secure a migrant workforce in years to come"
- "Very concerned about lack of skilled/semi-skilled people to help my business peak season and the negative effect Brexit will have in tourists' perceptions of holidays in UK."
- "My business is a cleaning agency, and many of the 25 self-employed cleaners who use us to find clients are EU nationals. It's already getting harder to find good, reliable cleaners. I have no doubt that this is related to Brexit. I seriously doubt the government's "sector by sector" approach to dealing with labour from outside the UK will be done in a way that helps us."
- "There is so much uncertainty it is impossible to plan how we should mitigate the potential risks to our business – losing non-UK, EU nationals, increased costs of business, need for European office presence, increased travel difficulty etc. We are a specialist technology company and the skills our workforce has cannot be replaced overnight."

As is the loss of EU funding for innovation:

- "We have won over 20 EU funded R&D projects and these jobs will be lost to our Ireland office unless the negotiations are successful."
- "I have two members of staff employed on projects part funded via EU grants and we are advertising for another researcher but I have no guarantee that those grants will be matched by the UK Government post Brexit, in fact I don't believe the UK Government will be able to afford to match the EU grants ongoing"

For others, the concerns are around increased costs of business:

- "For my company customs import/export issues have become a very serious

problem now, the UK Government and customs are in a terrible state and have no staff to help us now, so no one knows what is happening. This is a serious issue, we are having to hire a company to try and sort these issues out and it is costing us thousands of pounds.”

- “My costs have already risen, and I have been warned by suppliers that they are likely to rise even further as a result of Brexit and I am unable to pass on any increases to customers.”
- “The cessation of free travel will have a very negative effect on construction with a high proportion of employees being from within the EU. We are also seeing increased cost on materials from Europe following the devalued pound, a situation which is largely expected to worsen as the pound devalues more upon completion of Brexit added to any tariffs we can expect after leaving the trading agreement.”

Conclusions

- There is a clear consensus among the Scottish business community that the UK Government is failing to manage the Brexit negotiations in an effective way.
- There is also a consensus on the expected damage that Brexit will deliver to the economy, as well as a strong pattern in terms of businesses predict that particular forms of Brexit – hard and soft variants – will impact on the economy. This tends to follow economic forecasts regarding the effects of various Brexit deals on the UK economy.
- The results also suggest that a majority of the business community would like to see Brexit reversed.
- There is a strong sense of uncertainty that is likely to limit business activity and disrupt the overall economy in Scotland.

Appendix

Notes on methodology

We wanted to measure how businesspeople in Scotland felt about the Brexit negotiations and what the implications would be for their businesses.

- The survey was conducted via an internet poll between Monday, November 13 and Monday, December 11, 2017.
- Our poll received 758 responses from senior businesspeople and the combined number of employees of the firms they represent was 199,000.
- Invitations to participate were distributed to owners of businesses operating in Scotland that we identified as employing minimum of 10 full time staff but were also targeted towards directors and senior managers of much larger companies.
- The number of senior businesspeople invited to participate was approximately 15,000.
- The response rate was significantly high at around 4%.
- The geographical spread of respondents was Scotland-wide, representative of all regions and all key business sectors.
- There were no significant changes in the nature of responses on either voting intentions or confidence in the UK Government following any major/breaking news stories connected with Brexit negotiations during the collection of the survey data.