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Public Sector Focus

Article

The devil in the detail of Brexit starts to emerge

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My latest article for [The Conversation](#) drew attention to the potential practical and bureaucratic headache facing the senior civil service for the foreseeable future as the country attempts to leave the EU, be that for a 'hard' or 'soft' Brexit.

Unprecedented demand for change and long term reduced capacity in the senior civil service will affect a huge swathe of legislation. In refusing to increase civil service capacity the government is painting itself into a corner: short-term expedience is going to trump long-term prudence. And more critically, reactive and tactical policy making will leave little time for addressing the fundamental long-term issues facing society and the economy.

There is a limit to the capacity of the parliamentary process as well as the pressure of a backlog of legislation already in the system; David Cameron included 21 bills in the Queen's speech just last May. This pressure is inevitably going to lead to poorer bills and statutes, eventually requiring earlier review and the widespread neglect of existing legislation in much need of attention.

Last week the FT linked The Conversation article to its Brexit coverage. At the same time a series of articles started to emerge from respected sources, including the FT, that are beginning to reveal the devil behind the details.

The government's concerns about poor and declining productivity and imbalanced regional economic performance were recently highlighted by the Business Innovation and Skills Select Committee. These concerns were implicitly acknowledged by the Prime Minister when she announced a new industrial strategy covering areas outside of London and the south east of England. These areas contain only 27% of the population yet they are the only parts of the country that are wealthier than the EU average.

The Centre for European Reform's [Simon Tilford](#) recently deconstructed the UK's productivity challenge to show just how woeful performance has been over the last 10 years. Productivity is down to just 90% of the EU-15 average and Brexit is only going to make this worse. Tilford argues the UK's strong employment growth must be calibrated by the context of stagnant productivity and large falls in real wages. The key economic problems are primarily on the supply side, while the over-concentration of political and commercial power in London generates unhelpful political fallout that impedes a long term strategic response.

According to Tilford, this is because of three key issues that are long-term challenges: poor skills among a significant proportion of the workforce, weak infrastructure, and a lack of affordable housing. "Labour market performance is about more than the freedom of firms to hire and fire workers easily; it is about skills and the efficiency of the housing market" just as "the supply of subsidised housing has dried up making it hard for people to move to where the work is."

Years of underinvestment in our transport and other infrastructure and regional imbalances have also coincided with rapid population growth, as [Ed Cox and Bill Davies](#) have shown.

The FT's [Gemma Tetlow and James Blitz](#) reported that John Holland-Kaye, Chief Executive of Heathrow, has also been raising the alarm about the possible effects of leaving the EU's customs union.

The customs union allows UK exporters to sell into the European single market without customer checks or filling in forms – in particular to prove the 'origins of the goods' – thus avoiding additional time-consuming tax hurdles. He fears leaving the customs union would add "massive overheads for very little gain".

Civil servants in the Treasury believe that ministers will have little choice but to leave the customs union because remaining would leave Britain with little autonomy over trade and in a weak position negotiating trade deals. Yet employing more customs officers would be especially costly. The UK already has about 5,000 customs officers, compared to France's 16,500 and Germany's 35,000, but this figure will need to double if Northern Ireland needs a border control and the origins of goods need to be verified.

With all of this politically sensitive short-term debate and activity keeping ministers and officials excited and occupied, it is worth repeating the implied thrust of Tilford's article and our earlier analysis.

A majority of our large acute hospital trusts are predicting ever increasing deficits. Our transport infrastructure is increasingly overburdened and under-funded and our housing and energy markets malfunctioning. Productivity is falling and regional inequality rising. When is the government likely to find the capacity and capability to tackle these real fundamental challenges?

In the run up to the Conservative Party conference in Birmingham this week Theresa May gave an interview on the [Andrew Marr show](#) proposing a 'great repeal' bill to unwind EU laws by incorporating all EU regulations into UK law in its entirety as soon as Brexit takes effect. This would allow future governments to unpick those laws as they saw fit and implied that she will trigger article 50 before the end of March 2017, setting in motion the two year process of leaving the European Union and meaning the UK will leave by spring 2019, only a year before the next general election.

The last Government gave inadequate time and consideration to the big strategic issues and challenges facing the country and our local communities, concentrating instead on a dogmatic reduction in the size of the state, attempting to remove the structural deficit, and bickering about the implementation of the short term 'Coalition agreement for stability and reform'.

Theresa May said in her interview that she wanted to give the country "greater clarity about the sort of timetable we are following". It looks as though another 5-year administration is about to get irretrievably bogged down in short termism.

Ends

Pete Murphy
Russ Glennon

3rd October 2016.