

Written Evidence submitted by IoD Northern Ireland for the Northern Ireland Affairs Committee's inquiry into Northern Ireland and the EU Referendum (EUN0018)

1. Do you agree with the First Minister that Northern Ireland can “stand on its own feet” in the event of a Brexit?

Given the level of support that Northern Ireland receives from Treasury and the contribution that we have received and continue to receive from Europe – peace funding, agriculture support, INTERREG and research etc – we believe it unlikely that the UK Government will be able or willing to replicate funding to the same degree, especially when the Chancellor is still cutting back public expenditure. Given time and a reduction in corporation tax supplemented by other measures, economic growth here might help to close the gap but it could take a considerable time to do so.

2. Have you made any estimate of the potential impact of leaving the EU on the Northern Ireland economy?

No.

3. Nationally, the CBI has been supportive of continued EU membership. Is the CBI NI taking a similar position on the EU referendum? The IoD hasn't taken a position, why is that?

The IoD as an organisation will be maintaining a neutral position in the referendum debate, but are happy to talk about reflecting member opinion – a snap UK wide survey following the PM's agreement with the EU showed that 60% would vote to remain in the EU and 31% would vote to leave (9% DK). A Northern Ireland survey showed that closer to 75% of respondents would prefer to stay in. We aim to provide members with information that allows them to make their own decision rather than directing them on how to vote.

What we are stressing is that it is vital that more boards discuss the proposals and Brexit for the purposes of risk assessment, exposure, planning and preparation – we know that only a fraction of listed company boards are discussing it (and nearly half - 44%- of IoD members have not).

There are plenty of economic arguments on both sides being wheeled out, but sorting out the practical considerations is what boards will [need to] be discussing. We want to see businesses assessing their commercial links/exposure to the EU to determine how big an effect Brexit would have – if at all- on their operations (although we should stress that nothing would change overnight with an Out vote, nor likely for some time after until a transitional agreement is struck).

So big economic forecasts are unlikely to convince businesses, nor the public. It will come down to profits margins and cost overheads.

4. Have you polled your members in Northern Ireland? If so, what were the results? If not, what is your impression of the feeling amongst your members of the prospect of a Brexit?

Yes we have polled members with a 26% response rate (<http://www.iodni.com/eu-in-or-out-iod-ni-survey>). Around 75% favoured remaining in the EU but a large number commented that they do not have enough facts about the impact that a Brexit might have.

5. How significant a concern is the EU referendum for your members in Northern Ireland? Do you see differences between sectors or sizes of firm?

The uncertainty as to the outcome of the Referendum presents a real challenge. Running a business is inevitably risky and managing risk is an ongoing issue for leaders. Any uncertainty makes it difficult for them to plan ahead. In the event of an exit vote, uncertainty will continue until there is clarity on the way ahead.

Our survey did not analyse views between sectors and company size but comments have been grouped into different categories on the website (<http://www.iodni.com/eu-in-or-out-iod-ni-survey> - download the report)

6. What is your impression of the level of knowledge about the issues relating to the referendum? Have you been attempting to promote awareness amongst your members? If so, how?

See point 4 above. We are adding useful articles, reports, etc onto our website <http://www.iodni.com/eu-referendum-inform-yourself> and highlighting this in our communications to members. An IoD EU Referendum roadshow will take place in Belfast on 19 May.

7. Have you any estimate of the cost of EU regulations on your members? Are there specific regulations or areas of regulation that seem to cause your members particular frustration?

We have no quantitative estimate but we know from previous survey data that social and employment policy is seen as the area where EU action is considered to be the most unhelpful to business. The role of the European Court of Justice in this space, with rulings on areas such as holiday pay calculation, for example, makes the legal landscape around employment law complex and prone to uncertainty, as ECJ decisions are directly binding on all EU countries and unlike legislation provides for no consultation or flexibility in implementation. The Government is also usually averse to providing anything that could amount to legal guidance in respect of these decisions.

8. How significant is the EU as a market for your NI members?

It is a significant market. 66% of respondents to our survey trade in or with the EU outside of the UK and 44.6% import goods for value added use from EU countries outside the UK. On average up to 25% of respondents' turnover relates to trade with

EU countries outside the UK. 27.4% of respondents said that their business benefits directly from funding from the EU. 43.7% of respondents employ EU nationals from outside the UK.

9. How reliant are your members on trade with the Republic? Do you think Brexit would impact on that?

We do not have statistics on trade with the Republic of Ireland but it is well known that Ireland is a significant market for NI businesses. The absence of hard information on what barriers to trade might be imposed post-Brexit, makes it difficult to estimate the impact.

10. Do many of your members benefit directly from EU grants or subsidies?

As per point 8 above, 27.4% of respondents say they benefit directly from EU funding but we do not have an analysis of the nature of this funding.

11. Are there particular skills gaps which Northern Ireland relies on EU migration to fill?

As per point 8 above, 43.7% of respondents said they employ EU nationals from outside the UK. The range of skills that these EU nationals are employed for is quite wide including nursing, ICT, technical, low and semi-skilled, engineering, languages, managerial, shopfloor, hospitality.

12. In the event of a Brexit, what would be your priorities for a new relationship with Europe?

We have not discussed this with the Northern Ireland membership yet, however, based on the comments made in our survey these would be some of the issues that will need to be addressed:

- Access to the European market for trade particularly given the land border with the EU. ROI tends to be the first foreign currency export market for NI companies and any additional obstacles for first time exporters would be unwelcome.
- Ability to be able to easily continue recruiting EU nationals to fill skill gaps in the NI workforce
- Replacement of EU funding by the UK government.

18 April 2016