



BREXIT

AND THE

UK CONSTITUTION

THE
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SOCIETY

The Constitution Society

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The Constitution Society

The Constitution Society is an independent educational foundation founded in 2009. We promote public understanding of the UK constitution and work to encourage informed debate between legislators, academics and the public about proposals for constitutional change.

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Introduction:

The Incoherence of the Post-Brexit Constitution

If there is one quality necessary for a constitution, it is coherence. What holds the state together should hold together itself. Codification is not a substitute for or a guarantee of constitutional coherence, but the lack of it does make the task of consistency and unity that much more difficult in the United Kingdom. For some, Brexit was a quest to strengthen the coherence of the UK constitution: to restore the supremacy of UK law, the sovereignty of the UK Parliament, the decision-making power of the UK government and the efficacy of UK border controls. The narrative and ambition of leaving the European Union as a means of shoring up the UK constitution had a certain logic in ideational terms. This short text produced by the Constitution Society is a thorough run-through of how and why it is that such notions proved to be so ill-founded. In some cases, they were never realisable (geography and market size matter more than sovereignty when it comes to trade policy, for example); in others, political decisions and limited state capacity have, for better or worse, left other Brexit promises unfulfilled (such as that of “nimbleness” regulatory frameworks). A

decade on from the referendum and five years after the end of the transition period, it is evident that the UK constitution is less coherent than it was before Brexit. Indeed, the process itself has exposed complexities and tensions that had not previously been seen. What holds the UK together is more attenuated now.

In Brexit, the UK faced its most complicated diplomatic and legal challenge in generations – one that was self-induced and met with incoherence. The result of the referendum in June 2016 was infamously a surprise to the leaders of the two Leave campaigns – with the night of the election count seeing Farage concede defeat and Johnson momentarily flummoxed (‘Holy crap, what will we do?’).¹ The resignation of David Cameron was a fitting act of leadership from a Prime Minister who had refused to allow contingency planning in Whitehall for a Leave vote let alone a blueprint for Brexit.² In the ensuing months, this vacuum of planning and foresight was only filled publicly with more empty promises. The one that rose from a slogan to a policy objective – “take back control” – centred upon the premise that what was being retrieved from the EU (be it money, regulatory power or legal supremacy) was both wanted and manageable for the UK. As this text shows, even as sovereignty has been formally gained through Brexit, the UK has struggled to extract many advantages from it.

This is evident even in the most straightforward interpretation of sovereign power: the primacy of national law. Belated recognition that the much-vaunted “bonfire of regulations” would leave a black hole in the centre of the UK constitution resulted in a softening of some of the more outlandish Brexit ambitions in this area. Nevertheless, there has been a clear constitutional

shift. The Retained EU Law (Revocation and Reform) Act (2023) may not have automatically “sunsetting” EU law but it did end the supremacy of retained EU law and gave greater interpretive discretion to UK courts. As for that retained law itself, by early 2026, Catherine Barnard and Joël Reland note, around 3000 of the c.7,500 EU rules on the UK statute book could be classed as “reformed” although most changes are purely technical, e.g. repealing obsolete EU-specific rules. There has been neither bonfire nor revolution.

When it comes to making its own laws, the UK has proven far from radical. This is another example of pragmatism in play. Regulatory divergence from nearest neighbours increases the cost of trade, uncertainty for business, strain on policy-makers and implementors, and complexity within the UK internal market. This is not just a matter of practicalities. Instinctively, it seems, UK policy-makers prefer to remain closer to the EU approach than to deregulatory models such as that in the United States. This is evident in some of the major areas of EU regulatory development post-Brexit, notably regarding emissions trading regimes. Indeed, where the UK has diverged in its SPS-related regulations, it has in some instances *increased* restrictions (e.g. on animal welfare). Ironically, Brexit has exposed the fact that the UK is structurally and culturally European in its regulatory instincts. This poses difficulties for the coherence of the UK constitution outside the EU.

Strains have been particularly evident in the territorial constitution of the UK, as fundamental changes to the devolution settlement have occurred post-Brexit. In order to manage the risk of internal

divergence with the UK outwith the regulatory boundaries set by common EU membership, the UK Internal Market Act (2020) introduced constraints on the legislative autonomy of the Scottish Parliament and the Senedd.³ This was particularly aggravating to the Scottish and Welsh governments, who objected to the then-UK government's purported wish for radical divergence from EU laws – laws that Northern Ireland was having to dynamically align with under the Protocol on Ireland/Northern Ireland (to the vociferous objections of ardent unionists and Brexit supporters).⁴

Five years on, and under a different UK government, we see continued complexity in the territorial constitution. The Product Regulation and Metrology Act (2025) gives the UK government the power to set product regulations, including in some areas of devolved competence. As a consequence, UK rules can be updated by ministers to 'keep pace' with EU rules, but through secondary legislation with extremely limited opportunity for parliamentary scrutiny. The rationale for this is presented as being pragmatic: avoiding costly barriers to trade with the EU. But it has also been criticised on grounds of principle by supporters of Brexit (who see it as having the potential to 'reverse Brexit by stealth') and by those in devolved governments concerned at the lack of effort to seek their consent.⁵ Indeed, the consequences of it reach to the heart of the UK constitution itself, as opportunities for UK ministers to make rules through delegated legislation have increased by design. The traditional constitutional ideal of parliamentary control of the executive is waning even as Parliament has officially gained sovereign power. Brexit is thus effectively enabling the replacement of one perceived democratic deficit (EU supremacy) with another (executive dominance).

The increasingly unapologetic return to the EU's ambit is justified by the current UK government in terms of the economic realities of Brexit. As John Springford's chapter explains, UK growth has underperformed a synthetic "doppelgänger" of similar economies since 2016 – growth being a mantra, if not a promise, of the Labour government. He outlines the expert consensus that Brexit has reduced GDP, trade and investment in the UK, and that goods trade performance has been 'markedly worse' since Brexit. Exports of goods and services are around 15% lower than would have been expected if the UK had remained in the EU (not least because intra-EU exports have boomed post-Brexit). However, Springford also notes that 'there isn't a clearer hit to EU trade versus everywhere else'. Overall, the UK has become a worse place to be a trading business, including in key exporting sectors such as the automotive industry and financial services. Amid all this, new free trade agreements (Australia, New Zealand, India, CPTPP) deliver very small gains and do not come close to offsetting losses from leaving the EU single market.

One way in which the global markets have been successfully drawn upon to temper the impact of Brexit has been that of labour. The most decisive form of regulatory divergence from the EU can be said to have been the ending of free movement of people. Brexit promised immigration control; in place of free movement, a points-based system has indeed made it more difficult for lower-skilled EU workers to enter the UK, but more liberal for non-EU skilled workers than before, as Jonathan Thomas outlines in his chapter. The initial post-Brexit period has seen 5.8m citizens of EU countries given the right to remain in the UK under the settlement scheme, plus higher levels of immigration from regions beyond

Europe. We should also note that it has led to the shutting of a route for emigration (temporary or permanent) for UK citizens. The UK-EU “reset” and development of a closer relationship is going to entail an increase in free movement of people between the UK and EU, albeit initially in the limited form of schemes for young people.

Looking ahead, polling would indicate that immigration will continue to be a touchstone for post-Brexit debate and calls for the UK to “regain control” by exiting other international organisations, including the European Convention on Human Rights. The four pillars of the Brexit promise – regulatory supremacy, parliamentary sovereignty, governmental autonomy and immigration control – have proven to be not only unrealistic but unrealised for good reason. The real challenge for the coherence of the UK constitution will be whether lessons from the past decade are learnt. The most alarming of these must be the fact that the erosion of the constitution is a process coming from within. What does it profit a state if it gains sovereignty but loses as a whole?

Katy Hayward.

I: Regulation

Introduction

Regulatory freedom from the EU has, for several decades, been the defining purpose of British Euroscepticism. As the Common Market began to take more concrete form in the 1980s, with an increasing volume of harmonised legislation to facilitate the four freedoms (free movement of goods, persons, services, capital), Margaret Thatcher's 1988 Bruges Speech served as a clarion call to many in her party.

‘We have not successfully rolled back the frontiers of the state in Britain, only to see them re-imposed at a European level with a European super-state exercising a new dominance from Brussels.’⁶

Though Thatcher had supported EU integration on free market grounds, a significant number of Conservative MPs railed against it. Their argument was both philosophical and economic. On democratic principles, Bill Cash argued that EU legislation was

developed through ‘unaccountable, unattractive and undemocratic procedures’ and that Britain’s obligation to follow EU *acquis communautaire* ‘prevents us from unravelling those unwanted laws at a general election’.⁷

From an economic perspective, John Redwood argued that small firms in particular couldn’t afford the “vast HR departments” required to comply with the wide range of EU regulatory requirements to which they were subject – claiming that EU working time rules would cost businesses £2bn a year in additional administration.⁸ The idea of British firms crushed beneath a mountain of “red tape” was further popularised by sections of the British media, as Brussels correspondents (including the Telegraph’s Boris Johnson) wrote colourful dispatches about overly-exacting EU directives – on the permitted bendiness of bananas and dimensions of condoms – which will ‘exasperate the British’.⁹

Despite such criticism, public opposition to EU regulation never built to a groundswell. Not since the early 2000s had more than 10% of voters listed the EU as one of the most important issues facing the country.¹⁰ Yet pressure was growing from within the Eurosceptic wing of the Conservative Party, alive to the growing electoral challenge from the explicitly anti-EU UK Independent Party (UKIP). In order to pacify those forces, David Cameron delivered his 2013 Bloomberg Speech arguing that people ‘resent the interference in our national life by what they see as unnecessary rules and regulation’ and promising a ‘new settlement’ with the EU followed by an in-out referendum on membership.¹¹ Cameron secured his renegotiated EU deal in February 2016, with the first section promising to stave off ‘ever closer union’.¹²

Yet this was, evidently, not enough for many, as the Leave campaign swept to a surprise victory with its promise to “take back control”. After years of parliamentary shenanigans, Boris Johnson ultimately delivered a “hard” Brexit deal which placed regulatory freedom from the EU at its very core – for which he was willing to accept a distant economic relationship with the EU and (despite claims Johnson made to the contrary) a regulatory border between Great Britain and Northern Ireland (which remains aligned to large amounts of EU regulation). For Johnson, regulatory sovereignty was not just the defining purpose of Brexit, but of his entire political agenda. His 2019 election manifesto promised to ‘Get Brexit Done’ so that the UK could ‘take back control of our laws’ and use ‘post-Brexit freedoms’ to ‘transform’ the country in a wide variety of areas including trade, immigration, workers’ rights, agriculture, environment, science and technology.¹³

So, five years since the UK broke decisively from the EU rulebook, has that vision come to pass? Much of the assessment which follows draws on *UK in a Changing Europe*’s series of “Divergence Trackers” which have, since 2021, provided a continuous stocktake of UK-EU regulatory divergence. The picture it paints is complex, but if one clear conclusion can be drawn, it is that the promise that Brexit would allow the UK to “take back control” of its lawmaking has proven deceptively simple and, in many areas, simply incorrect.

The Referendum Debate and Aftermath

Regulation was discussed relatively little in the EU referendum – and where it did appear, it was invariably linked to the wider theme of sovereignty. The central Leave campaign promise to “take back control” was occasionally married to the issue of “making our laws”, while Michael Gove asserted that the UK ‘should be outside the single market’ because ‘we should not be governed by the rules that the European Court of Justice imposes on us, which cost business and restrict freedom’.¹⁴ Boris Johnson reprised his old arguments about it being ‘absolutely crazy that the EU is telling us how powerful our vacuum cleaners have got to be, what shape our bananas have got to be’, while a Leave campaign briefing argued that ‘damaging single market rules’ were designed by ‘a small number of large multinationals that lobby Brussels to use regulations to crush entrepreneurial competition’.¹⁵

Yet there was almost no detailed discussion about which EU laws should be got rid of, nor what they should be replaced with, nor how long all of this new regulation would take to adopt. The Remain campaign made occasional warnings about the risk of employment protections or food standards being lowered, while Brexiters continued to rail against Working Time rules and the Common Agricultural Policy.¹⁶ A Leave campaign briefing about the costs of EU regulation gave only one example of a law it wanted to scrap (the Clinical Trials Directive, which it called ‘silly’).¹⁷ It spent more time celebrating historic philosophies like “regulatory diversity” (‘one of the great advantages of post-Renaissance Europe over China’) and Alexander Hamilton’s “competitive federalism” – which it argued were preferable to the EU’s “bureaucratic centralism” which ‘increasingly mimics 16th

century China in preventing experiments and crushing diversity'. The question of what "regulatory diversity" meant in practice, or how it could be implemented in twenty first century Britain, where the EU is the UK's most important trading partner, was left for another day.

After the referendum, Theresa May was installed as a Remain-supporting Prime Minister leading a party in which pro-Leave forces had become ascendant. She quickly set to work demonstrating her commitment to delivering Brexit in a form that would prioritise the UK's regulatory freedom. Her October 2016 Party Conference speech promised a "Great Repeal Bill" so that the 'authority of EU law in Britain will end' and 'our laws will be made not in Brussels but in Westminster'.¹⁸ This would see existing EU law converted into British law, so that Parliament is 'free to amend, repeal and improve any law it chooses'. In her January 2017 Lancaster House speech, May made clear that this necessitated an exit from the EU single market (along with the Customs Union), as otherwise the UK would still be 'complying with the EU's rules and regulations... without having a vote on what those rules and regulations are... It would to all intents and purposes mean not leaving the EU at all.'¹⁹

This hinted at something which had been little discussed during the referendum: the clear trade-off between the UK's post-Brexit regulatory freedom and economic integration with the EU market. The UK could repatriate lawmaking powers to Westminster, but the price would be an exit from the single market and, therefore, significant new trade frictions in terms of paperwork and border checks. Moreover, Northern Ireland would likely have to remain aligned to EU single market regulations in order to maintain an

open Irish border, necessary to protect the Belfast/Good Friday Agreement, and leading to the regulatory bifurcation of the United Kingdom.

This realisation was, according to her Chancellor Philip Hammond, “like a light bulb going on” for May.²⁰ By her September 2017 Florence speech, she was arguing that de-harmonisation of regulations would ‘represent such a restriction on our mutual market access that it would benefit neither of our economies’ and instead advocated a ‘creative’ solution to ‘avoid friction at the border’.²¹ That solution ultimately took the form of the “Chequers plan”, under which the UK would continue to adhere to all the EU regulations necessary to maintain frictionless trade in goods (leaving freedom to diverge in services sectors) while also ensuring that the entire UK (including Northern Ireland) would leave the EU on the same terms. But prominent Brexiters David Davis and Boris Johnson both resigned from her cabinet over the proposal, saying, respectively, that her plan was ‘certainly not returning control of our laws in any real sense’, and a ‘semi-Brexit’ which ‘locked in the EU system, but with no UK control over that system’.²²

May was ultimately unable to devise a solution which satisfactorily reconciled the “trilemma” of regulatory freedom, frictionless trade in goods and an open Irish border. She was succeeded by a Prime Minister, in Boris Johnson, who was willing to make a more decisive choice. For Johnson, regulatory freedom was the primary imperative of Brexit. He deliberately negotiated a Trade and Cooperation Agreement (TCA) which meant the UK would no longer formally be subject to EU law. For that, he was willing to accept significant new barriers to trade with the EU, in terms

of paperwork and checks, and for Northern Ireland to remain subject to EU law on goods which – despite his denials – created a regulatory border with the rest of the UK.²³

The Vision of ‘Brexit Opportunities’

In line with the vision of Theresa May’s “Great Repeal Bill”, the UK had copied all the EU law to which it was subject onto the domestic statute book as “retained EU law” (REUL) through what actually became the European Union (Withdrawal) Act (EUWA) 2018. This was important for maintaining the workability of law in the UK in areas as wide-ranging as food safety, airline safety and employment laws.

EUWA 2018 was always intended as a holding position. It created stability and continuity while the government decided how it wished to reshape the legislative landscape post-Brexit. For all the rhetoric about Brexit freedoms and a bonfire of EU law, the government’s hands were, to some degree, tied. The “level playing field” provisions in the TCA give the EU the power to impose tariffs on the UK if it reduces existing levels of employment, social, environmental and climate protections, as prominent Brexiters like Jacob Rees-Mogg had advocated.²⁴ Those same provisions also allow the EU to take action against the UK if the government does not keep pace with new EU rules.

Nevertheless, the UK did gain a significant degree of freedom to diverge from EU law anywhere outside the level playing field areas, and this was something which Boris Johnson’s government immediately sought to make use of. The vision was a uniquely Johnsonian mix of deregulation and dirigisme. On the one hand,

there was a clear emphasis on cutting back EU-era red tape which, in the words of Lord Frost (the UK's chief Brexit negotiator and then Minister for EU Relations) was 'unnecessarily complex'.²⁵ A government-commissioned Taskforce on Innovation, Growth and Regulatory Reform (TIGRR), comprised of three Conservative MPs, delivered a report in May 2021 arguing that the UK 'should undertake a complete audit of EU derived law and look for further opportunities to deregulate and lower burdens on business', with early candidates identified including financial services, personal data protection and genetic editing.²⁶ But there was also a role for a more interventionist state. Johnson promised he would actively 'decide' where to 'stimulate new jobs and new hope' by building 'green industrial zones', 'freeports' and data centres in less well-off regions.²⁷ This would be enabled by a new subsidy regime permitting higher state spending in those regions, and he also promised more active work to protect our 'landscape and environment' and modernise fishing fleets.

The tension between the slash-and-burn "Singapore-on-Thames" model and the more interventionist "de Gaulle-on-Tees" approach implied that the government did not have a clear sense of the new regulatory model it wanted to develop. This became evident in the January 2022 Benefits of Brexit policy paper. Published a year after the TCA took effect, and with very little divergence having been delivered, the report claimed to show 'how the UK is taking advantage of leaving the EU'. Running to 105 pages, the document comprised a long list of potential "benefits", many of which had nothing to do with leaving the EU (like reforming HGV driver training) or were simply vaguely worded ambitions (like 'defending UK economic interests'). The document gave

no indication of which areas would be prioritised for reform, nor what the government's core regulatory principles would be – beyond doing things 'better' (65 mentions) than the EU. If one clear conclusion could be drawn, it was that the government's focus was increasingly on the quantity of divergence – giving the impression of rapid, wide-scale change – rather than the quality of any reform agenda.

The Retained EU Law Bill

The month after the paper was published, Jacob Rees-Mogg was appointed to a new position as Minister of State for Brexit Opportunities and Government Efficiency in the Cabinet Office, and so began a rapid acceleration of the quantity over quality strategy. One of his first acts as minister was to pen an article in *The Sun* inviting readers to 'write to me and tell me of ANY petty old EU regulation that should be abolished'.²⁸ This set out a vision to remove as many 'regulatory barnacles' encrusted on the British 'ship of state' as possible. 'Through thousands of small changes', Rees-Mogg wrote, 'we can enact real economic change'. The next, and more significant, step was Rees-Mogg's announcement of a plan for a "Brexit freedoms bill" which would attach a "sunset clause" to 1,500 pieces of REUL so that they would expire in five years, except where ministers actively chose to retain specific laws.²⁹ Both strategies implicitly blamed officials for failing to come up with enough ideas for reforming REUL, with Rees-Mogg saying that the sunset clause was meant to 'force radical thinking'.

The bill – which came to be called the Retained EU Law Bill and was introduced under Liz Truss’s brief premiership in September 2022 – in fact went further than Rees-Mogg’s initial promise. It introduced a sunset clause for *all* REUL (which we now know runs to over 7,000 pieces of legislation) whereby it would expire in just over a year – on 31 December 2023 (later relaxed to allow departments to extend the deadline to 2026 where desired). This was an extremely radical proposal which made good on David Frost’s promise of a year earlier to ‘comprehensively review’ all REUL and scrap ‘all that is not right’ for the UK – something which he acknowledged was a ‘mammoth task’.³⁰ A “Retained EU Law Dashboard” was also established, to provide live data on the amount of REUL which had been retained, reformed or repealed – emphasising how keen the government was to demonstrate divergence in action.

Less consideration was given to the consequences of such rapid divergence. For a start, the government did not know exactly how much REUL was on the statute book. The dashboard initially identified just under 2,500 pieces of REUL as in scope for reform yet, as of early 2026, that number has grown to almost 7,000. This lack of oversight left significant risks that important pieces of legislation (for example on food, gas or airline safety) could expire without anything being put in its place. Moreover, even in cases where REUL was known about, the sunset clause gave officials very little time to develop and implement replacement legislation – creating risks that new laws would not be properly tested and thought through prior to implementation. And, for business, the bill created major uncertainty about the regulatory horizon they would be working towards in the coming years –

which effectively stopped UK-based firms from planning ahead and discouraged foreign ones from investing in the UK.

A great irony of this approach was that, for all government's talk of repealing EU law to lift the regulatory burden on business, it was those same businesses who were pushing hardest against a bonfire of EU law – with their protests falling on deaf ears in Whitehall. Boris Johnson's infamous speech at the CBI's annual conference in 2021 (where he lauded Peppa Pig World at length and imitated a car) epitomised Number 10's attitude. But that attitude started to shift once Rishi Sunak became Prime Minister. Facing a cost-of-living crisis driven by rising energy prices and badly exacerbated by the market reaction to Liz Truss and Kwasi Kwarteng's October 2022 "mini budget", Sunak sought to minimise wider economic disruption.

He rebuilt diplomatic relations with the EU – agreeing the Windsor Framework in February 2023 to resolve many of the tensions over Northern Ireland – and quickly slowed the rate of plans for divergence. This included pausing some reforms which were in train (such as making "UKCA" conformity assessments for manufactured goods mandatory), with his Business Secretary Grant Shapps saying that it would help 'businesses so they can get on with their top priorities'. His government also opted to remove the sunset clause from the Retained EU Law Bill (which has since become an act), with Kemi Badenoch – who succeeded Shapps as Business Secretary – telling Parliament in June 2023: 'We are not arsonists. I am certainly not an arsonist; I am a Conservative. I do not think a bonfire of regulations is what we wanted.'³¹

Following this change of policy, the default position, in what became the Retained EU Law (Revocation and Reform) Act (REULA) 2023, was that all retained EU law would stay unless it was included in a schedule, which removed some dead wood but did not make any significant changes. Of more significance was the decision in the 2023 Act to repeal the legacy of supremacy of retained EU law (so it would no longer take precedence over conflicting national law) and the removal of general principles (such as the need for an effective remedy) which steered the courts' approach to interpretation. Further, a process was undertaken to ensure that aspects of retained EU law, especially EU case law, which might be lost as a result of the repeal of supremacy of EU law, led to further legislation to plug the gap such as in the field of equal pay.³²

Regulatory Results: The Repeal of REUL

The key question, then, is how much divergence has been delivered in practice, and what have the consequences been? There is an important distinction to be made between the repeal of *existing* REUL, and the development of brand-new regulatory frameworks (which were necessitated in many areas by the UK no longer being subject to EU regimes). While the latter has led to some quite significant divergence and policy consequences, attempts to reform REUL have delivered very little meaningful change.

A cursory glance at the Retained EU Law Dashboard might suggest otherwise. As of January 2026, it shows that 37% of all REUL has been 'reformed' – with 23% repealed, 13% amended or replaced,

and 1% having expired. But a careful dig into the data, shows that this amounts to little more than a glorified regulatory spring clean. The majority of REUL that has been reformed is either no longer of relevance to the UK after Brexit (e.g. regulations concerning the EU's fisheries partnership agreement with the Solomon Islands) or has been amended in a highly technical way (e.g. restated in new legislation, or to clarify who a 'relevant authority' is). It is telling that the two policy areas which have seen by far the most "reformed" REUL are fisheries, aquaculture and marine (287 pieces) and agriculture and rural development (250) – both areas where the majority of REUL has been made redundant by the UK's departure from the EU's common fisheries and agricultural policies.

UK in a Changing Europe publishes a quarterly divergence tracker which monitors significant plans for divergence (i.e. those which are likely to meaningfully alter the UK's policy approach in any given area). It identified 122 plans for divergence initiated by Conservative administrations from 2021-2024, but very few of these were ever delivered (the reasons for this are discussed later on).

One notable exception has been the loosening of restrictions in England on the use of "genetic editing" techniques (which accelerate the breeding of plants and animals to create organisms which could have been bred naturally) compared to "genetic modification" (which involves the transplantation of genetic material to create organisms which could not have been bred naturally). Proponents of genetic editing argue that it has a wide range of environmental and health benefits, allowing farmers to grow crops which are more nutritious and resistant to drought and

pests, while also offering commercial benefits to farmers who can market new crops with more niche properties. The UK moved earlier than the EU in liberalising rules on the use of genetic editing (an EU reform is now in process) but the UK may end up having to adopt as part of the “SPS” deal which is now under negotiation. The UK has also legislated to ban the export of live animals for fattening and slaughter on animal welfare grounds – such a ban is forbidden under EU law – and it is unclear whether this will remain in place under an SPS deal.³³

Some tax and enterprise policy has also diverged. One of the most-vaunted Brexit opportunities was the introduction of “freeports” (small economic zones with reduced customs and administrative duties) – and there are now 12 in operation across Great Britain.³⁴ However, research from UK in a Changing Europe suggests that the economic gains are likely to be negligible, given that freeports were designed for developing economies lacking clear regulation, and they tend to divert investment away from other areas rather than generating additional growth.³⁵ VAT rules have been reformed to tax wine by strength rather than volume (incentivising the purchase of lower-strength drinks) and to zero-rate duties on solar panels and heat pumps (to encourage their uptake).³⁶ The cap on bankers’ bonuses, introduced after the 2008 financial crisis, has been removed; but the scale of divergence on financial services has perhaps been less than anticipated, given it was identified by the Chancellor in 2022 as a priority sector for regulatory reform.³⁷

Beyond this, there have been a handful of symbolic reforms, designed to demonstrate the UK’s regulatory autonomy from the EU while having little material effect. In respect of employment

law, the government announced a consultation on minor reforms to the working time legislation and legislation on transfer of undertakings (legislation protecting workers' rights when their business is sold or otherwise transferred); while there have also been technical changes to GDPR rules on data protection.³⁸ The value here is primarily symbolic, allowing government to say it has reformed two of the pieces of EU legislation most regularly criticised by Eurosceptics. Rules on the sale of alcohol have been reformed, so that champagne can be sold in pint-sized bottles (reputedly Winston Churchill's preferred measures), and the government has (without changing the law) clarified how imperial measures can be included on goods packaging (it must be less prominent than the metric measurement).³⁹

Obstacles to Reform

Why was so little reform of REUL delivered, when it was so central to the government's post-Brexit agenda? Though there are many reasons, the most fundamental is that the government underestimated the costs of divergence. A consultation on better regulation published in October 2021, stated that 'Our laws no longer need to represent a compromise between competing interests among many European states - they can be tailored to our needs and tradition'.⁴⁰ From a trade perspective, however, the idea of "tailored" regulation is an oxymoron. The whole point is to establish common, mutually agreeable standards between as many parties as possible (i.e. a compromise) in order to reduce technical barriers to trade. "Tailoring" regulation to a single country therefore has the opposite effect – increasing barriers to trade because of differing standards between key trading partners.

This is illustrated by abandonment of a plan to introduce lighter-touch requirements for approving medical devices. Though the UK might well, in theory, have been able to develop a less burdensome process than the EU; it would, overall, have created more bureaucratic hurdles for any manufacturer serving both the GB and EU markets – as they would have needed to go through separate approval processes for each market. Further, because the EU is a much bigger market, most manufacturers would likely prioritise obtaining EU regulatory approval – meaning delays to the arrival of new medical technologies on the GB market. Similarly, a proposal to make the new “UKCA” mark (denoting a product’s conformity with UK technical and safety standards) obligatory for goods circulating on the GB market was abandoned as many foreign manufacturers would not have the time or inclination to get products re-certified just for the GB market. To guarantee a smooth flow of goods, the Sunak government opted to instead continue accepting the EU’s “CE” mark indefinitely.

A related issue was that, contrary to the promises of some in the Leave campaign, the UK’s balance of trade was not radically altered by Brexit. The EU remains responsible for around half of all the UK’s trade – and divergence from its rulebook inevitably makes that trade harder. Plans to radically reform GDPR rules on data privacy (for instance to get rid of pop-up “cookies” banners on websites) were shelved as it emerged that this would lead to the removal of the EU’s data “adequacy” decision for the UK – which facilitates free exchange of personal data between UK and EU firms, saving businesses hundreds of millions of pounds a year in admin costs.⁴¹ Meanwhile, in many sectors, such is the UK’s reliance on the EU market that there was little point in

government even beginning to embark upon plans for divergence. British carmakers, for instance, have continued to voluntarily align with updated EU rules on safety and emissions testing – even though they are not required under EU law – in order to maintain access to the EU market; and there are similar dynamics at play in a wide range of manufacturing and food sectors.

Beneath this was a structural problem of state capacity. The UK had to implement a host of new regimes (such as border checks on EU imports) while also taking on a wide range of regulatory responsibilities which it used to be able to outsource to EU bodies. After six years of continuous decline in civil service numbers, headcount grew by 65,000 (17%) in the five years after the referendum.⁴² Yet officials still found themselves heavily overburdened – at the Health and Safety Executive’s Chemicals Regulation Division, 25% of staff time was spent on training in 2021-22, while DEFRA – which was tasked with delivering major reforms on farm subsidies and genetic editing – had to balance this with urgent requirements to implement new EU import checks and oversee a beefed-up Office of Environmental Protection.⁴³ This left very little bandwidth in the system for focusing on devising and implementing a more strategic divergence agenda.

It has also taken Brexit to show that the UK’s regulatory instincts are a lot more European than many assumed. It is telling that, of the few significant reforms made to REUL, many are about strengthening the hand of the state – in terms of introducing stronger protections for animals, levying higher taxes on alcohol, and encouraging the uptake of net-zero technologies. A fully-fledged UK-US trade deal continues to prove elusive for many reasons – but not least because of public opposition to any watering

down of food standards.⁴⁴ And in many areas, the government has voluntarily opted to match, or even exceed, the EU's regulatory pace.

For example, on climate and environmental policy, the UK's emissions reduction targets are higher than the EU's, the government remains committed to a 2030 phase-out date for petrol and diesel cars (whereas the EU has just abandoned its own 2035 target) and both sides have similar plans in train to reduce packaging waste. The UK's Online Safety Act 2023 (imposing new obligations on platforms to protect users) and Digital Markets, Competition and Consumers Act 2024 (designed to prevent market abuse by big tech companies) bear an unerring similarity to the EU Digital Services Act and Digital Markets Act which were developed a couple of years prior. And the UK has continued to increase employee protections post-Brexit, most notably via the Employment Rights Act 2025, even if it has not gone as far as the EU – which has developed novel new regimes for protecting platform workers like Uber drivers.

Obligatory Divergence

More significant divergence has occurred in areas where the UK government was obliged to establish new regimes after Brexit, because it was no longer subject to EU ones. This includes the three major policy pillars of the “take back control” agenda – immigration, trade and fish – as well as lesser-discussed areas like subsidy and competition policy. In some cases, the UK has introduced quite radically different rules (immigration, agricultural subsidies) which have had significant consequences.

In others (fisheries, trade, industrial subsidies, competition) the promise of major changes in approach have not been matched by reality.

Changes to immigration rules have indeed been profound, though not in the manner that most anticipated, and are discussed in greater length by Jonathan Thomas later in this book. Elsewhere, the UK has taken advantage of its “independent trade policy” to agree new trade deals with a handful of countries, but the economic benefits of these agreements come nowhere close to offsetting what has been lost in terms of trade with the EU. Indeed, as John Springford argues in the next chapter, the trade and economic consequences of Brexit have been significant in a number of ways. On fisheries, to take but one example, the UK and EU agreed as part of the TCA that the EU would return 25% of its catch share in British waters over a five-and-a-half-year period. Scottish fishers have seen the value of their catches increase by 8% from 2019 to 2023 – though much of this has come from increased catches *outside* UK waters (up by 17%) rather than catches at home (up 5%) – while English fishers have seen the value of their catches fall by 8%.⁴⁵ Though some British boats may be catching more fish, they are finding it a lot harder to export it to their chief export market, with EU fish exports falling by 10% in value between 2019 and 2023 due to post-Brexit trade bureaucracy. This is why, at last year’s UK-EU summit, the government was willing to roll over the terms of the fisheries agreement for twelve years (much to the chagrin of Scottish fishers) in exchange for negotiations on an “SPS” deal which would lift much of the bureaucracy related to food and plant trade.

The EU's Common Agricultural Policy (CAP) has been replaced by a new Environmental Land Management scheme (ELMs) for farm subsidies. The CAP has long been criticised for favouring large landowners and incentivising overproduction, and so Environment Secretary Michael Gove set about developing a new regime which would financially reward farmers for “public goods” (i.e. environmentally friendly practices), rather than the amount of land they farmed – presenting it as ‘a once-in-a-generation opportunity to shape the future of English farming’.⁴⁶ The delivery of this vision has, however, proven challenging. DEFRA adopted an iterative approach to the new scheme in England (agricultural policy is devolved), adjusting the types and levels of payment on offer to farmers over time as EU “basic payments” were phased out. Yet farmers found that constant policy changes (overseen by seven different environment secretaries in seven years) created a great deal of uncertainty, while many were also left financially worse off as legacy payments were phased out. The system is still yet to reach settled form, with the Labour government announcing another overhaul in early 2026.

There is also a new regime for industrial subsidies, though here government's room for manoeuvre was constrained by the TCA's level playing field obligations, which required it to follow the same core principles as the EU state aid regime – with a prohibition on subsidies that could distort UK-EU competition. Yet the UK had freedom to reform the process through which awards are made, and opted for a more permissive approach based on the premise that subsidies are valid unless proven otherwise – in contrast to the EU system where individual awards require formal approval.⁴⁷ UK subsidy spending has increased significantly post-Brexit, in

response to a range of challenges such as Covid-19, energy costs and net zero.⁴⁸ It is, however, hard to tell how much of this is down to the design of the new scheme given there have been similar – and often greater – increases in EU member states such as Germany.

The Competition and Markets Authority (CMA) has new responsibilities for overseeing mergers and acquisitions. Here, policy has gone on something of a journey, with the UK initially departing from the EU approach to adopt a more interventionist stance. Most notably, in April 2023 it blocked Microsoft's acquisition of the video game company Activision, on the grounds that it could stifle competition in the "cloud gaming" sector; whereas the European Commission had approved the deal due to the "very limited" size of that sector. This was seen at the time as the UK "stealing a march" on the EU by doing more to promote innovation in emerging sectors.⁴⁹ Yet, just six months later, the CMA approved the deal, with government, spooked by accusations from Activision and Microsoft that the UK was 'closed for business', publishing a 'strategic steer' effectively calling on the CMA to minimise regulatory interventions.⁵⁰ This call has been heeded, with the CMA not blocking a single merger in 2025 – the first time that has happened since 2017.

Passive Divergence

While the UK may have done little to diverge from the EU, the same cannot be said in reverse. The first von der Leyen Commission (2019-2024) developed 431 new legislative proposals, with major new regulatory agendas around the green

transition, industrial competitiveness and the digital economy.⁵¹ Because new and updated EU legislation no longer applies in the UK (except, in many cases, in Northern Ireland), this has created a significant amount of new “passive” divergence (or divergence by default) which has had some significant impacts.

The UK government has never attempted to systematically monitor the extent of passive divergence. As a result, British businesses have had to invest significant time and resource in monitoring new EU legislation, to understand where and how they need to change their operations in order to maintain access to the EU market (which is conditional upon adherence to its regulations). By far the biggest impact has been on product standards – due to a bulk of new directives on the sustainability, traceability, environmental and health impact of goods. The EU has also imposed restrictions on 13 chemical substances found in a wide variety of goods (and classified another 38 as “Substances of Very High Concern”) – none of which have been replicated in Great Britain. As the EU restricts a growing number of goods and substances from its market due to the hazards they pose to human health or the environment, there is a risk that Great Britain, with parallel restrictions, becomes an alternative “dumping ground” for those goods.

The Commission has also set up new protections around the single market which create new costs for third country exporters. The EU Carbon Border Adjustment Mechanism, which took effect this year, imposes tariffs and administrative costs on exporters of a range of industrial goods (including steel, fertilisers and electricity) to the EU, to ensure they are paying the same levies on their embedded carbon emissions as if they had been produced in the EU under its “emissions trading scheme” (ETS). The UK

government is now seeking to “link” its ETS to the EU’s to remove those new trade frictions. Meanwhile, the EU General Product Safety Regulation (GPSR), which came into force in late 2024, requires all companies selling products into the EU (and Northern Ireland) to have an EU-based “point of contact”, at a cost of €150 per year per product, which has made exporting to the EU prohibitively expensive for many smaller British companies. Upcoming EU rule changes on packaging could have a similar effect, as firms would have to bear potentially significant additional costs from having to produce different packaging depending on whether a good is destined for the GB or EU/NI market.

Nowhere have the effects of passive divergence been felt more strongly than in Northern Ireland, which remains subject to more than 350 EU acts plus amendments – mostly covering goods regulations – under the Windsor Framework. Immediately after the Trade and Cooperation Agreement took effect, this created a regulatory border in the Irish Sea, as a range of goods – in particular animal and plant-based items – either could no longer be exported from Great Britain to Northern Ireland or became subject to new border checks and paperwork. The Windsor Framework, agreed in 2023, dealt with some of these challenges by creating a “green lane” where goods made to GB (rather than EU) regulatory requirements can now be exported to NI (subject to far-reduced border controls) so long as they can prove they are “not at risk” of entering the EU. The UK-EU “SPS” deal, currently under negotiation, would go further and see almost all trade friction removed in exchange for the UK harmonising relevant regulations with the EU.

But in many other areas, the challenges of passive divergence continue. On manufactured goods, the complexities mentioned above in relation to GB-EU trade apply equally for GB-NI. And, because Northern Ireland is a much smaller market than the EU, there is a higher risk that GB-based companies which sell into NI (but not the EU) do not bother voluntarily aligning with new EU rules in order to maintain NI market access – as the costs of doing so are too high compared to the value of their exports. This effect was widely reported in the media when the EU GPSR took effect in Northern Ireland.⁵² As the EU rulebook continues to evolve, the GB-NI regulatory border is likely to grow thicker – even if the pace of passive divergence may slow now that the second von der Leyen Commission has put an emphasis on the “simplification” of regulations it introduced in its first term.⁵³

Labour’s Turn to Alignment

The approach to regulatory divergence has changed significantly under the Labour government. There has been a slowdown in attempts at active divergence since Labour took office, accelerating a trend which began under Rishi Sunak. There are a few select areas where the government is still interested in doing things differently to the EU (financial services, AI, trade deals), but for goods sectors in particular (where the clear majority of UK exports go to the EU and the post-Brexit trade frictions have hit hardest), attempts to diverge have largely stopped.

The most significant shift in policy has, however, been the turn towards regulatory “alignment” with EU rules. This is something which Conservative administrations would not countenance, with

Rishi Sunak arguing in his final party conference speech that ‘to align us with the European Union’ is to ‘never seize the full opportunities of Brexit’. Keir Starmer, on the other hand, argues that Brexit has ‘significantly’ hurt the UK economy and that this must be addressed through closer alignment with EU single market rules.⁵⁴ For the Conservatives, regulatory sovereignty was an absolute concept which could not be reneged on, while for Labour it is fungible; the government is prepared to give it up in some areas in exchange for closer economic ties.

In practice, Labour’s alignment agenda takes two forms. First is voluntary alignment – which means taking unilateral action to mirror EU rules, without being formally subject to them. This is exemplified through the Product Regulation and Metrology Act (PRMA), which gives ministers broadly-defined powers to mirror EU product safety regulations through secondary legislation. The draft bill’s explanatory notes identify a range of EU new regulations which could be in scope – such as those on online marketplaces, toy safety, AI and lithium-ion batteries for e-bikes. The stated purpose is to ‘keep pace’ with regulatory advancements which protect consumers while ‘preventing additional costs for businesses and [to] provide regulatory stability’.⁵⁵

It is important to emphasise that voluntary alignment does not remove any of the trade barriers created by Brexit. Copying the rules of the single market does not give you preferential access to it. Instead, it minimises both the emergence of new passive divergence which would otherwise create further trade complexities, and the risk of Great Britain becoming a dumping ground for products the EU deems unsafe. The government is, however, yet to use its powers under the PRMA to meaningfully align with the EU,

despite promising to look at potential action in a range of areas including vehicle emissions testing, universal chargers, craft products, substance labelling and regulating online marketplaces.⁵⁶ This underlines that voluntary alignment is easier said than done; with significant official capacity needed to monitor relevant EU legislation, decide where to align, and then implement the necessary legislation. Given that the EU continues to regulate on products at significant pace, it seems highly unlikely that Whitehall has the systems in place to offset all but a small proportion of the new passive divergence which is set to emerge.⁵⁷

The second part of Labour's agenda is "dynamic" alignment. This involves the UK becoming formally subject to EU legislation in selected areas – including as it is updated over time – in exchange for a significant reduction in post-Brexit trade barriers (namely paperwork and checks). The UK has committed to dynamic alignment with EU rules on "SPS" (animal and plant health standards), electricity and (to a limited extent) emissions trading – with all three agreements currently under negotiation. Dynamic alignment is more economically and politically consequential, as it makes trade with the EU significantly easier in those sectors, but means the UK is subject to EU legislation in perpetuity, with very little say over those rules.

This raises democratic and economic questions for MPs and ministers. From a democratic perspective, it is likely that the vast bulk of any future dynamic alignment will be done via secondary legislation, giving MPs minimal powers to scrutinise or veto new legislation being introduced. The dissolution of the European Scrutiny Committee after the last election also means there is no body in the House of Commons dedicated to scrutinising EU-

derived legislation or the decisions the government is making around alignment.

Meanwhile, economically, by the government's own estimates, its new agreements on dynamic alignment would – if completed – add only 0.3% to UK GDP by 2040.⁵⁸ The Prime Minister says he wants to go further in aligning with EU single market rules in the hope of securing greater economic gains. But the problem is that the EU is likely to ask for the UK to make budgetary payments and accept the free movement of people in return. These are, after all, conditions which Switzerland has accepted in exchange for integration with a wider set of single market sectors. For Labour, a return to free movement of people remains a clear red line which it will not cross, though as is argued later in this book, this may change with time.

Conclusion

In the five years since the TCA took effect, the UK has done little to deliver on the promised regulatory “opportunities” of Brexit. There have been some consequential changes to rules on agricultural subsidies, immigration and trade policy – though not always with the impacts that were anticipated. In other areas where the UK promised “nimble” regulatory frameworks – such as data protection, medical devices and financial services – the scale of divergence has been limited, due to a range of factors including ongoing dependence on the EU market, capacity constraints, and a lack of direction-setting from the top. And it has also become apparent that in plenty of sectors – like climate,

employment standards and product safety – the UK’s instincts are in fact very similar to the EU’s.

Over time, the economic costs of divergence have become increasingly apparent, and the rate of reform has slowed accordingly. The current government takes the view that, in most sectors, there is more to be gained economically from aligning with EU rules than diverging. This, in turn, raises difficult questions about how much regulatory autonomy the UK is willing to cede in exchange for preferential access to the single market. A decade after the referendum which David Cameron promised would settle the EU question “once and for all”, the UK is still struggling to find a satisfactory balance between regulatory freedom from the EU and access to its single market. The economic consequences of this balancing act are considered in the next chapter.

Catherine Barnard and Joël Reland.

II: The Economy

Introduction

It's not easy to observe the effects of Brexit: we can't simply visit an alternate timeline in which the British public chose Remain over Leave. So we have to rely on inference, using surveys, interviews, statistics and models to perceive the impact of leaving the EU on the economy. We are liable to make mistakes in doing so, and we can all become the victims of motivated reasoning because we all have questions of identity and political preferences interfering with our judgement.

We can all think of examples of biased or shoddy Brexit predictions about the Brexit process. Under Chancellor (and Remain supporter) George Osborne, the Treasury said in early 2016 that a recession was possible if the public voted to leave, but the recession didn't happen. One month after the vote, the new Brexit secretary David Davis claimed: "Within two years, before the negotiation with the EU is likely to be complete, and

therefore before anything material has changed, we can negotiate a free trade area massively larger than the EU”. In truth, the UK did manage to sign a free trade agreement with the EU, roll over the trade deals that the UK had as a member-state, and sign new ones, but the process was far longer and more difficult than Davis said.

And in print, on social media and on the airwaves, partisan outriders of Leave and Remain contested every bit of news and data that challenged their case, and trumpeted everything that supported it. In such an atmosphere, it was difficult for journalists to provide impartial information about the economics, and many, especially at the BBC, chose instead to allow the debate between pro and anti to play out without providing analysis themselves.

Part of the difficulty was that Brexit was both a policy decision and a constitutional one. In leaving the EU, the UK left the jurisdiction of EU law. For the UK, most of that EU law governed commercial integration through the EU’s single market and its external trade policies, because the country was not a member of the border-free Schengen area or the euro, and had opt-outs from some elements of EU security and migration co-operation. So the central policy question of Brexit, ‘can policy autonomy make up for the loss of a single market established by EU laws?’, became entangled with the constitutional one: ‘should the UK be governed by laws made by EU institutions?’ Many people fell into the trap of reasoning backwards from their political preference to the economics. In the case of journalists, the risk of appearing to be biased on the politics of EU membership led many to treat the economics as a partisan subject, not an empirical one in which

some objectivity could be attained. The well-known failures of economic forecasting made that decision understandable.

Now that four years have passed since the UK ended the transition period in 2021, and a sizeable amount of research has been done on Brexit's economic effects, it is a good time to survey what we can infer from the data and modelling that we have. What follows is an attempt to provide a reasonably comprehensive reference guide to the five main areas of Brexit economics: the effects of the decision to leave the EU, and pursue single market and customs union exit on GDP, investment, trade in goods and services, regulation and migration. The effects on the member-states who remained in the EU is largely ignored, partly because they have not been studied much, and partly because, given the different sizes of the British and EU economy, the largest effects on the EU were political, not economic.

GDP

“That’s your bloody GDP, not ours”, a heckler told academic Anand Menon at an event in Newcastle just before the referendum. She was right and wrong about that: real wages had on average stagnated after the financial crisis, which meant most people didn’t have higher incomes, but gross domestic product had grown – partly because of employment growth and partly because of rising capital investment and corporate profits. GDP is the sum of all production (or income and spending – the three should be very similar) done by everyone within a national economy, expressed in money terms, so unless she didn’t spend anything, it was her GDP too. Less of it entailed lower tax revenues, lower

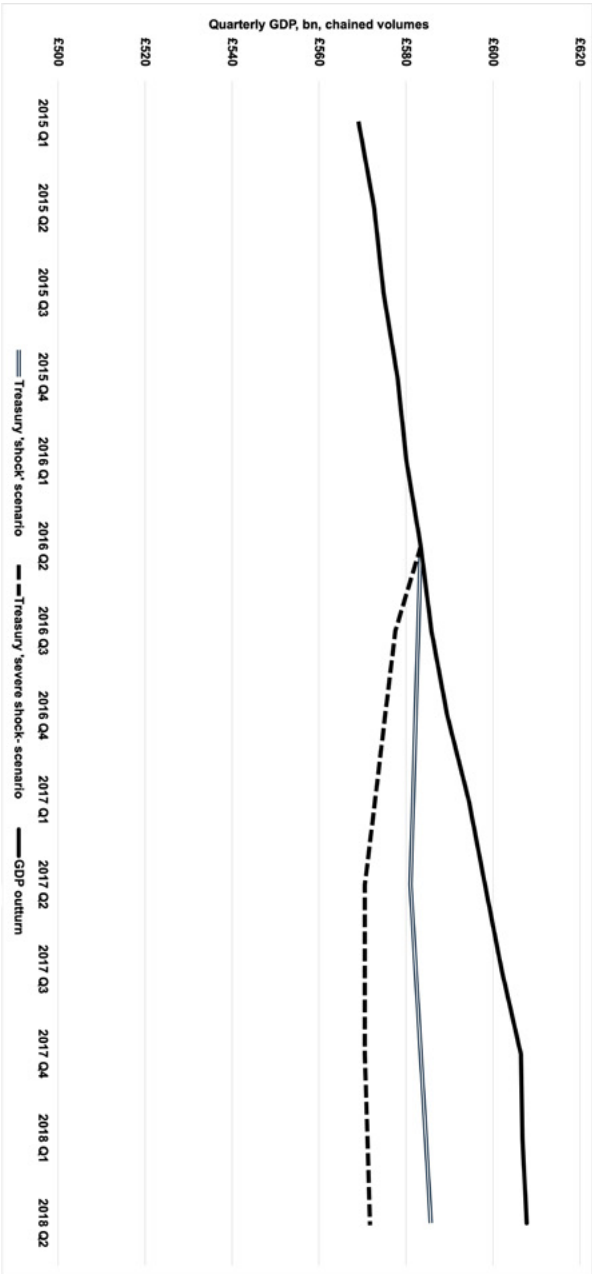
public spending, and lower redistribution via the social insurance system.

We have good reason to believe that Brexit has curtailed GDP, although it is difficult to know by exactly how much. The impact of trade, investment and migration restrictions on GDP is more like a slow puncture than a blow-out, because other forces continue to push GDP up: technological progress, improved skills, growing employment, and fiscal and monetary policy. So the measure of Brexit's effect on growth is its path of GDP compared to the 'what-if' path if Remain had won. This counterfactual path is difficult to estimate precisely, because cause and effect are buried in the noise of all the other things that affect spending in an economy as large and complex as the British one.

There are three ways of estimating the impact of Brexit on GDP: 1) short-run 'shock' forecasts, which the Treasury and the IMF used when highlighting the risk of a recession if the UK voted Leave 2) long-run 'conditional' forecasts, in which the impact of trade barriers with the EU are fed into a model of the UK economy, to estimate how that would change the level of output over a decade or more 3) backward-looking methods, which compare UK GDP data after 2016 to other countries to see if a gap has opened up.

All these methods have their problems. The short-run forecasts of recession were wrong. Inevitably, the failure of the recession to arise was presented by Leave advocates as evidence of bias or worse, deliberate misinformation, but short-run economic forecasting is difficult.

Chart 1. The Treasury's Short-Term Brexit Forecast Miss



Sources: 'The immediate economic impact of leaving the EU', HM Treasury, May 2016, Office of National Statistics, 'Gross domestic product: chained volume measures, seasonally adjusted', ABMI.

The Treasury's pre-referendum forecast set out two scenarios – 'shock' and 'severe shock'.⁵⁹ The scenarios took a few key assumptions, which were grounded in the economics literature but not based on observations of the UK economy going through Brexit and applied them to a dynamic model of the entire economy. The assumptions were that sterling would fall by 10-15% (it did), the UK would quickly leave and impose trade barriers with the EU, either with an FTA or no deal (it didn't), uncertainty would depress spending (it did, but not as much as the Treasury assumed) and financial markets would push up borrowing costs (they fell, partly because the Bank of England eased monetary policy). As we can see in Chart 1, the Treasury's mistaken assumptions led to a sizeable forecast miss for the 'shock' scenario and a bigger one for 'severe'.

So much for short-run forecasts, then. Should this mean that we can ignore the long-run forecasts, which attempted to work out how much smaller the economy would be once it had adjusted fully to Brexit? The answer to that question is No, for two reasons. First, long-run forecasts, on the whole, do not attempt to model the path of GDP. Rather, they take two steady states – Brexit, and no Brexit – and model the difference between them. Most models do not have time in them, and are called 'long-run' only because it is assumed the adjustment would take a long time. Second, the assumptions in long-run forecasts are more testable on data.

Economists have well-established methods for estimating how much trade agreements have raised trade volumes: so-called gravity models (for more, see the trade section below). These have good 'predictive power', meaning that when they are used to estimate things that we know from observed data, they come

close to the real numbers.⁶⁰ We also know that there is a strong relationship between openness to trade and the level of GDP across economies, and have well-tested theories – and models founded on those theories – that explain why, how and, with less precision, the extent to which trade raises GDP.

As a result, long-run forecasts are better than short-run dynamic ones. Just as a doctor cannot say for certain when drinking forty pints of beer a week will cause your liver to fail, they can know that in the long run it will fail.

However, long-run forecasts can't give us precise estimates of how big the effect of Brexit on GDP will be. The Office For Budget Responsibility's oft-cited forecast for the impact of moving from EU membership to a free trade agreement is a 4% reduction in productivity over the long run (which amounts to a 4% reduction in GDP and GDP per capita, give or take, because each worker in the UK would be producing and earning 4% less). But that figure is a simple average of the reputable studies by academics and officials. As Table 1 shows, the range of these studies is very wide – from 1.8 to 10%.

Table 1. The Wide Range of Studies' Findings of the Impact of Replacing EU Membership with an FTA.

Study	Productivity assumption	% effect on productivity
Felbermayr et al (2018)	Constant returns to scale	-1.8
IMF (2018)	Constant returns to scale	-2
Mayer et al (2018)	Constant returns to scale	-2.4
UK in a Changing Europe (2019)	Constant returns to scale	-2.5
OECD (2016)	Dynamic productivity	-2.7
IMF (2018)	Increasing returns to scale	-3.3
Netherlands CPB (2016)	Increasing returns to scale	-3.4
Bank of England (2019)	Dynamic productivity	-3.5
NIESR (2018)	Dynamic productivity	-3.8
Office for Budget Responsibility (2020)	Average of studies	-4
Whitehall study (2018)	Increasing returns to scale	-4.9
Netherlands CPB (2016)	Dynamic productivity	-5.9
UK in a Changing Europe (2019)	Dynamic productivity	-6.4
World Bank (2017)	Dynamic productivity	-10

Source: Office for Budget Responsibility, 'The effect on productivity of leaving the EU', Economic and Fiscal Outlook, March 2020, Box 2.1

The reason why the range is so wide is because trade barriers have many effects on productivity, and economists differ on how the effects should be modelled. The models that use constant returns to scale get the smallest effects. They take account of higher prices

and lower consumption as trade is disrupted, but they assume the productivity of big exporters doesn't shrink faster than small ones as their exports contract, so car firms don't lose the additional productivity that comes with having bigger car plants, for example. That assumption might be right if big firms can more easily cope with Brexit red tape and maintain output.

But to continue with the car example, it is a highly competitive industry with relatively low margins, so in the long run, companies might balk at the higher costs of basing their operations in Britain, wind down car plants and satisfy European markets with production in the EU or elsewhere. In that case, a model with increasing returns to scale is better, and these tend to find a bigger effect.

Many studies find still larger impacts when they attempt to factor in other potential impacts of trade barriers, such as weaker competition from imports, which reduces incentives to innovate, and the loss of technology and knowledge transfer from companies investing in production in Britain. These reduce growth over the long term, rather than just leading to a one-off change in the productivity level, and that is why these models find the biggest impacts. But it is difficult to specify these assumptions using observed data.

One way to test the forecasts is to use backward-looking methods, now that Britain has left the EU. Some are mental models that we see all over the Brexit debate: 'France and Germany have also grown slowly, so we can't assign weak growth in the UK to Brexit', with the implication that there must be something else constraining British GDP.

The fact that France and Germany have also struggled with weak growth since Brexit is a data point that tells us we shouldn't naively say 'growth has slowed down in Britain since mid-2017 or so, therefore Brexit is responsible for everything'. But it is not very helpful to use two other countries as a benchmark, because it's a tiny sample (two countries) and they are not identical to Britain – they have different economies, laws and specialisms.

Consider a scientific experiment: identical treatment and control groups are necessary to infer whether a drug has reduced disease. Medical trials divide a group of people suffering from the disease into two groups, and researchers take care to ensure the groups have a similar distribution of people, by other health problems, and age, weight and sex. The trials also recruit a lot of participants so that things they can't observe – like genetic predisposition to the disease – are reasonably equal in both groups. That way, when one group is given a treatment and the other acts as the control, researchers can have more confidence that any apparent effect on health outcomes is down to the treatment and not differences between the groups.

Therefore a better test than a comparison to France and Germany, which raises the sample size a little, is to compare the UK to all other large, advanced economies – the G7. This benchmark is widely used, because it's transparent and it makes sense to use larger rich countries as a benchmark than small ones, which might suffer from a weakening growth if one of their key industries see a sudden hit to sales, or poor ones, whose economic performance tends to be more volatile because their financial systems are weak. But in some ways, the treatment country – Britain – is less similar to the G7 control group than if only France and Germany were

used, because they are subject to the same European shocks as Britain and have more similar policies and economic institutions than, say, the UK and Japan.

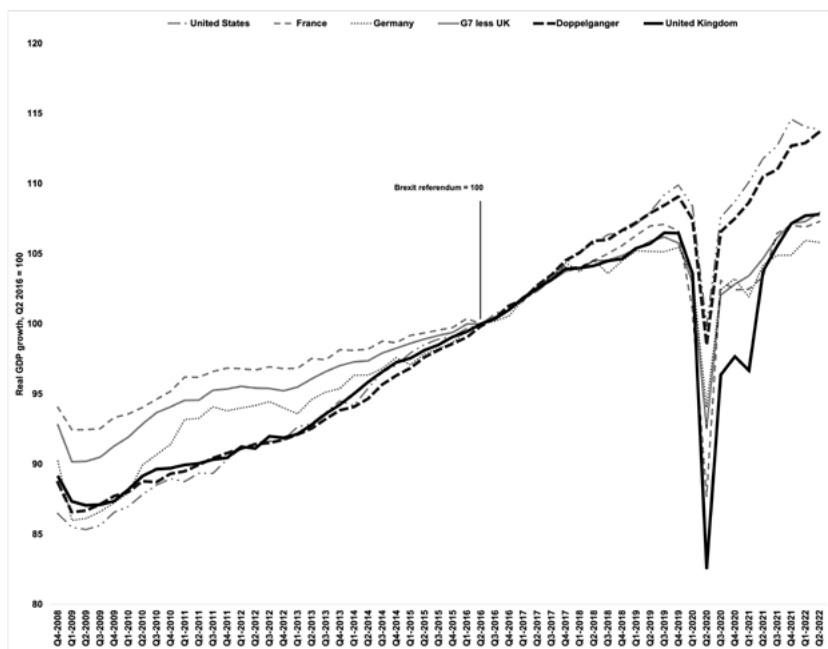
A more sophisticated way to put together an independent control group is to use the “synthetic control” method – dubbed the “doppelgänger” method by the first researchers to use it on Brexit.⁶¹ This method is widely used by social scientists when experimental methods using treatment and control groups are unethical or unworkable. It is less transparent than simply comparing the UK to the G7, but it uses data, rather than intuition, to group together economies to make one that is most similar to Britain, as measured by GDP growth before the 2016 referendum.

From a basket of economies, an algorithm selects those whose GDP growth most closely matched Britain’s in the years before 2016, assigning weights to them so that the difference is minimized between Britain’s path of GDP and that of the control. The discretion of researchers is left to choosing which countries should be in the starting basket and how the algorithm should select from it. But the method is better at finding a control that is plausibly similar to the UK economy than simpler, human-chosen country groupings. The UK has a services-dominated, consumption-led growth model, with more flexible labour markets than many other European countries, but a larger state than the US, and the algorithm puts together a “doppelgänger UK” that tends to combine the US with several European and other Anglophone countries. That match is intuitive: different types of economies react to global shocks and trends in different ways, so it follows that UK growth would be correlated with a combination of other Anglophone and European countries.

The results of the three methods are set out in Chart 2. By comparing the UK's performance to France, Germany and the rest of the G7, we might conclude that Brexit has had no impact on the UK's GDP between the referendum and the second quarter of 2022. (After that period, the energy crisis, whose effects were most strongly felt in Europe, undermines comparisons with non-European countries. And in the autumn of 2022, Liz Truss's mini-budget was another non-Brexit event.)

However, France and the G7 average tended to grow more slowly after the financial crisis than Britain did. After a better recovery between 2009 and 2011, so did Germany. The US, UK and doppelgänger had similar growth rates between 2009 and 2016 – remember that this is by design when it comes to the doppelgänger. Then, after the summer of 2017, their growth diverged from Britain's, resulting in a 5% shortfall in the level of GDP by the summer of 2022. This is not far from the average of the long-term forecasts.

Chart 2. UK Growth has Underperformed Compared to its Pre-Referendum Peers, but not France, Germany and the G7 Average.



Source: author's analysis of OECD, real quarterly GDP, chained volumes, national currencies indexed at 2015 levels. See the author's 'What can we know about the cost of Brexit so far?', Centre for European Reform, June 2022, for more details on the synthetic control method used.

Note: The countries selected by the algorithm for doppelgänger UK are the United States (31%), Germany (15%), New Zealand (14%), Norway (8%) and Australia (5%). The remaining countries make up less than 5% of the doppelgänger each, with European countries predominating.

The problem with the synthetic control approach is that it cannot account for events after 2016 that affect relative growth rates between Britain and countries forming the control.

An obvious event is the Covid-19 pandemic, which all countries suffered from, but handled in better or worse ways. Yet across countries the relationship between excess deaths through the pandemic and the subsequent economic recovery is very weak, as one would expect given that most people who died from Covid were retired.

Another possibility might be that the highly integrated European economy weakened after 2017, with Brexit having some effect on supply chains between Britain and the EU, and with the eurozone's export-led recovery from its financial crisis weakening as China-US trade wars gathered pace. That weakness would mean that Britain's growth would have slowed anyway if the public had voted Remain.⁶² However, while France and Germany suffered from weaker growth after 2017, like the UK, many other European countries that are also big traders with the UK such as the Netherlands, Belgium, and Spain did not.

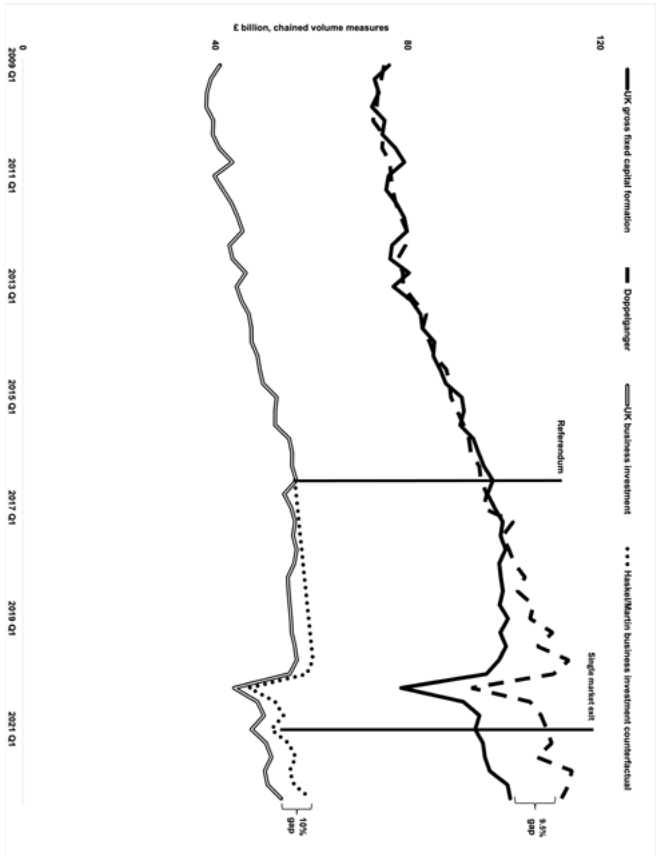
The US also had looser fiscal policy after Trump's 2017 tax cuts and after the pandemic. But if we remove the US from the doppelgänger analysis, we get a similar shortfall in UK GDP as we do when we include it. If we go further, and randomly drop all of the countries from repeated analyses, one by one and in groups, and use the doppelgänger whose GDP growth was the weakest, we still end up with a UK shortfall of around 3% (and if we take the strongest performing doppelgänger, the shortfall grows to 6.7%).⁶³

We can conclude that the best backward-looking method supports the consensus of the long-run forecasts.

Moreover, the unambiguous stagnation in investment since 2016 supports the view that the referendum itself had macroeconomic effects, not just Britain's de facto exit from the EU in 2021. Immediately after the vote, sterling depreciated by 15%, which meant that the value of British assets was written down by global investors anticipating that they would generate lower returns in the future. Uncertainty over how big trade barriers would be slowly gave way to certainty that the UK would leave the single market and customs union, with Theresa May's 2016 Conservative party conference speech promising to end free movement and the jurisdiction of EU law in Britain, her downfall after the failure of parliament to agree her withdrawal agreement in 2019, and Boris Johnson's election victory later that year. Investors are forward-looking, and the expectation of trade barriers meant that investment across the economy flatlined between 2016 and the 2020 pandemic.

Chart 3 sets out attempts to quantify how much that stagnation cost. The top two lines show how investment across the British economy – gross fixed capital formation by businesses, government and households – compared to a synthetic control made up of countries whose investment growth most closely match the UK's between the financial crisis and 2016. The gap is about 10%. An almost identical gap was found by Jonathan Haskel and Josh Martin of Imperial College London and the Bank of England when they compared investment, this time just by businesses, to the 1997-2016 trend (and maintained the gap that had opened up by 2019 through the pandemic period).

Chart 3. *The Cost of Stagnating Whole-Economy and Business Investment.*



Sources: John Springford, 'The cost of Brexit to June 2022', Centre for European Reform, December 2022; Jonathan Haskel and Josh Martin, 'How has Brexit affected business investment in the UK?', Economics Observatory, March 2023.

Haskel and Martin estimated how much business investment losses curtailed GDP growth, using standard capital accounting techniques, and found that GDP would have been 1.3% higher in 2022. That figure does not include further losses as a result of the trade barriers between the UK and EU being erected when it left, the losses from weaker household and government investment,

or weaker consumption growth as import prices rose after the depreciation of sterling in 2016.

Comparing long-term forecasts and backward-looking methods together, then, the impact of Brexit on GDP has been negative, and probably substantially so. The OBR's 4% hit to productivity equates to a loss of around £4,000 per household in the UK, at 2024 prices – although note that the OBR has not made a judgement of whether the full impact of Brexit has yet materialised, other than around a 1.5% loss having already been incurred before the transition period ended.⁶⁴ If we assume that the OBR's 4% figure has now materialised, the lost tax revenue as a result of that foregone output is around £40 billion.⁶⁵ For comparison, the government raised taxes by around £100 billion in the 2019-24 parliament, so a large chunk of that would not have been necessary if the UK had voted to remain in the EU or chosen a softer form of Brexit.⁶⁶

However, many things determine a country's economic growth, and as we have seen, it is not easy to isolate the impact of Brexit from all the other things that affect GDP. By examining parts of the economy in which it is easier to identify Brexit effects, we can make use of further evidence to assess whether the consensus macroeconomic story – that Brexit would curb GDP growth via curtailed flows of trade and migration – has turned out to be correct.

Trade

Recall that long-run models that assumed increasing returns with bigger effects on output, with bigger businesses being hurt more by trade barriers found bigger effects on output. The logic behind using increasing returns is that most trade is conducted by very large multinational companies, some of which have plants in different countries. These companies tend to have very high labour productivity, because they have lots of machinery and computers per worker, and so output is high compared to their wage bills. These multinationals' plants also send many components to one another in so-called supply chains. If governments raise the cost of sending inputs into the production process between firms, these big multinational companies reduce production and thereby reduce average productivity across the economy.

The trade data gives support to both the advocates of constant and increasing returns to scale. In an important piece of research, economists at the London School of Economics found quite small effects, with total exports (i.e. to both the EU and the rest of the world) 6.4% lower and imports 3.1% lower by the end of 2022. That challenged the Office for Budget Responsibility's forecast that UK goods trade would be 15% lower than if the UK had stayed in the EU.

The LSE team discovered that smaller businesses were more affected by trade barriers, implying that bigger ones could afford the higher cost of red tape to export and import from the EU.⁶⁷ These small effects on trade would translate into even smaller effects on productivity and GDP, because exporting UK companies can switch away from serving customers abroad to domestic

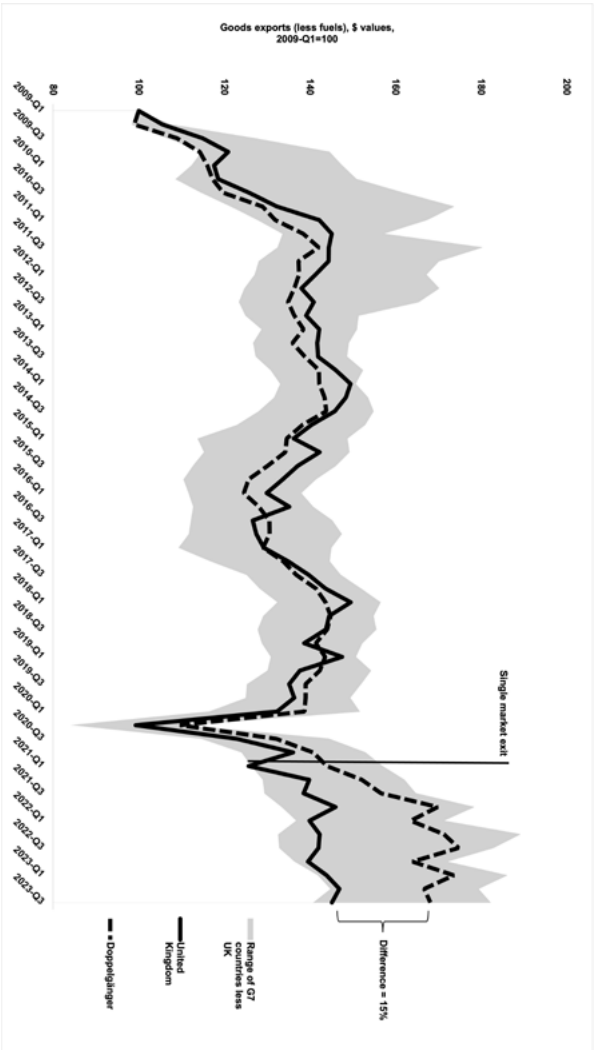
ones, since imports are also trimmed a little by Brexit barriers. This was an unexpected result. The “gravity” models that were used to underpin the long-run forecasts predicted a much bigger hit to trade. These models attempt to control for all the various factors that determine trade between countries, such as how big their economies are, how rich they are, and how far apart they are (and many others, like having a common language, one country being landlocked, and so on). Hence the “gravity” moniker: big economies that are close to each other trade more than smaller ones that are on the opposite sides of the globe, just as Jupiter exerts more gravity on Mars than Mercury does with Pluto. When all those factors are accounted for, we find that EU countries trade much more with each other than the model would predict, and as a result, leaving the EU and substituting membership for an FTA would imply a loss of about 15-20% in Britain’s worldwide goods exports and imports. In services, the estimated effect is similar.⁶⁸ Those trade impacts drive most of the losses of productivity and GDP in the long-run forecasts.

The LSE’s result is all the more surprising if we compare UK goods trade to other advanced economies (but not services, which we will come to). The UK’s goods trade slumped to near the bottom of the G7 league after leaving the single market and customs union in 2021 (Chart 4). That’s despite Britain tending to be in the upper half of the table before Brexit, and despite the big inflationary surge in trade between advanced economies after it, as consumers used savings built up during pandemic lockdowns to spend on consumer goods.

The same synthetic control method can be used for goods trade as it can for GDP, with a set of countries put together to create a doppelgänger that most closely matches the UK's goods trade performance prior to leaving the single market. The UK's shortfall in goods exports vs the synthetic control was 15%, and imports 13% – around the same as the gravity models predicted.

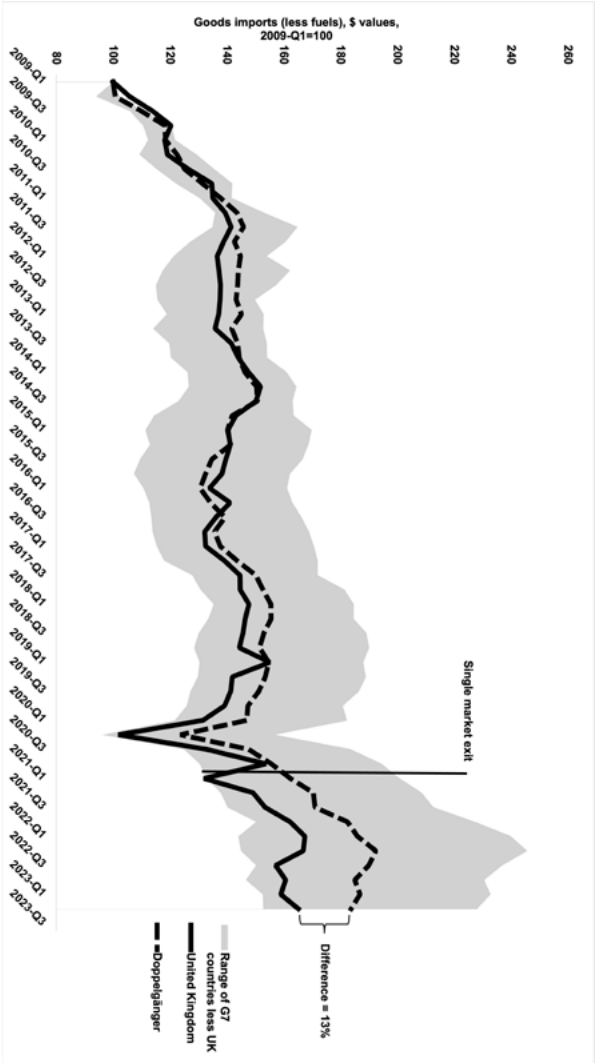
These numbers are similar to those found by academic economists comparing UK trade performance to other countries, but using more sophisticated synthetic methods.⁶⁹

Chart 4a: UK Goods Trade has Been Weak Compared to Other Advanced Economies.



Sources: OECD, quarterly goods trade, current values (\$) and World Bank, fuels share of goods exports. See the author's 'The cost of Brexit, January 2021: The end of transition edition', Centre for European Reform, March 2021, for more details on the synthetic control method used.

Chart 4b: Worldwide Goods Imports (Less Fuels).



Note: The countries that make up the doppelgänger are the US (33%), Luxembourg (11%), Australia (8%), Germany and Greece (7% each), Iceland (6%) and Italy (5%). The remaining countries each make up less than 5% of the doppelgänger.

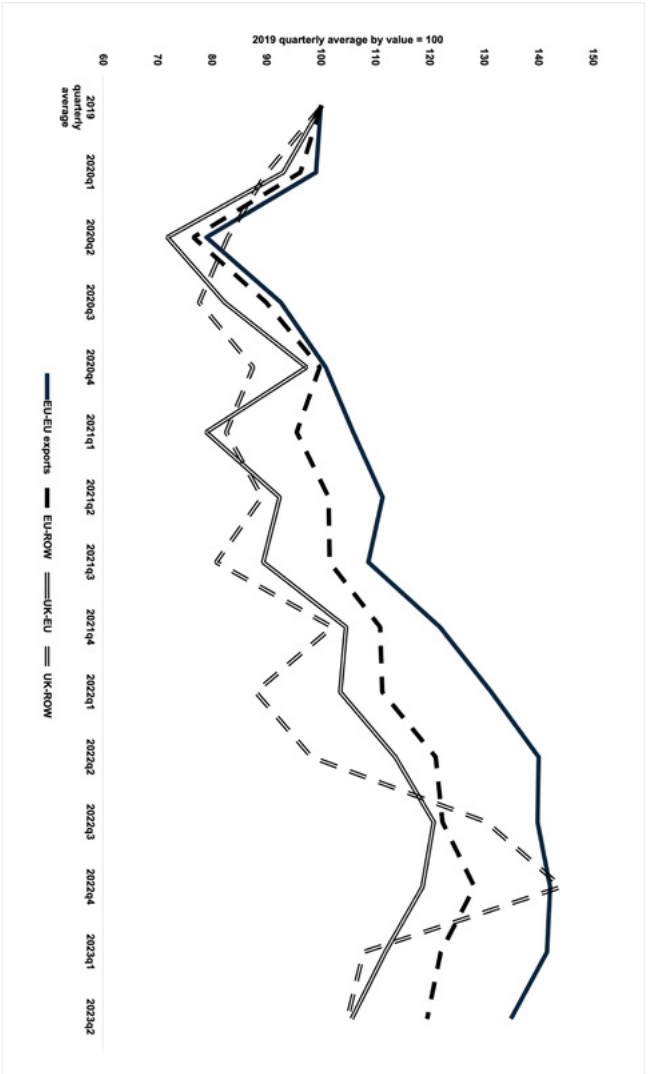
What explains the discrepancy between the LSE's work and the cross-country comparisons? Different ways of measuring Brexit effects are to blame. Goods exports and imports to the EU have broadly tracked those to the rest of the world, despite new trade barriers being imposed on the EU but not everywhere else. The LSE team dug into thousands of firms' sales and purchasing records that were collected by His Majesty's Revenue and Customs. They compared firms' exports and imports to the EU with those to the rest of the world, before and after Brexit. On average, only a small shortfall had appeared between trade with the EU and the rest of the world after Britain left the EU. Although the shortfall for small companies was much larger than for big ones, big companies do most of the trading, so the overall impact was small. They also found that companies had been substituting imports from the EU, which were harder to come by post-Brexit, with imports from outside it.

It is a paradox that Britain's goods trade performance has been so markedly worse since it left the EU, but there isn't a clearer hit to EU trade versus everywhere else. Various theories have been proposed to explain why that might be. The pandemic could be one reason – perhaps UK manufacturers were unusually affected by it because of labour shortages. Another reason could be supply chains. Companies in these sectors are often “intermediate producers”, importing metal and components and exporting engines to be fitted to cars in other countries, for example. A third reason is that, outside Britain, European goods trade recovered more rapidly from the pandemic than trade between European countries and those outside Europe. That might be because consumers in rich countries bought consumer goods

that European countries specialise in, like cars and appliances, with the savings they had built up during lockdowns. As a result, British manufacturers might also have seen a surge in exports to the EU, rather than weak export growth to both EU and non-EU markets.

Chart 5 shows EU member-states' goods exports, broken down into exports sold to other member-states and those to the rest of the world. Over the course of 2021 and 2022 the value of intra-EU exports grew much faster than those to the rest of the world, but the UK did not join in the trade boom in European goods. Brexit could be to blame.

Chart 5. Intra-EU Exports Have Boomed Since Brexit. UK Exports to the EU Have Not.

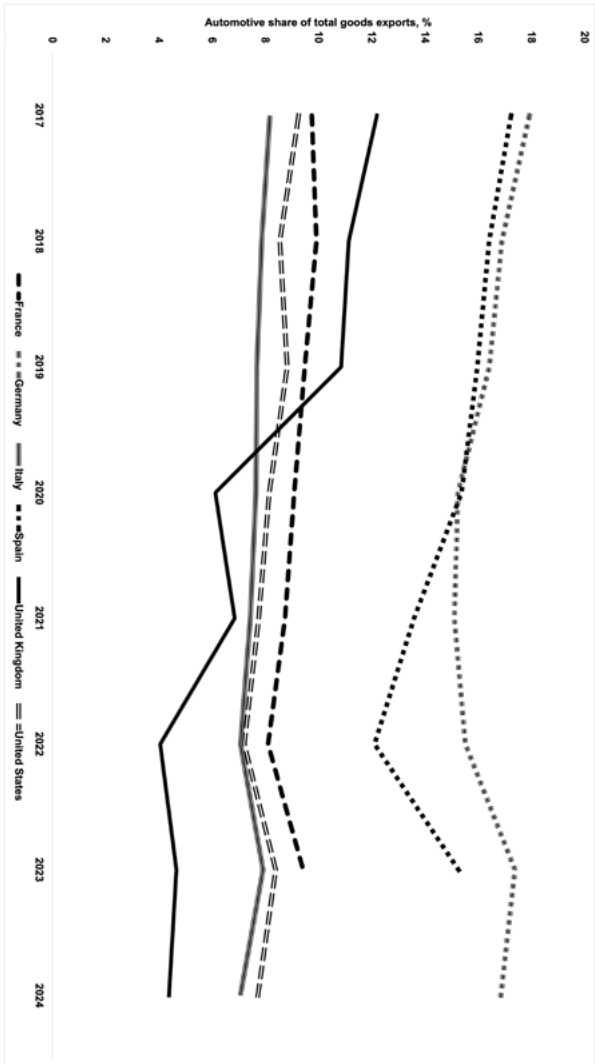


Source: Eurostat, 'EU trade since 2002 by HS2-4-6 and CN8' data. Data are in current prices.

A fourth reason could be that, broadly, the UK became a worse place to be a trading business. Big multinational companies – or UK ones – decide that more costly trade with the EU means they should wind down production in Britain, irrespective of whether its products were destined for European markets or elsewhere. We have some evidence for that in two key exporting sectors – automotive and financial services.

The automotive industry is going through huge change, as internal combustion engines are replaced with electric motors, Chinese companies are providing stiffer competition in EVs, and the industry continues to consolidate into a smaller number of global companies. In many big car exporting countries, we have seen a slow decline in the share of total goods exports that finished cars and components make up (Chart 6). But by far the biggest drop has been in the UK. That process started before Brexit was enacted, with a big drop in the automotive export share between 2019 and 2020, and a further decline since then. But that is in keeping with the pattern of investment in car production, with companies making decisions about expanding or cutting production with a view to future demand and production costs, because car plants require huge, lumpy capital expenditures to expand production or produce new models. The UK sends around half of its cars to the EU and half to the rest of the world, and it appears that it has become less attractive as a site for production to serve all markets.

Chart 6. British Automotive Exports Have Been in Big Decline Since 2019, Relative to Peer Economies.



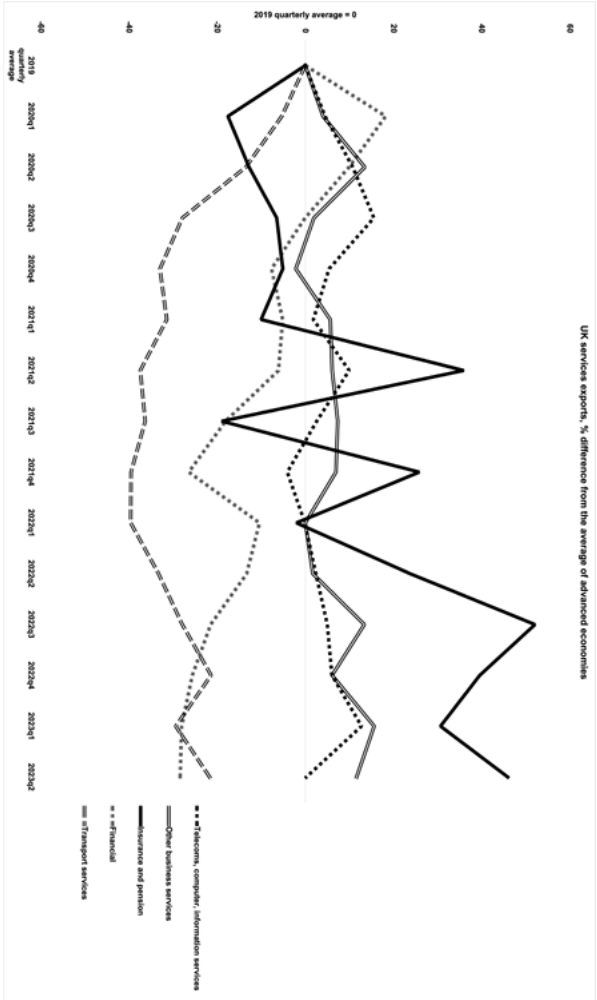
Source: UN Comtrade, trade values (\$) by HS code chapter.

Financial services has shown a similar pattern. Overall, Britain's services exports to both the EU and the rest of the world have been growing at a decent clip since the UK left the single market, apparently defying the predictions of the gravity modellers. However, services trade has shown robust growth across rich countries, and the UK is unusual for a large economy because services make up a big share of its total trade – almost half. There has been a rising tide – and one that favours the UK's strengths – that might cover over the impacts of Brexit. If we account for rising demand for services exports, we see that British financial services exports might be expected to have performed better than they did.

Chart 7 plots how UK services exports have fared compared to 22 economies that are the most mature globally (these are the economies that the IMF designated as 'advanced' in 1995). Telecoms and IT, insurance, pension, and 'other business services' – a series that contains consultancy, accounting, legal services – have all grown faster in the UK than the average of advanced economies since the UK left the EU.

Two services sectors have not, however. The financial sector has grown more weakly in the UK than elsewhere since the start of 2020 – when many financial services companies based in the UK opened operations in the EU to comply with its rules on location. The other is transport services – a category that contains road haulage and shipping. Like financial services, growth in British exports of transport services are well down on other advanced economies, despite full reopening of the economy. That is probably because Britain's goods trade with the EU have been hit, reducing demand for British lorry drivers' services. Also, they can no longer do 'cabotage' within the EU – moving goods between member-states.

Chart 7. UK Financial and Transport Services Exports Have Underperformed Other Advanced Economies Since 2019.



Source: UNCTAD services (BPM6): Trade and growth by main service category, quarterly, value (\$).

Taking these relative losses of services exports into account, we find that gravity models predicting a sizeable Brexit impact on services trade, around 15% or so, were not so far off. If the UK's exports in these two sectors had performed in line with the global average of advanced economies from single market exit to the second quarter of 2023, then Britain's total services exports would have been 11% higher.

The apparent hit to British car-making and financial services also gives some justification to the forecasters who chose to base their models on increasing returns to scale. Both are sectors with big, highly productive companies, which make use of a lot of advanced capital – plants with a lot of high-tech machinery, in the case of cars, and IT systems, in the case of financial services. Hits to those sectors will have a proportionally bigger effect on economy-wide productivity. Putting all the trade evidence together, then, the forecasters were right that Brexit would have a negative impact on UK trade, because the single market is a deeper form of economic integration than a free trade area, in which tariffs are reduced or eliminated, but non-tariff barriers to trade are erected. Just as with GDP, the size of the effect depends on how it is estimated, and judgements have to be made.

Trade Agreements Outside Europe

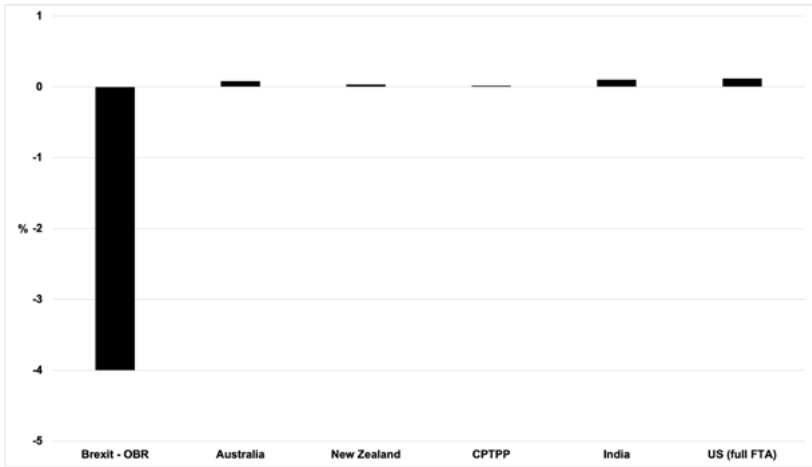
If we can trust the gravity models on the Brexit effects, we can have confidence in their predictions of the benefits of the UK signing free trade agreements (FTAs) with countries outside Europe. Britain being a champion of global free trade was central to the Leave campaign's economic pitch to voters. Of course,

since 2016, the conditions for global trade have worsened, with the two election victories of arch-protectionist Donald Trump and growing tensions between the US and EU with China over its interventionist industrial policies. But, leaving that to one side, the same combination of gravity and macroeconomic modelling that was used to estimate Brexit costs has been used to forecast the benefits of Britain's FTAs.

It is important to remember that the EU signs FTAs too, as part of its common trade policy, so logically any gain from FTAs that the UK signs must arise either from new agreements or better ones than the EU manages. The previous Conservative government replicated EU trade agreements with other countries before the UK left the single market and customs union – a significant achievement, given the time pressure – but they do not count as “Brexit wins”. However, it also signed FTAs with Australia, New Zealand and Pacific rim countries. The next Labour government finalised an FTA with India in May 2025. Days later, it also struck a non-binding agreement with the US, but that amounted to a reduction in trade openness with the US compared to the period before Trump's second presidency, because it left UK exporters facing a cross-the-board tariff of 10%.

According to the government's impact assessments, the macroeconomic benefit of the new FTAs the UK has signed are very small, only offsetting the 4% loss from Brexit by about 0.2% (Chart 8). Even if a full FTA were signed with the US, that would rise to about 0.35%. It can't be portrayed as a Brexit win, because it's a partial u-turn, but the so-called reset with the EU is likely to be more beneficial than the FTAs that the UK has negotiated.

Chart 8. Government Forecasts of the Impact of UK FTAs on UK GDP are Very Small.



Sources: ‘The effect on productivity of leaving the EU’, *Economic and Fiscal Outlook, Office for Budget Responsibility, March 2020, Box 2.1*; ‘Impact assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and Australia’, *Department for International Trade, May 2022*; ‘Impact assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and New Zealand’, *Department for International Trade, February 2022*; ‘Impact assessment of the UK’s accession to the CPTPP’ *Department for International Trade, August 2024*; ‘Technical note of the preliminary economic impacts of the UK-India Free Trade Agreement’, *Department for Business and Trade, May 2025*; ‘UK-US trade agreement’, *Department for International Trade, July 2019*.

The principles behind gravity models explain why this is so: rich, nearby countries trade far more with each other than poor, distant ones, and even the US’s enormous wealth cannot overwhelm the fact that its market is thousands of miles away from Britain. As noted above, the models also find much larger trade gains between members of the EU’s single market than between countries that

have free trade agreements with each other, because the single market removes many more barriers to trade, investment and migration. One study using a sophisticated gravity model estimates that even if the UK signed FTAs with almost all countries that are not members of the EU, the trade losses from Brexit would be less than halved.⁷⁰

Regulation

Let us consider the other main economic argument that Leave advocates made – that outside the EU, Britain would be free to regulate its industries as it saw fit. That would lead to gains, either because they argued that EU regulation is bad for growth because it tends to be more interventionist, or because British industries have unique specialisms that require more bespoke regulation than the EU's institutions provide, since they must take the interests of 28 countries into account. Most officials and academics who conducted Brexit forecasts shied away from trying to model these potential gains because they are impossible to forecast accurately, because the industry is in its infancy, and its impact on productivity across the economy is uncertain.

In other areas of regulation, we have a better understanding of the benefits, but it is not clear if the British public would support a laissez-faire approach. The use of genetically modified organisms (GMOs) in agriculture, which are banned in the EU but not in the US, could raise farm productivity significantly, and some are currently allowed in the UK. But other US practices such as widespread use of hormones and antibiotics in animal husbandry have been too controversial for the government. EU

environmental legislation, by its very nature, prevents businesses from doing things that add to output, at least in the short term, but harm the environment. Yet there's no indication that the British public would support a general roll-back of protections, and the UK-EU FTA prevents Britain from going too far in that direction in any case. If the UK did slash environmental red tape, it would find that the EU would curb market access. Other mooted benefits have not materialised so far, because setting up entirely new regulatory agencies has been a big undertaking. And just as there are potential gains from sovereign regulation, there are potential losses.⁷¹

The tug of EU gravity applies in regulation just as it does in trade. The whole point of the single market is to make use of common EU regulation to expand trade, because companies do not have to make products to meet 28 different national rules, and national governments can't use regulation to keep out imports, and protect their businesses and workers. So there are offsetting costs to sovereignty over regulation: divergence from EU rules means that British companies selling the EU market have to supply two sets of products, one for each market, which adds to their production costs.

As was referenced in the previous chapter of this volume, UK in a Changing Europe has kept a running tally of UK divergence from EU rules since Brexit and found that the rate of UK divergence has slowed down.⁷² Indeed, the coming years are likely to show more active alignment with EU rules in many sectors of the economy. Keir Starmer's decision to deepen the UK's FTA with the EU, and pursue dynamic alignment with new EU rules in agriculture, food and energy, would entail Britain sacrificing regulatory autonomy for

lower trade barriers. The government has also introduced a product regulation and metrology act which gives ministers broad discretion to amend UK regulation if they choose to maintain alignment with the changing EU rules.

It's hard to tell how far this process of realignment will go, with the Conservatives and Reform UK both promising to unpick agreements that entail UK automatically following EU rules. But as the sections above show, the economic effects of ending the jurisdiction of EU law in Britain have been negative overall, and any future gains from regulatory divergence are uncertain and likely to be limited to a few sectors of the economy.

Migration

The largest divergence from EU rules has been the end of free movement and the imposition of a new migration regime, considered at greater length by Jonathan Thomas elsewhere in this volume. That regime subjects all immigrants to the UK to the same rules, whether they are from the EU or elsewhere. The economic effects of this change were expected to be profound. However, the post-Brexit migration rules were in the hands of the government, and initially at least, it chose a relatively liberal regime. That meant that the negative economic impact of reduced migration flows that many had predicted did not come to pass.

In March 2020, before the Johnson government enacted the new immigration regime, the Office for Budget Responsibility forecast that that government would reduce net migration to the UK, compared to the pre-existing combination of free movement and visas for non-EU nationals. That would reduce output and

hurt the public finances, if only marginally, raising public debt by £1 billion in 2024/5.⁷³ What actually happened is well-known: while net migration from the EU turned negative, it soared from the rest of the world, with overall net migration reaching a peak of 900,000 in 2023, before falling back to around half that level by the end of 2024.

It's impossible to know with any precision what would have happened if the UK had remained in the EU, in part because there were also macroeconomic factors after the pandemic that drove rapid migration flows in Britain and other countries. Consumer demand came roaring back as lockdowns were lifted, while the supply side of the economy took longer to recover. This led to a big mismatch in supply and demand. Job vacancies rose sharply, as companies and the public sector, especially the NHS, needed more workers to satisfy the surge in demand.

Many of those jobs were filled by non-EU workers in Britain and other EU countries. As wage differences between older and newer member-states of the EU have narrowed, free movement has become less of a source of new workers for richer member-states. And after the pandemic, free movement was less important in helping Europe's labour markets to adjust to shocks than during the financial and euro crises. So even if the UK had remained in the EU – or if the Johnson government had chosen a more restrictive regime with higher salary thresholds, there might have been substantially higher net migration from outside the EU after Brexit than before it.

Thus the macroeconomic impact of the end of free movement on the UK economy has been smaller than the OBR thought in

2020, although the OBR only forecast a small negative impact on output and the public finances. Those relatively minor effects are because the government has the power to choose who to let in to the country, and to date it has largely chosen to allow migration to help the labour market to adjust to shocks. The government is now consulting on further restrictions to reduce net migration – which would not have been entirely in its power if Britain were still an EU member-state. But the decline of migration within the EU suggests that the end of free movement is less useful to those who seek to reduce net migration than it appears.

Conclusion

Putting all of the evidence together, then, we can conclude that the broad consensus among economists on Brexit was broadly correct. GDP, trade flows and investment have all been curtailed by barriers to trade with the EU. The EU's single market does raise trade substantially more than free trade agreements, and the UK's distance from other markets means that trade deals with non-EU countries cannot make up for the losses. The gains from regulatory autonomy are hard to quantify, and must be set against the trade losses stemming from divergence from EU rules – and the fact that even if the UK remains aligned with EU standards and rules, British products are still subject to bureaucracy at the border unless the EU agrees to reduce checks. The end of free movement has been less costly than predicted, because the government has chosen to remain open to immigration, but the forecast losses were significantly smaller than the impact of barriers to trade in any case.

Looking ahead, it is important to remember that the costs of Brexit are likely to be permanent, with the economy continuing to be 4% smaller into the future (if we take the OBR's assumption). Given the fact that FTAs will not make up for Brexit, and the EU also signs trade deals, that means that future British governments can only significantly offset those losses, or eliminate them, through reintegration with the European economy. Whether they choose to do so is up to British politicians and voters and the member-states of the EU, who will determine what the price of reintegration will be.

John Springford.

III: Immigration

Introduction

Brexit sits at the heart of the UK's immigration story of the last 25 years; a rollercoaster ride of shifting numbers and sweeping policy changes, with the immigration policy pendulum swinging from one extreme to the other. To understand and unravel the relationship of Brexit and immigration, and where Brexit fits into this story, one must consider the extent to which: 1) Brexit was a consequence of parts of this immigration story, 2) Brexit was a cause of, or contributing factor to, other parts of this story and 3) the UK's key immigration issues today are part of the Brexit story, or part of a different narrative. This chapter is devoted to these aspects.

From Globalisation to Gillian Duffy

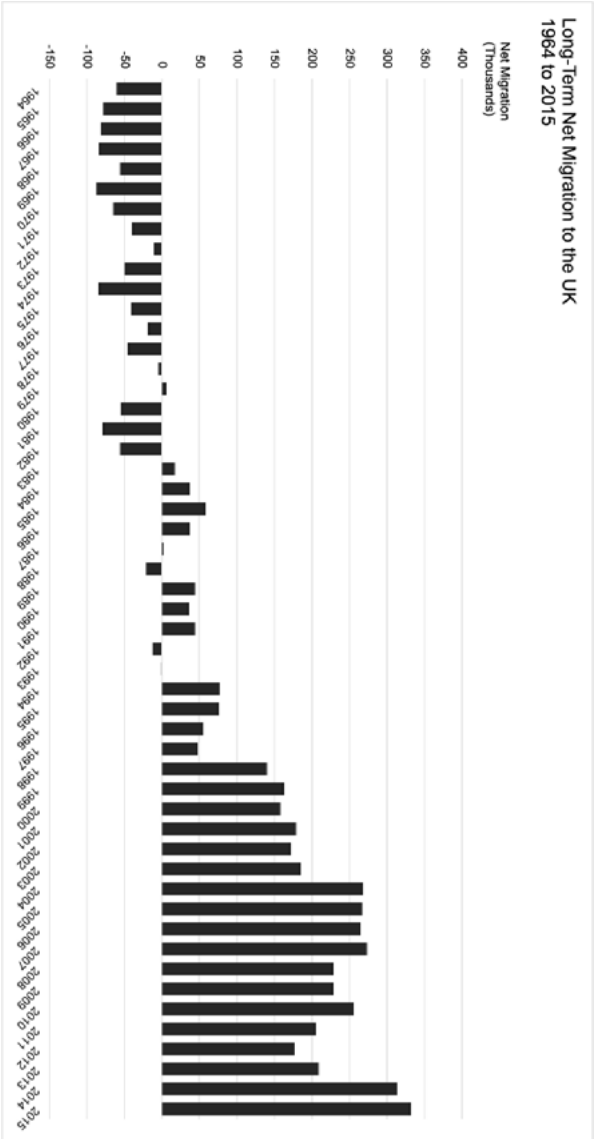
From the end of World War Two to the end of the 1970s the UK was an *emigration* nation; with more people leaving than arriving. And the two main political parties over that period had an informal understanding that immigration should both be restricted and not a matter for open political discussion or contestation.

Immigration's part in the road to Brexit starts with the New Labour government's (1997-2010) expansive approach to immigration policy, in particular to EU freedom of movement. New Labour saw a new world operating on a globalised capitalist model. A world where immigration was not only impossible to control, but where it would be foolish to do so if the UK wanted to be competitive.⁷⁴

This new-found openness to immigration was also to include a points-based system for the admission of non-EU workers, and a regime to attract international students by allowing them to stay on in the UK for a period after their studies. But at its core was the UK's membership of the EU freedom of movement regime.

The numbers coming to the UK under freedom of movement were not particularly noteworthy until the government's decision to open up to the labour forces of the Eastern European EU-8 countries (those countries joining the EU in 2004). Alongside only Ireland and Sweden, the UK granted access to these countries' workforces immediately on their accession, not taking up the option of the transitional period negotiated by the EU.

Chart 1: Long-Term Net Migration to the UK



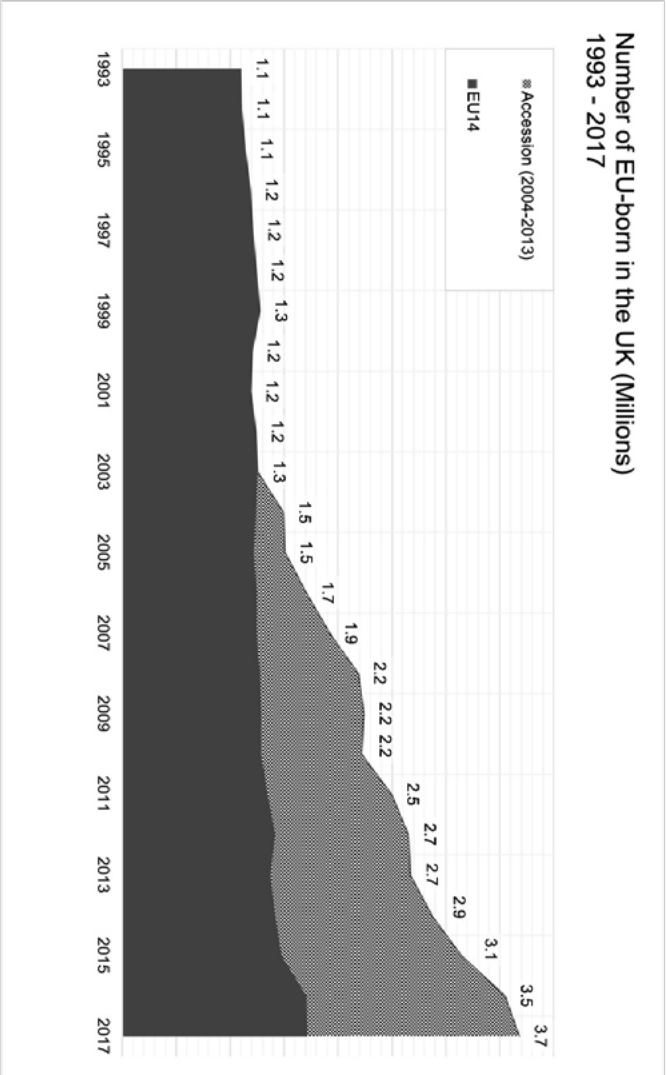
Source: Office for National Statistics, 'Long-Term International Migration into and out of the UK by citizenship, 1964 to 2015' (1 December 2016).

The government's open approach on economic immigration was paired with a crackdown on asylum seekers – whose numbers in the UK had risen significantly – and encountered no real political opposition. *Too much of a good thing?*, a 2005 paper by Peter Lilley, a senior Conservative politician, was a rare challenge to the then prevailing orthodoxy of the self-evident benefits of embracing immigration. But even he was almost apologetic in asking whether the government had gone too far in its openness, and felt the need to explicitly make clear that in questioning this he was not a racist, and that immigration was clearly a good thing.⁷⁵

When in 2007 the new Labour Prime Minister Gordon Brown used the phrase 'British jobs for British workers', it was David Cameron, the leader of the Conservative opposition, who accused him of using far-right language.⁷⁶ It was also in 2007 that the 'Strangers into Citizens' campaign emerged, arguing for undocumented migrants in the UK to be granted a path to citizenship. Its most high-profile political supporter was the new Mayor of London, Boris Johnson.⁷⁷ The arc of the immigration policy pendulum was at its most extreme liberal point.

The numbers who arrived in the UK from EU-8 countries were soon to surpass those from the pre-2004 EU countries.

Chart 2: Number of EU-Born in the UK



Source: 'Number of EU-born in the UK: 1993-2017' (The Migration Observatory)

Many new arrivals ended up in towns across the UK which had previously not experienced much immigration. The pace and scale of the influx and the churn of people coming and going in different local areas caused rising pressures and tensions.⁷⁸ The processes that governed the local planning and delivery of services, and the central allocation of government resources to them, struggled to cope with this. Crucially, from the perspective of the road to Brexit, the extent of EU immigration in this period allowed concerns over the UK's EU membership to become fused with concerns over the level of immigration.⁷⁹

By the 2010 Election this had become not only a growing political issue, but also a public one.⁸⁰ When, in the final week of campaigning, Prime Minister Gordon Brown encountered retired council worker and Labour supporter, Gillian Duffy, on the streets of Rochdale, she attempted to ask him about the numbers of Eastern Europeans coming in. The Prime Minister sidestepped her question. Afterwards, unaware he was still on mic he referred to her as a 'bigoted woman', intimating this was because she had raised the issue of immigration with him.

For those of the British public concerned that their concerns over immigration were not only being ignored, but were regarded with contempt by the "governing class", it is hard to think of a vignette that could have better confirmed that impression. The full political significance of this disconnect had yet to become apparent. Looking back ten years later though – from the other side of Brexit – as one leading commentator put it: 'Ms Duffy turned out to have been a harbinger from the future'.⁸¹

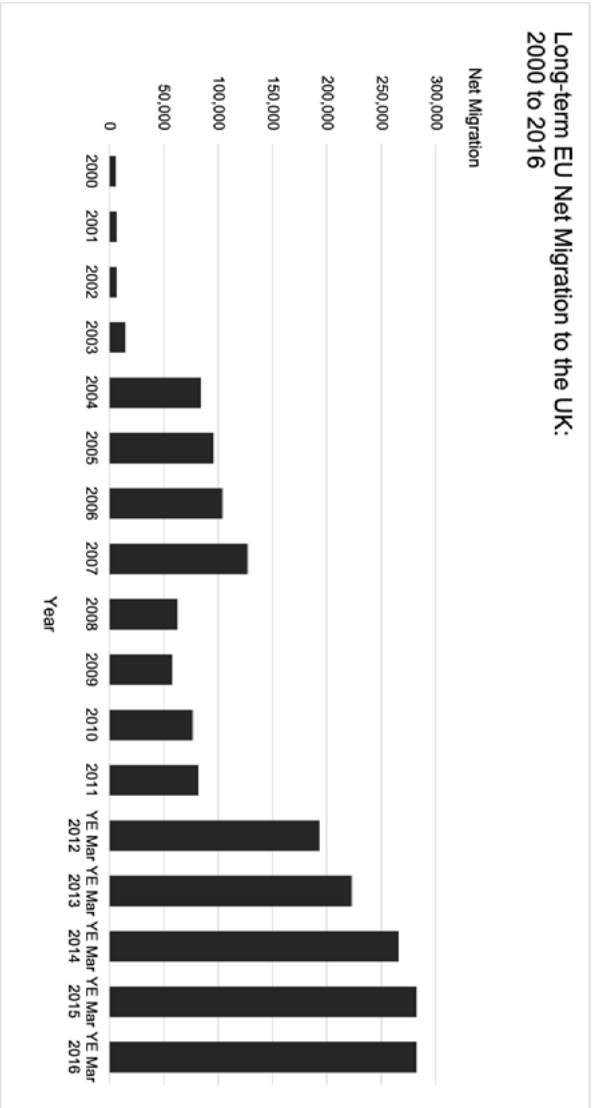
Cameron and the EU Referendum

Gordon Brown was not alone among senior politicians in making an unguarded statement about immigration on live television in the run up to the 2010 Election which would prove to be highly consequential. In a live interview David Cameron stated that he ‘would like to see net immigration in the tens of thousands [annually] rather than the hundreds of thousands’.⁸² And so, after the election, “tens of thousands” de facto became the new coalition government’s net immigration target.

(In)conveniently, shortly afterwards the UK Office for National Statistics began quarterly reporting of the UK’s immigration numbers, including the net immigration number. Thus was established a rolling, recurring reminder that the government’s net immigration target was being missed, which only served to amplify the public’s concerns over immigration. Instead of being kept out of the political spotlight, with differences over it minimised, immigration was increasingly thrust into the spotlight, becoming a key site of political contestation. Indeed, the need to be seen “to do something” about immigration gave rise to a new, and destructive, feature of British politics; endemic over-promising and under-delivering on immigration numbers and control, which only served to further ratchet up public anxiety. This was at the heart of both the cause and effect of Brexit.

A suite of immigration restrictions introduced by Home Secretary Theresa May could have no impact on those coming from the EU under freedom of movement. While those flows slowed in the wake of the global financial crisis of 2008, they then rose again when Romanian and Bulgarian (EU-2) workers acquired freedom of movement rights within the EU, and as the Eurozone crisis led to more movement from Southern Europe. EU immigration now made up an unprecedented share of overall net migration to the UK – on some calculations, three-quarters of it.⁸³

Chart 3: Long-Term EU Net Migration to the UK.



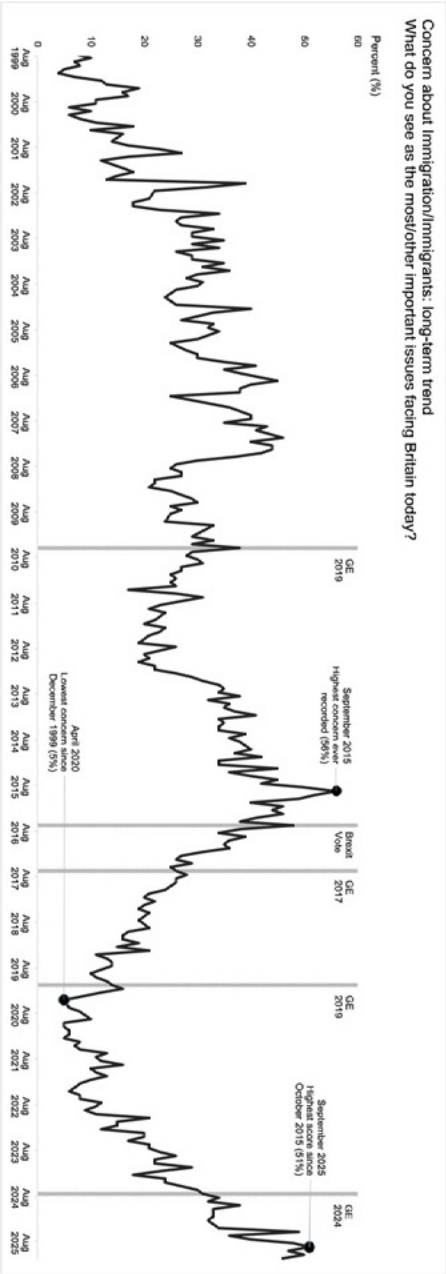
Source: 'EU Migration to and from the UK' (The Migration Observatory, 20 November 2023).

The government was forced to admit that its net immigration target had promised something outside of its control. So, in the Conservatives' 2015 Election manifesto, Cameron made another big commitment related to immigration – to seek to reform the EU, which he labelled as ‘too big, too bossy and too bureaucratic’, and to hold an in-out referendum on EU membership.⁸⁴

Having won the election, Cameron made a further commitment; ahead of the referendum; to seek to extract concessions from the EU on greater controls around freedom of movement and access to the welfare state. His inability to achieve any material concessions only added to the impression that EU membership was incompatible with the UK exercising meaningful controls over EU immigration, and thus was more harmful than helpful to the Remain campaign. Nor did the chaotic scenes from the summer of 2015, with large numbers of refugees moving through Turkey and on into, and across, Europe help; they played into wider public concerns around immigration control beyond just the UK's relationship with the EU.

In terms of the impact of immigration concerns on the EU referendum vote, it could hardly have been held at a more consequential time. As it turned out, both inflows from the EU to the UK, and the level of the British public's concern about immigration, hit their all-time highs just before the referendum. Indeed, in 2016 Ipsos crowned the UK the number one out of 25 developed world countries in terms of the public level of concerns about immigration.⁸⁵

Chart 4: Concerns About Immigration/Immigrants.



Adapted from Ipsos Issues Index (August 2025).

The Remain campaign favoured the economic arguments for staying in the EU. But its ability to appeal to those voters who had concerns about immigration was undermined by the disappointing outcome of Cameron's attempted renegotiation, and also by the government's failure on the net immigration target; in 2015 both EU and non-EU migration to the UK, *separately*, had been above the target level.⁸⁶ The government was therefore vulnerable not only to the charge that it did not have control, but that it could not even exercise the control it did have.

“Take back control” was the tagline of the official Vote Leave campaign. Initially seeming reluctant to focus its campaign on immigration for fear of alienating too many voters, in the final weeks of campaigning Vote Leave's pledge to end free movement came to the fore.⁸⁷

The prism of a highly contested Brexit campaign favoured imagery over information, which the Leave campaign embraced. Vote Leave raised the spectre that Turkey could shortly be admitted to the EU which would lead to a surge of inflows to the UK.⁸⁸ Nigel Farage and the Leave.EU campaign caused even greater controversy with the ‘Breaking Point’ poster.⁸⁹ Depicting a large group of mainly male migrants being escorted to a Slovenian refugee camp in autumn 2015, this effectively conflated concerns over numbers arriving *in* Europe with concerns over numbers arriving *from* Europe.

The Calm Chaos of the Referendum's Aftermath

The EU referendum's aftermath saw a restrictive approach on one key aspect of immigration – EU freedom of movement – sitting alongside a relatively open approach to immigration in many other respects. And an increasingly frenzied political atmosphere around Brexit itself sitting alongside a relatively calm political atmosphere around immigration and immigration policy.

Theresa May was now Prime Minister, and on immigration her government had to answer three key questions as a result of the referendum vote:

- What approach to take to EU freedom of movement?
- What should the shape and details of the UK's new work immigration system look like?
- What to do about EU citizens in the UK?

The government set out its high-level position on ending free movement in the summer of 2018, followed by another White Paper six months later which proposed an end not only to EU freedom of movement, but to any preference for EU over non-EU immigration; a level playing field⁹⁰.

The journey from the referendum to Brexit, though, became increasingly drawn-out, and the details of the new immigration system were not finalised until after the next election, under Boris Johnson's government. For the most part this was not because of battles over immigration policy, though. Indeed, the issue of the end to EU freedom of movement to the UK was largely the *only* immigration policy battleground. Other, mainly relatively liberal, developments in immigration policy received no meaningful

political or public pushback at all. Indeed, an increasingly polarised Brexit process played out in tandem with a seemingly much calmer consensus over many aspects of immigration, as overall inflows to the UK stabilised, flows from the EU reduced from their pre-referendum peak, and the British public's level of concern about immigration receded.

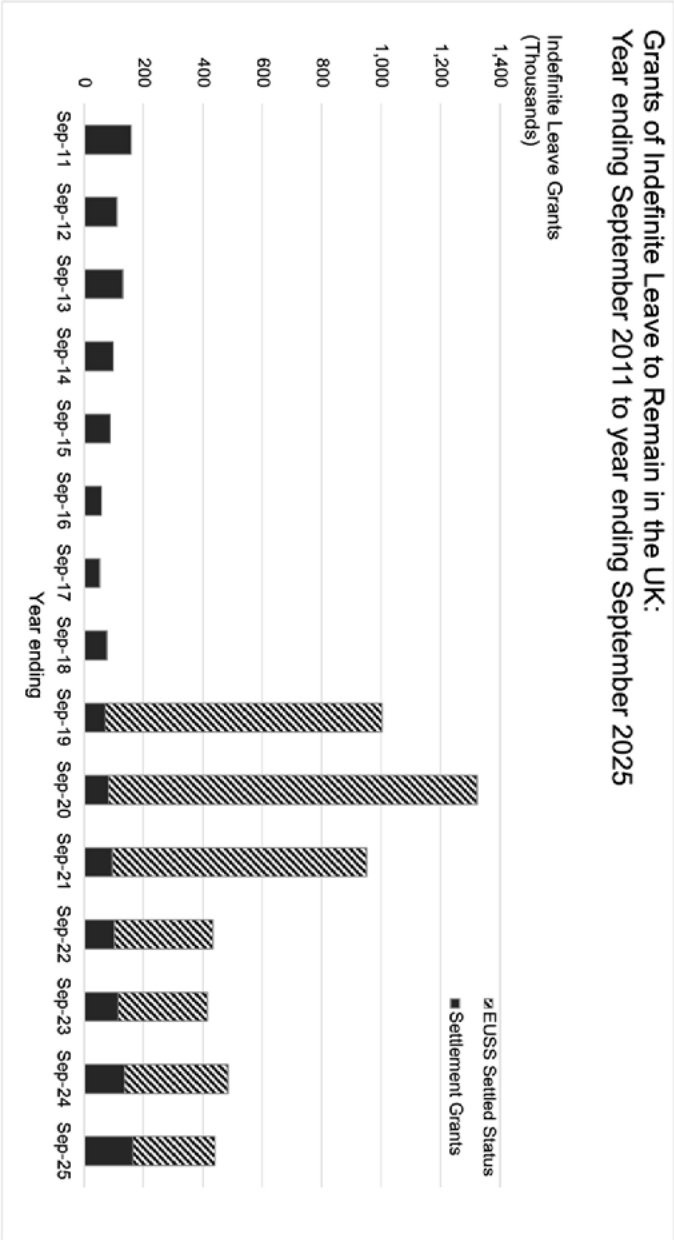
The government's focus on delivering on the assumed "will of the people" by restrictively reframing the UK's immigration relationship with the EU seemed to create space for a more positive outlook towards immigration from outside the EU. Politicians as diverse as Boris Johnson and Diane Abbott reflected this. For the former, Brexit meant the UK should focus more on its old Commonwealth ties.⁹¹ For the latter, Commonwealth migrants and other non-EU migrants had been unfairly treated as second-class by the previous immigration system, and there should be a "levelling up" of the system to combat this.⁹² When the injustices suffered by some of the Windrush generation at the hands of the Home Office emerged, it caused widespread outrage.

So insulated, and relatively relaxed, did the UK feel from the direct effects of the refugee crisis chaotically playing out across mainland Europe in the summer of 2015 that the government felt able to commit to a five-year 20,000 target for refugees to be resettled into the UK, prioritising the most vulnerable refugees. And after the EU referendum, the nationalities eligible to be resettled to the UK were broadened.⁹³ A community sponsorship programme was also launched to encourage and support community groups to sponsor and provide practical support to refugee families arriving in the UK.⁹⁴ None of these developments received any political or public pushback.

As for the third key immigration question to which Brexit gave rise – what to do about EU citizens in the UK – the government adopted a broad brush, generous, approach in offering them all a path to permanent status in the UK. EU freedom of movement had established and incentivised a transient status; easy to come and go, but far less easy to secure permanent residence rights in the UK. In its stead, under the terms of the EU Settlement Scheme (‘EUSS’) announced in 2018, every EU citizen not only in the UK at that point, but who came to the UK before the end of 2020, was offered a path to stay in the UK forever.

Around 3 million EU citizens had been estimated to be in the UK at the time of the referendum. 5.8 million have so far been granted status in the UK under the EUSS.⁹⁵ For all the alleged antipathy of certain sections of the British public to immigration from the EU, far from Brexit resulting in European immigrants being expelled from the UK, the UK offered a permanent residency pathway to twice as many EU citizens as it thought it had – many of whom were not entitled to that pathway before the referendum – without the slightest murmur of political or public disapproval.⁹⁶ This had a huge impact on the number of migrants granted indefinite leave to remain in the UK.

Chart 5: Grants of Indefinite Leave to Remain in the UK.



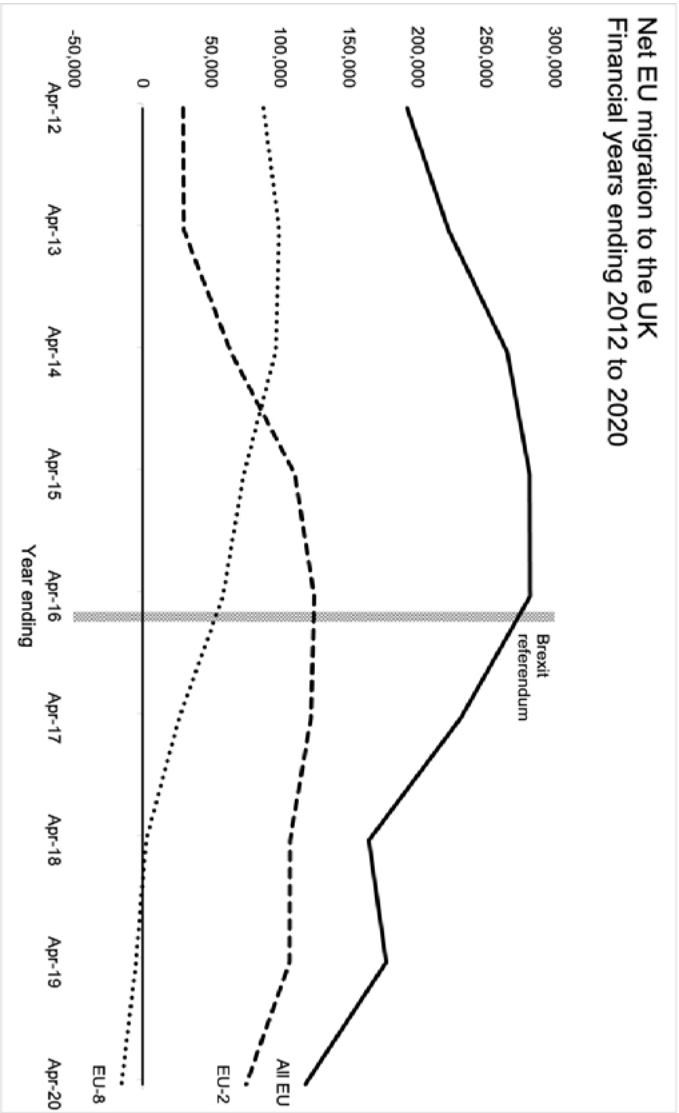
Source: Home Office, Immigration system statistics data tables, 'Settlement detailed datasets, year ending September 2025 - Se_D02' (27 November 2025).

A Strange New World

The 2019 Election was held against the background of the political frenzy of getting Brexit done but relative political calm around immigration and immigration policy. Public concerns around immigration were polling at near 20-year lows. Immigration from the EU had already reduced significantly even though EU freedom of movement to the UK continued. Between the referendum and Brexit, net EU flows into the UK overall remained positive, but within this there were large differences between flows from the EU-8 and the EU-2 (Romania and Bulgaria) countries.

Having started later, inflows to the UK from the EU-2 countries continued at high levels. Net migration from the EU-8 countries, on the other hand, had been reducing even before the referendum, and now turned net negative. In particular, relative economic growth rates and currency movements between the main EU-8 country, Poland, and the UK, made the UK less economically attractive to Poles.

Chart 6: Net EU Migration to the UK



Source: Analysis of ONS RAPID data in 'EU Migration to and from the UK' (The Migration Observatory, 20 November 2023).

The relatively relaxed atmosphere around immigration was reflected in the main parties' 2019 election manifestos. None took a tough position on it. Indeed, both Labour and the Liberal Democrats were still holding out the hope that EU freedom of movement to the UK might be maintained, and, even if not, in Labour's case arguing for 'a levelling up of rights, not a race to the bottom' to replace the 'two-tier system'.⁹⁷

The Conservative manifesto was as tough as it got, with its promise to end freedom of movement and introduce an 'Australian-style points-based immigration system'. But it also praised the contribution of immigration, highlighted the need to grant asylum and support to refugees fleeing persecution, and to make the immigration system fairer and more compassionate after the 'horrific' treatment of the Windrush generation.⁹⁸

From the moment of Johnson's appointment as Prime Minister in 2019, the need to control immigration was emphasised, and the need to reduce numbers de-emphasised. Indeed, his very first day in office saw Johnson abandon his party's nearly decade-old net immigration target, making it clear that 'no-one believes more strongly than me in the benefits of migration to our country' and instead focusing on the control that a new 'Australian-style points-based system' would bring.⁹⁹

The final details of the UK's new post-Brexit immigration system for work were revealed on what turned out to be the eve of the global Covid-19 pandemic. While the core approach from 2018 remained, some details had shifted under the "Australian-style points-based system" branding beloved of the new Prime Minister. It was advertised as combining control with a level playing field

between EU and non-EU workers, while seeking to prioritise migrants with the skills most needed in the UK labour market. Its stated aim was ‘to reduce overall levels of migration’ and ‘to create a high-wage, high-skill, high productivity economy’.¹⁰⁰

Since the end of WW2 though, the UK economy had always had access to “free movement” of workers from one preferred group of countries or another; first its colonial connections, then its European neighbours.¹⁰¹ Now that was ending, to compensate for the lack of any free movement the government made some relatively liberal choices over the parameters of the new system versus what had previously been applied in respect of hiring non-EU workers, including:

- No cap on numbers;
- Reduced required worker skill level, down from degree level to A-level equivalent;
- Reduced general threshold level for the minimum salary an overseas worker must be paid, with an even lower threshold for many jobs on an expansively drawn Shortage Occupation List;
- Employers no longer required to meet the Resident Labour Market Test (‘RLMT’) by first advertising a job for 28 days in the UK before offering it to an overseas worker.

These changes meant those coming to the UK under the sponsorship system were now eligible to do over half of all full-time jobs in the UK economy. The scrapping of the higher minimum income requirement for permanent settlement also now meant that not only was it easier for non-EU workers to come to the UK, it was also easier for them to settle.

On the flipside though, considerably less future EU immigration was forecast as a result of Brexit. Due to the ending of freedom of movement to the UK, but also the take-up of the EUSS suggesting a large pool of EU citizens already in the UK with the right to work. The new system also shut the door to the lowest skilled and paid, and to self-employed workers from overseas. Even employers who could sponsor overseas workers now faced significant additional costs, administrative complexity, and legal responsibility in comparison with hiring under the EU freedom of movement regime.

The end of the Brexit transition period, and the go-live of the new immigration system, though, was interrupted by the Covid-19 pandemic. The pandemic's impact scrambled the UK's immigration story. Immigration numbers to the UK dropped, then stopped, then disappeared entirely. In the sense that not only was inbound movement to the UK prevented by pandemic restrictions, but, for a period, the UK's official immigration statistics were not produced at all.¹⁰²

Against this background, an entirely new framing took shape as the combination of Brexit and the effects of the pandemic turned many concerns about immigration on their head. The lower-skilled, lower-paid immigrants – whom the UK seemed intent on excluding under its new immigration system – were suddenly feted as the plucky key workers selflessly keeping the country going. And the worry became not the numbers of overseas workers arriving, but the numbers leaving.¹⁰³ Was this a *Brexodus*, or just migrants returning home due to the pandemic?¹⁰⁴ The worry suddenly was not about whether the UK would be open to too

many immigrant workers, but about whether it would have access to too few.

The pandemic was not a force for sweetness and light over immigration in all respects though. As it made irregular entry to the UK harder, small boats across the English Channel became the main recorded entry method for irregular arrivals. Unlike other forms of irregular entry, these arrivals made no effort to avoid detection, thus providing a highly visible challenge to immigration control. A large increase in the use of contingency accommodation, including hotels, for asylum claimants added to the visibility of this issue.¹⁰⁵

The increase of small boat arrivals would come to fuel the government's attempts to fundamentally redraw asylum legislation, and its nascent deterrent of the Rwanda plan. Having left the EU the UK had lost the ability – under the Dublin system – to request the return of asylum claimants to other EU member states they had transited through on enroute to the UK, although the flaws in the operation of the Dublin system in practice had meant the UK had achieved relatively few returns through it, even when it had been a member.¹⁰⁶

At this time, though, the small boats numbers had yet to assume the degree of political and public prominence they were destined for, and the British public's level of concern over immigration remained at 20-year lows. Just as the official immigration statistics had disappeared, so immigration itself seemed to have disappeared as an issue of political and public concern. It was against this benign seeming background that four further expansive changes

were made to the UK's immigration regime, reacting to changes in the world.

First, following the Chinese crackdown in Hong Kong, in early 2021 the UK opened a safe route for Hong Kongers to relocate and settle in the UK should they wish to – for which over 5 million were eligible.¹⁰⁷ Second, in summer 2021 the government re-launched the post-study visa to make it even more attractive for international students to come to study in the UK. This was motivated by concern for the health of the higher education sector coming out of the pandemic, and a desire to hit the expansive target set out in the UK International Education Strategy for numbers of international students in UK higher education.¹⁰⁸ Third, in early 2022, concerned for the resourcing of the care sector coming out of the pandemic, the government expanded the Health and Care Worker visa to make ordinary social care roles eligible for a visa even though their pay and skill level fell below the minimum allowed by the immigration system.¹⁰⁹ Fourth, was the urgent development of schemes to take in and accommodate Ukrainians fleeing the Russian invasion, also in early 2022.¹¹⁰

The consequences of all these different elements of the post-Brexit immigration system were about to become apparent.

Post-Pandemic: Soaring Immigration Lights the Touchpaper

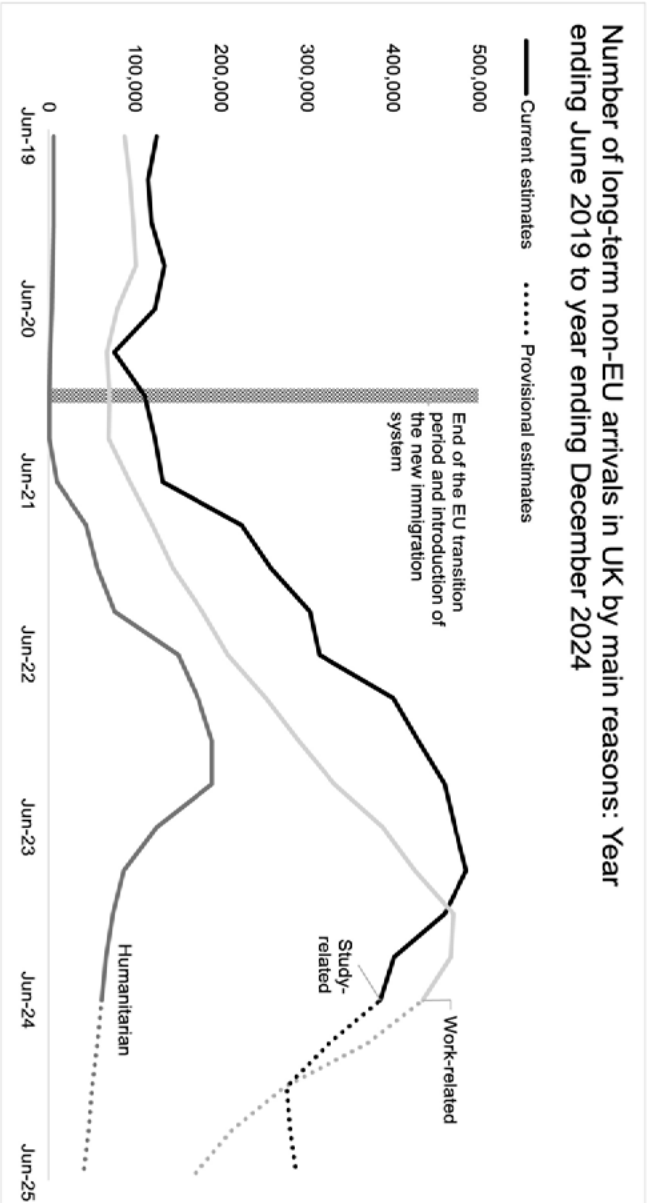
As the pandemic restrictions were relaxed, labour shortages quickly emerged. By October 2021 the almost 1.2m vacancies in the UK was the highest figure on record.¹¹¹ Some blamed Brexit and the new immigration system. It soon became clear though that a significant demand/supply mismatch was a global phenomenon

being experienced across leading economies, ‘from Brooklyn to Brisbane’.¹¹² European countries were themselves experiencing labour shortages in many of the same sectors as the UK, and also looking for workers from outside the EU, despite themselves still benefiting from EU freedom of movement.

The UK’s position, though, was particularly acute. The government anticipated that the post-Brexit immigration system’s rebalancing between EU and non-EU immigration would cause some sectors significant challenges.¹¹³ But it had obviously not anticipated the pandemic, and its consequences, including the high level of economic inactivity of UK resident workers as economic life resumed.¹¹⁴

Coming out of the pandemic, numbers coming to the UK with visas under the new immigration system from the EU were very low, but numbers from outside the EU exploded. From 2021-2024, 2.5 million non-EU nationals came to the UK on either work or student visas, or as dependants alongside those who did. Of the 2.8 million employee jobs created in the UK 2021-2024, non-EU employees accounted for two-thirds of them.¹¹⁵

Chart 7: Number of Long-Term Non-EU Arrivals.

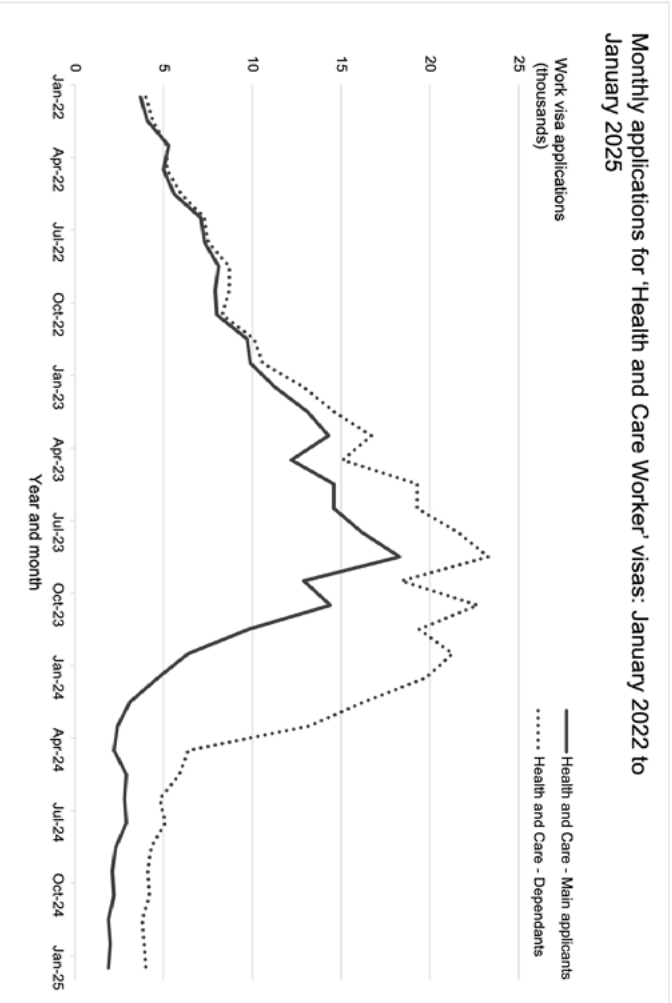


Source: Migration Statistics Team, 'Long-term international immigration, emigration and net migration flows, provisional (Office for National Statistics, 27 November 2025).

The real kicker to the overall numbers came from international students and from health and social care workers. International student numbers to the UK easily surpassed the previous, 2009, record level, peaking at 484,000 student visas in 2022. From year-end ('YE') 2019 to YE summer 2022, Indian sponsored study visas increased 215%, to over 80,000, and Nigerian 686%, to over 65,000.¹¹⁶ There was a huge spike in dependants accompanying those students – 143,000 in 2023 – representing an eight-fold increase since 2019. And, with a record 172,000 post-study graduate visas issued in 2024, combined with the relatively liberal salary thresholds for following on into a skilled worker visa, international students were staying on in the UK after their studies at higher rates than had previously been the case.¹¹⁷

The new visa route for social care workers was particularly attractive to those with no other realistic option for lawfully entering the UK, offering a path into the UK at both a low skill and salary level. A surge of inflows resulted, not only of those coming to work – in 2023 over 70% of all health and care entry visas issued to main applicants were issued to care workers – but also of their dependants.

Chart 8. Monthly Applications for 'Health and Care Worker' Visas.



Source: Home Office, 'Monthly entry clearance visa applications: January 2025' (13 February 2025).

But the social care visa was not well designed and, initially, not well policed by the Home Office. It was open to exploitation by rogue employers. Many care worker sponsors have subsequently had their sponsor licences revoked. As a result, around 30,000 people who entered on this visa route remain in the UK without sponsoring employers and care jobs.¹¹⁸

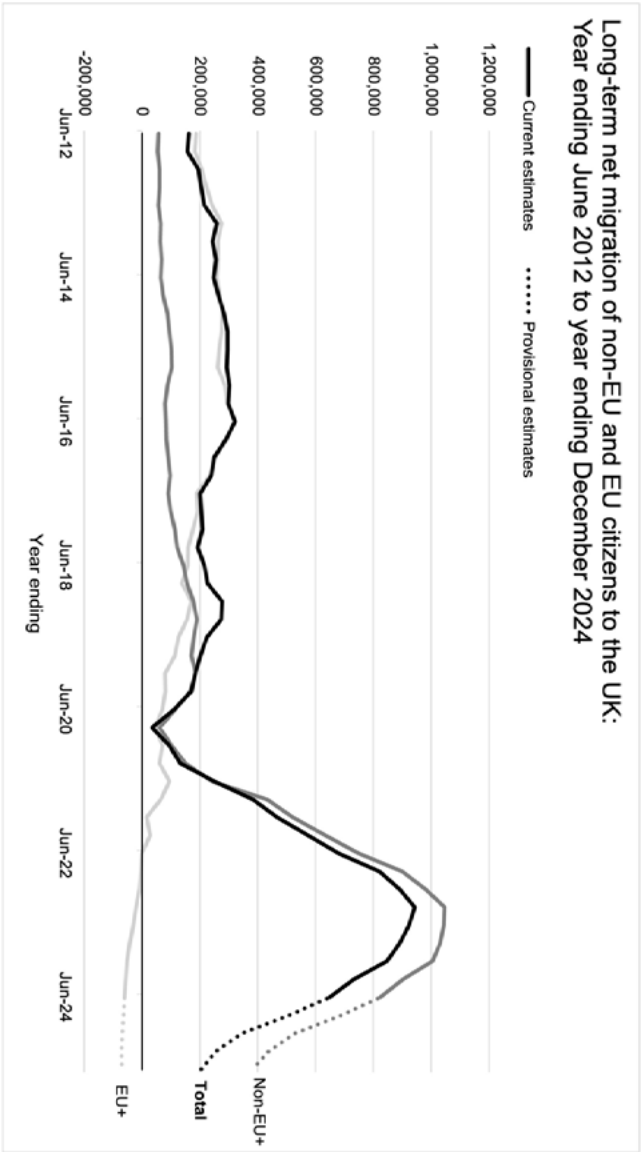
Opening new immigration routes initially has an outsized impact on net numbers, because flows through a new route are initially all in one direction. This obviously applied to the Ukraine and Hong Kong schemes, through which almost 400,000 have been admitted to the UK, with the largest numbers arriving in the opening months.¹¹⁹ These flows were at least through routes the UK had deliberately opened up. Not so the small boat arrivals across the Channel.

While the numbers coming across the English Channel were much smaller than through these other routes, they were increasing, and evoked disorder, an inability to practically impose and enforce control. For those concerned, or seeking to promote concern, that the UK had not in fact taken back control of its borders, the small boat numbers thus became the new totem. And one that updated in real-time. Back when EU freedom of movement had represented the main concern over lack of immigration control, the statistics were never issued more frequently than quarterly. But in the case of small boat crossings the past seven days' data has been updated and made publicly available *daily* by the Home Office since February 2023.¹²⁰

In terms of what all these separate routes meant for numbers overall, while EU net migration to the UK was now net negative, the level of non-EU immigration was so high – with 3.6 million arriving 2021-

2024 – that overall immigration and net migration surged to record levels.

Chart 9: Long-Term Net Migration of Non-EU and EU Citizens to the UK



Source: *Borders and Immigration data from the Home Office, Registration and Population Interactions Database from the Department for Work and Pensions (Office for National Statistics, 22 May 2025).*

As they did so, previously issued official numbers were revised and restated upwards, as further information was subsequently factored into them. The YE June 2024 net migration figure of 728,000 was released alongside a huge upward revision of the YE June 2023 figure, from 672,000 to 906,000 (which has since been revised even further upwards). The estimates for long term immigration for YE June 2023 and June 2024 were 1.3 and 1.2 million respectively.¹²¹ These were more than double the levels that net migration and immigration had reached at the previous high before the EU referendum.

Some argued that, post-Brexit, the public would be less concerned with immigration numbers, as immigration was now under the government's control. But the English Channel crossings were clearly not under control, and relatively small numbers crossing the Channel could be conflated in the public's mind with the much larger numbers coming in that were controlled. And in any event, such overall extremely high levels of immigration were not necessarily acceptable to public opinion, even if mostly controlled.

Tough Enough? The Political Response

Having got Brexit done, taken back control, and presided over this explosion in immigration numbers, the Conservative government now faced a presentational and policy choice. Own what had just happened, positively defending and explaining the choices it had made; why it had let in all those students, social care workers, Hong Kongers and Ukrainians. Or disown and disavow it, changing

policies to get the numbers back down. It chose the latter course. In what proved to be its final year the Conservative government made restrictive changes to a range of immigration policies and processes – affecting care work, skilled work, students, family unification and dependants – targeting those parts of the immigration system most easily and quickly impactable by policy and process change.

On immigration policy, the 2024 election manifestos were a world away from those of 2019, with Reform, Labour and the Conservatives all emphasising, to a greater or lesser extent, controls on immigration.¹²² With its landslide victory, Labour then faced its own choice. With immigration numbers already falling significantly following the Conservative government's final year restrictive policy shifts, the incoming Labour government could have dialled down the rhetoric over immigration, imposing no further restrictions, and simply taking the plaudits for the reduction of immigration numbers that would shortly feed through into the official immigration statistics. Instead, whether stemming from the deeply held belief of those directing government immigration policy, or from a desire to politically capitalise on the tarnished immigration record of the Conservatives, or from a fear of the emerging threat of Reform UK, it chose to further up the ante on immigration and impose further restrictions.¹²³

On 28 November 2024, hours after the ONS announced the revised record level of the YE June 2023 immigration numbers, the Prime Minister stood outside 10 Downing Street and berated the previous government for what he alleged had been deliberately and unforgivably 'turning Britain into a one-nation experiment in open borders'. He committed to putting forward his own plan to reduce immigration.¹²⁴ The resulting White Paper tightened a

number of immigration restrictions, building on, and out from, the Conservatives' prior restrictive efforts. It included raising the required skilled worker skill level, far tougher requirements to qualify for special dispensation as a shortage occupation, and completely banning overseas recruitment of care workers.¹²⁵

At the same time as placing further restrictions on work migration, the Labour government took tough action on other areas of immigration: securing a framework deal with France to seek to address the flows across the English Channel; cracking down harder on illegal working and exploitative employers; removing far higher numbers of people illegally in the UK than the previous government had done; and restricting family reunion for refugees.

Yet when Yvette Cooper, the Home Secretary who had overseen all of this, was replaced as Home Secretary by Shabana Mahmood, the headline stories were that Cooper had not been tough enough.¹²⁶ That such a sweeping series of measures and actions bearing down on all aspects of immigration were considered insufficiently tough, and were about to themselves be built on by yet tougher proposals, suggests a radical shift, one seemingly going far beyond what was at issue in Brexit.

A Radical Shift at Odds, or in Tune, With Brexit?

The immigration numbers continue to be subject to revisions for the “spike” period. The latest revisions have the annual UK immigration number running at over 1 million from YE March 2022 until YE 2024, with net migration to the UK now estimated to have peaked at 944,000 for YE March 2023, and the current

Home Secretary stating that ‘between 2021 and 2024 we have seen net migration of an additional 2.6 million people’.¹²⁷

Net migration to the UK has now fallen from its peak, though, with the post-pandemic effect having reversed, and the suite of restrictive policy changes having taken effect. For YE June 2025 immigration was 898,000, down from the updated estimate of 1,299,000 of a year earlier. And net migration fell from 694,000 a year earlier to only 204,000.¹²⁸ While immigration is still higher than pre-EU referendum, net migration is now below its level then, and is likely to fall further in the near term.

The English Channel crossings have replaced, if not surpassed, the net migration target as an object lesson in government over-promising, then under-delivering, against expectations on immigration control. Mixed with the tensions around accommodating asylum claimants post-arrival, this has now formed an arguably even more toxic political cocktail.

As overall flows have reduced, the focus of immigration tensions is already turning inwards, particularly onto those people recently arrived, with the government’s proposals for more restrictive terms on which they should be granted indefinite leave to remain (‘ILR’) in the UK and the entitlements that should come with that.¹²⁹ Reform UK have proposed that ILR status should be removed entirely – leaving only temporary status or citizenship.¹³⁰

Debates in the UK around ILR, around rewiring the asylum system and the status of refugees, and around the UK’s relationship with, and continued membership of, the European Convention of Human Rights, could all be considered revolutionary not evolutionary developments.

From the current vantage point, the UK's immigration policy over the last 25 years looks like a huge pendulum swing, with Brexit not a final destination point, but a mid-point passed through enroute and quickly left behind. Indeed, some of the current immigration policy proposals in the UK seem not only far removed from the world of Brexit, but at odds with it. In respect of Indefinite Leave to Remain, the tougher approach to settlement now being applied to those who came to the UK post-Brexit in the "Boriswave" is the polar opposite of the lax approach taken to those who came to the pre-Brexit under EU freedom of movement.

If Remain had *won* the EU referendum, in the period between the referendum and the end of the pandemic the UK may well have seen little difference in immigration levels – as these were not primarily driven by Brexit. And coming out of the pandemic there would still have been the need for care workers, a desire to welcome Hong Kongers and Ukrainians, and to assist the higher education sector's success in attracting international students.

But, still having access to EU workers under freedom of movement, the UK would not have felt the same need to open up to non-EU workers, nor to establish a separate social care or post-study visa route. Immigration to the UK may well not then have spiked post-pandemic to the same extent, with consequently not the same allergic political reaction to that spike that has led to the more extreme immigration policy proposals currently on the table. All that being said, it would be naïve to think that a vote to remain in the EU would have led to calm and chill descending over UK immigration policy. In particular, the furore over the English Channel crossings would likely have been greater, and

surely exploited by some to conflate the lack of ability to control the crossings with the UK's remaining inside the EU.

Given how the world has turned since though, the Brexit vote may look less a mark of the UK's difference, and more just of it being an early mover in a broader, shift towards greater immigration restrictionism in many of the world's leading economies. Even regarded through this prism though, the UK still exhibits seemingly unique characteristics. Even the political right in Europe seems relatively comfortable with both EU freedom of movement and with expanding hiring from outside the EU, reserving its ire for asylum seekers.¹³¹ In Germany, for example, even the hard right *Alternative für Deutschland* seem relaxed about EU freedom of movement, and with easing some of the entry rules for non-EU workers. One can thus argue that the current centre-left government in the UK is starting from a more restrictive position, yet still proceeding with a more restrictive mindset, than German politicians regarded as being on the extreme of the political right.¹³²

And while some other European countries are open to discussing reform of the ECHR, philosophically Brexit in its articulation of the importance of sovereignty, Brexit has arguably paved the way for some UK politicians to more openly question the impact on immigration control of the UK's relationship with the ECHR, and to countenance withdrawal as the ultimate answer. Indeed, "take back control" could be considered the ultimate malleable and aspirational slogan; one that grew out of the Brexit campaign but which now articulates the UK's seemingly neverending quest for immigration control.

Another aspect of the Brexit campaign still echoing around the UK's immigration debate is cost-benefit and spending choices given scarce resources. The famous claim on the side of the Leave campaign bus: 'We send the EU £350 million a week, let's fund our NHS instead' – was about *what* the nation should be spending its money on, and *whom* it should be prioritising looking after. Public concerns that scarce resources spent on “others” are not then available to be spent on “ourselves” have increasingly been used in support of significant changes being proposed to immigration and asylum policy.

Why are we spending money on housing asylum seekers, rather than spending it on housing our own citizens? Why must asylum seekers be housed when citizens are allowed to be homeless? Why are we granting people who need temporary protection access to the welfare state and public services forever? These are key questions at the heart of the government's recently announced reforms to the UK asylum system.¹³³ And migrant access to the welfare state and public funds are a key part of the debate around ILR – when, and in what circumstances, it should be granted, and what claim on public funds ILR status should give rise to.

Perhaps the greatest impact that one can map from Brexit to today, though, is the taking back of control *from employers*. In the context of Brexit one thinks of the UK taking back control *from* the EU. But this also affected the balance of power *within* the UK. Brexit was the launchpad for the government to start taking back key elements of control from employers. This happened gradually, then suddenly.

Back in the 2000s, the idea of “British jobs for British workers” was considered highly controversial – the then Conservative leader condemned the phrase as inappropriate and incendiary. Today, prioritising the British worker in some form has become de rigueur amongst many mainstream politicians. The government has highlighted the desire to ensure ‘that action on skills, employer strategies and increasing UK workforce participation are the first response to labour market shortages rather than employers turning to immigration to fill gaps’¹³⁴. Reform UK has gone as far to say that, were it in power, it would be a government of ‘national preference’.¹³⁵

Employers must now pay significant fees and charges for the privilege of hiring overseas workers. In the past two years, under successive governments, the screws on business have really been tightened: increasing restrictions on the job roles overseas workers can fill, the skills they must have, the minimum salary they must be paid, the right to work checks that must be carried out on them, and whether they can bring their families with them. The minimum salary general threshold now stands at over £40,000, a level which only four years ago, when the threshold stood at only £25,600, less than 5% of both then Conservative and Labour MPs then said they supported.¹³⁶

And the idea that immigration be explicitly linked to skills policy, and that employers should have obligations and be held to account in this regard, is now a given across the mainstream parties.¹³⁷ If pre-Brexit it was about what the immigration system could do for the UK employer, now it is about what the UK employer can do for the immigration system.

The Final Word

The UK's huge pendulum swing on immigration policy – in which Brexit played its part – has seemingly now delivered us politically to a mirror image of the liberal immigration era of the 2000s. Back then, mainstream politicians of varied stripes broadly aligned behind, and competed to present, a relatively open approach to immigration. More recently the alignment has instead been behind a relatively restrictionist approach to immigration. In both cases political competition has supported a move towards the extremes.

Where next? As the net migration number is now falling steeply, and it is hard to think of many more restrictive immigration policy proposals that could be floated, an obvious conclusion would be that we must now be nearing the restrictionist extreme of the pendulum's immigration policy arc. We might. But in the last few years there has been a dramatic change in how immigration is thought of and talked about in the UK's corridors of political power. So many are, and so much is, now invested in the political battles around immigration that, notwithstanding how far the pendulum has travelled since Brexit, its momentum may mean it has further yet to travel before moving back the other way.

One thing that does seem certain though is that the pendulum will keep swinging back and forth. In terms of demand, the need for migrant workers in certain sectors in the UK is likely to persist, even grow. And, in terms of supply, the UK has deep, longstanding connections with India, Nigeria and Pakistan, the three countries with the largest number of under-18-year-olds on the planet, and continuing large income differentials to the UK. With the gains achievable from gaining access to the UK likely to remain so large, for so many, for the foreseeable future, the UK will surely continue to experience the full force of the tides

of international migration, and the ebb and flow of immigration numbers and policies.

Jonathan Thomas.

Conclusion

Time can seem elastic when we think about the EU referendum and the ten years since. This might be in partial consequence of the pandemic, but the UK has changed so much between then and now that that past is scarcely recoverable. The referendum can consequently feel very distant, but the rate of acceleration required to get us from there to here, with so many turns in between, seems hardly credible.

It's wrong to think that the tone of the referendum campaigns caused the aberrant domestic and foreign politics of the last 10 years. Nostalgia for placid, pre-2016 days forgets the controversies of the Iraq War, of austerity; even, less gravely, the media's portrayal of Ed Miliband during the 2015 general election. But something does feel different now. Post-Cameron, May, Johnson, Truss and Sunak-Britain is changed politically, economically, socially, culturally, constitutionally. We find ourselves less significant on the world stage, though it may be that Brexit has simply hastened this decline.

Diagnosing how the referendum has changed us in all these ways, then, requires looking beyond the changed tone and "mainstreaming" of antipathy in political communications. But

despite this, the commissioning of this book was undeniably in part a response to this changed tone. This book is a response to a feeling that too little has been done to adequately, impartially lay out the state of the nation in consequence of the referendum.

The preceding chapters are an effort to render the regulatory and economic realities of the UK since our decision to leave, alongside an analysis of the changes in immigration patterns which have become so tied up with that choice. They have been rendered down from reports originally published by the Society and the Federal Trust for Education and Research and we are grateful to the Trust for their collaboration on this project.

In opening with an account of the regulatory changes brought about by Brexit, Catherine Barnard and Joël Reland argue the UK is increasingly aligning, rather than diverging, with the European Union. They remind us that in response to totemic, geographic changes, practical regulators are often forced to choose the path of least resistance, even if we may have regained a degree of theoretical control over that decision.

The break with the European Union, and a counterfactual history of a United Kingdom still a part of it, is perhaps most visible instead when we look to economics. There, John Springford convincingly demonstrates a 4% decrease in the UK economy over the last decade when compared with a doppelgänger performance. Whether this economic sacrifice was worth the potential gains of Brexit is for the reader to decide, but we are worse off financially as a result of our decision to leave and its subsequent administration.

Certainly, there can be little debate that Brexit impacted UK public discourse around immigration. As Jonathan Thomas illustrates in his chapter, Brexit may simply have accelerated the swing of a pendulum long in motion, but the present government's determined efforts to keep pushing towards greater restrictions on immigration are unquestionably influenced by the new political landscape which followed the referendum.

As government grapples with what our relationship with the EU should look like, it is incumbent on us all to imagine what we desire the contours of that relationship to be. This cannot be based on the result of a referendum a decade past but must instead be based on understanding how that decision has shaped our present.

We at the Constitution Society hope you have enjoyed this book, and hope that it has provoked you to think about the various and multifaceted effects of the question which was posed in 2016. Our mission as a charity is to promote public debate and understanding of constitutional issues, and while the referendum itself drifts further into the horizon of collective memory, the debates which it has created remain present. We hope that this work provokes more debate, more discussion and perhaps gets us closer to understanding the referendum, its consequences and what that means for our constitutional future.

Dexter Govan,
The Constitution Society.

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