



Foreign & Commonwealth Office

Meeting with John Cotterell and Rebecca Davies, Endava, 5 June 2014

Foreign Office officials met with Mr Cotterell and Ms Davies on 5 June.

1. What has been the impact of EU enlargement on UK interests? How has the UK influenced the enlargement process?

Access to labour in EU and accession countries

Enlargement has given the UK access to capable and low cost workforce and has allowed Endava to build up large centres supporting the majority of its work in other locations within the EU.

This is attractive to the company's clients, who place faith in the EU's labour laws and human rights legislation, and attractive to Endava as it can deliver at a lower cost. It makes the firm more competitive and counters the skills shortage in the UK in the IT sector.

If the firm was not based within the EU, Clients would most likely be outsourcing to the US, the Far East and India, which would mean Endava would face higher competition in the global market.

The UK's access to labour markets in other EU countries is one of the benefits of being based in the UK, the country in which Endava pays its taxes.

Migration of Labour to the UK

Free movement of labour allows individuals to carry out work effectively and enables quick knowledge transfer. Migration allows for greater flexibility and speed for firms in comparison to systems of work visas. Migrants come with skills the economy would not otherwise have and pay taxes in the UK. This is a strong benefit.

85% of the company's work is carried out in Eastern Europe with 15% done in the UK for UK or American clients. Probably only 5% of work is carried out by individuals coming to work in the UK from other countries in the EU.

Removing transitional controls did not have a large impact as the workforce needed did not have significant problems gaining visas, although there was an administrative burden for the company.

Improving institutions in accession countries

Intellectual property has received increased protection in potential accession countries and this is important for the firm's clients.

Corruption is being tackled by the EU and this is more competently handled within the EU rather than outside it. This effectiveness is reflected by the improvement in accession countries' corruption-related indexes, as well as in those who have joined the EU recently.

6. How effective has EU financial and technical assistance been in helping candidate countries prepare for EU membership? Please give examples.

Effectiveness and attainability of funds in beneficiary countries

Romania sometimes struggles to get infrastructure projects up and running quickly. Furthermore it has been ineffective at attaining assistance because it has been unable to take full advantage of the EU's assistance packages. Romania does however have its own financial assistance package for jobs in specific areas of focus.

UK expertise in attaining funding

While German clients are effective at attaining EU funding, similar expertise has not been seen from UK clients.

7. What challenges / opportunities might EU enlargement face in future?

The firm supports enlargement because of the opportunities which stem from it. Enlargement enhances the rule of law in accession countries and provides the right framework for business to expand. This leads to economic opportunities.

8. How might the EU's approach to enlargement be improved in future?

Financial Assistance

Financial assistance could be made less bureaucratic and guidance on accessing EU funding could be improved.

Communication

The benefits of enlargement to the UK could be better expressed to show that it is not just money going out and labour coming in, but a symbiotic economic effect. The benefits of migration to the UK could also be conveyed more effectively.

Rights to benefits for migrants

The rights to health and other benefits are not necessary for migrants from accession countries. The firm is prepared to buy the appropriate insurance for its staff when they travel to the UK even from within the EU.

9. What future impact might EU enlargement have on UK interests? How might any positive impacts be enhanced or disadvantageous impacts be addressed?

Conditionality and the timing of accession

It is important that standards do not drop as this would make it too easy to become part of the EU. The stance taken on corruption, and intellectual property by the EU is important. So far there has been a good balance between having standards so high that countries cannot join and so low that countries come in too early. The process of tackling corruption and improving the legal system has, in Romania, accelerated since accession. There is a “chicken and egg” situation where the economic benefits of membership allow greater progress on reaching standards. This could be an argument for greater use of transitional arrangements. Monitoring is important during this process. Post accession countries get better at enforcing their laws, societies change and thus the pace of reform has not stalled in Romania, despite suggestions to the contrary.

Future Accession Countries

The firm is now working in Macedonia and future EU membership would make it easier to do business. In the view of the firm and its clients, whether a country sees their future in the EU or not is key. The Moldovan government's position on the EU is one reason why the firm chooses to invest there. The view on Turkey is, in principle, the same as for other EU candidate countries but it does not have as strong a pool of labour that the firm is looking for.