

HOUSE OF LORDS

Economic Affairs Committee

1st Report of Session 2017–19

Brexit and the Labour Market

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Economic Affairs Committee

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See Appendix 1.

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Q in footnotes refers to a question in oral evidence.

SUMMARY

Following the UK's departure from the European Union controls will be imposed on the movement of workers from the EU to the UK. In the Queen's Speech the Government pledged to introduce an Immigration Bill to bring EU nationals within current UK immigration law whilst "still allowing the UK to attract the brightest and the best".¹

The estimated average of annual net migration from 2010 to 2016 was 250,000. In the year to December 2016, net migration from the EU was estimated to be 133,000.²

The available data on migration are extremely poor. They fail to provide an accurate number of migrants entering or leaving the country or the number of migrants in work. The data, based upon flawed sample surveys, are wholly inadequate for policy making and measuring the success or otherwise of the policies adopted. The margin of error for the latest net migration statistics was 41,000. The Government must prioritise plans to improve the longstanding flaws in the data if it is to take effective control of migration.

The Minister for Immigration told us that the Government is committed to a long-term objective to reduce net migration to the tens of thousands.³ Using a strict annual numerical target to achieve this objective runs the risk of causing disruption to businesses and the economy. The long-term objective of reducing net migration to a sustainable level is likely to be best achieved by a flexible approach which can adapt to the needs of businesses and the labour market, in particular during any implementation period.

Businesses will have to accept that immigration from the EU is going to reduce and adapt accordingly. Many firms that have, quite rationally, adjusted their business models to take advantage of plentiful low-cost labour will need to raise wages to attract domestic workers or increase capital investment in automative processes. Both may lead to higher prices for consumers.

The Government can help by ensuring that the domestic workforce is trained to offer the skills that businesses need. Our warning in 2008 that the employment of migrant workers could lead to businesses neglecting skills and training for domestic workers has proved prescient.⁴ The Industrial Strategy needs to develop and fund an effective system of technical and vocational skills training to meet the needs of the economy and the public sector; and to incentivise research and investment in automation.

1 Cabinet Office, 'Queen's Speech 2017: Background briefing notes', 21 June 2017: <https://www.gov.uk/government/publications/queens-speech-2017-background-briefing-notes> [accessed 12 July 2017]

2 ONS, *Provisional long-term International Migration estimates*, May 2017: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/migrationstatisticsquarterlyreportprovisionallongterminternationalmigrationltimeestimates> [accessed 12 July 2017]; ONS, *Migration Statistics Quarterly Report: May 2017*, May 2017: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/may2017> [accessed 12 July 2017]

3 [Q 61](#) (Robert Goodwill MP)

4 Select Committee on Economic Affairs, *The Economic Impact of Immigration* (1st Report, Session 2007–08, HL Paper 82–I)

It will take time for companies to adapt their business models. The Government therefore needs to provide for a suitable implementation period during which businesses retain access to the European labour market. This is particularly important for those businesses with a high turnover of staff. It will also be necessary if the Government is to achieve some of its other policy aims, such as building sufficient numbers of new homes or boosting investment in infrastructure, given the current shortages in the construction industry.

Any new system for controlling immigration from the European Union must avoid the blunt definition of 'high-skilled' work that the current system for non-EU migration employs. Other countries make more sophisticated analyses of an immigrant's skill level than whether they have been to university or not. The Government must ensure the new system gives British businesses access to the type of skilled work the economy requires.

Brexit and the Labour Market

CHAPTER 1: INTRODUCTION

“In the last decade or so, we have seen record levels of long-term net migration in the UK, and that sheer volume has given rise to public concern about pressure on public services, like schools and our infrastructure, especially housing, as well as placing downward pressure on wages for people on the lowest incomes. The public must have confidence in our ability to control immigration.”⁵

1. Following Britain’s exit from the European Union, controls are expected to be imposed on immigration from countries inside the EU’s single market.⁶
2. Membership of the EU has allowed the British economy to use European workers with few restrictions.⁷ Employers told us that this system made the employment of EU nationals straightforward.⁸
3. In contrast, most non-EU migrants entering the UK to work do so on a work visa (Figure 3 provides a summary of the tiered system of visas). It imposes bureaucratic and financial requirements on employers who described the system to us as “complex”, “onerous”, “expensive”, “bureaucratic”, “adding unnecessary time”, and “a massive pain in the backside”.⁹
4. Many businesses told us they rely on migrant workers and there was uncertainty over the extent to which a new immigration policy would take account of this. This report aims to identify positive measures the Government and industry can take in the short and medium term to adapt a reduction in EU migrant workers.
5. This report is structured as follows:
 - Chapter 2 examines the reliability of data on migration and makes recommendations to improve the data.
 - Chapter 3 sets out the consequences for businesses of a reduction in EU labour and recommends measures to help businesses adapt.
 - Chapter 4 considers the future of the net migration target.

5 HM Government, *The United Kingdom’s exit from and new partnership with the European Union*, Cm 9417, February 2017: <https://www.gov.uk/government/publications/the-united-kingdoms-exit-from-and-new-partnership-with-the-european-union-white-paper/the-united-kingdoms-exit-from-and-new-partnership-with-the-european-union--2> [accessed 12 July 2017]

6 People from non-EU countries in the European Economic Area (Iceland, Lichtenstein and Norway) have the same rights to live and work in the UK as EU nationals because EEA membership allows those countries to be part of the single market. Switzerland is not in the EU or EEA but is part of the single market so its nationals also have these rights. When we use the term ‘EU’ in this report in the context of the free movement of people, we will be referring to all those countries whose citizens have the right to live and work in the UK through membership of the EU’s single market.

7 See Appendix 4 for more detail on the current system.

8 Written evidence from the Immigration Law Practitioners Association ([LMT0031](#)); see also written evidence from the Institute of Directors ([LMT0012](#)); [Q 39](#) (Tim Thomas) and [Q 48](#) (Andrea Wareham)

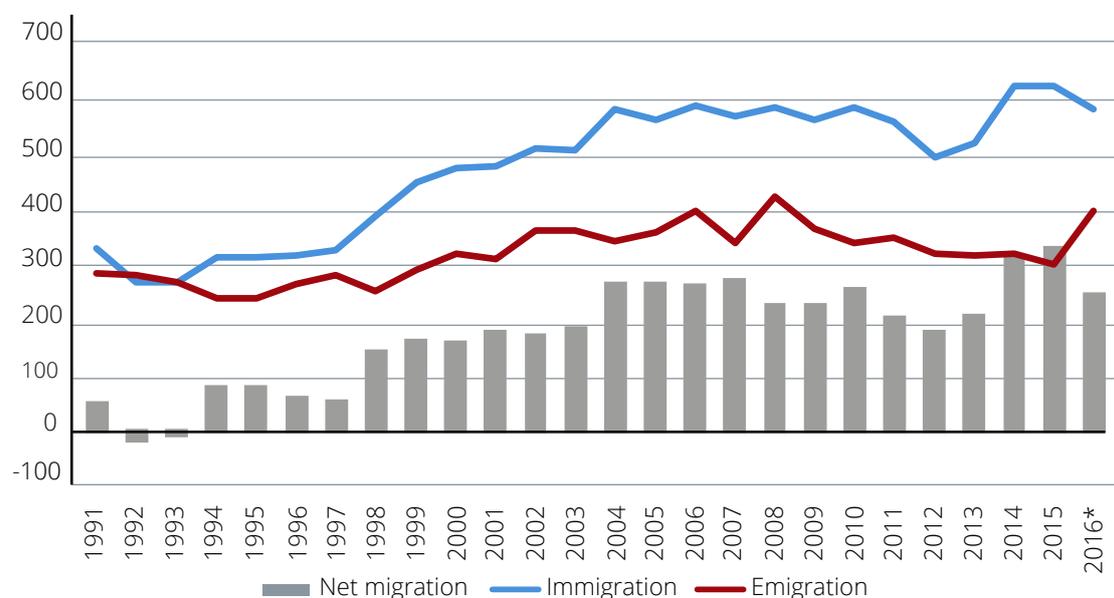
9 Written evidence from the University of Cambridge ([LMT0001](#)); written evidence from Squire Patton Boggs LLP ([LMT0034](#)); written evidence from EEF ([LMT0019](#)); written evidence from UCEA ([LMT0016](#)); National Institute of Economic and Social Research, *Employers’ responses to Brexit: The perspective of employers in low skilled sectors*, August 2016: <http://www.niesr.ac.uk/sites/default/files/publications/Employers%20and%20Brexit%20final.pdf> [accessed 12 July 2017]

CHAPTER 2: MIGRATION STATISTICS

“Evidence-based policy-making needs data that is fit for purpose”¹⁰

6. The starting points for any new immigration policy must be: to measure and understand the movement of people into and out of the UK; the distribution of migrants and the consequent pressures on local services and communities; the extent to which businesses rely on migrant workers; and the future needs of the British economy.
7. In the year ending December 2016, it is estimated that 588,000 people migrated to the UK. Of these 250,000 were EU nationals, 264,000 non-EU nationals, and 74,000 British nationals.¹¹ When those leaving the UK are taken into account, net migration to the UK was approximately 248,000 for this period. Figure 1 shows how net migration has changed over the last 25 years.

Figure 1: Long-term trends: net migration, immigration and emigration 1991 to 2016 (thousands) (*figures for 2016 are provisional)



Source: ONS, *Long-Term International Migration into and out of the UK by citizenship, 1964 to 2015, December 2016*: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/adhocs/006408longterminternationalmigrationintoandoutoftheukbycitizenship1964to2015> [accessed March 2017]; ONS, *Provisional long-term International Migration estimates, May 2017*: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/migrationstatisticsquarterlyreportprovisionallongterminternationalmigrationltimeestimates> [accessed July 2017]

8. In this chapter we consider the current state of the immigration statistics, the difficulties which were raised by witnesses, and possible ways to improve data collection.

Measuring migration

9. There is no one simple measure of migration. A picture of the movement of people into and out of a country and changes in its population is built

¹⁰ Written evidence from the Institute of Directors ([LMT0012](#))

¹¹ ONS, *Migration Statistics Quarterly Report: May 2017*, May 2017: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/may2017> [accessed 12 July 2017]

up using a number of different measurements. Some quantify the flow of migrants (the number of people entering and leaving the country). Other data are based on the number of migrants living in the UK at a particular point in time. All estimates are subject to considerable margins of error. There are currently no wholly reliable migration statistics.

10. There is no one definition of migrant; at least three are used in the official statistics:¹²
 - Foreign born: a person whose country of birth is different to their country of residence. Under this definition, British passport holders born overseas who move to the UK are counted as migrants.
 - Foreign nationals: a person whose nationality is different to their country of residence. This excludes those who have migrated but then acquired British passports. In particular non-EU migrants are more likely to naturalise after the minimum period of residence necessary has expired.
 - Change of residence: a person who has changed their country of usual residence for the short-term (under 12 months) or long-term (at least 12 months). This is the UN preferred definition of a long-term migrant: “a person who moves to a country other than that of his or her usual residence for a period of at least a year (12 months), so that the country of destination effectively becomes his or her new country of usual residence”. This is the definition used by the ONS in the net migration figures.¹³
11. UK migration is measured through a series of surveys undertaken by the Office for National Statistics (ONS) as well data published by the Home Office and Department for Work and Pensions.¹⁴ These sources are summarised in Table 1. Three of the sources—the International Passenger Survey, the Labour Force Survey, and National Insurance allocations—are considered in more detail below.

12 Some other statistics (such as Home Office Visa Statistics and Higher Education Statistical Authority data) use other definitions, such as those requiring entry clearance or those domiciled outside the UK.

13 United Nations Statistics Division, *Recommendations on Statistics of International Migration, Revision 1*, 1998: https://unstats.un.org/unsd/publication/SeriesM/SeriesM_58rev1E.pdf [accessed 12 July 2017]

14 These figures cover all regions of the UK, including Scotland and Northern Ireland. In the case of the census there are some differences in the questions asked of households in each part of the UK.

Table 1: Sources of immigration data

Measurement (year commenced)	Frequency	Stock/Flow	Definition of migrant	Method of collection and size	Significant exclusions
International Passenger Survey (1961)	Quarterly (since 1991)	Flow	Change of residence	Sample face-to-face survey at points of entry. 289,000 interviews (2015) of which 4,000-5,000 were migrants.	Those entering via the UK/Ireland land border or on overnight flights.
Labour Force Survey (1973)/ Annual Population Survey (2004)	Quarterly-Annual	Stock	Foreign born and foreign nationals	Face-to-face or telephone sample survey. Labour Force Survey: 40,000 households (300,000 individuals) per quarter. Population Survey: 320,000 (includes LFS interviewees). ¹⁵	Those in communal accommodation; short-term migrants.
National Insurance number allocations (data available from 2001)	Quarterly	Flow	Foreign nationals	DWP records. In the year to Dec 2016 825,000 (all numbers issued).	Those who do not require a NI number.
Census (1801)	Decennial	Stock	Foreign born and for England Wales foreign passports	Household survey. 56.1 million (90 per cent response rate).	Migrants have a lower response rate than the general population.
Entry Clearance Data (data available from 2001)	Quarterly	Flow	Requires entry clearance	Home Office records. In 2016 350,000 visas were issued.	EEA migrants.

15 ONS, *Annual population survey, Quality and Methodology Information* September 2012: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/qmis/annualpopulationsurveyapsqmi> [accessed 12 July 2017]

The International Passenger Survey

12. The International Passenger Survey is used to calculate the number of immigrants and emigrants (and therefore the net migration figure).¹⁶ The data for the survey is collected by ONS officials who interview passengers at 19 major and regional airports, eight ports and the Channel Tunnel rail link.¹⁷ Less than one per cent of interviewees (between 4,000 and 5,000 each year) are identified as immigrants or emigrants. These migrants are then asked questions about their reasons for travelling to or from the UK, proposed length of stay, and characteristics.
13. There are a number of specific concerns about the survey and the use of the data:
 - (a) As a result of the small sample size, the figures become less reliable when broken down and detailed estimates—such as the number of students or migrants from a specific area—are considered.¹⁸ The selection of interviewees in this sample was also questioned: Professor Portes pointed out “when you come into the country as an immigrant ... you would think you had better things to do than stop and chat with an ONS official for 20 minutes”.¹⁹
 - (b) Some groups are underrepresented in the sample. The ONS acknowledged that data on those leaving the UK is poor and that there is a particular issue with counting the number of students leaving at the end of their degree.²⁰
 - (c) To attempt to account for these difficulties in how the survey is conducted, it has a large margin of error. The latest net figures (showing net migration of 248,000) are subject to a margin of error of 41,000 either way.²¹ The ONS says there is a one in 20 chance that the true value of net migration is outside this margin of error.²²
14. Despite these issues, some witnesses pointed out that the data “tally reasonably well” with other sources.²³ It was noted that the 2011 census revealed that net migration for the period 2001 to 2011 had been underestimated by 346,000

16 The rest of the international migration estimate is comprised of an adjustment for asylum seekers using Home Office data, an adjustment for ‘switchers’ who decide to stay longer or leave earlier than originally intended and data on migration from Northern Ireland and the Republic of Ireland.

17 Written evidence from the ONS ([LMT0036](#)). The majority of migrants are interviewed at Heathrow. ONS, *International Passenger Survey: Quality Information in relation to migration flows*, 2016: <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/population-and-migration/international-migration-methodology/international-passenger-survey-quality-information-in-relation-to-migration-flows.pdf> [accessed 12 July 2017]

18 Oral evidence taken before the EU Homes Affairs Sub-Committee, 21 December 2016, (Session 2016–17), [Q 51](#) (Paul Vickers). 4,000 migrants provide the basis for around 90 per cent of the total international migration estimate.

19 [Q 5](#) (Prof Jonathan Portes)

20 ONS, *International migration data and analysis: Improving the evidence*, February 2017: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/internationalmigrationdataandanalysisimprovingtheevidence/february2017> [accessed 12 July 2017]. In this report the ONS uses a traffic light system to classify the reliability of the available data on migration. Emigration is ‘red’ indicating data where the ONS has “little or no information or where more work is required to assess [its] reliability.” This issue is explored in more depth below.

21 ONS, *Migration Statistics Quarterly Report: May 2017*, May 2017: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/may2017> [accessed 12 July 2017]

22 *Ibid.* This equates to a 95 per cent confidence interval.

23 [Q 5](#) (Prof Jonathan Portes) and [Q 64](#) (Jon Simmons)

and the migration figures were revised from 2.18 million to 2.53 million for the decade to 2011.²⁴ This was considered to be a “relatively small” discrepancy.²⁵

The Labour Force Survey

15. The Labour Force Survey was described as “the best source of data to explore the impact of immigration.”²⁶ This survey (together with the Annual Population Survey) provides information on employment and unemployment including about employees’ country of birth and nationality. However, it does not capture those living in communal households and may undercount very short-term migrants. A relatively low response rate (50 per cent) may mean the survey fails to capture some groups too.²⁷ As with the Passenger Survey, the small sample size affects the reliability of sub-sets of the data.²⁸
16. Some sectors reliant on seasonal or short-term migration—such as hospitality and farming—considered the survey underestimated their migrant workforce. The British Hospitality Association’s survey of their members revealed that 24 per cent of the hospitality workforce were from the EU. The Labour Force Survey estimate for this sector was only 12.3 per cent.²⁹

National Insurance numbers

17. The allocation of National Insurance numbers to overseas nationals can, the ONS acknowledged, “provide some useful indication” about long-term migration.³⁰ These figures show that for the year ending December 2016, 825,000 National Insurance numbers were allocated to overseas adults of which 626,000 were given to EU citizens.³¹
18. The National Insurance numbers should not be use in isolation. Many people register for a National Insurance number and leave after a short period. Professor Portes pointed out that the Government does not publish “on any regular or comprehensible basis the number of national insurance numbers that are in use and how many have been in use for what period over the last few years.” This uncertainty limits the value of the data available.³²

24 ONS, ‘Quality of Long-Term International Migration Estimates from 2001 to 2011’, April 2014: <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/migration1/long-term-international-migration/quality-of-long-term-international-migration-estimates-from-2001-to-2011/sty-quality-of-ltim.html> [accessed 12 July 2017]

25 Q 64 (Jon Simmons); Professor Rowthorn disagreed that this was a small amount. Q 6 (Prof Robert Rowthorn)

26 Written evidence from the London School of Economics (LMT0020)

27 Such as irregular migrants, those working long/irregular hours, those in large households.

28 Written evidence from the ONS (LMT0036)

29 Written evidence from the British Hospitality Association (LMT0008); see also written evidence from the NFU (LMT0026).

30 Written evidence from the ONS (LMT0036)

31 Department for Work and Pensions, *National Insurance number allocations to adult overseas nationals to December 2016*, Summary Tables, Table 1, 23 February 2017: <https://www.gov.uk/government/statistics/national-insurance-number-allocations-to-adult-overseas-nationals-to-december-2016> [accessed 12 July 2017]

32 In January 2017, the Office of Statistics Regulation temporarily revoked the ‘National Statistics’ status these figures whilst work to improve the supporting guidance and overall public value was undertaken. Office for Statistics Regulation. *Assessment of compliance with the Code of Practice for Official Statistics Assessment Report 331 Statistics on National Insurance Number Allocations to Adult Overseas Nationals*, January 2017: <https://www.statisticsauthority.gov.uk/wp-content/uploads/2017/01/Assessment-Report-331-Statistics-on-National-Insurance-Number-Allocations-to-Adult-Overseas-Nationals.pdf> [accessed 12 July 2017]

19. **Increasing reliance has been placed upon the migration statistics to formulate and judge government policy. Many of the available measures are wholly inadequate. In particular the long-standing and widely identified problems with the International Passenger Survey mean that it cannot bear the burden placed upon it and cannot be relied upon to provide accurate estimates of net migration.**

Gaps in the available information

20. The above methodological weaknesses mean that there are gaps in the information available to policy makers.
21. Alan Manning, Chairman of the Migration Advisory Committee, told us that the presentation of the statistics currently does not give “an overarching view of arrivals and departures and how that is put into different boxes” and makes it hard to “have an overall view of what is going on.”³³
22. Specific gaps identified in evidence included:
- the number of international students who leave at the end of their degree course (see Box 1);
 - the income of self-employed migrant workers;³⁴
 - how long migrants stay in the UK and their reasons for leaving the UK;³⁵
 - whether migrants’ income and occupation changes during their stay;³⁶
 - how many seasonal and casual workers are in the UK;³⁷ and
 - whether migrants whose National Insurance numbers are not in active use (for example if they are caring for children or receiving benefits) remain in the UK.³⁸

33 [Q 5](#) (Prof Alan Manning)

34 [Q 13](#) (Prof Alan Manning)

35 [Q 5](#) (Prof Jonathan Portes)

36 *Ibid.*

37 Written evidence from the National Farmers Union ([LMT0026](#))

38 [Q 7](#) (Prof Jonathan Portes)

Box 1: Measuring student migration

The ONS stated that one of the “significant challenges” it faces is to understand what international students do when they complete their studies.³⁹ The available data do not allow for a precise figure of how many students stay at the end of their degree to be calculated.⁴⁰ Analysis by the Institute for Public Policy Research (IPPR) of the information to be gleaned from the various sources is displayed in the table below.

IPPR analysis: approximate number of non-EU students arriving in 2011 remaining in the UK after five years according to data sources⁴¹

International Passenger Survey ⁴²	Home Office Visa Data	Annual Population Survey	Higher Education Statistics Agency Destination Survey
130,000–150,000	40,000	30,000–40,000	40,000–50,000

23. **The difficulties with the immigration statistics will become more acute as the Government seeks to develop and assess the impact of new immigration policies. Without greatly improved statistics the Government will be formulating policy in the dark. The Government must work urgently to improve the reliability of the data. The Government must also continue to monitor the stock and distribution of migrants to ensure adequate public service provision.**

39 ONS, *International migration data and analysis: Improving the evidence*, February 2017: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/internationalmigrationdataandanalysisimprovingtheevidence/february2017> [accessed 12 July 2017]. In this report the ONS uses a traffic light system to classify the reliability of the available data on migration. EEA and non-EEA student emigration is ‘red’ indicating data where the ONS has “little or no information or where more work is required to assess [its] reliability.”

40 Q 3 (Prof Alan Manning); see also Q 6 (Prof Robert Rowthorn)

41 IPPR, *Destination education: Reforming migration policy on international students to grow the UK’s vital education exports*, Table 3.3: September 2016: http://www.ippr.org/files/publications/pdf/destination-education_Oct16.pdf?noredirect=1 [accessed 12 July 2017]. The IPPR caution that “Comparisons between the figures in the tables should be made with caution, given the different methodologies used and the limitations of each of the data sources.” IPPR, *Destination education*

42 The figures for the IPS are higher due to the challenges faced by the ONS in counting the number of student departures. The ONS acknowledge that “the IPS figures of international students immigrating to the UK are consistently higher than the IPS figures of former international students emigrating”. The ONS are seeking to collaborate with Government departments to improve the data: ONS, *International migration data and analysis: Improving the evidence*, February 2017: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/internationalmigrationdataandanalysisimprovingtheevidence/february2017> [accessed 12 July 2017]

Improving immigration data

24. The problems with the immigration data are widely accepted and the ONS is focused on improving the reliability of the statistics.⁴³ Three methods of improvement emerged from the evidence we heard.

Better use of administrative data

25. Measures contained in the Digital Economy Act⁴⁴ will allow the ONS to access more administrative data. The Government consider that this will “provide more accurate, frequent and timely statistics, instead of relying on surveys.”⁴⁵ Jon Simmons, Head of Migration and Border Analysis at the Home Office, told us that:

“If HMRC’s and DWP’s data, for example, could be linked with information that the Office for National Statistics might hold on nationality, it would suddenly become a really rich data source that could tell us things that we were not able to know previously.”⁴⁶

26. Professor Portes argued that data held by HMRC and the Department for Work and Pensions on migrants’ economic activity—such as paying tax or claiming benefits—could be used “much better”. He pointed out that “there is a lot of data there, although we do not tend to use it very much”. Dr Lucie Cerna of the OECD Migration Division stated that other countries such as Australia and Canada successfully used administrative data in this way.⁴⁷

27. **The Government should prioritise plans for the comprehensive sharing of data across departments. We recommend that the Government develops a systematic understanding of the movement of immigrants within the UK economy. This will require analysis of multiple sources of information, and should include:**

- (a) **matching PAYE and National Insurance number registrations;**
- (b) **matching self-assessment records for self-employed migrants and sole traders with issued National Insurance numbers; and**
- (c) **using data on benefit claims and tax credits to ascertain whether those with unused National Insurance numbers remain in the UK claiming benefits.**

Entry and exit checks

28. Whilst the available administrative data could provide a rich source of information, its use does not address the fundamental problem of the reliability of the International Passenger Survey. Without this the Government does not know how many migrants enter or exit the UK each year. One solution to this is to count those entering and leaving the UK.

43 Written evidence from the ONS ([LMT0036](#)); see also ONS, *International migration data and analysis: Improving the evidence*, February 2017: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/internationalmigrationdataandanalysisimprovingtheevidence/february2017> [accessed 12 July 2017]. In the short-term the ONS told us they wish to improve the data in high priority policy areas, such as international student departures. An update on the work to improve student migration statistics is due on ‘mid-2017’.

44 [Digital Economy Act 2017](#)

45 [Explanatory Notes to the Digital Economy Bill](#) [HL Bill 80(2016–17)-EN]

46 [Q 71](#) (Jon Simmons)

47 [Q 33](#) (Dr Lucie Cerna)

29. The Government now collects limited information on all those leaving the UK through exit checks.⁴⁸ The Minister for Immigration told us that these checks will “help us get a better picture” of movements to and from the UK.⁴⁹
30. The data currently collected is from the Advanced Passenger Information provided by inbound and outbound air passengers. Since April 2015 checks have also been undertaken on ferry and rail passengers.⁵⁰ The information required includes the passenger’s full name, nationality, date of birth, gender, and travel document number, type and country of issue.
31. The Home Office considered that when linked with other information — such as visa type— these checks could be used to monitor “the flows into and out of the UK for those people subject to immigration control”. However, it would not be possible for this information to replace the International Passenger Survey as:
- “it is not possible to determine the very small fraction of long-term migrants among the very large number of travel movement per year”... It is also considerably slower to determine long-term movements through actual travel patterns than by asking individuals their intentions at the point of arrival ... because it is necessary to wait for a year after arrival.”⁵¹
32. **The re-introduction of checks on those leaving the UK provides an opportunity to count those entering and leaving the UK in a systematic manner. The Government should explore how the available data can be combined with other information and used to provide a long-term check to the information provided by the International Passenger Survey.**

48 Home Office, *Exit Checks fact sheet*, March 2015: <https://www.gov.uk/government/publications/exit-checks-on-passengers-leaving-the-uk/exit-checks-fact-sheet> [accessed 12 July 2017]

49 [Q 62](#) (Robert Goodwill MP)

50 Home Office, *Exit Checks fact sheet*, March 2015: <https://www.gov.uk/government/publications/exit-checks-on-passengers-leaving-the-uk/exit-checks-fact-sheet> [accessed 12 July 2017]

51 Home Office, *A report on the statistics being collected under the exit checks programme*, August 2016: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/547989/report-on-statistics-being-collected-under-exit-checks-programme.pdf [accessed 12 July 2017]

CHAPTER 3: ADAPTING THE UK LABOUR MARKET

33. How will a reduction in immigration from Europe affect British businesses? During the course of our inquiry we took evidence from firms and representative bodies across different sectors. This chapter analyses the extent to which the British economy relies on European workers and examines the consequences of, and the ways in which businesses can adapt to, a reduction in European immigration.
34. What follows is not intended to provide a comprehensive analysis of the UK labour market. As noted in the previous chapter, there is limited reliable data on immigration and much of the available evidence is based on anecdote. Our conclusions and recommendations are therefore necessarily tentative and intended to inform the debate and development of policy in this area.

Net migration from the European Union since 2010

35. The latest Annual Population Survey figures estimated that the population of the UK was 64.3 million in 2015. Of the total population, 58.7 million people were British nationals, 3.2 million were EU nationals and 2.4 million were non-EU nationals.⁵²
36. Table 2 shows that annual net migration from the European Union increased from an estimated 77,000 in 2010 to 184,000 in 2015.⁵³ The latest available figures estimate this decreased to 133,000 in 2016.

Table 2: Annual net migration to the UK, 2010 to year end September 2016

Year	EU	Non-EU	British	Total
2010	77,000	217,000	-43,000	251,000
2011	82,000	204,000	-70,000	216,000
2012	82,000	157,000	-63,000	176,000
2013	123,000	142,000	-57,000	208,000
2014	174,000	194,000	-55,000	313,000
2015	184,000	189,000	-40,000	333,000
2016	133,000	175,000	-60,000	248,000

Source: ONS, *Migration Statistics Quarterly Report: May 2017*, (25 May 2017): <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/may2017> [accessed 12 July 2017]

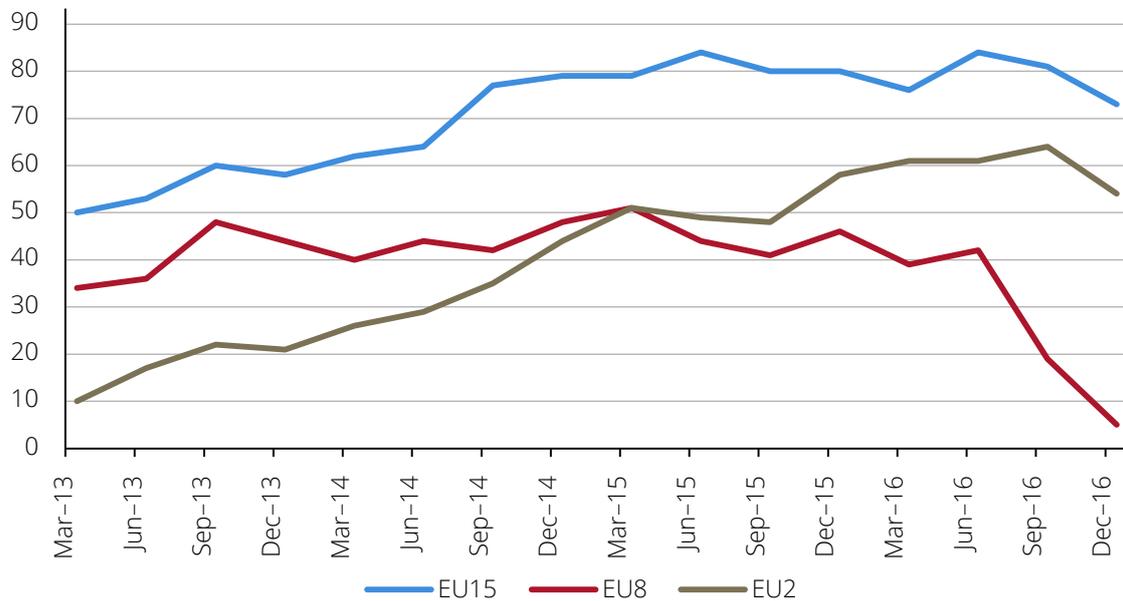
37. Figure 2 shows that the estimated increase in EU net migration since 2012 has been from nationals of the original EU15 countries (excluding the UK) and Bulgaria and Romania (for whom employment restrictions were lifted in

52 ONS, *Population of the United Kingdom by Country of Birth and Nationality, 2015* (25 August 2016): <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/populationoftheunitedkingdombycountryofbirthandnationality> [accessed 12 July 2017]

53 The 2011 census revealed that net migration for the period 2001 to 2011 had been underestimated. The ONS subsequently updated the total net estimates, but not the breakdown by nationality. ONS, 'Quality of Long-Term International Migration Estimates from 2001 to 2011', April 2014: <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/migration1/long-term-international-migration/quality-of-long-term-international-migration-estimates-from-2001-to-2011/sty-quality-of-ltim.html> [accessed 12 July 2017]

January 2014). Net migration from EU8 countries reduced substantially in the second half of 2016 to 5,000.

Figure 2: EU net migration by origin, year end March 2013 to year end December 2016⁵⁴



Source: ONS, *Migration Statistics Quarterly Report: May 2017*, (25 May 2017): <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/may2017#net-migration-to-the-uk-falls-to-248000> [accessed 12 July 2017]

EU nationals working in the UK

38. The Labour Force Survey provides estimates of the number of people, by nationality, who are in employment in the UK. The latest figures for October to December 2016 show that of the 31.9 million people in work, 2.2 million were EU nationals and 1.2 million were non-EU nationals. Table 3 shows that the number of EU nationals working in the UK has increased by over one million since 2010.

54 EU 15 countries are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, The Netherlands, Portugal, Republic of Ireland, Spain, Sweden; EU 8 countries are Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia that joined the EU in 2004 (excluding Cyprus and Malta); EU 2 countries are Bulgaria and Romania that joined the EU in 2007. Croatia, which joined the EU in 2013, is not included in the figures. British citizens are excluded from all figures.

Table 3: People in work in the UK by nationality (overall number and percentage of the total), 2010 to 2016⁵⁵

	Total people in work (millions)	Of which British (millions and proportion of total)	Of which EU (millions and proportion of total)⁵⁶	Of which Non-EU (millions and proportion of total)
Oct-Dec 2010	29.4	27.0 (92%)	1.2 (4%)	1.2 (4%)
Oct-Dec 2011	29.4	26.8 (91%)	1.4 (5%)	1.3 (4%)
Oct-Dec 2012	30.0	27.3 (91%)	1.4 (5%)	1.2 (4%)
Oct-Dec 2013	30.4	27.6 (91%)	1.6 (5%)	1.2 (4%)
Oct-Dec 2014	31.0	28.0 (90%)	1.8 (6%)	1.1 (4%)
Oct-Dec 2015	31.6	28.4 (90%)	2.1 (7%)	1.2 (4%)
Oct-Dec 2016	31.9	28.4 (89%)	2.2 (7%)	1.2 (4%)

Source: ONS, *UK labour market: Mar 2017, (15 March 2017)*: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/mar2017#employment-by-nationality-and-country-of-birth-not-seasonally-adjusted-first-published-on-15-february-2017> [accessed 12 July 2017]

39. EU nationals make up 7 per cent of the total workforce. The Labour Force Survey provides estimates of the number of EU nationals working in particular sectors and the proportion they make up of the overall total. For example, the concentration of EU nationals is significantly higher in some sectors, reaching 14.2 per cent in accommodation and food services. The latest figures are shown in Table 4.

Table 4: Number of EU nationals aged 16 years and over in employment in the UK by type of industry, July 2015 to June 2016

Industry	Total number of EU nationals	Percentage of people in that industry who are EU nationals
Accommodation and food services	234,000	14.2%
Manufacturing	304,000	10.3%
Administrative and support services	147,000	9.9%

⁵⁵ Percentages may not add up to 100 per cent due to rounding. Total people in work also includes people who did not state their nationality in the survey.

⁵⁶ EU 27 countries (excluding UK)

Industry	Total number of EU nationals	Percentage of people in that industry who are EU nationals
Transport & storage	146,000	9.2%
Construction	181,000	8.2%
Information & communication	75,000	6.1%
Wholesale, retail & repair of motor vehicles	247,000	6.0%
Financial & insurance activities	73,000	5.8%
Agriculture, forestry & fishing	20,000	5.7%
Mining, energy & water supply	28,000	5.3%
Professional, scientific & technical activities	120,000	5.3%
Human health & social work activities	191,000	4.6%
Education	141,000	4.3%
Real estate activities	13,000	3.7%
Public admin & defence; social security	36,000	1.9%
Other services	98,000	5.5%

Source: Written evidence from ONS ([LMT0036](#))

40. This is the lowest level official data available on the reliance of particular sectors on EU workers. Stephen Clarke from the Resolution Foundation said that:

“there is not enough data to test if it is, say, in bars. It is more high level than that ... It is very difficult to be more specific than those broad-brush findings, just because of data limitations.”⁵⁷

41. Representatives from some more narrowly defined industries did however provide the Committee with some statistics which are reproduced in Table 5. We note that the agriculture industry’s own estimate of the number of EU nationals employed in their sector is over five times higher than the official estimate.

57 [Q 24](#) (Stephen Clarke)

Table 5: Estimates of EU nationals working in particular sectors given in evidence to the Committee

Industry	Total number of EU nationals	Percentage of people in that industry who are EU nationals
Agriculture ⁵⁸	115,000	20%
Higher Education-academics ⁵⁹	34,000	17%
Hospitality ⁶⁰	700,000	15%
Manufacturing ⁶¹	300,000	10%
Social care ⁶²	80,000	6%
Technology ⁶³	210,000	7%

42. The figures for the UK as a whole mask regional differences. A number of witnesses highlighted that there are higher proportions of EU nationals working in London. Charlotte Holloway, Policy Director at techUK, said that there are companies in their membership “with a much higher proportion of EU workers” than the national average, “they are often more likely to be located in London”.⁶⁴ The British Hospitality Association said that the proportion was “much higher” in the capital compared to the national average, “the number of EU workers in a business can often be at 50 per cent”⁶⁵. Box 2 summarises the evidence we heard about the composition of the workforce at the predominantly London-based Pret a Manger.

Box 2: Pret a Manger, a case study

Pret a Manger was founded in London in 1986. As of 2015 it had 303 shops in the UK.⁶⁶ Around half of these shops are in London.⁶⁷

Andrea Wareham, Director of People at Pret a Manger, gave evidence to the Committee in March 2017. She said that 65 per cent of Pret a Manger’s workforce (around 10,000 in total) were EU nationals and only around one in 50 people who apply to work at the company are British (Ms Wareham said this last figure was based on anecdotal evidence from recruitment centres).⁶⁸

Ms Wareham said that if EU nationals decide to stay with the company after the first three months, they remain with Pret a Manger for “at least three years”, after which she said they “often go home”.⁶⁹

58 Written evidence from the Agricultural and Horticultural Development Board ([LMT0006](#)); [Q 51](#) (David Swales). The AHDB said the 115,000 figure does not include seasonal, casual and gang labour. With these workers included, the total is 182,000.

59 Written evidence from the Universities and Colleges Employers Association ([LMT0016](#))

60 Written evidence from the British Hospitality Association ([LMT0008](#))

61 [Q 39](#) (Tim Thomas)

62 Written evidence from the British Medical Association ([LMT0023](#))

63 [Q 39](#) (Charlotte Holloway)

64 [Q 44](#) (Charlotte Holloway)

65 Written evidence from the British Hospitality Association ([LMT0008](#))

66 Pret a Manger, ‘2015 Annual Results’, 19 April 2016: <https://www.pret.co.uk/en-gb/financial-results-2015> [accessed 12 July 2017]

67 *Ibid.*

68 [Q 45](#) (Andrea Wareham)

69 [Q 46](#) (Andrea Wareham)

Present status of EU nationals

43. The Chartered Institute of Professional Development published their 2016/17 Labour Market Outlook in February 2017. It said that 29 per cent of employers had evidence that showed EU nationals were looking to leave either their organisation or the UK (or both) as a result of last year's referendum and 27 per cent of EU nationals were considering leaving in 2017. The Royal College of Nursing told us there had been a 90 per cent drop in the number of EEA nurses joining the regulatory register since last year's referendum on EU membership.⁷⁰ Chris Cox said that one possible explanation was "the uncertainty of the position of EEA nurses and people in this country. It has not been a very comfortable environment."⁷¹
44. In a policy paper published after the June 2017 General Election, the Government said that in the negotiations with the European Union its "first priority is to reach agreement on the post-exit position of EU citizen now living in the UK and of UK nationals living in other EU countries."⁷² The paper says that EU nationals will be able to apply for residence status and will receive documentation which will "help them to demonstrate to employers and other service providers their ongoing rights to be in the UK."⁷³
45. The Secretary of State for Exiting the European Union said that the documentation would not be an identity card:
- "We are talking about documentation to prove that people have the right to a job and the right to residence, but they will not have to carry that around all the time. It is not an ID card; it is rather like your birth certificate. It's not an ID card."⁷⁴
46. **We welcome the Government's position that securing an early agreement on the rights of EU nationals currently in the UK is its first priority in negotiations with the European Union. This is urgent, particularly as there is evidence some EU nationals are beginning to leave the UK.**

Reliance on EU nationals in lower-skilled sectors

47. As Table 5 above illustrates, the sectors that are estimated to be most reliant on EU nationals tend to be those that are classed as lower-skilled. EU nationals are more likely than British or non-EU nationals to be employed in jobs that are deemed to be lower-skilled. Table 6 below shows that 24 per cent of EU nationals working in the UK are engaged in work considered to be "low-skilled" by the Office for National Statistics, compared to 10 per cent of UK nationals and 13 per cent of non-EU nationals. Just under half of EU nationals working in the UK (46 per cent) are engaged in jobs that the

70 Written evidence from Royal College of Nursing ([LMT0018](#)). In oral evidence, Chris Cox said there had been 9,300 applications from EEA nurses in the previous year (2015/16) out of a total of 30,000 applications ([Q 57](#)).

71 [Q 57](#) (Chris Cox)

72 HM Government, *The United Kingdom's exit from the European Union: safeguarding the position of EU citizens living in the UK and UK nationals living in the EU*, Cm 9464, 26 June 2017: <https://www.gov.uk/government/publications/safeguarding-the-position-of-eu-citizens-in-the-uk-and-uk-nationals-in-the-eu/the-united-kingdoms-exit-from-the-european-union-safeguarding-the-position-of-eu-citizens-living-in-the-uk-and-uk-nationals-living-in-the-eu> [accessed 12 July 2017]

73 *Ibid.*

74 HC Deb, 26 June 2017, [col 373](#)

Office for National Statistics considers to be “lower middle” or “low” skilled jobs.⁷⁵

Table 6: Percentage of UK nationals, EU nationals and non-EU nationals in employment in the UK by skill level, October 2015 to September 2016

	High	Upper middle	Lower middle	Low
UK	28%	28%	34%	10%
EU	20%	24%	32%	24%
Non-EU	27%	28%	34%	11%

Source: Written evidence from ONS ([LMT0036](#))

48. The Government’s rhetoric on immigration to date has focused on higher-skilled immigration: in her ‘Plan for Britain’ speech in January 2017, the Prime Minister said Britain would “continue to attract the brightest and the best to work or study.”⁷⁶ Many witnesses however raised concerns that this focus would be at the expense of lower-skilled immigration. Andrea Wareham, Director of People at Pret a Manger, said that it “does not help us in any way. We need some thought to be given to the unskilled labour.”

49. The Oxford Migration Observatory has estimated that around three quarters of EU migrants currently employed in the UK would not meet the current Tier 2 visa requirements for non-EU workers.⁷⁷ That proportion is higher in those lower-skilled sectors identified in Table 5 that have a higher reliance on EU workers. The British Hospitality Association and Agricultural and Horticultural Development board both estimated that 96 per cent of EU workers in these sectors would not meet the Tier 2 salary criteria.⁷⁸ NFU Scotland said the strict application of the criteria would mean:

“a complete block on UK businesses being able to recruit non-UK workers as agricultural labourers, food processing operatives or HGV drivers. The impact would be disastrous.”⁷⁹

50. Tim Thomas, Director of Employment and Skills Policy at EEF, the manufacturers’ organisation, said that the manufacturing industry needed people with various types of skills:

“we use individuals with craft-level and technical-level skills, such as mechanical and electrical engineers ... In Home Office terms that is not highly skilled; it would be a lower-level skill. However we need those workers to make sure our members can keep producing in the UK.”⁸⁰

75 In their written evidence the ONS split employment by skill level into ‘high’, ‘upper middle’, ‘lower middle’ and ‘low’. The ONS said these groups are based on occupational groupings. The ONS’s ‘Occupational Classification Hierarchy’ splits all occupations into nine major groups. You can find more information about this at: https://onsdigital.github.io/dp-classification-tools/standard-occupational-classification/ONS_SOC_hierarchy_view.html [accessed 12 July 2017]

76 The Rt Hon Theresa May MP, ‘Speech on The Government’s negotiating objectives for exiting the EU’, 17 January 2017: <https://www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech> [accessed 12 July 2017]

77 Written evidence from the City of London Corporation ([LMT0010](#))

78 Written evidence from the British Hospitality Association ([LMT0008](#)) and the Agricultural and Horticultural Development Board ([LMT0006](#))

79 Written evidence from NFU Scotland ([LMT0017](#))

80 [Q 39](#) (Tim Thomas)

51. Most comparable countries to the UK make a distinction between skilled and unskilled workers in their immigration policies. For a job to be considered ‘skilled’ under the UK’s regime for non-EU immigration, an undergraduate degree is required. Other countries take a less arbitrary approach. Dr Lucie Cerna, Research Associate at the Centre on Migration, Policy & Society at the University of Oxford, explained how other countries examine the skills that a job requires:

“They try to group occupations at different skill levels, which takes more closely into account the tasks that are actually being performed in a job. When you look comparatively, in some countries adults with tertiary education attainment have lower skill levels than people from other countries with only secondary-level attainment.”⁸¹

52. **We strongly recommend that the Government develop a new immigration policy for implementation once the UK has left the European Union. It should consult on the needs of business and on a timeframe for implementing the new policy. Any new immigration system should not make an arbitrary distinction between higher-skilled and lower-skilled work on the basis of whether a job requires an undergraduate degree. British businesses must have access to expertise and skills in areas such as agriculture and construction that would at present be categorised as lower-skilled occupations.**

Turnover

53. Representatives from the hospitality industry said that a high turnover of staff presented a problem for their businesses. The British Hospitality Association explained in their written evidence:

“Our industry is concerned about a cliff-edge scenario in which the government fails to put in place adequate measures to protect our industry from the impact of Brexit on the UK labour market. Without such protective measures, our industry would experience massive operational pressures very quickly. Our industry is characterised by relatively high turnover, as some people use the sector as a way to enter the labour market and then progress their career in different industries.”⁸²

54. From the figures provided to the Committee in evidence by Pret a Manger, around a third of their staff that are EU nationals (2,000 people) will leave the company each year.⁸³
55. High turnover was also mentioned as a problem in the social care and nursing sectors. Mark Dayan, Policy and Public Affairs Analyst at the Nuffield Trust, explained that although the proportion of EU nationals working in social care was relatively small at 7 per cent, “the reality is that there is a disproportionate need now for the flow of new people coming in from the EU.” He said this was also the same in nursing, “where a third of new registrants are from the EEA”.⁸⁴

81 [Q 34](#) (Dr Lucie Cerna)

82 Written evidence from the British Hospitality Association ([LMT0008](#))

83 [Q 46](#) (Andrea Wareham)

84 [Q 56](#) (Mark Dayan)

Reliance on EU workers in higher-skilled roles

56. Representatives from manufacturing and higher education and research were also concerned about recruitment after Brexit, particularly given the shortage of people in the UK with science, technology, engineering and mathematics (STEM) skills.
57. EEF, the manufacturers' organisation, said over a quarter of firms "specifically recruit EU employees to bring new skills into their business ... The manufacturing industry relies on skilled labour from overseas and therefore will be hit by any immigration changes."⁸⁵

Box 3: Manufacturing, a case study

EEF told us that manufacturers were "striving to attract and retain the best people and to fill the well-documented skills gaps in our industry." They said three quarters of firms had struggled to fill skilled engineering posts in the last three years:

"There are issues around the quality of candidates, with 67% saying that candidates lack the right technical skills, 61% saying candidates lack industry experience and 33% saying a lack of relevant qualifications. However, there is also an availability issue, with 64% of companies saying they are struggling to recruit due to an insufficient number of applicants."⁸⁶

Mr Thomas told us that demand for technical skills was on the rise:

"we know that demand for those skills is going to increase: 59% of our members tell us that the demand for production-related technical skills will increase; 72% are concerned about current access to skills; and more than 50% say that demand for technical-level skills is increasing. We face a situation where currently we have a shortage, our demand is increasing and potentially we will have restrictions in the future that blunt our members' access to what I would call lower-level skills."⁸⁷

58. In higher education and research, the University of Cambridge said that "the UK's 'home grown' science and innovation system is hampered by long-term weaknesses in its STEM talent base ... Alongside [development of domestic skills], access to global talent is also essential."⁸⁸ They said that nearly half of engineering, science and hi-tech firms report difficulties in recruiting people with the right STEM skills.⁸⁹ The Russell Group said that there tended to be a greater proportion of EU and non-EU nationals in academic posts within STEM subjects at their universities compared to the average, as listed in Table 7.

85 Written evidence from EEF, the manufacturers' organisation ([LMT0019](#))

86 *Ibid.*

87 [Q 39](#) (Tim Thomas)

88 Written evidence from the University of Cambridge ([LMT0001](#))

89 Cancer Research UK also made the same point in their written evidence.

Table 7: Percentage of EU and non-EU academics in STEM subjects at Russell Group universities

Subject	Percentage
Chemical engineering	54%
Mathematics	53%
Electrical, electronic, computer engineering and general engineering	52%
IT, systems sciences and computer software engineering	49%

Source: Written evidence from the Russell Group ([LMT0014](#))

Responding to lower European immigration

59. Professor Alan Manning told us that although food manufacturing was reliant today on EU nationals, only 1 per cent of workers in the sector were from the EU in 2004: “in a sense, a bit over a decade ago sectors were managing without this labour. Therefore, what we now think of as the status quo has not actually been the status quo forever. One should not underestimate the capacity for change.”⁹⁰
60. We agree with Professor Manning about not underestimating the capacity for change and the extent to which the economy has adapted to the increased flow of migrant labour. If net migration slows or is reversed three possibilities were put to us in evidence about how the economy might respond: increasing pay to attract more British workers, better training of the domestic workforce and changing business models. We examine each in turn as to how they might facilitate adjustment in those sectors who have come to rely on migrant labour.

Increasing pay

61. In a 2008 report on immigration, this Committee concluded that “the available evidence suggests that immigration has had a small negative impact on the lowest-paid workers in the UK.”⁹¹ That remains the case today. Jonathan Portes said the “emerging consensus is that recent migration has had little or no impact overall, but possible some, small, negative impact on low-skilled workers.”⁹² Stephen Clarke, Research and Policy Analyst at the Resolution Foundation, told us it was wrong to say there is no evidence that migration does not exert a downward effect on wages for some occupations, “however, it is also wrong to suggest that the effect is large.”⁹³
62. It is difficult to quantify the extent to which immigration has reduced wages across different sectors: migrant labour could put downward pressure on wages but it could also be the case, where there are vacancies, that immigrants are willing to work for lower wages than UK nationals would be. There is

90 [Q 12](#) (Prof Alan Manning)

91 Select Committee on Economic Affairs, *The Economic Impact of Immigration* (1st Report, Session 2007–08, HL Paper 82-I)

92 Written evidence from Professor Jonathan Portes ([LMT0015](#)). Professor Portes cited a 2015 paper by Nickell and Salaheen as finding that a 10 percentage point rise in the immigrant share leads to approximately a 1.5 per cent reduction in wages for native workers in the semi/unskilled service sector: “This would mean that immigration since 2004 would have reduced wages for native workers in that sector by about 1 per cent, or put another way would have depressed annual pay increases by about a penny an hour.”

93 [Q 24](#) (Stephen Clarke)

evidence that immigration has been used as a cheaper source of labour in some professions.

63. In 2016 the Migration Advisory Committee published a report on nursing which found that migrant nurses were paid £6,000 less than equivalent British workers.⁹⁴ Professor Sir David Metcalf, the then chairman of the Migration Advisory Committee, said there seemed to be “an automatic presumption that non-EEA skilled migration provides the health and care sector with a ‘Get out of Jail Free’ card.”⁹⁵ While non-EEA nurses were the source of the cheaper labour in this example, it demonstrates employers can have to pay British workers more. Chris Cox, Director of Membership Relations at the Royal College of Nursing, believes “we should be incentivising people moving into the nursing profession through better pay and terms and conditions.”⁹⁶
64. Tim Martin, chairman of JD Wetherspoon, said it was “probably true” that businesses would need to pay more to attract British workers.⁹⁷ The British Association of Leisure Parks, Piers and Attractions said the “inevitable consequence” of reduced immigration would be that “wage costs have to rise in order to attract and retain workers from other sources.”⁹⁸

Willingness of British workers to take on lower-skilled work

65. Andrea Wareham, Director of People at Pret a Manager, thought however that “increasing pay would not do the trick”. As noted in Box 2, only one in 50 applicants for vacancies at Pret a Manger are British. Ms Wareham said however that this wasn’t down to the pay on offer: Pret a Manger pay “well above the national living wage ... the point is whether people want to work in our industry. There are amazing places to work and cool brands to work for, but still we are not always seen as a desirable place to work.”⁹⁹
66. Witnesses from the agricultural industry also thought there was an unwillingness amongst British workers to carry out particular types of work. The Agricultural and Horticultural Development Board said that the problem was the “desirability of these roles within a competitive labour market.”¹⁰⁰
67. The Agricultural and Horticultural Development Board said that attempts to fill vacancies with UK workers have “proved difficult in the past ... It would appear that UK workers would prefer permanent work, better locations and more sociable hours. In addition, the UK benefit system does not work well for seasonal workers when their contracts come to an end.”¹⁰¹

94 Migration Advisory Committee, *Partial review of the Shortage Occupation List: Review of nursing*, March 2016: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/510630/Partial_review_of_the_shortage_occupation_list_-_review_of_nursing.pdf [accessed 12 July 2017]

95 *Ibid.*

96 [Q 57](#) (Chris Cox)

97 [Q 45](#) (Tim Martin)

98 British Association of Leisure Parks, Piers and Attractions ([LMT0011](#))

99 [Q 45](#) (Andrea Wareham)

100 Written evidence from the Agricultural and Horticultural Development Board ([LMT0006](#)); They quoted a 2015 paper from Dr John Lever of the University of Huddersfield:

“First, there has been a rise in the incidence of low paid, irregular and non-unionised work in the agricultural and meat processing sectors. Second, and related to the first trend, employment in these sectors has become less attractive to the UK workforce ... From the slaughter of livestock to the production of fresh, chilled and frozen meat products, the work involved in the meat-processing sector – boning, freezing, preserving and packing meat—is widely recognised to be dirty, dangerous, demanding and unattractive to UK workers.”

101 *Ibid.*

68. Minette Batters, Deputy President of the National Farmers' Union, said that there "would probably come a point when at a certain wage level we could easily fill the vacancies, but agriculture works in a marketplace and ultimately UK producers compete with producers elsewhere in the world."¹⁰² The National Farmers' Union said in written evidence that higher wages would only be possible if the cost increases could be recovered from the market.¹⁰³ Seasonal agricultural work is considered further in Box 4.

Box 4: Seasonal workers in the agricultural industry: a case study

Agriculture is reliant on a seasonal workforce. Around 80,000 seasonal workers are employed in horticulture and 13,000 seasonal workers in poultry.¹⁰⁴ The National Farmers Union estimated the seasonal worker requirement in horticulture would increase to 95,000 by 2020.¹⁰⁵

The West Sussex Growers Association said that without this workforce, "it will not be possible to grow, harvest or pack many crops that are currently grown in Britain." The Farming and Rural Issues Group South East said that filling such positions from the "local indigenous workforce has proved to be impossible." Ms Batters said there were not enough people in the country to do these jobs, citing Herefordshire as an example where there is a need for 3,500 seasonal workers but there are only 400 unemployed people in the county.¹⁰⁶

The Seasonal Agricultural Workers Scheme operated in the UK for 60 years until it was closed in 2014 as EU labour was thought to be sufficient to meet the needs of the sector. Representatives from the industry called for the Government to reintroduce the scheme once a new immigration regime came into force.

The Minister for Immigration said "there may well be situations where we need to bring people in" and gave seasonal workers in agriculture as an example, "however, that will all be part of the settlement [with the EU]."¹⁰⁷

69. **As some of our witnesses highlighted, pay is not the only consideration but there are now a large number of migrant workers in some sectors who will not easily be replaced by domestic workers. Competitive labour markets will see some price adjustment in response to labour shortages, with an associated increase in local labour supply. However, in some sectors, business models may have to change. As noted in the example of agriculture, this is likely to lead to higher prices for consumers.**

Improving skills

70. A number of witnesses raised the problem of skills shortages in the UK, particularly in STEM subjects (as noted in Box 3). EEF said in written evidence that there is a "stubborn" 35 per cent of jobs in manufacturing that are hard to fill.¹⁰⁸ Tim Thomas said the main reason for this was a "lack of

102 [Q 52](#) (Minette Batters)

103 Written evidence from the National Farmers' Union ([LMT0026](#))

104 *Ibid.* The poultry industry requires seasonal workers for the processing of turkeys around Christmas.

105 *Ibid.*

106 In June 2017 there were 1,115 people claiming JSA in Hertfordshire. ONS, 'CC01 Regional labour market: Claimant Count by unitary and local authority (experimental)', 12 July 2017: <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/datasets/claimantcountbyunitaryandlocalauthorityexperimental> [accessed 12 July 2017]

107 [Q 72](#) (Robert Goodwill MP)

108 Written evidence from EEF, the manufacturers' organisation ([LMT0019](#))

technical skills among the applicants” and in particular a “lack of applicants with basic level skills such as maths and English.”¹⁰⁹

71. Mr Thomas said EEF “are quite prepared to pay for the training and to train more people; we just need the people to train.”¹¹⁰ Ms Holloway said that for the technology industry, initiatives like the computing curriculum in schools “will help the domestic talent pipeline ... but it will take a number of years.”¹¹¹
72. This is an area where the Government could clearly play an important role. The Minister for Immigration told the Committee it was “absolutely fundamental to this Government’s policies to ensure that we upskill our people to take those jobs and obviate the need to backfill using immigration.”¹¹²
73. The Government’s recent industrial strategy acknowledges the UK’s “poor performance in basic and technical skills” and commits to creating “a proper system of technical education, to benefit the half of young people who do not go to university and provide new, better options for those already in the workforce.”¹¹³

Disincentives to train domestic workforce

74. Lord Green suggested that the availability of EU nationals may have discouraged firms in some industries from investing in training:

“In respect of skills, Baroness Wolf did a very interesting report that showed that serious training by British industry had fallen very sharply over the last 10 years. You cannot say whether that is because of the availability of large numbers of eastern Europeans, but the two were over a similar period. David Goodhart mentioned that the number of apprentices in construction by our own firms was only 8,000 a year. Clearly, having gone into that situation of dependence on immigration, it will take a while to move away from it.”¹¹⁴
75. Our 2008 report into immigration suggested this could be a consequence of immigration: “there is a clear danger that immigration has some adverse impact on training opportunities and apprenticeships offered to British workers.”¹¹⁵ We called for the Government to consider measures to ensure that “employers recruiting migrants are also investing in training and skills development of British workers.”¹¹⁶
76. This has not happened in nursing. Mr Cox admitted in his evidence that “on the supply side, we were simply not training enough of our own nurses” which he put down to “poor workforce planning.”¹¹⁷ In the foreword to the Migration Advisory Committee’s 2016 report on nursing mentioned in the previous section, Professor Sir David Metcalf said that “the long-

109 [Q 39](#) (Tim Thomas)

110 [Q 40](#) (Tim Thomas)

111 [Q 40](#) (Charlotte Holloway)

112 [Q 72](#) (Robert Goodwill MP)

113 HM Government, *Building our Industrial Strategy*, January 2017: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/611705/building-our-industrial-strategy-green-paper.pdf [accessed 12 July 2017]

114 [Q 25](#) (Lord Green of Deddington)

115 Select Committee on Economic Affairs, *The Economic Impact of Immigration* (1st Report, Session 2007–08, HL Paper 82–I)

116 *Ibid.*

117 [Q 56](#) (Chris Cox)

term solution to addressing this shortage is recruiting and retaining staff by providing sufficient incentive and opportunity.”¹¹⁸

77. Mr Dayan highlighted the shift from nursing bursaries to nursing loans that will be fully implemented this year.¹¹⁹ Mr Cox said there had been a 23 per cent drop in the number of applicants for university places for nursing training this year compared to the previous year: “loans are not attractive ... Coming out at the end of a three-year degree course with a debt of between £40,000 to £60,000, when the pay they are likely to be getting is around £26,000 a year, is not an attractive incentive.”¹²⁰

Unemployed and part-time workers

78. Lord Green of Deddington pointed towards the number of unemployed and part-time workers who would like to work more and suggested the UK should aim to be self-sufficient “in most sectors”:

“We have 1.5 million people who are unemployed, and we have over a million part time workers who are looking for full time work. It is not as if the barrel is empty, but there are some situations, such as isolated farms, which British workers probably cannot get to. You have to look at each sector individually.”¹²¹

79. Mr Clarke however did not think it would be particularly easy to bring the unemployed into the workforce: “These people will probably need much more active labour market policies to get into the workforce than simply just freeing up the opportunity.” He said that “people with disabilities form about 2 million of those out of work, and they are not going to start working in the fields or in physically demanding manufacturing jobs. We need to be cautious about what we can expect in the short run from substituting British for EU labour.”¹²²

80. **We warned in our 2008 report on immigration that employment of migrant workers could lead to businesses neglecting skills and training for British workers. As the example of nursing highlights, these fears appear to have been realised. Training for the domestic workforce needs urgently to be given a higher priority.**

81. **We welcome the Government’s Industrial Strategy as a starting point, in particular the desire to create a proper system of technical education to provide more of the skills that the economy requires. But it needs to go further to meet the challenge of retraining the workforce.**

Changing business models

82. If sectors struggle to replace EU nationals with British workers, a change of business model may provide an alternative solution. As we said in our 2008 report on immigration, “ready access to cheap migrant labour may reduce

118 Migration Advisory Committee, *Partial review of the Shortage Occupation List: Review of nursing*, March 2016: <https://www.gov.uk/government/publications/migration-advisory-committee-mac-partial-review-shortage-occupation-list-and-nursing> [accessed 12 July 2017]

119 [Q 56](#) (Mark Dayan)

120 [Q 56](#) (Chris Cox)

121 [Q 20](#) (Lord Green of Deddington)

122 [Q 20](#) (Stephen Clarke)

employers' incentives to consider other options, in particular changing production methods."¹²³

83. Professor Portes said firms could “adopt labour-saving machinery or reduce output or go out of business entirely.” He discussed the examples of picking strawberries and making coffee:

“It seems unlikely, for example, that picking strawberries could be economically mechanised—it would just be cheaper for the UK to buy strawberries from Poland ... we will probably just stop growing strawberries. For other crops, mechanisation might be more feasible ... If we stop having flexible, skilled and willing-to-work Europeans in our coffee bars in London, we will probably get more machines.”¹²⁴

Automation

84. Dr Martin Ruhs, Associate Professor of Political Economy at the University of Oxford, said that international evidence showed that it was technology that tended to replace migrant workers rather than domestic workers:

“It is very hard to find international evidence to show that once an immigration inflow stops and certain types of occupation have become heavily reliant on migrant workers, there is a huge inflow of domestic workers. What we have often seen is that if immigration stops, jobs are mechanised or rationalised away. Technology takes over.”¹²⁵

85. Mr Clarke said that recent surveys by the Chartered Institute of Professional Development showed that fewer businesses were talking about looking to employ more British workers: “the majority were looking either to mechanise or to keep current workers on. Fewer businesses were thinking that they would respond by recruiting more UK workers. That may change. We do not know.”¹²⁶
86. The Minister for Immigration said that the “fairly new phenomenon” of large amounts of inward migration may be one of the reasons “why we have not invested in the type of technologies that would improve productivity in this country.”¹²⁷
87. In agriculture, the National Farmers Union believed that “automation for harvesting, where achievable, remains at least a decade away. As such, the industry will remain dependent on manual labour ... for the foreseeable future.”¹²⁸ Ms Batters explained that the technology to reduce that dependence exists today but the challenge was finding the capital investment:

“The machine exists; the robot that can pick strawberries is there. The challenge and the 10 years come in when you look at the investment that will be needed. We could fast-track that investment, and maybe there is an opportunity through the industrial strategy to do that ... A lettuce

123 Select Committee on Economic Affairs, *The Economic Impact of Immigration* (1st Report, Session 2007–08, HL Paper 82–I)

124 [Q 10](#) (Prof Jonathan Portes)

125 [Q 37](#) (Dr Martin Ruhs)

126 [Q 20](#) (Stephen Clarke)

127 [Q 67](#) (Robert Goodwill MP)

128 Written evidence from the National Farmers' Union ([LMT0026](#))

picker costs well over £1 million ... where will the investment come from in a supply chain that is already massively constrained by cost?”¹²⁹

88. The Government’s ‘Building our Industrial Strategy’ Green Paper acknowledged that the UK has lower levels of fixed capital investment than competitors in other countries: “the UK has “lower take up of robotics and automation technology than competitors.”¹³⁰ The Green Paper said the Government were committed to “ensuring the uptake of new technology and digital processes which support growth.”¹³¹
89. **The availability of cheap migrant labour in recent years may be a factor behind the low levels of capital investment and productivity in some sectors. The Government should consider ways it can help businesses, such as capital allowances for investment in automative processes.**

Implementation period

90. Witnesses across a range of sectors called for a period of implementation before restrictions on immigration from the European Union take effect. Ms Wareham said that Pret a Manger “entirely” accepted the number of EU nationals will go down over time but “our thoughts are that there could be quotas based on data about how much work is required, and as the number of EU nationals goes down and the number of British nationals increases, that needs to happen as smoothly as possible over time.”¹³² Minette Batters, Deputy President of the National Farmers Union, said “we feel very strongly about transition ... we will not get there in two years.”¹³³
91. Chris Cox, Director of Membership Relations at the Royal College of Nursing, said there should be a transition period of “at least four years.”¹³⁴ Tim Thomas said “we cannot suddenly go from a system we have worked with extensively for a long time to something completely alien come 2019.”¹³⁵
92. An implementation period would allow time for the domestic workforce to be trained. The Institute of Directors said the “best way to reduce the reliance of UK employers on recruitment from overseas is to increase the supply of British workers with the skills those employers need ... but until that has been achieved, many businesses will continue to need access to international skills.”¹³⁶ This point was also recognised by the Minister for Immigration who told us that “what we do not want is industries feeling that there will be a crisis or any cliff edges ... we understand that a number of other factors are in play, particularly the time it takes to bring doctors and nurses through for training, for example.”¹³⁷
93. Such a period would also allow businesses to make capital investments in labour-saving equipment. Mr Swales said that it would provide “opportunities

129 [Q 52](#) (Minette Batters)

130 HM Government, *Building Our Industrial Strategy*, January 2017: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586626/building-our-industrial-strategy-green-paper.pdf [accessed 12 July 2017]

131 *Ibid.*

132 [Q 47](#) (Andrea Wareham)

133 [Q 54](#) (Minette Batters)

134 [Q 59](#) (Chris Cox)

135 [Q 43](#) (Tim Thomas)

136 Written evidence from Institute of Directors ([LMT0012](#))

137 [Q 61](#) and [Q 67](#) (Robert Goodwill MP)

for businesses to make capital investment and perhaps do more substitution. That is probably a good outcome from my perspective.”¹³⁸

94. The Secretary of State for Exiting the European Union, Rt Hon David Davis MP, acknowledged the reliance of some industries on EU nationals when he appeared on the BBC television programme Question Time on 27 March 2017.¹³⁹ He indicated that although the Government would meet its immigration target eventually, the concerns of businesses reliant on EU workers would be taken into consideration: “The simple truth is that we have to manage this problem. You’ve got industry dependent on migrants, you’ve got social welfare, the National Health Service—you have to make sure that they continue to work.”
95. **A suitable implementation period is likely to be necessary before a new immigration system for the European Union comes fully into force to allow for the necessary training of the British workforce and investment in new technologies. This could take a number of years and needs to take into account the fact that each region of the country will have different training and investment needs.**
96. **The Government must also acknowledge that in order to achieve some of its other policy objectives, such as building 225,000–275,000 new homes each year, lower-skilled immigration may be required in the medium term to provide the necessary labour.**

Regional system of immigration

97. The Mayor of London and the Scottish Government have both discussed the prospect of regional immigration policies in the UK. The Mayor of London was quoted in the *Financial Times* last year describing it as an option to consider and that “nothing should be off the table.”¹⁴⁰
98. In the December 2016 paper, *Scotland’s Place in Europe*, the Scottish Government said that “limiting free movement of the people has the potential to seriously harm Scotland’s long-term economic future” and it was “increasingly clear that one-size-fits-all approach is not in the best interests of Scotland.”¹⁴¹
99. We received some evidence in support of regional immigration policies. The Institute for Public Policy Research (IPPR) said given there were clear differences in attitude to migration across the country, “a regional approach to migration would allow visa policy to reflect the public’s views in each region.”¹⁴² Chris Murray, Research Fellow at the IPPR, explained this would require a:

“twin-track approach with a UK-wide visa, as we have currently, and for regions like Scotland ...those visas would be tied to Scotland. People

138 Q 55 (David Swales)

139 ‘EU migration may rise some years after Brexit, Davis tells Question Time-Politics Live’. *The Guardian*, 28 March 2017: <https://www.theguardian.com/politics/blog/live/2017/mar/27/bbc-brexit-question-time-britain-after-brexit-question-time-special-with-davis-starmer-clegg-salmond-politics-live> [accessed 12 July 2017]

140 ‘Sadiq Khan on London after Brexit: ‘Open is what we are’’, *Financial Times*, 4 October 2016: <https://www.ft.com/content/d32b1a42-7a5b-11e6-ae24-f193b105145e> [accessed 12 July 2017]

141 Scottish Government, *Scotland’s Place in Europe*, December 2016: <http://www.gov.scot/Resource/0051/00512073.pdf> [accessed 12 July 2017]

142 Written evidence from Institute for Public Policy Research (LMT0029)

- could apply for them, and if they wanted to move they would have to apply to the UK-wide group or to a different region.”¹⁴³
100. The IPPR saw the regional visa as providing for where a person could work and live. They thought the introduction of the Biometric Residence Permit and the increasing devolution of immigration to employers and landlords would make enforcement “unprecedentedly feasible”.¹⁴⁴ The City of London Corporation were similarly supportive. They thought the flexibility of a regional system would allow the UK “to react more deftly to the changes in an individual sector’s employment needs.”¹⁴⁵
 101. Other witnesses were more skeptical. Migration Watch said it would be “chaotic, unenforceable, and would lead to a major increase in bureaucratic complexity.”¹⁴⁶ The TUC thought residency requirements “would impede the ability of migrant workers to travel to work in cities like London where the cost of living means that workers are often forced to live out of the city.”¹⁴⁷
 102. Australia and Canada have both introduced regional immigration systems. Jean-Christophe Dumont, Head of the International Migration Division at the OECD, said Canada’s provincial programme had been “quite successful” with around three-quarters of people staying in the province.¹⁴⁸ The Minister for Immigration said regional policies “might work in places such as Canada” but would not work in a country the size of the UK as people could easily move from their permitted region.¹⁴⁹
 103. Philippe Legrain, Visiting Senior Fellow at the European Institute of the London School of Economics, said however that people adhering to the conditions of the visa was less of a problem for London or Edinburgh as “it is an attractive place to be”¹⁵⁰
 104. Mr Clarke recognised the difficulties of implementing the system but did not “think it is beyond administrative capability.” He said thought would need to be given as to how a regional system would work with other parts of the immigration system such as naturalisation.¹⁵¹ Similarly, the Institute of Directors described it as an “interesting proposal ... worth exploring in the longer term.” But not viable in the short to medium term due to “very poor record keeping by the Home Office ... and the lack of suitable and necessary infrastructure.”¹⁵²
 105. **We are persuaded there may be some merit in a regional immigration system for Scotland and London but agree with most of our witnesses that this is beyond existing administrative capabilities. Before seeking to implement a regional system the Government should carry out a review and be satisfied about its administrative feasibility.**

143 [Q 29](#) (Chris Murray)

144 Written evidence from Institute for Public Policy Research ([LMT0029](#))

145 Written evidence from City of London Corporation ([LMT0010](#))

146 The British Medical Association, EEF, the National Farmers Union, JD Wetherspoon, Pret a Manger and the Universities and Colleges Employers Association were all against the idea, mainly because of the perceived administrative difficulties.

147 Written evidence from Trades Union Congress ([LMT0033](#))

148 [Q 38](#) (Dr Jean-Christophe Dumont)

149 [Q 69](#) (Robert Goodwill MP)

150 [Q 22](#) (Philippe Legrain)

151 [Q 22](#) (Stephen Clarke)

152 Written evidence from Institute of Directors ([LMT0012](#))

CHAPTER 4: THE FUTURE OF THE NET MIGRATION TARGET

106. This final chapter considers the overall objective of immigration policy after Brexit and in particular how the Government can balance any continuing fixed target for net migration with the needs of the UK labour market.

The net migration target

107. The Minister for Immigration told us that the Government is:
- “committed to reducing net migration to the tens of thousands, which is 100,000 or less. That has been our position for a considerable time.”¹⁵³
108. The Minister made the point that this is a “long-term target” that “will not be achieved in the next two or three years”.¹⁵⁴
109. The migration target uses the ONS estimates of long-term net migration. This is the difference between immigration into and emigration from the UK taken from the adjusted International Passenger Survey.¹⁵⁵ The definition of migration used for the survey is that preferred by the OECD (that is someone moving to the UK for over 12 months).¹⁵⁶ Included in the target, therefore, are those coming to the UK for work or study, or to join family members.
110. Lord Green of Deddington, Chairman of Migration Watch, considered the Government’s approach was justified:
- “There is a strong public demand to reduce immigration ... On the objective, I would suggest an objective of this kind: a level of net migration that avoids undue pressure on our population, public services and community cohesion. Do we need a target? I would say yes.”¹⁵⁷
111. Our 2008 report recognised these arguments and also that large-scale immigration, whilst increasing GDP, did not have the same impact on GDP per person.¹⁵⁸
112. The use of net migration as a target caused concern to other witnesses who questioned who was included in the target, and its economic and policy consequences.

Who is included in the target

113. Net migration is a measure of those entering the UK less those leaving the UK. The Government does not have control over all the variables in this target. In particular, the Government cannot control the number of UK passport holders leaving the UK in any given year.

153 [Q 61](#) (Robert Goodwill MP)

154 [Q 67](#) (Robert Goodwill MP)

155 Adjustments made for asylum seekers, non-asylum enforced removals, people resettled in the UK under resettlement schemes, visitor and migrant switchers and flows to and from Northern Ireland.

156 See Box 1.

157 [Q 15](#) (Lord Green of Deddington)

158 Select Committee on Economic Affairs, *The Economic Impact of Immigration* (1st Report, Session 2007–08, HL Paper 82–I)

114. A second issue is the treatment of international students. In 2016 136,000 (23 per cent) of those coming into the UK were doing so to study.¹⁵⁹
115. The Minister for Immigration argued that the inclusion of students in the target was justified. He considered that this ensured consistency with international statistical norms. He also pointed out that “it does not impact on net migration if students come here, study and then go back to their own country afterwards.”¹⁶⁰ He stated that the “vast majority” do return at the end of their course. He argued it is necessary to know how many students are in the UK due to the impact on local services.¹⁶¹
116. A number of other witnesses argued that students should be excluded from the target. Universities UK told us that the “inclusion of international students in the net migration target ignores the widely held view that international students are temporary migrants”.¹⁶²
117. Universities UK and the University and Colleges Association argued that international students “bring major economic and other benefits to the UK” and created jobs.¹⁶³ Philippe Legrain of the Institute for Economic Affairs went further:

“Education is now [the UK’s] third biggest export industry. Foreign students who have all the benefits of their foreign perspectives and experience, on top of the fact that they are educated locally, speak English perfectly and know local norms, are the ideal workers whom you want to keep in Britain in order to boost GDP per capita, pay tax for local people and make us all better off.”¹⁶⁴

Economic and policy consequences

118. The concern from some economists who gave evidence was primarily that the economic rationale for a set amount of population growth from migration was poor. Professor Portes considered that “trying to put a number on a sustainable level of immigration...is not a sensible way of approaching the issue.”¹⁶⁵
119. Philippe Legrain was among the witnesses who highlighted poor policy-making that had resulted from a focus on one part of the immigration data:
- “in prioritising an absurd and arbitrary target, [the government] takes[s] stupid and costly decisions without thinking through the consequences. It is madness, at a time when every country in the world is trying to increase its share of the booming global export market, to be clamping down on foreign students, not to mention the impact it has on the good will of Britain in countries such as India. It is immoral to be preventing poorer British people from living in Britain with their foreign spouse.

159 ONS, *Migration Statistics Quarterly Report: May 2017*, May 2017: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/may2017> [accessed 12 July 2017]

160 [Q 61](#) (Robert Goodwill MP)

161 [QQ 61–62](#) (Robert Goodwill MP)

162 Written evidence from Universities UK ([LMT0027](#))

163 Written evidence from Universities UK ([LMT0027](#)) and written evidence from the Universities and Colleges Employers Association ([LMT0016](#)). Universities UK suggested that up to 170,000 jobs were supported by UK Universities.

164 [Q 23](#) (Philippe Legrain)

165 [Q 1](#) (Prof Jonathan Portes); see also [Q 15](#) (Philippe Legrain).

This is like ‘Romeo and Juliet’ against a backdrop of 21st century bureaucracy.”¹⁶⁶

120. Finally, due to the large margin of error in the current net migration figures, the Government may never be able to say with certainty that it has “hit the target”. Stephen Clarke of the Resolution Foundation pointed out that “you might think you have got [net migration] down to 99,000, but actually you only had it at 140,000.”¹⁶⁷

Ways to improve the target

121. If an objective of a sustainable level of migration remains part of the Government’s approach, the way the target is made up and used could be adapted in the following ways.

Remove students from the net migration figures.

122. Under the OECD preferred definition students coming to study in the UK for more than 12 months are ‘long-term migrants’.¹⁶⁸ Some countries such as Canada, Australia and the USA, whilst using the same definition, separate migration into ‘temporary’ and ‘permanent’ categories and count students in the former.¹⁶⁹ Stephen Clarke suggested the UK could follow a similar model and separate students from ‘permanent’ net migration so they do not count towards any target.¹⁷⁰
123. Even if this approach is adopted, removing student migrants from the figures, in particular for those emigrating, is not straightforward as the available data do not allow for a precise figure of how many students stay at the end of their degree to be calculated (see Box 1 above).¹⁷¹
124. On 13 March 2017, the House of Lords agreed an amendment to the Higher Education and Research Act which would have the effect of removing students from the net migration figures for public policy purposes.¹⁷² This amendment was rejected by the Government.¹⁷³
125. **We recommend that the Government expedites measures to accurately assess the number of students who leave the UK at the end of their university education. To monitor the impact on local housing, the Government should also ask universities to provide information on the accommodation provided to international students. Once this**

166 [Q 15](#) (Philippe Legrain); see also written evidence from Universities UK ([LMT0027](#)).

167 [Q 15](#) (Stephen Clarke)

168 United Nations Statistics Division, *Recommendations on Statistics of International Migration, Revision 1*, 1998: https://unstats.un.org/unsd/publication/SeriesM/SeriesM_58rev1E.pdf [accessed 12 July 2017]. As this is the definition used by the international passenger survey, the number of students come into and out of the UK are included within the net migration figures.

169 IPPR, *Destination education: Reforming migration policy on international students to grow the UK’s vital education exports*, September 2016: http://www.ippr.org/files/publications/pdf/destination-education_Oct16.pdf?noredirect=1 [accessed 12 July 2017]. In 2012 the questions asked by researchers conducting the passenger survey were amended to include a question designed to identify emigrating former students.

170 [Q 15](#) (Stephen Clarke)

171 [Q 3](#) (Prof Alan Manning); see also [Q 6](#) (Prof Robert Rowthorn).

172 Lord Hannay of Chiswick’s amendment provided that “The Secretary of State shall ensure that no student, either undergraduate or postgraduate, who has received an offer to study at such a higher education provider, be treated for public policy purposes as a long-term migrant to the United Kingdom, for the duration of their studies at such an establishment”. HL Deb, 13 March 2017, [cols 1668–1692](#)

173 HC Deb, 26 April 2017, [col 1185](#)

information is available students should not be included in in any short-term net migration figures for public policy purposes.

Monitor the number of migrants resident in the UK

126. Professor Robert Rowthorn of the University of Cambridge pointed out that net migration of 285,000 a year “would add 9 million to the population by 2039.”¹⁷⁴ One of the reasons given by the Government to justify the target was that “net migration needs to be reduced because of the pressure that it can put on public services—housing...and the health service, education and other services.”¹⁷⁵ Figure 5 in Appendix 5 provides details of the distribution of migrants across the UK.
127. In our 2008 report we concluded that immigration “has important economic impacts on public services and education and health”, but “the data available to assess these impacts are very limited”.¹⁷⁶ Our 2016 report on the UK housing market concluded that “if immigration remains at current levels, it will be a large factor in the future demand for housing, especially in the London private rental sector”.¹⁷⁷
128. **The potential pressures on public services from a rising migrant population are not necessarily captured in a target monitoring the flow of people into and out of the UK. Future policy should also pay close attention to areas where there are such concerns arising from increases in the local population. This would enable the Government to provide investment in local services, including health and education, which may be under pressure due to the increased demand.**

Breakdown target by sector

129. As set out above, reliance on migrant workers varies across different sectors of the economy. A number of sectors suggested any target or cap on EU migrants should be able to reflect the diverse needs of the labour market. Charlotte Holloway of techUK called for “the creation of a smart migration system that is much more data-driven, to meet real-time economic needs”.¹⁷⁸
130. Similarly, in the healthcare sector, the British Medical Association told us that if the Government was to introduce a cap on EU workers, “it would be crucial to ensure that sufficient provision was made for healthcare workers.” The BMA suggested that the system of identifying shortage occupations is not “comprehensive or responsive enough to adequately measure need or take account of future changes in the workforce.”¹⁷⁹

Ensure that the target is flexible

131. In evidence to the Committee in September 2016, the Chancellor of the Exchequer suggested that a target would not be used to limit the number of highly skilled workers in some sectors:

174 [Q 1](#) (Prof Robert Rowthorn)

175 [Q 61](#) (Robert Goodwill MP)

176 Select Committee on Economic Affairs, *The Economic Impact of Immigration*, (1st Report, Session 2007–08, HL Paper 82-I)

177 Select Committee on Economic Affairs, *Building More Homes*, (1st Report, Session 2015–16, HL Paper 20)

178 [Q 42](#) (Charlotte Holloway)

179 Written evidence from the BMA ([LMT0023](#)). Details of the shortage occupation system are set out in Appendix 4.

“I would expect that using the control, which we will have, over the movement of people in a sensible way will certainly facilitate the movement of highly skilled people between financial institutions and businesses to support investment in the UK economy.”¹⁸⁰

132. In March 2017 the Secretary of State for Exiting the European Union told the BBC that he could not “imagine that the policy will be anything other than that which is in the national interest.” He continued and explained that this “means that from time to time we will need more [migrants], from time to time we will need less. That is how it will no doubt work and that will be in everybody’s interests.”¹⁸¹
133. **The objective of having migration at sustainable levels is unlikely to be best achieved by the strict use of an annual numerical target for net migration. Instead, such a target runs the risk of causing considerable disruption by failing to allow the UK to respond flexibly to labour market needs and economic conditions, as the Secretary of State for Exiting the European Union has suggested is necessary. The objective of reducing migration to sustainable levels should be implemented flexibly and be able to take account of labour market needs, in particular during the implementation period.**

180 Oral evidence taken on 8 September 2016 (Session 2016–17), [Q 14](#) (Philip Hammond MP); Mr Hammond’s expectation is partially reflected in the White Paper which states that the new immigration system should “encourage the brightest and the best to come to this country”. *The United Kingdom’s exit from and new partnership with the European Union, op. cit.*

181 Mr Davis was appearing on the BBC Question Time. BBC News, ‘Immigration should rise and fall after Brexit David Davis says’, 27 March 2017: <http://www.bbc.co.uk/news/uk-politics-39407039> [accessed 12 July 2017]

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Chapter 2: Migration Statistics

1. Increasing reliance has been placed upon the migration statistics to formulate and judge government policy. Many of the available measures are wholly inadequate. In particular the long-standing and widely identified problems with the International Passenger Survey mean that it cannot bear the burden placed upon it and cannot be relied upon to provide accurate estimates of net migration. (Paragraph 19)
2. The difficulties with the immigration statistics will become more acute as the Government seeks to develop and assess the impact of new immigration policies. Without greatly improved statistics the Government will be formulating policy in the dark. The Government must work urgently to improve the reliability of the data. The Government must also continue to monitor the stock and distribution of migrants to ensure adequate public service provision. (Paragraph 23)
3. The Government should prioritise plans for the comprehensive sharing of data across departments. We recommend that the Government develops a systematic understanding of the movement of immigrants within the UK economy. This will require analysis of multiple sources of information and should include:
 - (a) matching PAYE and National Insurance number registrations;
 - (b) matching self-assessment records for self-employed migrants and sole traders with issued National Insurance numbers; and
 - (c) using data on benefit claims and tax credits to ascertain whether those with unused National Insurance numbers remain in the UK claiming benefits. (Paragraph 27)
4. The re-introduction of checks on those leaving the UK provides an opportunity to count those entering and leaving the UK in a systematic manner. The Government should explore how the available data can be combined with other information and used to provide a long-term check to the information provided by the International Passenger Survey. (Paragraph 32)

Chapter 3: Adapting the UK Labour Market

5. We welcome the Government's position that securing an early agreement on the rights of EU nationals currently in the UK is its first priority in negotiations with the European Union. This is urgent, particularly as there is evidence some EU nationals are beginning to leave the UK. (Paragraph 46)
6. We strongly recommend that the Government develop a new immigration policy for implementation once the UK has left the European Union. It should consult on the needs of business and on a timeframe for implementing the new policy. Any new immigration system should not make an arbitrary distinction between higher-skilled and lower-skilled work on the basis of whether a job requires an undergraduate degree. British businesses must have access to expertise and skills in areas such as agriculture and construction that would at present be categorised as lower-skilled occupations. (Paragraph 52)
7. As some of our witnesses highlighted, pay is not the only consideration but there are now a large number of migrant workers in some sectors who will

not easily be replaced by domestic workers. Competitive labour markets will see some price adjustment in response to labour shortages, with an associated increase in local labour supply. However, in some sectors, business models may have to change. As noted in the example of agriculture, this is likely to lead to higher prices for consumers. (Paragraph 69)

8. We warned in our 2008 report on immigration that employment of migrant workers could lead to businesses neglecting skills and training for British workers. As the example of nursing highlights, these fears appear to have been realised. Training for the domestic workforce needs urgently to be given a higher priority. (Paragraph 80)
9. We welcome the Government's Industrial Strategy as a starting point, in particular the desire to create a proper system of technical education to provide more of the skills that the economy requires. But it needs to go further to meet the challenge of retraining the workforce. (Paragraph 81)
10. The availability of cheap migrant labour in recent years may be a factor behind the low levels of capital investment and productivity in some sectors. The Government should consider ways it can help businesses, such as capital allowances for investment in automative processes. (Paragraph 89)
11. A suitable implementation period is likely to be necessary before a new immigration system for the European Union comes fully into force to allow for the necessary training of the British workforce and investment in new technologies. This could take a number of years and needs to take into account the fact that each region of the country will have different training and investment needs. (Paragraph 95)
12. The Government must also acknowledge that in order to achieve some of its other policy objectives, such as building 225,000–275,000 houses each year, lower-skilled immigration may be required in the medium term to provide the necessary labour. (Paragraph 96)
13. We are persuaded there may be some merit in a regional immigration system for Scotland and London but agree with most of our witnesses that this is beyond existing administrative capabilities. Before seeking to implement a regional system the Government should carry out a review and be satisfied about its administrative feasibility. (Paragraph 105)

Chapter 4: The Net Migration Target

14. We recommend that the Government expedites measures to accurately assess the number of students who leave the UK at the end of their university education. To monitor the impact on local housing, the Government should also ask universities to provide information on the accommodation provided to international students. Once this information is available students should not be included in in any short-term net migration figures for public policy purposes. (Paragraph 125)
15. The potential pressures on public services from a rising migrant population are not necessarily captured in a target monitoring the flow of people into and out of the UK. Future policy should also pay close attention to areas where there are such concerns arising from increases in the local population. This would enable the Government to provide investment in local services, including health and education, which may be under pressure due to the increased demand. (Paragraph 128)

16. The objective of having migration at sustainable levels is unlikely to be best achieved by the strict use of an annual numerical target for net migration. Instead, such a target runs the risk of causing considerable disruption by failing to allow the UK to respond flexibly to labour market needs and economic conditions, as the Secretary of State for Exiting the European Union has suggested is necessary. The objective of reducing migration to sustainable levels should be implemented flexibly and be able to take account of labour market needs, in particular during the implementation period. (Paragraph 133)

APPENDIX 1: LIST OF MEMBERS AND DECLARATION OF INTERESTS

Members

Baroness Bowles of Berkhamsted
 Lord Burns
 Lord Darling of Roulanish
 Lord Forsyth of Drumlean (Chairman from 27 June 2017)
 Baroness Harding of Winscombe (from 27 June 2017)
 Lord Hollick (Chairman) (until 27 April 2017)
 Lord Kerr of Kinlochard
 Baroness Kingsmill (from 27 June 2017)
 Lord Lamont of Lerwick
 Lord Layard
 Lord Livermore
 Lord Sharkey
 Lord Tugendhat
 Lord Turnbull
 Baroness Wheatcroft (until 27 April 2017)

Declarations of interests

Baroness Bowles of Berkhamsted
No relevant interests

Lord Burns
No relevant interests

Lord Darling of Roulanish
Director of Morgan Stanley

Lord Forsyth of Drumlean
Non-executive Director, J & J Denholm Ltd (parent company of Denholm Group which has four divisions: shipping; logistics; seafoods; industrial services)

Baroness Harding of Winscombe
No relevant interests

Lord Hollick
Director, Honeywell Inc.

Lord Kerr of Kinlochard
Member, Standing Council on Europe (advising the Scottish Government on Scotland's relationship with the EU)

Baroness Kingsmill
No relevant interests

Lord Lamont of Lerwick
No relevant interests

Lord Layard
No relevant interests

Lord Livermore
No relevant interests

Lord Sharkey
No relevant interests

Lord Tugendhat
No relevant interests

Lord Turnbull

No relevant interests

Baroness Wheatcroft

Employs a cleaner from the European Union

A full list of Members' interests can be found in the Register of Lords' Interests:
<http://www.parliament.uk/mps-lords-and-offices/standards-and-interests/register-of-lords-interests/>

Specialist Adviser

Professor Carlos Vargas-Silva, Specialist Adviser

Leads a research project funded by the Horizon 2020 (the EU Framework Programme for Research and Innovation)

APPENDIX 2: LIST OF WITNESSES

Evidence is published online at <http://www.parliament.uk/brexit-and-the-labour-market> and available for inspection at the Parliamentary Archives (020 7219 3074).

Evidence received by the Committee is listed below in chronological order of oral evidence session and in alphabetical order. Those witnesses marked with ** gave both oral and written evidence. Those marked with * gave oral evidence and did not submit any written evidence. All other witnesses submitted written evidence only.

Oral evidence in chronological order

**	Professor Robert Rowthorn, Emeritus Professor, Cambridge University	QQ 1–14
**	Professor Jonathan Portes, Professor of Economics and Public Policy and Senior Fellow, UK in a Changing Europe, Kings College London	QQ 1–14
**	Professor Alan Manning, Chair of the Migration Advisory Committee and Professor of Economics, London School of Economics	QQ 1–14
**	Lord Green of Deddington, Chairman, Migration Watch UK	QQ 15–26
*	Stephen Clarke, Research and Policy Analyst, The Resolution Foundation	QQ 15–26
**	Philippe Legrain, Institute of Economic Affairs	QQ 15–26
*	Professor Robert Wright, Professor of Economics, Strathclyde University	QQ 27–32
**	Chris Murray, Research Fellow, Institute for Public Policy Research	QQ 27–32
*	Colin Stanbridge, Chief Executive, London Chamber of Commerce and Industry	QQ 27–32
*	Dr Martin Ruhs, Associate Professor of Political Economy, University of Oxford	QQ 33–38
*	Dr Lucie Cerna, Research Associate, Centre on Migration, Policy and Society, University of Oxford	QQ 33–38
*	Dr Jean-Christophe Dumont, Head of the International Migration Division, Directorate for Employment, Labour and Social Affairs, Organisation for Economic Co-operation and Development (OECD)	QQ 33–38
*	Charlotte Holloway, Policy Director, techUK	QQ 39–44
**	Tim Thomas, Director of Employment and Skills Policy, Engineering Employers' Federation UK	QQ 39–44
*	Tim Martin, Founder and Chairman, JD Wetherspoon plc	QQ 45–50
*	Andrea Wareham, HR Director, Pret A Manger	QQ 45–50

**	Minette Batters, Deputy President, National Farmers' Union	QQ 51–55
**	David Swales, Head of Strategic Insight, Agriculture and Horticulture Development Board	QQ 51–55
**	Chris Cox, Director of Membership Relations, Royal College of Nursing	QQ 56–60
*	Mark Dayan, Policy and Public Affairs Analyst, Nuffield Trust	QQ 56–60
**	Robert Goodwill MP, Minister of State for Immigration, Home Office	QQ 61–72
**	Jon Simmons, Head of Migration and Border Analysis, Home Office	QQ 61–72

Alphabetical list of all witnesses

**	Agriculture and Horticultural Development Board (QQ 51–55)	LMT0006
	British Association of Leisure Parks, Piers and Attractions (BALPPA)	LMT0011
	British Hospitality Association	LMT0008
	British Medical Association	LMT0023
	Cancer Research UK	LMT0004
*	Dr Lucie Cerna, University of Oxford (QQ 33–38)	
	City of London Corporation	LMT0010
**	Engineering Employers' Federation UK (EEF) (QQ 39–44)	LMT0019
	Farming and Rural Issues Group South East	LMT0003
**	Home Office (QQ 61–72)	LMT0035
	Immigration Law Practitioners Association	LMT0031
	Institute of Directors	LMT0012
	Institute for Public Policy Research (QQ 27–32)	LMT0029
*	JD Wetherspoon plc (QQ 45–50)	
*	Philippe Legrain, London School of Economics (QQ 15–26)	
*	London Chamber of Commerce and Industry (QQ 27–32)	
**	London School of Economics (QQ 1–14)	LMT0020
*	Professor Alan Manning, Migration Advisory Committee (QQ 1–14)	
	Migrants' Rights Network	LMT0030
**	Migration Watch UK (QQ 15–26)	LMT0007
**	National Farmers Union (QQ 51–55)	LMT0026

	National Farmers Union Scotland	<u>LMT0017</u>
*	Nuffield Trust (QQ 56–60)	
	Michael O’Connor	<u>LMT0025</u>
	Dr Jane O’Sullivan	<u>LMT0022</u>
	Office for National Statistics	<u>LMT0036</u>
*	Organisation for Economic Co-operation and Development (OECD) (QQ 33–38)	
	Population Matters	<u>LMT0005</u>
*	Pret A Manger (QQ 45–50)	
**	Professor Jonathan Portes, Kings College London (QQ 1–14)	<u>LMT0015</u>
*	Resolution Foundation (QQ 15–26)	
*	Professor Robert Rowthorn, University of Cambridge (QQ 1–14)	
**	Royal College of Nursing (QQ 56–60)	<u>LMT0018</u>
*	Dr Martin Ruhs, University of Oxford (QQ 33–38)	
	Russell Group	<u>LMT0014</u>
	SA Law LLP	<u>LMT0013</u>
	Squire Patton Boggs (UK) LLP	<u>LMT0034</u>
*	techUK (QQ 39–44)	
	Tourism Alliance	<u>LMT0024</u>
	Trades Union Congress (TUC)	<u>LMT0033</u>
	UNISON	<u>LMT0021</u>
	Universities and Colleges Employers Association	<u>LMT0016</u>
	Universities UK	<u>LMT0027</u>
**	University of Cambridge (QQ 1–14)	<u>LMT0001</u>
	West Sussex Growers’ Association	<u>LMT0002</u>
*	Professor Robert Wright, Strathclyde University (QQ 27–32)	

APPENDIX 3: CALL FOR EVIDENCE

The Economic Affairs Committee of the House of Lords, chaired by Lord Hollick, is conducting an inquiry into *Brexit and the Labour Market*.

Background to the inquiry

In December 2016 the Office for National Statistics published figures showing net migration for the year to June 2016 was 335,000. The Government has stated that its ambition is to significantly reduce the level of net migration to the UK. The vote to leave the EU presents the UK with an opportunity to restructure immigration policy.

The Prime Minister has expressed concern about the impact of uncontrolled migration on people on low incomes and stated that the UK should ensure that it can control immigration from Europe. Some sectors view this opportunity anxiously and have stated that continued access to migrant labour is crucial for the success of their businesses and the UK economy. The Committee will examine these competing claims.

Evidence sought

The central question for the Committee is what is the expected impact of Brexit on the UK labour market? The Committee's inquiry will take as its starting point the assumption that net migration will be reduced. The inquiry will consider EU and non-EU migrants.

As well as the central question above, the Committee would welcome written evidence on any or all of the following issues:

1. What level of net migration is necessary for the UK labour market to function effectively?
 - (a) How reliant is the UK labour market on high, medium or low skilled migrant labour? What would be the impact of a reduced ability to source foreign workers on British businesses?
 - (b) Which particular sectors or sub-sectors would be affected by controls on EU migration and further controls on non-EU migration?
2. What would be the impact on wages, in different sectors, of controls on EU migration and further controls on non-EU migration? What evidence is there of the impact on wages of the level of immigration (from EU and non-EU countries) to date?
3. Does the Government have adequate data on the number and characteristics of immigrant workers on which future assumptions and policy can be based?
 - (a) If there are deficiencies in the data what changes are required to improve it?
 - (b) How should the labour market impact of particular restrictions on migration be measured?
4. Is there a case for regional variation in immigration policy?
5. How successful have policies to control the level of migration from non-EU countries been? Are any changes required if these controls are extended to migrants from EU countries?

6. What lessons can the UK draw from the experience of other countries?

The Committee invites interested individuals and organisations to submit evidence to this inquiry. Written evidence does not need to address every question. The questions are not listed in any particular order of importance.

Witnesses are asked to note that the focus of this inquiry is not the rights of EU citizens currently resident in the UK.

The deadline for written evidence is 20 February 2017. The written submissions will guide the Committee's deliberations in oral evidence sessions and inform the Committee's final conclusions and recommendations.

Public hearings will be held in February and March 2017. The Committee aims to report to the House, with recommendations, in early May 2017. The report will receive a response from the Government, and may be debated in the House.

The remit of the Economic Affairs Committee is to consider economic affairs. Information including membership and recent inquiries can be found on this link: <http://www.parliament.uk/business/committees/committees-a-z/lords-select/economic-affairs-committee/>

APPENDIX 4: CURRENT MIGRATION SYSTEM

The UK's current immigration systems

1. Whilst the UK remains a member of the EU, it has two distinct systems governing the rights of migrants to enter and work in the UK.

EEA nationals

2. EEA nationals have the right to enter the UK without entry clearance and to stay for three months without conditions. They have a right to reside for longer than three months if they fit into certain categories, including being employed, self-employed, job-seeking, or a student. Family members of EEA nationals satisfying these criteria are also entitled to reside and work in the UK.¹⁸²

Box 5: Temporary restrictions on EU nationals

The UK has placed temporary restrictions on the rights of certain EU nationals to enter the labour market. These controls were applied to new EU countries for a limited period after they joined the Union:

- 2004: workers from the EU8 countries¹⁸³ were required to register (and pay a £90 fee) within 28 days of starting work in the UK. These limited restrictions were lifted in 2011.¹⁸⁴
- 2007: greater restrictions were applied to workers from Bulgaria and Romania. Access to skilled employment was on broadly similar terms to non-EEA nationals. Unskilled workers were limited to two quota based schemes.¹⁸⁵ These arrangements came to an end on 1 January 2014.
- 2013: Croatian nationals are subject to the same restrictions as workers from outside the EEA.¹⁸⁶ These restrictions remain in force.

Non-EEA nationals

3. Those seeking to migrate from outside the EEA are separated into one of five Tiers depending on their reason for wishing to enter the UK.
 - Tier 1: highly skilled and 'high value' migrants.
 - Tier 2: skilled workers with a job offer in the UK and inter-company transfers.
 - Tier 3: low skilled migration. This tier has never been used having been superseded by low skilled migration largely from Bulgaria and Romania.
 - Tier 4: adult students (over 16) and child students (under 16).
 - Tier 5: temporary and youth migration.

182 Directive 2004/38/EC, 29 April 2004, on the right of citizens of the Union and their family members to move and reside freely within the territory of the Member States (OJ L 158/77, 30 April 2004, pp 77–123) Transposed into UK law by the Immigration (European Economic Area) Regulations 2016 (SI 2016/1052). This Directive consolidates and codifies the rights of EU citizens and their family members to move and reside freely within the EU. Swiss and European Economic Area (EEA) nationals (Iceland, Liechtenstein and Norway) enjoy similar rights due to agreements with the EU.

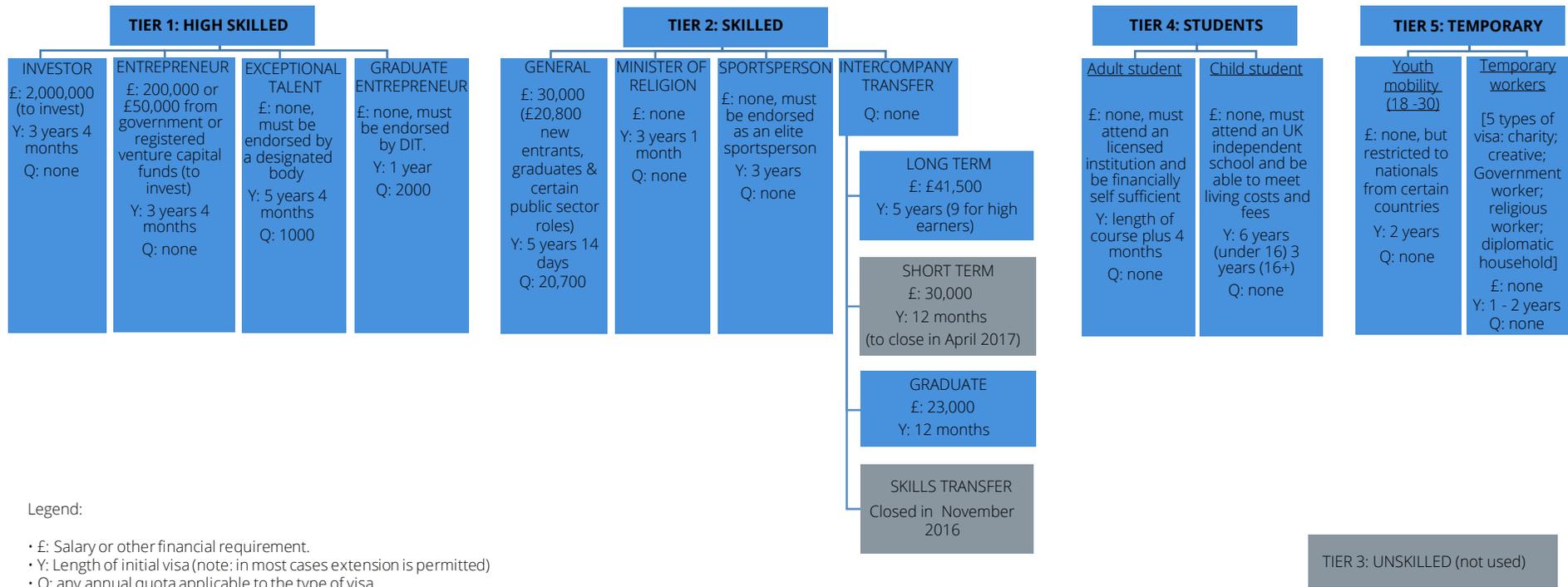
183 Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia joined the EU in 2004. No controls were placed on citizens of Cyprus and Malta who joined at the same time.

184 Home Office, *The Worker Registration Scheme*, <http://webarchive.nationalarchives.gov.uk/20080205132638/ukba.homeoffice.gov.uk/workingintheuk/eea/wrs/> [accessed 12 July 2017]

185 Accession (Immigration and Worker Authorisation) Regulations 2006 (SI 2006/3317)

186 Home Office, *Working in the UK if you are a Croatian national*, 18 March 2016: <https://www.gov.uk/government/publications/guidance-for-croatian-nationals-on-getting-permission-to-work-in-the-uk> [accessed 12 July 2017]

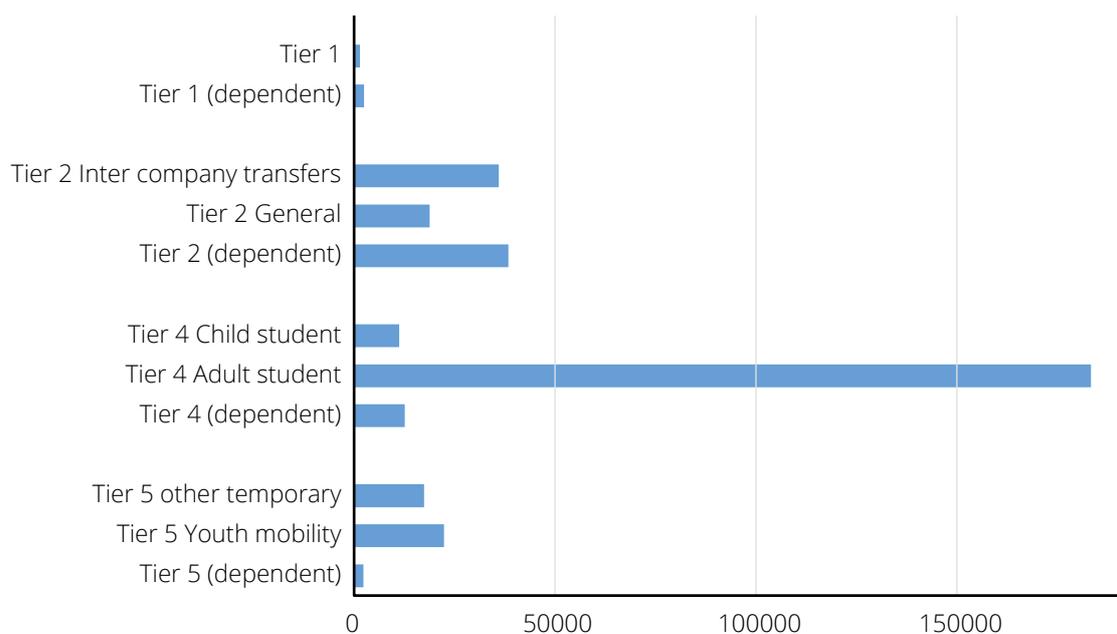
Figure 3: Routes of Entry to the UK for non-EEA nationals¹⁸⁷



187 Sources: HM Government, *Work Visas*: <https://www.gov.uk/browse/visas-immigration/work-visas> [accessed 12 July 2017]; UK Visas and Immigration, *Tier 1 (Exceptional Talent) of the Points Based System: Policy Guidance*, December 2016: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/578003/T1_ET_Guidance_12_2016.pdf [accessed 12 July 2017]; The Sirius Programme, 'Frequently Asked Questions': <http://www.siriusprogramme.com/faqs> [accessed 12 July 2017]; The Home Office, *Tier 4 of the points based system: policy guidance*, February 2017: <https://www.gov.uk/government/publications/guidance-on-application-for-uk-visa-as-tier-4-student> [accessed 12 July 2017]. The length of stay is given is the maximum length that can be granted under the initial visa. Under many visas the migrant may apply to extend their stay.

4. There are a number of different visas available within each tier. The eligibility requirements, permitted length of stay, and the right to bring family differ for each visa type. Figure 3 illustrates some of the basic criteria for each type of visa. The criteria for Tier 2 visas are considered in more detail below.
5. In 2016 the Home Office granted over 347,000 Tier 1 to 5 visas to migrants and their dependents. As illustrated by Figure 4, nearly three quarters of this total were student visas.

Figure 4: Visas granted under each tier, 2016¹⁸⁸



Source: Home Office, *Immigration Statistics: October to December 2016: Entry Clearance Visa data tables*, 23 February 2017: <https://www.gov.uk/government/statistics/immigration-statistics-october-to-december-2016-data-tables> [accessed March 2017]

Tier 2 process and requirements

6. Most non-EEA migrants entering the UK to work do so using a Tier 2 visa. The Tier 2 (General) visa scheme imposes a number of additional requirements on employers seeking to recruit from outside the EEA. They must:
 - (1) Obtain a licence to sponsor migrants and comply with conditions to ensure this licence is maintained.
 - (2) Carry out the resident labour market test by advertising the vacancy in two places for a specified length of time.¹⁸⁹

¹⁸⁸ These figures do not include migrants who enter under one visa and switch to another (such as students applying for a Tier 2 visa to allow them to work when they complete their studies).

¹⁸⁹ Home Office, *Tiers 2 and 5: Guidance for Sponsors*, November 2016: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/600342/Tier_25_guidance.pdf [accessed 12 July 2017]

- (3) Obtain and pay for a Certificate of Sponsorship. The number of certificates that can be issued each month is limited.¹⁹⁰
 - (4) Comply with the relevant occupational code of practice and minimum salary requirements.¹⁹¹
7. Once the employer has obtained the Certificate of Sponsorship, then the migrant makes a visa application.

Box 6: The Shortage Occupation List

The Shortage Occupation List sets out skilled jobs where the Tier 2 visa requirements are relaxed because there is a shortage of resident workers. In particular there is no requirement to undertake a labour market test and some jobs with qualification requirements below degree level are included.¹⁹² Employers are still required to meet the minimum salary and other qualification requirements.¹⁹³

The Migration Advisory Committee decides which occupations are placed on the list by considering: (a) is the job skilled, (b) is it in shortage, and (c) is it sensible to fill those shortages using migrant labour.¹⁹⁴

Current jobs on the list include civil and electrical engineers, radiographers, nurses, secondary school teachers, and children's social workers.¹⁹⁵

Family members

8. Dependents of most migrants on Tier 1–5 visas may apply to join their family members in the UK, subject to demonstrating that there is the necessary level of support available and paying a health surcharge.¹⁹⁶ Family members are permitted to work once in the UK.

190 The annual limit is 20,700. This is split into uneven monthly allocation which can, if not reached, be carried over into the next month. If the limit is reached a points system is used to rank applications with priority being given to shortage occupations, then PhD level jobs. Inter-company transfers and migrants applying from within the UK to 'switch' to a Tier 2 visa from another category do not count towards this monthly limit.

191 The minimum requirements are a graduate degree and a salary of £20,800 for new entrants and £30,000 for experienced workers. For some occupations additional qualifications and a higher salary is required. UK Visas & Immigration, *Codes of Practice for Skilled Workers*, 6 April 2015 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/423732/codes_of_practice_april_2015.pdf. [accessed 12 July 2017] For example the minimum salary for an experienced 'elected officer and representative' is £49,500; for an experienced barrister or judge it is £31,900; and an experienced journalist £25,100. The figures are calculated using the 2014 Annual Survey of Hours and Earnings. ONS, *Annual Survey of Hours and Earnings*, November 2014: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2014-11-19> [accessed 12 July 2017]

192 UK Visas & Immigration, *Tier 2 shortage occupation list*, January 2017: <https://www.gov.uk/government/publications/tier-2-shortage-occupation-list> [accessed 12 July 2017]

193 UK Visas & Immigration, *Codes of Practice for Skilled Workers*.

194 Migration Advisory Committee, *Report: Assessing labour market shortages, a methodology update*, January 2017: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586110/2017_01_26_MAC_report_Assessing_Labour_Market_Shortages.pdf [accessed 12 July 2017]

195 UK Visas & Immigration, *Tier 2 shortage occupation list*, November 2015

196 Dependents are the migrant's husband, wife or civil partner or unmarried partner; children under 18; and children over 18 if they are already in the UK as a dependent. Current the level of support is £630 per dependent (and per annum) <https://www.gov.uk/tier-2-general/family-members> [accessed 12 July 2017]. There is no right to bring dependent attached to Tier 4 (child student) visas or Tier 5 (youth mobility) visas.

9. Non-EEA family members¹⁹⁷ of British citizens or those settled in the UK may apply to join their relatives, subject to financial and English language requirements (currently this is, each year, £18,600 for a spouse/partner; £22,400 for a partner and child; and £2,400 for each additional child).¹⁹⁸ Family members entering the UK on such visas are able to work.

Policy to control migration since 2010

10. In November 2010 the then Home Secretary, Theresa May MP, told Parliament that the Government would reduce net migration by “taking action across all routes of entry” for non-EU migrants.¹⁹⁹ Between 2010 and 2015 the Government narrowed the entry criteria for each type of visa and closed some categories entirely.
- Tier 1: post study visas for international students and ‘general’ visas for highly skilled migrants without a job offer were removed and quotas were introduced in other categories.
 - Tier 2: a quota of 20,700 visa per year was introduced, the visa restricted to graduate level occupations, and salary requirements were raised.
 - Tier 4: international students’ rights to work and bring family were limited and greater rigour was applied to the licensing of sponsoring institutions.
 - Family members: English language requirements and minimum income requirements were introduced for British citizens seeking a visa for their non-EEA spouse/partner to come to the UK.
11. More recently, the Government has raised the salary thresholds in Tier 2; closed the short-term inter-company transfer visa; and introduced a £1000 levy on each Certificate of Sponsorship. These changes came into effect on 6 April 2017.

197 Family members in this context include spouses, civil partners, or fiancés; children under 18; parents of children under 18 who are in the UK; and adult dependent relatives requiring long-term care from the UK family member.

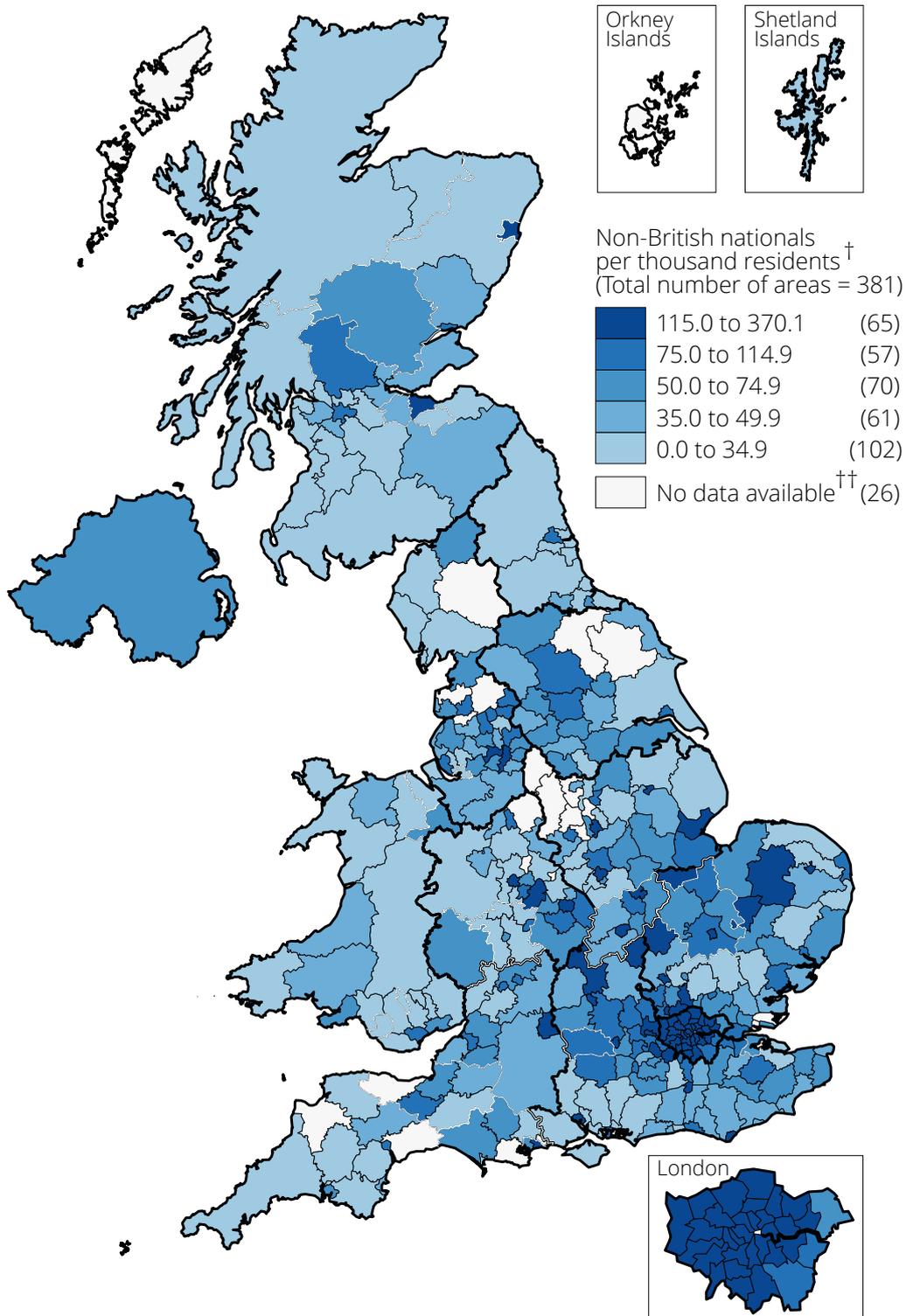
198 Home Office, *Immigration Directorate Instruction Family Migration, Appendix FM, Financial Requirements*, May 2016: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/525708/Appendix_FM_1_7_Financial_Requirement.pdf; [accessed 12 July 2017]

199 HC Deb, 23 November 2010, [col 169](#)

APPENDIX 5: MIGRATION BY LOCAL AUTHORITY AREA

1. Within the UK the local level of migration is varied. London has the highest population of migrants (both those born abroad and foreign nationals). Figure 5 shows the local authorities with the highest proportion of non-British nationals.

Figure 5: Estimates of non-British National per 1,000 resident population by local authority district, 2015



† Data for Northern Ireland are only available at the country level.

†† Data are not available for areas with fewer than 3 non-British Annual Population Survey (APS) contacts in 2015.

2. However, some areas of the UK with a relatively low population of migrants have experienced a significant recent increase in foreign born residents. For example, Boston in Lincolnshire has a total foreign born population of 15.4 per cent, but this population has grown by 467 per cent between 2001 and 2011.²⁰⁰

200 Migration Observatory: 'East Midlands: Census Profile', July 2013: <http://www.migrationobservatory.ox.ac.uk/resources/briefings/east-midlands-census-profile/> [accessed 12 July 2017]

APPENDIX 6: MINUTES OF PROCEEDINGS ON THE REPORT

Tuesday 11 July 2017

Present:

Lord Burns
 Lord Darling of Roulanish
 Lord Forsyth of Drumlean (Chairman)
 Baroness Harding of Winscombe
 Baroness Kingsmill
 Lord Lamont of Lerwick
 Lord Layard
 Lord Livermore
 Lord Sharkey
 Lord Tugendhat

Baroness Wheatcroft attended the meeting at the invitation of the Committee.

The Committee considered the draft Report.

Paragraphs 1 to 125 (now 124) were agreed to, with amendments.

It was moved by Lord Forsyth of Drumlean to leave out the last sentence of paragraph 126 (now 125) and insert:

“Once this information is available students should not be included in any short-term net migration figures for public policy purposes.”

The Committee divided:

Contents

Lord Burns
 Lord Darling of Roulanish
 Lord Forsyth of Drumlean
 Baroness Harding of Winscombe
 Baroness Kingsmill
 Lord Layard
 Lord Livermore
 Lord Sharkey
 Lord Tugendhat

Not-contents

Lord Lamont of Lerwick

The amendment was agreed to accordingly.

Paragraphs 127 to 131 (now 126 to 132) were agreed to.

It was moved by Lord Forsyth of Drumlean to leave out paragraph 132 (now 133) and insert:

“The objective of having migration at sustainable levels is unlikely to be best achieved by the strict use of an annual numerical target for net migration. Instead, such a target runs the risk of causing considerable disruption by failing to allow the UK to respond flexibly to labour market needs and economic conditions, as the Secretary of State for Exiting the European Union has suggested is necessary. The objective of reducing migration to sustainable levels should be implemented flexibly and be

able to take account of labour market needs, in particular during the implementation period.”

The Committee divided:

Contents

Lord Burns
Lord Darling of Roulanish
Lord Forsyth of Drumlean
Baroness Harding of Winscombe
Baroness Kingsmill
Lord Layard
Lord Livermore
Lord Sharkey
Lord Tugendhat

Not-contents

Lord Lamont of Lerwick

The amendment was agreed to accordingly.

The Appendices were agreed to.

The Committee agreed to publish the Report, with amendments.