



EU Immigration, Post-Brexit A Comprehensive Policy

European Union: MW 408



Summary

1. A major benefit of Brexit will be our ability to control migration from the EU, now running at about 160,000 a year (net). The focus should be on preserving access for the highly skilled by means of work permits similar to those now issued to highly skilled non-EU migrants.¹
2. For some occupations that are below the skill level to qualify for a highly skilled work permit, such as plumbers or bricklayers, there may need to be a transitional period to give employers the time needed to train British replacements. This paper recommends how this should be done.
3. In addition, as we have already recommended, the Youth Mobility Scheme could be extended to EU citizens with the additional purpose of promoting cultural exchange (in its broadest sense) with young Europeans (the so-called “Barista Visa”).

Introduction

4. In her Lancaster House speech delivered in January 2017 the Prime Minister Theresa May indicated that when the UK leaves the EU it will also be leaving the Single Market because, as the Prime Minister stated in her speech ‘European leaders have said many times that [Single Market] membership means accepting the “four freedoms” of goods, capital, services and people.’ Mrs May argued that Single Market Membership would ‘to all intents and purposes mean not leaving the EU at all.’²

1 Migration Watch UK, Briefing Paper Number 391, A limit on work permits for skilled EU migrants after Brexit, 21 September 2016, URL: <https://www.migrationwatchuk.org/briefing-paper/391>

2 Prime Minister, Speech on the Government’s negotiating objectives for exiting the EU, January 2017, URL: <https://www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech>

5. The White Paper on Brexit published by the government in February 2017 added further detail on EU migration once the UK departs the EU. It stated that the UK 'will design our immigration system to ensure that we are able to control the numbers of people who come here from the EU. In future, therefore, the Free Movement Directive will no longer apply and the migration of EU nationals will be subject to UK law.'³

6. The Prime Minister has also been clear that there may be a need for 'a phased process of implementation' to ensure that businesses have sufficient time to plan and adapt to future arrangements.⁴

7. The response from business lobby groups and umbrella organisations since the vote to leave the European Union has been to warn the government of its continued need for further inflows of workers from the EU. Representations have been made by various organisations including the Institute of Directors, which has suggested that there should be 'some limits on free movement'⁵ and the Federation of Small Business which has suggested a system of work permits for all EU workers offered a job regardless of skill level or pay.⁶ The National Farmers Union has argued for the reintroduction of the Seasonal Agricultural Workers Scheme.⁷ The British Hospitality Association has argued in favour of a ten year transitional period (suggesting a lack of planning for the training of workers within the hospitality industry) and also claimed that they will require at least 60,000 additional EU workers a year.⁸ It has also been argued that it will be difficult to increase the number of British workers employed in various sectors, a claim put forward by both the British Hospitality Association and representatives of the meat processing sector.⁹

The evidence

8. It is important to understand that the evidence indicates that the population of EU workers in the UK is a relatively settled one. Our analysis of the Labour Force Survey shows that workers from the East European (EU10) nations who have arrived since 2008 are largely still present and thus appear to have settled in the UK. As for those from the EU14 the picture is slightly different with the numbers from each arrival year diminishing over time (this is likely to be due to the higher proportion of students in this group). This clearly points to the conclusion that *a continued significant inflow is not required in order to maintain the current stock of EU workers resident in the UK.*

3 Department for Exiting the European Union, The United Kingdom's exit from and, and new partnership with, the European Union, February 2017, URL: <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#controlling-immigration>

4 Prime Minister, Speech on the Government's negotiating objectives for exiting the EU.

5 <https://www.iod.com/Portals/0/PDFs/Campaigns%20and%20Reports/Europe%20and%20trade/Immigration-Report-2016.pdf>

6 Federation of Small Business, A Skillful Exit – What small firms want from Brexit, April 2017, URL: <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/brexit-labour-and-skills---scottish-doc.pdf?sfvrsn=0>

7 National Farmers Union, Farming's Offer to Britain, How farming can deliver for the country post-Brexit, 2017, URL: <http://www.nfuonline.com/assets/80290> and NFU evidence to the House of Lords EU Home Affairs Sub Committee, December 2016, URL: <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/eu-home-affairs-subcommittee/brexit-ukeu-movement-of-people/oral/45054.pdf>

8 British Hospitality Association/KPMG, Labour Migration in the Hospitality Sector, March 2017, URL: <http://dip9shwvohtcn.cloudfront.net/wordpress/wp-content/uploads/2017/03/BHA-KPMG-Labour-migration-in-the-hospitality-sector-report.pdf>

9 Ibid, and private correspondence.

9. Further, those lobbying for continued high net migration from the EU overlook the significant implications for population growth and the impact on already overstretched public services, housing stock and other infrastructure.

10. It is also worth highlighting that in the ten years prior to 2004 net migration from the EU averaged 15,000 a year. However in the ten years following the accession of eight East European countries it averaged 90,000 a year. Businesses have become accustomed to a steady flow of workers from the EU who are willing to work for low wages, providing little incentive to raise productivity, train up the domestic workforce or improve terms and conditions for less popular but much-needed roles.

Migration Watch UK Proposals

11. It is clear that EU migration must be reduced. Around 70% of EU migrants to the UK come to work or seek work. Our analysis demonstrates that, of the 1.25 million workers who have arrived from the EU since 2006, 78% are currently working in jobs at lower skills level than would qualify for a Tier 2 work permit for a non-EU national. This suggests that tackling such lower skilled migration should be the priority for a policy designed to reduce immigration.

12. Such a policy also makes sound economic sense. Highly skilled workers earn much higher wages and make a positive contribution to the UK exchequer. There is, however, very little evidence that migration for low skilled work is of economic benefit. The MAC concluded in 2016 that 'Low skilled migrants have a neutral impact on UK-born employment rates, fiscal contribution, GDP per head and productivity.'¹⁰ Official statistics for 2013/14 show that the average Eastern European taxpayer paid only half as much income tax as the average for all taxpayers and that the government paid more than £4bn in working-age benefits (tax credits, housing benefit etc) to EEA-national led claims.¹¹

13. Accordingly, we have already proposed the following immigration system to govern EU migration to the UK:

- The principles of the existing Tier 2 (General) system should be extended to highly skilled workers from the European Union. This would allow businesses to sponsor EU migrants offered a graduate level job (RQF Level 6) paying a minimum of £30,000 per annum (£20,800 for new entrants). We do not believe that there is a need for a cap but businesses should have to complete a Resident Labour Market Test before sponsoring a worker. Analysis of the Labour Force suggests that around 25-30,000 work permits would be needed per year, allowing for some expansion.
- The principles of the Tier 5 (Youth Mobility Scheme), designed to allow for cultural exchange, should be extended to young people from EU member states. The scheme would allow those aged 18-30 to come to the UK for a period of two years, during which they would be allowed to work. The scheme would not be open to those with dependent children (as is currently the case for those entering on the Youth Mobility Scheme) and there would be no right to extend beyond two years, nor access to benefits. This has been referred to in some quarters as the 'Barista Visa'.

10 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/547697/MAC_report_immigration_and_the_labour_market.pdf

11 HMRC, Further Statistics on Tax Contribution of EEA Nationals for 2013 to 2014, August 2016, URL: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/548156/HMRC_-_Ad_Hoc_Stats_Release_-_further_TC_statistics_on_EEA_Nationals_JULY_-_FINAL_23rd_August_2016.pdf

- Consideration should also be given to the need for a Seasonal Agricultural Workers Scheme based on the New Zealand example.

A visa for lower skill levels where there is a shortage

14. We also recognise that in the immediate aftermath of the UK's exit from the EU, likely in March 2019, there may be a need to allow for the entry of EU nationals to fill jobs that are not skilled to RQF Level 6 (and therefore would not qualify for a Tier 2 style work permit) and cannot be filled by a local worker or an EU migrant on a Youth Mobility Visa. These include workers with specialist skills in short supply which might include for example certain electricians, bricklayers and plumbers. This is in keeping with the government's intention to have an implementation period following Britain's exit.

15. We recommend that a new and temporary route be opened up to cover EU nationals. The principles of this proposed visa, an 'EU Skills Shortage Visa', would be as follows:

- The visa should be issued for a period of one year, and extendable for an additional year to a maximum of three years. This would encourage employers to begin training domestic workers to fill roles for which there is no available worker.
- The Migration Advisory Committee should decide which sectors/occupations are eligible.
- Employers would have to fulfil the Resident Labour Market Test by showing evidence of genuine attempts to recruit in the UK.
- A levy should be attached to the visa, paid by the employer, and similar to the Immigration Skills Charge currently paid by employers bringing a non-EU worker into the UK under Tier 2 (General). The levy should be paid in each year, and should increase incrementally every year. Its purpose would be to make it cheaper to train a domestic worker than to fill the vacancy with an EU national and would thus encourage employers to begin training.
- The route should be open only temporarily.
- Workers on this route should not be allowed to switch into another visa category and should not be able to settle.
- There should be no access to in-work benefits, tax credits or housing benefit.
- There may be a need for a cap but detailed analysis of the Labour Force would need to be undertaken so as to judge the level at which the cap should be set.

16. The Migration Advisory Committee are already responsible for determining where there are skills shortages in the labour market. Occupations that are below RQF Level 6 could be opened up in the first instance to EU nationals on the EU Skills Shortage Visa. If the shortage persisted they could then be placed on the Shortage Occupation List and therefore open to non-EU nationals under Tier 2 (General). This would prevent this temporary visa from overlapping from the outset with the existing system for non-EU workers. It should be noted, however, that by the time that the UK leaves the EU, businesses and other employers will have had over two and a half years to adjust to the prospect of the cessation of losing easy and unrestricted access to cheap labour from abroad.

17. Training of workers has fallen very significantly in recent years and it is important that this trend is reversed. Baroness Woolf found that the number of employees attending training outside of the workplace fell from over 140,000 in 2000 to less than 20,000 in 2014¹² (more recently there has been improvement in some areas – the number of people starting apprenticeships has risen by over a third since 2010 from just under 300,000 a year to almost 450,000.¹³)

18. There needs to be a shift in the balance of advantage to employers in importing workers from abroad as well as creating new and better opportunities for British workers through investment in training. It will also be important to offer improved terms and conditions which include flexibility of hours as much as pay and, when creating new jobs, looking to those parts of the country where the potential workforce is least utilised. Our proposals are designed to encourage such changes.

11th May 2017

12 Alison Woolf, Fixing a Broken Training System: The case for an apprenticeship levy, Social Market Foundation, July 2015, URL: <http://www.smf.co.uk/wp-content/uploads/2015/07/Social-Market-Foundation-Publication-Alison-Wolf-Fixing-A-Broken-Training-System-The-Case-For-An-Apprenticeship-Levy.pdf>

13 *Ibid.*