



Brexit: beyond the highly skilled – the needs of other economic stakeholders

All-Party Parliamentary Group on Migration
September 2017

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About the All-Party Parliamentary Group on Migration

The All-Party Parliamentary Group on Migration brings together Parliamentarians from all political parties with an interest in migration. The group's mission is to provide a continued opportunity for evidence-based political debate about the challenges and opportunities relating to contemporary migration flows in the UK. The APPG on Migration is co-chaired by Kate Green MP and Lord Robin Teverson.

Secretariat support is provided to the All-Party Parliamentary Group by Migrants' Rights Network.

The inquiry

This inquiry was carried out by a panel of APPG on Migration members and Migrants' Rights Network, who provide the secretariat. Oral evidence sessions were led by Kate Green MP (Co-Chair), Lord Robin Teverson (Co-Chair) and Baroness Sally Hamwee (Vice-Chair).

Acknowledgments

The panel would like to thank all those who submitted evidence to the inquiry. The panel would particularly like to thank those who gave oral evidence to the inquiry and who gave up their time to meet with panel members during the trips to Manchester.

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Foreword

In February this year, when we launched the APPG inquiry into the impact and effects that leaving the European Union, and in particular its Single Market, would have on Small and Medium Sized Businesses (SMEs) and the public sector in the UK, we did not predict the cloud of uncertainty that would still exist when we concluded our work. Despite it being well over a year since the vote to leave the EU, there is little clarity on what to expect once we have departed. This is not only the case for legislation governing SMEs and the public sector, it is the same for EU citizens that have become the backbone for many of these sectors.

In our work we purposefully encouraged evidence from those sectors that were less able to have their voices heard within the debate. When SMEs were approached in the past to determine the impact of Brexit (and future potential impact), they have highlighted their anxiety, but have found it hard to articulate what they wanted out of the process. At the time they felt that there was no way to have a concerted voice for themselves.

The lack of engagement of the Government with the public sector has been equally important. Although there has been much political noise about the immediate impact on the NHS and the care sector, there has been scant consideration of the post-Brexit consequences. With some 90,000 live vacancies in the social care sector in England on any given day, it is vital to understand the impact on what are already underappreciated, and stretched sectors. A situation which is already critical will prove to be even more damaging for smaller companies and organisations in these sectors post-Brexit if they do not have full access to a labour force that has both the skills – soft or hard – and the desire to fulfil those roles.

It was through the oral and written evidence sessions that we discovered the unfairness of labelling certain roles as ‘low-skilled’. This does not reflect the skills and qualities that are needed, for example, to care for someone in their home - training, dedication and most importantly compassion. Calling certain roles ‘low-skilled’ creates an ‘image’ problem for those sectors – in turn making recruitment more difficult and contributing to the vacancy shortfall.

With the Government’s insistence on greatly reducing net migration, as the driver for much of the current immigration rules, we must ensure that any future system is not driven by numbers but by what our economic, social and cultural needs are. It is encouraging to see the Migration Advisory Committee being tasked to understand the needs for an EEA labour workforce. However, we would urge there to be a real consideration of the needs for all sectors, not just those with the loudest voice, and to truly understand the regional and sectoral differences.

Having access to an EU/EEA labour workforce has addressed the shortcomings of the current points based system, so it is paramount that any future system is not just an extension of the old. Any system we introduce, needs flexibility, simplicity and to be unbureaucratic, so it does not deter certain sectors from reaching out beyond our borders when they need to.

As the Government continues to negotiate the status of EU/ EEA nationals already residing in the UK, we must remember the major contribution they have already made to the economic and social fabric of the UK, and offer recognition of this by treating them fairly and with respect during this process. To lose this in any form would prove detrimental to the UK, and its future relationship with EU countries.

While we negotiate our terms during Brexit, we urge the Government to consider our recommendations, and heed the evidence we have gathered, to fully comprehend the situation for these sectors, and our solutions to achieve a system that caters for all.

Finally, we want to thank you to all those that provided evidence for this inquiry either written or orally, and to thank those that offered us support and guidance.

Kate Green MP - Co-Chair of the APPG on Migration
Lord Robin Teverson - Co-Chair of the APPG on Migration

Executive Summary

The EU referendum on 23 June 2016, resulted in 51.9% of voters voting in favour of leaving the European Union. The vote triggered the arduous political and legal process for the UK to withdraw from the European Union. The indication from the Government that this would entail leaving the single market, and as a consequence restrict migration from the EU/EEA member states and Switzerland, left many businesses with a precarious and uncertain future. The government's proposed 'settled status' for EU/EEA nationals gave some reassurance to employers but the lack of clarity about post-Brexit immigration arrangements for EU nationals continues to cause concerns for companies who rely on access to talent from outside the UK to fill key roles.¹

In February 2017, the All-Parliamentary Party Group on Migration launched an inquiry into the experience and concerns of small and medium-sized enterprises (SMEs) and public sector organisations in the area of migration, as the UK seeks to withdraw from the European Union and the Single Market. This report is the culmination of that inquiry.

While our focus in the inquiry has been on the needs of SME's and public sector the findings will be of relevance to employers of all sizes in the UK.

Key findings

Available data suggests that in 2016 the UK labour market was comprised of 11% non-UK national workers with 7% of these being EU/EEA nationals (approximately 2.2 million workers²). At the last general election in June 2017 the government made clear that, following the UK's exit from the European Union, it will seek to restrict migration from the EU as part of the government's continued commitment to the objective of reducing net migration to 'tens of thousands'.

During this inquiry, the APPG heard from those operating in or supporting small and medium-size businesses in the retail, hospitality, manufacturing and social care sectors – sectors that employ high proportions of EU/EEA nationals – of significant concerns about a potential reduction in their ability to recruit workers from the EU/EEA post Brexit.

In the course of the inquiry it became clear that the needs of several economic migration stakeholders were more accurately articulated outside the dichotomy between highly skilled and low-skilled migrants that informs much of the current economic migration discussion and policy. In fact, the APPG heard from several of the stakeholders of their frustration that many of their employees are being labelled as 'low-skilled' despite skills and/or qualifications being required for the role. This labelling poses two problems. Firstly, it prevents recruitment from outside the EU/EEA, as many of the roles fall on the wrong side of the 2011 government's definition of 'high-skilled work'³. Secondly, the labelling contributes to an image problem in many sectors, making recruitment from the domestic workforce more difficult as the jobs are perceived as unattractive or underpaid.

¹ It's important to note that the inquiry took place during the period of February – April 2017. Any evidence submitted was based on the information about post-Brexit UK-EU relations available to the stakeholders at that time.

² Source: Office for National Statistics (ONS): *International immigration and the labour market*, 12 April 2017.

³ In April 2011, following a Migration Advisory Committee consultation, the Government altered Tier 2 of the Points Based System so as to exclude jobs below 'graduate-level'. The skills level of any given role was assessed using a range of factors, including median salaries and the proportion of workers that had formal qualifications. As a result of this change, many jobs now fell on the 'wrong' side of the line and were no longer considered 'skilled.'

The APPG were informed that there is heavy reliance on EU/EEA nationals to fill what is commonly referred to as 'low skilled' roles, in many cases resulting in EU/EEA nationals making up over 50% of the workforce in certain sectors. There were three main reasons for this. Firstly, the current immigration points based system is too complex and expensive for SMEs and public sector organisations to recruit and employ non-EU workers. Secondly, there is a shortage of domestic workforce willing to fill these roles, due to lower wages, the tough conditions or the perceived unattractiveness of this kind of jobs. **And finally, many EU nationals were more willing to be employed in these roles, more flexible with hours and willing to move around the UK to secure employment.**

There is therefore widespread worry that ending EU free movement will exacerbate an acute labour shortage in many of the sectors we spoke to, who have become reliant on EU/EEA workers.

EU free movement has been an important safety valve for UK employers, especially SMEs, to fill vacancies at all skill levels and across geographies.

Not only access to a large pool of non-EU workers but also the flexibility for both workers and employers were quoted as key; workers are able to move where the work is and also between lower skilled work and higher skilled work as they progressively acquire experience and knowledge about the UK labour market.

Stakeholders cautioned against introducing a Points Based System for EU/EEA migrants similar to the one regulating non-EEA migration to the UK, raising concerns that it would limit not only the number of workers but also the flexibility many sectors need. There were instead calls for transitional regulations to be put in place to allow business to prepare for potentially new regulations while a clearer analysis of EEA participation in the UK workplace is completed. The APPG also heard suggestions for changes to the current PBS to simplify the system and allow a broader skills base of applicants.

Training and upskilling of the domestic workforce through a government backed apprenticeship system is seen as a potential solution in the long term but would need additional encouragement and fine tuning to address sector and geography specific needs. The Apprenticeship Levy introduced by the government in April 2017 was seen in some sectors as a top down approach that in practice does not respond adequately to the needs of individual organisations, sectors and regional economies both in terms of the variation in skill requirements and costs of the training. In some cases the Levy has made it more difficult for SMEs to take on apprentices. Small businesses find that apprenticeships training providers and colleges are primarily serving the needs of Levy payers while larger organisations find that the current restrictions make it difficult for them to spend the levy funds they contribute to.

Some of the stakeholders support the idea of a regional or sectoral visa scheme. Other insights however suggest that such a system would be problematic as it would place a huge legal and administrative burden on employers who would have to invest in systems and the human resources to enforce it. There are also concerns that a regional visa system might favour some regions over others and work as an incentive for businesses to relocate to a region with the best immigration quota.

The Inquiry also heard that the lack of certainty and the depreciation of the sterling had contributed to many EU/EEA nationals and businesses planning to leave the UK. It should be noted that this evidence was taken before the government announced its plan to offer 'settled status'. This should be followed up to determine if the announcement on EU citizen rights has had any impact on EU/EEA net migration, and more generally, how the tone and messaging of the government impacts on the attractiveness of the UK for EU workers.

Recommendations

- The government should be developing a top-down and a bottom-up view of the level of EU migration needed for the UK economy in the next 5 years with respect to high-skilled, mid-skilled and low-skilled work. A bottom-up approach should include extensive consultation with local economic migration stakeholders as well as analysis of local circumstances and the expectations from work of the local and migrant workforce. In this context, the APPG welcomes the Government's recent announcement of a Migration Advisory Committee study of the impacts on the United Kingdom labour market of the UK's exit from the European Union. We hope that the review will cover both top-down and bottom-up views.
- The current shortage occupation list reflects skills shortages in an economy that has unhindered access to labour from the EU. The government should review, and where appropriate, expand the UK shortage occupation list to more accurately reflect the scarcity of certain skillsets post-Brexit.
- Given the labour shortage, the government should conduct a review of the reasons that are preventing the settled workforce from taking up roles in certain sectors, and commit to undertaking a positive public relations exercise around industry sector roles that are considered, often wrongly, as 'low-skilled', such as roles in the hospitality, food, retail and social care sectors.
- Apprenticeships should be encouraged as a tool for training and upskilling the domestic workforce. Apprenticeships should be encouraged and provided for a variety of age groups, including for people who might be interested in switching to other industries.
- Where there are acute labour shortages, the government should consider a sectoral visa scheme or adaptation of the shortage occupation list, for example, in social care or agriculture.
- Given how vital the continued access to workforce from outside the UK is, the government should conduct an in-depth review of the Points Based System. Any proposals to extend the PBS to apply to EU migration post-Brexit should be carefully assessed to take into account the needs of the UK economy, particularly a large degree of flexibility, as well as incentives of current and potential migrant workers.
- The UK government must clarify its proposals for post-Brexit EU migration in order to provide reassurance to EU nationals and their families as well as businesses and prospective employers.
- Any transition period should allow businesses and employers the opportunity to 'phase in' the change, in particular, the ability to retain access to migrant labour in the medium term.
- Any proposals for a regional visa should be widely consulted on across the UK, made simple, non-bureaucratic and be designed to address local fluctuations in salary or vacancy needs.

1. Introduction

In February 2017, The All-Party Parliamentary Group on Migration launched an inquiry into the economic migration needs of small and medium sized businesses (SMEs) and the public sector in light of the UK's plan to withdraw from the European Union and the Single Market. This report is the culmination of the inquiry.

Speaking at the launch of the Inquiry Kate Green MP, co-chair of the APPG on Migration said:

"This is an unprecedented time for the UK as it seeks to leave the European Union, something it has been part of for so long. This is a decision that will affect millions in the UK, including small business and public sector organisations who employ thousands of economic migrants across the UK. This is a precarious time, not just for employers, but migrants, who – despite contributing to the economic fabric of this country – now find their future in the UK in the balance. As a result, the APPG has decided to launch an inquiry on the consequences of leaving the single market on these sectors."

1.1 Inquiry Terms of Reference

- Explain to what extent your organisation and sector is reliant on EU/EEA nationals who fill roles that would not qualify for a skilled visa.
- Describe any benefits gained from having access to these workers, and the impact a reduction in access to these workers would have to your organisation and sector.
- In respect to access to talent in your sector, describe the factors that the UK government should consider in its decision on immigration restrictions on EU/EEA national workers post-Brexit.
- Describe your existing use of talent from outside the EU/EEA, and your experience with the immigration requirements for non-EU/EEA nationals.
- In respect to any roles you have previously filled with EU/EEA nationals that would not qualify for a skilled visa, should these restrictions apply after Brexit, comment on how the Government should accommodate the need to fill these so called 'low skilled' roles.
- Describe what the Government needs to do to encourage the development of relevant skills and experience within the settled (British citizens and foreign nationals with an unrestricted right to work in the UK) workforce, and comment on the expected length of time necessary for these actions to benefit your organisation or sector.
- If the UK considers a regional and geographical immigration policy, describe what you would need from such a policy to support your sector?

1.2 Inquiry evidence

The APPG has received written and oral evidence from stakeholders, including representatives from the social care, business, legal, manufacturing, trade unions, NGOs, and food production sectors.

Written submissions were received from 18 organisations between February and April 2017 including: Bail for Immigration Detainees (BiD), BlueBird Care, CIPD, Common Age, Coventry Refugee and Migrant Centre, Creative Industries Federation, EEF – The Manufacturers Association, Ernst & Young (EY), Global Future, Home of Comfort for Invalids, Immigration Law Practitioners Association (ILPA), Island Healthcare, London Chamber of Commerce and Industry, Manor Care Home, Roma Support Group (with support from National Roma Network), Skills for Care, Squire Patton Boggs, Trade Union Congress (TUC).

During March and April 2017, the APPG also conducted three oral evidence sessions, where some of those who had submitted written evidence were invited to give further evidence. Of these three sessions, two were held in London and one in Manchester, where the APPG heard from 9 stakeholders. At the London sessions, the APPG heard from the social care, public policy, business and commerce and manufacturing sectors, In the Manchester session the APPG heard from the construction and immigration legal sector.

The written and oral evidence sessions part of the inquiry was completed in April 2017. The unexpected General Election paused the work for the duration of the election, adhering to parliamentary rules. The APPG was able to continue with this inquiry once parliament had reconvened in June and the writing of the report has coincided with the start of official EU exit talks between the UK and the EU on 19 June.

A series of recommendations have been set out in this report to inform the debate as the UK continues to negotiate terms for leaving the European Union the first phase of talks is expected to be completed between October and December.

1.3 Definitions

The below terms are regularly used throughout this report with acronyms being used in most cases:

- **EU/EEA national:** In this report, the term EU/EEA national is used to denote all nationals of a country in the European Economic Area (the European Union member states plus Iceland, Liechtenstein and Norway) and Switzerland.
- **Points Based System (PBS):** is the means of regulating immigration to the United Kingdom from outside the European Economic Area (EEA) and Switzerland. The scheme was phased in between 2008 and 2010.
- **Small Medium Enterprises (SMEs):** the usual definition of small and medium sized enterprises (SMEs) is any business with fewer than 250 employees.
- **Low skilled roles:** No single definition of low-skilled roles exists. For the purposes of this report, it is perhaps more useful to think of 'low-skilled' roles as being roles that would not qualify for a Tier 2 visa under the current immigration rules, e.g. roles that have been determined to be skilled below NQF level 6 and receive a salary of less than £30,000 per annum. Should the current rules be extended to cover EEA nationals, it would be employers seeking to fill these roles that could face great difficulty in doing so should it not be possible to locate the relevant skills from the resident workforce.
- **Brexit:** The common term for the potential or hypothetical departure of the United Kingdom from the European Union.

2. Background

The Office for National Statistics estimate that in 2016 non-EU and EU nationals combined made up 11% of the UK labour market. Of these, 7% are EU nationals.

Economic migration to the UK from outside the EEA is regulated by a points based system introduced in 2008 by the Labour government. It was based on the Australian system and replaced a cumbersome visa scheme consisting of over 80 different work permits and entry schemes.

The Points Based System (PBS) classifies prospective migrants under five 'tiers'. Four of the five tiers are currently in force. The suspended Tier 3 was designed as a route for low-skilled migrants to work in the UK but has never applied as the government estimated that there is no need for low-skilled migration from outside the EU/EEA in part because these roles have been filled from within the EU.

Current tier categories include:

Tier 1: high-value (possessed of exceptional talent, highly skilled, high-net-worth investor, graduate entrepreneur)

Tier 2: skilled workers (jobs that cannot be fulfilled by a UK or EEA worker, intra-company transfers, ministers of religion or sportspersons) – capped at 20,700 a year unless the immigrant earns more than £159,600

Tier 4: student (in primary, secondary, or tertiary education)

Tier 5: temporary migrants

Each tier offers its own allocation of points for specific 'attributes' such as English language skills, financial autonomy, sponsorship and previous experience.⁴

In practice, the PBS is bureaucratic, time-consuming and costly to individuals and employers, particularly smaller organisations that don't have the personnel, financial resource and expertise to navigate it. Considering that 86% of London businesses employ less than 10 people, many prospective employers in the capital are prevented from going through the process, leaving many vacancies unfilled.

For a Tier 2 (General) application applied for from outside the UK, based on three dependent family members, the costs would amount to:

Three-year visa

Certificate of Sponsorship:	£199
Visa:	£587 (x4)
Immigration Health Surcharge:	£600 (x4)
Immigration Skills Charge:	£3,000
Total:	£7,947

Five-year visa

Certificate of Sponsorship:	£199
Visa:	£1,174 (x4)
Immigration Health Surcharge:	£1,000 (x4)
Immigration Skills Charge:	£5,000
Total:	£13,895

⁴ For more details about each Tier, see Home Office guidance on Immigration Rules: <https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-a-attributes>

If you're familiar with the points-based system, you might understand that Tier 2 of the points-based system is incredibly complex, time-consuming, and, therefore, costly. Lots of employers – most employers – struggle to deal with that without external help, whether that's specialist in-house migration specialists, or external lawyers or other representatives, which seems... I don't think that was the government's intention, but it is an incredibly complex system. The guidance runs to 195 pages. Within that guidance there are lots of references to further documents, and we've yet to come across a small business that can manage that on their, own.

Annabel Mace, Squire Patton Boggs

EU free movement

At the time of writing, there are no immediate changes to the rights of EU/EEA nationals to live and work in the UK. This is unlikely to change until the estimated two-year process of withdrawing from the EU has been completed. There are however indications that a framework based on the Points Based System might inform post-Brexit immigration policy.

Whilst there is a degree of uncertainty regarding future developments, the current negotiations suggest that transitional arrangements will be implemented. This includes the possibility for EU nationals residing in the UK to either apply for 'settled status' if they have lived in the UK continuously for five years or temporary permission to stay until they have achieved the 5-year threshold required for 'settled status'⁵.

⁵ Home Office guidance: 'Status of EU citizens in the UK: what you need to know' <https://www.gov.uk/guidance/status-of-eu-nationals-in-the-uk-what-you-need-to-know#our-offer-for-eu-citizens-in-the-uk>

3. Findings

3.1 The myths about low-skilled roles

In April 2011, following a Migration Advisory Committee consultation, the Government altered Tier 2 of the Points Based System to exclude jobs below 'graduate-level'. The skills level of any given role was assessed using a range of factors, including median salaries and the proportion of workers that had formal qualifications. As a result of this change, many roles now fell on the 'wrong' side of the line and were no longer considered 'skilled.' This meant that non-European workers were no longer able to fill these roles and, as a result, the pool of workers from which some sectors such as the hospitality and social care sectors could fill these roles was significantly reduced. With these skills and expertise still in short supply in the British workforce, these sectors became ever more reliant on EU/EEA workers.

'At present, occupations classified at NVQ level 2, 3 and 4 (over 150 occupations in number) cannot qualify for a Tier 2 sponsored permit, regardless of how high the salary. They include dental technicians, health and safety officers and air traffic controllers. Very restrictive exceptions apply to level 3 and 4 positions (such as, for level 4 roles, the job appearing in the shortage occupation list or the applicant being a Croatian national).

It is highly unlikely that all these positions can be filled immediately from the UK workforce after the UK leaves the single market given the education and training which has to occur before the majority of these the positions can be taken up. As the current Points Based System (PBS) does not allow for migrant labour to perform these roles, changes need to occur to the PBS after the Brexit date to allow vacancies at all levels – whatever the NVQ specification – to be filled.'

Margaret Burton, EY

Many of the stakeholders revealed their frustration about the types of roles that were classified by the government as low-skilled. Many said this created an environment in which employees felt undervalued in their roles, especially in instances where many of the roles in fact required specialised skills. Representatives of the social care sector were particularly vocal on the consequences of this misperception. There was a shared sense of frustration that many specialist workers – for example, those who care for people with dementia – are labeled as 'low-skilled'.

Care work is very skilled, and we aim to train all our care assistants to at least Level 3 Diploma standard, as well as providing specialist training to anyone working with customers with dementia, Parkinson's, or at the end of their lives. However, the immigration system does not recognise these essential skills, and treats care workers as unskilled labour. This is an insult to them.

Gillian Manning, Blue Bird Care

Social care representatives told the APPG that false labelling of skills had created an image problem that existed in a sector that was already facing a significant labour shortage. Research conducted by Skills for Care, the leadership and workforce development organisation for Adult Social Care in England, showed that, on any one day, there are 90,000 live vacancies across the sector in England. With EU nationals currently making up 7% (90,000 jobs) of the workforce in the sector, there are grave concerns that EU workers leaving would 'further exacerbate an existing, very significant challenge⁶.

3.2 Labour shortage and the domestic workforce

Stakeholders from various sectors spoke of the difficulty of recruiting British workers, who are perceived to be less willing to do the work in these professions. Even younger people who had completed college and seemed attracted to industries such as construction would often leave, stating they found the work too physical or tiring. In contrast, EU workers seem much more willing to do these jobs, often demonstrating a flexibility with hours and

⁶ More details can be found in the Skills for Care report 'The state of the adult social care sector and workforce in England, 2016', 2017

willingness to move to different geographical locations across the UK for work. This has led to many employers being heavily reliant on EU nationals to fill roles the local population were not willing to take.

One of the clients we spoke to yesterday said they recruited 53 people recently, of which 11 were UK nationals and 42 EEA nationals. Of the 11 UK nationals, 8 left on their first day, saying the work was not for them, as it was too repetitive and the environment was too cold. All 42 EEA migrants are still here. That's very representative of the clients we've spoken to. There are lots of similarities between hospitality, food processing, and manufacturing of consumer products. We find there's a sort of continuous trend...The prime example in our submission is a larger food-processing business with a small site in East Anglia. In that site, approximately 80% of their employees are EU nationals, and they find it incredibly difficult to recruit UK nationals, because the UK nationals say that the conditions are not attractive. It's hard work; it's physically hard work, it's cold. They have three times the turnover in staff for UK nationals compared to EEA nationals.

Annabelle Mace, Squire Patton Boggs

Representatives also told the APPG of the problems of convincing British staff to consider doing more hours. Those who wanted to do more were afraid of losing existing benefits, such as housing, if they worked over the 20-hour threshold. The social care sector's inability to pay higher wages, and the threat of losing benefits by working increased hours, has acted as a disincentive for many British workers.

I have some very good UK staff as well. I'm not disputing that I have good UK staff, but perhaps they are single parents and they're almost in a trap. They can only work 20 hours a week. If they exceed that, then it affects what housing they're entitled to, etc, so we're up against the system. Some of those staff that I have, personally, for me, they would love to do a 36-hour week, but they simply cannot do that because there's no incentive. They will be financially worse off. Now, I don't know what the answer to that is, but I'm just giving you a grassroots feel of what is more important.

Matt-Manning-Smith, Manor Care Home

Other factors that preclude local workers from taking jobs in the social care sector were the low wages offered to employees. A small care home provider told the APPG that he was unable to pay higher than the minimum wage, meaning that he would be vulnerable to losing staff to a bigger business who were in a position to pay more. This is often down to the fees being paid to providers meaning they were not able to pay higher wages and attract the staff they needed.

Obviously, contributing factors are the low wages that we offer, particularly compared to supermarkets. There's a big new supermarket about to open up a mile away from most of our care homes, and it's terrifying people because they pay £10 an hour...I think every single Social Care provider in the country would want to pay their staff more than the minimum wage.

Ian Bennett, Island Healthcare

3.3 Up-skilling and re-skilling the workforce

The APPG heard from organisations who felt the government should be providing more support for apprenticeships. EEF, the UK manufacturing organisation told the APPG about the apprenticeships they provide for over 1000 people in different engineering disciplines from two sites in the Midlands. Despite SMEs providing apprenticeships, which are paramount at a time when there is a labour shortage in many sectors, there is a sense that they are not sufficiently encouraged as a viable route into work. The Apprenticeship Levy, a new tax for medium-sized businesses introduced by the government in April 2017 is seen as only partly addressing this.

While intended to increase the number of apprenticeships, the Apprenticeship Levy, a new tax on single companies with a pay bill of over £3m, or groups of companies with a collective pay bill of over £3m, introduced by the government in April 2017, has in some cases made it harder for SMEs to take on apprentices. Some small businesses have argued that apprenticeship training providers and colleges are primarily serving the needs of Levy payers making it difficult for small businesses to

demand the training they need. Moreover, while the Levy was initially introduced to give employers greater purchasing power to buy the training they need, the government has put in place a number of restrictions making it difficult for Levy paying employers to spend their money. Recent research by EEF found that 75% of manufacturers are concerned that they will not spend their Apprenticeship Levy funds.

"I'd like to see the government do more working with small local businesses in terms of setting up apprenticeships, actually speaking to the employers see what skills they need, what shortages they have and let's try and work with you to set up an apprentice scheme that targets the jobs that... not only that we need now but crucially the ones we're going to need in 15/20 years' time."

Graeme Wolf, Hexa

3.4 Reliance on EU/EEA workers in the so-called 'low skilled' sectors

The change in skilled visa criteria for non-EU nationals and the reluctance of some British workers to undertake jobs deemed as low-skilled and low-wage has led to an increasing reliance by SME's on EU/EEA workers. EEF, a membership organisation representing British manufacturing submitted evidence that showed that more than 75% of their members employ at least one EU national. In contrast, only 10% of members employ non-EU nationals.

The APPG heard that the EU/EEA workforce was often highly motivated and highly skilled, with many having qualifications that were much higher than would be expected of local employees. As a result they were perceived by employers as having a positive impact, filling both highly skilled and 'low skilled' roles.

They've often had experience in other EU member states and are more likely to be over-qualified for the role they do compared with UK nationals. Employers also tells us that the degree of aspiration is that much higher compared with the existing pool of applicants that is available to them. For them, getting as much money as they possibly can is a key driver, so they'll simply go wherever the work is.

Gerwyn Davies, CIPD

Employees from the EU were also known to be more flexible than their local counterparts – who may have more social/family commitments locally – and therefore helpful in covering shifts and working unsociable hours. Given many employer's reliance of EU workers, many expressed their concerns at any changes to the employment conditions of EU nationals after Brexit.

'It is also worth noting that contingent workers and/or self-employed contractors are more at risk of being 'invisible' when tracking EEA nationals in the workplace. If they are not employees, no statutory 'right to work' checks have to be carried out by the employer who hires them. This creates a risk of not only undercounting the number of EEA nationals currently serving in the UK's workforce but also underestimating their impact on the UK economy – and the effect of imposing future immigration regulation on this population.'

Margaret Burton, EY

Our EU staff are hard-working and ambitious. We have promoted two to work as Supervisors, out of the 3 Supervisor positions in the Gloucester office. In our recent recruitment exercise, only EU staff applied as internal applicants for the position.

Gillian Manning, Blue Bird Care

Last weekend, 80% of my staff were from Europe. It speaks volumes for itself.

Matt-Manning-Smith, Manor Care Home

Reasons for employing EU Nationals (%)

Source: CIPD Labour Market Outlook Winter 2016-2017 report



Base: All employers of EU nationals in the UK (n=525)

3.5 Uncertainty leading EU/EEA nationals and businesses to leave the UK

Since the UK's decision to leave the EU employers have spoken about how the lack of certainty affects their ability to hire and exacerbates the labour shortage in many sectors. While issues such as the devaluation of sterling, wage depreciation, and hostility to migrants were mentioned as factors, the uncertainty surrounding the legal status of EU/EEA nationals remained a key factor.

Many companies have spoken of their difficulty in recruiting both skilled and unskilled labour in the past six months. This was echoed in the June 2017 Business in Britain report by Lloyd's Bank, which found that 52% of the 1,500 companies surveyed in May 2017 were having difficulties recruiting to the skilled sector, compared to only 31% in January. Equally, SMEs in the low-skilled/unskilled sector that were struggling to recruit rose from 14% to 26% during the same period⁷.

The reasons for the recent increase of labour shortage is complex and need to be examined further, but there is no doubt that for many, the combination of anti-immigrant sentiment surrounding the Brexit referendum, a depreciation of wages, and a lack of certainty on their future has been key to EU/EEA national workers feeling that their future no longer lies in the UK.

In terms of the reasons why EU nationals are being deterred from moving to the UK to do work, according to our members, the biggest reason is the depreciation in sterling. We have heard of other reasons, such as anti-migrant sentiment and other reasons, but, undoubtedly, the currency is the main factor.

Gerwyn Davies, CIPD

We are already seeing, anecdotally, a lot of companies have said that they have had a lot of EU nationals leave, particularly over Christmas, and they just haven't returned. They're seeing fewer job applications and just a lot more EU nationals leaving, whether they tell them that they're leaving or they're just leaving and not coming back.

Verity O Keefe, EEF

In June 2017, the Prime Minister attempted to provide some reassurance to EU/EEA nationals about their future in the UK by announcing a plan to grant EU/EEA citizens living in the UK "settled status" post-Brexit. According to the plan, EU citizens who have exercised treaty rights in the UK continuously for at least five years pre-Brexit would be granted a status that would give them equal rights to British citizens (excluding the right to vote in national elections). The impact of the announcement is yet to be determined but it's clear that both individuals and business are still considering their options outside the UK. Companies already having to deal with spiraling business costs, the inability to recruit the people they want and need, has led to many wondering if it is worth being in the UK in the long term.

All the way up until Brexit, I think a lot of companies were thinking, "It's getting more costly to do business in the UK." Take away your skills base and actually you can't fulfil those growth ambitions; you can't export into new markets, you can't reinvest in new technologies, because always behind all of those ambitions are the people and the skills. If you don't have the EU nationals to do those roles, then unfortunately those plans essentially get curtailed.

Verity O'Keefe, EEF

In view of the uncertainty regarding the impact of placing immediate PBS restrictions on EEA workers after the Brexit date, transitional regulations should be considered while a clearer analysis of EEA participation in the UK workplace emerges and to prepare businesses for stricter controls should those be considered necessary in future.

⁷ Business in Britain, June 2017, Lloyds Bank <https://resources.lloydsbank.com/insight/business-in-britain-july-2017/>

Such an analysis could include the following factors:

- I. which vacancies can be filled from the UK workforce
- II. how can they be so filled (by investment, upskilling etc)
- III. the time line for so doing
- IV. which vacancies need to be filled by overseas labour
- V. changes to the current PBS to simplify the system and broaden the skills base of those who can apply under its provisions.

Margaret Burton, EY

3.6 Regional and geographical UK visa schemes

Proposals of regional visas as part of a devolved immigration system to address demographic and economic differences between our nations and regions have been considered as a way of countering the likely labour shortage post-Brexit. Opinion as to the impact and feasibility of such schemes vary across geographies and sectors as although Northern Ireland, Scotland and Wales do not have powers to set immigration policy, they do have a range of powers linked to immigration legislation. Devolved powers on health, social services, education, employment, housing, enable them to regulate and manage the influence of migration on these areas. Additionally, Scotland is able to set income tax rates which has implications for taxation of EEA and non-EEA nationals alike. As a result, it is not inconceivable for successor arrangements to be made by UK administrations.

There have also been calls for regional visas within England. The APPG heard, for example, from the London Chamber who argued for a separate London visa in the form of a 'Capital Work Permit'. The organisation advocated a set of proposals that sought to recognise and facilitate the vital economic contribution made by migrants to London's economy. These proposals, would seek to retain central government control, while offering greater local accountability and flexibility, better reflecting regional differences in priorities and outlook.

How come given the economy the size of London, compared to Scotland, Wales, and Northern Ireland put together – and I think we probably are larger than that – that Scotland has this 'Shortage Occupation List', and London has not? It is not something that we want to happen. We wouldn't have started from here. The London vote is 60-40 to remain, so I'm assuming that many people felt that the immigration levels in London were – well, 60% of them felt that they were – what they wanted.

Colin Stranbridge, London Chamber

The inquiry also heard, however, from other stakeholders who seemed opposed to regional immigration policies with some stating they had seen very 'little support' from its members, 'especially outside of London', perhaps taking the often held view that London is often economically advantaged over other regions in the UK.

It could be very difficult to administer from an employer's perspective; especially if they are given responsibility to effectively enforce any conditions.

Gerwyn, Davis, CIPD

If then our members with a site in London and South East and then one in the North West, you could recruit as many EU and non-EU nationals there but you couldn't in the North East, then would there then be, I guess, a business case for moving that site to the south? Is that what we want really? I think we would act quite cautiously about a kind of quotas regional immigration policy, for that fact that so many of our members are multi-sited and operate in that way.

Verity O'Keefe, EEF

There is possibly an argument for a regional variation in immigration policy; however, in our view this may be difficult to police in order to stop people subsequently moving on to different areas.

Annabel Mace, Squire Patton Boggs

While there could be regional benefits, an obvious problem would be how to regulate the movement of labour around the UK to ensure that it wouldn't impact the labour supply of other regions in the UK. There was also a feeling that a regional policy would be hard to administer by employers, especially if there were given responsibility to enforce conditions. While opinions about a regional visa scheme varied, stakeholders were unanimous in emphasizing the need for a bottom up approach to determining the needs of specific sectors and geographies.

4. Appendix

APPENDIX A:

Submissions to the inquiry

Contributors to inquiry

Bail for Immigration Detainees (BiD)
BlueBird Care
CommonAge
Coventry Refugee and Migrant Centre
Creative Industries Federation
EEF (The Manufacturers Association)
Ernst & Young, EY
Hexa Services
Global Future
Home of Comfort for Invalids
Immigration Law Practitioners Association (ILPA)
Island Healthcare
London Chamber of Commerce and Industry
Manor Care Home
Roma Support Group
Skills for Care
Squire Patton Boggs (SPB)
The Chartered Institute of Personnel and Development (CIPD)
Trade Union Congress (TUC)

Participants in oral evidence sessions

Ian Bennett – Island Healthcare
Matt Manning-Smith – Manor Care Home
Sharon Allen – Skills for Care
Gerwyn Davies – CIPD
Verity O’Keefe – EEF
Annabel Mace – Squire Patton Boggs
Colin Stanbridge – London Chamber of Commerce and Industry
Adrian Berry – ILPA
Graeme Wolf – Hexa

APPENDIX B:

Key sources

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