Brexit and work-related migration for a post-Article 50 UK

By Dr Jennifer Smith

The Migration Advisory Committee (MAC) is an independent, non-statutory, non-time limited, non-departmental public body responsible for providing transparent, independent and evidence-based advice to the government on migration issues.

The MAC is made up of a chair and three other independent economists, and is supported by a secretariat. Since it was set up in 1997 the MAC has published reports on issues such as the impacts of immigration, the limits on immigration under the points based system, Tier 1 immigration, and skills shortages within occupations.

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Migration Advisory Committee to advise on post-Brexit migration framework

In July 2017, the Government commissioned the Migration Advisory Committee (MAC) to advise on the economic and social impacts of the UK's exit from the European Union. Unusually, this commission was explicitly linked to the government's industrial strategy, asking "how the UK's immigration system should be aligned with a modern industrial strategy".

The MAC has been asked to report by September 2018 on a number of substantial and varied questions. The overall context is the change in policy that will come about as a result of Brexit: UK policy currently regulates immigration from non-EU countries, and Brexit will give the option of doing so for EU countries too. It is generally acknowledged that the UK will retain free movement with Ireland, so any change in policy (which the MAC work will feed into) will relate to EEA countries excluding Ireland.[1] ▶

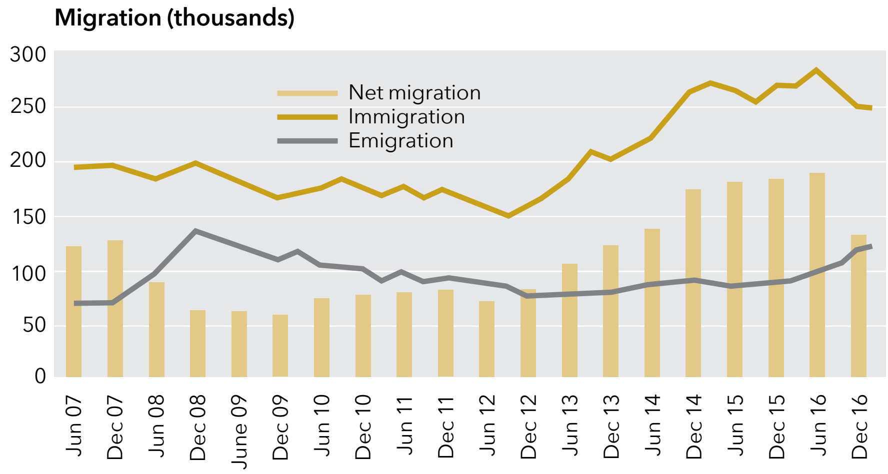
The MAC has been asked to report on:

- Current patterns of EU migration, including delving below the national level to look at migration by sector and across regions.
- The types of skills migrants have and the types of jobs they do, including the skill level, duration and wages of those jobs. The MAC has been asked to look at "non-typical" forms of work by migrants, including self-employment (sole-trader and entrepreneurial), and part-time, agency, temporary and seasonal work and to investigate whether methods of recruitment differ for EU migrants and whether this impacts on UK workers.
- Economic and social costs and benefits of EU migration, and whether it is possible to estimate the impact of any future reduction of such migration (whether policy-driven or otherwise). To discuss how businesses might adjust and what actions might mitigate any adverse effects.
- The impact of migration on investment, productivity, innovation, and competitiveness (relates to the UK's industrial strategy) and the interactions between EU migration and labour market flexibility, skills and training.
- Part of the MAC's normal role is to draw up the Shortage Occupation List (SOL), which is a list of occupations where we judge there to be a labour shortage. The SOL currently provides one route of entry for work-related migrants from outside the EU. Numbers arriving by the SOL route are currently small, largely because it has been restricted by policy to NQF level 6 jobs[2] – but the SOL is nevertheless considered important by businesses. As part of the current commission, the MAC has been asked to investigate whether it would be sensible to extend the SOL to include lower-skilled jobs, post-Brexit.

What the MAC has done so far

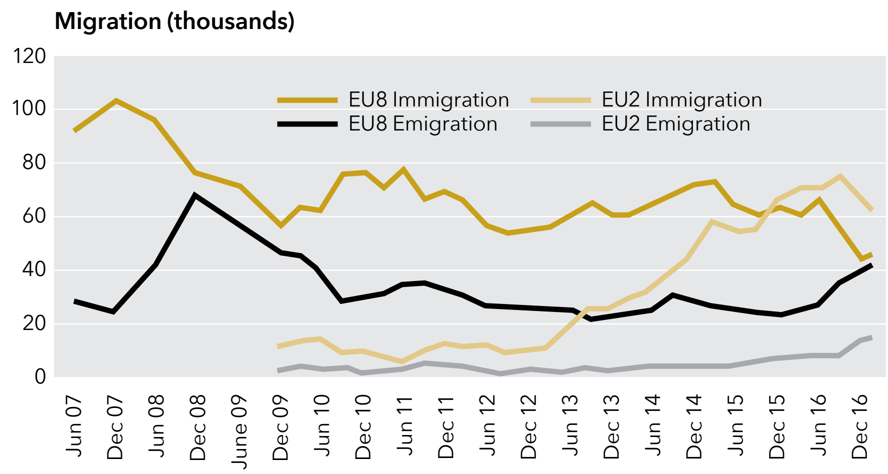
The MAC has been busy since receiving this important commission. In August we issued a Call for Evidence, which has recently closed. This Call was wide-ranging, matching the scope of the commission, and asked for submissions from any and all interested parties with relevant information. The types of information the MAC obtains from such submissions include case studies and evidence from a "witness perspective". The MAC Secretariat is currently working through the large number of (400+) submissions received. As is always the case, information from Calls for Evidence will be included in various ways in MAC work on this commission. We learn from submissions about issues affecting particular sectors, regions, individuals and businesses; and this 'granular' information is invaluable in

Chart 1: EU migration into and out of the United Kingdom



Shows "long-term" migration (LTIM), defined according to international convention as involving residence in a country for at least 12 months. Figures are for 12 month periods (YE = Year Ending, p = Year includes provisional estimates for 2016 and 2017), June 2007 to March 2017. LTIM estimates by citizenship are only available for calendar years and mid years up to YE Dec 2009. Source: ONS LTIM data.

Chart 2: EU15, EU8 and EU2 migration flows



EU15: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden; EU8: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia; EU2: Bulgaria, Romania. Source: ONS LTIM data.

directing our attention to factors we might otherwise miss if we relied only on official data and published sources. Our work during the rest of the commission, as well as our writings, will therefore be influenced by what we learn from written submissions. It is also influenced by what the MAC has learned in the face-to-face meetings we have been undertaking with a large number of varied interested parties, including TUC, CBI, various bodies relating to particular sectors including agriculture, architecture and design, construction, engineering and drilling, health and social care including alternative health providers, hospitality, IT, pharmaceuticals, science, technology, regional representatives, embassies, and government departments.

EEA Migration

The current commission asks the MAC to look at EU as well as non-EU migration. A first question, therefore, is: what is the extent of EU migration?

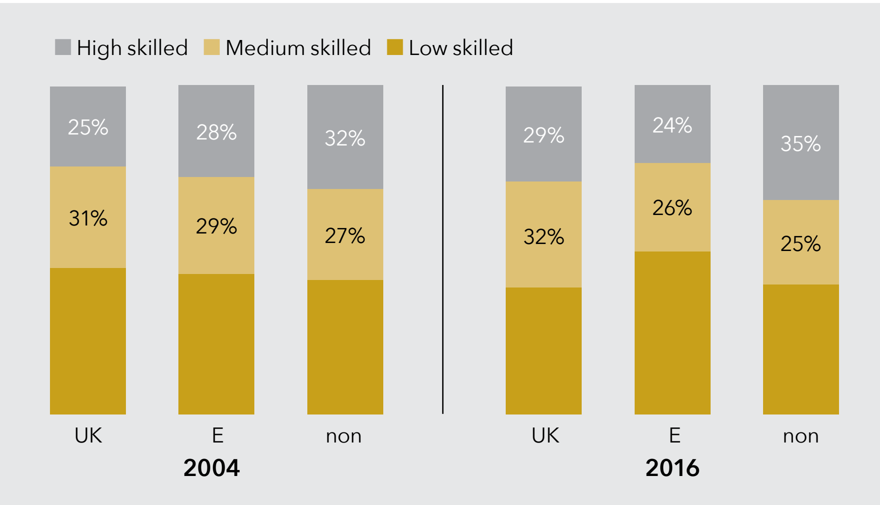
The latest, provisional, data indicate that in the year to March 2017, 248,000 EU citizens arrived in the UK and 122,000 left, so the net inflow from the EU over those 12 months was 127,000 (Chart 1). Over those 12 months to March 2017, EU citizens accounted for 51% of all net immigration to the UK. This continues a trend seen only over the last few years, since 2013, that net immigration from EU countries has exceeded non-EU net immigration.

Since 2016, following the Brexit vote and relatively good growth in EU economies, inflows to the UK have declined somewhat.

Between 2012 and 2015, the UK experienced a notable rise in net immigration from the EU. Since 2016, following the Brexit vote and relatively good growth in EU economies, inflows to the UK have declined somewhat. In an accounting sense, the decline in EU migration is due to both declining immigration and rising emigration (Chart 1) – in particular, lower immigration from, and more return migration to, Central and Eastern European countries (EU8 and EU2) (Chart 2).

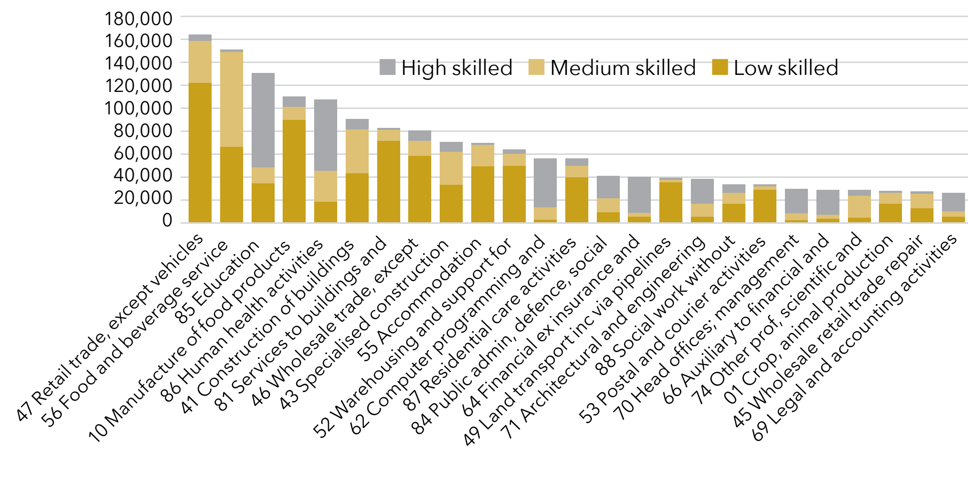
The source of migrants into the UK varies over time. Immigration restrictions were lifted for Romania and Bulgaria (EU2) in January 2014 and immigration from those countries rose rapidly, with net migration from EU2 countries exceeding EU8 since then (Chart 2). However, the "old" EU (EU15) remains an important source of migrant labour flows into the UK: in recent years, net migration from EU15 has been similar to that from EU8 and EU2 combined. ▶

Chart 3: Occupations by skill level, 2004 and 2016



Source: MAC (2017) using LFS 2016 and LFS 2004.

Chart 4: Skill level (by occupation) of EU migrants, 2016



Shows 25 sectors (3-digit industries) employing the most (by number) EEA (excluding Ireland) migrants. Source: MAC (2017) using LFS 2016.

A key issue for the MAC is EU migration into less-skilled jobs

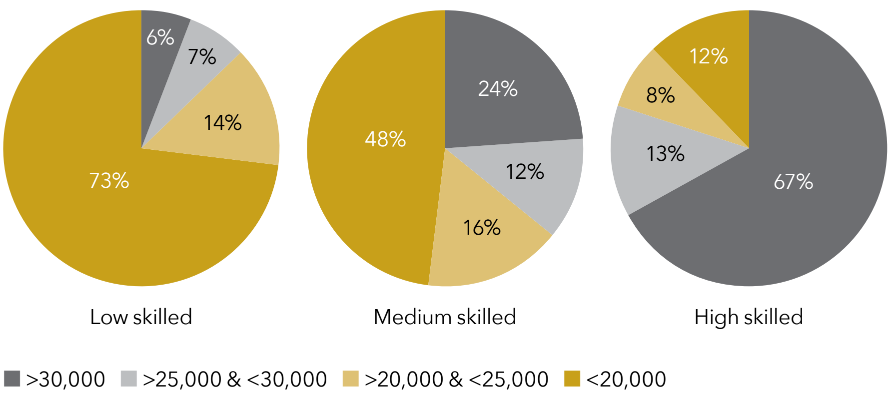
The proportion of EEA migrants in low-skilled occupations has risen over the last decade. Chart 3 shows the skills distribution of the stock of working migrants in 2004 and 2016.[3] EU nationals were the only group to experience an increase in the share of low-skilled, from 43% in 2004 to 49% in 2016. Currently, EU migrants are more likely than non-EU and UK-born workers to be in low-skilled work. Correspondingly, the proportion of EU migrants in high-skilled work is now lower than for non-EU and UK workers: in 2016, 24% of EU migrants were in high-skilled jobs, compared to 29% of UK-born and 35% Non-EU migrants.

It will be important for the MAC to evaluate the impacts of any reduction in low-skilled EU migration across sectors: some industries and businesses would be affected far more than others. Chart 4 shows the numbers of EEA migrants and their skill levels (based on occupation) in different sectors. Sectors with high shares of low-medium-skilled EU migrants include Restaurants and Catering, Farming, Accommodation, Construction, Wholesale, Retail, Transport, Distribution, Postal Services. In contrast, Education and Health have large numbers of EU workers but these are mostly higher-skilled.

Sectors and businesses are likely to react in a variety of ways to a reduction in low-skilled migration. On the one hand, a reduction in the supply of low-skilled migrants might push up wages and costs to businesses, which could translate into higher prices to consumers. On the other hand, a reduction of fairly cheap low-skilled migrants could force businesses to substitute labour for capital, boosting productivity.

Policy will have to plot a route between satisfying some business demands to maintain current levels of migrant labour availability and the stated government aim of introducing measures that will enable control of EU migration. The difficulty of achieving both is illustrated by the fact that EU migrants in low-skilled occupations work for substantially lower pay than is required under current policy for non-EU migrants to gain work visas. The current median salary for EU migrants in low-skilled occupations is less than £16,000 per year. Only 6% of EU migrants in low-skilled occupations meet the current minimum salary threshold of £30,000 per annum required to be granted a visa under Tier 2 (General) (Chart 5).

Chart 5: Earnings by occupation – EU-born workers in the UK



Source: MAC (2017) using LFS 2016.

Conclusion: Challenges ahead

The MAC is looking forward to meeting the challenge of delivering thorough analysis of evidence and issues relating to post-Brexit options for migration policy. Businesses will have to face the challenges of changes in many areas of their organisation, including recruitment, training, and investment, as well as potential alterations in regulatory and international trading environments. Changes in migrant flows will affect individuals and communities. Many parts of the UK economy will face costs of adjusting to Brexit; the MAC intends that its forthcoming work highlights the best ways forward through these challenges. ◀

The Author

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Reference

MAC (2017), "EEA-workers in the UK labour market – briefing note", www.gov.uk/government/uploads/system/uploads/attachment_data/file/636286/2017_08_08_MAC_Briefing_paper.pdf

Footnotes

[1] There are three EEA countries not in the EU (Iceland, Liechtenstein and Norway), and Switzerland is also included in this group since, although it is in neither the EU nor the EEA, it is in the single market and Swiss citizens have freedom of movement into the UK. Migration flows relating to non-EU EEA countries are low, so we commonly use the shorthand terms "EU" and "non-EU".

[2] NQF is the National Qualifications Framework. NQF6 is equivalent to degree level.

[3] The skills of migrants are evaluated according to their occupation and the average qualification level of workers in that occupation. Low-skilled occupations consist of NQF2 and below; Medium-skilled occupations consist of NQF3 and 4; High-skilled consists of NQF6+.