



Brexit and immigration: the way forward

European Union: MW 447

Summary

1. The long silence on arrangements for future access to the UK for EU workers needs to be brought to an end. This paper recommends objectives for a new immigration regime. A system of work permits would meet the needs of industry while also achieving a substantial reduction in net migration from the EU. Some transition arrangements may be needed for construction workers as well as a scheme for Seasonal Agricultural Workers. There should be a minimum of formalities for EU citizens visiting the UK for business, tourism, study and family purposes. These matters should be kept separate from the trade negotiations. There is also a strong economic case for the measures proposed.

Introduction

2. The present situation is confused by the government's continued silence on what they envisage for our post-Brexit immigration arrangements. A white paper has long been promised but has still not been delivered. This leaves the field wide open for concessions which could well undermine attempts to control immigration from the EU. The most recent immigration statistics (for the year to September 2017) showed a drop of 75,000 compared to the same period in 2016 but there was still a net inflow of 90,000. Many factors affect these numbers but part of the drop might well have been due to Brexit uncertainty which is likely to be reversed. Meanwhile, public opinion remains solid. 70% of the public want to see EU immigration cut by a considerable amount and it is clear that the desire to control immigration was a major – some would say a crucial – factor in the outcome of the referendum. For many, if not most, that also meant a significant reduction. This paper outlines the objectives that should be set, how they might be achieved and the economic case that supports them.

Objectives

3. The following should be the main policy objectives:
- a. To end freedom of movement so as to control and substantially reduce net migration from the EU.
 - b. To retain the ability to recruit highly skilled migrants from the EU.
 - c. To maintain and develop the personal, cultural and historic links with EU member states.

- d. To avoid entangling these matters with the trade aspects of the Brexit negotiations.
- e. To avoid border checks on the North /South border in Ireland.
- f. To ensure the availability of sufficient resources for the successful implementation of these policies.

An end to free movement

4. Freedom of movement must end, as was promised by both the Labour and Conservative manifestos in 2017. Failure to achieve this would also clearly dishonour the referendum result. The crux will be to meet industry's genuine needs and minimise disruption while achieving a major reduction in numbers. The key to such a reduction lies at the lower skill levels which account for 80% of those EU workers who arrived in the decade up to 2016. At their peak inflow they amounted to about 100,000 a year.

Continued access to highly skilled EU workers

5. The existing Tier-2 work permit system, which has worked effectively since its inception in April 2011, should be expanded to include EU workers. The current yearly cap of 20,700 would have to be increased and could be reviewed annually. As about 80% of EU workers would not qualify for a Tier 2 (General) work permit, a significant reduction in net migration could be achieved.

6. This work permit system should be extended for EU migrants as follows:
- a. A youth mobility scheme for those aged 18 to, say 25, would grant EU nationals to permission to work in the UK for two years. It would not permit extensions, transfers to other immigration categories or access to benefits.
 - b. A temporary and tapered Seasonal Agricultural Workers Scheme (SAWS) akin to that in place 1945-2013 would allow the agricultural sector to fill staffing gaps by issuing six-month SAWS visas to EU citizens. These would be non-extendable, non-transferable and would allow no benefits. There should be safeguards against illegal overstaying and against the undercutting and displacement of UK workers. New Zealand's scheme has gained recognition by the World Bank as a model of international best practice and could be used as a possible model.
 - c. To enable businesses sufficient time to train UK workers to fill semi-skilled roles (such as bricklayers) a temporary visa system for semi-skilled workers should be introduced allowing employers to recruit EU workers post-Brexit. The scheme would last for three years and an annual charge would be payable on each EU semi-skilled worker employed (this could be £1,000 in year one, £2,000 in year two and £3,000 in year three)
 - d. Intra Company Transfers (ICTs) should remain uncapped as long as the system remained free of abuse, especially in relation to third-party contracting. Companies should have to prove that ICTs were qualified and that staff were not available from within their UK operation.

Personal and cultural ties

7. EU citizens should continue to be able to visit the UK without hindrance for the purposes of business, tourism, study and family visits. (However, if the EU were to apply its forthcoming Advance Passenger Notification Scheme – ETIAS - to UK nationals, the UK should probably do the same).

Trade negotiations

8. The EU negotiating directive already speaks of an “ambitious approach to the movement of natural persons” (that is EU jargon for people as opposed to companies). Apparently, there was at one point a substantial majority of the Cabinet Brexit Committee in favour of allowing EU workers to come to Britain in similar numbers as at present provided that they had a firm job offer. The purpose seemed to be to exchange concessions on immigration for EU concessions on trade. These proposals would, however, be a slippery slope and be extremely dangerous for the government’s credibility. To allow entry for work to all those who had a “firm” job offer would have no effect at all in reducing the numbers. It would simply result in a boom for employment agencies which already advertise extensively in Eastern Europe and it would do nothing about the many EU workers who already find their jobs through friends and relatives. Such a concession would apply to the less highly skilled and would, in practice, amount to continued unlimited inflows of EU workers. Employers would, of course, welcome it.

Ireland

9. So far attention has been focussed on the problems flowing from the movement of goods across the land border. Ireland intends to remain in the Common Travel Area (CTA) with the UK and will not join the Schengen Zone of free movement. However, EU citizens will continue to have free movement to Ireland. The question may arise, therefore, as to whether Ireland will become a back door to the UK by reason of its open land border with Northern Ireland. If the recommendations of this paper are accepted, there will be no problem in relation to EU citizens as they would be able to travel directly to England, Scotland or Wales.

10. The position in relation to non-EU travellers would be no different from the present. If they were to use Ireland as a back door to there would have to be additional measures put in place. Checks at UK airports and ferry ports are undertaken on a risk-assessed basis by the UK Border Force and in-country by the Immigration Group (both parts of the UK Border Agency). This was described in a [2011 report on the CTA](#) by the Independent Chief Inspector of the Border Agency. Transport operators also make it clear to travellers that they should carry their passport or national identity card in case they need to prove their status as UK or Irish nationals (and thus as free to travel within the CTA). This work is carried out under the banner of ‘Operation Gull’ which also involves in-country checks. Immigration controls are not carried out at the land border, no doubt because the strategic approach is to rely on a combination of ‘hostile environment’ and in-country checks. There are formal agreements between the UK and Irish governments aimed at securing the external borders of the CTA precisely to ensure that people cannot enter one country with the intention of entering the other illegally. However, a recent media [report](#) has pointed to weaknesses in enforcement which have been exploited by people smugglers to bring people illegally into the UK. There is detail on the arrangements with Ireland and on the implications for Brexit in a [recent briefing note](#) from the House of Commons Library published in June 2017.

Resources

11. The Home Office already have the massive task of registering 3.8 million EU citizens already in the UK. Each year there are about 35 million EU citizens arriving in the UK so there will have to be a substantial increase in resources to provide the necessary oversight of employers who might be tempted to employ EU citizens who had arrived after the transition period and might well not have the right to work.

The economic case for cutting lower skilled EU migration

12. 80% of European workers who have arrived in the decade up to 2016 are in lower paid work. A sharp and long-term reduction would be beneficial to our society:

- a. Businesses would be given a strong incentive to invest in training. Training in the UK has been abysmal over the past decade because employers have had access to an unlimited pool of migrant labour from abroad. Why would employers spend money on training UK workers when they can employ skilled workers from Europe on significantly lower salaries?
- b. Employers would be encouraged to do more to attract some of the 1.4 million unemployed or the million part-time UK workers who would like more hours.
- c. A rise in wages for the lowest paid workers is likely to result – the Bank of England has **found** negative effects on wages from immigration for those in the low-paid semi and unskilled services sector. While some seek to dismiss the impact as small, the CBI's evidence to the MAC suggests that the prospect of cheap labour supplies drying up is leading businesses to raise wages. This is surely a good thing.
- d. Our rapid population growth would be slowed down at a time when three-quarters of the public think Britain is already crowded. The UK is already one of the most densely populated countries in Europe. Pressure on oversubscribed housing, bursting hospitals, congested transport and overcrowded schools would be eased.
- e. Not least, it would respect the views of nearly two-thirds of the public who wish to see considerably lower levels of immigration.

13. Suggestions that there would be harm to the economy are unsupported by the evidence:

- a. There is no evidence at all for the UK that the very large amount of migration into low-paid work over the past decade or so has been in any way enhancing of productivity or, consequently, of GDP per person – which is a better measure of economic prosperity than total GDP. The Migration Advisory Committee **noted** in 2016 that low-skilled migrants have a neutral impact on GDP per head.
- b. Indeed, this type of migration may have helped cause the UK's productivity growth to stagnate. From 1986 to 2006, productivity increased by 45%. It has flat-lined since then while the number of migrant workers has grown by over two million, and the migrant share of the workforce has nearly doubled.
- c. The hidden cost to the taxpayer of employing migrant workers is often overlooked. The working age benefit bill for EU migrants in the UK in 2014/2015 was £4.4 billion. It may well have risen

further since. In many cases, therefore, the taxpayer is subsidising low paid work for EU migrants.

- d. Low-paid immigration does not represent a fiscal benefit for the UK taxpayer and no one claims that it does. Workers from the EU10 cost us £1.5 billion in 2014/15 (see [Migration Watch UK research](#)).

Conclusion

14. There is a feasible way forward which can achieve a substantial reduction in EU net migration to the UK while ensuring access to the skills needed by British industry. Some transitional arrangements will be necessary but the eventual result would be a reduction in our population growth and improvements for the lower paid UK work force as well as a potential improvement in productivity.

27 June 2018