MIGRATION ADVISORY COMMITTEE CALL FOR EVIDENCE

IMPACTS OF THE UK'S EXIT FROM THE EUROPEAN UNION: EEA CITIZENS

CONSULTATION RESPONSE

Response From: London First, 34-42 Cleveland Street, London W1T 4JE

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About London First

London First is a business membership organisation, with the mission to make London the best place in the world for business. We're focused on keeping our capital working for the whole of the UK.

We've galvanised the business community to bring pragmatic solutions to London's challenges over the years.

We established **Think London**, now part of London & Partners, to promote the capital worldwide and encourage foreign direct investment, have been instrumental in creating the **Mayor of London**, pioneered **Teach First**, drove the campaign for **Crossrail** and, most recently, lobbied for government action on airport capacity, which has led to the government's decision to build a new **Heathrow runway**.

Now, we are working on solutions to what our business leaders see as the top priorities for our capital: talent, housing and transport. We also scan the horizon, link with other cities, and support our members on the key issues that will keep our capital globally competitive.

Summary position

London has one of the most competitive labour forces in the world and this has underpinned its growth as one of the world's most successful international service-sector hubs. Foreign-born workers have been integral to growth in London and are an important part of London's workforce; London First's *Facing Facts*[1] report shows that:

- 37% (3.1m) of London's population was born outside of the UK, compared to 10% in the rest of the UK;
- Between 2005 and 2015 London's workforce grew from 4.3m to 5.2m;
- 623,000 of this growth was from foreign-born, of which 356,000 were EU born;
- While at the same time more British-born residents secured jobs, with economic inactivity amongst this group falling by 70,000, and overall London unemployment remaining roughly static at just under 300,000.

[1] http://londonfirst.co.uk/wp-content/uploads/2017/03/Facing-Facts-The-impact-of-migrants-on-London-its-workforce-and-economyFINAL.pdf

Our analysis also demonstrates that every 10 foreign workers supports an additional four jobs illustrating that migrants do not, on the whole, displace UK workers, since their economic activity generates new jobs.

Many of London's key industries rely on foreign-born workers at all skills levels; in terms of EU-born workers, the focus of this MAC consultation, their number grew rapidly between 2005 and 2010, with the total doubling to nearly 625,000. In construction, for example, 30% of London's construction employees were born in the EU, and 20% outside the EU; in the hospitality sector 31% are EU and 40% non-EU. Both EU and non-EU workers make a substantial contribution to the UK economy:

- Over time and across London, the impact of foreign workers on wages in London is neutral;

- Foreign workers in London provide a substantial economic benefit to the UK as a whole. The total net additional GVA from foreign nationals is £83bn, around 22% of all London's GVA; assuming that foreign born workers consume public services on average at the same level as UK born workers, they generate an incremental tax revenue of £30bn p.a., 5% of total Government tax receipts for the whole of the UK. This effectively pays for the annual cost of the UK's police, prison, legal and fire services.

Brexit clearly brings with it change and uncertainty, not least in immigration policy. The Government has made a commitment to control and reduce migration to the UK, yet there is a lack of detail as to how this will be achieved without damaging the UK economy. Meanwhile, during this period of continued uncertainty, there has been an increase in EU nationals leaving the country and a significant number are considering leaving the UK (47% of highly-skilled and 27% of low-skilled EU workers within the next 5 years[2]).

Much work needs to be done to improve the performance of the UK skills system to support more home-grown workers into jobs, but this will take time. As a consequence, in an era of historically high employment (just 4.3% unemployed[3]), there is an inadequate pool of labour to be substituted into these jobs. EU (and non-EU) migration is crucial to supplement the UK labour pool with critical skills. If London is to continue to thrive, then it is important to: (i) maintain the stock levels of EU workers already here and expediting a resolution on the issue of their rights post-Brexit will help; (ii) ensure ongoing access to EU workers; and (iii) strive to make the UK a welcoming and attractive destination for such talent, for example, the London Mayor's campaign 'London is Open' is seeking to address this in London.

London First's top priority is to get the best deal from Brexit for London business. For our members, the major issue is access to talent and labour, from the UK (the ability of our skills system to deliver home grown workers with the right skills), the EU, and beyond. This MAC consultation is focussed on EU migration and London First's response makes an evidence based case for continued flexible and frictionless access to this group of workers. This is critical particularly as London could see 2.5 million job openings over the next decade, or around 250,000 jobs per year (London 2036: An Agenda for Jobs and Growth, 2016[4]).

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[2] https://www2.deloitte.com/uk/en/pages/press-releases/articles/deloitte-uk-remains-highly-attractive-to-overseas-workers.html

[3] https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/mgsx/lms

[4] http://londonfirst.co.uk/wp-content/uploads/2017/01/London-First_HIGH-RES-05_01_17.pdf

Answers to the specific questions from the consultation – where London First has been able to formulate a response - are below. We have provided a general answer to the questions drawing on *Facing Facts* and where data or input has been available from our members, we have provided more detailed sector case studies.

Data and definitions
The majority of data in this response is sourced from the London First/PwC report: *Facing Facts* (March 2017), which used the Labour Force Survey from 2005-2015, as provided by the ONS, together with the ONS Virtual Microdata Laboratory (VML) service[5]. This report looked at the role and impact of migration on London.

Definitions from other data sources might vary. All numbers referring to UK figures and those taken from other sources are clearly marked.

EU citizen/worker
An EU citizen/worker is defined as someone born in the EU, outside the UK, but whose primary place of abode is within the UK.

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

EU8 & EU2 are also called 'Post 2004 Accession' states

Non-EU citizen/worker
Any UK immigrant not born in an EU country but with a primary home in the UK.

London
London data refers to all inhabitants of the administrative area of the Greater London Authority.

Essential worker
An essential worker is a person who has knowledge and ability in their job, perhaps with some training. An essential worker might have attended a technical school or other further education institution, or he/she may have learned their skills on the job (e.g. nurses, some construction workers like plasterers or electricians, service personnel in tourism & hospitality, bus drivers).

EEA Migration Trends

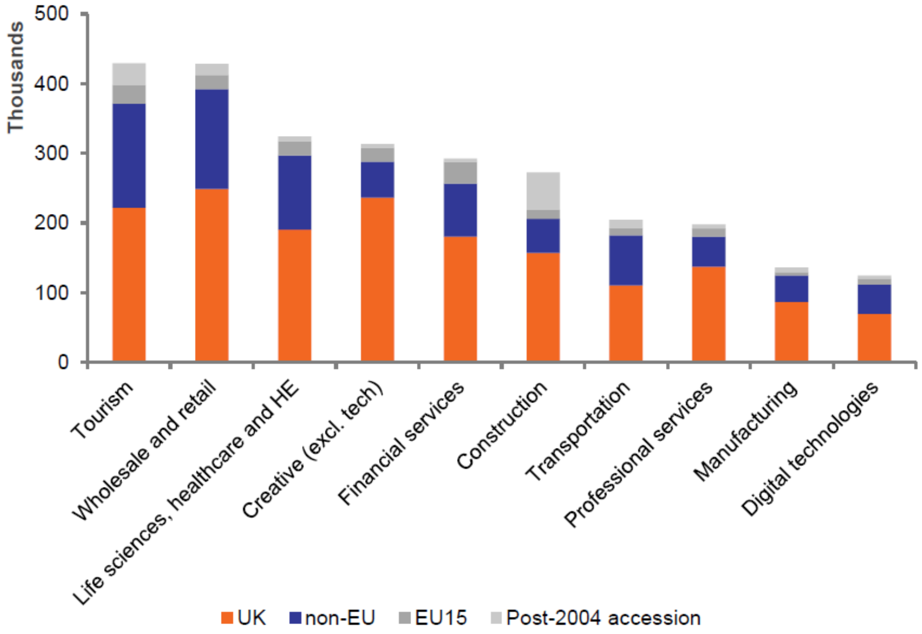
Q1. Please provide evidence on the characteristics of EEA migrants in your particular sector/local area/region.

General

[5] https://www.ons.gov.uk/aboutus/whatwedo/paidservices/virtualmicrodatalaboratoryvml

London First's *Facing Facts* report[6], produced with PwC, was published in March 2017 and analyses the impact of foreign-born citizens on London, its workforce and its economy.
As the below graph (3m) shows, EU workers can be found in all sectors, with a particularly high number in financial services, tourism, and construction.

Figure 3 m: The industry sectors covered by London's workforce (Absolute Values), 2015



Source: ONS Labour Force Survey

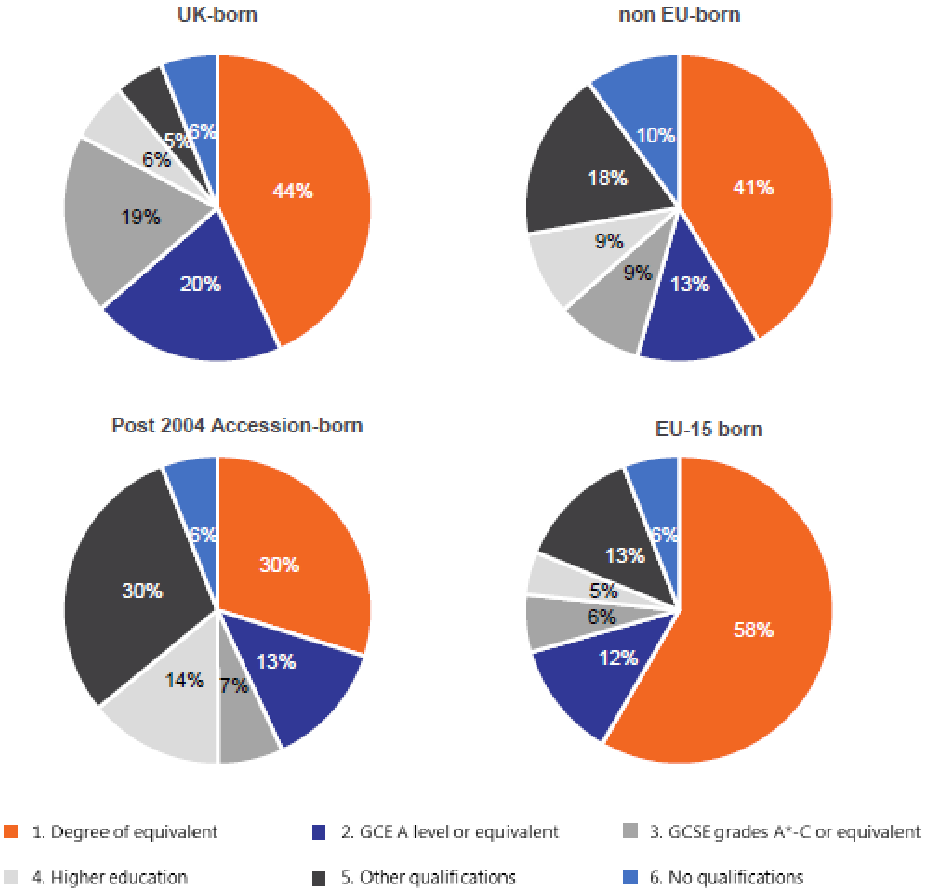
London's workers tend to be more educated than the UK average - and the same holds true for its EU nationals (figure 3k below). 63% of EU-15 born workers have a degree or other higher education degree, 13% hold another qualification (eg. vocational training); and a further 18% have been educted to GCE/GCSE or A level degree.

Immigrants from post-2004 Accession countries are not as well educated: 44% hold a degree or other higher-education qualification.

Only 6% of all EU workers have no qualifications, which is on a par with UK-born citizens residing in London.

6 http://pwc.blogs.com/legal/2017/03/facing-facts-the-impact-of-migrants-on-london-its-workforce-and-economy.html

Figure 3 k:
Highest qualification by region of birth in London, 2015

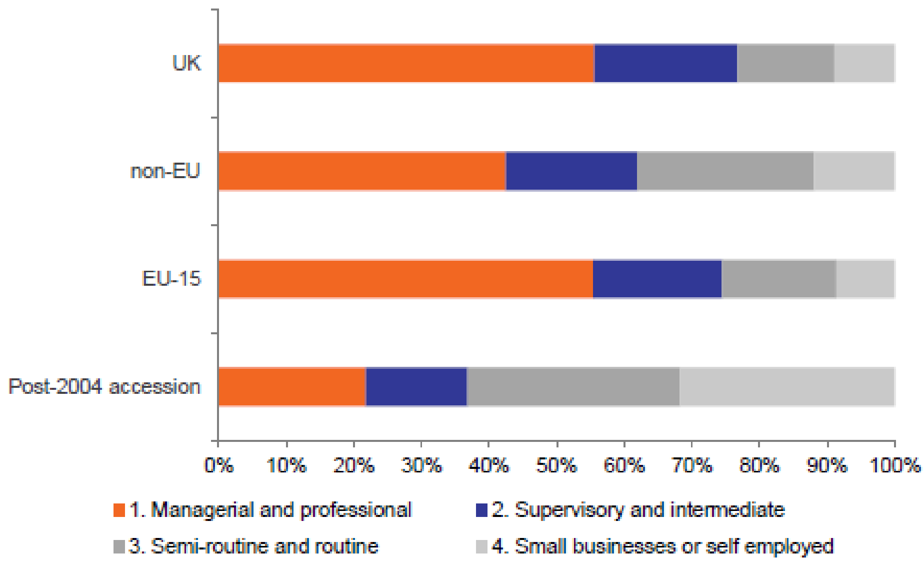


Source: ONS Labour Force Survey

Roles performed by London's workers

The types of roles performed by EU workers in London vary depending on their country of origin. Over 74% of EU-15 workers in London perform managerial, professional or supervisory/intermediate roles. This is similar to UK born workers. Typically post-2004 Accession workers perform routine or semi-routine work, or are self-employed.

Figure 3 l:
Roles performed by London's workers by region of birth, 2015

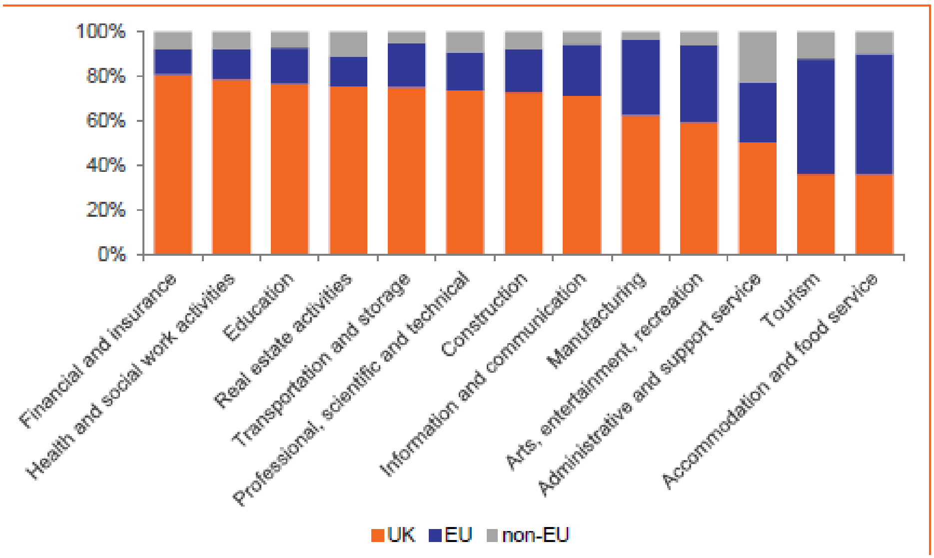


Source: ONS Labour Force Survey

Distribution of EU high-skilled labour
In a survey for *Facing Facts*, London First members were asked about the origin of their skilled workers. The results revealed a particular dependency upon skilled EU workers in the hospitality and tourism sectors, but also in sectors such as art & entertainment, manufacturing, and ICT.

% of EU workers	Industry Sector
11.67	Financial and insurance
14.00	Health and social work activites
16.20	Education
13.27	Real estate activities
19.86	Transportation and storage
16.93	Professional, scientific and technical
19.55	Construction
23.00	Information and communication
34.00	Manufacturing
34.67	Arts, entertainment, recreation
27.00	Administative and support service
51.69	Tourism
54.25	Accommodation and food services

Figure 3 j: Origin of skilled workers for surveyed London businesses 2016



Source: London First/PwC member survey

Hospitality case study[7]
EU workers are typically employed at all skills levels in the sector. Often, depending upon their English-language proficiency, EU workers start in the 'back of house' departments, such as housekeeping. In certain roles such as housekeeping, 90% of staff are EU-born workers.

[7] Data and insights from London First member in this sector

Jobs in the hospitality sector do not appear on the MAC's skills shortage list meaning that recruiting from outside of Europe is not feasible.

Higher Education case study

London's universities employ 9,800 academic staff from the EU[8]. In certain faculties, such as economics, modern languages, classics, maths, physics and engineering, EU staff comprise 30-45% of the total staff.

In addition, there are about 4,000 non-academic EU support staff in HE institutions in London.

Q3. Are there any relevant resources of evidence, beyond the usual range of official statistics that would allow the MAC to get a more detailed view of the current patterns of EEA migration, especially over the last year?

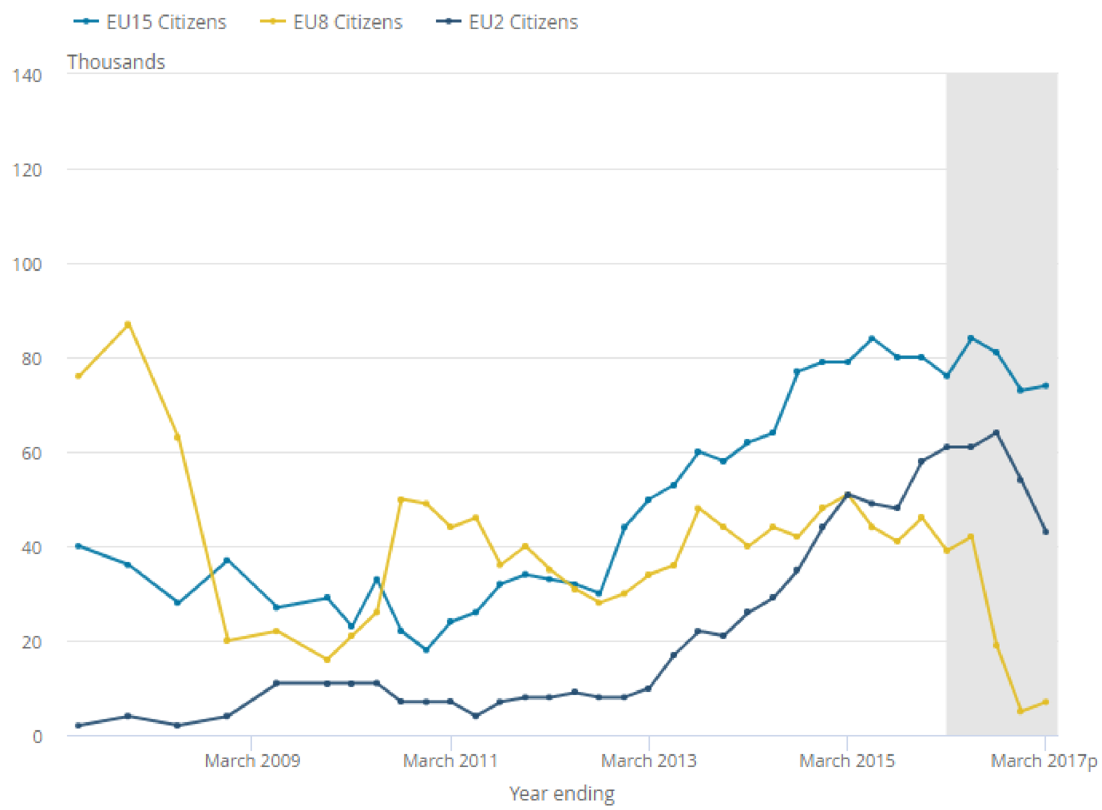
General

London First members have reported an increase in EU staff leaving their job and the UK over the past year since the referendum result, and that it has become harder to recruit from the EU labour pool, with a drop in applications. This is borne out by the official national statistics, showing that 19,000 fewer EU citizens have chosen to migrate to the UK in the past year compared to the previous year. Additionally, 33,000 more EU citizens have left the UK than previously, amounting to a 51,000 drop in EU net migration (127,000 at year-ending March 2017).

[8] London Higher, 2017

Figure 2: EU net migration to the UK by citizenship

UK, year ending June 2007 to year ending March 2017



Source: Office for National Statistics, Long-Term International Migration

Retail

The BRC reports[9] that 56% of retailers across the UK are facing concerns from their EU employees over their right to remain in the UK. 39% of retailers say that their EU employees are considering leaving, and 22% of retailers have reported that they have already seen an outflux of EU workers in their companies.

Hospitality

London First members have noticed an increased number of vacancies over the last year, particularly in housekeeping. A member conducted a survey of outsourced service supplier agencies which stated that 75% of them were facing greater difficulty attracting staff this year compared with last year. In London, 86% said that staff retention was worse in 2017 than in 2016. Outside of London the figure was 58%. 72% of the agencies surveyed reported that they were paying more than national minimum wage, or London Living Wage if in London, but that nevertheless rooms were already going uncleaned, due to staff shortages.

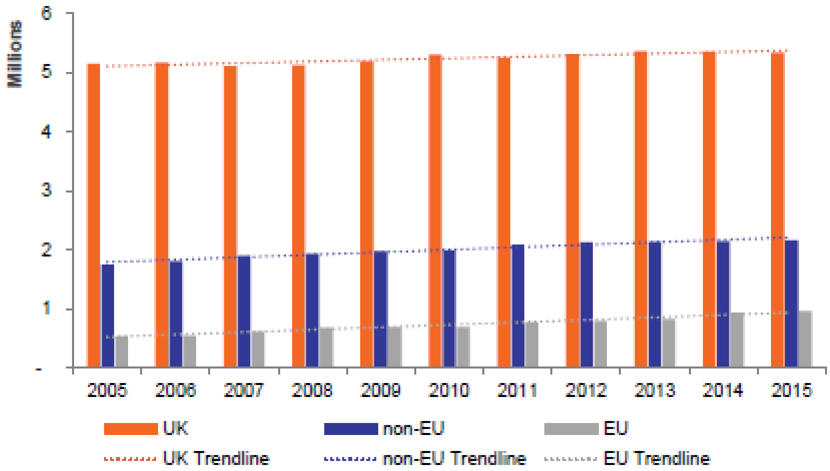
[9] https://brc.org.uk/media/191675/the-people-roadmap-final-report.pdf

Q4. Have the patterns of EEA migration changed over time? What evidence do you have showing your employment of EEA migrants since 2000?

General

Over the last 10 years there has been a 15.4% increase in the population of London, from 7.4 million in 2005 to 8.7 million in 2015. The average annual growth rate for UK residents was 0.4% (26,700 residents), EU growth rate was 7.7% (41,400) and non-EU grew by 2.4% (42,100) annually (figure 2c below).

Figure 2 c: Population of London by UK, non-EU and EU-born, 2005-2015



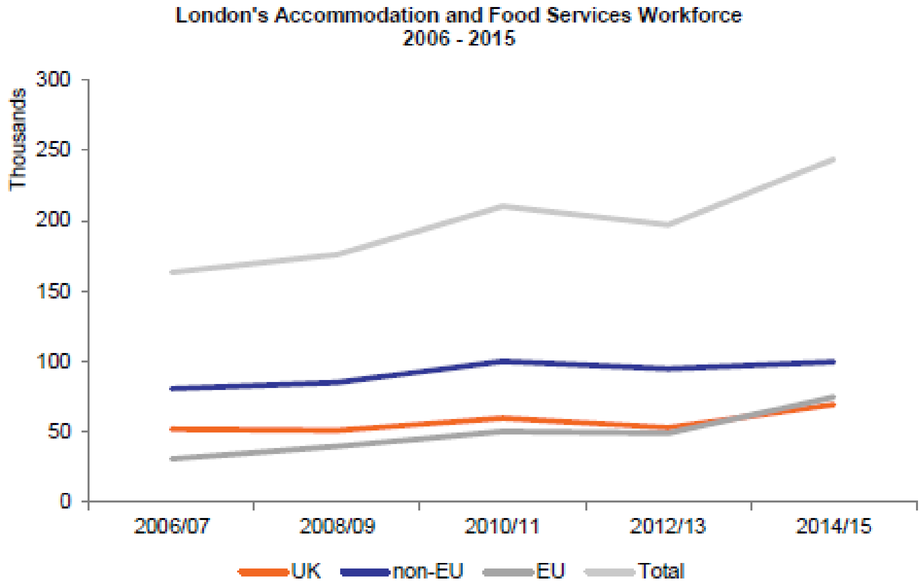
Source: ONS Labour Force Survey

Over the same time, London's workforce grew as well - from 4.3 million to 5.2 million. 623,000 of this workforce growth was a direct result of foreign-born citizens, of which 356,000 were EU born; while at the same time more British-born residents secured jobs, with economic inactivity amongst this group falling by 70,000 and - overall - London unemployment remaining roughly static at just under 300,000.

Hospitality

Driven by strong growth, London's hospitality sector increased its workforce from 164,000 in 2006 to 243,000 in 2015. This resulted in greater employment for EU-born workers (up 44,000 to 75,000) as well as for UK-born workers (up 17,000 to 69,000). The proportion of EU workers in London's hospitality sector (31%) has in recent years overtaken the percentage of UK workers (28%) (still below that of non-EU workers – 41%).

Figure 3 ad: Accommodation and food services industry workforce in London, 2006-2015

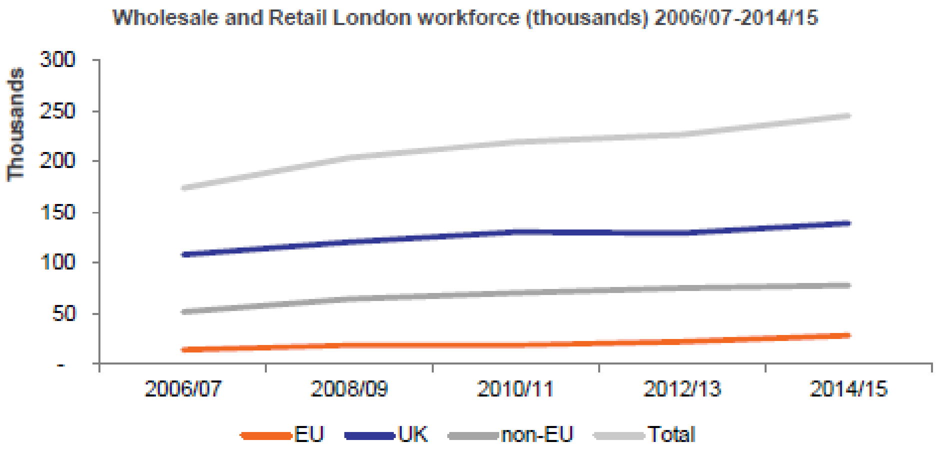


Source: ONS Labour Force Survey

Retail

The growing UK economy has also benefitted London's retail sector which steadily increased its labour force between 2006 and 2015 (174,000 to 246,000). Over the same time period, London's EU retail workforce increased from 14,000 to 29,000. The biggest gains in terms of total numbers have been made by the UK-born workforce, which increased by 31,000 workers to 139,000.

Figure 3 ag: Wholesale and retail industry workforce in London, 2006/07-2014/15

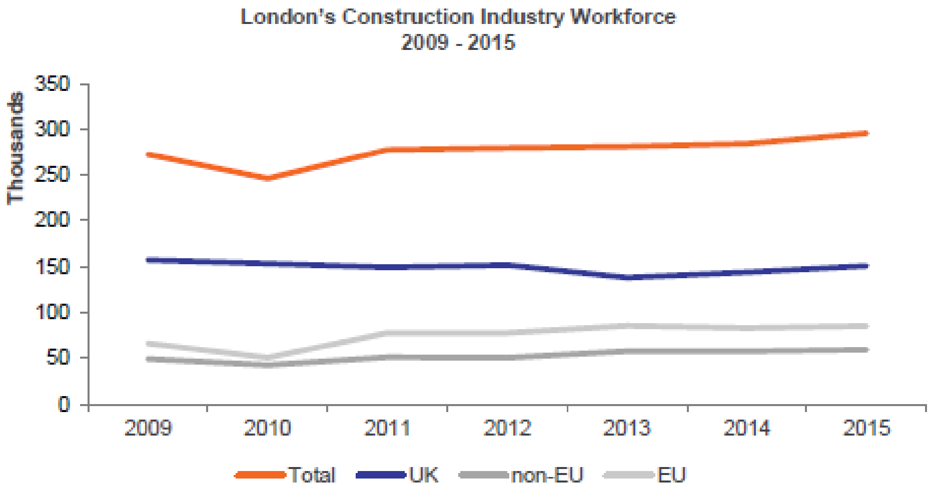


Source: ONS Labour Force Survey

Construction

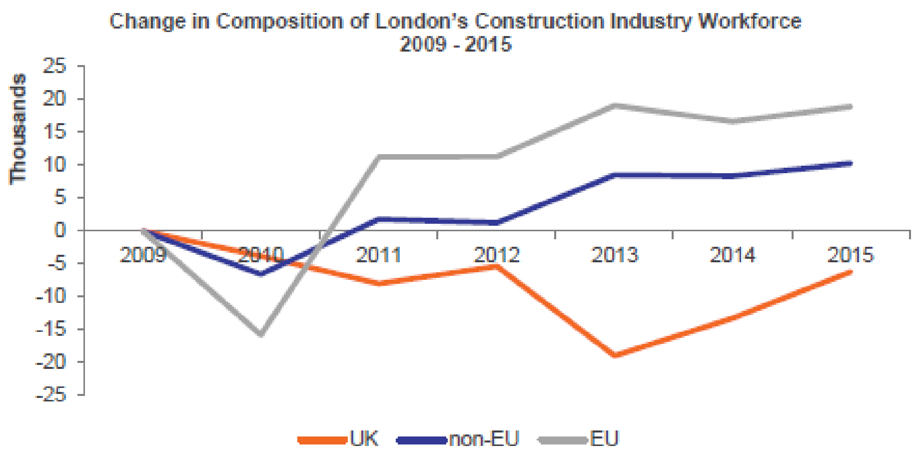
The below graphs (3u and 3v) illustrate that the total construction industry workforce in London increased from 272,000 in 2009 to 295,000 in 2015, despite a decline in the aftermath of the financial crisis. The number of EU workers increased by 19,000 to 85,000 over the period.

Figure 3 u: Composition of London's construction industry workforce, 2009 – 2015



Source: ONS Labour Force Survey

Figure 3 v: Change in composition of London's construction industry workforce, 2009 – 2015



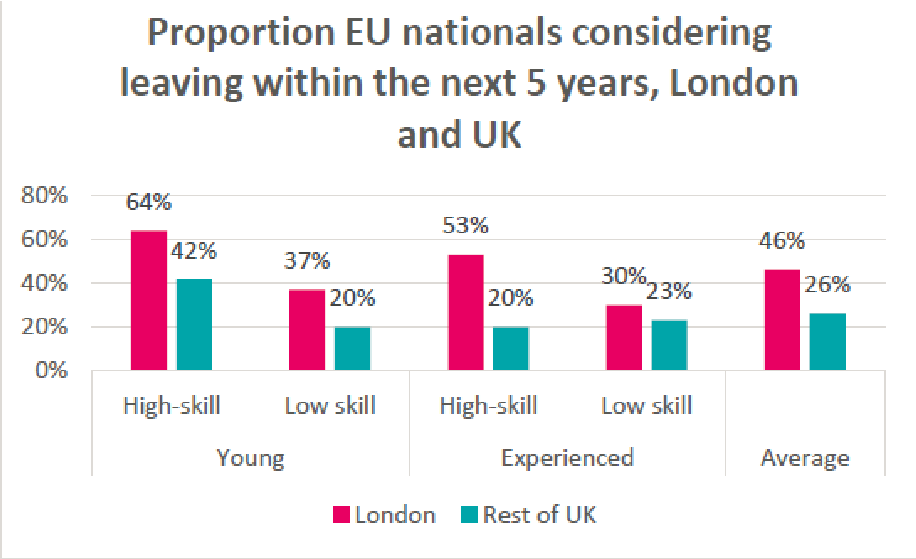
Source: ONS Labour Force Survey

Q5. Have you conducted any analysis on the future trends of EEA migration?

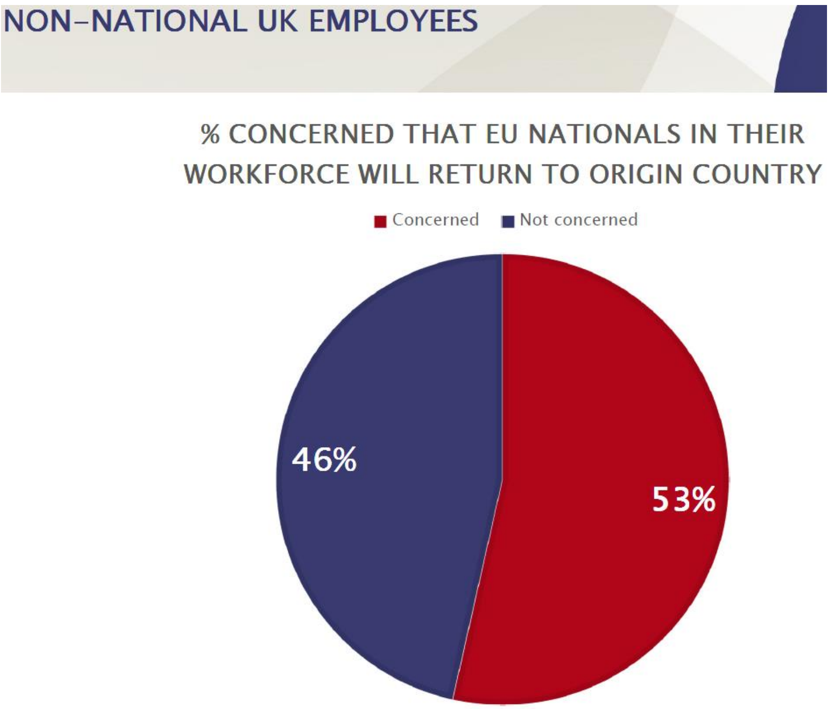
General

In a survey conducted by Deloitte (2017)[10], 2,242 foreign-born workers were asked about their views on the UK, and nearly two-thirds (64%) of London's under-30, high-skilled EU nationals said that they are considering leaving London and the UK within the next five years – potentially adding to a significant skills shortage in the capital. This is higher than for EU nationals in the rest of the UK, at 42%. In addition, 37% of low-skilled EU workers in London plan on leaving the UK within the next five years. This difference may be attributed to the greater flexibility of high-skilled, higher-paid workers.

[10] https://www2.deloitte.com/uk/en/pages/global-markets/articles/power-up.html



A ComRes[11] survey of employers has also shown that 53% of UK employers are worried that their non-UK EU workers staff will leave the UK, while 69% of EU workers are uncertain about their future in the UK.



[11] ComRes presentation 19.10.2017 at Euractiv event

IMPACT ON EU WORKER MORALE

	%
Uncertain	69%
Disappointed with Brexit vote result	61%
Confused	57%
Feel unwelcome	43%
Angry	38%
Clear about their long term status in UK	32%
Relaxed	28%
Happy that the UK is leaving the EU	21%

Q6. Have you made any assessment of the impact of a possible reduction in the availability of EEA migrants (whether occurring naturally or through policy) as part of your workforce? What impact would a reduction in EEA migration have on your sector/local area/region? How will your business/sector/area/region cope? Would the impacts be different if reductions in migration took place amongst non-EEA migrants? Have you made any contingency plans?

General

A reduction in availability of EU labour would result in disruption to many sectors and their critical supply chains across the UK, and London First members report that this contraction in the labour pool could result in increased wage costs, which, in turn, could increase the price of consumer or business to business products. Many commentators agree that a decline in the available EU workforce would result in slower growth for the economy overall, lowering GDP and thus rendering UK citizens less well off than they are currently.[12]

Work needs to be done to improve the performance of the UK skills system to support more home-grown workers into jobs, but this will take time (e.g. 2 years for Level 3 qualification in a trade to 10-15 years of training to reach Chartered Engineer status[13]). As a consequence, in an era of historically high employment (75.1% in August 2017), there is an inadequate pool of labour to be substituted into these jobs.

Retail[14]

The already reduced availability of EU workers in the UK, as a result of some having returned home and fewer people arriving over the last year, has resulted in retailers increasing consumer prices by 13% to offset increased employment costs. 25% of retailers are considering further price increases in the future in order to offset any more possible increases in employment costs as they prepare themselves for tougher competition in the sector for the smaller available workforce.

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[12] https://twitter.com/JolyonMaugham/status/905116908067987457/photo/1

[13] https://www.ciphe.org.uk/

[14] https://brc.org.uk/media/191675/the-people-roadmap-final-report.pdf

Hospitality[15]

Currently, the UK hospitality sector recruits 200,000 workers each year to replace churn and meet growth demands. Without access to EU workers the sector would have to recruit more than 60,000 extra UK workers, which would prove extremely difficult due to the general low attractiveness of jobs in the hospitality sector as well as low levels of unemployment, when the UK is already struggling to fill labour shortages in all sectors[16].

Construction

According to Rob Perrins, CEO, Berkeley: "The UK construction industry is already facing major skills shortages that are currently met by a foreign workforce compromising ca. 60-70% of the total workforce. Certain trades, like dry-liners and carpentry are especially dominated by foreign labour (mostly from Eastern Europe). Carpentry is a highly skilled trade which cannot easily be replaced and is thus facing a really strong 'Brexit risk'.

"With or without Brexit, London is in a skills crisis. The capital needs up to 13,000 extra new construction workers each year until 2021 in order to plug the skills gap and meet the additional demands in the construction industry".

According to Arcadis, the UK must recruit over 400,000 construction workers each year to deliver in line with housing and infrastructure needs. If the points-based system currently in place for non-EU citizens was applied to EU workers, the number of EU construction workers entering the UK would fall to a level that is too low to replace workforce attrition. This would mean that those EU nationals leaving the industry cannot be replaced at the same rate by new workers, from wherever they come from. The cumulative total of missing UK labour could be as high as 214,500. Even under a soft-Brexit scenario that, for instance, would allow for rigid quotas, or policies implemented on a sector-by-sector basis, allowing a degree of EU migration into the sector, there would be 136,100 vacancies unfilled until 2020[17].

The shortfall of available EU workers would not be able to be filled through training and technology alone, as the skills system in construction is currently not efficient enough to rapidly substitute EU labour.

Banking and Finance/Professional services

Reuters[18] surveyed 123 firms (the biggest banks, insurers, asset managers, private equity firms and exchanges in Britain) about their plans if a 'hard Brexit' was the final outcome of the negotiations. More than half of those interviewed have said that they would need to move staff to the EU or restructure their business. The first wave of job losses from Brexit, estimated at 10,000 UK finance jobs, might be at the lower end of estimates, but most respondents said that bigger moves would be in store in a decade or more. 'If it is going to happen it won't be in one big bang,' said a senior executive at one of Europe's largest banks, which took part in the survey. 'There will be a slow drain of jobs from London over a number of years.'

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[15] Data and insights from London First members

[16] http://www.bha.org.uk/labour-migration-hospitality-sector/

[17] https://www.arcadis.com/en/united-kingdom/our-perspectives/2016/november/brexit-could-see-british-construction-miss-out-on-215000-workers/ - Arcadis Talent Scale Report 2017

[18] http://uk.reuters.com/article/uk-britain-eu-jobs-exclusive/exclusive-reuters-survey-10000-uk-finance-jobs-affected-in-brexits-first-wave-idUKKCN1BT1EQ

Higher Education
Higher education is the UK's seventh largest export industry according to a 2011 report from the Home Affairs Committee[19]. There is a risk that without its 30% of EU staff, which comprises both its academic and non-academic staff, the Higher Education sector's ability to drive UK exports will be significantly reduced.

While the sector has yet to feel any material impact, there is an expectancy of difficulty in recruiting EU staff in the midterm. Possible reasons for this include: low wages of early career academics will be below current overseas salary thresholds; and UK universities will be less attractive to EU universities for research collaboration and EU researchers seeking a new research post, if access to EU Horizon 2020 funding is cut as a result of Brexit.

Recruitment Practices, Training & Skills

Q1. Please provide evidence on the methods of recruitment used to employ EEA migrants. Do these methods differ from those used to employ UK and non-EEA workers? What impact does this have on UK workers? Have these methods changed following the Brexit referendum?

General
The Equality Act of 2010[20] states it is against the law to discriminate against workers on grounds of nationality or national origin.

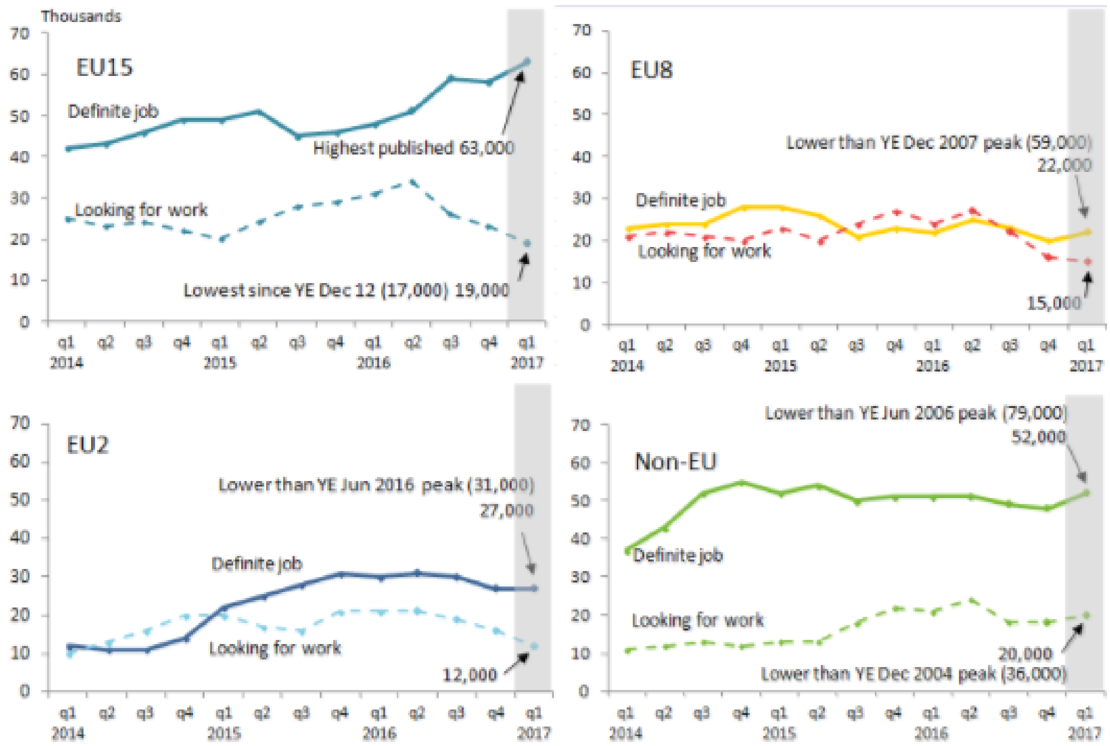
London First members have reported to us that they recruit on the basis of competency and that they do not discriminate on the basis of nationality in their recruitment processes. For example, a London First hospitality member confirmed that their job vacancies are published on the company's career site as well as partner jobs boards, and are open to everyone. Candidates are screened by their CV and initial application, with successful candidates moving to the interview and assessment centre stage.

In terms of trends in EU workers seeking a job in the UK, the following graph from the ONS shows there has been a slight uptick in EU citizens immigrating to the UK with a definitive job offer, while the number of people coming to look for a job has slightly decreased, since the Brexit referendum. This reflects the present uncertainty of the UK labour market.

[19] http://www.parliament.uk/documents/commons-committees/home-affairs/Studentvisas.pdf
[20] https://www.gov.uk/discrimination-your-rights

Figure 6: International Passenger Survey estimates of immigration to the UK for work-related reasons by citizenship

UK, year ending March 2014 to year ending March 2017



Source: Office for National Statistics, International Passenger Survey

Q3. What are the advantages and disadvantages of employing EEA workers? Have these changed following the Brexit referendum result?

General

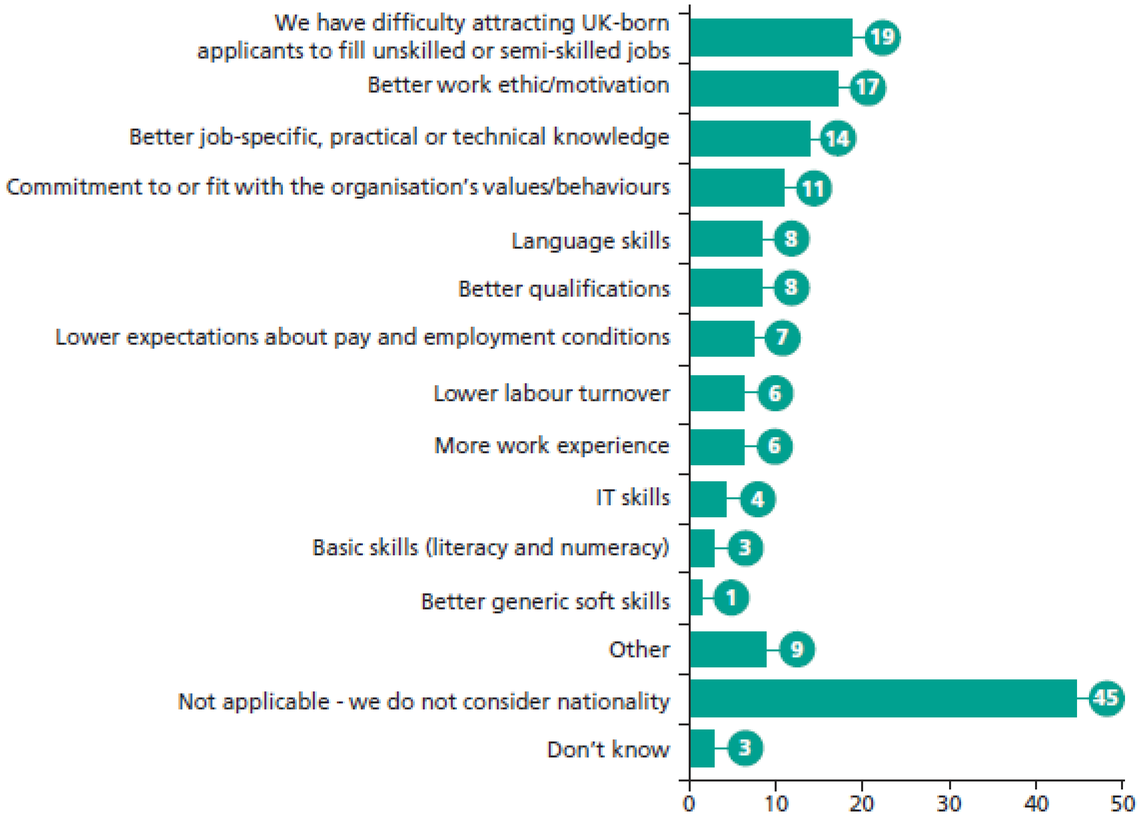
The All-Party Parliamentary Group on Migration published a report in September 2017[21] highlighting that the top reason for hiring EU nationals is the difficultly in attracting UK-born applicants.

The report referenced a CIPD labour market survey and while employers reported that they do not discriminate by nationality during the recruitment process and seek to recruit the best possible candidate from wherever they come from, they did state that they often found EU nationals to have better skills and aptitude, as the following chart shows.

[21] http://appgmigration.org.uk/wp-content/uploads/2017/09/APPG-on-Migration-Brexit_Beyond-the-highly-skilled-report-Sept-2017.pdf

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)

Q4. To what extent has EEA and non-EEA migration affected the skills and training of the UK workers?

General

London First members typically provide a full range of training programmes for home grown workers, including graduate schemes, apprenticeship schemes and school leaver programmes. They work with schools, colleges and universities to increase the skills level of their employees and ensure pathways into employment. Many training programmes work to attract a diverse group of workers to support social mobility as well as trying to engage a broad range of skills for the benefit of the company.

Many London First members, like PwC[22] and Mace[23], offer work experience weeks or placements for students to explore what opportunities the companies offer and what a possible career path could look like.

Construction

There has been a slow increase in the uptake of apprenticeships in England, but the rate is still too low to be a sufficient pipeline for the skills needs of the industry.

[22] http://www.pwc.co.uk/careers/school-jobs/jobs/work-experience/business-insight-week.html

[23] https://www.macegroup.com/careers/placements-and-work-experience

Figure 3 w: Construction apprenticeships in England, 2009 – 2015

Source: Briefing Paper Number 06113, 21 November 2016 Apprenticeship Statistics: England

CITB[24] has reported that the number of apprenticeships that were completed in Inner London fell from 730 in 2011/12 to 500 in 2013/14.

According to Mark Reynolds, CEO, Mace: "We have to build the homes, transport links and infrastructure the UK needs but, with Brexit looming, we are at risk of losing many of our EU people that comprise over a third of our skilled workforce who are helping us deliver these projects."

"We are very aware that employers need to invest in skills and innovation - at Mace, over 5% of our direct workforce are trainees, apprentices and graduates and investing over 2% of our total revenues in Innovation. With 20% of our UK construction workforce expected to retire over the next five years, we are facing significant challenges in hiring the people we need."

Q5. How involved are universities and training providers in ensuring that the UK workforce has the skills needed to fill key roles/roles in high demand in your sector? Do you have plans to increase this involvement in the future?

General

The Skills Funding Agency, which funds further education colleges and apprenticeships, spends £3.2bn a year on skills delivery in the UK. The budget in the DfE for Higher Education in the UK is £3.6bn per annum. This is dwarfed by the approximate £40bn[25] that UK employers spend on training each year. A great deal of money and effort is going into the training of British workers - and this is reflected in record high levels of employment. Yet, employers still report the challenge of skills shortages and require foreign labour to try to fill the gaps.

24 https://www.citb.co.uk/documents/research/workforce%20mobilty%202015/uk%20mobility%20report%202015.pdf

25 http://www.policyconnect.org.uk/sc/sites/site_sc/files/report/419/fieldreportdownload/guidetotheskillssystem.pdf

Hospitality[26]
According to a London First member in this sector, hospitality in the UK has seen an increase in apprentices at degree level, but the number of apprentices attracted is still too low to serve as a sufficient skills pipeline for the industry.

The member is testing alternative models of recruitment, including back-to-work and re-training schemes, capturing the possibility to employ ex-offenders, military veterans, and retirees.

Many companies in the sector have established relationships with service providers, such as the Careers and Enterprise Company to support them in building better relationships with local schools to promote the industry and its career opportunities.

Furthermore, companies are increasingly working with universities and colleges to ensure that education providers get a better understanding of the skills demands of key roles within the sector.

Construction[27]
Many businesses in the sector are changing their approach to recruitment to counteract the already critical skills shortages, through increasingly hiring and developing school leavers in extensive apprenticeship programmes.

Q6. How well aware are you of current UK migration policies for non-EEA migrants? If new immigration policies restrict the numbers of low-skilled migrants who can come to the UK, which forms of migration into low-skilled work should be prioritised? For example, the current shortage occupation list applies to high skilled occupations, do you think this should be expanded to cover the lower skill levels?

General
Tier 3 of the non-EU points based migration system was set up as a route for low skilled migration, however it has always been closed and remains closed. If low or semi-skilled EU workers were also prevented from entering the UK, this would have grave consequences for the ability of the UK's industry sectors to operate. As *Facing Facts* demonstrates, foreign-born workers at all skills levels contribute to London.

From banking to tech to engineering to hospitality and care, essential workers undertake the jobs that keep London functioning, including cleaning, construction, security, maintenance, customer service, food preparation and hospital porters. These types of workers are often misleadingly lumped together under the term 'low-skilled', but this can lead to their skills and contribution being under-valued.

Work needs to be done to improve the performance of the skills system in order to help more home-grown workers into these roles, but this will take a considerable amount of time, certainly longer than any currently proposed transition period would be sufficient for. And in an era of historically high employment, there is an inadequate pool of labour to be substituted into these jobs. It is crucial that the current shortage occupation list is expanded to include 'lower skills' levels. This list needs to be dynamic and set between business and the MAC, and reviewed regularly, say twice a year.

[26] Data and insights from London First member in this sector
[27] Arcadis Scaling Talent Report 2017

Economic, Social and Fiscal Impacts

Q1. What are the economic, social and fiscal costs and benefits of EEA migration to the UK economy? What are the impacts of EEA migrants on the labour market, prices, public services, net fiscal impacts, productivity, investment, innovation and general competitiveness of UK industry?

General

Migration is delivering benefits for London, and around the UK. In *Facing Facts*, we measured the net economic impact of the total 1.8m foreign-born workers in London, and the results are below. We have been unable to reliably split these results by EU and non-EU:

- On average, each foreign worker contributes a net additional £46,000 in Gross Value Added (GVA) per annum to London's economy
- The total contribution of all foreign workers in London is around £83bn, approximately a quarter of London's Gross Value Added (22% of London's GVA per annum)
- The economic contribution of workers born outside of the UK also helps to create additional jobs in the wider London economy: our calculations imply that the additional GVA generated by 10 jobs from foreign workers will support an additional four jobs in the UK economy (note these jobs may go to foreign workers or those workers born in the UK). The equivalent job creation figure for workers born in the UK figure is three jobs.
- The contribution by foreign-born Londoners to London's economy spills over to the rest of the UK economy, with the tax revenue associated with the net additional GVA created by foreign workers in London approximately £30bn p.a., or 4.5% of total Government tax receipts for the whole of the UK.

Welfare Benefits

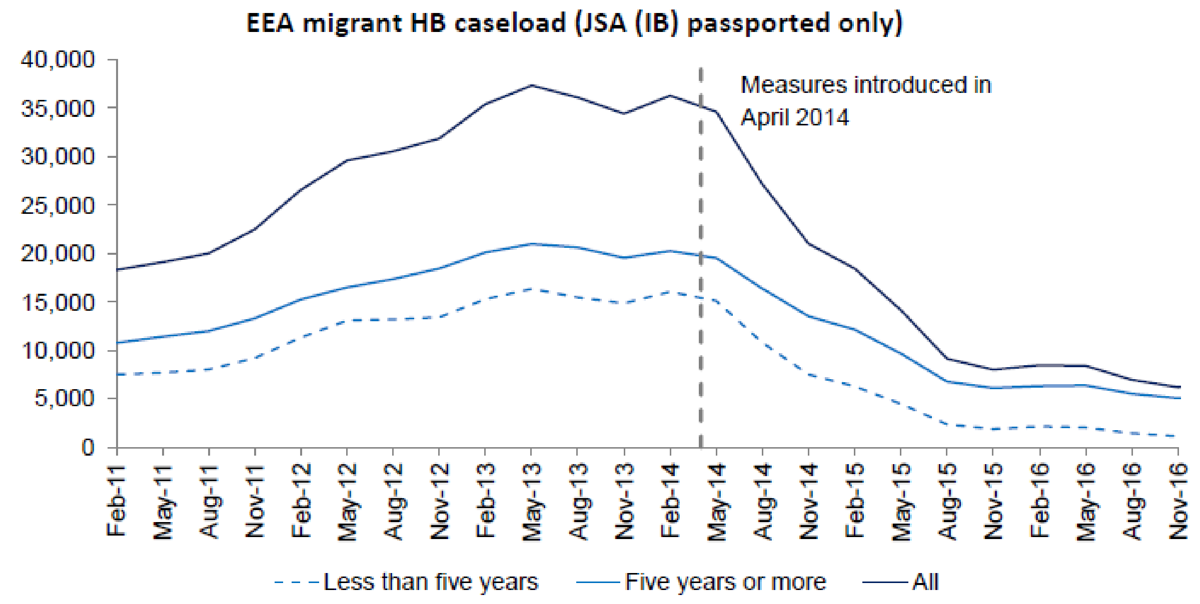
EU citizens who are working in the UK have the same rights of access to benefits as UK citizens (although access to certain benefits can depend on the amount of time a worker has been paying contributions, so a UK citizen may have more entitlements). However, they are less likely to be receiving key Department for Work and Pensions (DWP) out-of-work benefits than the UK born, but more likely to be receiving tax credits.[28]**.**

Following the introduction of a new regulation in 2014[29], EU citizens who arrive in the UK without a job and are looking for work can no longer receive means-tested jobseekers' allowance, child tax credit or child benefit within the first three months. These jobseekers must also pass the habitual residence test in order to make any claims thereafter. This test considers various factors including the measures they have taken to establish themselves in the UK and find work here.

These regulations have decreased the take-up of benefits by EU citizens as the following charts show.

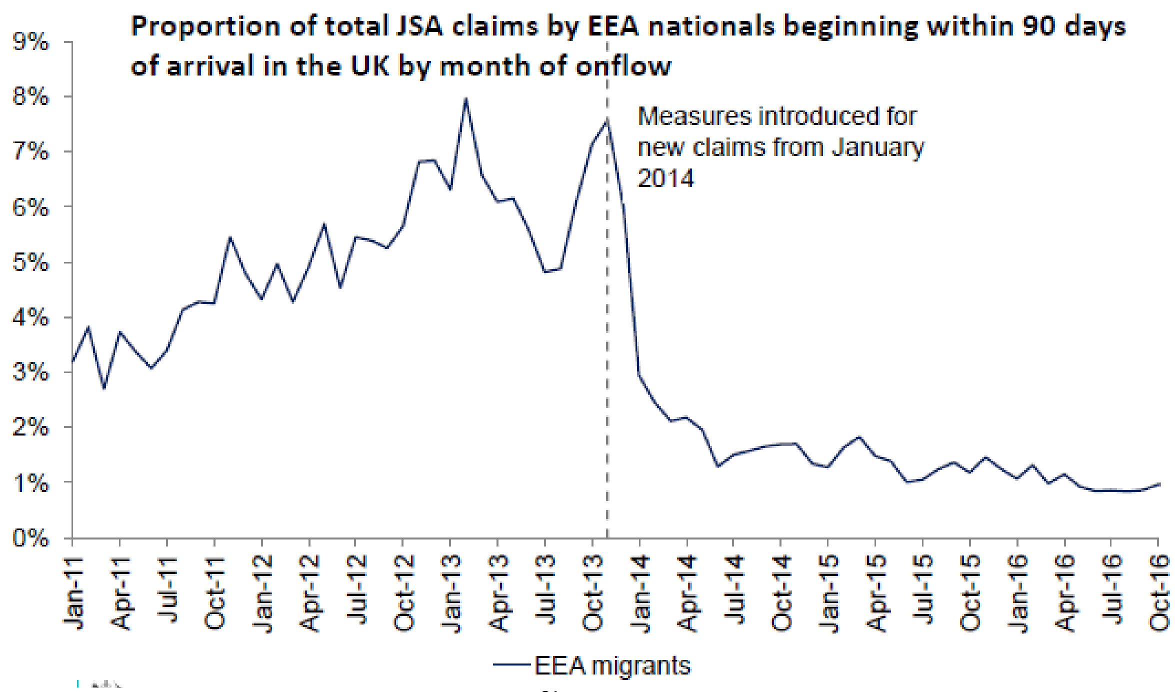
The first chart shows that shortly after introducing the new restrictions the number of EEA jobseekers on Housing Benefit decreased by 83% (~35,000 to less than 10,000).

[28] https://fullfact.org/economy/migration-and-welfare-benefits/
[29] http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06889



Source: Department for Work & Pensions[30]

Similarly, the proportion of total Jobseeker Allowance claims by EEA citizens has decreased after the new requirements in 2014 to around 1%.



Source: Department for Work & Pensions[31]

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30 https://www.statslife.org.uk/files/Slides/05_Russ_Bentley_Richard_Mosley_DWP_and_Scott_Paul_Johnson_HMRC_statistics_and_analysis_of_migrants.pdf

31 https://www.statslife.org.uk/files/Slides/05_Russ_Bentley_Richard_Mosley_DWP_and_Scott_Paul_Johnson_HMRC_statistics_and_analysis_of_migrants.pdf

The majority of findings from economists supports the *Facing Facts* evidence that foreign labour is a major economic benefit to the UK. For example, Dustmann and Frattini (2014)[32] found that EU citizens who arrived in the UK since 2000 contributed 34% more than they receive in benefits, which amounted to over £20bn from 2001-2011. They are half as likely to claim state benefits as the local population.

The majority of EU citizens in the UK are employed and thus paying taxes and contributing to National Insurance[33]. ONS data[34] shows that the unemployment rate for EU citizens is currently 4.0% (down from 4.8% on the previous year,) and lower than for UK nationals (4.2%).

A2 countries (Bulgaria, Romania) benefit use/unemployment

New data from the ONS[35] shows that 85% of Bulgarian citizens aged 16-64 and resident in the UK were employed. 5% were students and 8% were economically inactive (e.g. spouse taking care of children, household, etc.). Only 2% were unemployed and might have been granted unemployment benefits. The unemployment rate is notably below the UK average for British citizens.

Regarding Romanian citizens aged 16-64, the numbers where equally high: approx. 77% were employed, 5% were students, 13% were economically inactive and 5% were unemployed.

32 http://onlinelibrary.wiley.com/doi/10.1111/ecoj.12181/abstract

33 https://www.statslife.org.uk/files/Slides/05_Russ_Bentley_Richard_Mosley_DWP_and_Scott_Paul_Johnson_HMRC_statistics_and_analysis_of_migrants.pdf

34 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/ukandnonukpeopleinthelabourmarket/august2017#unemployment-by-nationality

35 https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/livingabroad/dynamicsofmigrationbetweenbritainandtheeu2#eu2-citizens-living-in-the-uk