

# EEA migration in the UK: Final Report

## Migration Advisory Committee

### September 2018

## Review of Findings & Recommendations

### Context

In July 2017, the Home Secretary commissioned the Migration Advisory Committee (MAC) to report on the current and likely future patterns of EEA migration and the impacts of that migration. The intention is to provide an evidence base for the design of a new migration system after the end of the implementation period in 2021. In July 2017, MAC published a briefing paper outlining the patterns of EEA migration and some of the key issues. In March 2018, they published an Interim Update summarising the 417 responses to the call for evidence.

### Final report

On 18<sup>th</sup> September 2018 the final report was published: it focuses on an assessment of the impact of EEA migration and the committee's recommendations for the UK's post-Brexit work immigration system. Alongside it the MAC is publishing six reports they commissioned from external researchers to inform their analysis. The Policy Team recommends that members read [“The Impact of Migration on Productivity and Native-born Workers’ Training”](#) report which examines the impact of immigration on labour productivity and the training of UK-born workers.

The final report discusses a wide range of impacts - on wages and unemployment, productivity, innovation, training, consumer prices, house prices, public finances, allocation of public resources, public services, crime and subjective well-being. The report attempts to provide an assessment of impacts across all sectors and regions of the UK, including the differing impacts of different types of migration on the different parts of the resident population. MAC report that the availability and access to data remains a serious constraint on their work and consequently they have been very clear and transparent in their report where the evidence is inconclusive.

### Summary

Table 1 presents the findings of the evidence reviewed by MAC on the impacts of EEA workers and the resulting recommendations made by the Committee. This summary focuses on the findings deemed relevant for the employers in the energy and utilities sector. **The overall conclusion made by the Committee is that the UK should focus on enabling higher-skilled migration coupled with a more restrictive policy on lower-skilled migration in the design of its post-Brexit system. Calling for 'no preference' for EU nationals after implementation period.**

*Table 1: Findings, Impact and Recommendations*

Theme	Impacts	MAC's recommendations
<b>Overall findings</b>	<p>The evidence suggests that the EEA migration has had impacts, but many of them seem to be small in magnitude when set against other changes.</p> <p>The small overall impacts mean that EEA migration as a whole has had neither the large negative effects claimed by some nor the clear benefits claimed by others.</p> <p>The impacts of migration are likely to vary with the type of migrant and with the type of UK resident.</p> <p>The UK's post-Brexit immigration system could be decided by the UK on its own or could be part of the negotiations with the EU.</p> <p>This would mean ending free movement. With free movement there can be no guarantee that migration is in the interests of the UK residents.</p>	<ol style="list-style-type: none"> <li><b>1. The general principle behind migration policy changes should be to make it easier for higher-skilled workers to migrate to the UK than lower-skilled workers.</b>  A shift towards higher skilled migration aligns with the Government's industrial strategy published last year.</li> <li><b>2. The Committee recommend that the impacts of migration should not be seen in isolation from other government policies.</b></li> <li><b>3. No preference for EU citizens, on the assumption UK immigration policy not included in agreement with EU.</b></li> <li><b>4. Abolish the cap on the number of migrants under Tier 2 (General).</b>  The existing Tier 2 (General) scheme can provide a useful template for a work permit scheme, although criticisms of the administrative burdens the scheme imposes should be taken seriously if it is to be extended to EEA citizens.</li> <li><b>5. Tier 2 (General) to be open to all jobs at Regulated Qualifications Framework (RQF) 3 and above. Shortage Occupation List will be fully reviewed in MAC's next report in response to the SOL Commission. MAC also recommend that medium-skilled jobs should be eligible under Tier (2).</b></li> </ol>
<b>Labour Market: Employment and Unemployment</b>	<p>MAC found that migrants have no or little impact on the overall employment and unemployment outcomes of the UK-born workforce.</p> <p>There is evidence that migration reduces employment and raises unemployment of some groups (e.g. the young and less well-educated) but this finding is subject to significant uncertainty as the evidence is inconclusive.</p>	<ol style="list-style-type: none"> <li><b>6. Maintain existing salary thresholds for all migrants in Tier 2.</b>  The salary threshold at £30,000 should be retained even though MAC recommend expanding the list of eligible occupations. MAC argue this would allow employers to hire migrants into medium-skills jobs but would also require employers to pay salaries that place greater upward pressure on earnings in the sector.</li> <li><b>7. Retain but review the Immigration Skills Charge. It should also cover EEA citizens.</b></li> </ol>
<b>Labour Market: Wages</b>	<p>Overall, there is no evidence that EEA migration has reduced wages for UK-born workers on average.</p> <p>There is some evidence that migration has reduced earnings growth for the lower-paid and raised it for the higher-paid, but again these findings are subject to uncertainty.</p>	<p>A robust approach to the salary thresholds and the Immigration Skill Charge are a better way to protect UK workers against the dangers of employers using migrant workers to undercut UK-born workers.</p> <ol style="list-style-type: none"> <li><b>8. Consider abolition of the Resident Labour Market Test. If not abolished, extend the numbers of migrants who are exempt through lowering the salary required for exemption.</b></li> </ol>

<b>Productivity</b>	There is evidence that immigration has, on average, had a positive impact on productivity. Some evidence suggests that this impact is larger for high-skilled migrants than lower-skilled migrants.	<p><b>9. Review how the current sponsor licensing system works for small and medium-sized businesses.</b></p> <p><b>10. Consult more systematically with users of the visa system to ensure it works as smoothly as possible.</b></p>
<b>High-skilled versus low-skilled migrants</b>	<p>The evidence from this report points in the direction of high-skilled migrants having a clear benefit to existing residents, while the same is not true for lower-skilled migrants.</p> <p>Higher-skilled workers tend to have higher earnings so make a more positive contribution to the public finances.</p>	<p><b>11. For lower-skilled workers, avoid Sector-Based Schemes (with the potential exception of a Seasonal Agricultural Workers scheme)</b></p> <p>This is likely to be strongly opposed by the affected sectors.</p> <p><b>12. If a SAWS scheme is reintroduced, ensure upward pressure on wages via an agricultural minimum wage to encourage increases in productivity.</b></p>
<b>Innovation</b>	The available evidence suggests that High-skilled immigrants increase innovation.	<p><b>13. If a “backstop” is considered necessary to fill low-skilled roles, extend the Tier 5 Youth Mobility Scheme.</b></p>
<b>Training</b>	<p>There is no evidence that migration has reduced the training opportunities of the UK-born.</p> <p>Moreover, there is some evidence to suggest that skilled migrants have a positive impact on the quantity of training available to the UK-born workforce. Any potential impact on the quality of training provided is unknown.</p>	<p><b>14. Monitor and evaluate the impact of migration policies.</b></p> <p>There is little attention given by the Government to monitoring or evaluating the impact of migration policy changes. There is a need for much more systematic evaluation of whether labour migration policies are achieving their intended economic goals.</p> <p>This would require much better data, including the development of administrative data sources that would enable us, and others, to understand the economic contributions of migrants admitted to the UK under different policy routes.</p>
<b>Prices</b>	Evidence that migration, especially lower-skilled, has reduced the prices of personal services.	<p><b>15. Pay more attention to managing the consequences of migration at a local level.</b></p>
<b>Public Finances</b>	EEA migrants, especially those from EU13+, pay more in taxes than they receive in welfare benefits and consume in public services. Net fiscal benefit is strongly related to earnings and to age.	<p>The current UK immigration system has only very limited regional variation. A number of regions and countries in the UK have expressed the wish to have more regional variation, most commonly in the form of lower salary thresholds. In line with previous MAC reports, including the Interim Update, MAC do not recommend introducing more regional variations, although the abolition of the Tier 2 cap would help some lower-wage regions.</p>

## Where our voice has been heard

Energy & Utility Skills submitted a response to the call for evidence by the Migration Advisory Committee (MAC) on workers from the European Economic Area (EEA) in the UK labour market. The recommendations we made, on behalf of the sector to the Committee, are presented in Table 2.

It is pleasing to see the Committee recommends that the impacts of migration policy should not be seen in isolation from other Government policies, which aligns with one of our key recommendations. In addition, the review of Shortage Occupation List (SOL) by MAC is welcomed, needed and is a proposal we suggested.

We advised that the changes to the immigration system should prioritise sectors essential to the UK economy i.e. to take a sector approach to managing migration numbers. However, MAC have recommended a 'skills level' approach. Proposing the policy is changed to make it easier for high-skilled workers to migrate to the UK rather than a sector based scheme.

This approach would work for power, gas and water industries that tend to recruit high-skilled migrants in specific subsectors of their industries. However, it may negatively impact the waste management industry as it relies most heavily on EEA migrants, generally (14% of the total workforce) in lower skilled operational roles (20% of Operatives are EU nationals).

*Table 2: Sector Recommendations*

### Sector recommendations made to the MAC:

1. Any reforms to the immigration system should consider and prioritise workforce sustainability and resilience, in those sectors essential to the UK economy and society.
2. Workforce resilience should be embedded in the duties and approach of UK regulators and sponsoring government Departments, to help ensure coordinated policy approaches and a sustainable transition. A sector-based approach should be considered, as opposed to an increased Shortage Occupation List.
3. Changes to migration rules should be paced to ensure employers in essential sectors can access EEA workers needed to fill key operational roles.
4. Any reforms to the Shortage Occupation List should be re-evaluated in light of any changes, to ensure the job roles reflect importance to the UK economy and society. The list should consider focussing on the "Skilled" and "Sensible" aspects rather than placing a strong emphasis on the qualification level of the individual/ job role in question. Many job roles in the energy and utilities sector require high levels of "skill", expressed via training and experience rather than the attainment of formal academic qualifications.
5. Where reform is needed, adequate transition time must be allowed to permit companies to adapt and develop new recruitment and training strategies, where necessary.

The UK Government is considering the recommendations made by MAC and will publish their response, the policy changes and implementation and transition plan in due course. The Policy Team will keep you informed and will work with ATEAG on next steps on policy influencing and engagement.