

OPEN AND CONTROLLED

A NEW APPROACH TO IMMIGRATION AFTER BREXIT

AUGUST 2018

FOR FURTHER INFORMATION CONTACT:

Matthew Percival, Head of Group
E: matthew.percival@cbi.org.uk | T: +44 (0)7469 155 279

Maintaining access to people and skills is a high priority for business as the UK prepares to leave the European Union. This will be a momentous change. For nearly half a century, free movement has enabled businesses to draw on the talent, skills and labour of over 500 million people.

Immigration has delivered significant economic benefit to the UK in that time. But it has also given rise to legitimate public concern about the pressure it creates on public services and in society. Business is clear that free movement of people will not continue on the same terms as it has before. Instead firms want to see reform to the UK's immigration system, ensuring it remains sufficiently open to support our economy but with enough control to build public trust and confidence. The stakes are high. Get it wrong, and the UK risks having too few people to run the health service, pick food crops or deliver products to stores around the country. We also risk harming our future as a global innovation hub, rooted in our longstanding ability to attract talented people the world over.

To inform this debate, the CBI is putting forward evidence based on extensive consultation with businesses of all sizes, in every sector and all parts of the UK. We held roundtables and surveyed hundreds of business leaders to inform our submission to the Migration Advisory Committee. Building on this evidence, we have also consulted with the UK's leading trade associations to understand the labour and skills requirements of different sectors that together make up the UK economy, themselves representing over 124,000 firms.

The findings from our research have enabled us to develop a set of recommendations for a reformed immigration system post-Brexit and are set out below. The CBI looks forward to working with the government to design the best immigration system possible – one that is both open and controlled – in the vital months ahead.

Main findings

- **Immigration is valuable to all sectors of the UK economy and delivers significant economic benefit.** Almost every credible economic study demonstrates that immigration delivers net benefits for the country. This CBI study suggests that EU workers currently make up between 4% and 30% of the total workforce in different sectors. The contribution of EU workers is profoundly important and will be needed in the future as we build new homes, infrastructure and seize the opportunities presented by the fourth industrial revolution. Putting migration on the table in future trade negotiations will also increase the chance of getting the best deal for the UK.
- **Most business sectors require a combination of skill levels and are inter-linked through supply chains, so a whole economy approach is required.** The needs are much more complex than only ensuring that the UK can attract the "brightest and best". In just about every part of the economy a range of skills are required. Take housebuilding, which requires architects for the initial design, labourers to dig the foundations and electricians to help finish the job. Or the food and drink sector, where the variety comes through the supply chain starting with agriculture through to logistics and culminating in retail.
- **Mobility is as important as migration, particularly for the UK economy where services play such a vital role.** Being able to move staff easily across Europe, often at short notice, has become an integral part of many firms' business models. These needs range from the provision of cross-border services, attending short-term meetings

and trade shows through to longer-term training requirements. This movement can be both within a company and through posting to external firms, for example within supply chains.

- The current non-EU immigration system is inaccessible for most firms and is not the solution for EU nationals. For those businesses that need access to international labour, many have a strong reliance on EU workers. In part, this is because of geographic proximity. But largely it is because the immigration system for the rest of the world is highly complex, time consuming and expensive, particularly for small businesses. Even as things stand, the current constraints of the non-EU immigration system are harming our economy. So simply applying this, or a similar system to EU citizens would be entirely unworkable.
- Businesses recognise that free movement is coming to an end and want to restore public trust in immigration. Businesses want the UK's future immigration system to be predictable and uncontentious. A new system needs to feature sufficient controls and mitigate the impacts of immigration in society to build public trust and confidence. This is important to deliver a stable system that gives business the ability to plan with certainty.

“Putting migration and mobility on the table in trade negotiations is in the UK’s interest.

But negotiating with the EU doesn’t mean Free Movement continuing as it has before.”

Summary of recommendations

Build public trust in the UK’s immigration system by shifting away from controlling numbers to assessing contribution and by investing in local public services where demand has been increased by migration:

1. Drop the net migration target and replace it with a system that increases control by ensuring that people coming to the UK make a positive contribution to the economy
2. Reform the Controlling Migration Fund so that local schools and hospitals receive extra funding where demand is increased by immigration

Reform the UK’s non-EU immigration system so that firms can better access people and skills from around the world, not just the EU:

3. Simplify the process for obtaining a visa so that it is manageable for small companies, by making it easier to become a licensed sponsor or by removing the requirement altogether
4. Reform the Tier 2 visa route so that employers can access the range of skills that they need, not only graduates earning £30,000 or more
5. Scrap the Tier 2 visa cap to give businesses the certainty that workers will get a visa if they meet the Points Based criteria

Recognise the strong links between people and trade as the UK forges new economic relationships on the world stage:

6. Negotiate the simplest possible travel arrangements for all British and European citizens to avoid lengthy border delays at sea and air ports after Brexit
7. Preserve easy mobility of staff in our new relationship with the EU, including intra-company transfers, temporary postings and temporary business visits
8. Ensure that both mobility and migration are an integral part of all future trade deals that the UK negotiates with other parts of the world, starting with the EU

Replace free movement with a new open and controlled immigration system for EU citizens:

9. Establish a new system for EU immigration because extending the current non-EU immigration system would be entirely unworkable for business
10. Introduce compulsory registration for EU citizens soon after arrival in the UK
11. Restrict EU citizens’ ability to stay to three months unless they can prove that they are working, studying or are self-sufficient
12. Secure through negotiation with the EU a new test linked to local labour market conditions, such as unemployment rates for specified professions, which would trigger prioritisation of local recruitment
13. Reinstate controls on access to in-work benefits agreed between the UK and the EU prior to the referendum
14. Continue to exempt EU workers from the Immigration Health Surcharge and the Immigration Skills Charge.

Ensure that the transition to any new migration system is done with respect for people and in an orderly manner:

15. Legally guarantee the rights of EU citizens already in the UK, as set out in the draft Withdrawal Agreement, even in the event of a ‘no deal’ scenario
16. Shift the tone of the debate around immigration to focus on the positive benefits and send a signal that the UK is open for business and an attractive place to study, work and build a career
17. Ensure businesses have at least two years to adapt to any new immigration system, from the point at which new rules are known and formally agreed