

# MAC REPORT ON EEA MIGRATION

## CBI ANALYSIS AND PRESS COVERAGE

### MAC's policy recommendations

1. 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
2. No preference for EU citizens, on the assumption UK immigration policy not included in agreement with EU
3. Abolish the cap on the number of migrants under Tier 2 (General)
4. Tier 2 (General) to be open to all jobs at RQF3 and above. Shortage Occupation List will be fully reviewed in our next report in response to the SOL Commission
5. Maintain existing salary thresholds for all migrants in Tier 2
6. Retain but review the Immigration Skills Charge
7. Consider abolition of the Resident Labour Market Test. If not abolished, extend the number of migrants who are exempt through lowering the salary requirement for exemption
8. Review how the current sponsor licensing system works for small and medium-sized businesses
9. Consult more systematically with users of the visa system to ensure it works as smoothly as possible
10. For lower-skilled workers avoid Sector-Based Schemes (with the potential exception of a Seasonal Agricultural Workers scheme)
11. If a SAWS scheme is reintroduced, ensure upward pressure on wages via an agricultural minimum wage to encourage increases in productivity
12. If a “backstop” is considered necessary to fill low-skilled roles extend the Tier 5 Youth Mobility Scheme
13. Monitor and evaluate the impact of migration policies
14. Pay more attention to managing the consequences of migration at a local level

## RAG rating

1.		Evidence supports the argument that it should be easiest for highly-skilled migrants to obtain a visa. But evidence also shows that lower-skilled migrants make an important contribution too. The net migration target forces a false choice between the two and must be scrapped.
2.		MAC says it does not have the expertise to assess whether the UK should offer different migration rules in trade negotiations, so they base their recommendations on a single global system. CBI believes that immigration rules must form part of trade negotiations, first with the EU and then others we choose (i.e. close security partners, Commonwealth etc.) CBI does not support the same rules being applied globally.
3.		This is a recommendation in the CBI's recent immigration report, <i>Open and Controlled</i> .
4.		A variant on this is recommended in <i>Open and Controlled</i> . Reduction of the skills-threshold to RQF3 is a welcome step to accessing mid-skilled roles, but alone is not enough (see below).
5.		Retention of the £30,000 salary threshold is major barrier for firms being able to access all the levels of skills they need (lower and mid, as well as graduates). The purpose of a salary threshold has been to prevent wage undercutting, but a much lower threshold would perform the same function for mid-skilled roles. The MAC's own analysis shows 60% of mid-skilled jobs wouldn't qualify with a £30,000 threshold.
6.		MAC's report includes evidence that companies do not reduce training for UK workers when hiring overseas. This evidence undermines the case for a punitive charge levied claiming companies should have invested in training. With this new evidence the Immigration Skills Charge should be scrapped not extended.
7		The RLMT currently delays hiring of non-EU migrants by 28 days with little to no benefit to UK workers, removing it will help speed up visa processing.
8		<i>Open and Controlled</i> recommends abolishing the sponsorship regime, but a radical simplification could also meet business needs. No recommendations are made for how to simplify it though. Ensuring the new system is accessible to small and medium-sized businesses is a top priority for the CBI.
9		CBI currently chairs a Home Office business engagement group for the non-EU system, but something more systematic would be welcome as part of any new system. As this would recognise that most UK companies will be affected, rather than only 30,000.
10		CBI supports calls for a Seasonal Agricultural Workers scheme, but beyond this there appears to be little appetite among businesses for sector-by-sector schemes informed by shortage lists and centrally set caps.
11		CBI is seeking feedback from agricultural members on this specific proposal.
12		MAC says that there shouldn't be a route for lower skilled workers at all and that if one is needed then it should be limited to a Youth Mobility Scheme. A Youth Mobility Scheme will give businesses no certainty that they will be able to hire the people they need to avoid labour shortages. It would also likely increase the 'churn' of migrant workers – undermining both workplace productivity and integration in local communities. Ensuring that there is a route for low-skilled workers is top priority which the CBI is communicating to Government.
13		CBI hasn't made specific recommendations in this area, but better data to inform evidence led decisions about immigration policy would be welcome.
14		<i>Open and Controlled</i> recommends improving the Controlling Migration Fund to better address local impacts.

## CBI response and coverage

### Matthew Fell, CBI UK Policy Director, said:

“This report provides useful insights but is not a roadmap for a new system.

“The findings are clear about the immigration dividend. Productivity and innovation benefit from migration, and training for UK workers increases. It finds barely any negative effects for jobs or wages for UK citizens.

“The critical recommendation missing from the report is that migration should be part of trade negotiations, starting with the EU. The Migration Advisory Committee leaves this decision open to Government and says that it might be ‘something of value to offer in negotiations. If it is the Government’s intention to implement a global system, preferential access for countries where the UK has trade deals will be essential to provide the basis for an open and controlled system that can work for the UK’s economy.

“The current non-EU visa system is highly bureaucratic and cannot be extended to EU workers without major reform, so the MAC is right to recommend scrapping the tier 2 cap. But these proposals don’t go far enough.

“But retaining the £30,000 salary threshold would block many essential workers from coming to the UK. Similarly, plans outlined for low-skilled workers are inadequate, and risks damaging labour shortages.

“The government should now build on this evidence to pursue an open and controlled system that shows the UK remains open to the world and make Global Britain a reality.”

**CBI Chief Economist, Rain Newton-Smith** was on BBC News at One, BBC News Channel and her comments were clipped for BBC local radio stations too, playing on afternoon bulletins. CBI also used this for [Twitter](#) activity throughout the day.



## Press coverage

- CBI made the front page of both [The Guardian](#) and [The Telegraph](#) with their respective takes on the MAC report. This was in addition to the Press Association press release, [The Independent](#), [The Daily Mail](#) and [The Daily Express](#) all quoting Matthew Fell. Matthew’s comments also featured in Politico’s long form piece on the choices facing the Government (attached in email).
- CBI Northern Ireland’s specific reaction received coverage in both the [Belfast Telegraph](#) and [The Irish Times](#).

## Other key findings in the MAC’s report

### Impact of EEA migration

- No or little impact on employment, unemployment or wages
- Studies point towards immigration having a positive impact on productivity, but are subject to significant uncertainty
- High-skilled immigrants make a positive contribution to levels of innovation
- There is very little evidence on the negative impact of immigration on investment
- No evidence of a negative impact on the training of UK-born workers – some evidence even suggests higher levels of training in areas where immigration is higher
- They pay more in taxes than they receive in benefits – worth net £4.7bn in 2016/17. A new estimate suggests that over their lifetime each EEA migrant contributes £78,000 more than they receive.
- MAC rejects the Government’s previous estimate that immigration has increased house prices by 20%. They find a much smaller impact – A 1 percentage point increase in population due to migration leads to a 1% rise in house prices

### Characteristics of EEA migrants

- Adjusting for industry and other characteristics, EEA migrants are no more likely to work on a zero hours contract, but they are less likely to be a member of a trade union
- EEA migrants are more likely than UK-born workers to find a job through a recruitment agency

### Other noteworthy conclusions

- MAC acknowledges that *“it is not realistic to expect the Shortage Occupations List to be continuously a perfect reflection of the current needs of the UK labour market”* so the future immigration system should not be overly reliant on it determining who should receive a visa.
- One of MAC’s justifications for not needing a separate lower-skilled visa is that the existing stock of lower-skilled migrants can stay, but feedback from members to date suggests that there is greater churn in this part of the workforce.
- There is a section on Northern Ireland. MAC suggests that support to increase investment and productivity would be a better way to support the agri-food sector rather than a new visa route.

## CBI quotes in MAC’s report

**Impact on wages** – *“There is very little evidence that immigration has reduced UK wages... it is important to remember that the change in the rate of pay in lower-paying roles is dwarfed by the pace at which the National Minimum Wage and latterly the National Living Wage have increased”*

**Migrants create jobs for UK workers, not reduce them** – *“Attracting...international jobs to the UK increases the proportion that are filled by British workers. For example, many firms operate international graduate schemes from the UK. Having them here rather than elsewhere in Europe makes these opportunities more accessible to British workers. The viability of UK-based international schemes rests on being able to bring workers to the UK. Far from immigration reducing employment opportunities for British workers, CBI members are clear that being open to companies assembling global teams here increases the opportunities for UK workers”*

**Skills shortages** – *“Highly-skilled migrants make irreplaceable contributions to the UK and should be welcomed, not restricted...We face critical skills shortages across numerous sectors and professions which is holding the economy back. Immigration plays a vital role by supplementing skills and plugging these gaps, which is critical for success of the industrial strategy. EEA migrants are also key in filling critical ‘lynchpin’ roles which underpin entire supply chains.”*

**Role of automation (CBI Northern Ireland)** – *“In many services sectors the opportunity to substitute labour with technology is simply not possible. This limitation ranges from low-skilled jobs such as waiting or cleaning hotel rooms in the hospitality and tourism sectors; right through to large accountancy companies who regularly move teams of accountants, auditors and consultants across the all-island economy to work on projects. Given that the services sector accounts for over 70% of the local economy, the opportunity to close the skills gap with technology would require a quantum leap in terms of the technical potential for replacing certain jobs.”*