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House of Lords Economic Affairs Committee Report: 'Brexit and the Labour Market', 1st Report of Session 2017–19

I am grateful to the House of Lords Economic Affairs Committee for its report which considered the implications of the UK's withdrawal from the European Union on the UK labour market and its ability to access talent from Europe once the UK leaves the EU. This is a complex issue and I welcome the Committee's contribution to the debate in this area.

The Prime Minister invoked Article 50 of the Treaty on European Union on 29 March 2017. In accordance with the wishes of the British people, the United Kingdom is leaving the European Union.

The Queen's Speech on 21 June announced that an Immigration Bill would be introduced during the current two-year Parliamentary session. This will enable the Government to end the EU rules on free movement of EU nationals in the UK, which would otherwise be preserved by the Withdrawal Bill; and make the migration of EU nationals and their family members subject to relevant UK law once the UK has left the EU.

The Government published its White Paper, "The United Kingdom's exit from and new partnership with European Union" on 2 February. It provides a comprehensive articulation of the objectives and the rationale for the Government's approach to the forthcoming negotiations.

Settlement Scheme for EU citizens resident in the UK

Since the result of the referendum last summer, the Government has made it absolutely clear how important it is that we secure, as early as possible, both the rights of EU citizens in the UK and UK nationals in EU Member States.

That is why the Prime Minister has put forward a fair and serious offer which puts citizens first in our exit negotiations. Our proposals will give EU citizens that are resident here before a specified date the opportunity to acquire settled status under UK law after five years' continuous residence, enabling them to carry on with their lives as before.

Negotiations have now started and both we and the EU have been clear that providing certainty for citizens is a priority and we continue to make progress on these important issues. There is already much common ground between the UK and EU positions and significant convergence on the key issues that really matter to citizens. We are confident that we can reach an agreement on this important issue early in negotiations.

This agreement would mean the UK labour market would continue to have access to this resident EU citizen workforce, and these already resident EU citizens would be able to continue to make their lives in the UK.

Future immigration arrangements

The UK will remain an open and tolerant country; one that recognises the valuable contribution migrants make to our society and welcomes those with the skills and expertise to make our nation better still.

The precise way in which the Government will control migration to the UK following exit from the EU is yet to be determined. We are considering a range of options for the future immigration system and will be outlining further details of the new future immigration system in due course.

We are working to understand the potential impacts of any proposed changes on the economy and labour market. We will build a comprehensive picture of the needs and interests of all parts of the UK and look to develop a system which works for all.

On 27 July, the Government commissioned the Migration Advisory Committee (MAC) to gather evidence on patterns of EU migration and the role of migration in the wider economy, ahead of our exit from the EU. Their independent advice will inform our decisions about the future immigration arrangements.

We have always been clear on the need to ensure a smooth and orderly exit as indicated in the February White Paper. The Home Secretary, in her letter to the MAC on 27 July, set out that there will be a temporary implementation period after our exit in order to ensure a smooth and orderly transition towards the future arrangements. This will avoid a disruptive cliff edge and give businesses and employers enough time to plan and prepare for the new arrangements.

The length of the temporary period is an issue the Government is still considering. There are several issues where a phased implementation period might be necessary, such as the customs systems. For each issue, the time we need to phase in the new arrangements may differ; some might be introduced very quickly, some might take longer.

Regional Immigration System

The Committee suggested that there may be some merit in a regional immigration system for Scotland and London. However, we are developing a UK-wide immigration system, taking account of needs of different parts of UK.

In doing so, the UK Government will take due account of the specific interests of every nation and region of the UK, working closely with the devolved administrations. Immigration remains a reserved matter and we will consider the needs of the UK as a whole.

Applying different immigration rules to different parts of the UK would complicate the immigration system, harming its integrity, and cause difficulties for employers who need the flexibility to deploy their staff to other parts of the UK.

The MAC has previously recommended that we should not operate different salary thresholds for different regions and countries in the UK.

Adapting the UK Labour Market

As noted by the Committee, the labour market is also dynamic and employers will respond to changing incentives and adjust their behaviour – not only through adjusting wages but also through offering training, investing in capital, or changing what they produce to better reflect the resource available to them. The Committee is right to point out options and the ability to respond to these changes in incentives can differ, not only across sectors but for firms within sectors as well. We want to understand where responding to changes in available labour may be comparatively easier and comparatively harder, and how Government can work together with employers to help adjust to new incentives. That is why the Government has commissioned the MAC to consider the question of how to estimate the potential impact of any future changes in EU and EEA migration at a range of levels and how may these be felt differently across the economy and society, and how business might adjust if EU and EEA net migration were substantially reduced.¹

The Government is committed to creating a world class technical education system. The Secretary of State for Education set out her mission to spark the skills revolution needed to help Britain make a success of leaving the European Union in a keynote speech to business leaders at the British Chambers of Commerce Education summit on 6th July. Critical to delivering this will be a genuine partnership between business and the Government to unlock the potential of our young people and adults and deliver the skilled workforce that employers and the economy need.

To support the shift up to a high skill, high productivity economy, this Government has invested over half a billion pounds a year of new funding for technical education. At the centre of our reforms lie 'T-levels', which sit within a new set of 15 high-quality technical routes that will better prepare young people for work. The routes will allow progression up to level 5 (HND equivalent) for college based provision, and up to level 7 (postgraduate) for apprenticeships.

The Government agrees with the Committee that it will be increasingly important that people have access to training throughout their working lives. The Government committed up to £40 million in the spring Budget to test new approaches to tackling barriers to lifelong learning. These pilots will help inform the development of a national retraining scheme, a Conservative Party Manifesto commitment. The scheme will enable those who need to retrain or upskill to do so, whether they are already in employment or returning to the labour market. The national retraining scheme will deliver training that is accessible to adults.

¹ <https://www.gov.uk/government/publications/commissioning-letter-to-the-migration-advisory-committee>

Employers can also use apprenticeships to retrain and upskill their current workforce, as well as new employees, allowing people to acquire different skills throughout their lives. There is no upper age limit for apprenticeships: in 2015/16, 44% of starts were by people aged 25+². A person can undertake multiple apprenticeships and adjust their skills as the needs of the labour market change. Apprenticeship standards are designed by industry, ensuring that they meet the needs of employers and offer transferable skills.

The new apprenticeship standards are in a broad range of sectors from nuclear to fashion, law, banking and defence and range from Butcher at Level 2 to Solicitor at Level 7.

The new skills advisory panels will analyse and report on supply, demand and skills needs in an area, allowing us to monitor how the reformed technical education system is meeting the need of the economy, and responding to changing demands.

The Government is also committed to helping people return to work after time out for caring. The Government committed £5 million in the spring Budget to support for returners, in recognition of the fact that there are many people who struggle to find good jobs that are appropriate for their skill level once they've taken time out to look after children or other relatives. This £5 million in funding will be used to increase opportunities for those that wish to return to work and to increase public awareness of the skills and experience returners offer. The Government is also leading the way in the public sector and on 28 August announced four new programmes for those that wish to return as teachers, social workers, civil servants and allied health professionals.

The introduction of the Immigration Skills Charge and the Apprenticeship Levy in April 2017 will help address the long-running trend of under-investment in skills by UK employers, encouraging them to think differently about recruitment and to invest in training and up skilling the resident workforce. By putting the funding for apprenticeships in the hands of employers, the Apprenticeship Levy will encourage businesses to invest in quality training for their apprentices and support the government's commitment to achieving 3 million apprenticeships. The income raised by the Immigration Skills Charge, a charge on employers who recruit skilled workers from outside the EEEA, will be used to address skills gaps in the workforce.

The Industrial Strategy White Paper later this year will set out how the education and training system will deliver the skills businesses need to drive productivity, including how we address long-standing regional differences in skills and boost individual earning power.

Finally, the Government does not agree that the movement to loan funding for nursing indicated that businesses are neglecting training and skills for British workers. Reforms to the financial support and funding system for healthcare students will deliver more nurses and other health professionals for the NHS, a better funding system for healthcare students, and a sustainable model for universities. In placing healthcare students on the same support system as other students, they will typically receive around a 25% increase in the financial resource they receive whilst studying than they would have done under the NHS bursary scheme. Health Education England remain confident that they will be able to fill the number of training places required to meet NHS workforce requirements and are working with the university sector to further support student recruitment. In addition, the new nursing apprenticeship will offer an alternative entry into the profession, paid for via the Apprenticeship Levy.

² FE Data Library: Apprenticeships

Migration Statistics and Net Migration Commitment

Long-Term Net Migration statistics are published by the independent Office for National Statistics (ONS). Additionally, the Home Office publishes a wide-range of statistics on the control of immigration. Together these sources provide a very rich source of data with which to assess the impact of the Government's immigration policies.

The ONS has confirmed that the International Passenger Survey (IPS) continues to be the best source of information to measure long-term international migration. Together with the ONS, the Home Office has introduced a wide-range of changes and improvements to the migration statistics.

Nonetheless the ONS has recognised in its publication "What's happening with international student migration?"³ that more can be done to improve migration statistics and the ONS is setting in train a programme of work across Government to deliver this agenda.

The Government supports this approach. The Home Office is already working with ONS to analyse the new exit checks data and other sources to provide a better understanding of migrant flows, supplementing and enhancing the picture obtained from the IPS.

On 24 August, the Home Office published the second report⁴ on data derived from exit checks, including details of the initial analysis of compliance rate across different visa types. This complements the ONS publication.

The Government believes that it is important that international students who stay in the UK for longer than 12 months, like other migrants, are counted in the net migration statistics. International students who stay for longer than 12 months continue to have an impact on communities, infrastructure and services while they are here. The internationally accepted definition of migration includes all of those who move for more than 12 months, including students. Other major countries such as Australia, Canada and the United States also include students in their migration figures.

There is no limit on the number of genuine international students who can come to study in the UK and the Government has been clear that it has no intention of imposing such a limit so including students in net migration numbers does not act to their detriment. The Government's commitment is to reduce net migration. It will focus on the "net" effect and so it is not a restriction on immigration and so as long as students go home at the end of their studies, it is perfectly possible to increase the number of international students in the UK without adding to net migration.

The Government welcomes the contribution that migrants have made to the United Kingdom but uncontrolled migration places a strain on local communities. It is for this reason that the Government is determined to see net migration at sustainable levels. The

³ See

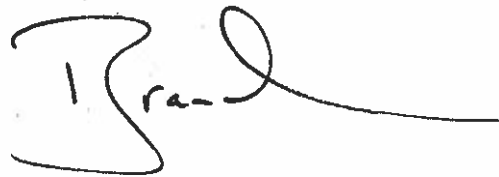
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/whats happeningwithinternationalstudentmigration/2017-08-24> with further detail in

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/internationalstudentmigrationresearchupdate/august2017>

⁴ See <https://www.gov.uk/government/statistics/second-report-on-statistics-being-collected-under-the-exit-checks-programme>

commitment is deliberately not set at zero to allow for a continuing contribution by migrants.

The Government has also commissioned the MAC to consider the social and economic impact of international students on the UK⁵ and this work is expected to be completed by September 2018.

A handwritten signature in black ink, appearing to read 'Brandon Lewis', with a long horizontal flourish extending to the right.

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⁵ <https://www.gov.uk/government/news/government-to-commission-assessment-of-international-students>