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**Migration Advisory Committee July 2017 call for evidence:
“EEA Workers in the UK Labour Market”**

Response from the Employment Lawyers Association

27 October 2017

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Introduction

Employment Lawyers Association

The Employment Lawyers Association (ELA) is an unaffiliated and non-political group of specialists in the field of employment. Our membership includes those who represent and advise both employers and employees. It is not our role to comment on the political merits of proposed legislation, rather we make observations from a legal standpoint.

ELA’s Legislative and Policy Committee is made up of both Solicitors and Barristers who meet regularly for a number of purposes; including to consider and respond to proposed new legislation.

A working group was set up by the Legislative and Policy Committee to consider and comment on the MAC call for evidence “EEA Workers in the UK Labour Market”. The working party was chaired by James Davies (Lewis Silkin LLP). A full list of the members of the working group is set out at the end of this paper.

Migration Advisory Committee call for evidence

In July 2017, the UK government commissioned the Migration Advisory Committee (“MAC”) to advise on the socio-economic impact of the UK’s exit from the European Union (“Brexit”) and how the UK’s immigration regime should align with industrial strategy. MAC issued a call for evidence, *EEA workers in the UK labour market*, with the aim of gathering information for the initial phase of its consideration of the government’s commission. The call for evidence sought views and evidence from parties with relevant knowledge and expertise to the questions posed therein.

The questions within the call for evidence were grouped into three categories:

1. **EEA migration trends.** These questions focussed on the characteristics of EEA workers, patterns of historic EEA migration and projections of the same, and the impact of a possible reduction in the availability of EEA workers.
2. **Recruitment practices, training and skills.** These questions focussed on how EEA migrants are recruited, the impact of recruiting EEA workers (including on UK workers' skills and training) and awareness of UK immigration policy for non-EEA migrants.

3. **Economic, social and fiscal impacts.** These questions focussed on the costs and benefits of EEA migration, including whether these differ from the impact of non-EEA migrants and whether impacts vary by skill level.

The structure of this response mirrors the three categories of questions above.

Response

Category 1: EEA migration trends

Question: Please provide evidence on the characteristics (e.g. types of jobs migrants perform, skill levels etc) of EEA migrants in your particular sector/local area/region. How do these differ from UK workers and non-EEA workers?

Response:

- Feedback from clients suggests that EEA workers are typically working in more manual, lower paid roles than their UK colleagues. For example, manufacturing companies recruit and employ EEA workers to work typically on hourly paid roles in a factory floor or distribution centre setting. Of course this is a generalisation; in the manufacturing sector there are plenty of EEA staff engaged in managerial roles but, anecdotally, far fewer than their UK counterparts. A similar picture emerges from the retail sector, with concentrations of EEA migrants being employed in lower grade roles: working in storage/distribution, stacking shelves or working on checkouts.
- Experience of the higher education sector suggests a more complex situation, with high levels of EEA migrants working as lecturers and in other professional/managerial roles and grades. Similarly, experience in the technology sector is that a large number of entrepreneurs who have established technology start-up companies in the UK are EEA nationals. They have specifically chosen the UK as their base to establish their tech start-up because of the regulatory environment, the investment available in the UK and the technology ecosystem in the UK. As such, they are creating job opportunities for UK workers. In addition, companies needing to hire for roles such as software development often find that they are reliant on EEA nationals because of a shortage of such skills in the UK workforce.
- In the financial services sector, high numbers of mid- to high-skilled roles are being filled by EEA nationals (often up to 25% of the company's workforce). Anecdotally, this appears to be graduate-level roles where financial services companies desire to recruit the best performers from across the available workforce (which currently includes EEA nationals).
- The comparison with non-EEA workers tends to reflect the fact that, outside "shortage occupations" where the resident labour market rules are sometimes relaxed (e.g. healthcare workers in the NHS), generally non-EEA migrants fill higher level, higher paid roles in order to overcome the salary and local market thresholds imposed by government policy. In the healthcare sector, non-EEA workers in shortage occupations are more likely to have been educated to

graduate level, in comparison to EEA migrants, where a lot of migrants are educated to NVQ Level 2.

- It is difficult to say with any confidence how these general patterns may vary geographically across the UK, but it is fair to say that EEA workers appear to be engaged in reasonably high numbers throughout the country, including in rural and market town environments. In other words, these general trends evidenced by our interactions with clients are not obviously applicable only in cities or large conurbations.

Question: To what extent are EEA migrants: seasonal; part-time; agency workers; temporary; short-term assignments; intra-company transfers; self-employed? What information do you have on their skill levels? To what extent do these differ from UK workers and non-EEA workers?

Response:

- Please see responses above. Experience via clients is again fairly anecdotal and generic. However, as might be expected with workers concentrated in lower paid roles, there tends to be a higher degree of atypical contractual arrangements outside the usual permanent, full-time employer/employee model. For example, it is well known that many EEA migrants are engaged on seasonal contracts working in the agricultural sector.
- In the health and social care sector where agency workers are employed, there is a trend of Eastern European EEA migrants taking extended summer breaks to return home, before returning to resume work in the winter and spring months. Most of the EEA migrants in this sector work full-time when present in the UK.
- In the social care sector, many workforces operate on an agency, zero-hours or part-time basis. Since such organisations often employ higher than average levels of EEA migrants compared to certain other employers, it follows that EEA workers in those instances are sometimes working in atypical contractual arrangements with correspondingly reduced legal protection.
- In the technology and financial services sectors, EEA nationals are typically full-time employees (although entrepreneurs may be self-employed where their companies are in the very early stages of business). Although a number of financial services roles will be intra-company transfers, there are also a great number who are direct recruits through graduate programmes.

Question: Are there any relevant sources 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?

Response:

- If looking at the numbers of technology businesses owned/managed by EEA nationals, it may be worth looking at the data available on Companies House (as nationality is recorded when capturing the details of directors of a company), together with any records of organisations such as TechCity and other funding bodies/incubators.

- In financial services, it may be feasible to look at records held by the Financial Conduct Authority's Financial Services Register of Authorised Persons, to give some indication of senior level finance roles filled by EEA nationals (if nationality is provided as part of such applications; we would imagine that it is, as criminal record checks are required for some positions).

Question: Have the patterns of EEA migration changed over time? What evidence do you have showing your employment of EEA migrants since 2000 and after the Brexit referendum? Are these trends different for UK workers and non-EEA workers?

Response:

- Again, via client advice, it is difficult to provide detailed, specific responses. We can, however, suggest that given the relative prosperity of the UK economy from 2012 onwards (particularly with the growth of the technology and "FinTech" sectors), post-credit crunch and financial downturn, there appears to have been a significant level of EEA economic migration, as evidenced by clients' increased hiring of EEA staff.
- We have no direct evidence of a reduction in the numbers of EEA workers coming to the UK since the Brexit referendum in June 2016, nor of EEA workers leaving the UK in the same period. However, we are aware through advice and training we have provided to clients that the uncertainty created by Brexit has led to increased levels of workplace anxiety and job insecurity. Accordingly, we have delivered a number of sessions to clients (particularly in the higher education, health and financial services sectors) concerning the rights and status of EEA staff working in the UK, including the steps they can take to obtain permanent residency rights. All of this suggests that EEA migrants might well be reluctant to come to the UK now and that others who are already here may be reviewing their options.

Question: Have you conducted any analysis on the future trends of EEA migration, in particular in the absence of immigration controls?

Response: No.

Question: 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?

Response:

- The ELA working party members themselves have not carried out a detailed assessment or contingency plan, given the relatively small numbers of EEA staff we currently engage. However, we are aware that our client organisations that employ or engage reasonably high levels of EEA staff are actively assessing the likely impact of Brexit on their businesses and developing strategies for addressing the potential reduction in foreign labour. One example is outlined above:

seeking to reassure and support (and thus retain) existing workers through programmes of training and information sharing.

- Many organisations are waiting on the outcome of the Brexit negotiations before putting contingency plans into action. As matters currently stand, it seems likely that the status quo could be maintained for a two-year transition period, which will allow them further time for workforce planning, including upskilling their UK workforce or relying on non-EEA migrants where feasible.
- However in the longer term, it is difficult to see how the significant reduction in overseas labour could be addressed through the points-based system (“PBS”) presently used in relation to non-EEA migrants. The PBS is a more complex, time-consuming, bureaucratic and expensive process than the free movement of labour enjoyed by EEA migrants. Clearly, extending shortage occupations and relaxing the PBS rules will help, but an overhaul of the system is required if labour supply and demand and existing flexibilities are to be matched.
- Many employers (particularly in the financial services and technology sectors) are concerned that if the PBS (or a similar system) is used for obtaining visas for EEA migrants in future, the costs involved (through immigration skills charges, immigration health surcharge and visa fees) may be prohibitive, but that they would also struggle to hire the appropriate skills from within the UK workforce (or amongst non-EEA migrants, given the similar cost landscape for non-EEA migration), which may ultimately drive jobs offshore.
- If reductions in migration took place amongst non-EEA migrants rather than EEA migration, this would place less of a burden on some companies in the financial services and technology sectors, although technology companies in particular increasingly have to rely on international recruitment to obtain the right level of skills. Certain companies in these sectors do rely heavily on intra-company transfers from outside the EEA to grow and develop their businesses, share experience and ensure that the UK remains a key global market place for financial services and technology. Without the ability to transfer EEA or non-EEA migrants from group companies across the world to the UK, these businesses will suffer and may locate jobs in other jurisdictions.
- Looking specifically at the impact on the legal sector (which ELA members belong to), as at July 2017, the Law Society records show that of the 139,638 practising solicitors, Registered European Lawyers and Exempt European Lawyers made up 3,580 of the total or 2.6%. In July 2012, there were 128,710 practising solicitors and Registered European Lawyers and Exempt European Lawyers made up a total of 2427 or 1.9%. This shows that the number of European Lawyers practising in England and Wales has been increasing steadily, if slowly. However, it is far too early to make predictions as to the impact a reduction of EEA migrants in the legal sector.
- Looking at the Bar, the last Bar Barometer report in 2013 recorded that Registered European Lawyers made up 0.1% of the profession in 2012 of the 15,397 practising Bar. Unfortunately there are no such records in the second edition of the report (2012) and in the first (2011). This means there is insufficient data to draw any conclusions at this stage.

Category 2: Recruitment practices, training and skills

Question: 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?

Response:

- Methods of recruitment seem to be the same for UK and EEA workers. Many organisations do not tend to differentiate their ways of recruiting depending on whether the workers are from the UK or elsewhere in the EEA. Right to work checks are carried out as a standard part of the recruitment process for all potential employees. Nothing seems to have changed in this respect since the referendum. We have however been made aware that there are organisations who are only willing to offer fixed-term contracts to EEA workers and seek to justify this on the basis that they do not know whether they will be able to continue to employ them post-Brexit which is clearly detrimental to EU workers currently in the UK.
- Employers use a wide variety of recruitment methods (for example, websites, trade magazines, trade fairs, head-hunters etc.). However, the methods used by a particular employer are more likely to depend on the industry/sector/skill level of the role than on the prospective employee's country of origin and/or where they are based at the time of recruitment.
- There are exceptions to this. For example, a manufacturing company regularly sends representatives to Poland to recruit employees to work in lower-skilled roles in their factory because they simply cannot attract enough UK nationals (or EU nationals who are already in the UK) to work for the wages on offer. They do not attempt a similar recruitment exercise in any non-EEA countries, primarily because the roles on offer are not sufficiently "skilled" for the purposes of the PBS and do not meet the minimum earnings requirement. This business is particularly concerned about the impact that Brexit will have on their recruitment methods/workforce. If the government introduces an equivalent of the PBS for EEA nationals, such workers are unlikely to meet the necessary earnings or skills requirements for sponsorship. As such, they are considering moving this factory to Europe in order to continue to benefit from free movement rules.
- In general, however, most clients do not seem to be using different recruitment methods for UK, EEA and/or non-EEA workers and, as such, have not seen a change in methods following the referendum.

Question: Do recruitment practices differ by skill-type and occupation?

Response: Recruitment practices do differ by skill and occupation. Companies tend to use head-hunters or agencies for higher skilled jobs and local recruitment methods for lower skilled jobs. This does not appear to have changed since the referendum.

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

Response:

- There have been many advantages in employing EEA workers.
- Generally, it is much simpler for employers to take on EEA nationals than non-EEA nationals, as they do not need to worry about:
 - obtaining/renewing a sponsor licence to sponsor the employee (which in itself confers many additional costs, responsibilities and reporting requirements on them, which some employers are wary of)
 - ensuring that the job meets the requirements of the relevant SOC code
 - meeting the onerous requirements of the resident labour market test.

Also, after the initial right to work check, there is also generally no need to monitor when the individual's leave to remain will expire (as there is with non-EEA nationals) to ensure that they are not employing an illegal migrant.

- Many employers, particularly those in the hospitality and healthcare sectors, rely on EEA nationals to fill roles that they simply cannot recruit enough UK nationals to fill. The benefit of the free movement rules (compared to the PBS for non-EEA nationals) is that EU workers in lower-skilled professions can come to the UK relatively easily and without having to meet the stringent entry requirements that non-EEA nationals are required to meet.
- EEA workers have been historically prepared to undertake work that is unattractive to the resident labour market. This is reflected in the high levels of reliance on EU workers in sectors such as cleaning, agriculture and hospitality.
- EEA employment has led to a higher tax take in the UK.
- A number of employers rely on a high level of agency staff to maintain flexibility in their workforce. Many of these sites have a high number of EEA workers both as permanent and agency staff. Such staff tend to be focussed on their earnings and therefore issues around scheduling, unsociable hours and pay rates are lower in this demographic.
- Many organisations actively seek to employ EEA workers for language skills and knowledge of specific markets abroad. This does not appear to have changed since the referendum.
- One disadvantage of employing EEA nationals is that they are less “tied” to their employers. It was never clear if EEA workers were intending to settle, or were viewing working in the UK as a short/medium term measure. They are not reliant on their employers for their leave to remain in the UK (in the same way as sponsored non-EEA nationals are) and so may be more likely to leave their job and/or the UK (rather than settling) than non-EEA nationals. This means that some employers are relying on a potentially temporary source of labour without the ability to ask about the longevity of any arrangements, making it difficult to succession plan and in some sectors has led to greater reliance on agency staff. That being said, we have not heard particular concern about this and the position is not so dissimilar to the position with UK national workers.
- Employing high proportions of EEA workers has also had potentially negative consequences from a public relations perspective. This was clear when the government mooted the prospect of employers being required to disclose the percentage of EEA workers within their workforce when

the public/press reaction made it clear that there was a stigma attached to this type of disclosure. When this policy (later dropped) was mooted, it was clear from enquiries from clients that some (having avoided recording data about nationality) were unaware of their business's reliance on EEA workers. This may cause future difficulties.

- Since the referendum, some organisations have expressed concern about the risks of taking on EEA nationals who may no longer have the automatic right to live/work in the UK once Brexit has taken place. Others have been asking questions about compiling lists of EU nationals that they can use to assess the right to work/risks following Brexit. We have also had clients expressing concerns about the difficulties of planning for the future needs of the business without having the certainty of knowing what the status of EU workers will be.
- A real problem for some organisations has been the impact of the referendum result on staff morale and interest from EEA nationals in available roles. These businesses rely on highly skilled EEA migrants, as they cannot recruit enough UK nationals to meet their needs. They have reported that there has been less interest in the available roles from EEA nationals than previously. For one client in the architecture industry, before the referendum over 80% of applications were from EEA nationals. Since then, the number has dropped dramatically as many are looking instead to cities like Berlin for work instead. We have given talks and advice to EEA nationals at some of these companies and quite a number of them have indicated that they are considering whether their future should be in the UK. Similarly, a client in the hospitality sector reported a 50% to 60% reduction in job applications from EEA nationals since the referendum result.
- Post-Brexit, the landscape for employing EEA nationals is much more uncertain. Employers are enquiring as to whether they can limit recruitment to UK nationals. Some have reported increased tensions at work. We have responded to claims with allegations of anti-European discrimination/harassment. Concerns about managing future shortages have led to some organisations incurring additional expense by offering funded legal advice clinics and support in relation to permanent residence applications. The lack of clarity from the government negotiations has left some organisations choosing to 'put their head in the sand' rather than assessing exposure to future labour shortages.

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

Response:

- Many organisations in the healthcare sector have recruited extensively from the EEA and non-EEA in nursing/clinical roles. It is arguable that the ability to recruit from the EEA/non-EEA, particularly in shortage occupations, has facilitated policy decisions such as removing nursing bursaries and cutting nurses training places. This has arguably led to a longer-term problem of a skills shortage and potential gulf (for example, post-2019 when nurses are planned to be removed from the shortage occupation list) whereby NHS trusts will not have the ability to recruit from abroad but there will be inadequate qualified resources within the resident labour market.

- We have also seen an increase in enquiries from the academia sector about mobility issues and the retention of staff, as some universities are seeing attrition in academic staff since the referendum. Universities have a significant proportion of staff from outside the resident labour market (including junior academics/teaching staff), and the ability to recruit from abroad may have created a circumstance when it was not strictly necessary to facilitate and rely on investment in UK skills and training.

Question: 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?

Response: We do not consider that we are in a position to respond to this question.

Question: 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 work in 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 lower skilled levels?

Response:

- Some organisations have large numbers of EEA workers in low-skilled roles where there is also a high level of staff turnover. If there was no provision made for an easier route to fill these roles under the future immigration system, some sectors would struggle to operate entirely. Therefore low-skilled jobs will have to be considered to be included in the shortage occupation list, but this would also need to be less cumbersome than the current Tier 2 system to account for the volume, turnover and skills shortages in certain sectors. For example, many companies in the hospitality industry such as hotels rely heavily on EEA workers for roles such as waiters and waitresses. However we do not believe that this is a shortage occupation role across all sectors.
- Lower skill shortage recruitment could also be facilitated on a shorter term basis, akin to the Youth Mobility Scheme under Tier 5 of the PBS or by introducing a quota system/regional approach for certain sectors. Areas where statistics support the reliance on EEA/non-EEA labour should be prioritised (such as agriculture and hospitality).
- We have found that organisations in the hospitality and healthcare sectors are particularly concerned at the prospect of work visas (or similar) being introduced for EEA nationals, as they rely heavily on EEA nationals to fill lower-skilled roles. Generally, these roles do not fall into one of the existing SOC codes and/or do not meet the minimum earnings threshold and so, if the current system were applied to EEA workers, most would not qualify for sponsorship. As such, it seems sensible for these types of roles (for example, carers, hotel staff etc.) to be included in any shortage occupation list (with realistic minimum salary requirements).
- It may be that EEA migrants hoping to take on these sorts of roles in the UK are deterred by the additional costs – for example obtaining a visa and (if a decision is taken for this to apply to EEA nationals) paying the immigration health surcharge – and so it could be worth considering

reductions in these costs to encourage such workers to continue to come into these roles. Also, smaller employers may be reluctant to incur the additional cost and responsibility of obtaining sponsor licences in order to take on these staff.

- There continues to be a lack of clarity in the application of the rules for non-EEA migrants, which makes it difficult to advise and plan with certainty. Awareness among employers is sometimes dictated by whether or not the employer has chosen to apply for a sponsor licence. Many employers remain unaware or unclear of their obligations in relation to right to work checks. In our experience, even employers with sponsor licences are not always fully familiar with the onerous reporting and compliance obligations of a sponsor under the Sponsorship Management System. This is exacerbated by constantly changing government guidance which is difficult to decipher. The risk of civil penalties has heightened awareness but it has been difficult for some employers to retrospectively remedy previous compliance issues in relation to right to work issues.

(3) Economic, social and fiscal impacts

Question: 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 (e.g. taxes paid by migrants; benefits they receive), productivity, investment, innovation and general competitiveness of UK industry?

Response:

- From an employer's perspective, the costs associated with EEA migration tend to be (1) initial relocation and related expenses for new hires or employees transferring from other countries into the UK and (2) ongoing support costs if they are treated as an expat (not on local employment contracts), for example cost of living allowance, rental costs, educational fees and tax advice.
 - The benefits of EEA migration to businesses include:
 - diversity and a range of skillsets, education and experiences;
 - broader language capabilities to support the region; and
 - providing a flexible/agile workforce for seasonal or project-based work or to respond to increases in volume of work
 - Several sectors report that a key fiscal benefit of current EEA migration is that it is less cumbersome and bureaucratic – the sponsorship system in place for non-EEA workers is offputting due to its complexity and cost. Sourcing migrants from the EEA allows that system to be bypassed. This perhaps feeds into flexibility of workforce - the sponsor licence system does not lend itself to quick resourcing.
 - From a social perspective, EEA migration allows families to remain together more easily. Experience from the higher education sector shows a high degree of concern about how families will be able to stay together when the current system is dismantled. Many academics are highly mobile and even where in relationships with UK nationals (married or partners) do not have sufficient continuous residence to achieve permanent residence (or settled status). In many Scottish cities where universities are large employers, significant numbers of EEA nationals are
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employed. Inevitably they contribute to the local economies and more generally through payment of tax – the net contribution by EEA nationals employed in this sector is likely to be higher than net draw on public services.

- In the broadcasting and entertainment sector, the ability to work in an agile fashion and share talent across a European function is an important factor. For example, one major entertainment company employs over 31,000 people across five countries within the EEA (with the majority within the UK), and as many UK nationals who are working on assignment within the EEA and who will likely be doing so at the point of Brexit. It plans to continue operating in this way and foresees an increasing number of UK nationals working on assignment at group companies within the EEA for the foreseeable future. It has roles that have functions and responsibilities across a number of offices within the EEA and UK, meaning regular travel and work in and out of the EEA on a daily and weekly basis. It has roles that it would wish to rotate (predominantly UK nationals) on a regular basis around group companies within the EEA. The company has EEA migrants working for a seconded period in the UK. European legislation about social security impacts costs and benefits. For example, the company is already seeing administrative difficulties where it relies on European social security legislation that allows it to continue to cover people for National Insurance benefits whilst working in an EEA country on assignment.
- In the manufacturing sector, one company employs 4,500 employees in numerous sites across the UK. EEA nationals make up around 5% of its UK workforce, with another 5% coming from outside the EEA. Of the EEA nationals, over 50% are in managerial or higher skilled roles and the rest are made up of shop floor workers, office staff, and students on training or educational programmes. The ability to recruit from a wider pool enables this employer to fill roles where there is a shortage of skills, experience or qualifications from the local/UK based workforce. This company recruits EEA nationals to undertake permanent roles in the UK but also takes advantage of being able to move labour on a temporary basis. It uses short-term assignments, secondments and training programmes to bring together employees from across Europe. This helps with the transfer of knowledge, skills and experience. Employees work collaboratively which can bring improvements across the region, efficiently upskilling employees who work in multiple sites. These help the company to function more effectively as a global business.
- Turning to the impact on the labour market, from an employer's perspective, free movement of labour gives access to a larger and more diverse base to recruit from. The benefits (noted above) enable business to be cost-competitive, leveraging skills to be more competitive and profitable within the UK.
- Some lower paid jobs (for example in shipbuilding or in manufacturing) are still technical and skilled. EEA migrants fulfil a vital role in plugging skills gaps in circumstances where non-EEA Tier 2 routes would not be available because of minimum income thresholds. The skills required by employers are not in all cases being developed in the resident labour market – Further Education Colleges are not always delivering courses to develop the skills aligned to the economy's requirements. In the broadcasting and entertainment sector, for example, it is important to have

the ability to source people with skills that are in demand to work within the UK without having to rely on the existing Tier 2 sponsorship route.

- In order to lessen any negative impact on employers and UK business, any restriction or reduction in EEA migration would need to be managed over time. This is vital to allow a smooth transition and avoid any significant short term impacts which could disrupt operations, limit investment or lead to a reduction in UK profitability or competitiveness, which ultimately could result in a reduction in or relocation of UK operations to outside the UK. Equally important would be a corresponding ramp-up in investment into the domestic workforce, through increased focus and investment in infrastructure, education and training.

Question: Do these differ from the impact of non-EEA migrants?

Response: Whilst some of these are similar to a degree, as between EEA and non-EEA, EEA migrants tend to be closer geographically and culturally, bringing a complementary range of languages, education and skills. A closer geographical remit can mean reduced relocation expenses (cheaper to hire than non-EEA labour). The ability to transfer labour means employers do not need to rely on the more expensive and more limited Tier 2 scheme.

Question: Do these impacts differ at national, regional or local level?

Response:

- One company operates across the UK in 10 main sites (covering the South East, Midlands, North East, North West and Scotland). No obvious differences have been observed within the UK or locally.
- A general observation is that those areas which have a higher concentration of EEA migrants are likely to experience a greater impact in terms of costs, benefits and general impact on the labour workforce.

Question: Do these impacts vary by sector and occupation?

Response:

- One anecdotal example from the manufacturing industry is that one company tends to recruit more highly skilled, highly paid employees from the EEA. They generally come into professional roles with graduate degree education or above (this makes up 50% of its EEA employees, and around 2.5% of its total UK employees). However, it does have a smaller percentage of EEA workers who carry out shop floor, manual or lower-skilled work (around 30% of the EEA nationals). It struggles to recruit employees with STEM qualifications from within the UK. It also brings in students as an important part of the recruitment pipeline, from the UK and elsewhere in Europe.
- One company in the broadcasting sector employs EEA workers across all of its functions in roles with a range of skill levels. As a proportion of total EEA workers employed by the company, the largest concentration is within its technology, product development and corporate functions and within those functions people are represented across all skill levels. Across the rest of the broadcasting industry, when looking at EEA workers in each division as a proportion of overall

workforce the division, the highest proportion of EEA workers are within Technology and Product Development, where certain skills are in demand. In addition, broadcasting companies regularly rely on the existing Tier 2 sponsorship route to recruit from outside the EEA into areas of skills shortage within Technology. Companies anticipate there will be skills shortages industry-wide in areas such as Digital and Data. The end of freedom of movement could cause greater difficulty in what is already a difficult area in which to recruit.

Question: Do these impacts vary by skill level (high-skilled, medium-skilled, and low-skilled workers)?

Response: See above. For some employers, the impact is likely to be greater in professional and skilled roles, although some of these 'skilled' roles might traditionally be viewed as lower or mid-level skills e.g. lower-level technical roles. However, these are still important roles and require a degree of training or qualification and therefore experiencing a shortage or restriction in that workforce will still have a significant impact on the operation of the business.

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