

## London Assembly Economy Committee – 17 January 2017

### Transcript of Item 5 – EU Exit and Migration

**Fiona Twycross AM (Chair):** That brings us to today's main item, which is a discussion of the impact of Brexit on migration.

Can I please welcome our guests: Madeleine Sumption is Director of the Migration Observatory at the University of Oxford; David Goodhart is Head of Demography, Immigration & Integration from the Policy Exchange; Sunder Katwala, is the Director of British Future; we are expecting Danny Mortimer at some point in the meeting; we have Ufi Ibrahim, Chief Executive of the British Hospitality Association; and Piotr Kubalka, who is the Chief Executive of Capital Business Links Ltd and a member of the British Polish Chamber of Commerce.

We have a number of areas of questioning. The first question is about how trends in European Union (EU) and non-EU long-term and short-term international migration have changed in the last ten years, both in London and also across the United Kingdom (UK).

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** Overall migration to the UK is high by historical levels. Over the last ten years or so there have been two main peaks in migration, both EU and non-EU and also short-term and long-term. The first was in the mid-2000s shortly after EU enlargement. That essentially came to an end with the recession and its aftermath, particularly around 2009 to 2011. Numbers have picked up again since then.

There has been a change in the composition of migration to the UK. Some of those changes are quite important. One of them is that a higher share of overall net migration is comprised of EU citizens. That has particularly been driven by EU citizens coming to the UK for work. Conversely, there has been a decrease in the share of non-EU citizens, although the absolute numbers did bounce back a little bit after the recession. The decrease from 2010 onwards in non-EU citizens was mainly driven by lower numbers of international students coming in and the bounce back was driven mainly by people coming for work. It is quite a mixed picture but overall numbers are higher than they have been in the past.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** Madeleine has given most of the key facts. A couple of things I would add is that there was a big increase in EU and particularly Eastern European inflows immediately after 2004, when we opened up the labour market to the former Communist states. That obviously had a big impact. Also, the internationalisation of higher education took off in the mid to late 1990s and you saw the effects of that rising to a peak number of close to 190,000 or 200,000 two or three years ago. Students have become a much bigger part of the overall flow.

The other thing to note is that the skill balance from outside the EU has changed a lot, partly through attempts initially from the Labour Government and subsequently from the Coalition and Conservative Governments to restrict non-skilled immigration, partly because of the large flow of Europeans going into the lower-skilled. Non-skilled immigration or low-skilled immigration from outside the EU has dwindled to virtually nothing in the last few years.

**Fiona Twycross AM (Chair):** Thank you. What are the main drivers behind the inflows and outflows over both the short term and the long term?

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** Probably the most important things to mention are economic factors and the fact that the UK economy has done quite well compared to many of the economies that people are coming from. That is particularly the case if you look, of course, at southern Europe. We have seen an increase in the share of EU migrants, for example, coming from places like Spain and Portugal. The relative strength of the UK economy and the continued weakness in the Eurozone has played a factor, as has the flexible labour market in the UK, which makes it relatively easy for people to find work here.

Especially if you look at not necessarily the overall levels but the composition of migration, there are some policy factors that have played a role as well. As policy people, we often have a tendency to overstate the importance of policy in shaping the actual numbers in that a steady policy over time does not yield a steady number of people. The underlying economic factors are important as well. It is a combination of policy, whether it is toward skilled workers or international students, and the broader state of the UK economy that makes a difference.

**Sunder Katwala (Director, British Future):** There are a couple of other features of this particular period that are slightly under-discussed: the post-2004 changes with the enlargement of the EU and the lack of transitional controls. This wave is different in three ways. The scale, we discuss a lot. The distribution is much wider geographically, which means a smaller share is coming to London than of most other flows of migration. It is still a quarter less. You have Poles coming to London but going to many other places as well. It is more temporary, it is more circular and there is more churn. Those are quite significant changes.

Then after that, it is the economic factors. You do see a flattening off of A8 migration but the numbers do not drop because you see a rise in old EU migration from southern Europe. Then later on, of course, you see a new opening to the A2 - Romania and Bulgaria - and those numbers now have started to rise more quickly than the other numbers. There are different cohorts within this wave.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** It is worth pointing out that quite a lot of this is employer-driven. It is very noticeable that employer training has fallen quite sharply in the last ten or 15 years. If employers have access to a great reserve army of labour that is already trained then they are going to take it and London employers have done that probably more than any other part of the country. There is also a pattern of policy openness that we have had since 1997, symbolised perhaps by 2004. Cuts in public spending can also have an impact. Perhaps we will come on to this in the National Health Service (NHS), but a very clear example is when the training of nurses was cut quite sharply by about 20% between 2010 and 2013 and the recruitment of nurses from abroad increased.

**Andrew Dismore AM:** I just wanted to put to David the point that you have just made about low levels of training. The Chartered Institute of Personnel and Development (CIPD) did a report last year that said that employers who employed migrant workers are also more likely to invest in training for the wider workforce and provide apprenticeships than employers who do not do that. You do not agree with that research?

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** The national research that has been done on the amount of time that employers spend in training and the amount overall that employers invest in training shows that it has gone down anything between 10% and 30%.

**Andrew Dismore AM:** That may be overall. What I am questioning is your causal connection or link between the employment of migrants by employers and the question of training more generally. What the CIPD is saying is that if an employer is more likely to employ migrants, they are more likely to invest more generally in training for the workforce as a whole.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** Yes. I would be interested to look at what the training amounts to. Anybody can tick a box saying, "Yes, we have trained somebody".

**Andrew Dismore AM:** They are more likely to provide apprenticeships, for example.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** London has the lowest provision of apprenticeships of any region in the country. It will be from a pretty low level.

**Andrew Boff AM:** When we are told that the number of apprenticeships has massively increased since 2010, those are incorrect figures?

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** No. London is the lowest --

**Andrew Boff AM:** London is the lowest, but in terms of the UK as a whole we are told that the apprenticeships have increased massively since 2010. Is that not the case or is that the case?

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** It is the case. A lot of category reshuffling was going on during the first wave from 2010 to 2013. They were not high-quality apprenticeships. The Government has now committed --

**Andrew Boff AM:** What is a "high-quality apprenticeship"?

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** A proper, three-year mixture of work and college-based training, sort of on on the German model. The Government has now committed, as you know, to creating 3 million high-quality apprenticeships by 2020 and has instituted an apprenticeship levy that is coming later in this year.

**Andrew Boff AM:** When you say that there is less investment in training, are you including the increase in apprenticeships that has taken place since 2010?

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** Yes. The Government would not have instituted an apprenticeship levy if it felt there was not a problem in this area. This is a Government that is, on the whole, friendly towards employers. Pretty well all people who look at this recognise that there has been a fall-off in training. What the relationship is with immigration flows is moot but there is a fair amount of evidence that there is a connection.

**Andrew Boff AM:** Just to finish off, I hope I am not treading on anyone else's question but bearing in mind that some analysis of the unemployment situation is that we are functionally almost fully employed -- I know that is controversial and people around here will disagree with that --

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** Youth unemployment in London is at about 16% or 17%.

**Andrew Boff AM:** Are there people there to be trained in the current workforce in the UK? Is there a massive reservoir of untrained people?

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** Not a massive one but --

**Andrew Boff AM:** There are a few. There are a few people who could be trained who have not been.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** As I say, youth unemployment in London is pretty high.

**Andrew Dismore AM:** It depends on what the jobs are.

**Joanne McCartney AM:** I want to ask a simple question. It is one that concerns me. Should students be excluded from the Government's net migration plan?

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** This is a surprisingly complicated question. It sounds quite simple. There is a statistical way of thinking about this and a political way. The main argument that people use to say that we should remove students from the net migration target is that students are temporary, they go home and we should not be factoring them into the policy discussion as if they were migrants like other groups.

From a statistical perspective, over the long run, because we are targeting net migration, it only makes a difference to take students out if they do not go home. If 100% of the students who came in went home they would be counted on the way out as well and it would have zero impact, over a period of several years, on net migration. That is in the world of perfect data.

The issue that we face is that there is a lot of uncertainty over whether the International Passenger Survey, which is the dataset we use to measure that migration, is accurately capturing net migration of non-EU students in particular. A lot of migration analysts believe that students are not being captured accurately on the way out and that we are overstating net migration of non-EU students. Some people would say that therefore you should take them out because you do not know. Other people would say that therefore we should be patient and get to the bottom of the data problem before we leap into any decisions. That gets into the political side of things.

Moving away from the statistics and the uncertainty, from a political perspective the net migration target is a political beast. It can be designed any way the Government wants. If the Government decides that affecting the number of students in the UK is not a political priority, it can take them out. The effect of that would be essentially to make it easier to meet the net migration target. There are other groups, for example British citizens, who are currently included in the net migration target. The Government could also choose to take them out because it does not have a policy, as far as I am aware, of trying to influence the emigration of British citizens, for example. That would make it harder to meet the net migration target.

In some ways there is a bigger question than whether we should take students out. It is whether we can have a set of metrics - maybe nothing to do with the International Passenger Survey at all - that reflects the political goals that the Government has, rather than necessarily being tied to this one metric that has some problems.

**Joanne McCartney AM:** Possibly one of the ways the Government could make it easier to bring its net migration down is to take students out of the cap. That is a political decision.

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** Yes. There are technical questions about exactly how you take them out of the cap. The main method of doing it that people have in mind would essentially reduce the estimate of non-student net migration. It would make it easier to hit the tens of thousands.

**Sunder Katwala (Director, British Future):** There is a very strong case that they should be reported separately as a flow if we want a more informed public debate about immigration. That is not really about what we want or what we do not want but what the public's common sense intuitions are about what they hear. When people hear that 600,000 migrants came in, they are not thinking that that is one-third students and one-sixth returning Brits. We have done some research where we have asked people, "Do you think these people count as migrants?" About one-fifth would count students. It does not fit the intuition. Only 4% would count the returning Brits. In a way, it is about reporting transparently and separately.

It is then the case that the exit data is very ropery and people have different political beliefs: that everybody is overstaying or we are not counting people out. If we do not fix that, we will be in a debate about whether you have moved the goalposts. The public do not understand that students should be in there or are in there.

It is now, though, a bit of a phoney debate in a way because being in a figure that is being missed, is triple the target and is not going to be met, is not really the issue. The issue is what your policy is towards students. The immigration targets we have will matter in 2019 and 2020 in terms of what promises are Governments makes in future, but in this phase having a debate every quarter about who is in or who is out of these figures is slightly missing the point. We are now trying to redesign a system with different reporting and different targets that fit what the public think should be going on.

When we have done detailed research on this, people are quite baffled about why they are in. They think that in some way the students are the only people Government have counted properly and therefore it looks like it is rigging the system in a different way.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** The point I would make is that we should not focus on students. We should have a much clearer distinction between short-term and long-term migration in general. Students will generally be short-term, although - as Madeleine [Sumption] is saying - there is some uncertainty about what proportion. If you look at current flows, probably between two-thirds and three-quarters of the gross figure of 620,000 or 630,000 is short-term in one sense or another, probably between one year and five years.

If you look at the permanent residents, the people who successfully apply for permanent residence, the number has been running at around 100,000 now for several years. In fact, last year, for technical reasons that Madeleine understands, it was as low as 67,000. It is going to go up very dramatically because of the EU situation that we will come on to, but it is rather a shame that the Government did not have as its target the number of people coming to stay here permanently. Then it would have hit the target, more or less. It has been running at around 100,000 or a bit below for the last several years. If people understood just how much

immigration is short-term churn - it raises a whole set of issues about integration - perhaps they would feel somewhat more reassured.

**Joanne McCartney AM:** I have talked to a lot of Vice Chancellors of London universities who are extremely concerned about this, not only about attracting student numbers in future but also staff. They were initially reassured during the campaign that if we cut down the number of EU students here they would be able to sell to non-EU students, we would have more from China, India or wherever to make up those numbers and their financial position would not be precarious. We are now into a debate. On the Prime Minister's [Rt Hon Theresa May MP] latest visit to China, she said she would not move on visas.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** India, it was.

**Joanne McCartney AM:** India, for students. Should we have a different policy in regards to visas or is that just so integral to the migration system that you cannot distinguish the two?

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** Sorry, can I clarify? A different policy with regards to visas?

**Joanne McCartney AM:** Yes.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** It was not so much the visa policy that changed; it was the post-university degree work opportunities that became slightly more restrictive. Not hugely. We moved from a situation in which someone could come here, do a three-year degree and then stay for two years and do any sort of employment. Quite soon after 2010, it was changed to one in which you had to have a graduate-level job paying a graduate salary. You could stay for three to six months and then you had to have a job in order to stay on for another two years. That was the main change.

That choked off quite a lot of Indian student migration, in particular. The reasons for that are partly, I guess, that a lot of Indians came here with a view to doing non-graduate employment after they graduated. The whole India picture has been rather misrepresented, often, as if we were discriminating against Indian students. We are not.

The number of Chinese students continues to increase. In fact, the number of students coming to Russell Group universities continues to rise very slightly. It is the lower-grade higher education institutions and a lot of the language schools and so on where you have seen the numbers falling.

**Andrew Dismore AM:** One of the other issues for EU nationals that has been raised with me by one of the Vice Chancellors is access to the loan system. They have access to the same basis of coming to a British university as a UK national student. If we are to leave the EU, presumably they will end up in the same position as other international students, which is a rather different financial regime where they are paying more like the full cost of the course, which could be significantly than £9,000 without the loan. The threat to the universities comes not just from immigration policy but also the financial basis on which students come. The university that I was talking to has a high proportion of non-EU overseas students. This could become a result by default.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** It will be part of the negotiations, will it not? We do not know what sort of financial regime there will be for EU students. It could go to the non-EU system, it could continue as it is or there could be some hybrid. We do not know.

**Joanne McCartney AM:** Can I just move on, then? Following the Brexit vote, we know we saw a surge in hate crime incidents. We have heard anecdotal evidence that EU nationals are thinking about leaving the UK. The *Financial Times* surveyed its EU readership and a fair portion of them are thinking about leaving Britain in the next two years to return to their country of origin.

Is there any evidence you have that that is starting? Do you think it is right that the Government is not guaranteeing the right of EU nationals to remain in the UK?

**Danny Mortimer (Chief Executive, National Health Service Employers):** From an NHS perspective, we are not seeing that kind of departure of colleagues in London or elsewhere. We are seeing fewer choosing to come, it would appear. We are starting to see signs of recruitment campaigns attracting fewer colleagues, even from EU countries. Yes, we do believe that there should be certainty given to EU nationals who work in our sector, health and social care, in particular. The Prime Minister has indicated that it will be one of the first things to be resolved in negotiations, but we would encourage her to make it the first thing that is resolved.

**Piotr Kubalka (Chief Executive, Capital Business Links, Member of the British Polish Chamber of Commerce):** I am a chartered accountant and I am running a firm of chartered accountants in Ealing. We are one of the biggest providers of such services in the UK for the Polish community. We deal with something like 3,000 businesses and thousands of people. We have had lots of discussions with Poles regarding Brexit and so on.

So far, we cannot say that anyone is leaving because of Brexit. What ordinary people are saying is that the only reason they would leave the UK is if the economy in this country collapses. If there are no jobs and no money, there will not be a reason to stay here. If they leave, probably they are not going to go back to Poland. They are considering Germany, Norway, the United States and other countries. Brexit will happen. Rules and EU law will not influence the number of people coming to this country.

**Sunder Katwala (Director, British Future):** We ran a short inquiry process and took evidence on this issue with Members of Parliament (MPs) and others from across the parties and employers. When we took evidence from EU nationals - we had a number of public meetings, including in Coventry - we were struck by the level of uncertainty about the decision the Government would make. There was a view among people who followed this closely that the Government is looking for reciprocity and is likely eventually to get that, but people we spoke to were rather uncertain. A lot of people were saying, "If we are asked to leave, of course then we will have to".

It would have been good if we had been given a clearer guarantee already. If we could get to, "On day one of negotiations, we will talk about it", that would be good. As it drags on, the fact is that people are making medium-term and long-term decisions about their life. Whether to buy this property, for example. Therefore, if that uncertainty is still hanging around because it has not been resolved, it would not be surprising if you then started to see an impact. It will vary a lot by the type of job people have and the intention they have about the length of stay in the UK.

**Piotr Kubalka (Chief Executive, Capital Business Links, Member of the British Polish Chamber of Commerce):** I would say more that there is a lack of trust towards the Government. The Polish community does not believe that the actions of the Government will do any good for the Polish community. I would say even that Brexit is directly derogative against the Polish community. No one from our side is expecting anything good to come from the Government.

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** If I may, I will just add from a hospitality industry perspective that we are also having evidence gathered anecdotally by businesses saying that it is becoming just that little bit harder to recruit from EU countries. The feedback that we have had is that that is related to the exchange rate and the fact that financially, it is just not as attractive any more for certain EU nationals to come and work here for a period of time.

**Fiona Twycross AM (Chair):** What assurances would the Polish business community need around their long-term position in the UK?

**Piotr Kubalka (Chief Executive, Capital Business Links, Member of the British Polish Chamber of Commerce):** A lot of clients share the view that no one has tried to analyse the Polish community so far, the impact on the people and what these people are doing in this country. For example, I hear that 189,000 immigrants came to the UK from the EU last year. My question is: do you know exactly who these people are, what the age is of these people and why these people are coming to this country?

I came to this country 17 years ago and I could not speak any English. I started studying English. In the beginning, I was doing quite simple jobs. I had to support myself. I finished my degree in this country, I run my own company, I employ 40 people and I bring a lot of income into this country. If you had analysed me 17 years ago when I came here, I was doing a very simple job. Clearly that is not the whole view. There are lots of people sharing exactly my story. They will have come to this country ten or 12 years ago and have been working for peanuts. Now they have houses, they have families and their children are going to school.

In most cases, we do not see that anyone is trying to understand what we are about. We are just a number. 189,000 people coming here. From a political perspective, it would be quite nice to cut this number by half. What about the people? We are working quite hard. Most of us are coming to this country in our 20s or 30s. We have finished our education in Poland and the best part of our life is given to this country. We are paying taxes and we are going to pay taxes for another 20 or 30 years. No one is trying to respect our community for what we are bringing to this country.

We know, for example, how many Polish-run businesses are registered in this country. There are 30,000 limited companies run by Poles and 60,000 self-employed people with their origins in Poland. If you try to calculate how much money these businesses are bringing to this country, you will see that the impact of these people is huge. Let us say that each business is bringing in £5,000 a year. If they are paying value-added tax (VAT), pay-as-you-earn (PAYE), corporation tax and so on, it gives you at least £500 million of income directly from Polish businesses.

**Andrew Boff AM:** Can I just get clarification, if you do not mind, on that figure? Was it 13,000?

**Piotr Kubalka (Chief Executive, Capital Business Links, Member of the British Polish Chamber of Commerce):** There are 30,000 limited companies registered at Companies House and about 60,000 self-employed. All together, we are talking about 90,000 to 100,000 businesses registered by Polish nationals in this country.

**Andrew Boff AM:** Thank you.

**Fiona Twycross AM (Chair):** That is a significant economic contribution. What reassurances do you think the people running and working for these businesses who are originally from Poland would want to hear from

the Government? We have a speech later on and it does not look like there is going to be anything specific in terms of reassuring EU nationals beyond recognising their value. What reassurances would you think people would want from the Government?

**Piotr Kubalka (Chief Executive, Capital Business Links, Member of the British Polish Chamber of Commerce):** I feel they are expecting two things; first of all, some sort of reassurance for the people already staying in the UK who are not applying for a British passport or any sort of residency permit. Right now, there is some panic. They do not know what is going to happen to them. Maybe one day the Government will tell them, "Go back to your country", and that is it, "You do not have proper papers". That is one thing: reassurance for people staying here as to whether they can stay here or not.

Secondly, a lot of those businesses are dependent on the labour force from Eastern Europe. It is not because they like Poles or Romanians or so on. The main reason is that they are the best workers. I employ quite a lot of people from Eastern Europe, not because I am from Poland myself but because I need to have a proper worker. I need someone who will come in on time, who will not take sick leave all the time and so on. When we are talking about the construction industry or when you go to every single restaurant in this town, all the kitchen porters, the kitchen staff and the waiters are from abroad. If the businesses are not going to have access to this labour, many of them will need to close. How are they going to work?

**Sunder Katwala (Director, British Future):** Can I say something about what I think the assurances should be? There are three very important things. The first is a guarantee to EU nationals. The form of that should be that if you are exercising your free movement rights in the UK ahead of Article 50, then around the time of Article 50 we should include all of that group in a guarantee. There will be later questions about what to do with people who arrive [post the triggering of Article 50]. Two-thirds of people have been here five years and so would already qualify for permanent residence but that leaves another group who on Brexit Day will have been here two years or more. It is important to have the whole group included.

The status should be similar rights to those you now get with permanent residents. That involves inventing a new, bespoke "indefinite leave to remain" status that is identical to permanent residence. Permanent residence is an EU status. This would be an ex-EU status. It might include some special provisions that hang onto some particular provisions that EU citizens had.

Thirdly and very importantly, there are a whole set of issues - the devil in the detail - about the process and the costs of doing the largest thing that has ever been done. If this goes wrong it will be a great deal of hassle for the people themselves but also for employers, not just in terms of their current employees but chasing around for anyone you have ever employed if you are still in business. With the use of Government systems like Her Majesty's Revenue and Customs (HMRC) to check where people have a footprint in the system, the easy cases can be dealt with without everybody chasing around. That is important. Advice services for people who have not needed much immigration advice before is going to be a very important thing. This will be a big issue in London particularly, identifying particular groups, self-employed and others, who might need advice.

Cost is really important. Permanent residence is £65. Indefinite leave to remain for a non-EU national is £1,875. We would say that people are in a position they did not know about and did not choose to be in. Capping the costs of going through the process we invent at the cost of, say, a first British passport for a UK national would be fair. Asking a family of four to shell out thousands and thousands of pounds just to regularise a status when they were here legally under free movement would be wrong.

**Fiona Twycross AM (Chair):** What indication is there that the Government would adopt some of these policies?

**Sunder Katwala (Director, British Future):** There is enormously broad political support for these things. The inquiry we had, for example, was chaired by Rt Hon Gisela Stuart MP, who chaired the Vote Leave Campaign. It had the Institute of Directors (IoD), the Trades Union Congress (TUC) and it had Suzanne Evans, who was a UK Independence Party (UKIP) leadership candidate. It was not difficult to find a consensus on all of these points.

Getting this done well, effectively and in the right spirit would require significant reform of a Home Office system that is already now creaking when people are applying - not in massive numbers - because they are worried about this. Already, illegal letters are being sent to people. If someone does not have the correct documentation for permanent residence, they are being advised to leave the UK because they are being sent a template letter to non-EU applicants. This does not augur well for the system being fit for purpose and not having a massive knock-on effect on all the other things the Home Office is doing that are important for business or protection systems. We need the resources here to do this.

Getting those 2 million relatively straightforward cases of people with a straightforward record on the system dealt with at a more local level and using perhaps local authority nationality services so that the Home Office can deal with difficult issues would make a massive difference to the workload.

**Andrew Dismore AM:** Yes. That was exactly the point I was going to raise with you: whether the Government has the capacity to process even the easy cases. We see examples all the time in the newspapers. There was one in *The Guardian* on Saturday [14 January 2017] about a Dutch woman who had been living here for 30 years and is married to a UK national, but because she did not have one particular docket she has been told to leave. Her children have grown up here and everything.

I remember when I was in Parliament dealing with immigration cases and the cock-ups we saw all the time even then, not dealing with EU but just with basic immigration and asylum issues. There were delays when I was elected in 1997 of up to 12 years. How on earth is the Home Office going to have the capacity to deal with even the easy ones? A lot of the cases coming to me with years of delay were easy ones that were just lost in the filing system down in the London Borough of Croydon.

**Sunder Katwala (Director, British Future):** There is a big challenge of competence and culture there. There has to be a pragmatic interest in knowing that being seen to drop the ball on the first big thing of Brexit is rather bad. Therefore, constructive offers from government in London about things that could be done -- local nationality checking services are a rather useful thing that already exists and are close to home. If you do not have your documentation, you can go home and get it rather than being told about it six months later. There could well be a system where you have access to records like HMRC and you can green-light things that get rubber-stamped if it is a simple case. There will still be hundreds of thousands of difficult cases.

**Andrew Dismore AM:** Someone still has to do the rubber-stamping. That is the point.

**Sunder Katwala (Director, British Future):** Yes. You need to change laws sooner. There is another change that is very important. The Government would say that permanent residence is a formality. One-third of applications are rejected. A very common reason to reject it is that people do not have the comprehensive health insurance requirement that was introduced in 2008. If you have come from the A8 countries, you know about that because of when it was introduced. If you are an EU-14 national, you never heard about it, you

never engaged with the system and now you are being told. Treating access to the NHS because you were habitually resident as fulfilling that requirement, and not turning it down on that basis, would be very sensible because nobody wants one-third of people to have no status. What would we then do about that?

There is a lot of devil in the detail. There are pragmatic, constructive reforms that have very broad support. People want reassurance, for example that people with significant criminal records are not supposed to qualify.

**Andrew Dismore AM:** Yes. The point is this: Even if we do make it as streamlined as we possibly can and as easy as we possibly can, somebody still has to look at the papers and put a rubber stamp on it. If you have to rubber-stamp 2 million people, that is quite a lot of ink and rubber, and people to do it.

**Sunder Katwala (Director, British Future):** Yes. Until you give a guarantee and you tell who to apply when, until you say, "This will remain open for five years afterwards and we want the people with five-year status to apply", and so on, you are not able to do all of this signalling that can help you to get it right. There is a big job for city, regional and local governance, first in the provision of advice, when there is a decision to advise people on and, secondly, in looking at where contributions can be made to not dropping the ball on this massive task.

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** I would just add to that. It is clear if you look at the numbers that there would have to be something different about the process, rather than just proceeding with business as usual in processing these applications. My colleague has calculated that with the pre-referendum rate of processing, if you were to put 3.5 million EU citizens through that system you would be looking at more than 140 years' worth of work. It will require more people to process it, whether it is by the Home Office or some of these suggestions of getting local authorities more involved.

The other side of it is the complexity of the process. There are a lot of people currently applying who believe that they are eligible and their applications are being rejected. We do not have data on exactly why that is but it worth remembering that these are the organised people. These are the ones who see some value in permanent residence, have got together the paperwork and sent it in. It is likely to become a lot harder when we are talking about not necessarily even the people who Sunder [Katwala] referred to as "complicated cases" but just people who did not keep any documentation. If someone was self-employed as a cleaner, they would not necessarily have kept any evidence at all that they were working here and exercising their treaty rights. There will need to be a serious conversation about how that process can be made more efficient, so that the applications can be done much more quickly.

**Andrew Boff AM:** Are EU nationals more likely to work in low-skilled professions in London and the UK and, if so, why?

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** Yes, they are. EU nationals work across the skill spectrum but they are particularly strongly over-represented in what we classify as "elementary" occupations, the ones that tend to be lowest paid. There are various reasons for that. One is simply language barriers. In fact, a lot of those people are very highly educated. One of the features of particularly Eastern European migration is that we have highly educated people doing jobs that do not require a high level of education. We do not have a lot of data to show how that is changing over time but you would expect that as people learn the language, they would then be able to upgrade into more skilled occupations.

In terms of why this still happens, we still have significant wage gaps between particularly Eastern European countries and the UK. It makes it worthwhile for many people to come here and do these jobs. We also have a

flexible labour market. In some ways this is a benefit for the UK. If you compare it to somewhere like Germany, it can be very difficult for people to break into particular jobs because there is an expectation that they will have particular local qualifications and a good knowledge of the German language. That makes integration sometimes quite difficult for people and unemployment tends to be relatively high among migrants there. That has not been the case in the UK, partly because employers are more flexible about the qualifications that people need to have.

**Andrew Boff AM:** You have not mentioned whether or not there is an availability of low-skilled people among the native population.

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** There is. If you look at the labour market as a whole, we have record high rates of employment. Unemployment is quite low. However, there is the inactive population, people who are not currently looking for work but might be encouraged to. It is important not to fall into 'lump of labour' thinking, where you assume that there are a certain number of jobs that exist and they are either going to be done by migrants or the local labour force. The thinking around this has to be much more complex.

We should think about what can be done to encourage employment among people who are currently inactive and who might be able to work in some way, and not assume that there is some easy one-to-one substitution and that we would simply be slotting different people into the same jobs. If the population grows, there are more jobs. That is something that naturally happens. If the population grows less, there will be fewer jobs and that may or may not be a bad thing. What really matters is whether people who are in the labour force have the opportunities to get the kind of work that they want to do.

**Andrew Boff AM:** To what extent are EU nationals taking the majority of new jobs created in London and the UK?

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** It is about 50-50 at the moment, is it not? The employment of UK-born citizens is also at an all-time high and so, as Madeleine [Sumption] says, people coming here also create employment.

The issue is one of quality, in a way. One of the reasons why people from Europe and particularly Eastern Europe are so popular with employers is that relative to their equivalence in this country or relative to the people potentially applying for low-skilled jobs, they have a higher work ethic and probably lower wage expectations. You might say it is an unfair comparison. We are comparing some of the most enterprising and energetic people from Latvia or Poland or Slovakia with people right at the bottom of the pile in Britain, where 20% of people leave school without being able to read properly or do simple arithmetical calculations. You can see from an employer's point of view how very much more attractive it is to have a Latvian graduate who speaks very good English, who turns up on time and so on.

This is a welfare democracy. We have national social contracts. We have obligations to the people at the bottom of the pile in Britain, too. That is the dilemma. If there is a cut-off in the flow of Latvians and Slovaks, we really are going to have to pull our finger out and make sure those kids at the bottom of the pile are better educated and do turn up on time. That is a great national project for us that faces us in the next five years.

**Andrew Boff AM:** Surely we should be doing that anyway, irrespective of the challenges of immigration.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** Yes, but when you have this great reserve army of labour on your doorstep, the incentive to do it is simply reduced. It is common sense.

**Andrew Boff AM:** You say 50-50. Research done by the London School of Economics (LSE) indicates that the take-up of new jobs is roughly proportional to the quantity of immigrants, about 18%, but you are saying it is 50%.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** I thought I saw something in our briefing document that said in London it was about 50-50, perhaps.

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** There is sometimes some confusion. When this is reported, particularly in the media, there is this phrase, “share of new jobs taken by migrants”. It is often wrongly referring to the share of employment growth that is attributable to a higher number of migrants. In general, the conversation about this is really misleading. In some ways, the share of employment growth that is attributable to migrants is mostly a completely irrelevant metric for thinking about how the labour market works.

What matters essentially is: are people doing well in the labour market? Do people born in the UK have opportunities here? Do people born outside of the UK have opportunities here? Is migration affecting our prospects? That is a completely different set of questions from getting hung up on the proportion of jobs going to different types of people in the sense that absolute job creation is irrelevant. They are creating more jobs than we are in the United States (US) now. Is that because it is doing better than us? Not necessarily. It is because it is a big place. When your population grows, you get more jobs, and it would be nice if there were less fixation on these questions about what share of employment growth is going to different groups.

**Andrew Boff AM:** The trouble is that these are the questions that the public will ask, even though it is a complex situation. I absolutely get it because of course what we are seeking out of that factor is how many of these jobs are created by immigrants themselves and so how many fewer jobs would we have if we did not have the immigrants who are already here?

**Andrew Dismore AM:** Just on the same point, the Resolution Foundation did some work on this last year and concluded that any benefits to be gained by UK-born low-paid workers in terms of less competition for low-paid jobs as a result of a fall in migration would pale in comparison to the general wage slowdown over the coming years, which would be highly borne by those with the lowest earnings as a result of the slowdown in economy. Pulling on Andrew’s point, just because you have all these jobs does not mean to say that all those jobs will still be there if migration fell.

**Andrew Boff AM:** Absolutely.

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** Overall, the evidence on the impact of migration on employment and wages suggests that those impacts are pretty small. Most of the evidence we have is looking at what the impact of a growing number of migrants would be. We cannot say 100% that it will be exactly the same if you are talking about a shrinking number of migrants, but either way it is difficult to say based on the research evidence that exists that manipulating the number of migrants coming to the country is going to be a major factor affecting the job prospects of people here. There are particular occupations and areas where there may be an impact, but this is simply not the major thing that affects how UK-born people are doing.

**Andrew Dismore AM:** Last year - I think it was May [2016] - the LSE published a report that said over eight years the impact of migration on low-skilled pay was less than 1% and so it is not distorting the wage rates, either.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** You pick your research depending on your political views, often. The Migration Advisory Committee has produced research that suggests there is a much greater fall at the very bottom of the labour market.

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** It still suggests that the impacts are pretty small.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** Relatively small. In London in particular we used to have a much smaller low-paid sector going back as recently as the 1990s and pay for the bottom 10% - according to *The Economist* magazine, which is not by any means hostile to large-scale immigration - has fallen in London 23% since 2009.

**Andrew Boff AM:** We have had a credit crisis in between, have we not?

**Andrew Dismore AM:** The LSE's view was that that was primarily down to the slump in the economy, rather than the impact of migration.

**Andrew Boff AM:** It is quite a major factor, that slump. One wonders to what extent people are blaming immigration when actually it is down to their own incompetence.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** Large-scale immigration will have been a factor in it. You cannot ignore it completely.

**Shaun Bailey AM:** We have talked about the technical impact of immigration on income and people's job prospects, but what does this say about the social impact of it on housing, on services and on school places? I live in a borough that has had a staggering rise in the need for primary school places and, if you speak to our local Councillors, they strongly indicate it is about immigration for them. Is that borne out by the statistics across London and then the wider country?

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** It is quite difficult to work out exactly what the impact of migration is on, for example, public services, partly because immigration affects services in many different ways. Of course, people come in and they use services. They use some services more than others. For example, migrants are much less likely to be in the age groups of people who use the NHS, but they are more likely to eventually have young children and, therefore, be using the schooling system. Then, on top of that, you have to think about the contribution to the workforce in those public services, which again in the case of the NHS is going to be relatively large, slightly smaller in the case of schools. One of the issues that we have from a statistical perspective is that there are so many things going on that it is very difficult to just add them all up and say the overall impact is positive or negative.

If you do want to generalise, in some respects it comes down to money, essentially. Are people who come here paying in enough in taxes that we can afford to expand public services to accommodate a larger population? By and large, there are different studies, and most of them suggest that the fiscal impact - the net contribution in taxes compared to the cost of providing services - is relatively small, which suggests that people are paying

in essentially enough to cover the cost of services. I would say here that again, like some of the issues on wages, we are all immigration people and we often assume that the impacts of immigration are really important because that is what we do, but in many cases both the positive and the negative stories about immigration are less impressive than you might think.

**Andrew Boff AM:** Do those surveys also show that EU immigration is a net gain, the non-EU immigration is a net loss and it balances out between the two? I do not want to put words in your mouth; that is just what I have seen and I wondered if that is something that you analyse.

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** There are different ways of measuring it and different ways of dividing up different groups. In general, people who have high employment rates and so are in high-wage jobs are more likely to make a net fiscal contribution. Yes, most of the studies suggest that the impact of EU migration is more positive on public finances than non-EU migration.

One of the issues with this area of research is that the results you get are quite sensitive to the assumptions that you make. Those things are generally found to be true, although different researchers will find that the overall impact is negative, and some other researchers will find the overall impact is positive. It depends a little bit on their assumptions.

**Sunder Katwala (Director, British Future):** It depends how you bundle it up. If you take EU and non-EU, the EU, which is mainly economic but lower-skilled, is contributing. If you took the non-EU skilled bit, it will be doing better. If you take a package of non-EU skills and family and protection and refugees, then it is a mixed bag.

The problem with the net contribution story is that the main gain there - in an age of public service sector retrenchment and public spending retrenchment - has gone on as the deficit strategy, so there has been a net contribution overall but at a time when local resources are under pressure, so that will be received as people not seeing services keeping up where they are. If you want to rebuild confidence in immigration, you really need to visibly get confidence that you know about the gains and you know about the pressures and you will move resources quickly.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** Just back to Shaun Bailey AM's point, the one fact that I noted preparing for this meeting was that a fifth of all social housing in London goes to people born outside the UK or, rather, a fifth of the existing social housing stock is taken by people born outside the UK, which implies probably a higher proportion of new lets. It is not an insignificant figure.

**Shaun Bailey AM:** That is how it is perceived on the ground, is it not? I sometimes worry that we are having a conversation about the whole piece, and particular communities have benefited greatly and other communities have not because they are in a different competitive state relative to the market relative to the use of public services.

**Andrew Boff AM:** A fifth is not as much as the population of people who were not born here, is it? They are using social housing less than Brits. Is that correct?

**Andrew Dismore AM:** The other issue is how many of those houses would have been built if we did not have EU workers to build them.

**Andrew Boff AM:** What impact would restriction on freedom of movement and labour from the EU have on wages, particularly in sectors that are labour-reliant such as hospitality and construction?

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** It is important to state that we are a very labour-intensive industry with, for the record, 4.5 million people employed in our industry. More than 80% of our businesses employ fewer than ten people. They are small and medium enterprises (SMEs), mostly small and not many medium. There is a National Living Wage in this country, which would ensure that by 2020 there would be a substantial rise in earnings. We do not believe that pay has anything to do with our ability to access indigenous British-born workers, for example.

As an industry, we have gone to extreme extents - including our Big Hospitality Conversation programme, which we run in conjunction with the Department for Work and Pensions (DWP), and including Hospitality Works, which is another major programme that we run in conjunction with the DWP - to attract young people under the age of 25 who are not in employment, education or training - NEETs - as they are called. In three years we have created 67,000 apprenticeships, new jobs and placement opportunities for under-25s across the country, using the power of 3,500 businesses, which are actively looking for new labour because our industry is growing.

The reliance on EU migrants is one of availability of people and of labour, rather than anything to do with pay. If we are unable to have access to a labour supply, what will happen with our businesses is that many will probably go out of business. The luxury end of the market will probably survive because they can command higher prices to be able to sustain their operations, perhaps to invest in better productivity, in capital technology, possibly. Not in the short term but over the longer term, they would probably be able to do that because they have higher prices to command. The budget end of the market would probably be able to survive because they would be able to command high volumes to drive profitability. It is important to note that margins in our industry are very low and very tight. The middle portion of those, most of whom are SMEs, would probably not survive in the longer term and so --

**Andrew Boff AM:** Most of them would not survive?

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** Most of them in the middle sector would probably not be able to survive. The reason for that is because they do not have the capability to invest in technology. Technology is not going to be able to be a solution for our types of services in the short term: robots serving people or cooking like chefs in the kitchen. Those in the middle will probably find it very difficult to survive.

**Andrew Dismore AM:** I recall - and I have read about it more recently - when I was in Parliament and also more recently the impact of existing immigration policy on non-EU migration in terms of chefs from the Indian subcontinent and China and the impact that has had on in particular ethnic catering operations and how they are feeling the pressure because of that. Caroline [Russell AM] can pick up the EU point, but is that an issue?

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** The issue is really one related to high-end Indian restaurants because we are talking about a very technical chef requirement. Yes, there was a restriction to the access of those restaurants to achieve that. What that has achieved is that there are very few now Indian restaurants at the high luxury end of the market in the UK or in London, very few, and those that exist are having to command very high prices to ensure that the chefs they bring in would be compliant with the requirements of the tier 2 visa system, which is basically a salary-level --

**Andrew Dismore AM:** The same went for Chinese chefs as well. I visited China --

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** They are called Asian and oriental chefs.

**Andrew Dismore AM:** One of the issues is that Chinese restaurants do their orders and everything else in Chinese, usually Mandarin these days as opposed to Cantonese as it used to be. Unless you can speak and read Chinese, you have a problem.

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** What was interesting with that event or that occurrence was that People 1st, the sector skills council, was given some funding and it created a training programme to be able to help to develop the talent from within the British-born workforce and ensure that people were taught how to be chefs in Asian and oriental cuisine. Unfortunately, not enough applications came forward for that programme to be a sustainable offer to students in the UK and so that programme is not successful at the moment and is not filling the gap.

Instead, what has happened is that the offer has been restricted to the customer. In other words, the number of operators in the high end in those areas - yes, high-end Chinese, high-end Indian and high-end Japanese - have been squeezed out. Those that are really high-end luxury, as I have said, have been able to continue to sustain because they are commanding much higher prices, but those in the middle have ceased business operations.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** It is worth remembering that much of this is a specific London problem. I think I am right in thinking that about a third of all employees in hotels and hospitality in London are from outside the UK and the figure is only about 10% outside London. If what you are saying is right about the potential destruction of the middle band, it is going to be a particular issue in London.

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** I disagree with that. First of all, it is important to state that we have commissioned KPMG to do research for us and so, within about three or four weeks' time, we hope to be able to have a more solid base of evidence in terms of the number of EU migrants employed by our industry, what sorts of roles they are doing regionally and geographically and how they are spread across the UK.

What I am able to cite today is based on anecdotal evidence. We have had lots of roundtable meetings with groups of businesses across the country over the past months. The evidence actually shows that there are businesses that are operating with no interest in London at all and 40% of their workforce is EU migrants. For example, Harbour Hotels has eight hotels across the country - Southampton, Portsmouth, Bath, Bristol - and does not have any properties in London and yet over a third of its workforce is EU migrants. For a small hotel operator in Llandudno in north Wales, 65% of its workforce is EU migrant workers. It is not only a London-specific problem.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** It is a sharper problem here. I am merely quoting the figures from this rather good briefing paper and so take issue with Mr Bailey [Matt Bailey, Assistant Scrutiny Manager, Greater London Authority (GLA)]!

**Fiona Twycross AM (Chair):** Thank you and thank you to Matt. We would really value a copy of that report when it comes out. I am sure we would get that through the Committee Services, but Members would be very

interested in it. We also have an EU Exit Working Group that would be really interested in that piece of work because it would give, perhaps, the evidence behind this issue.

**Caroline Russell AM:** This is drilling a bit more into the hospitality sector. We have been hearing about the dependence on EU migrants in the hospitality sector. I just wondered if you could unpack a bit more what the factors are behind that dependence on EU migration for employing people.

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** We can start with the fact that the demand for a modern leisure society has been growing in the UK. That has achieved substantial growth in our industry. In the past five years, one in five new jobs created in the UK was created through the hospitality industry. As I said, it is a labour-intensive series of businesses and, therefore, that growth has been enabled by access to a labour market. In this case, the majority - in London, for example, we know that in the case of some businesses it is about 40% - of jobs are held by EU migrants. The growth of our businesses has been enabled partly by EU migrant workforce availability.

**Caroline Russell AM:** You have your report coming out, but what would be your assessment of the likely impact of any future restrictions on the free movement of labour for the hospitality industry?

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** For us, the key question is one of availability. We are reaching very low levels of unemployment in the UK. Many of our businesses do, as I said, through our programmes and in conjunction with the DWP and in other ways, really reach out to find employment from within the UK market, but it is very difficult to do that because we are reaching low levels. It is really a question of availability.

**Caroline Russell AM:** Just physically availability of --

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** Availability of people; being able to find people. Where many of the jobs are being created is not in line with the availability of labour pools. There is a mismatch there in terms of the growth of businesses and also the speed with which we need to employ people.

The types of jobs that are being created in hospitality businesses are jobs that need to be filled now. If you are opening a restaurant and you need a chef, you need a chef now. Otherwise, you cannot serve your customers. You do not have three months or the luxury of being able to go through a system where you can look at various candidates and apply for someone to come in. You really do need to have an available workforce to be able to provide that service. Being at the sharp end of customer service, the demand for labour availability for our businesses is very high.

**Caroline Russell AM:** In trying to make sure that future systems for allowing people in - and we have heard that people might be applying the systems that are available for non-EU migration to EU migration - are you suggesting that there should be, potentially, some other system specifically for particular sectors like the hospitality sector?

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** For the hospitality sector, as I said, yes. With the speed with which we need to find people to employ to provide the service that our businesses are serving, going through the traditional or the current work permit system and applying it to non-EU nationals would be unsuitable, certainly. The implications of the costs of applying for work permits would be very high for SME businesses, which are the majority of businesses in our industry.

It would be unaffordable. It would be unsuitable. That is why we believe that the short-term implications for our industry would be very significant if there is a restriction to an EU migrant workforce if there is no other available workforce provided to replace that flow of workforce.

Our proposition at the moment is one of saying, rather than pushing the industry to the cliff edge because, as I said, the majority of businesses would not be able to sustain their operations, what we are asking for is a period of time to be able to ensure a transition. We believe that transition can happen only over the course of a period of time when we can build better relationships with schools, colleges and careers networks to ensure that young people are given the opportunity to be attractive to industries like hospitality. It is seen that hospitality is seen as more of a profession in other EU countries than it is in the UK.

We have work to do as an industry and we have to confront that, but that cannot be achieved in the short-term. That can be achieved only over a period of time. We would have to take our partnership with the DWP and ramp it up. We would have to work with the Department for Education, with the Department for Business, Energy and Industrial Strategy. These businesses would need a lot of support and so the Government would have to meet us halfway.

**Caroline Russell AM:** You are suggesting that there could be opportunities for UK nationals to get into the hospitality sector, but that what it requires is a huge amount of extra investment in training and apprenticeships. Presumably, also, you need people who are more ready to go than apprentices?

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** Yes, absolutely. We are, as an industry, doing our bit for apprenticeships and more can be done, but we have to remember, as I said, that the majority of our businesses are small businesses. They are very small. They employ fewer than ten people. Those businesses would need more support than perhaps the larger businesses, which would be able to invest much more in providing apprenticeships and taking up those opportunities.

**Caroline Russell AM:** Thank you.

**Fiona Twycross AM (Chair):** One of the real benefits of people coming to London is that over the past few years the reputation of food in the UK has improved dramatically. Effectively, it all sounds like that is slightly at risk if we do not find a way to make sure, through making UK arrangements and working with schools - which is a good thing in itself and some of the things that have come out today would be good things in themselves to do irrespective - but what risks would there be for that element of the cultural life of London, do you think?

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** As I said, if there is no replacement of the EU workforce that we were able to access in the past moving forward, then the risk would be that the majority of businesses, which are unable to command very high prices or very high volumes, would be at risk of ceasing their operations.

Yes, there would be a risk to many of the artisan cafés and restaurants. The modern leisure society as we have come to know it and demand it would probably be restricted and the offerings would be restricted. Customers demand that they can have dinner after the theatre, not just before the theatre, and so we have unsociable hours in our industry. There is a lot of weekend working in our industry. We host major events in the UK. In London we host major events. That requires a huge number of people to be taken on board for a short period of time to work very long hours and work over weekends.

There are a lot of challenges for the industry to be able to find the volumes of people that it needs given the style and the nature of our operations. That is just a fact of life. That is what working in hospitality is about. It is about delivering a wonderful experience with wonderful customer service, but it does mean long hours and it does mean hard work and it means labour-intensive businesses. If we lose our access to the workforce, much of those offerings will probably cease to exist.

**Andrew Dismore AM:** Just to follow up on that, I grew up in the hospitality industry in a small family business. Like a lot of [people from] small family businesses in the hospitality industry, I was very glad to get out of it and move up in the world. That is one of the issues. The fact is that it is not a job for everybody with the problems you described. It is customer-facing and so you have to be nice, polite and friendly to everybody at the same as working very long hours in difficult conditions. My concern is that even with all the best training in the world, we are not going to find the people who actually want to do the job.

Anyway, I want to go on to the NHS issues and Danny has been sitting there quite patiently and quietly throughout our exchanges. I would like to ask him what assessment the NHS has done on the likely impact of an end to free movement of labour from the EU on the NHS.

**Danny Mortimer (Chief Executive, NHS Employers):** The thing that we have seen over the last ten years, which is a shift in our experience of migration, is that the proportions of EU workers and non-EU workers are starting to balance out. Historically, the NHS has particularly relied on non-EU colleagues, particularly from the Commonwealth countries, to work with us. The strongest representation of EU countries has been from Ireland in terms of our workforce, particularly through the 1950s and 1960s.

That has been driven over the last few years, in nursing in particular, by two factors. One, which has been flagged, is a relative reduction in the number of people being trained in the NHS because the plans in the NHS assumed that NHS services would reduce as other services to develop to take their place. That has not happened, to be clear about that; quite the reverse, in fact.

The second thing is that the NHS, particularly after the findings of the inquiry into the events at Stafford Hospital, made a significant investment in increasing the number of clinical staff it employed, particularly in nursing. In the space of two years, the NHS increased the number of nurses it employed by the equivalent of one whole year's graduation across the country. We employed 21,000 extra nurses over the course of two years and 20,000 nurses graduate each year into the UK labour force. We have had a particularly significant pressure created there.

If we look at London in particular, there is a greater concentration of EU nationals in the NHS workforce within London. About 10% or 11% of the NHS workforce in London is drawn from the EU. The national figure is about 6%. That is true for our colleagues in social care as well. If anything, it might be slightly higher than the 11% figure that we see.

If - as appears likely - free movement of EU nationals is to end, we are very clear that whatever replacement system there is cannot simply replicate the system we currently see applied to non-EU nationals. The NHS has had some real issues with that for exactly the reason that the hospitality sector has, which is that the tier 2 is not entirely but largely predicated on earnings. This country's assessment of economic worth and contribution to the economic health of this country assumes salary equals points equals work permits. Public sector employers, the NHS included, cannot compete with the salaries that are paid behind us there across the river in terms of the financial sector in particular, which is why we have pushed for nurses to be placed on the shortage occupation list, which did happen just over a year ago. That has been a really important step for us.

If there is not to be free movement, we want there to be a more sensible system that takes account of the contribution to public service. Particularly because of our experience in the NHS, we are used to recruiting based on job offers. We tend to recruit EU nationals from their countries of origin rather than them coming to this country to seek work. Something that applied a resident labour test would be something that we are very used to working with and could be made to work.

Of course, the final point to make is that any migration system that applies a cap - and sometimes what feels like a fairly arbitrary cap - causes problems for different sectors in terms of how they look at their particular allocations within that cap and may also cause problems, of course, for different regions in terms of how they compete for their allocations within that cap.

Yes, those are the kinds of concerns we see and those are some thoughts about what a new system might look like.

**Andrew Dismore AM:** The problem with a cap is that if you have to recruit somebody in February or March and you have used up your cap allocation by December, you are pretty stuck.

**Danny Mortimer (Chief Executive, NHS Employers):** That was entirely the experience that we started to see with tier 2 permits, for example, during the course of 2015.

**Andrew Dismore AM:** You referred in particular to nurses. Are there any other occupations or roles within the NHS that are particularly affected should free movement end?

**Danny Mortimer (Chief Executive, NHS Employers):** We see a large proportion of nurses, as you said. Of the 10,000 doctors who are EU nationals in England, about 1,500 of those colleagues work here in London. There is something of a --

**Andrew Dismore AM:** When you say "doctors", do you mean general practitioners (GPs) or do you mean hospital doctors?

**Danny Mortimer (Chief Executive, NHS Employers):** I mean hospital doctors, sorry. It is much lower for GPs but it is very high for hospital doctors. There is a particular concentration here in London of those doctors who are working in the very research-active institutions. Again, London has a greater concentration of those kinds of research institutions that work very closely with universities, in the life sciences sector in particular. That is a particular area of concern in terms of doctors but also research-active doctors and the links between the NHS, universities and life sciences are really important.

Also, of course, it is not just about the movement of labour but also access to the various research networks that the EU has established, in which the UK plays a pretty central role and probably is one of the more pre-eminent countries within those various networks. There is a set of associated concerns there as well.

For our colleagues in social care, who work very closely with the NHS, the mix is slightly different. They do see a greater proportion of non-registered staff who have come from within the EU: care assistants, domiciliary workers, healthcare assistants. There is a greater proportion of that workforce that is drawn from the EU than we see in the NHS. There are a number of reasons for that, but that is a feature for them. They employ more of those types of staff.

**Andrew Dismore AM:** I understand that more than half of the postdoctoral researchers at the Crick [Francis Crick Institute] are EU nationals and so that picks up the point you made about the link through into research and applied research.

How feasible is it for the UK to recruit more UK-born workers to replace the EU nationals who may leave in the short term and also in the long term? Presumably, it means we have to train a lot more nurses and a lot more doctors. There used to be an argument in the old days about us denuding the developing world of its trained doctors and nurses to support the NHS. It probably does not quite work the same for the EU, but how are we going to fill that gap if we cannot use EU nationals, particularly with the end of, for example, nursing bursaries?

**Danny Mortimer (Chief Executive, NHS Employers):** I do not think that is true for the non-EU countries, either. The NHS --

**Andrew Dismore AM:** I am not saying it is. I am saying that that used to be the argument.

**Danny Mortimer (Chief Executive, NHS Employers):** The NHS was central to developing the World Health Organisation (WHO) guidance on ethical recruitment and we very much honour those commitments.

It is undoubtedly the case that there is more that the NHS can do to compete for labour in local markets. I have worked in the NHS for 25 years now and pretty much everywhere I have worked the NHS has been the single-biggest sectoral employer in a community. Yes, there is absolutely more we can do and that is partly because we have to compete more fiercely for labour.

The Government view is that the removal of bursaries or the change in bursaries for nursing and other non-medical health professionals frees up numbers. We operated within a capped system in terms of training numbers within this country because the training numbers were a function of public investment. I appreciate that you are not asking me to debate the whys and wherefores of the bursary policy, but what that has meant is that universities are planning to train more nurses, physiotherapists and other allied health professions. The final point is that the Government has also announced that 1,500 extra doctors will be trained in this country.

There is a lead-in time to each of those steps. A nurse takes three to four years to train. A doctor, from entering medical school to becoming a consultant or a GP, takes 12 to 15 years to train. Whilst those steps in terms of increasing numbers of UK nationals or UK residents who enter our professions are really welcome, there is still a significant lead-in time. Across the country, 90% of the NHS workforce across the country is already UK nationals or UK residents. Our reliance is smaller than some sectors that we have touched on today, but it is still significant and, particularly here in London, it is very significant.

**Andrew Dismore AM:** To train that extra number of doctors, nurses and other health professionals is no doubt going to have quite a big price tag to it. Does that come out of the NHS budget or does that come out of a different Government budget?

**Danny Mortimer (Chief Executive, NHS Employers):** For doctors, it does come out of the NHS budget. The NHS training budget funds medical education in this country in large part, with some reliance on loans in the final two years of medical degrees, but the other training - and there is postgraduate training where people work - the NHS funds through salary costs.

**Andrew Dismore AM:** The cost of a university degree in medicine is rather more than £9,000 a year.

**Danny Mortimer (Chief Executive, NHS Employers):** It is.

**Andrew Dismore AM:** The balance has to come from somewhere.

**Danny Mortimer (Chief Executive, NHS Employers):** It does and it comes from the NHS.

**Andrew Dismore AM:** You mentioned the issue of the care sector, which, as we know from reading of any newspaper or watching any television news at the moment, is under considerable pressure. That is being used as one of the reasons why we have pressures in the hospitals: people cannot get care in their own homes and communities --

**Danny Mortimer (Chief Executive, NHS Employers):** Indeed.

**Andrew Dismore AM:** -- never mind care homes. Presumably, the care sector is also very reliant on EU nationals. You have mentioned that already.

**Danny Mortimer (Chief Executive, NHS Employers):** Yes, they are. We have formed a coalition with our colleagues in social care and other health providers called the Cavendish Coalition. What we see - and this is a sector in England that employs 2.6 million people across health and social care - is possibly even a slightly greater reliance on EU labour within social care than we see in the NHS. The distribution is slightly different, as I have said. There is a greater reliance on care assistant workers, who are the people who provide a greater part of the care within people's own homes or within the care home or nursing home setting.

We are worried but they are probably even more worried than we are in terms of changes to free movement of labour and resulting changes in migration approaches. They as a sector have far more in common with the hospitality sector. They are typically SMEs. They have relatively small employee numbers. In the last job I had in the NHS in a trust in the Midlands, we employed 14,000 people. The care homes we worked with tended to employ dozens of people, not the many thousands that we see in the NHS. Yes, they are far more vulnerable and far more fragile in terms of those kinds of changes to the labour market.

**Andrew Dismore AM:** That is exactly the point I was going to put to you, the comparison with the hospitality industry, because, again, it is antisocial hours and difficult conditions to work in. Again, it is not a job for everybody, to say the least. It is not a job that I would like to do for sure.

To what extent do you think that there is an indigenous labour pool that could replace the EU nationals in there?

**Danny Mortimer (Chief Executive, NHS Employers):** We start with a larger indigenous labour pool than some other sectors anyway. That is the first thing.

The second thing is that you are right. The jobs that we have are not for everyone and we are quite ruthless in trying to make sure that we recruit only people whose values match ours and whose approach recognises the reality of providing that 24/7 care to people.

We as a sector think there is more we can do to make our sector more attractive to the indigenous population. Partly for the reasons we have talked about - it takes a long time to train healthcare professionals - and partly based on our history in the NHS over the last 70 years, we have always needed to access in a fairly consistent

way labour from overseas. That was a part of the NHS in the 1940s and 1950s and it still remains a part of the NHS now for all sorts of reasons. From colleagues who are working at the Crick Institute to people who might be staffing a ward in Lewisham today, we have always had that feature of our workforce.

**Andrew Dismore AM:** Now we have this argument about whether in fact we have full employment, which Andrew [Boff AM] says, or high youth unemployment or whatever. Ufi [Ibrahim] and you are going to be fishing the same pond for these people and looking for, I suspect, relatively similar characteristics, skills and motivations. Are there going to be enough people to go around? That is an open question. I do not think you can answer that.

**Danny Mortimer (Chief Executive, NHS Employers):** Again, for us in the health service, we want to do as much as we possibly can domestically, to compete, to make our jobs as attractive as possible and to draw people in to work for us, but we believe that for many years we will still need to have access to global markets.

I guess there are a couple of other factors to emphasise as well. We see the people who we train also increasingly wishing to work globally. It is true of medicine in particular and it is also true of some of our other professions. There is a risk in this debate that we see the traffic as one-way. That is not our experience. Our increasing experience is that our colleagues do want to go and work abroad. They want to have that experience, too. Of course, however good your workforce planning, you cannot legislate for the choices that people make.

**Andrew Dismore AM:** As well, we have lost a lot of doctors in accident and emergency (A&E), as I recall, not so long ago.

**Danny Mortimer (Chief Executive, NHS Employers):** It has always been in the time I have worked in the NHS. The pathway to Australia in particular for a period of time is a very well-trod one. There is also, again, at that research-active end, a huge exchange of people with the US, with Europe and increasingly with the Far East. It is feature of how our indigenous workforce wants to work and chooses to develop careers.

**Andrew Dismore AM:** What you are saying effectively is that at the high-skilled end of the NHS, the same as any other high-skilled end, it is a global economy?

**Danny Mortimer (Chief Executive, NHS Employers):** Yes, absolutely.

**Shaun Bailey AM:** I would like to address this to David first, please. What advantages and disadvantages would there be in extending the immigration system from non-EU nationals to EU nationals?

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** We will have to do something like that to realise the pledge of ending free movement. We will have to introduce some form of controls. We do not necessarily have to introduce exactly the same system.

In terms of the advantages, we have focused mainly on the disadvantages here, but for the median British citizen, depending on where they live and what their social class background is, large-scale immigration is a pretty mixed bag. As you were implying earlier, it increases competition in terms of access to public services. It changes neighbourhoods very rapidly, which discomforts people, often, and so --

**Andrew Boff AM:** It improves neighbourhoods as well.

**Shaun Bailey AM:** He did not say it makes them worse; he said it changes them.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** It can, but we have just had a Brexit referendum and a majority of people voted to leave the EU mainly, it seems, or primarily for immigration reasons.

**Andrew Boff AM:** That is not what the survey says. That is not --

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** If you look at the opinion polls, 75% of the population wants large-scale immigration to be reduced or to be reduced substantially. They may be wrong, but we live in a democracy.

We talk about this, too, as if everybody who is an EU citizen is going to disappear. What we are really talking about is the marginal future flow of people. Also, we have to remember that very large-scale EU inflows have been with us only for the last eight or nine years. We talk as if it would be a disaster to go back to the situation in 2004 or 2005. Of course it would not be.

One of the advantages would be that there would be upward pressure on wages at the bottom of the labour market. We are already seeing - the health service is a good example of it - that governments are now having to think about training people more. I did not even know until the other day that we had this 6,000 cap on the training of doctors, which has now, thankfully, been removed. The NHS is going to have to think harder, as you were implying, about making it more attractive to work in the NHS. David Metcalf, Head of the Migration Advisory Committee, was extremely critical of the NHS and its labour policies. It has allowed pay to slip back. Nurses' pay has slipped back --

**Danny Mortimer (Chief Executive, NHS Employers):** The NHS has not allowed nurses' pay to slip back. The Treasury --

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** The Treasury, yes, but --

**Danny Mortimer (Chief Executive, NHS Employers):** -- has capped public sector pay for the last seven years and so we need to be clear that it is not in the gift of the NHS as a fully funded public service to increase its rates of pay to attract UK nationals to work within it.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** That is true, although, as I said earlier, there is a trade-off here between public spending and immigration in many cases. When public spending goes down, immigration in many of these areas goes up. As I said earlier, NHS nurse training places were cut by 20% between 2010 and 2013, as a result of which we had to employ more nurses from Africa and Eastern Europe. To return to --

**Danny Mortimer (Chief Executive, NHS Employers):** I do apologise. If you look at the evidence in terms of the proportion of people who are employed within the NHS - and the House of Commons Library has done a very good report that the Committee might be interested in, which provides the proportions of people who are employed - the largest increases that we have seen have been from within Europe. Spain and Portugal, in common with other sectors, feature heavily in terms of the recruitment we have done in the last four or five years. The Philippines, which has been a very traditional area that we have recruited from both in the late 1990s and also more recently, features quite heavily. The numbers of people who are being recruited from

some of the countries you have mentioned are there, absolutely, but there is a wider distribution than you have referred to. As I have said, we can give you the link to the report that has the figures.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** I am quoting from the Migration Advisory Committee. Anyway, there are potential advantages in making employers think harder about how to make their jobs attractive to existing citizens and existing residents of the UK.

There are things we can do, too, to make it easier for employers in the short term. Singapore, for example, decided a few years ago that it did not want to be so reliant on foreign labour in some of its most labour-intensive industries. It set up a unit in the Government - and the GLA could do something similar - over a transitional period to help employers with automation and with finding it easier to find and train local staff. All of these things would be enormously to the benefit of Londoners.

In terms of the actual mechanics of a visa system, there are all sorts of different versions of it. The key thing is - and there seems to be quite a big consensus on this - that for high-skilled jobs there should be some fast-track system. All the jobs are going to be covered by a visa. People who could take advantage of free movement will now have some kind of visa arrangement and, at least if they come here to work permanently or for a reasonable period of time, will require a visa. What we need to make sure of is - and we were talking about this earlier - that the bureaucracy works and we have a fast-track system so that an employer who has a job offer for a high-skilled job will be able to get a response from the system within a week or ten days or something. That is what we should be placing stress on.

In the lower-skilled areas, including hospitality, it is more problematic. Over time, the numbers will have to fall. Obviously, we do not want whole sectors of industry to stop functioning, but I do not think will happen, in fact. The arrangements there will have to be more sceptical.

One of the worrying things that I have read in the newspapers in the last couple of days is that we may not have even visa-free travel. London should be particularly worried about that. I had assumed that visa-free travel would continue for EU citizens and *vice versa*. There is talk of some American-style fast-track visa system for the EU. That would be an absolute disaster for the London tourist industry if you are putting in a bureaucratic step. For someone just deciding where they want to go for a long weekend or for a week's holiday, the idea that they also have to apply - even if it is online and even if it takes only 20 minutes - for a visa will be a real turn-off.

You should really lobby hard against that. Visas for work are going to come in. There is no point in trying to oppose that. You should really put your shoulder behind maintaining visa-free travel within the EU.

**Danny Mortimer (Chief Executive, NHS Employers):** As the largest group of employers within London and the country, I guess what we would say is two points.

One is that there is a risk that if we just apply the present system wholesale, it causes real problems for lots of sectors - ours included - because we employ, I would absolutely argue, hugely skilled, highly skilled people. Whether they are professionally qualified, whether they have a degree or not, they are hugely skilled. However, we do not pay the salaries that other sectors pay and that causes real problems for us when we try to recruit non-EU nationals in terms of our access to permits. That is the first thing.

The second issue - and British Futures made this point in the inquiry that Gisela Stuart [MP] chaired - is that there is a real risk that the design of the system itself is used to enforce the migration policy. It is made so

difficult for employers and employees and so potentially expensive for employers and employees. It is designed to act as a disincentive for migration and so it does become slightly unwieldy and very cumbersome. We have touched on these points already. There is an opportunity for us as a country. If what the Prime Minister is going to talk about today is about the UK rebooting its relationship with the world and trying to reboot its economy, there is something about creating migration systems that reflect that aspiration. At the moment, the systems that we have are not fit for purpose.

**Sunder Katwala (Director, British Future):** That is right. Also, when people talk about how we will extend the non-EU system, we designed the non-EU system to go with the EU freedom of movement we had and it was used as a complementary system. It is rather difficult to use, unless you have a lot of time, but it is alongside a very open system.

It is a very obvious point, but when we designed this tiered system, tier 3 was there. Tier 3 was never opened and because tier 3 was for low-skilled and unskilled, replacing the seasonal systems. Then it was decided that there was no appetite to do that because we had EU free movement and 2004 had happened. At the skilled level, it is about what processes would fit better with what people need, but also there are going to be some low-skilled and semiskilled immigration and the non-EU immigration does not have any non-EU low-skilled or --

**Shaun Bailey AM:** Are you saying that tier 3 would be a partial or full remedy?

**Sunder Katwala (Director, British Future):** I am saying that there is a thing there that has not been used. You would need to go back and design one in the new context, whether it is EU or non-EU.

There are two big choices here. If the EU and non-EU rules are identical, they will be identical under a different system than the current non-EU system and we will look at what that is; or there is some preference to EU with more control than free movement but more open than non-EU; or there is some preference for EU and some other special relationships because of trade deals or Commonwealth links. There is a big choice there between whether it is the same or not.

The public brings preferences to this and this is about public and political consent for the migration we are going to have that meets economic needs and meets public service needs. The public has a preference for reductions and it is a nuanced and selective preference for reductions. They have no preference for reductions in student migration, skilled migration, scientists and the higher-skilled. If we design a system that cuts all of that out, we will not be giving people what they want.

The public also has a strong degree of understanding and support for quite a bit of low-skilled and semiskilled immigration when you explain specifically what it is for and you answer the questions they have. There is very strong support for migration into care homes but more questions, then, about other sectors depending on the levels of dependence that people are prepared to have.

**Shaun Bailey AM:** Again, does that not enter into an argument about which sector has how many new people in a given year and all the rest of it?

**Sunder Katwala (Director, British Future):** Yes, but in terms of quotas, a system we have proposed is that it would fit public preferences - if you wanted to - to keep reciprocal free movement with a job offer in the EU above a skills level. We could use skills levels instead of salary levels if you are concerned about that. We have skills systems we could use like the Standard Occupational Classification and the national qualifications

frameworks. You could keep that and the public would be fine with that if there was then control over low-skilled and semiskilled immigration and you had to decide, possibly on a sector basis or other thing, the process for making these decisions. Let us hear from employers; let us hear from communities and so on. When you have then decided that you do need this amount for fruit-picking, care homes and hotels, you could then decide to offer those places to your EU partners in a trade deal or you could decide to offer them to someone else in a trade deal. The public has a big distinction between being really quite relaxed about the current scale of skilled migration and wanting a choice and some sense of how we decide the controls we want so that we will have some low-skilled and semiskilled immigration but not as open as free movement.

**Shaun Bailey AM:** Do you believe favouring EU migrants and EU citizens would help London's economic growth? Is there any benefit in favouring EU over non-EU in any new system?

**Sunder Katwala (Director, British Future):** That also could be a relatively flexible system and it would be two-way. A lot of the concerns you have - in, say, tech jobs where people want to get somebody quickly - or doubts about the non-EU system or concerns about academic links and scientific links, this would be a solution to that problem. You could design other solutions that are as open to people from everywhere.

The complaint about EU free movement was that not it prefers EU migrants over anybody at all. It is unfair to Ukrainians and Chileans. The complaint was always that it is unfair to Canadians and Indians. It was very open to one special set of partners we had, but it was not open enough to another set of special partners. We could have skilled EU free movement and more open post-study immigration with India and then different things. We have never had an identical-for-every-country immigration policy in this country and we never will have because even people who say that that is the right thing and is the right intuition will never include Ireland. We do recognise different countries having different relationships with this country.

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** On that question about whether there should be a preference for EU citizens, if you think about it, it will depend a lot on the industry and what its history is of hiring people from different places. It is unclear that it is inherently more desirable to have in a particular job a European migrant than a non-European migrant. From an employer's perspective, it can be easier. Employers do not necessarily distinguish between people based on their nationalities; they are more likely just to want the best candidate for the job. Therefore, in some ways, the main reason that one might want a preference for EU migrants is if it gives us a better deal in the negotiation with the EU. It is very difficult at this point to know whether that is going to be the case. It is possible that if free movement in its present form is not on the table, then the EU is not interested in any particular deal on immigration or any very marginal tweaks to bilateral immigration policies.

There is a broader point also, just picking up on something that Sunder [Katwala] said. There will be some really important questions, particularly for lower- and middle-skilled jobs, about how systematically we make decisions on who comes in and who does not if there is a work permit system. There are different arguments and stories that you can tell, essentially, for every industry about what the impacts would be of restricting flows and whether it is beneficial to have a particular programme for those people.

On the one hand, you could imagine a system where we really tailor each bit of the immigration system to the needs of different industries. Maybe there will be different rules to accommodate the slightly different characteristics of social care compared to the agricultural sector and so forth. That is on the one hand. That would feel like a politically responsive system.

The cost of that is that you end up introducing a lot of complexity to the immigration system. It is often very difficult to identify to the nearest thousand or so what the actual need is in a particular industry. There is a challenge. There is going to be a trade-off between the feeling of political responsiveness and responsiveness to other policy objectives on the one hand and having a system that is simple and manageable, that everyone understands and that the Home Office can enforce. Making sure that those decisions are made systematically rather in response to *ad hoc* lobbying will also be a challenge.

**Piotr Kubalka (Chief Executive, Capital Business Links, Member of the British Polish Chamber of Commerce):** I am under the impression that the sorts of changes you are planning to introduce to the immigration system are going in completely the wrong direction because, when we are talking about immigration, we are actually talking about two different groups of people. The first group is coming here to find jobs. The second group is coming here to take advantage of the benefit systems. All the discussions here are concentrating on how to limit the people coming here to find jobs and these people are actually bringing quite a lot of benefits to this country, but no one is thinking about what the real problem with the situation is.

The main problem is the benefit system in this country. There are not many countries in the world where you can come and you can get money for nothing and houses for free. There are a lot of people, even from Eastern Europe, but the percentage in comparison to immigrants from outside of the EU is much lower. There are some people coming here just to stay here and to take advantage of this country and we are just paying for these people.

When we look at the figures, we have 196,000 people coming from outside of the EU. How will this number be reduced in comparison to the people coming from the EU? This number will stay the same because nothing will change for them. They are just planning to limit the people coming to this country and bringing benefit to this country, but for the economy there is going to be a huge impact and it is not going to mean benefits for everyone. You need to think in a completely different direction: how to make this country less attractive for people not wanting to work and just taking advantage of the benefit system.

**Shaun Bailey AM:** I suppose that is the crux of the situation.

**Fiona Twycross AM (Chair):** I was just going to interrupt to make sure that we welcomed Year 4 from Heathland School in Harrow who have joined us here today on a tour of the Assembly. Welcome to the London Assembly.

**Shaun Bailey AM:** This is the thing that interests me most because, listening to the conversation, it has all been a bit doom-and-gloom. I live in an area where people are very interested in how a change in the immigration system can mean an uplift for UK workers. I see - the point has been made earlier - that lots of companies think, "I can get ready-trained cheap labour and so I will not invest my time and energy in the people around me". The people of the UK have seemed to be quite aggrieved about that; hence the fact that we are leaving after the referendum.

Is there anything that can be done here to incentivise UK employers to maybe concentrate a little bit more on the indigenous people and to remove some of the social ill will that is there?

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** This will happen naturally as the flows are somewhat limited. We have already been seeing it, as I said. The Government has removed the 6,000 cap on training doctors. There will be upward pressure on wages when employers have to make themselves more attractive. I agree with you that that is one of the advantages. It

will play out differently in different parts of the country and in different sectors, but when we do have a huge supply, in many cases, of highly motivated, well-trained labour on our doorstep, why would you not draw upon it as an employer? They have drawn upon it, particularly in London, but there are such things as national social contracts. That is partly what the Brexit vote was about: trying to reinforce a national social contract that many people felt had been ignored on the part of the existing UK citizens. Whether this happens or not, it will partly be up to politics to decide whether conditions, particularly for people at the bottom of the pile in Britain, improve as a result of it.

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** Just to say, if 15% of our workforce is EU nationals - and there are very few in our industry who are here on a work permit and so there are very few non-EU nationals working in our industry - then about 85% of our industry is British-born workers. That is an important point to note. The reference that businesses are not employing British-born workers is a very inaccurate statement to make.

Certainly, as I said, from our industry's perspective, a huge number of employers - 3,500 businesses - have been working with us in conjunction with the DWP to go above and beyond their own business measures as a collective to be able to tap into long-term unemployed British youth; so much so that the DWP has said to us that our industry alone has had such a positive impact on reducing youth unemployment that we now need to look - going forward - to all age groups and to older workers, as well as those who are perhaps from the disability band, because we alone as an industry have gone above and beyond to have a real impact on reducing unemployment in the UK --

**Shaun Bailey AM:** That may be correct and I commend your industry on it and long may it happen, but there are large groups of people - for instance, black unemployed in London are more than double the national average - who feel that they do not have access, that they are not getting the support and that nobody is advocating for them in the same strong way that people are advocating for EU nationals. They are the people who probably --

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** Again, that is inaccurate. We --

**Fiona Twycross AM (Chair):** That is for a different meeting, Shaun.

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** We did a programme together with Tottenham Hotspur Football Club last year. In conjunction with the football club, we hosted a big event in White Hart Lane Stadium. Thanks to the amazing drawing power of a Premier League football club, we attracted 2,500 young unemployed people from around Tottenham to the event. On the one day, 958 of them walked out with an actual job or an apprenticeship in their hand thanks to the businesses that came in. We are arranging those programmes. We are doing another event with Tottenham Hotspur Football Club. We are doing one on 14 February [2017] together with Liverpool Football Club at Anfield. We are going to amazing extents to tap into and really ensure that we can have a fundamentally positive impact as a business. We are talking about the social contract. There is a lot happening on the ground that our businesses are running in terms of really helping to tackle issues like youth unemployment in the UK.

The issue in terms of the industry lobbying for the continuation of access to an EU workforce in this case is that we are very concerned that we do not have availability of the volumes of people we need, especially when we break it down regionally and geographically, to be able to sustain our businesses. With the types of jobs that we do - and the reference was to elementary jobs - many of those are, as I said, for very long hours and are tough work. They are tiring jobs. People cannot necessarily sustain those for a very long period of time

and we have churn in our industry. Therefore, we are talking about continued access over a period of time because we need to replace people to be able to continue that workflow of people coming in and working in the industry for short periods of time.

That is why we are actively and aggressively lobbying for continued access to a workforce, in addition to all of the efforts that we continue to lead and want to continue to grow in the UK to tap into the UK market. We are doing both, but one without the other would not be feasible. Businesses would not be able to operate in the way that they are currently operating.

**Danny Mortimer (Chief Executive, NHS Employers):** We would echo those comments as well. The challenge is very fair and it is one that we have had raised with us as big employers. Clearly, as I have said, there is more that employers can do. That is not just in the NHS; it is widely accepted that there is much more that people can do in terms of active participation in apprenticeships or creating jobs in their local communities.

It is both/and. It is about having sensible migration system that complements what people do domestically. That is very much what we want in our sector. The great majority of the people we employ are UK nationals, but we have always in our history complemented that with fantastic colleagues from around the world. More recently, more of those colleagues have come from the EU, but that has been a feature of what we do. Even if the Government as a matter of policy tries to change that blend, it is going to take many years for the proportion to go from 90% to 95% - let us say - within our particular sector. I know that that is true of other sectors as well.

There is a difficulty in the narrative because we have focused a lot on our EU colleagues and wanting certainty for them. We have a couple of hundred thousand colleagues and we want there to be certainty because they are important parts of our team, but that is not at the expense of the hundreds of thousands of UK nationals we employ. We value both equally.

**Andrew Boff AM:** Can I just ask very quickly on some data? Mr Goodhart, you have made a lot of assumptions about the question that was on the ballot paper for the referendum. All it said was "leave the EU". It was completely silent on immigration. It was completely silent on the single market and all the rest of the other issues. I would really appreciate it if you could supply us with the sources of what you are saying.

Of course, the poll that was closest that analysed how people voted on 23 June last year [2016] was the Lord Ashcroft poll [on how the UK voted on the EU referendum] and the Ashcroft poll clearly stated that only a third of "leave" voters voted on the basis of immigration. That means that, as a proportion of the entire electorate, only about 17% who voted on the basis of immigration.

**Sunder Katwala (Director, British Future):** I am not sure that this is a very helpful way to look at it. We conducted large-scale polling the weekend after the referendum and afterwards and therefore can supply very detailed proportions. A fifth of "leave" voters were very happy with free movement and, therefore, you could say that a majority of 48% voted the other way. Half of "remain" voters do not want free movement to stay, although they think market access is very important. There is not quite the contrast you would want.

The way I would put it is that it is very clear that the public has shaky confidence and has lost confidence in how successive Governments have been handling immigration to this country. They are not anti-migrant or xenophobic or wanting to close the borders, but they do see it as a reset moment. It would be tone-deaf, in my view, to treat a reset moment by saying, "We do not know what that was about. It probably was not about

immigration. Actually, the economy matters. Let us carry on". It is very important to get the economic links right and it is very important, if you are in favour of the economic and social benefits of migration, to take the opportunity to rebuild confidence and to say to people instead of having --

**Andrew Boff AM:** A reset moment is fine, but you cannot draw any assumptions as to what the British public's opinion is on immigration from one vote on something that was not about immigration.

**Sunder Katwala (Director, British Future):** We know that seven out of ten people would reduce immigration but we know that that falls to two out of ten in lots of the categories. If we are unaware that people would like to control and reduce the pace we are missing an opportunity to rebuild consent. Consent for immigration is highest where stocks of migration are high but is much shakier where the pace of change has been fast. We can change the perception of the pace of change by handling it better in terms of public services and so on and we can make decisions about what to have, but the public has rather nuanced views and are actually very interested in striking this balances. This was about immigration and sovereignty and the money we send to the EU and all of these other things. It would be strange if nothing changed when we leave the EU.

The challenge for London is to secure political and public consent for what is good for London, good for the economy and good for the public services and takes people with you. Most people in London are relatively more moderately sceptical about immigration but quite worried about how we handle its pressures and, therefore, we should get the balance right.

**Andrew Dismore AM:** Just picking up on what Sunder said, the lesson from that is that the more people know the facts and the details and are asked in detail - which is what Andrew [Boff AM] has just mentioned - the more their opinions change. If people thought they were going to get £350 million from leaving the EU, it might also have been a factor in the way they voted.

The question I wanted to pick up is probably following more from what you said. It is this. To what extent are people in other parts of the UK, where unemployment may be higher, likely to move to London to fill these gaps in the labour market should EU immigration change, particularly at the lower end? At the higher end, graduate people who want to come to London will come to London and find a job. I am more concerned about the people who will work for Ufi [Ibrahim] or for Danny [Mortimer] in hospitality or in care.

Just to put it in context, I have been in London for over 40 years now, but I grew up in a seaside town with very high seasonal unemployment. The prospect of those people being prepared to move to London 250 miles away to take up jobs in the care sector or to work in cafés or restaurants are zero. They do not like London. They have this weird view about London. Even if we did a really great selling job on how wonderful London is - which we all think it is or we would not live here - they would not believe us. The idea that they would move to London to work in those low-wage jobs in the sort of housing that migrants live in when they may well have a very nice council house up in Yorkshire is nonsense, is it not?

**Danny Mortimer (Chief Executive, NHS Employers):** Yes, it is. That is absolutely our experience. It is not necessarily because people do not like London or have some sort of mistrust in London. We do see that particularly for medicine, with the greater concentration of medical schools in London anyway, London is a very big draw. There is relatively full employment for doctors in London.

However, for other parts of our workforce, there are the economic factors. The average house price in London is over 11 times the average NHS salary and so there is not the incentive for a nurse or a physiotherapist,

highly qualified and highly skilled though they may be, to move from elsewhere in the country. What we are seeing in fact is healthcare staff in London choosing to move further and further out of London to be able to afford to buy a house and, as they then confront the transport costs, they increasingly start to look for jobs outside the M25 because that is where they have moved to. We are seeing it go the other way.

**Andrew Dismore AM:** If we dig down into the lower-skilled care home jobs --

**Danny Mortimer (Chief Executive, NHS Employers):** Even more so.

**Andrew Dismore AM:** -- and working local authority carers, it is not going to happen.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** Yes. You are right. We think of Britain as more mobile than it actually is. About 60% of the population lives within 20 miles of where they lived when they were 14 years old. We are not a particularly mobile country. What you say is particularly true of lower-skilled areas. Why would you want to come and live in London? It is the most costly, congested, stressful place in the country; except it is also where you make your career. If you are a graduate, 45% of graduate jobs are in London and one third of graduate jobs in London are taken by people born outside the UK. If those numbers did come down a bit, there would not be any problem filling those jobs with people from the north or the Midlands or elsewhere in the southeast.

**Joanne McCartney AM:** Manchester would object.

**Sunder Katwala (Director, British Future):** This is about the skills level. Of the 400,000 people who arrive in London every year, half of them are from outside the UK and half of them are coming from within the UK. The graduate/non-graduate split is very strong.

**Andrew Dismore AM:** Yes, there is no argument about that. If people have high skills and they want to live in London, they can live in London. Equally, if they have high skills and live in London and they find they cannot afford to live here anymore and want a better quality of life, they will move further afield, which is the point that Danny [Mortimer] has made.

The real issue, it seems to me from our discussions earlier on, is the low-skilled migration that has people particularly wound up. The low-skilled jobs are not going to be filled by indigenous British workers from the north or the Midlands.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** No, but there is 17% youth unemployment in London.

**Danny Mortimer (Chief Executive, NHS Employers):** Not unless it was planned for a scale in terms of massive migration that we have not seen in this country for decades. Governments, clearly, have in the past planned migration but we just have not done that.

**Andrew Dismore AM:** If the Government were to reduce net migration to tens of thousands, what would be the impact on London's economy?

**Sunder Katwala (Director, British Future):** The net migration target was incompatible with our membership of the EU but it is also incompatible with the level of non-EU migration we have and so we are going to have to decide now. It is an opportunity in a way because one of the reasons people are frustrated is

you had to sell them quite a fatalistic story, "Sorry, you have no choice because we are part of this other thing and it is good for other reasons". We now have choices and we will have to decide what those balances are.

There is a hypothesis that when you have control and you feel you own the choice and you decide, "I am keeping this and I am keeping that", it will be very hard to cut non-EU migration without cutting stuff that is popular. People might choose, or the political system might choose, to have immigration that stays in the high 200,000s, below where it is now but well above the target, and feel that they had done the job, or they might do that and say, "We thought it was going to stop". You will never notice the scale of flow; you will notice the diversity and pace of change in the place you live.

There is one danger for the Government, going back to something David [Goodhart] said earlier. One way it can gain its own system - and it is talking to some sectors about it, maybe in particular agriculture and maybe in others - is that if you come for less than 12 months, you will not figure in the numbers, and they might try to let more people do that. I am not sure that if I am concerned about whether I am getting a job, having lots of people arrive for six months and lots more people arrive for six months and the Government then saying to me, "Do not worry. That was not immigration", is going to really help me with my perception about the pace of change. There is a trade-off between settlement immigration - which people rather like because you get to know people and your kids go to school and you get to be "us" - and this more transactional churn migration. Seeing churn and temporary migration as really good is not going to be good for integration, community and public services. It might work well for seasonal jobs when you deal with the housing and so on, but the Government is actively talking to people about where it can do that and whether it can create schemes that would not pop up on the system. That would look like gaming the system.

**Fiona Twycross AM (Chair):** Basically, they are trying to avoid being able to count people in the future?

**Sunder Katwala (Director, British Future):** Yes, but if you are worried about the local pace of change, saying, "We did not count those polls", would be ridiculous.

**Andrew Dismore AM:** "We do not count that, we do not count this and we do not count the other"?

**Sunder Katwala (Director, British Future):** Yes.

**Fiona Twycross AM (Chair):** This is going a little bit off the theme, but it is very important to the discussion to look at not just migration but how it is counted, potentially, and how it is managed. We have already had a discussion about how it could be managed. Did you have anything further in that area of questioning?

The final question we had - and I appreciate that we have already kept people well over two hours now - is about whether panellists believe there is a case for devolving immigration policy to regions. The issue of advice from the GLA and local government was mentioned, but would there be a case for devolving immigration policy to regions?

**Madeleine Sumption (Director, Migration Observatory, Oxford University):** There are different arguments for this. There is an economic argument and there is a political argument. The economic argument essentially is that different areas have different needs and so there is a rationale for having different policies to reflect those different needs. The political argument is that different areas have different preferences towards immigration. If, say, London is more comfortable with higher levels of immigration, then why not let them do that and have lower levels of immigration elsewhere?

The economic argument is quite complicated, partly because it is surprisingly difficult to identify exactly what the needs are in different regions. It is already difficult to try to identify a national-level shortage or work out exactly how many engineers or nurses you will need a few years from now. Trying to do that at a regional level when the data is much less good, it quickly becomes a technically very challenging task. You create the risk that you end up making decisions that look like economic decisions but are actually more or less arbitrary and also that you have a much more complicated immigration system where an employer who operates in more than one region of the country then has to worry about meeting different rules and not being able to move staff from one place to another in the way they usually might because the immigration system is different. There are a lot of technical complexities with that. It raises the question: if it is possible to have a national system that works for all of the different regions, would it be preferable to splitting the immigration system into different regional components?

On the political side, that is in some ways where the case is a little bit more persuasive, but I am sure that Sunder would have more to say about that.

**Sunder Katwala (Director, British Future):** In a way, the politics do not work. There is an intuition, “If we like it and you do not like it, Lincolnshire and East Midlands, let us make a deal”. The Government itself is very sceptical, I think. We do not have the regional structures except in Edinburgh, Cardiff and London to do this and so that is a problem for doing this quickly.

The public is very sceptical about the Government’s handling of immigration and its competence because of missed targets and everything else and a system that is obviously unenforceable in a lightly regulated labour market. Often when people do this, it is not well enforced because they give you a visa to go to a relatively unpopular place and you hop on a train.

The London case would be the opposite but actually has a different argument you would have to win, which is, “Are you going to prefer employers in Bexley to those in Dartford?” You have a broader fairness issue, which is, “Are we saying that an employer in Croydon should have an advantage that does not apply to a competitor in Watford, Brighton or Cambridge?” The politics of people defending that are not good.

Avoid London exceptionalism. What London needs is the right immigration policies that will defend the universities, finance, higher education, tech, etc. It has alliances. It has not alliances if it makes the London case. It has the case for skilled migration that London uses and for the needs of the NHS and the care homes. It should make the case for all the people who benefit from that. It might be that London benefits most, but you do not want to have a London visa for finance. You will want finance that will work for Leeds, Halifax, Edinburgh and London. London exceptionalism would be quite unpopular and not really what London should be doing in this post-referendum context.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** There is already quite a lot of wariness. There is already quite a lot of hostility in the rest of the country towards London. The gap between London and the rest of the country is too wide already and this would merely increase it.

It has worked in certain places. In parts of Canada, it has worked with regionally specific [policies], but it would require a degree of internal control and ID cards and things that have not really been in our national culture, although the ID card debate will return for other reasons. Just because of continuing churn and fluidity and having some sort of handle on where people are coming to and so on, it will return. I agree with Madeleine [Sumption] and Sunder [Katwala] on that.

**Ufi Ibrahim (Chief Executive, British Hospitality Association):** We would agree as an industry that regional immigration policy would not work. Technically, it would be very difficult for businesses owning two or more properties in different areas around the country. It would be hugely burdensome for them to be able to apply different rules rather than being able to just assign a chef, because a chef did not turn up in one, to the other. Practically, it would be very challenging for us as an industry. We would much prefer sector-specific rather than region-specific; quotas, for example.

**Andrew Boff AM:** It would work if there was London independence?

**Fiona Twycross AM (Chair):** That was a hypothetical question.

**Andrew Boff AM:** It is less than that.

**David Goodhart (Head of Demography, Immigration & Integration, Policy Exchange):** We would not have survived the financial crash, would we?

**Fiona Twycross AM (Chair):** Can I just ask if any of the panellists have anything else they would like to add at this point? The Committee will be making recommendations to the Mayor as well as broader recommendations.

Thank you again for what was an extremely interesting and varied discussion. We really appreciate all of the perspectives and they will help our work.