



European Affairs Committee

Corrected oral evidence: The future UK-EU relationship

Tuesday 13 December 2022

4.10 pm

[Watch the meeting](#)

Members present: The Earl of Kinnoull (The Chair); Lord Faulkner of Worcester; Lord Foulkes of Cumnock; Lord Hannay of Chiswick; Lord Jay of Ewelme; Lord Lamont of Lerwick; Lord Liddle; Baroness Scott of Needham Market; Viscount Trenchard; Lord Tugendhat; Lord Wood of Anfield.

Evidence Session No. 9A

Heard in Public

Questions 136 - 146

Witnesses

I: William Bain, Head of Trade Policy, British Chamber of Commerce; Lucy Monks, Head of International Affairs, Federation of Small Businesses; Emma Rowland, Policy Advisor, Institute of Directors.

Examination of witnesses

William Bain, Lucy Monks and Emma Rowland.

Q136 The Chair: Welcome, everybody, to this hybrid House of Lords and to the European Affairs Committee's public evidence session in our inquiry into the future of the relationship between the UK and the EU. This afternoon's session is aimed at the mobility of people and, in particular, of businesses.

We are very grateful to have three very good witnesses before us today: William Bain, who is joining us online from the British Chamber of Commerce, and Lucy Monks from the Federation of Small Businesses—welcome back; you have both given evidence to us before—and Emma Rowland, who is giving evidence for the first time for the Institute of Directors. We know exactly who you are, but I am afraid that those who are watching do not, so when you speak for the first time it would be very helpful if you could give a couple of sentences about your role in your well-known organisations.

A transcript will be prepared and sent to you all. I would be grateful if you could check it and ensure that it is correct, as that is the basis on which we will eventually write our report. We expect our report to come out at the end of the first quarter next year, so it is very important that it is correct. We have only an hour for this session, which I very much regret, and we have a wide range of questions that we want to put to you, so I would be grateful if you could try to keep your answers crisp and clear, because otherwise we will not get through all the questions we want to ask you.

I will begin with a high-level question, so please do not dip down into the detail that we will come to later as my colleagues come in. By way of introduction, how do you assess the overall impact of Brexit on the mobility of workers between the EU and the UK, and vice versa?

William Bain: Good afternoon, Lord Kinnoull. Thank you for that question. The impact has been difficult. It has added to issues that have been experienced as a result of the pandemic and now the war in Ukraine. Added together, we have had the most difficult five quarters on record for businesses in the UK, in that they have had the desire to recruit but have not been able to recruit the numbers they would wish.

We have also had the difficulty of having to adjust to a clearly set out but, for companies, still operationally difficult set of rules on labour mobility for different categories of staff. It has been a tough baptism for the first 20 months.

The Chair: Thank you. There is plenty there to go into later.

Lucy Monks: Good afternoon. I am the head of international affairs at the Federation of Small Businesses, which means that my role is to focus on the UK-EU relationship and the development of free trade agreements with the rest of the world.

To reflect and build on what William said, there are a number of factors that have made international mobility into this country particularly difficult, not least the UK's changing relationship with the EU. There has also been a significant interplay with Covid, for example, which changed the behaviours of some people who were already living in the UK and who might have returned to other countries or changed their life choices or decisions, or, just generally, changed the economic sustainability of the country in particular sectors, such as hospitality, where Covid restrictions put burdens on business. There has been an additional need to ensure that the new immigration system works for many small businesses that work in hospitality. The interplay has been very hard to unpick.

Two of the other biggest external factors that have affected immigration to this country relate to Ukraine and to Hong Kong. These different factors are sometimes difficult to pick apart.

That said, the trade and co-operation agreement and the UK Government's decision-making on what the immigration system would look like have introduced additional barriers to small businesses. That has affected not necessarily the ability for international workers to enter the UK but certainly the ability for small businesses to recruit to fill skills gaps as they have emerged.

The Chair: Thank you. That is very helpful scene setting. As I said, we will come to much of the detail later.

Emma Rowland: Thank you for the opportunity to give evidence to this session. I am from the Institute of Directors and I work in the policy team on the trade brief. This topic is very important to our members. We represent roughly 20,000 directors. Many of the businesses are SMEs, particularly at the larger end, so the middle market of the business category.

As I said, this issue is very important. According to our members, changes to business mobility, immigration and travel are among the most challenging issues that have come from Brexit. In a survey in July 2022, we asked members, "Are you still finding Brexit challenging?" Some 47% said yes. We asked that 47%, "Why are you finding Brexit challenging? Please select your top answer". The most selected response was the business mobility issue; 34% selected that response. Anecdotally, they have told us that documentation in particular—visa challenges—is very complex and very long, hard to get their heads around and often comes at a cost. They are finding that, once through passport control, the queues at customs are very long and take a lot of time; there are a lot of delays.

Finally, as previously mentioned, they are finding that the inability to recruit new staff in the way they might have been able to before is exacerbating skills shortages. Overall it is challenging, as others have said.

The Chair: Thank you. On a point of detail, in the survey you mentioned, was the mobility an EU-to-UK mobility issue or a UK-to-EU mobility issue, or was it moot?

Emma Rowland: We did not specify the direction of travel, but it is likely to be both.

Q137 **Lord Tugendhat:** I want to delve a little deeper to give me, in batting order, your assessment of the main factors behind any changes in patterns of mobility of workers between the EU and the UK, and vice versa, since the TCA came into effect. However, if one is to look at that question in the round, it is important to know whether there have been any changes in the mobility of non-EU workers and executives. With Covid, the war and so forth, I can imagine that there may have been inhibitions of various sorts.

First, what is your assessment of the most important factors relating to EU mobility? Secondly, do you think that the mobility of EU people has been more impacted or no more impacted than the mobility of non-EU people?

Emma Rowland: On patterns of mobility, based on anecdotal evidence, we are finding that members are spending less time in the EU as a result of the 90 days in every six months restriction. We have had slightly mixed reviews on that. Those who need to spend a lot more time in the EU longer term are obviously finding it harder. It does not impact as much members who are travelling to the EU short term.

Members say that they are conducting a lot more of their business online as a result of the difficulties with travelling to and from the EU. Although it is very convenient to do so—one good thing to come out of the pandemic is that it is a lot more convenient to do business in a hybrid fashion—members are finding that actually it is the second-best option. They would rather meet their clients, business partners or customers face to face, because it allows them to perform and maintain much more valuable long-term business relationships. A lot of our members say that they rely on word of mouth, referrals and networking to find new clients in the EU, so taking away the ability to network makes it a lot harder for them.

Lucy Monks: I recognise everything that Emma has said about mobility into the EU, so I do not want to say the same thing again. I will talk a bit about immigration from the EU into the UK.

Immigration systems are just one piece of the puzzle. How big or small a piece of the puzzle they are depends, I guess, on the size of the barriers that we as a country decide to put up. These are policy choices, and we now have the ability to make our own. We have to bear in mind the desirability of the UK as a place to come and work, and, for EU citizens from different member states, the domestic economic factors in those countries. There is less of an incentive to come to the UK from countries with strong domestic economies where there are lots of jobs available,

just as the value of the pound, the immigration system and various economic factors in this country affect its ability to be an attractive country.

The terms of the TCA are incredibly important. When the UK Government and the EU decide to get back around the table to talk about the TCA and look at its appropriateness, there are a number of areas that they can look to readjust. We also ask that the UK Government look at the things they can do, that are in their control now, to ease some of those burdens. As the immigration is set up right now, we could do more to introduce greater flexibility and reduce cost for small businesses so that we as a country can continue to respond to the changing economic circumstances in a way that works for small businesses that are always at the front end of any changes in climate.

William Bain: I will address the question by talking about inbound and outbound movements. With inbound, and the extension of the points-based immigration system to EU nationals after 1 January 2021, we have seen quite a shift. We have seen an increase in the levels of professional persons coming into the UK to perform business functions and take up jobs here who are from outside the UK.

However, we have seen a massive fall in the number of lower-skilled workers who have been able to come into the UK. In the latest research from our quarterly economic survey covering the third quarter of this year, the sectors that are experiencing the most difficulty in hiring suitable staff are: hospitality, catering and tourism, at 81%; transport, logistics, storage, at 79%; and production and manufacturing, at 82%. Those are the sectors that have been most affected by the move away from free movement towards the points-based system. These are the areas where we are seeing the most inbound problems for our members in the SME community across the UK.

On outbound movement, I think the biggest change has been having to navigate what are fairly complex rules for SMEs and even for some larger companies. There is the difference between a manager and a skilled person, in the period when they can go for an interim company transfer into the European Union, and a trainee. These are complex rules. In most cases they would need fairly specific HR advice in a company before they could be utilised.

The Chair: Lucy Monks, you mentioned that you as an institution were asking for a series of things, including some unilateral things from the UK Government. Does that exist as a document that you could send to us?

Lucy Monks: Yes, absolutely. Since you have asked me, I will take the opportunity to talk about the things that the UK Government could do. At the moment, we are waiting for the Migration Advisory Committee to look again at the shortage occupation list. Reforming that list and adding greater flexibilities could address the significant issues that businesses are facing today. We are really pushing on that at the moment. I will send the rest, but that is the point I wanted to get in.

The Chair: Thank you very much. We look forward to that document.

Q138 **Lord Lamont of Lerwick:** I want to follow up the point that William Bain was making about the difference between an increase in the number of professionals and highly skilled occupations and the acute shortages in unskilled. I am trying to understand why this has happened. Does it not have a lot to do with the shortage occupation list that allows access to visas for 80% of the job's going rate, even if this is below the usual salary threshold? This covers only skilled sectors and therefore leaves hospitality and retail with severe recruitment problems. Is that not really at the heart of this? I do not know whether the £25,600 a year threshold has a great impact either. As I understand it, that applies to skilled workers, but I do not know what you think of the appropriateness of that.

William Bain: I entirely agree. In our recent business manifesto just before the Autumn Statement, we called for reform of the shortage occupation list. As we have spelled out, small businesses up and down the UK are having great problems filling job vacancies, despite their best endeavours to recruit locally. We feel that there needs to be a reform of that occupation list now to allow short-term visas for up to two years while the Migration Advisory Committee does its work on what permanent adjustments to the points-based system might look like.

We have seen temporary visa schemes for butchers, poultry workers, HGV drivers. We need to see an extension of that throughout areas like food production, parts of manufacturing and hospitality to deal with the shortfall of workers for the currently 1.2 million vacancies in the UK labour market.

Lord Lamont of Lerwick: I do not know whether the other two witnesses have anything to add on this, but from what I have read this sounds like the heart of the problem.

Lucy Monks: Yes, I agree. The shortage occupation list, which I mentioned, is a significant issue. The salary threshold is dependent on the role that applies in the shortage occupation list. For chief executives, for example, the lowest threshold salary is about £70,000 to £80,000, which means that we cannot import cheap chief executives to undermine the chief executive market in the UK.¹ That is one part of it, but, as William said, we need an extension out to see whether there are other jobs that can be covered.

It is important to note that when we are talking about immigration we are talking for the most part about people who are coming into the country for only a few years. They do not have any particular desire to settle here. They might just find it a nice country for a while or are following particular job needs or their own personal economic needs, and find that the demands of our economy have changed. In the last couple of years, they have changed so significantly that there needs to be a greater response there.

¹ Note by witness: The lowest threshold salary is in fact £67,000.

Emma Rowland: I agree with previous points made. Beyond the shortage occupation list, the IoD is calling for a shortage occupation agency that would be in charge of researching skills shortages in our country, particularly into the future. We want to future-proof skills shortages so that UK businesses can fill their gaps. It envisages more of a long-term approach to filling the gaps. The shortage occupation list is perhaps a reactive measure to fill the gaps with visas, whereas the agency might look more at training or what the UK can do to upskill.

The Chair: Thank you very much.

Q139 **Lord Hannay of Chiswick:** In answering this question, none of you has mentioned care workers or NHS staff. Is that because your three organisations do not really deal with those sectors, or because there are no problems there?

Lucy Monks: No, there are significant problems there. I am trying to talk more broadly across the piece because the Federation of Small Businesses membership is so broad, but, yes, there are issues.

The immigration system for people who work in health and social care can be different, depending on the job roles. That has always been the case. It was the case before the UK left the EU as well. All these issues need to be addressed. I will have to check and get back to you, but I think the greatest increase in the number of visas issued over the last couple of years has been in the health and social care sector. That is not because there is not a problem. It is because there is a problem, and obviously there is nothing wrong with people coming into the country and working in those roles. There is a significant training piece, which it would definitely be better for the British Medical Association to talk about than me, but I know that it is all part of the same picture.

That is the kind of approach that we think we need to take for other bits of the economy, where we are looking not just at the immigration system or the trade and co-operation agreement but at how this ties in with our plans to educate our future workforce and how we are skilling up existing workers and groups of people who are underrepresented in the economy otherwise.

Lord Lamont of Lerwick: Mr Bain, do you agree that the fundamental problem here is that the Government have set out to design a system that is restricting people on very low wages? The Government do not want them to come. They want wages to go up here, which may be realistic or unrealistic. The problem is that where there are shortages, the salaries that are paid in these occupations are way below the threshold for securing a work visa.

William Bain: Yes, indeed. We have called for the Migration Advisory Committee to look at threshold issues and at ways in which we can satisfy the needs of our own labour market. In our quarterly survey for the third quarter of this year, 83% of employers in health and third-

sector agencies said that they were having problems in attracting sufficient employees, so there is a significant crisis.

We believe that the rules are unbalanced in the way they are operating at the moment, and we need a period when we can have significant levels of short-term visas of up to two years to allow the proper review to be done by the Migration Advisory Committee and for the Government to make their choices thereafter.

The Chair: Thank you very much.

Lord Liddle: Before I ask my official question, you mentioned, Lucy Monks, that most of the people wanting to come here do not want to live here permanently.

Lucy Monks: Yes.

Lord Liddle: Do you have evidence on that point that you could submit to us?

Lucy Monks: Yes.

Lord Liddle: It is a very important point.

Lucy Monks: Yes, that is fine. I have been keeping a track particularly of the migration statistics which the University of Oxford collects. It makes a very good analysis of these points as well.

Q140 **Lord Liddle:** I want to explore further the particular types of business and sectors that have been affected most significantly. Is it small businesses rather than large firms that are experiencing these difficulties, or are large firms experiencing them? Does it matter mainly what sector they are in rather than what size they are?

Lucy Monks: I would say that it matters most to small businesses, which is unsurprising, because I am from the Federation of Small Businesses. There are a couple of reasons why. There are two issues that have been created by the inability to recruit workers. One is the creation of skills and labour shortages. Businesses opened up even through Covid that now, because of the cost of living crisis and a general increase in salaries and inflation, are not necessarily able to go back to full-time working or to open up full time because it is just too expensive to run a full business. That is terrible and could easily be addressed.

The second is that the small businesses that might be trying to recruit internationally would particularly benefit from international skills, because they work on products or services that are very export friendly or they rely on innovation or having a broad range of particular skills and talents available, so there is a penalty on productivity for those small businesses. Large businesses can and will swallow the cost, because getting a licence to recruit international workers for a one-off might not be that big a deal for them, but that few thousand pounds will make a lot of difference to how smaller businesses plan to skill their workforce into the future.

There is a two-way penalty on smaller businesses which larger businesses have not faced in the same way. That is why we think that, as with all business policy, small businesses should be considered first: what is the impact on small businesses over larger businesses? Otherwise, these policies can prove ineffective.

Emma Rowland: From a sectoral point of view, unfortunately we do not quite have the sample size responding to our surveys to be able to dig down and compare sector to sector. The majority of those who respond to our surveys are service providers, for example those who offer consulting and training services and might have travelled more to the EU to deal with their clients and customers in person.

To add to what Lucy has said on the size of businesses, as we represent SMEs in particular, I would say that it is the SMEs that are finding many of these business mobility challenges particularly difficult. They do not necessarily have the resources or in-house expertise to deal with some complex documentation visa processes. If they do, it might take them a bit longer to get over the challenge. I absolutely agree that small businesses need to come first.

Lord Liddle: William, is it all about small businesses?

William Bain: Yes, in varying sectors. I quoted some sectoral breakdowns we had of employment difficulties. In professional services, only 74% of companies are experiencing recruitment problems, which is quite a bit less than in care, production, transport and hospitality. That is the result of a combination of being able to source from the domestic labour market, plus some of the memorandums of understanding that the Government have been agreeing with other countries to recognise qualifications. That is key.

On outbound movements, the relative lack of progress that we have seen so far on mutual recognition of professional qualifications is another real problem for small businesses in the professional services and business service side of the economy that would like to export their services into the EU. The operation of the TCA rules, and some of the specific member state reservations, is very complex for professionals. In Austria, for example, it is very tough on the auditing professionals market, for whatever reason. It is the combination of these things that makes the system suboptimal at the moment.

Lord Liddle: Does that apply to all professionals, or is it particularly difficult in some areas? For example, is it difficult in architecture? You mentioned auditors. Are there any other examples of where it is difficult?

William Bain: The TCA allows for EU-wide reservations and additional member state reservations. That example of dealing with financial issues in the Austrian system is the most pertinent one, but there are others. It shows the complexity of the task that must be undertaken to improve mobility terms for people in small businesses and for goods as well as services.

Q141 Lord Jay of Ewelme: How straightforward are the procedures for UK workers travelling to the EU, and how far are they an impediment to business travel and to business? Not being able to travel does not necessarily mean that you cannot do business, so anything more that all of you can add on that point would be welcome. As a follow-up, what would you like the Government to do to improve the situation?

Emma Rowland: The processes for entry for businesses is very challenging and a lot of the entry requirements are complex and difficult to understand. Members have told us anecdotally that there is not a huge amount of guidance in a central place on these issues. One example is a member who requires a freelance visa to work in Germany; he says the process to secure the visa is 18 steps long. There is also an application fee. He must provide a cover letter, a CV, bank statements, a portfolio of previous work, authorisations—the list goes on. To top it off, the documentation must be completed in German. He does not speak German, so that is very difficult for him. If it would be helpful, I have many other examples like that one that I can send.

Lord Jay of Ewelme: That is very helpful, but in a case like that how far does that affect the conduct of business? A lot of people are doing things online or by Zoom, and you probably find that the person at the other end speaks German, so it may help.

Emma Rowland: That is true. Online is a solution but, as I said earlier, it is second best. It is not the be all and end all, because he would like to go to Germany and meet up with his clients in person. It is a disincentive for small businesses that have not travelled before and are looking to expand into the EU. These processes would be a barrier to them getting there in the first place.

Lord Jay of Ewelme: That is very helpful. Do you want to add anything, Lucy?

Lucy Monks: It does not matter. Online allows you to get round some of the issues some of the time—some are physical presence-related, for example—but, as you know, as soon as you enter into selling a product or providing a service and money must change hands, you are bound by the terms of the TCA, so you cannot use these mechanisms to get round the existing problems.

For small businesses across the UK, Europe has been the most significant market for a number of years, and there is a range of reasons for that. Ease of accessing those markets, low barriers to entry with legal requirements, and general understanding of the culture, for example, are all really helpful. As a result of the new rules and the trade and co-operation agreement, small businesses have withdrawn from that market. Some have pushed back their activities. Some have decided that they will finish off contracts that they had and not do any more. Some of them—this is a loss that we will see over time—are younger small businesses that might have considered working in those markets but will not do so now. The UK has opportunities in free trade agreements with

other parts of the world, but that is not to diminish the importance of the EU market, especially for those younger businesses.

Lord Jay of Ewelme: That is very helpful, thank you. William Bain, do you have anything to add on this point?

William Bain: I have two very quick points. First, on things that can be done before the review of the TCA, some of the issues are at member state level, as we have seen with the creative industries and Spain being able to reduce some of the barriers to movement for people undertaking concert or gig work. That could be replicated in some areas where there are only member state reservations.

Secondly, we need to be much more proactive in mutual recognition of professional qualifications. This does not need to wait until 2026 and the TCA review. The UK Government and the Commission member state regulators could work much more intensively now to get mutual recognition across multiple sectors and to create more opportunities for people to work in both markets.

The Chair: Emma Rowland, you said that there were some examples you could send us on, and I will remind you of that in the end.

Q142 **Lord Foulkes of Cumnock:** You have all described the problems very well, and you have started talking about some of the solutions. Lucy spoke about getting around the table and William spoke about MOUs. You all said that it was very complex. What would you like us to recommend the Government do to improve the situation for negotiations? Would it be intensifying bilateral negotiations with each country, or would it be negotiations with the European Union to try to find some Europe-wide solutions? What should we recommend?

Emma Rowland: Ramp up negotiations with the EU to increase flexibility so that workers can travel more seamlessly from the UK to the EU and back. Part of that, if there is scope to do so, is to extend the 90 and 180-day restriction. If we can intervene there, that would be helpful.

I have already mentioned the shortage occupation agency which the IOD is calling for, so I will not go back to that, but that is on the skills shortage/difficulty of recruiting front and would be helpful. A simple thing that could be done would be to improve guidance for businesses. Businesses are calling for step-by-step guidance on what exactly they need to do that is easily accessible—maybe a central, easily searchable database that includes requirements for each country. Clearer guidance would be helpful.

Lucy Monks: I agree with all that. Part of the fallout of the TCA is that the decisions are EU-wide. It would be useful for the UK and EU to go back and negotiate, as Emma highlighted. There may be places where we could have conversations with individual Governments about domestic rules. As William and Emma have mentioned, different countries place different requirements on non-EU member states, essentially, so some of

that might be a matter of negotiation between the UK Government and individual member states.

The other broad thing that we have not brought up but that would be useful is looking at the youth mobility scheme. Such schemes are a fairly normal part of free trade agreements. There are huge benefits, not only to the UK but to EU member states, from us looking at the youth mobility scheme and extending it so that we can move the age range up. I mentioned earlier that people come in generally for a few years and do a bit of work. Bring in workers for a couple of years who might be attracted to live in the UK and who may be highly skilled and have come out of education. Some of them might fill other roles in the economy. There are clear benefits to EU member states from having access to workers from the UK who have come up through our university and education system or who might have picked up experience in the UK that could be transferred over there for a few years. We would like to push that.

Lord Foulkes of Cumnock: William, you know how to make representations from Select Committees to government. What do you suggest we should tell them to do?

William Bain: There are three very implementable ones. First, the shortage occupation list needs to be widened immediately so that we can release some of the pressure that care and hospitality are facing. It would deal with the short-term labour issues in the UK.

Secondly, we must power ahead on the issues of mutual recognition. It was not picked up in the TCA negotiations, and we need that. It would be key to giving our services people more opportunities to work across the UK.

Lord Foulkes of Cumnock: Would that be bilaterally or multilaterally through the EU?

William Bain: Some of it needs to be done bilaterally with the Commission, and having a memorandum of understanding agreed between the UK and the Commission to underpin that would be incredibly useful in the TCA review.

Thirdly, I recommend that we look again at some of the different rules in the TCA. For example, if someone is an independent legal professional, they are only allowed to work in the other jurisdiction for a cumulative period of 12 months. If they are an employee of a law firm, they are able to work for three years. That difference in the rules even within the same profession seems quite ridiculous. We need the rules to be made more efficient in the TCA review in 2026.

Lord Foulkes of Cumnock: Maybe I have not asked the question properly. I meant bilaterally with each country, all of them one by one, or should we try to do it multilaterally?

William Bain: For qualifications, it is better to do it across the 27. On some of the specific barriers, creative professionals in Spain, for example,

have been able to get some early benefits and to work there. Where there are quick wins that we can have, if there is capacity in the FCDO to get some bilateral deals, it should do that too.

Q143 The Chair: Lucy mentioned youth mobility schemes and the age range needing to be stretched up. For nine of them it is 30, and for one it is 35. What are you trying to stretch it to?

Lucy Monks: We would like to see it stretched up to 35.

The Chair: All of them to 35?

Lucy Monks: Yes. There is a real benefit to that. We must look at why the age range was set at between 18 and 30. Part of it is that people might not have additional familial responsibilities or might be in the first couple of roles of their career. Looking at the length of education and the general lifestyles and economic shifts that we have seen in the UK and across the world, increasing the age range to 35 would mean that for the five-year gap we might get people who have been in education routes for longer. We mentioned architects, who study for seven years and must do periods of work, and who might come into their first roles, if they are lucky, only in their late 20s. It is about making sure that we can capture those groups of people as well.

The Chair: It would be helpful to have your reasoning on that when you send us the other things.

Lucy Monks: Fine.

Q144 Lord Hannay of Chiswick: I am sure you are aware of the retort from the European Union side that we are always cherry picking. In the areas where you suggest there should be changes, are you able to advance those in a way that would be of mutual benefit and not just of benefit to the UK?

Lucy Monks: The Federation of Small Businesses works closely with colleagues at SMEunited, a body that represents the different member states' small business associations. Many issues that they have had in negotiations on the trade and co-operation agreement were areas of priority for us. On the barriers to access, whether to the UK as an export market or a source of skilled workers, or because people wanted to go to universities here, there was a general view that all the things that make the UK attractive are also of benefit the other way.

On the youth mobility scheme, there are definite benefits to EU nationals coming to the UK, working for a few years, taking those experiences back and maybe returning to their own countries or to another country. We have excellent centres of employment here that are desirable for young career-minded people, just as there would be great benefit to UK young people working abroad, picking up experiences, developing their language skills, understanding cultures—things that, when applied to business, are great ways of boosting exports. No, we do not see any reason why we could get consensus across business groups and, because

there is such consensus and agreement, we would like to see that taken up by the people making those policy decisions.

Q145 Lord Faulkner of Worcester: We have covered quite a bit of what I was to ask you. One difficulty is that there is no interest on the part of the Government to extend the youth mobility scheme. Why is that, and what can we do to change it?

Lucy Monks: We have had productive conversations over a number of years with the Government about developing the trade and co-operation agreement. We realise that decisions had to be made and that there was a short timescale for getting the final document signed off before we left without a deal. There were trade-offs, and maybe we would not have agreed with all of them, but there are opportunities during future negotiating rounds to get these things right.

I keep going back to the youth mobility scheme partly because it is time limited, not just on age but in general matters, such as the time you get to spend in the country. The imperative is for that person to return to their own country. If you want to apply for another visa in the skilled visa system, you can do so, but the two things are not necessarily interconnected. People talk about the risk of opening up the immigration system in an unchecked way, which this would not be. This is a way that solves a lot of the problems that people have historically been concerned about, and we hope it would be taken seriously.

Lord Faulkner of Worcester: Do you see that risk of opening up the immigration argument as one of the main drawbacks?

Lucy Monks: I do not think so, because it is limited to a particular group of people. You cannot jump from route to route, so people do not risk getting lost in the system. This would be part of the scheme that, because of the benefits to UK and EU citizens alike, we could use to increase the attractiveness. I have talked about UK universities and the beginning of career jobs, especially in places outside London or Manchester or the other more traditionally desirable places for younger people to go. There is a multitude of benefits, and benefits to having citizens with time-limited experience coming back to the UK.

Lord Faulkner of Worcester: Are there any drawbacks?

Lucy Monks: There is always a risk with any system. The risks would be more operational than policy-related. The Home Office must be in a place where it feels confident and able to keep track of who is here and how this system can work, and whether it is working for businesses and not being utilised for more nefarious purposes. That would be a massive concern to the Federation of Small Businesses, but that is more of an operational issue than a policy issue.

Lord Faulkner of Worcester: Do Emma and William agree with that?

Emma Rowland: This is not an issue that we have consulted members on, so I do not have anything to add.

William Bain: On bilateral mobility agreements, we think these add quite a bit. We recognise that Italy and Canada did one last year. We talk a lot about the precedents of deals that the EU has made before. We see the provisions on youth mobility in the Australia-UK FTA, and other countries might want provisions as generous as those negotiated in that agreement. The question is whether the UK Government are prepared to make agreements that provide the degree of generosity that the Australia one does.

The other issue that is worth putting on the table ahead of 2026 and the TCA review is whether the UK should seek additional flexibility by being part of Erasmus+. That is another debate. It gives short-term periods of work experience and the ability to study in other countries. That is also important to consider in the debate.

Lord Faulkner of Worcester: Would that be your first choice for an additional measure to improve youth mobility?

William Bain: They are different things. If you want a longer period of employment from individual member-state nationals coming to the UK, the bilateral deals deliver the most. As we look forward to the review in 2026, Erasmus+ membership issue cannot be forgotten either.

The Chair: Thank you very much.

Q146 **Lord Hannay of Chiswick:** You have been very helpful to us in your testimony about mobility and trying to achieve greater flexibility. Your organisations have a wider remit than that, however; it relates also to the overall issues of trade in services and goods. Are there any particular points that you would like to see improved in the wider fields of trade in goods and services? If the list is too long and the answer too complex, perhaps you could let us have some of your organisations' thoughts in writing in that respect.

William Bain: We would be very happy to provide a detailed breakdown, but in principle some of the hardest barriers to trade are those faced by our services professionals, whether legal, accounting, business, travel or transport. This is the unfinished business of the TCA, and the review must reduce some of the barriers and recognise that is in the interests of both the UK and the EU to do so. Those are the key areas we should look to reduce, and part of that is by having a much better and more generous mutual labour mobility system.

Lucy Monks: We are happy to follow up, because there are a number of issues that are complex. A colleague of mine is working on a new report on the transport of goods that demonstrates that a lot of the issues are happening at the border as well. That should be done in the next few months, and I am happy to follow up with the committee on that.

Emma Rowland: We are also happy to follow up in writing some of our asks on services.

The Chair: Thank you very much indeed. It has been a thoroughly

interesting and absorbing session. Thank you for being so frank all round. There is a little bit of work that you promised to help us with and, Lucy, you were particularly helpful in that regard. We not only had asks for information on mobility, where there was a particularly unilateral UK ability to do things, but for evidence about people who were coming and have no intention to stay. That would be especially interesting for us. Emma, you promised examples of cases for Lord Jay's question. Can you send those to us reasonably quickly?

Emma Rowland: Yes.

The Chair: As you heard from Lord Hannay's question, we remain very interested in the issues of trade, so if you could send those matters on to us, they will be digested by the committee system. In the meantime, thank you very much indeed for sparing the time this afternoon, and we wish you well.