



HOUSE OF LORDS

Select Committee on the European Union

Home Affairs Sub-Committee

Corrected oral evidence: Brexit: UK-EU movement of people

Wednesday 18 January 2017

10.30 am

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Members present: Lord Jay of Ewelme (Chairman); Lord Cormack; Baroness Janke; Baroness Massey of Darwen; Lord O'Neill of Clackmannan; Baroness Pinnock; Lord Soley; Lord Watts.

Evidence Session No. 6

Heard in Public

Questions 78 - 95

Witnesses

[I](#): Zsolt Darvas, Senior Fellow, Bruegel; Camino Mortera-Martinez, Research Fellow and Brussels Representative, Centre for European Reform; Stephen Booth, Acting Director, Open Europe.

[II](#): Professor Alan Manning, Chair, Migration Advisory Committee.

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Examination of witnesses

Zsolt Darvas, Camino Mortera-Martinez and Stephen Booth.

Q78 The Chairman: Welcome and thank you very much for coming and giving evidence to us. I am not Baroness Prashar, as you may have guessed by now, but I am standing in for her as she is unable to be here this morning. You are very welcome and we are very glad to see you before the Committee this morning, as part of our inquiry into UK-EU movement of people. Perhaps I could ask you to introduce yourselves, starting with Ms Mortera-Martinez.

Camino Mortera-Martinez: Good morning. My name is Camino Mortera-Martinez. I work as a research fellow and Brussels representative for the Centre for European Reform, specialising in justice and home affairs, including, obviously, free movement of people.

The Chairman: Thank you. I would ask you not to speak too quickly, because some of the Committee are a little lost.

Zsolt Darvas: My name is Zsolt Darvas. I work for Bruegel, which is an independent Brussels-based non-profit think tank, supported by 18 Governments including the United Kingdom, about 30 corporations in Europe, America and Asia, and about 12 institutions, including the Bank of England.¹ My main scope of research is macroeconomics and European Union governance, and of course I follow the Brexit negotiations and its various aspects very closely.

Stephen Booth: Good morning. I am Stephen Booth, the acting director of Open Europe. We are an independent think tank, whose research focuses on the UK's new relationship with the EU, but also its relationships with the rest of the world.

Q79 The Chairman: Thank you very much. Perhaps I could begin by asking what each of you thinks are the key considerations or choices about UK-EU migration that you expect Mr Barnier, his team in Brussels and, indeed, individual member states to think about during the course of the negotiations. Who would like to start?

Camino Mortera-Martinez: I can start, since I am in Brussels. I am not sure how relevant what I am going to say is after May's speech yesterday, where she made it clear that the British Government understood that the choice was between staying in the single market and accepting free-movement rules, and not staying in the single market and controlling migration. Those are the choices the UK is going to face in the negotiations. There is no special deal. There will not be any sort of opt-out or special situation for the UK when it comes to free movement.

¹ Bruegel fellows work independently of Bruegel members and any political, commercial or national interest. Bruegel does not have an institutional position and I speak in my personal capacity – Footnote added by Zsolt Darvas

The EU 27 are rather united in their position on migration. Britain cannot rely on what we call all-weather allies, such as Germany and the Netherlands, on this question. The position of the EU is rather clear to me. You either accept all four freedoms; or you exit the single market, have a free-trade agreement, a customs union or something, and then control migration.

Zsolt Darvas: A top priority will be preserving the rights of those European Union citizens who are currently residing in the United Kingdom. Your Prime Minister has already said that she very much supports such an idea and she would look for a similar arrangement for British citizens currently residing in the rest of the EU.

The four freedoms are regarded as indivisible, but it depends on how you interpret these terms, because I expect that a free trade agreement for goods will be agreed. It could be quite comprehensive, similar to the deal that Canada has reached with the EU recently. I think that Michel Barnier will try to broker a common consensus between the 27 other members of the European Union. We will not hear many country-specific positions in these negotiations.

Finally, one key principle should be symmetry. If the UK allows or restricts EU citizens to work or live in the UK, the rest of the EU 27 will adopt the same principles for British citizens seeking to live or work in the European Union.

The Chairman: Mr Booth, do you agree with that?

Stephen Booth: Yes, the status of EU nationals in the UK and vice versa will clearly be one of the first things that people need to look at. The UK Government have explored doing that ahead of the Article 50 negotiations, but have so far been rebuffed by the rest of the European Union, which has said that it will not negotiate until Article 50 has been notified. Aligned with that are not simply the status or residence rights, but also the social security rights and the reciprocity that goes along with them, such as access to healthcare. All the issues of acquired rights for those citizens in the EU and the UK will have to be figured out as part of this.

When it comes to future migration and the new settlement, as has been discussed, yesterday's speech clarified where we are heading, in the sense that the UK, by saying we are not going to be in the single market, accepts the EU's starting point, which is that the four freedoms are indivisible and the UK cannot simply say, "We are going to control migration but expect the same treatment on everything else". It is clear that we are heading for some form of free trade agreement being the ideal situation. That does not mean that free trade agreements do not include some provisions on migration or the movement of labour. We are going to have a discussion around those elements.

We need to move on from the concept of free movement of people as we currently understand it. Migration clearly includes lots of different facets,

be they students, those seeking work, those with a job or those who already have an employer and are being moved to a different location in the UK. That is how most other countries around the world would perceive these different strands of migration. They will have to be treated differently in the negotiations to come.

The Chairman: Could I ask one question to follow up something Mr Darvas and Ms Mortera-Martinez said about the attitudes of the other 27? You both rather gave the impression that there would be one view, which would be put forward for the EU by Mr Barnier in the negotiations. Do you see that as him arriving at one view with different views behind him, or do you think there will be different views among the other 27?

Zsolt Darvas: I would expect a lot of debate between the 27 member states. For example, we already see that the stance and views of Germany and France concerning how to approach the negotiations with the United Kingdom are very different. It always happens at European Council meetings that, at 4 am, after a very long discussion, they come to a common agreement. I expect this to happen for the negotiations on Brexit, be it on immigration issues, trade deals or security and defence co-operation.

Camino Mortera-Martinez: The main priority for the EU 27 at the moment is keeping a united front. As my colleague says, there will be a lot of discussions, as there always are. In this case, we should expect the EU 27 to be willing to take risks. It is aware of the fact that, if the UK leaves the single market, there will be an economic blow to the EU 27 as well. The perception from member states is that, if they gamble, so to speak, with the principle of free movement and migration, and allow the UK to have a special position, they will be risking the European project altogether. To me, that is the main consideration with which member states will enter into negotiations with the UK.

Stephen Booth: That is all true, but the fact that the UK will be outside the EU and has made that clear starts to change the dynamic of the negotiations. When the UK was trying to address free movement of people while a member, it was clear that it was running into lots of opposition from particularly eastern member states, which felt that any change would relegate them to second-class EU citizens.

We are now talking about a different context, which is the UK outside the EU. If you talk in private to diplomats and so on, they are not keen to see so many of their citizens leaving their countries to help the UK economy; they would like to see some of those citizens stay and build their own countries. It is not quite as simple as there being a united front on this. The fact that the UK will be fully out of the European Union changes the context of that discussion.

Lord Cormack: This is a simple but important point. Do you think—I will declare my own position, which is that I do—that it would help if, before negotiations, we said that we would unilaterally give a guarantee that those who are here are entirely secure? This picks up a point that Mr

Booth made and that you made, sir, in your initial comments. Would that help, as a preliminary to negotiations?

Zsolt Darvas: Yes. I heard Theresa May expressing yesterday the need to protect the rights of those EU citizens who are currently resident in the United Kingdom and Britons living in the rest of the EU. Perceptions matter a lot, so any unilateral declaration that will be seen positively from the continent will help the mood of the negotiations.

Lord Cormack: Do you both agree with that?

Stephen Booth: Yes, I agree. Theresa May is in a difficult position, in the sense that she has clearly tried to approach that issue with EU leaders and has so far been rebuffed. That has made the issue slightly more difficult for her.

Camino Mortera-Martinez: I agree. We are talking about the rights of 4.5 million people on both sides. It is going to be a key thing for both sides to keep these people safe and secure in their positions. It will matter a lot if Theresa May and her Government are seen to be making a good offer. At the same time, she will have to expect that the same comes back from the European Union. The Commission, as you know, does not comment on anything and the EU 27 are not really commenting, so it is a bit difficult for her to gather what the EU 27 are going to do in this case.

Lord Watts: In some ways, the statement by the Prime Minister yesterday clarified the issue of trade and free movement of people, but it left out the other issues. Britain has made it clear that it wants to leave both of those sections to one side, but that leaves all the other things; we have just talked about some of them, such as the reciprocal arrangements between Britain and other European countries in healthcare. Given the fact that Europe will probably want to do a deal on trade, is the likelihood not that it will see the other side issues as ones that it needs to take a harder line on if it is to keep the Union together? At the end of the day, it does not want to encourage more European states to believe they can cherry pick and do away with free trade, do away with the free movement of people but enjoy some of the other benefits of being in Europe.

Zsolt Darvas: Some politicians, certainly from France but also from some other countries, may take a hard-line view. My personal conviction is that the EU 27 should not be regarded as a prison, but a union which offers benefits to all members. If a country, be it the generally EU-sceptic Czech Republic or any other, decides to leave for whatever reason, the EU should be open to that. I still believe that there is a very strong core in the EU, including the founding members and many other countries, which will stay together anyway, even if a few other countries leave. My advice to Michel Barnier would be not to punish Britain for leaving in the hope that it may discourage other countries from doing the same. That would be my advice, but it is very difficult to predict what the political reality will allow Mr Barnier to do.

Lord Watts: Is that everyone's view?

The Chairman: You do not all have to answer every question. I am conscious that there is quite a lot to get through in the next 45 minutes.

Stephen Booth: That is right. Once you accept that the UK is leaving both of those things, it is not a case of aspects of membership, but it is looking at what kinds of relationship the EU has struck with non-members. Look at the free trade agreements and association agreements the EU has. The fact is that those agreements contain elements of what some would see as the benefits of EU membership, but they are mutually beneficial agreements that the two parties have come to. That is what we will be negotiating.

Camino Mortera-Martinez: I do not think that, if you are striking free trade agreements, you will be seen as cherry picking in the case of free movement. As my colleague said, there will be some provisions on migration, but they will not be similar to the free movement of people in the European Union. That is not really cherry picking; it is putting yourself in a position of a third country and negotiating a free trade agreement as any third country would do. That is my opinion.

Lord O'Neill of Clackmannan: This is probably most relevant to Mr Booth. At the moment, British citizens who are not in the EU but who live abroad do not enjoy the updating of social security benefits, pensions and the like. In leaving, do you think the British Government will treat the people who are currently pensioners in the EU differently from the pensioners we have in Canada or Australia at the present moment? That creates a political difficulty in Britain, and it may well make it more difficult to recognise the rights of EU citizens in the UK.

Stephen Booth: That is a good question. That is why it is important to draw a distinction between the acquired rights of citizens already present—and establishing the cut-off date for that is going to be difficult and complicated—and the future regime, because it speaks to a wider discussion about the UK-EU relationship on trade as well. Brexit is no longer about simply our relationship with the European Union; it is about our relationships globally. There is going to be huge pressure to be much more non-discriminatory about European relationships as opposed to non-European relationships.

It also depends on the level to which those arrangements are about reciprocity and how we expect our citizens to be treated in those jurisdictions, and on what we are doing unilaterally, because some of those things are UK decisions—to upgrade pensions or not—but some are things we could choose to do in a reciprocal, social security arrangement. There are reciprocal arrangements with Turkey, for example, which is not an EU member.

Q80 **Lord Soley:** At some point, there is going to be a wider treaty between the EU and the UK. Do you envisage the migration factor between the EU and UK, people moving between the two parties, as being part of the

treaty, or is it not necessarily something that will be put in the treaty?

Stephen Booth: It depends on exactly how the treaty is formed. As we have discussed, the withdrawal agreements and the settlement of the UK leaving the European Union will have to touch on these issues of the existing rights of citizens, their acquired rights and the social security arrangements that govern the rights of those people. When it comes to the trade arrangement for the future, whether that is a separate treaty or part of that arrangement, it is still too early to know exactly what that would include. As I have said before, it is certainly not going to be free movement of people as we understand it at the moment.

Most sophisticated and modern free trade agreements, for example the Canadian deal that has been agreed with the EU, include provisions on Mode 4 services, which is effectively the free movement of labour to provide services: coming on business trips and so on. Given the closeness of the UK and the EU, you can see that being developed further, into perhaps a quite highly developed chapter on free movement of labour. From a UK point of view, it should not involve issues around citizenship, which we are coming out of by being outside the European Union. Adjunct agreements around the movement of professionals, the rights that they get to healthcare and so on may have to be included as well. That will depend on what the UK wants from the negotiations and what is negotiable with our European partners.

Lord Soley: What you are describing is something that focuses not so much on numbers, but on types of situation, employment structures and services.

Stephen Booth: Yes.

Lord Soley: You are seeing that as a subsidiary matter, rather than a distinct chapter or portion of any treaty relating to migration and putting it in numbers.

Stephen Booth: Yes, that is how I would see it, but that would still be subject to the UK's policies on immigration. The Prime Minister has said that she wants to have control over the numbers of people coming. A free trade agreement will include provisions on how that migration works, but it will still be subject to the migration controls on both sides of the table.

Lord Soley: Do you two agree with that?

Zsolt Darvas: Yes, I generally agree. There will be a treaty for withdrawal from the EU, which will have to settle the ongoing issues. For the new agreements, I would envisage not just one treaty but more treaties—one for trade, for example. For services, as my colleague mentioned, it could include labour mobility for businesses offering services from the UK in the continent and vice versa.

Any agreement would have to be time-consistent from the perspective of both parties. Tying the trade agreement and the movement of labour agreement strongly together would be very risky for both the UK and the

European Union. If something goes wrong and they want to change only one, it would be much more difficult. In Europe, treaties have to be ratified by so many Parliaments, as we have seen with the Canada trade deal. I would expect a separate trade deal, similar to the Canada deal, and another agreement on how to govern labour mobility between the UK and the EU. I expect that both the UK and the EU would guarantee preferential access of each other's citizens over third-country citizens.

Lord Soley: There was a change in language yesterday by the Prime Minister, which frankly I welcome. It was less negative towards Europe and more positive. In my view, this has to end up with a better result for both the European Union and the UK. There is no advantage to us having a destructive arrangement. In those circumstances, can you envisage a situation where the Prime Minister's aim of getting a good relationship with Europe can fit with some controls on immigration? If so, what sort of structures or models do you think might work in that context? Is it along the lines of what you have just said, Mr Booth, or is it something different?

Stephen Booth: There will have to be a domestic discussion about how we want to organise migration. Obviously, that is a huge live debate. In the past, the Prime Minister has been seen to be very keen on meeting the net migration target of 100,000. There is going to be a debate around whether that target is still appropriate. That will depend, and there will be a big debate with business about the kind of people that the economy feels that it needs, in terms of meeting skills shortages and so on. If you look at the public opinion evidence on this, there is much greater concern about migration to the lower end of the labour market, which is seen as leading to greater competition for lower-paid jobs. There is a much more relaxed attitude to higher-skilled migration: the migration of students, academics and professional researchers.

Taking that as a starting point, you are going to look at much more control in terms of some form of work permit system for the lower end of the labour market. Exactly how that is driven, whether it is driven by a government quota or demand-led by the economy, is still a debate that we have to have in the country, as to what we are looking for.

Lord Soley: Would you both agree with that?

Zsolt Darvas: Yes. First, it is very important for the UK to spell out much more clearly what kind of immigration control the Prime Minister or the UK Government have in mind, because that will determine how the negotiations proceed.

Lord Soley: I would agree with that, but is there not also a need for the European Union to be very clear? This is going to be a two-way process. At the end of the day, it is about European Union citizens coming here and British ones going there. It is often talked about as though it is a one-way street, but it is not.

Zsolt Darvas: The EU 27 would be open to full labour mobility with the UK. That is very obvious, in my view, from the statements about the indivisibility of the four freedoms made by many Heads of State. It is the UK that wishes to restrict immigration and, as I said, one of the principles will be symmetry. Whatever restrictions the UK wishes to impose on EU 27 citizens, I would expect the same controls and restrictions to be imposed on British citizens wishing to work or live in the European Union.

Camino Mortera-Martinez: The European Union works on the assumption that it has models of agreements with other countries. You can guess what you can get by looking at the Canada agreement; maybe TTIP is not an example, but there are others. Until yesterday, the UK had not spelled out what Brexit really meant. In agreement with my colleague, what the European Union is able to give Britain will depend on what Britain is willing to give the European Union. At the end of the day, it is Britain that has a problem with EU migration; it is not the EU 27. That is where the trade-off is going to be. Now that the negotiation strategy is a bit clearer on the British side, the EU 27 will probably be able to say a little more about what they want and what they can offer.

Lord Cormack: How far do you think the EU 27 will be prepared to be flexible when it comes to emergency brakes? I understand that, in 2011, the Spanish Government invoked the issue of safeguarding in respect of citizens of Romania. Do you think it is possible that a solution can be reached that allows for a degree of flexibility, or do you think that is unlikely?

Camino Mortera-Martinez: I am Spanish, as you can all hear, so maybe I can answer that. The likelihood of this happening is very low, for a very simple reason. An emergency brake is embedded against a wider free movement background. We understand from the UK that free movement is not even on the table. It is going to be very difficult to give the UK a special deal on free movement if the UK says, "I do not want free movement" from the start. That is the first thing.

Secondly, any emergency brake, be it the one in the EEA treaty or the one that Spain triggered in 2011, is temporary and it has to be justified. We saw some problems in the way David Cameron justified triggering the brake that he got in the February negotiations. If I recall correctly, one of his aides, writing for *Politico* in October, admitted that there was no evidence to trigger the brake. I struggle to see how the UK could even justify triggering this brake on the basis of economic considerations, because there is no evidence. We have very negative perceptions of migration, and I am not saying migration is not a problem, but surely it is not a problem in economic terms such as the Commission would require in order to trigger such a brake. A brake such as this would be very unlikely to be offered.

Zsolt Darvas: We have agreed on many issues before, but on this particular issue I have to express my disagreement. I believe that possible safeguard clauses will be very likely. The reason is that many treaties include safeguard clauses. I would expect a baseline agreement

on immigration. For example, for highly qualified labour, there is no limit at all; for medium qualifications, there are some limits; and for low qualifications there are more serious limits. I imagine that some safeguard clauses would also be included.

One aspect with which I agree is that it has to be reasoned. There should be very clear reasons spelled out in the treaty for when it can be triggered, because the general safeguards currently in the EEA treaty are not very clear. If I may use another example, Cyprus introduced capital controls in 2013, referring to public security and public policy; they are broad terms, which are not very clear. I could well imagine safeguard clauses in the immigration treaty between the UK and the European Union. At the same time, they would be relatively detailed clauses, not in general terms, specifying the exact conditions that have to be met in order for them to be activated.

Lord Cormack: Flexibility should be a hallmark of any agreement.

Zsolt Darvas: Yes.

Stephen Booth: I agree with that.

The Chairman: Do you agree with the last point?

Stephen Booth: I agree with both, in a sense. The usefulness of a safeguard clause depends on the relationship that the UK and the EU strike. If, for example, the UK says, "We are going to go for quite a flexible and open starting point, in which we presume quite a lot of free movement, but we reserve the right to stop it", that might be a safeguard clause you could describe. That depends on where the UK and the EU start from. Importantly, when the UK asked for an emergency brake in the renegotiation under David Cameron, the difficulty was that, ultimately, the European Commission and the European Court of Justice would be the arbiters of whether its use was justified. That is not going to be a workable situation in the new relationship.

Lord Watts: I will stay on this issue, but I will change the format somewhat. What is the likelihood that the EU 27 would agree to allow the UK to reintroduce labour force restrictions similar to those that are permitted to new members when they first join?

Stephen Booth: The word "allow" presupposes a certain type of relationship. That presupposes the UK being a member of the single market and effectively accepting the principle of free movement. As we have discussed today, now the direction of travel is that we will not be accepting the principle of free movement, some form of labour market restrictions will be what happens. The question is what impact that has on other aspects of the negotiation.

Lord Watts: Do you think it is too early to say?

Stephen Booth: Yes. The UK will be asking for some form of labour market restrictions. We do not know what the EU's reaction will be, in

terms of what that means for its red lines or positions on other aspects of the negotiation.

Lord Watts: Are there any big factors that you think would prevail in that discussion?

Stephen Booth: As we discussed earlier, from my point of view, it would be sensible to look at the different types of immigration that occur. There is a distinction between lower-skilled, lower-wage migration and higher-wage migration, at least in the public's mind, if you look at the polling evidence. As we have all discussed, we expect the UK to seek much greater restrictions on the lower end of the labour market as opposed to the higher end.

That being said, there has obviously been a debate about certain sectors of the economy, such as agriculture, that are low wage but need the skills in order to perform some of their functions. There might have to be special routes for certain sectors of the economy. At some point, there may even be a discussion about certain regions of the economy, looking not simply at a sector level but at where labour is needed in the country in a geographical sense.

The Chairman: Does either of you want to answer that question or shall we move on?

Zsolt Darvas: I agree.

Q81 **Lord O'Neill of Clackmannan:** We have had examples in the past of derogations from the principle of free movement. In some instances it has been temporary, and in other instances it has been EU-wide. Do you think any transitional or interim arrangements would allow for that to happen prior to Britain's departure from the EU? Although you have said that at the end of the day the 27 will probably come to one mind, there are some quite sharp divisions within the 27 on issues of this nature. Do you think that it would be possible for the UK to secure derogations of the kind that we have had in the past?

Zsolt Darvas: I would regard it as very unlikely. Derogations or safeguard clauses can be considered only when the full picture is available, when the terms of the exit and the new relationship between the UK and the EU are known. EU countries will be very reluctant to offer any concession to Britain in advance of these two negotiations being concluded.

Lord O'Neill of Clackmannan: How do you think the 27 will look at the predicament of Britain, if faced with a final departure in 2019? We have a quite dramatic build-up of people coming into the country and saying, "If we do not get in now, we will never get in". Does Britain just have to take that hit, or will there be any scope within the negotiations for Britain to have a degree of control over what might be quite a major influx of immigrants into the country prior to our departure?

Camino Mortera-Martinez: The flows of migration that you have been seeing in recent years are likely to be reduced in the coming years for a very simple reason, which is the uncertainty that we have at the moment. The decision for people to migrate depends very much on personal issues, such as the network they may have, how the country is going to treat them, how sure they are of having a job and security. At the moment, nobody knows what is going to happen to EU citizens moving to Britain after Brexit. Existing networks are getting increasingly anxious, and there is also a bit of a negative attitude floating around about EU migrants. It is very unlikely that we will see a spike of migration coming to the UK. The troubles of the eurozone are a bit less problematic than they were some years ago, as my colleagues would know.

It is not likely that Britain will have to deal with a big spike of migration. In that case, it is going to be, again, very difficult to justify exceptional measures or safeguards.

Lord O'Neill of Clackmannan: We had quite a dramatic surge of people coming from Bulgaria and Romania at a time when the British economy was not doing that well, and perhaps not doing as well as it is at the present moment. They came because it was their opportunity. Could a similar surge be possible prior to Britain's departure from the EU and the scrapping of the easier access rules?

Zsolt Darvas: On the access rules, current rules in the European Union allow free movement of labour. People can go to the UK to search for a job. They can stay in the UK for a certain period of time. After six months, if they do not find a job, then they have to prove that they are actively seeking a job and have a prospect of finding a job to be eligible to stay in the UK. Even if a lot of people come to the UK in the next few months or before 2019, if they are not able to find a job, then sooner or later they will have to leave the UK, even under the current rules.

The unemployment rate in the UK is now very low, so, even if an additional couple of hundred thousand people come suddenly, they may not be able to find a job. Even under current rules, the large flow will have to reverse if those people cannot find a job here. There are the questions of students and family reunification, but I am primarily talking about labour at the moment.²

² I note that HM Government's The United Kingdom's exit from and new partnership with the European Union report, which was published on 2 February 2017, includes potentially misleading information about current EU mobility rules. Chapter 5 of the report states that there is "unlimited free movement of people to the UK from the EU" and that "The Free Movement Directive[15] sets out the rights of EU citizens and their family members to move and reside freely within the territory of the EU. This Directive replaced most of the previous European legislation facilitating the migration of the economically active and it consolidated the rights of EU citizens and their family members to move and reside freely within the territory of the EU." These statements greatly exaggerate the options available to EU citizens. Certainly, there is unlimited free movement of tourists and EU citizens can stay in another EU country for a period of three months without conditions. However, in line with my answer above, only workers (and their family members), students and the very rich who do not rely on the social assistance system of the host

The Chairman: Do any of you foresee that, irrespective of the position in Britain, there could be changes to the process of free movement in the rest of the European Union simply because of the pressures that there are at the moment, for example, through Greece and Italy?

Stephen Booth: I will answer that question and touch on one other point from an earlier question on transition. It was interesting yesterday that the Prime Minister, although she did not use the word "transition" but rather "implementation", said that several facets may take different times depending on exactly what the arrangements are. One of the elements she mentioned in that was migration. She outlined migration, customs and financial services as being issues that may require an implementation period. Exactly what that means we do not know, but it was interesting that she raised the prospect.

On EU attitudes to free movement generally, there is clearly a debate now, arguably started by the UK's negotiation, about free movement of people and particularly the rights of people to access welfare systems. That discussion is continuing. It has very little to do with Brexit, in the sense that whatever is agreed through that debate may take several years and will certainly not satisfy the demands that the UK would now be making, in terms of seeking to restrict or control migration.

Camino Mortera-Martinez: There is a debate going on about free movement in the European Union. It is not as important as it is in the UK. It is very important to separate free movement from the issue of refugees. With refugees, we are talking about Schengen, which is the passport-free travel area. It has a lot of problems, as we all agree, and needs to be reformed, but that does not have anything to do with what we are talking about here, which is the internal market and the right of people to work, study and live somewhere else if they are self-sufficient.

The support for free movement is very high across the European Union. The latest Eurobarometer shows that 79% of Europeans support free movement; 95% of Latvian citizens support it and, even in the UK, 63% support it. The debate is related to access to benefits by non-working EU migrants. The ECJ, as you might know, has changed its direction in recent years, in cases such as Dano, Alimanovic and García-Nieto and others. It is now much more difficult than it was before for EU citizens to access benefits if they are not working. The debate is a little less important than it was some years ago.

There is another debate on posted workers, which you might know about as well. France and Germany are driving the reform, but there is a proposal from the Commission to reform the Posted Workers Directive. Those are the two issues that will be on the table, but they will not radically redefine the principle of free movement, and they will surely not mean that the other European countries will offer Britain some sort of special deal on free movement.

country can stay for longer. Jobseekers can remain in another EU country for six months. – Footnote added by Zsolt Darvas

Q82 Baroness Pinnock: The Prime Minister said yesterday that there will be no free movement, and you have spoken about different strands of migration, depending on skills. Can you see a situation where there will be different strands of migration according to country of source? The UK might want migration from a particular EU country, and one of the EU 27 might want to have a particular arrangement with the UK. Can you see that possibility?

Stephen Booth: That would be very difficult. The EU will be pretty determined to negotiate on this issue as a bloc. The institutional framework for doing that means it has to be done as a bloc, effectively. It would be a dangerous game for the UK to play, particularly at this stage in negotiating our departure, to raise that as a prospective issue and try to pick off countries that we want a deeper relationship with. In times to come, there may well be greater co-operation with individual member states on different programmes, such as academic programmes, which might facilitate free movement of people in those areas. As a general rule, that will be difficult.

That being said, the UK will not be looking at immigration simply in terms of a European framework. It will also be looking at other countries around the world, and that is where it is much more likely to be a case of having deeper relationships with some countries than others. The EU would resist that quite strongly.

Zsolt Darvas: I very much agree.

Camino Mortera-Martinez: I partially agree. There could be a situation, as my colleague was saying before, in which there is a basic scenario with some rights for workers and then bilateral agreements are pursued with certain countries. The UK has special relationships with some countries. For example, Poland is the country with the highest number of people coming to the UK; for British citizens, we have Spain, Ireland, Germany, France and Italy. There could be a situation in which you envisage some sort of baseline, basic rights for all the EU 27, and then you have supplemental bilateral agreements in which, if I may put it in simple terms, you say, "I send you my pensioners and you send me your students". You have to know what other countries are interested in. My own country is not going to be interested in sending pensioners to Britain; it will be interested in sending students.

Baroness Pinnock: Do not send them back.

Camino Mortera-Martinez: That is a possibility that may be on the table, but I am being creative here.

Stephen Booth: Ireland is the big exception, for obvious reasons. The Prime Minister made it clear that one of the key planks of her plan was the common travel area being maintained. That would be the exception. That is also because of Ireland's status within the European Union; because of its opt-out on justice and home affairs and the fact that the common travel area pre-exists, it will be able to do that. For the other

member states, where there is a movement towards more collective positions on migration policy, it will be difficult.

The Chairman: Do you foresee that, at the end of the negotiations, EU countries would regard British citizens and Britain would regard EU citizens in a different way than they would regard citizens from the United States, India or China?

Stephen Booth: That is a political decision that has to be taken in the UK, first and foremost, and then negotiated with the EU. Given the huge number of people, both EU citizens in the UK and vice versa, and the geographical proximity, there is an argument for saying, "This is a different relationship". There is also going to be a strong voice for saying, "The UK will want to be less discriminatory in favour of EU citizens".

There are different ways to approach that. It is not simply in terms of quantity of restrictions; the issue of citizenship is hugely important here. At the moment, we treat EU citizens for some purposes effectively as UK citizens as soon as they have a job and residence rights in the UK. For non-EU citizens, we say, "You have to be here for five years before you have those rights". That is an area where it makes a lot of sense to look at parity between EU and non-EU. Whether that applies to quantity of restrictions is a different matter.

Lord Soley: British citizenship has always been a much messier affair. In fact, Commonwealth citizens have rights here that do not apply to European Union citizens.

Lord Cormack: They have voting rights.

Lord Soley: They have voting rights and such things. I suspect that part of the problem is that Britain has always had a much more complex relationship with citizenship and overseas people than is common in Europe, where there is a much clearer view about citizenship. Do you think that is right?

Stephen Booth: Yes, that is right, and it reflects the fact that, as in trade, the UK is more diversified globally in terms of its migrant population. Up until 2004, we should not forget that two-thirds of migration to the UK came from outside the EU. It is only now that we are looking at roughly 50:50 between EU and non-EU migration. We have a much deeper history and links in terms of non-EU migration, and perhaps in the future those proportions will change again to reflect the UK's new relationships post-Brexit.

Lord Soley: To some extent, the EU has always been seen as a political entity, and that is how it is seen in continental Europe, to their credit, in my view. We have tended to see it, in our interests, as being a supermarket, not a superstate.

Stephen Booth: That is a bigger philosophical debate. The point we were discussing is that there will be a tension there. The EU would respond positively to some form of preference for its citizens in our

migration regime. The question is whether the UK wants to offer that. If you look at other deep relationships across the globe, it would not be out of the ordinary for the UK to offer something bespoke to the European Union in terms of its migration system.

Lord Cormack: Or just the individual countries that we want.

Stephen Booth: Yes, if that was possible. That would not be out of the question. It is a political choice that the UK would have to think about.

Zsolt Darvas: I very much agree. It is very likely that there will be preferential treatment between the UK and the EU 27 in terms of labour mobility as against the other countries of the world. I agree that this will be a policy choice, which primarily will have to be made here in the UK.

Q83 **Lord Watts:** There has been a lot of discussion about whether, even after we leave the Union, there will be some free movement of workers in the financial sector and highly skilled groups. Do you think that is likely and how far do you think it will go? The Committee has heard evidence about farm workers, care workers, higher education students and health workers. First of all, do you think that there will be a free movement of certain groups and how far do you think that will stretch?

Stephen Booth: In our work before the referendum, we made the point that there is a distinction between the actual movement of people and how that is controlled. That is really the debate we are going to be having. There will definitely be greater controls in terms of more checks on people, greater control of the kind of work that people are going into, through work permits and so on. The question is what effect those controls have in terms of the number of people moving. That is something we do not yet know.

For many reasons, in the sectors that you outlined, there is a demand for migrant labour, be it from the EU or from elsewhere. As long as the economy is performing well, it is difficult to see why that demand will suddenly evaporate. It is a question of how much the UK Government want to intervene in terms of restricting the numbers of people. We do not quite know how public opinion will react to a different environment in terms of migration being controlled. We had a very difficult conversation about migration because the Government were promising to deliver a target and had no control over half of the inflow of people. It is understandable that the public found that a confusing situation and they lost trust in the immigration system.

We do not know, once we have greater controls and the Government have policy levers that actually work, what kind of debate that will lead to in terms of immigration in the future; it will hopefully be a much more constructive one, where we can look at different types of migration, "We need this type of immigration; perhaps we do not need so much of that". That would be the optimistic hope about it. How migration policy develops even beyond the Brexit negotiation itself will depend on how our political

discussions react to the new control over freedom of movement that we might have.

Lord Watts: You touch on the dilemma that the Government had control over half of the immigration numbers, but still lost control over the half that they had control over. The reason for that was that the economy was driving that demand. I am trying to see how the Government will square the circle between saying they are going to bring the numbers down to tens of thousands, and accommodating the economy with the groups I have just set out and the student numbers, which seem to be at odds with any chance that they could get down to the numbers they are talking about. I wonder how you feel that is going to be perceived by the British public, who think that they are voting for something and will get something completely different.

Stephen Booth: This is crystal ball gazing to some extent. We have to look again at the net migration target. It never made much sense in the first place, given that it is not just the EU element that you cannot control. You cannot control the emigration element of it either, which obviously made it a very difficult target to ever meet sensibly from a government policy perspective. If you look at the recent years, as much of the fluctuation in the net migration target has been driven by emigration as has been driven by immigration. The usefulness of that target needs to be thought about. We also need to have a discussion about whether we include students in the target.

Lord Cormack: Do you think it would help, because I do, if we separated students entirely? The Government are saying, "Any student who has a place is welcome to come", which was pronounced on the Floor of the House again last week. If we treated them wholly separately, we would then have a more definable number to deal with. Do you think that is right?

Stephen Booth: That is right. It is a demonstrably different category of migration. As was said earlier, we need to think about the concept of migration differently, as most other countries around the rest of the world do. There are different types of migration: labour migration, family reunification, refugees, asylum seekers, students, high-skilled temporary professionals and those who are coming to reside and settle. These are whole discussions that we have not really had properly. Government policy will have to reflect the fact that we have the opportunity now, through Brexit, to have greater control and therefore a more refined discussion about the different strands of migration that we have had.

EU migration encompassed all those things, but there was no ability to distinguish between different strands of migration coming from the European Union and therefore to tailor our policy accordingly. We now have the opportunity to do that.

Lord Watts: We could have, for example, exempted students. We could have exempted Ireland and Irish immigration. There is lots that we could have done that we did not do.

Stephen Booth: Yes, that is true as well.

Lord Watts: It was under our control.

Stephen Booth: In terms of a policy response, there is obviously a difference between an EU citizen who comes here to work for three years, earn as much money as they can and leave, and an EU citizen who wants to come here, settle here and raise their children. In terms of the way we think about that, it is not just migration; it is integration and the societal elements as well, which at the moment have been put in completely different boxes when they have to be joined up. Now, if we have an opportunity to think about migration in terms of different types of migrants who are coming here, what they intend to do, how they can contribute to the economy and how they can contribute to society, then we can have a more sensible discussion. The fact that EU free movement was effectively one lump of migration did not make that kind of approach easier.

Zsolt Darvas: I will try to be very brief. The fundamental question is why immigration has to be controlled in the UK. If the goal is to satisfy public opinion, then public opinion will improve if the Government will be able to show the establishment of a new immigration system,. Many surveys, and my research, show that, in areas where there are more immigrants, there is a much more positive attitude towards immigrants than in areas where there are much fewer immigrants. It seems that the perception of immigrants coming to areas where there are not many is the major fear. Those people can be satisfied or feel that the promise has been delivered if any kind of system is introduced and the Government says that it has a strong control over immigration.

Various research results show clearly that immigration was very positive for the United Kingdom. Immigrants contributed to the growth of the economy, public revenues and healthcare revenues. A major cutback, with a numerical target of one-half or one-third of the average of the past few years, would clearly have a major negative impact on the UK economy.

So the reason needs to be decided. If it is only to satisfy the public, some kind of immigration measure would be sufficient. But immigrants really help the UK economy. The unemployment rate is at almost a 40-year low now so there cannot be many natives who lost their jobs due to immigration. There may be certain areas where some people really feel affected by immigrants, but they are very rare and those areas can be handled in a special way. I would be very strongly against advising a numerical target for immigration.

Q84 **Baroness Janke:** In terms of agreements with third parties, what lessons do you believe we could learn from the agreement with Switzerland after their referendum and the special arrangements entered into with Turkey? Are there similar areas that might be of interest to the UK? What is your view on that?

Camino Mortera-Martinez: I will talk about the Swiss agreement, because I know more about it than the Turkish one. The reaction of the European Union to what Switzerland has been doing on free movement for the past five years or so is very telling for the UK, when it comes to negotiating what we thought was going to be a trade-off between the single market and free movement, although from yesterday's speech it seems it will not be that any more. You might recall that, in 2014, Switzerland voted to introduce quotas, and there has been a debate for two years about that. Brussels has made it very clear from the beginning: "If you introduce quotas, we are going to restrict single market access for you". It already restricted access to some research programmes, such as Horizon 2020 for Swiss scientists.

In December, the Swiss passed a law that is not as farfetched as it seems. It has some preferential treatment towards Swiss workers, but it is not as discriminatory as it might have seemed on the face of it. Brussels said, "We think this law is still okay because you are basically just publishing job offers in local jobcentres first. You are still allowing EU and EEA citizens to apply, so we do not think this is discrimination and we will allow it. If you go further than that, we will have a discussion again about the trade-off between the single market and free movement".

Britain should draw a lesson from that. Even the Swiss, who have a very loose relationship with the European Union based on bilateral agreements, cannot get out of free movement as easily as they may think. The Swiss model, which has been considered before as one of the models for the UK to go for, requires full acceptance of the free movement provision. I would basically discard it in the face of what Theresa May said yesterday.

Zsolt Darvas: I agree. The context is very different. As Ms Mortera-Martinez argued, gaining broad-based single market access is an ambitious goal and apparently the UK will not aim at that. The lesson to learn, as she said, is that if you want broad-based single market access, you have to accept full freedom of movement. Since your Prime Minister said yesterday that she will not seek broad-based single market access, the lessons that the UK can learn from the Swiss case are very limited.

Stephen Booth: It is more likely to end up somewhere in between where Switzerland and Turkey are. The Swiss context is different. Switzerland is a member of Schengen and is more integrated when it comes to borders and immigration in that sense. Although Switzerland's treaty arrangements are not more integrated than the UK, it is more integrated in terms of its trade volumes with the EU. It is a much more important trade partner than the EU is to the UK. The context is different for Switzerland. The way UK citizens are viewed in the rest of the EU will be different from how Turkish citizens are viewed in the rest of the EU.

The Chairman: Thank you very much indeed, all three of you, for the evidence that you have given to us today. We are very grateful for that and for the occasional differences in the evidence that you gave, which

were very helpful. Thank you for that. I should have said at the beginning that the session is being webcast and we will send you a transcript of the evidence you have given, to correct as necessary. You will get that shortly. On behalf of the Committee, may I thank you very much indeed for the evidence you have given today? It has been extremely useful to us. Thank you very much.

Examination of witness

Professor Alan Manning.

- Q85 **The Chairman:** Welcome, Professor Manning. It is very good to see you here. Thank you very much for agreeing to come and give evidence to us. As you will have guessed by now, I am not Baroness Prashar but I am stepping in for her because she is unable to be here today. Thank you very much for coming. The session will be webcast and we will send you a transcript of your evidence shortly after you have given evidence to us. Would you like to introduce yourself and say who you are? Perhaps you would like to make an introductory statement before we start asking questions, or we will go straight into questions—whichever you prefer.

Professor Manning: My name is Alan Manning. For the last two months, I have been chair of the Migration Advisory Committee, so I am very new in post. I was a member of the committee for 18 months prior to that. That is a part-time job. As my main job, I am a professor of economics at the LSE.

As an opening statement, I would like to say just one thing. I am here in part to represent the MAC, so, where you ask questions that the MAC has been asked and formed a view on in the past, I will represent that view, but there may well be questions that the MAC has not been asked and does not have a view on, and I will try to give a helpful answer in that case. I hope you understand that it will be in a personal capacity rather than representing the views of the MAC in those cases, and I will try to make that distinction.

- Q86 **The Chairman:** We understand that completely, and it would be very helpful to the Committee if you were able to give your personal views on things that the MAC has not considered, but we understand the constraints under which you have to operate. Thank you for that.

Perhaps I could begin by asking the first question. The Committee has heard that the immigration system for non-EU citizens is governed by about 13 different Acts of Parliament; that it can take between three and eight months to process an application; and that, inevitably, the process is complicated, time-consuming and onerous, particularly for small and medium-sized businesses. It would help us in trying to get to grips with this if you could briefly explain the system as to how the Immigration Rules for non-EU migrants taking up employment in the UK currently work and which routes are the most popular in terms of numbers admitted.

Professor Manning: If you are a non-EU citizen coming here for work as an employee, it would be what is currently called the tier 2 route. Basically, you need a work permit, although a certificate of sponsorship would be the official name for it. To get that, you need to have a job offer from a licensed sponsor, so an employer who wants to employ a non-EU migrant would have to have a licence in the first place. Then that job offer would have to meet certain conditions. Currently, it would have to be for a graduate-level occupation. There would be minimum salary requirements for it.

Some jobs would have to satisfy what is called the resident labour market test, which is that the employer in essence has to say that there is no suitable resident worker available to fill that post. Some jobs are on what is called the shortage occupation list. Non-EU people who are transiting from being a student here to tier 2, being a worker, also would not have to currently satisfy the resident labour market test. Is that enough detail?

The Chairman: That is very helpful, thank you. I am sure we will cover some of those points as we go through.

Q87 **Lord Soley:** If the European Union and the United Kingdom fail to reach an agreement within the two-year period after triggering Article 50, what, in your judgment, will happen? Will all EU people seeking to come here be treated under the existing immigration laws? Would that be the default position?

Professor Manning: I am afraid that the default position in a legal sense under current legislation is primarily about an area in which I have no expertise at all.

Lord Soley: I understand what you are saying about it being a legal question—and it is, to some extent—but it is also a situation in which the present rules about EU citizens would no longer apply.

Professor Manning: If one asks, “What constraints are imposed by international agreements on our subsequent immigration rules?”, the answer is that we would be free to choose what we want. When it comes to how you embody that in primary or secondary legislation and what is required, I am afraid I really have no idea. If you talk about the day after exiting, it takes time for legislation to come forward, and I really cannot say what would happen on day plus one.

Lord Soley: Maybe I cannot push you any further on this, but it is basically the cliff-edge argument: if we fall off the cliff after the two-year period, frankly the rules that exist now will no longer exist, so it will be a default position.

Professor Manning: You need to ask someone who has legal expertise about that. We do not get asked that kind of question. I am afraid I am an economist, not a legal expert.

The Chairman: To go back to one point in my first question, could you say a little more about intracompany transfers and how important those

are in relation to total flows?

Professor Manning: The largest single number of tier 2 work permits that are issued are called intracompany transfers. These are international employers bringing their employees from another country to the UK. They dominate the numbers on the inflow side of things, but it is important to realise that they are for a limited time period, so you would also find them dominating the outflows. A short-term intracompany transfer would be for 12 months, and those people would all leave after 12 months, whereas those who I talked about earlier, the tier 2 general, would generally stay for longer than a year. They have the possibility of extension, and the possibility—but not the inevitability—of eventually leading to permanent settlement. Intracompany transfer is not a route to permanent settlement.

The Chairman: Thank you. That is very helpful.

Lord O'Neill of Clackmannan: Just on this point before you leave it, these intracompany transfers take place because Britain is an attractive place as a bridgehead into the EU in a number of cases, or it is the lynchpin of a European presence. Do you think that this will diminish as a consequence of us leaving?

Professor Manning: The intracompany transfer route is currently very heavily dominated by a few users, which are essentially Indian IT servicing companies. My impression is that they are mostly providing services to other UK companies, although I do not have figures to justify that.

Q88 **Lord O'Neill of Clackmannan:** On a different tack, in the past, we were one of three countries that opened their labour markets in 2004 to the A8, but at the same time we controlled low-skilled work coming in from the A2: Bulgaria and Romania. Exceptions were made for the agricultural and food-processing industries, and I understand that there have also been arrangements for Croatians coming in. The statistics suggested that the controls that were imposed on Bulgaria and Romania seemed to be fairly successful in controlling the flow of immigration. Could you give us some indication of the nature of these controls, how they operated and whether, if we were going to have something like this again, we could do it better?

Professor Manning: After Romania and Bulgaria—the so-called A2—joined the EU, there was a period in which their citizens could come to the UK to work as self-employed but could not come to work as an employee except in the sector-based schemes that you mentioned: agriculture and other sectors. The UK Government took advantage of their right to impose transitional controls for as long as possible. The MAC was asked to look at that at one time, long before my time, and recommended that those transitional controls remained in place at that time, which was the recession that you were discussing.

At the start of 2014, the transitional controls came up. The immigrant flows from the A2 countries in the period after them joining the EU were running at perhaps 10,000 a year and then began to pick up. They started to pick up before the end of transitional controls. From the ONS figures I think I am right in saying that they started to pick up from about the start of 2013. They are currently around 70,000 a year, and now roughly one in four EU immigrants in the UK is from Romania or Bulgaria. If you looked at the numbers and the controls imposed on them, you might draw the conclusion that the restrictions on their access to work in the transitional period had an effect on the numbers coming to the UK.

Lord O'Neill of Clackmannan: Do you think it is likely that there will be a continuing increase as we get near the point of UK departure from the EU?

Professor Manning: It is possible. There are a lot of uncertain factors. This is very much not a MAC view, and as we know forecasting is a very difficult thing to do. There are a variety of factors at play here. The devaluation of the pound by 10% means that if you want to earn some money and send it back home, or save some money to go back home, it is less attractive to work here now than it was. At the same time, EU citizens here who were thinking of going home for a while—as we know, there is anxiety about their continued right to stay in the UK—might think that this is not quite the time to do so. There are a lot of factors in play here. To be honest, I would not really want to speculate on where the numbers are going to go. A lot depends on what happens in their domestic economies.

Lord O'Neill of Clackmannan: We have had evidence from bodies that have perhaps been a little less constrained in their willingness to forecast. Could you explain the difference between the Migration Advisory Committee and Migration Watch, for example?

Professor Manning: I will say what the Migration Advisory Committee does. We are appointed by government but we are independent of government. We are asked questions by government and we make recommendations based on those questions. We arrive at those recommendations through an evidence-based approach. We take evidence, receive evidence and meet with interested parties, as you have been doing. We always try to check what interested parties say against figures or more independent sources, which I think is important. Then, on the basis of all those different sorts of evidence, we try to arrive at conclusions. Perhaps it is best if you ask Migration Watch how they define themselves.

Lord Cormack: Do we take it that you are not in a mutual admiration society?

Professor Manning: No, I do not think you should take that. We would be quite happy to receive evidence from Migration Watch, as I think you have done. In a case where we looked at their evidence and we thought it was supported by other evidence, we would be aligned. We would not

automatically agree or disagree with them. We would treat them as we would treat other people who give evidence.

Lord O'Neill of Clackmannan: Would it be true to say that you do not really start with an agenda in the way that some of the players in your field do?

Professor Manning: We are asked questions and we try, to the best of our ability and with the best available evidence, to answer those questions. You would have to ask them how they do it.

Q89 **Lord Watts:** Can you summarise for the Committee the key findings from your 2014 report on the economic and social impacts of low-skilled immigration into the UK?

Professor Manning: That was before my time, but I hope I have some awareness of what was in there. In that report, the MAC looked at quite a wide range of the possible economic impacts and the wider social impacts such as housing, public services and more nebulous ideas of social cohesion and integration.

On the social impacts, we are an evidence-based body and it was very hard, on the basis of the available evidence, to come to very strong conclusions because the evidence base and the data available to us were really very poor. The MAC is not a body that is going to start speculating in that circumstance about what the effect might be.

When it comes to the labour-market effects, there is a bigger existing body of academic work on which to draw, and the MAC did a bit of it itself. Perhaps it is easiest, because I do not want to misrepresent it, to give a very brief quote. This is from the conclusion on the impact on wages: "Overall the impacts of migrants on average wages and on the wage distribution discussed in the review of existing literature were modest and tended to be positive at the top of the wage distribution and negative at the bottom". The position was that there was some evidence of negative effects on lower-income workers and some positive effects on higher-income workers, but overall the positive and negative effects were modest, so the word "modest" is quite important.

Lord Watts: You have already spoken about the fact that anyone who wants to bring in highly-skilled workers has to demonstrate that salaries are at a certain level. By how much of a factor do you think the absence of a similar thing for low-skill wages has pushed those wages down? If you had a minimum wage in the same way you have one for highly-skilled workers, would that have mitigated those downward pressures?

Professor Manning: Perhaps I will try to answer that by providing a picture of what has happened to wages overall, which was influenced by many factors, of which migration is but one. Overall, the UK has had a very tough time with real wages ever since the start of the financial crisis. Real wages fell really substantially and by the largest amount since the 1930s. That was spread across the distribution from bottom to top. If you asked which group did least badly, it was workers at the bottom. The

reason for that is primarily—and this is one of the other factors that is important—because of the minimum wage and because of the national living wage. Although the studies say that wages at the bottom might have been a little higher in the absence of migration, the estimated size of the impacts are small.

Lord Watts: Can I take it from what you said that if you were to set the minimum wage at a higher level, it may well have mitigated any downward pressure completely?

Professor Manning: It is possible. The minimum wage is recommended by the Low Pay Commission, which is concerned primarily that if the minimum wage is pushed too high and above what the market can bear, it will result in job losses for the people who the policy is designed to help, which would not be such a good outcome. You would have to ask the commission, but I think it would probably take the view that the minimum wage in that period was pushed as high as it thought was responsible.

Lord Watts: I understand that they have to make that judgment—someone has to—but many members, and you, will understand that when the minimum wage was introduced there was an argument that this would put jobs at risk, which has not happened. That judgment could have been made in a different way and potentially mitigated the downward pressure on wages in that area, if they had taken a higher risk.

Professor Manning: I say this with my non-MAC hat on, but one of my research areas has been the minimum wage. It is true that there were a lot of fears that the national minimum wage, at introduction, was going to cause large job losses, but that did not turn out to be the case. At the same time, it is very likely that there is some level of the minimum wage at which job losses occur, and we do not quite know where that level is. The Low Pay Commission essentially formed a judgment about where that level was, and that was its judgment in that period. I do not really want to second-guess whether it was right or wrong in that regard.

Baroness Pinnock: You have described the downward pressure particularly on wages at the bottom end of the market as being modest. Can you put a figure on what “modest” means? Modest can mean lots of different things.

Professor Manning: I do not have a figure to mind, but you can find people out there who have undertaken studies that have found negative effects of immigration on low-skilled workers and have quantified that effect. The MAC has not done such work, as we have not been asked to recently, and I do not, I am afraid, have that figure in my head.

Baroness Pinnock: Do you have a scale? “Modest” to some people could mean £10 a week or £50.

Professor Manning: It will be in percentage terms. I can point you in the direction of where somebody has given you the number for this, rather than give you a wrong number now, but we are talking about a small percentage.

The Chairman: It would be helpful if you could do that. Putting the question another way, if low-skilled migration fell, would we expect wages for resident low-skilled workers to rise?

Professor Manning: That would be one of the implications that you might draw from these studies, but do not expect too big a rise, so do not expect that that will compensate people for the low wage growth that we have had because of the financial crisis and low productivity growth in the economy as a whole. You have to have a sense of perspective and an awareness of the other factors that are influencing wages. Immigration is just one part of that and maybe not even the most important part.

Lord Soley: Even if, as you were describing, the increase in wages does not fill the jobs, there are two other ways in which you can deal with that. One is by investment in greater mechanisation of certain jobs; the other is jobs literally going overseas—i.e. whoever is running the plant or producing strawberries does it somewhere else. Can you measure that, or is that just a judgment that any economist might make?

Professor Manning: It is not very easy to measure that, but if you just look at the figures on how the labour market in the UK is doing at the moment in terms of employment rates and unemployment rates, everything looks pretty good—we had a very severe financial crisis and I know that it has taken quite a while to get back to where we are—but we have had a problem with wage growth. People have had falls in their real income, and recovering that and getting things growing as quickly as we were accustomed to has been a problem. That is connected to a very poor productivity performance. Generally, if you want to get wages growing, you need to have productivity growth. In the long run, that is the answer, and it is normally associated with mechanisation. It is associated with not protecting all economic activity in the country but specialising in where you can create most value. That might mean that some industries go overseas and you import those goods, yes.

Lord Watts: We are looking at the impact that leaving Europe will have on low pay within the low-skilled elements. Given the fact that the pound has dropped and the interest rate has gone to 2%, will the low-paid not have to get a 2% increase just to stand still? For it to benefit them, they would have to get over 2% in the next pay review, if inflation stays at 2% or above.

Professor Manning: Yes, if inflation is 2%, you need a 2% increase in your wages just to stand still. Again, I do not have the absolute latest figures in my head. Wage growth is currently a bit above 2%, but that is a fairly small gain. Before the financial crisis, as a rough rule of thumb you would expect productivity growth of something like 2% a year, which means that if inflation was 2% you would get a 4% increase in wages

every year, so you are getting better off by 2% every year. That process has broken down and we seem to have been unable to become more productive in recent years.

Q90 Lord Soley: You described the work you have done on the impact of migration on low-skilled work. Have you done a similar study on the social and economic impacts on high-skilled work? In other words, can you compare the high-skilled situation with the low-skilled situation? What is the difference, if any?

Professor Manning: The report that we were talking about was on low-skilled work. The MAC has never been commissioned to do the same on high-skilled.

Lord Soley: You have not done any of that work on high-skilled work because you have not been asked. It is not a criticism; I am just stating the fact.

Professor Manning: No, we have not.

Lord Soley: From your own knowledge as an economist, would you have any views about it? Do you think it would be similar? Do you think it would be very different?

Professor Manning: You might expect—and this would be a theme from the economics literature generally—that if you had more high-skilled workers, that would lead to greater competition for high-skilled workers and so reduce the wage of high-skilled workers, which might then be to the benefit of low-skilled workers. You benefit from having workers whom you work with or who produce goods and services that you buy, so we have to think of people as consumers as well as workers. On the whole, however, the more there are people like you around, there is more competition for work, which is not to your advantage.

The other factor to mention is the contribution to public finances. Generally, we think that people who earn more money are more likely to pay more in taxes than they take out in benefits, so that would also be a difference.

Lord Soley: As a slight aside from this, something that has always struck me is that, particularly in the south and the most prosperous south-east of the UK, a lot of workers are not coming in to set jobs but are going around and looking for jobs. They might pick up building jobs, gardening jobs or a range of other jobs that are not linked to an employer; they come in as individuals. Do you take that into account in your judgment on the low-skilled path, or are you looking mainly at those who have gone into distinct jobs, working for an employer, as opposed to knocking on a door and getting jobs?

Professor Manning: The only people who can do that are EEA citizens, and the MAC has never been asked anything about EEA migration apart from this low-skill work, because there have been no policy decisions for the Government to make in that regard. People may or may not come

with a firm job offer when they first arrive, but the evidence is that unemployment rates, for example, among EEA citizens are fairly low. Even if they do not come with a job offer, they are fairly quickly finding a job. Often, it would be the case that they know somebody who has come before and who gives them some useful information, so they are not arriving in a completely strange environment where they have no information and no clue about what is going on.

Lord Soley: I ask you, because the feedback I have had—and it is anecdotal—is that the complaints from the host community are often: “They are undercutting me. I cannot compete because they come and offer to build a fence more cheaply than I can do it as a local builder”. That then tends to tip over into: “Why are you allowing these people in?”

Professor Manning: I should say that everything I have said about the evidence relates to employees. You mention builders, and one thinks now about self-employed individuals. A lot of the complaints are about self-employed people. We have terrible data on the earnings of the self-employed.

Lord Soley: Is that terrible in the sense of bad, or not there?

Professor Manning: The data on the earnings of the self-employed is non-existent. If you asked what research has been done on the impact of immigration on the earnings of the self-employed, the answer is zero.

Lord Soley: I could think of giving you some more work, if I was in that position.

Baroness Janke: Presumably there are others who carry out these studies. Perhaps they have not been brought together in one place.

Professor Manning: There is very little. I think you would be a bit shocked. There is work on the earnings of self-employed generally, but not specifically related to migration. The Resolution Foundation produced quite an interesting report before Christmas in which they documented that the earnings of the self-employed have not grown as quickly as those for employees. That is over a long period of time, going back before the accession of the A8 in 2004. I do not think they really did any more or offered a particular explanation for why that was the case, but it is a gap in our knowledge.

Q91 **Baroness Janke:** My question is about sectors that are dependent on medium to low-skilled workers. If they were not available as EU migrants, is your assessment that there is an existing stock of these workers so that this would perhaps not make very much impact?

Professor Manning: I will take that question in two parts, if I may. The first part is a general observation about economies as a whole, which is that there are always sectors growing and declining. A sector that is growing needs a growing supply of workers suitable for that sector, but it does not necessarily require the labour force as a whole to increase. A big trend—and we are probably talking about over hundreds of years—is that

the demand for more educated labour has been rising relative to less educated labour. We have responded to that by increasing the educational skills of British children to reflect that.

There are questions that you have to ask about whether you continually need a new flow of people or whether you can readjust people within the UK. When you are talking about low-skilled work, the definition of “low-skilled” is that they are not tied to a particular sector in the same way that a doctor would be.

Baroness Janke: I was thinking about entertainment and things like fruit picking and agriculture. Those are the ones that are most quoted.

Professor Manning: With agriculture, there is the seasonal issue, which is a slightly different question, and you may come on to ask about that. Generally, you might want all sectors to think about having to compete for labour and, if they fail to compete for labour, whether that is a sector where labour is used most productively.

Baroness Janke: We are frequently told about the expectation of the resident population not to be employed in certain jobs that are low-paid and low-skilled, which seems to indicate that there is not a wide reach in that in the perfect supply and demand, if you do not have a job you should be prepared to do any kind of job. People tend to tell us—and I do not know if it is true—that it does not work that way and that there are whole tranches of jobs that British residents do not wish to do.

Professor Manning: They do not wish to do them on the current terms and conditions, but those are not necessarily so fixed in stone. If you have very demanding work, you have to offer a wage premium to people to do that work, just as you would generally have to offer a premium to get people to work anti-social hours and so on.

Baroness Janke: If you have to pay much higher wages to do these basic jobs, the question is whether the companies or firms will continue to be viable and whether you are going to lose jobs. It feeds into other unforeseen consequences.

Professor Manning: There are lots of effects. They might sometimes have the option to produce using more or less capital-intensive techniques. Mechanisation was talked about earlier, and so that is one way. They may, depending on the sector, have the opportunity to pass increases in costs on to prices. One effect of that would be that the price of those goods in the end are passed on to consumers, so everyone pays more for them. That would be one consequence of that, so one has to think through what all the consequences are.

That is very important, but it is also important to ask questions about whether things have to be the way they are. Please do not interpret what I am saying as saying that the current business model of some firms and sectors must not continue, but it is right to ask whether it has to be that way.

Baroness Janke: If you were advising, would you feel that less access to EU migrants with medium to low skills could be countered by a bigger stock, by extending the range of appeal or by putting wages up? What would your advice be?

Professor Manning: I am not sure that I feel in a position to offer advice at the moment. I can offer things that I would want to look at before offering advice. We are an evidence-based body and I do not quite have the evidence base. For example, one would want to look at the source of low-skilled workers. Sometimes we do not pick up low-skill migrant workers through low-skilled work routes; some migrants who come in through the family route and some refugees end up in low-skilled work. You could also see people who have come in through some other routes who have ended up in low-skilled work. One would want to look at questions about current migrants or all workers in low-skilled routes and the routes or paths they have followed by which they have arrived in that situation.

Q92 **Baroness Massey of Darwen:** Thank you for coming. We have talked quite a bit in the Committee before about migrants in seasonal agricultural work. Could you help us by giving us a clearer picture of where seasonal workers fit in to the broader picture of migration in the UK? Have you, as the MAC, made any assessment of the economic and social impacts of seasonal migrant workers? Do they differ from other low-skilled migrant workers?

Professor Manning: I will try to answer those questions. The statistics on the numbers are not so fantastic, to be honest, but one thing that one can say about them is that if they are seasonal workers who are coming for less than a year, that being the definition of "seasonal", they are not going to be counted as long-term migrants. In the headline statistics, they do not appear either as immigrants or as emigrants. If you start to include them, the fact is that they come in for six months and then leave—one in, one out—and they are not really going to affect the net migration figures. They are not counted, but even if they were they would make no difference.

Baroness Massey of Darwen: Some stay, though, do they not?

Professor Manning: They are not allowed to stay. Are you talking about overstaying as an issue? If you are asking about statistics on overstayers, when the MAC looked at the seasonal agricultural workers scheme, which again was before my day, they concluded that it was a good scheme as operated. They felt that the way in which it operated, through some operators, was quite effective, because the operators had the incentive to make sure that the workers they brought in on this scheme complied with it, and one of the aspects of that meant that they left at the end of their season; otherwise the operator would lose their licence, which they did not want to do. I do not think the MAC had particular concerns about it in that case.

Baroness Massey of Darwen: When you say that the statistics are not

great, or whatever, what do you mean by that? What is the problem?

Professor Manning: We collect statistics partly through the international passenger survey, which is people coming in, of which these workers are a drop in the ocean; and, secondly, through the labour force survey. Because they would not be defined as part of the resident population and would often be in communal accommodation for the season, they would be out of scope for the labour force survey, so the labour force survey would not attempt to calculate how many. When the scheme was in operation, you would have numbers on how many. Because a visa had to be issued, you would have a count of how many visas were being issued, but we do not have that currently.

Q93 **Lord Soley:** Your predecessor suggested that private-sector employers had invested too little in skills training for resident workers. Can you say a bit more about the relationship between investment, particularly in the training of workers, and immigration? In other words, if more was spent on training and job opportunities in those areas, would that reduce the temptation to employ an immigrant worker rather than a UK worker? In other words, is there a relationship between investment in training and employment?

Professor Manning: You mentioned the restaurant sector. We did a report on nurses last year—I was on the committee then—and a theme emerged. The Department of Health wanted nurses to be put on to the shortage occupation list because they said that nurses were in shortage. We were concerned that one of the reasons for shortage was that some years ago the Department of Health had cut training places for nurses, even though those courses were oversubscribed by residents, so it was partly in some sense a problem of their own making. I do not get the feeling that they had cut the training places because they thought that a few years down the line they would then have access to migrant nurses; it was more that they were feeling financial pressures to make economies in many places, and that is one of the places they decided to make economies.

Lord Soley: It is an easy cut to make in training at times, is it not? In fact, if you are going to cut costs, cutting training is a quick option, in a sense.

Professor Manning: I do not know in that case, but generally you might say that it is a short-term fix that causes longer-term issues.

Lord Soley: You talked just now about nursing, but what about other areas of work?

Professor Manning: There is a legitimate question to ask there, because you can understand why an employer might think, "I need a trained worker. I have two options. I can train up a British youngster but that costs money and takes some time, or I can bring in a ready-trained worker". You can see how some employers might be tempted by that, but I do not think the evidence base for that behaviour being widespread is

very strong.

Lord Soley: When you say the evidence is not widespread or strong, do you mean that the research has not been done to enable us to do that?

Professor Manning: Yes, that is what I mean. I do not mean that there are lots of bodies of research and that that has not been found. It is one of those areas where, as an evidence-based body, the only honest answer that I can give is that I do not know. Of course, it is a question that one could think of as being interesting to ask.

Lord Soley: It could be very important. If we are going to reduce immigration from the European Union, an awful lot of jobs are going to be unfilled, unless we start training people to do them here, or unless people suddenly rush forward and fill them, which they have not done so far.

Professor Manning: That is possible. We have a system currently in place for high-skilled migration for non-EU, which has a mechanism within it for dealing with shortages and for giving priority.

Lord Soley: We do not in low-skilled.

Professor Manning: When you say "low-skilled", of course we need people to be job-ready and so on, but we are not, almost by definition, talking about jobs that need years and years of training before you are a proficient and effective employee.

Q94 **Lord O'Neill of Clackmannan:** If we could move on to non-work categories, what are the current immigration rules for non-EU students, self-sufficient persons and the self-employed? What are the rules governing them?

Professor Manning: If I take non-EU students at the moment, they would have to get a student visa. There are checks on that. At certain institutions, checks are done on a student to establish that they feel that this is a legitimate student, because there have been issues in the past with concerns about that. They would have limited rights to work while they are a student but, if they wanted to then become a UK worker, they would have to get a tier 2 work permit or certificate of sponsorship, as I described in the first question, at the end of their studies; otherwise, their leave to remain in the UK would expire and they would have to leave the UK. That is on EU students.

By a "self-sufficient person", I take it you mean you have sufficient income sources to support yourself and not be a burden on the state. Is that what you mean?

Lord O'Neill of Clackmannan: Yes.

Professor Manning: The route open to you as a non-EU person currently would be what is called the tier 1 investor route, which means in effect that you have to lend the Government a certain amount of

money; this is the most common way in which that route is used. This means that you have to buy some government debt and then you are given a tier 1 investor visa, subject to some other checks on your suitability as a person and the source of those funds and things like this.

If you want to be self-employed, you would have to go through what is called the tier 1 entrepreneur route, which is that you would have to have a business plan, which would be vetted. Then, if you were able to settle in the UK eventually, you would have to demonstrate that you had established a successful business, and there are some criteria for that.

Lord O'Neill of Clackmannan: I wanted to get the scene set, because we have heard conflicting accounts of whether it would be feasible to maintain this free movement as it exists for EU students and the self-sufficient, while ending the free movement for EU workers and those looking for work. What is your assessment of the challenges that that could pose?

Professor Manning: It is very important to have an immigration system that you have an overall view of, rather than think of each route as a self-contained silo, because we have seen some evidence that if, for example, you make entry into the UK harder through one route, those people who would like to come to the UK move over to another route. As an example, when we tightened up on the post-study work route for students at the end of their studies and made it harder for them to just take any job, we saw an increase in applications on the tier 1 entrepreneur route that I described. It was no longer so easy to get a job as an employee, so the suspicion was that they were saying, "I will try this route as a self-employed entrepreneur".

You have to make sure in any system, as with the controls that I described on non-EU students, that these are legitimate students, and that a self-sufficient person is a legitimate self-sufficient person. You have to have some verification, so in a sense there has to be some degree of control and of checking that they are what they claim to be. I am not quite sure whether that is exactly free movement anymore.

Lord O'Neill of Clackmannan: Very briefly, "self-sufficient" seems to be a euphemism for the very rich, and that they can buy their way into Britain, whereas the rest of the people have to show either their ability to work or that they have a job.

Professor Manning: We do not generally use such emotive language.

Lord O'Neill of Clackmannan: I am sorry; I find the word "self-sufficient" euphemistic.

Professor Manning: No, you are right. "Self-sufficient" means that you are judged to have sufficient income, and in the most common cases that you have loaned the Government £2 million. Am I correct to say that it has now gone up to £2 million? Then you can come to Britain, subject to some other checks.

Lord O'Neill of Clackmannan: Is the economic significance of that worth letting them in? Do we make enough money out of these so-and-sos?

Professor Manning: The numbers are small and I do not really pass judgment on political matters.

Lord O'Neill of Clackmannan: I was asking for an economic judgment, not social or personal. We leave that to the gossip columns.

Professor Manning: If you read the report into the tier 1 investors—again, that was before my time, and I am afraid I have not come so well briefed on the details of it—one of its themes was that people had just taken it as self-evident that any very wealthy person coming to the UK was a benefit to the UK, and that perhaps this was being sold a little too cheaply. Indeed, the £2 million threshold was doubled, because if you have access to £2 million, at current interest rates on government debt the price you are paying is not very high. Of course, most of us do not have access to £2 million.

The Chairman: That is a good moment to pass to Baroness Pinnock.

Q95 **Baroness Pinnock:** I have a couple of quick questions on resources, as we move into the restrictive position on immigration that was painted yesterday. Has the MAC done any assessment of resources needed in terms of government agencies, civil servants, et cetera, in that brave new world? The second part is: what about businesses? You partly answered it when you were responding to Lord Soley on training and lead times, so will there have to be a transition time for businesses? There are two parts to that final question.

Professor Manning: On the first part, about resource implications, that is not a question that the MAC has ever been asked, and I think it is unlikely to be because that is not really our field of expertise. The Independent Chief Inspector of Borders and Immigration is much more concerned with those operational issues and what administration is needed, so I am afraid that I cannot really do any better than point you in that direction.

Baroness Pinnock: As an economist, do you think that we will need more people, the same number, or fewer?

Professor Manning: If you were going to be processing higher volumes of, say, work permits or certificates of sponsorship, and you wanted to maintain your processing times, you would need to do something. You would need to have more people, but there might also be ways in which you could expedite, mechanise and automate this process. Those are very operational. To do business as usual, you would be likely to need more people, but I would not want to speculate on that.

The second part of your question was about lead times and so on. One thing that comes across very strongly is that businesses like certainty. They like to know where they stand so that they have time to plan for it.

I think that some degree of lead time is about changes to the rules. That is the way in which it currently happens. We produced a report on the tier 2 process. We made some recommendations. The Government accepted many of those recommendations, but then they said that these would come into force this April so that businesses would have time to prepare.

One has to guard against the fact that businesses say that they want very long transitional periods because they just do not want the changes at all, and that this is really a way of putting it off for as long as possible. If you asked them their ideal transitional time, they would say decades. Partner evidence is very important, but it is always important to challenge it and to think about whether this is really the case. Some degree of transition is likely. Again, I am not an expert on the legislative process, but the most important thing is clarity and certainty about what the rules are going to be.

The Chairman: Thank you very much indeed. Thanks to you, Professor Manning, and your team behind you for giving us extremely helpful evidence today. We are most grateful to you.