



Select Committee on Economic Affairs

Uncorrected oral evidence: Brexit and the Labour Market

Thursday 23 February 2017

11.40 am

[Watch the meeting](#)

Members present: Lord Hollick (Chairman); Baroness Bowles of Berkhamsted; Lord Burns; Lord Darling of Roulanish; Lord Forsyth of Drumlean; Lord Kerr of Kinlochard; Lord Layard; Lord Livermore; Lord Tugendhat; Lord Turnbull.

Evidence Session No 2.

Heard in Public

Questions 15 - 26

Witnesses

I: Lord Green of Deddington, Chairman, Migration Watch UK; Stephen Clarke, Research and Policy Analyst, The Resolution Foundation; Philippe Legrain, Institute of Economic Affairs.

USE OF THE TRANSCRIPT

1. This is an uncorrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.
2. Any public use of, or reference to, the contents should make clear that neither Members nor witnesses have had the opportunity to correct the record. If in doubt as to the propriety of using the transcript, please contact the Clerk of the Committee.
3. Members and witnesses are asked to send corrections to the Clerk of the Committee within 7 days of receipt.

Examination of witnesses

Lord Green of Deddington, Stephen Clarke and Philippe Legrain.

Q15 The Chairman: Gentlemen, good morning and welcome to the Economic Affairs Committee. Our inquiry, as you know, is into Brexit and the labour market. We shall be taking evidence over the next few weeks and obviously hearing from the Secretary of State in due course. I wonder if we can start with the current situation and get your views on why you think the previous Government failed to control immigration from non-EU countries. I do not have to remind you that they set a clear target and have succeeded in missing it for every year since the target was set. Of course, the current Prime Minister has, as it were, on-the-job experience of the problems. Why do you think they had these problems, Lord Green?

Lord Green of Deddington: Could I take a step back and just start by saying that I would like to put my evidence into a policy context? You had a discussion about this last week, but there was not much policy in it. The question is this: what are we seeking to achieve and how can it be done? We clearly need a rationale for our immigration policy and some means of knowing whether it has been achieved. The rationale, I would suggest, is primarily political. There is a strong public demand to reduce immigration; I need not go on about that. On the objective, I would suggest an objective of this kind: a level of net migration that avoids undue pressure on our population, public services and community cohesion. Do we need a target? I would say yes.

As a matter of fact, the experience of the last five years is that practically every department in Whitehall has some good reason for wanting a migration target. It has been experienced that the fact of the target and its public acknowledgement meant that the previous Prime Minister came down at critical moments on the side of immigration control. We will come on, in a moment, to why the results were limited. My point is that the target was effective in that respect.

As for an appropriate level, that is a key question. Even 100,000 a year would add about 9 million to our population over the next 25 years. If your concern is population crowding and everything that follows from it, you should have in mind something of that order over the medium to long term. Lastly, how can it be achieved? We are coming to that, but in practice it involves bearing down on each element, provided that free movement from Europe is contained in some way, which we will also come to.

May I move on to the actual statistics? You asked why it failed, and it is a question that goes to the heart of the credibility of the whole immigration system. The first thing to say is that it did not entirely fail, in that the numbers were reduced since 2010 from 210,000 to 160,000. That is about a 25% reduction, but, of course, it is a long way short of the target. Technical controls were in place, but they did not achieve the extent of reduction that the Government hoped for. When you are looking at that, you need to separate out the three key elements of the inflow.

Very briefly, on the economic front, there was some reduction in the early years as a result of closing tier 1 to people coming looking for a job. The employers were not much interested in that, so that was closed. There was a subsequent increase in tier 2—the people brought in by employers—as the economy strengthened. All these changes were fairly small and the total stayed at round about plus or minus 50,000 a year. We expect some reduction in that as the salary thresholds are raised in April, but it is hard to say by how much; there are so many other factors.

Family has come down from 50,000 to 40,000. This is largely due to the salary threshold, which the courts have just confirmed. Regarding students, visa applications are what we know about, and they are down from 270,000 in 2011 to 200,000 in 2015. However, it is worth noting that the university visa applications actually rose throughout that period. Other applications fell very substantially as a result of tough action in respect both of interviews and of closing bogus colleges, of which there were 900. There was quite a significant success in relation to cleaning up the student route, which was in a terrible state in about 2010.

Looking ahead very briefly, we have looked at the intake by visas of 2015 and combined it with the work that the Home Office has done looking at how many people eventually get permission to stay here. We reckon that, of nearly 400,000 who were granted visas in 2015, by 2020 only about 100,000 will have a right stay on. If the enforcement can be made effective, which is another big question, the net inflow under these categories should be something of that order. Work is certainly not done. It is not quite as bad as it looks, but there is plenty more to do.

Stephen Clarke: I would want to clarify what the target exactly was and what it failed to achieve. If we say there is a notional target of 99,000 or tens of thousands, as soon as you dip into that you might need half of it to come from the EU and half to come from the rest of the world. At present, non-EU long-term migration is 160,000, so we are quite a way away from 50,000, if that is a target. I suppose it was not achieved because the non-EU migration, which has to come through one of the tier 1 to 5 visa routes, was not controlled enough. The Government control that side of immigration, and they could have reduced the amount of workers allowed to come through tier 2, further tightened family visas, made it harder to gain youth mobility visas and so on.

The fact that they did not—and I do not want to speak for anyone in government—I assume is because other concerns, economic and so on, overrode the concerns about migration. The issue is not really why it was not achieved, because that part of migration was under the Government's control, and should they have wished to get it down to 50,000 they could have simply set a cap of 50,000 on non-EU migration and that would have been that. The fact that they did not suggests that other choices were being made at the time.

Philippe Legrain: The net migration target is nonsense. It is absurd because there is no right level of net migration. It is absurd because the Government do not have the means to achieve any arbitrary target that

they set, both because they scarcely control emigration or EU migration and because they have only limited control over non-EU migration. Last but not least, and crucially, in prioritising an absurd and arbitrary target, they take stupid and costly decisions without thinking through the consequences. It is madness, at a time when every country in the world is trying to increase its share of the booming global export market, to be clamping down on foreign students, not to mention the impact it has on the good will of Britain in countries such as India. It is immoral to be preventing poorer British people from living in Britain with their foreign spouse. This is like "Romeo and Juliet " against a backdrop of 21st century bureaucracy.

Now, given this absurdity and the fact that, as was mentioned by the previous speaker, new controls were introduced, why did they not bring down the bit that they have limited control over: the non-EU migration? There are countervailing forces. First of all, the British economy has done relatively well in recent years, and that has brought in more people to work. We can road test the idea that crashing the economy brings migration down in years to come. We live in a global world and people move around more. People continue to marry foreign spouses and bring their families here. Also, if you anticipate a further tightening of controls, given that there was a ratcheting effect throughout the last Parliament, to a certain extent you can have an increase in migration in anticipation of tighter controls in the future.

Last but not least, if getting back into Britain is difficult, you tend to have a reduced rate of emigration. If people can come and go freely, they will come for a bit and go back. If they know that, were they to leave, they would probably find it hard to come back, people who might have been temporary migrants perversely become permanent ones. Therefore, you will have reduced emigration.

The Chairman: Is there evidence to support that?

Philippe Legrain: There is plenty of evidence from around the world that when you tighten immigration controls, temporary migrants become permanent ones. Think about the people who commute into London from the suburbs. If Sadiq Khan suddenly said, "If you live outside London, you cannot work in London ", many people who currently commute in would decide to settle in London permanently in order to be able to carry on working here. It is quite logical.

The Chairman: If the political imperative is that a limit is put on, which is what Lord Green was saying, however much that goes against the grain from an economic point of view, are there any measures that you recommend the Government take to try to achieve that?

Philippe Legrain: I do not think that the Government should set a target for net migration. If they are to have immigration controls, they ought to be simple, coherent and non-discriminatory. The system of controls that we have now is none of those things.

Lord Forsyth of Drumlean: What does that mean?

Philippe Legrain: On simplicity, there have been 50 updates to immigration rules since 2010, spanning 90 pages. That means that in effect it is great for lawyers, but it is terrible if you are a small business and want to recruit someone. It is terrible if you are a migrant, because you do not know what the rules are and they change all the time.

On coherence, the objectives that you are seeking to achieve ought to fit together. If on the one hand you are trying to boost trade with India, it does not make sense on the other hand to prevent Indian IT workers from coming to work in Britain to deliver the contracts that go with that trade.

On non-discrimination, the byzantine set of rules basically makes arbitrary decisions about whether someone is valuable to the British economy, based on information that Home Office officials do not have. It is like Soviet-style manpower planning but applied to entry into Britain. Imagine if you applied that between England and Scotland; how well do you think it would work? Why do you think it would work better applied to Britain and the rest of the world?

The Chairman: One thing that has been ever present in our discussions so far with witnesses is the poverty and inaccuracy of the information. Irrespective of whether you want to control immigration and the extent to which you control immigration or how you control immigration, you do not have the data to do it. What are your thoughts on that?

Lord Green of Deddington: There is no easy way to do this unless you want to ride roughshod over public opinion indefinitely. The fact of the matter is that this has to be tackled. There can be wide disagreements, as we have just heard, but the bottom line is that we have to tackle it.

On the question of statistics, this lies at the heart of the credibility of it all. The statistics are very far from being complete, but they give a broad outline. There are some fairly accurate elements. We know how many visas we have issued. We know how many national insurance numbers we have issued; the chap has to actually go to the office and say who he is. The 10-year census has, on the whole, brought up a reasonable check on the immigration statistics, except the last one, which was wrong by 500,000 because it had not picked up eastern Europeans, as I am sure you know. They say they have now fixed that.

The big problem at the moment is the question of students and how many are actually leaving. I have described how there has been considerable success in reducing bogus arrivals. We do not really know how many people who came as genuine students have in fact decided they would rather stay. The exit checks introduced in April 2015 appear to show a significantly larger outflow of those who arrived as students than the passenger survey has been showing. Now, that has to be resolved, because it lies at the heart of policy, apart from anything else. We have been pressing for the ONS to have a representative in the Home

Office who is given access to this data. That has now happened and a major study is in train.

Of course, it raises two serious questions. First, is the overall outflow being underrecorded, and therefore are we exaggerating the problem of immigration; or is it simply that the student element of the outflow is being undercounted and there is a residue who came in some other capacity? We will have to wait for that; we simply do not know and the Government are not saying. I do not think they know, because it is a more complex exercise than they had expected, and we will have to wait to see what they say.

Stephen Clarke: The need to react to every net migration figure is not particularly conducive to good policy. On the question of whether you could say that you had hit the target with the current data, you could not, because there is about a 40,000 margin of error around the statistics that come out. You might think you have got it down to 99,000, but actually you only had it at 140,000. If you think that is important, you have failed to achieve it. There is a limit to how much you can improve the information on the flows of people inside and out. In the last session, Professor Manning explained that when you have 36 million people coming and going, even the most effective system, if it is out by 0.1%, will have a big margin of error in the absolute numbers.

Perhaps it is therefore better to be concerned about stocks, because it is the number of people residing here as long-term migrants that will determine decisions on public spending and resource allocation around the country. By and large, the annual population survey and the labour force survey are quite good at finding the amount of migrants who are here. Jonathan Portes has commented that perhaps the LFS is undercounting migrants because they tend to reside in accommodation where a number of families live at once. They might be semi-short-term, so they are coming and going and are not picked up by the annual surveys. Even then, we know that for the last four years we might have a discrepancy of about 400,000 to 500,000 migrants who are not being counted by the annual population survey and who may be here.

Assuming that the annual population survey is relatively accurate, which hopefully it is because otherwise there are lots of other things that we have to worry about, you have about 9 million migrants. The point, from the point of view of devising a migration policy, is to understand what level of public resource is needed for future population growth and to be able to plan accordingly for that. Whatever projection we make, if we assume that in the next 20 years we are going to add another 3 million migrants, public spending needs to adjust to take that into account.

To return to the previous question, I do not think there is any one level of sustainable migration. If you have high migration, you might need to invest more in public services where there are areas under stress. If you have less, you might need to invest less. However, migrants, as we know, bring tax benefits that can pay for some of that.

The problems we have had in this country over the last five years or so are around the transition. If you move from a state of relatively low migration, which we had in the early 1990s, to a state of relatively high migration, which we know happened regardless of whether the net statistics are any good, you are going to have transition problems. That is where the discussion should be centred. If we see a big influx of migration, there will be a period in which public spending may not adjust to take that into account, and at those times we may have problems.

Philippe Legrain: I read the discussion and the evidence given by Professors Portes, Manning and Rowthorn. They covered this pretty comprehensively. Clearly, one could improve the international passenger survey—both its scope and the amount of resources devoted to it. With digital technology, one could improve measurements of people exiting the country, although, as others have said, there are going to be issues. The other way to go, and I would not advise this, is to have a European-style population register. However, just as ID cards were not acceptable to the British people, that probably would not be acceptable either.

Lord Forsyth of Drumlean: May I follow up on your question, first with Mr Legrain? I find your paper quite fascinating, but basically you are advocating a complete free for all and that anyone who has a job should be able to get a visa to come here. You say, in response to the point being made by Lord Green about the public backlash that might result, that this could be dealt with by making welfare benefits less available. It is the phrase, “enhancing the efficiency and flexibility of public-service delivery, and reforming land-use planning to make the housing market and infrastructure development more responsive to demand”. How realistic are these proposals and what exactly do they mean? What do you mean by “enhancing the efficiency and flexibility of public-service delivery”, when our problem is that people cannot get GP appointments, the National Health Service is under enormous pressure and there is huge opposition to building on the green belt? Is this not an idealistic economic model that is completely impractical, given the real problems that we face?

Philippe Legrain: First, the presumption that the system of bureaucratic controls that we apply to non-EU migration delivers better results than freedom of movement is contradicted by the evidence. The self-selected migrants who are able to come to Britain freely tend to be highly educated, are more likely to be employed and are particularly large net contributors to public finances. Actually, freedom of movement works better.

Secondly, because they are net contributors to public finances, any strains that emerge on public services are not due to migrants themselves, but rather due to the failure of public services to be flexible and adapt to change. That is a problem that emerges for people moving around the country. There is more migration within Britain than arrivals coming in. Any local authority area or primary care trust has to cope with lots of people moving around the country too, so the necessity of having

flexible public services that respond when people move around is vital in any case.

Lord Forsyth of Drumlean: What is a flexible public service?

Philippe Legrain: It is one that responds quickly and adequately to changing local needs.

Lord Forsyth of Drumlean: There has been a huge increase in population and there is a limited amount of cash available, so how does it do that?

Philippe Legrain: As I said, all the studies show that migrants are net contributors to public finances. Therefore, there is more cash available. In effect, they are subsidising the public services for British people. If there were no migrants here, there would be even less net money for public services for British people, not to mention far fewer doctors and nurses to care for them.

Q16 **Lord Forsyth of Drumlean:** That really brings me on to the question that I am supposed to be asking, which is whether immigration actually increases GDP per person. We have very conflicting evidence about that and, indeed, Migration Watch has told us that the economic effects of restricting lower-skilled immigration would be minimal. The question that I would like to put to all three of you is this: does immigration increase GDP per person, and is Migration Watch correct? Perhaps we could start with Lord Green.

Lord Green of Deddington: Lord Chairman, your Committee is correct. You looked at this in great detail; I think Lord Layard and Lord Lamont were members at the time. It was the first major study of the economic impact of immigration and you know what it says. Just for the record, it says, "We have found no evidence for the argument, made by the Government, business and many others, that net immigration—immigration minus emigration—generates significant economic benefits for the existing UK population", which is the key point. Nobody has laid a finger on that in the last eight years. Evidence that is put forward is almost always from some different economy. I rest my case.

Stephen Clarke: I would not put it in such stark terms. You can find studies that show an effect on GDP per capita, some of which are cross-country and may not look specifically at the UK. Work has been done by the NIESR, Professor Rowthorn and Migration Watch. There is a body of evidence, which does not clearly point to one single result. That is probably because it is incredibly difficult to model macroeconomically the effects of migration. Thinking that this is some kind of litmus test and that, once you have found the answer, you can follow whatever migration courses it shows would be incorrect. If you found marginal benefits, for instance, I would not necessarily assume that you should therefore have uncontrolled migration. If you found there were some costs, that should not necessarily lead to not permitting any.

There are some things that we know about certain types of migrants, which might be better to have in our heads rather than just migration. Younger migrants will probably add to GDP per capita, because they will work and will be more productive on average than the current population. As those migrants age, those benefits may dwindle, but if they are here for a short period it could be beneficial. We know, for instance, that younger migrants contribute more to the Exchequer and therefore could be good for that reason, but again, if they age and stay here, that effect will dissipate.

We come back to the question of whether you can have any kind of equilibrium, but getting there is the important thing. If we have higher migration, public services need to be funded to take that into account. If we have lower migration, there might be less need to fund public services to the same degree. However, if we have more migrants providing money for the Exchequer, then, all being equal, there probably will not be too much of a problem. The degree to which migration increases GDP per capita is a moot point. You can come up with a model to suggest that the best allocation of labour will produce a more productive economy. Just as we do not restrict people moving around this country because we think that would be bad for GDP per capita, you could make the same argument about Europe. That is a theoretical argument and it is very difficult to prove, so perhaps it is not worth debating it to a certain extent.

Lord Forsyth of Drumlean: Except that in your Resolution Foundation paper, which was sent to the Committee, I think I am right in recalling that you point out that one of the consequences of not being able to have low-skilled labour coming in from the European Union is that employers might have to invest more in training and raising the standards of the workforce and look at mechanisation. You give a very good example of how automatic carwashes have suddenly been replaced by people on low wages. You give that as an example, which points to a conclusion that that is likely to address the problem that we have of very low growth and productivity. France is often quoted as having higher productivity, but quite a lot of people have moved out of France into this country.

Stephen Clarke: The problem with this, in terms of the original question about coming to an answer, is that there may be mechanisms like that in which you could argue that low-skilled migration is reducing capital expenditure. Therefore, it is important to understand that there are different types of migrants, but if you restrict certain types of migration you may be depriving the economy of certain skills that it does not have. There could be lots of migrants from the European Union or elsewhere who are good complements to what we do, so getting rid of them will not necessarily lead to more jobs for British people or greater investment; it might just lead to less output. There are probably some forces at work that would lead to lower GDP per capita and some, as people argue, that would lead to higher GDP per capita. With all due respect, the difficulty is that there is no answer yet, so the search for one is perhaps not the best use of resources.

Q17 Lord Kerr of Kinlochard: I am not bound by the previous Committee report because I am a member of the spry, younger generation, like Lord Forsyth.

Mr Legrain, would you like to speak to the point that you make in your paper a number of times about the effect of immigration on average incomes? On page 26 of your paper, you quote from a 2010 study: "A 10% increase in the immigrant stock raises per-capita incomes by 2.2% ". On page 16 of your paper, you quote a study from 2013 using data from 1997 to 2005: "An increase in the number of migrants equivalent to 1% of the UK-born working-age population boosted average wages by 0.2% to 0.3% ". I find this quite impressive, so I would like to know if you want to come back on the exchange between Lord Forsyth and Lord Green.

Philippe Legrain: I will address Lord Forsyth's question at the same time. As far as I am aware, Migration Watch has never published any economically rigorous studies. As to the conclusion of the previous members of this Committee in 2008, as far as I know that is not an economically rigorous study either. It ignored the evidence given by Jonathan Portes about the dynamic benefits of migration, which are absolutely crucial. The studies concluding that there is little to no benefit of migration are partial and static. They look at the labour market while ignoring the impact on the wider economy. They are static in the sense that they exist in an artificial world without economic growth, where by default nothing has much impact on the economy. If you look at a comparative model of international trade, you will find that it has basically no impact on the economy either. If you allow for dynamic impacts, it boosts productivity and growth. The effects are much more significant.

Why, then, does migration tend to boost GDP per capita? I can give you three reasons. First, migrants increase the diversity of skills and ideas in the economy. A greater range of skills allows a greater specialisation; that is economics 101. A greater range of ideas boosts innovation. Very important research by Scott Page shows that groups that display a wider range of perspectives outperform groups of like-minded experts at solving problems. Solving problems is what most work consists of these days. That is true of adding a woman to an all-male corporate board, someone who has been educated in a state school to a Cabinet full of Ministers from a public school, or, indeed, adding migrants to a team of wholly local workers.

Secondly, migrants tend to be more entrepreneurial than most. A study from the Centre for Entrepreneurs shows that newcomers are nearly twice as likely to start a business as people born in the UK. The European Startup Monitor shows that 25% of UK start-ups were founded by EU migrants. That includes ARM Holdings, which is our most successful technology company. It includes EasyJet, our most successful airline, with all due respect to British Airways, and many of the entrepreneurs in tech city.

Last but not least, and crucially, low-skilled migrants also boost GDP per capita because they tend to complement local workers. For example, foreign nurses enable British doctors to provide better care to more patients. Foreign childminders enable highly productive and highly skilled British lawyers and professionals to go back to work. Foreign cleaners enable those highly skilled professionals to work longer hours. You see low-skilled eastern European workers picking fruit and veg. They tend to be more productive than their equivalent British workers would be. As a result, output is higher and prices are lower, which means that every single person in Britain benefits from cheaper fruit and veg.

Studies also show that low-skilled migrants enable low-skilled locals to do slightly better paid and slightly higher-skilled jobs. That is a further way in which it boosts productivity. New research from IMF researchers that was not available to the Committee in 2008, had they been willing to look at it, shows that a 1% increase in the migrant share of the population boosts GDP per capita by 2% in the long run, primarily by increasing productivity but also by increasing the share of the total working-age population, which is crucial. This was from both high-skilled migration and low-skilled migration. This is very rigorous economic evidence. I have yet to see anything from Migration Watch or anyone else to contradict it.

Lord Turnbull: Can I ask you one statistical question before I get on to how you would go about creating a new regime? Back in the Tony Blair days, the main concern was about asylum seekers and idea that we should repatriate as many people as came. What is the quantitative significance of asylum seekers?

Lord Green of Deddington: It varies between 20,000 and 40,000 a year.

Lord Turnbull: Is that net or gross? We found a great deal of difficulty in repatriating people.

Lord Green of Deddington: It is net. The net flow in recent years has been of that order.

Lord Turnbull: Apart from students, it is similar to the other flows that you mentioned earlier. We have not mentioned the illegals; what do we think we know about illegals? What I think is changing public perception is the fact that they see all these people jumping on to lorries in Calais, and they experience it when they go through Calais. It may be trivial, but it is a very powerful image. Do you think illegals are a significant issue here?

Lord Green of Deddington: Yes, they must be. Of those people who are detected as having arrived to claim asylum, about half are granted it. Of those who are not granted it, only a small proportion is removed, so that is where you get the net figure. The asylum figure is added to the passenger survey figure in the final LTIM numbers, as you probably know.

Q18 Lord Turnbull: If the free movement of people is to end, and it seems that this has been prioritised over the trade deal, what is the best system that we could introduce? The first question is this, therefore: should we have simply one integrated system or two systems, one of which has a higher degree of preference? EU migration could be prioritised in some way but still controlled. Do we split it or run it as a single entity?

Lord Green of Deddington: The first thing to say is that nobody is suggesting that migration should be zero. We have heard a song in praise of migrants and we are all in favour of them, provided they are high-skilled. The evidence for low-skilled migrants being a significant help is very limited, and where the numbers are large, as they are in the EU, which we are about to discuss, their impact on public services is proportionally much greater than their benefit. Indeed, the NIESR did a study of the GDP effect of eastern European A8 migrants a few years ago and said that the benefit to GDP per head would be very small; they actually said negligible, but thought they had better change it to very small. It is obvious that the economic benefit of the low-skilled is probably less than of the high-skilled.

We have suggested, as a means of dealing with this, reciprocal visa-free access with member states of the European Union, unless the person concerned wishes to work. Secondly, we believe that the existing work permit scheme could be expanded to include applicants from the European Union. We doubt that there would need to be a cap on that number, because, historically, highly-skilled European migrants have tended to come and go, so the net effect of highly-skilled European migration is very small. It is worth mentioning that in the 10 years before 2004, net EU migration averaged 15,000. There is certainly no immigration pressure from the EU14. From a policy point of view, that brings the focus to what you do about the low-skilled.

At the same time, in relation to the high-skilled, we suggest that intracompany transfers with European countries should be free, as they are for non-EU countries for very obvious reasons. We also reckon that if we were in effect to confine migration from the EU to the highly skilled, we would reduce the inflow by something of the order of 100,000 a year. The IPPR came out with something rather similar. It is also worth mentioning that we would save about £4 billion a year in working-age benefits, which are now paid to low-paid EU workers, effectively as a subsidy for low pay. That is the outline. I can fill it in, if you would like.

Lord Turnbull: For the other two witnesses, what do you think of this idea of relying on work permits as the instrument of control? Is it workable?

Stephen Clarke: Do you mean work permits for all migrants, or are you talking about different classes of migrants?

Lord Turnbull: In the first instance, the EU system, in Lord Green's world, would remain a separate system but would rely on work permits.

Lord Green of Deddington: It would be the same as the existing system, but just expanded. Instead of saying that a non-EU migrant who wants to work applies for a work permit, you say that any migrant including an EU migrant has to do so. They would all go through the same system.

Lord Turnbull: What about the income limits? In the non-EU system that we have at the moment, there are income limits. Do they still apply? Do they then become applicable to the Europeans as well?

Lord Green of Deddington: Yes, they do, as well as for qualifications and so on.

Lord Turnbull: Effectively, you are integrating the two.

Lord Green of Deddington: Yes we are, for work.

Stephen Clarke: On the large question of whether there should be a separate regime for the European Union compared to the rest of the world, that really depends on our wider relationship with the European Union. If we want to have a more interlinked trading relationship with the European Union, perhaps a free trade agreement, as is being discussed, there might be a quid pro quo or a mechanism for greater labour mobility as part of that. If we do not and we have World Trade Organization relationships with the European Union, it would be odd, besides geographically, to have a special regime for the EU. The geographic reason might be enough, but you would have to justify why you did not have a separate regime for other countries too.

That is specifically on the EU question, but assuming, if we leave the European Union, we can design the migration system afresh or look to tweak it, there are three key questions that need to be considered. What is the balance between permanent and temporary migration? We know that some sectors will be squeezed by a lack of access to relatively short-term, low-skilled labour. Whether the Government set the rules of migration or just numbers is another consideration. At the moment we have a bit of both. Finally, what is the role of the Government, the Migration Advisory Committee or some kind of body like that, and what is the role of the private sector? There is a debate about having a points-based system or having a sectoral system.

Those three questions are key. The Europe question is a separate issue and is about our relationship with Europe, and it cannot be answered without knowing about that. It would be odd, if we had a special trading relationship with Europe, not also to have some kind of special migration relationship.

Lord Turnbull: I recognise that this is not your first choice. We are into the world of second best here. What system would you recommend?

Philippe Legrain: There is nothing about leaving the EU that requires ending freedom of movement. We could join the EEA. Joining the EEA involves an emergency brake, as Norway has. Another alternative would

be to have free movement but applying similar welfare rules as are applied to non-EU migrants, i.e. no entitlement for five years. That would address what in my view are undue concerns but concerns that might exist about the cost to the welfare system. The third could be to offer a visa to anyone who has a job offer.

If we are going to move away from having a preferential scheme for the EU, the idea that simply extending the dysfunctional system that we have for non-EU migration would not have huge costs is misguided. It is precisely because EU migration is flexible that it helps to overcome the rigidities and problems of non-EU migration. If we try to gum up the system by applying the absurd rules to everybody, the cost will be much greater. Nobody in this room has ever had to apply for a UK visa. There is some awareness now about the bureaucracy involved in applying for permanent residence because of the issues arriving with EU citizens. You have to fill in an 85-page form. If you try to apply that system at large, with Home Office officials second-guessing how many of each kind of person can come in and whether their skills are right, knowing better than the companies concerned whether they can do their job, anticipating whether they may become entrepreneurial, the idea that they have the information to do so is completely absurd.

In a second-best world, what kind of scheme could apply? It would be the Swedish system for labour migration, which says that companies are allowed to hire workers of all skill levels from anywhere in the world on two-year renewable visas. That is flexible, non-discriminatory and reassures people that migrants are coming to work. That would be a second-best alternative. A third-best alternative would be to ration it by price, as Singapore does. It has additional levies on migrant workers, and one could envisage having a higher rate of national insurance on migrant workers. In a sense, that acts as a way of both rationing migration and providing more visible evidence of the huge contribution that they make to public finances.

Lord Darling of Roulanish: I have a quick question on that, to any one of the three of you. Has any work been done on the cost of processing visas for the world at large, assuming we treated the EU as the rest of the world? You are asking about experience around the table; I can only speak as a former MP. With my constituents, my experience was that the time taken was exorbitantly long. The decisions were erratic and terribly difficult to understand. If this is to be applied to all EU nationals, and it would depend how you decided if someone was skilled or not skilled, it occurs to me that there is bound to be some cost here. Has anyone done any work as to what the processing costs, time taken and economic effect of that would be?

Lord Green of Deddington: There is a central issue here, which is that the sheer volume of EU migrants arriving at our ports runs into millions. It is 15 million a year or something. It is barely feasible to impose a visa regime on ordinary Europeans, even if we wanted to.

Lord Darling of Roulanish: I am talking about the ones who come here

to work.

Lord Green of Deddington: If you are talking about work, you are talking about relatively small numbers. You would probably have to double the existing system, which is doable. Any system of restraining immigration has bureaucratic disadvantages, to put it mildly. We have net migration of one-third of a million, so we will have to bite the odd bullet.

Stephen Clarke: I was going to say what you said. I am not sure that any studies have looked rigorously at the exact amount. In our work we talked about the current level of labour market enforcement. Across HMRC, the GLAA and other organisations, there are about 300 members of staff. We do not really do labour market regulation in this country. Employers do it all. If you wanted to run a more hands-on visa system in which you approved more people to work in certain sectors and perhaps allowed some people to come temporarily, undoubtedly there would need to be a big investment. I would not necessarily think that it is just double what we do now, because we really do not have much of a labour market enforcement regime at present. We have free movement of people for the large majority of people who come to work. Most people we know from the migration stats are coming to work; a lot of them already have a job and the rest are looking for a job. It would be a big cost and more than just double what we have now.

Lord Darling of Roulanish: Presumably the state decides whether an employer needs that person.

Stephen Clarke: Yes. There has been talk about a temporary regime for seasonal workers in agriculture. If we are going to have that regime, who will count them in and out, give them their national insurance number and make sure they give it up when they go? Who is going to make sure that they leave? We have had none of those problems, and if we are going to have a regime like that, we will face them.

Q19 **Lord Burns:** Assuming that EU citizens working in the UK are allowed to remain after Brexit, which seems to be the expectation, do you expect many of these people to return home anyway? Some of these people will have been here for some time. What do we know about the natural flow of people returning to EU countries?

Lord Green of Deddington: In a word, we do not expect them to return in large numbers. We have done some work on this, looking at the labour force survey arrivals of EU migrants in 2004, and for each subsequent year whether they are still here. The answer is, yes, in aggregate, they are still here. Actually, the numbers are slightly bigger, because people who on arrival did not expect to be here indefinitely have turned out to stay on. We are not expecting a cliff edge. There are other factors such as sterling, but there is no reason to expect a cliff edge in the near future.

Stephen Clarke: I would draw a distinction here between long-term migration and short-term migration. We have about 3.3 million long-term migrants from the EU, and the chances are that that stock is not going to deplete very quickly. There is no evidence of that. There could be some pressures on short-term migration in some sectors in particular. Sectors that have a high turnover of staff and recruit very regularly and seasonally might find pressures. It is important to draw that distinction. Yes, they are not all going to leave, but we could see some sectors with significant labour shortages.

Philippe Legrain: The latest statistics, which were published just this morning, show a statistically significant increase in emigration for EU8 citizens: up from 12,000 to 39,000. Due to the flaws in the statistics, most of the findings are not statistically significant; the fact that it is statistically significant tells you something. The UK is a less attractive place to work than it was, notably because the pound is worth 20% less. There has been an increase in hostility towards foreigners, and even people who have been here for a long time feel less welcome. If the economy slows and some businesses relocate, there is likely to be increased emigration.

What is missing in this picture, which has been touched on by Stephen in passing, is that most migration is temporary. Most people come and go all the time. It depends a lot on the terms on which EU citizens are allowed to stay. Even with indefinite leave to remain, if you leave for two years, you lose it. If it is simply that you are allowed to stay, but if you go you cannot come back, that could have the perverse impact of making people who might have gone stay longer. There are many different effects there.

Lord Burns: Are we facing the same problem with some of the other things, where we do not know how many people have been here and for how long? How do we then begin to determine those people who have rights to move out and come back again?

Philippe Legrain: That is going to be the key question. In principle, there is agreement, across the political spectrum, that we want to allow EU citizens to stay. The devil is in the detail. When is the cut-off point? How do you determine who was there at the cut-off point? Are there any exceptions? What are the terms? Do we have the administrative capacity to deal with all this? These are really important questions, which are going to become more salient as we reach the decision.

Lord Burns: Could I follow up on the earlier discussion? I am slightly puzzled. We went through what the experience has been with non-EU people, whereby we had targets for net immigration, which failed, basically because there were countervailing pressures. It turns out that we also have great difficulty measuring this and the impact of it upon the stock. Yet, Lord Green, you responded that for the new system, which includes EU people, net migration targets remain the best way of dealing with this.

I am slightly puzzled as to why one would naturally seek a system that tries to target net migration flows when that system has failed and caused a great deal of political embarrassment for the people who set it up. Why would we apply that across the piece to an even more complex area, with people who are much closer at hand and much more likely to be coming and going? The ideas of measuring it by the stock and putting emphasis on trying to boost methods of measuring it would seem to have something in them. What does not is the thought that we are going to adopt what has, as I say, been a system that has caused enormous political embarrassment. It has had some effect in bringing down numbers, but why would we want to put a target in place and go through that whole thing again, which will apply to an even larger community of mobile people?

Lord Green of Deddington: There is no time here to go into the detail of the statistics. I can send you a note to suggest how we might get within reasonable sight of the target over the medium term.

Lord Burns: I spent a lot of my time with inflation targets, exchange-rate targets and a variety of things. That ability to embarrass is largely because of countervailing factors. Getting within reasonable reach of a target does not mean that it is not short of embarrassment.

Lord Green of Deddington: I am sure you have vast experience of these matters. Setting a target in the first place was a political risk; there is no doubt about it. As I say, it has had a useful effect. It has not yet had the full effect. As for expanding it to the EU, there is no real alternative to what we have suggested, because for much wider reasons we will want to have free movement of people who are students or are family. It would be absurd, unmanageable and unfeasible to have a full visa system for the European Union countries from which there is in any case no immigration pressure.

The question is what you do in effect to cut out the low-skilled workers, whose contribution to the economy is limited and who are seriously adding to the pressure on public services and housing. We are having to build a house every five minutes day and night for new migrants. These are huge pressures. By a process of elimination and starting from where you are, which is not a bad idea, this is almost the only thing that we can see. No one else has come up with a better idea, by the way. This is the only feasible way to go about it. You could raise the target or whatever, but that is a different issue. In terms of an administrative system, this is the way forward.

Q20 **Baroness Bowles of Berkhamsted:** We seem to be covering things that belong in other questions, but I am going to jump back to an issue that we have already discussed a bit: sectors that are reliant on low-skilled migrant labour and might struggle to attract domestic workers. Agriculture and horticulture reckon that they might be particularly badly hit. For them, should there be temporary workers, and how does that fit in with the rest of the migration system, or are we falling back on mechanising, training British workers, or in some cases

just not doing that business? There is a whole range of things there.

Lord Green of Deddington: It is all of the above. The effect on the specific sector, of course, depends on the numbers involved, the proportion of the workforce and the options for adjustment. There will be sectors where some interim arrangements are needed. Horticulture is an obvious one, as are some parts of agriculture. In the past, as I am sure you know, there has been a seasonal agricultural workers scheme. That could be considered. The fact that it is seasonal means that they leave after six months. They are brought in by a gangmaster and seen out by a gangmaster. It worked quite well from about 1945 to 2013, when the arrival of Romania and Bulgaria meant that it was no longer necessary. There are possibilities of that kind. There may be other sectors that need looking at. The idea would be to wind them down over time.

Baroness Bowles of Berkhamsted: Does that mean that you would not have the seasonal ones over time?

Lord Green of Deddington: It depends on which sector you are talking about. Some you can wind down over a short period of years. Some you can wind down and some would be more difficult.

Baroness Bowles of Berkhamsted: You are saying that we should aim, ultimately, to be self-sufficient in that sense.

Lord Green of Deddington: Yes, in most sectors. We have 1.5 million people who are unemployed, and we have over a million part-time workers who are looking for full-time work. It is not as if the barrel is empty, but there are some situations, such as isolated farms, which British workers probably cannot get to. You have to look at each sector individually.

Stephen Clarke: We know which sectors will be most affected by looking at the share of employees who are from the EU. It is also important to look at sectors where there are absolute numbers. We can forget that there are very large numbers in education, for instance, that do not form a large share but represent a large absolute number, which can also have an effect. I would look at both share and absolute number.

Sectors that employ a lot of EU migrants initially are going to be very concerned and will be looking for some kind of temporary-worker arrangement. The idea has been floated. We do not have a lot of evidence about this, but what is starting to emerge—the CIPD did surveys in the last quarter to gather some of this—is that there will be a range of responses. However, fewer businesses were talking about looking to employ more British workers. The majority were looking either to mechanise or to keep current workers on. Fewer businesses were thinking that they would respond by recruiting more UK workers. That may change. We do not know.

There are some industries where it is perhaps fanciful to think that there will be a big substitution of UK labour for EU labour. We know that a lot of the people out of work have long-term health problems. People with

disabilities form about 2 million of those out of work, and they are not going to start working in the fields or in physically demanding manufacturing jobs. We need to be cautious about what we can expect in the short run from substituting British for EU labour. In the long term, a positive benefit that could come is greater mechanisation and greater investment, as I said in my paper, but that should be seen in the context of the need for wider governmental action to do that. I am not sure that just reducing the flows of EU migrants will necessarily encourage that on its own. Lord Green is right to point out that we have lots of unemployed people, and it could be a good thing to get those people into work. I do not think that simply reducing the number of EU migrants will do that. These people will probably need much more active labour market policies to get into the workforce than simply just freeing up the opportunity. The devil is in the detail, and we can now say for certain that these are the sectors that will be affected. What the case will be five or 10 years down the line, nobody knows.

Philippe Legrain: Self-sufficiency is clearly feasible. Robinson Crusoe scraped by on his island. The idea that it is desirable is insane. Migration tends to block people's way of thinking. If I told you that we should be self-sufficient in goods and services, I would be laughed out of this Committee. Nobody would agree with me. Migration is a form of trade. If you want to trade with an Indian IT company, either they can do the work in Bangalore or they can come and do it in Birmingham. If you want to import construction services from Poland, the Poles have to come here to do the work, and likewise if you want to import horticultural services. As to the notion that we could do it so we should do it, yes, we could, but there would be a huge economic cost.

Economies are flexible and adjust, just as we would adjust if we tried to become self-sufficient in goods and services. We would be poorer, but we would adjust. Mechanisation is one thing that would happen, and some things we would just do without. The Scottish strawberries that Lord Forsyth loves would go unpicked, and so perhaps would the English strawberries and we would import Spanish strawberries instead. As to whether British people would be better off as a result, I doubt it. I am just speechless. To aim for self-sufficiency is insane.

- Q21 **Lord Forsyth of Drumlean:** We have had quite a lot of evidence from various sectors, which picks up on Lord Green's point, which is basically that we have a lot of people who are unemployed or working part time, so there is a supply of labour there. What concerns me about that argument is that if you go to Italy, for example, in most of the restaurants the waiters will be Italians. If you go to Switzerland, which is in a different category as far as labour market controls go because it has signed up to free movement, you will find that most of the waiters are from central and eastern Europe. The argument that is put is that British workers do not want to do these labour-intensive, difficult jobs. Therefore, if you take your position, Lord Green, you will find that although there may be a supply of labour it will not actually come to do these jobs because there is a cultural anathema towards doing them. Do

you think that would be changed by an adjustment to the price of that labour? Is this an argument that we should be concerned about?

Lord Green of Deddington: It is an argument that should be considered, yes, but there is also a sense in which the availability of very young, capable workers ready to work on minimum wage has a significant effect. I will give you one clear example. There is a company in Northampton that makes sandwiches. They built a new factory. They wanted 250 workers. They went out to Hungary and brought in 250 workers. If you look at the advertisement, which I have here as a matter of fact, it said that every worker had to be willing to work 24/7, weekends, nights and whatever might be demanded of them. If you are a British worker and you have a family, a wife who works or whatever it might be, you cannot apply for a job of that kind. It looked to us as though it was drafted in order not to get any applicants.

Lord Forsyth of Drumlean: Which company was this?

Lord Green of Deddington: I think it is called Greencore. I happened to run into Iain Duncan Smith a few months later and I mentioned it to him. He said when he was Secretary of State he asked the jobcentre in Northampton whether they had been asked to help find the workers. They had not been contacted. That is just a vignette, but I am sure that there would be an extent to which employers would turn towards a British worker if this endless supply of very competent, very low-paid workers was to come to an end.

Lord Forsyth of Drumlean: Clearly that kind of behaviour is ridiculous, but you have not answered my point about whether people are not prepared to take on these jobs. In order to make it possible for them to take on these jobs, there would have to be a rise in the wages being paid or an improvement in the terms and conditions.

Lord Green of Deddington: Yes, probably. Why not?

Lord Darling of Roulanish: You were chiding us at the start because you thought we were not concentrating enough on policy. Making policy on the basis of anecdote or individual examples is not altogether satisfactory either.

Lord Green of Deddington: Indeed, and that is an illustration of a general point that later emerged. It is quite hard to get evidence on what has not happened. The question was: what happens if you lose your eastern European workers? You cannot have evidence of that until they have actually gone.

Lord Darling of Roulanish: Take the situation in London, where the British Hospitality Association has made the point that a very large number of people are from the European Union and not necessarily from eastern Europe. If they were all to go, because presumably all these jobs are not skilled in the way that you would describe, it must have some effect. There may be lots of people in London waiting to do all these jobs; I do not know. The impression one gets is that the London employment

market is rather full at the moment.

Lord Green of Deddington: First of all, it is very unlikely that there will be a cliff edge, as I have mentioned. There will be time to adjust. Secondly, there may be some sectors, and this may be one of them, where there is a need for a transitional programme to make sure that there is time for employers to train people as waiters or whatever it might be. To a certain extent, one has to feel one's way forward in these things. Unless you set about it in a sensible manner, you are not going to get anywhere.

Lord Darling of Roulanish: Presumably, if this policy works, in some ways it is almost like British jobs for British workers. The corollary must be that in France and Germany, if there are British people working there they will not want them either. Presumably they will come back and take some of the jobs that are vacated.

Lord Green of Deddington: I am not suggesting British jobs for British workers. I am suggesting, in reaching a new immigration regime with Europe, which is going to be quite important in this forthcoming negotiation, that we set it up in such a way as to minimise the inflow of low-skilled EU migrants whose contribution to our economy is obviously much less than from the highly skilled. If that leaves you with sectoral problems, let us address the sectoral problems, but let us get the direction of policy pointing in the right direction.

Philippe Legrain: What is self-sufficiency if not British jobs for British workers? Let me counter this vignette with some evidence. At the moment, the employment rate as a whole in the UK is at record highs, as is the employment rate of UK born. Overall, there is no harmful impact on the employment of UK-born workers. The LSE Centre for Economic Performance looked at the impact of EU migration on local employment rates and the job prospects of the kind of people mentioned—i.e. low-skilled people not in education, employment or training—over a variety of periods. Again, they found there was no impact.

Lord Tugendhat: This is a relatively straightforward question and I can see the way the answer will go, but I will ask you anyway. Could a reduction of EU workers in higher-skilled jobs help to alleviate problems of graduate unemployment?

Lord Green of Deddington: I doubt it. The numbers are very small.

Stephen Clarke: I doubt it as well. It is perhaps too simple to define migration in terms of purely high-skilled and low-skilled, and to say that we just want the high and we do not want the low. It is difficult to get evidence on the things that you have been talking about, such as whether there is a reluctance to hire British workers because they will not accept the onerous terms and so on. Work is starting to be done, and, as I said, there are surveys being done of employers. Again, they might not respond to this, but only 7% said that the terms and conditions of the employment meant that they usually hired an EU worker rather than a UK

worker. You could argue that lots will not admit to that, and it is difficult to know, but the majority said that they hire EU workers because they have skills that British workers do not have. That goes for things that we may think of as relatively low-skilled, such as construction.

It is perhaps erroneous to think that there is high-skilled, which we want, and low-skilled, which we do not. There are definitely skills that might not be remunerated very well that we do not have a lot of in this country. In the long term, it might be good if we had more people, of whatever nationality, with them. That would involve investment in things such as training and education, which may be a separate issue from migration but has been ignored in this discussion.

On the issue of university students, I do not think so, because lots of EU migrants are not necessarily substitutes for British workers but complement them in some way. That is not very likely.

Philippe Legrain: There is no fixed number of jobs to go around. There are complementarities between high-skilled foreigners and high-skilled British workers, as I have mentioned, which in turn means that British workers are earning higher wages thanks to their colleagues. Indeed, in some cases they only have those jobs because of those foreign colleagues. If you were to restrict, for example, employment in the City of London to only British workers, the banks would simply move. If you had only British academics in British universities, more students would study abroad, and the quality of education given to British students would be worse.

Lord Green of Deddington: It is worth adding that net migration to the UK until 1998 was never more than 50,000 and was sometimes negative. We have got ourselves into a new mode, and it may well take time to wind that down, not to zero but to wind it back.

Q22 **Lord Darling of Roulanish:** I want to ask you about the feasibility of having regional variations in immigration policy. We touched just a moment ago on the point made by the hospitality industry in London, for example. Lord Green talked about having a run-in time. Equally, at the other end of the country the Scottish Government have made the point that as the Scottish population gets older and is not being replaced, if we do not have some additional immigration there will be a problem, especially if the Scottish Government have to pay for pensions at some point in the future. I am interested in whether you could feasibly operate a system that had regional variations. Australia and Canada are clearly very big countries, but they do it. We have had hints that de facto in some parts of the European Union, regional variation is applied. I just wonder whether it could ever work. This question is for all three of you.

Stephen Clarke: There are three main considerations. First, what regional decision-making structures are in place to make those decisions? In the case of London, we do not have one. I know we have a mayor, but I do not necessarily think there is enough in place yet.

Lord Darling of Roulanish: You could put one in place if you wanted to do this.

Stephen Clarke: That would be quite a big constitutional overhaul, which we are starting to move towards with city mayors. I am not sure the Greater Manchester mayor is really going to take a decision like that. Could you do it in the old government regions? The RDAs have been got rid of. In Scotland, Wales and Northern Ireland, there are political decision-making structures in place that could take a decision, which would have to be popularly approved in some respects, otherwise you would create another problem. That is one consideration, and I do not think there is anything in place in London yet, but perhaps there is elsewhere.

How would a regional system work with other aspects of the migration system? This would need to be considered. For instance, if someone came on a regional visa and stayed for a number of years, would they qualify for citizenship in the way they do now or would they not? If they got citizenship, would they be able to move around? There would be administrative issues like that. Those are the two main things. It is not beyond the wit of man to devise this system, but some of the countries that have similar systems have slightly more federalised structures of government, which may make it easier for them to be applied.

Lord Darling of Roulanish: Just to be clear, your concern is the possible absence in Scotland of a form of government that would allow you to do that.

Stephen Clarke: For Scotland, it is a maybe.

Lord Darling of Roulanish: It is a big maybe, because it does not have the power at the moment. You could put it there if you wanted to. What I am really interested in is whether you could ever make it work, assuming there is no hard border between Scotland and England. Northern Ireland is another case in point.

Stephen Clarke: I do not think it is beyond administrative capability, because in theory you could register people with national insurance numbers that had SC in front of them. You would probably rely on the employer to police the system because, as I said, we do not have a lot of labour market enforcement. You would basically have to require all Scottish employers to check when employing someone, and if they did not have an SC at the front of their national insurance number they would not be allowed in. You could do that, but those administrative burdens would have to be overcome. I do not think it is beyond the wit of our country to do it. There would be administrative challenges, though.

Lord Darling of Roulanish: We already have SC stamped on our tax codes so we can pay more tax.

Philippe Legrain: A lot depends on whether it is internally compatible. If places that are attractive to migrants offer visas specific to those

locations, they are likely to go there and stay there. If London were to have a more open regime than other parts of the country, given that there are lots of jobs here and it is an attractive place to be, that would probably work. Experience in Australia and Canada, where it is used by remote provinces that are less attractive, is that migrants stay for the length of the visa and as soon as they can they move elsewhere. It has only a temporary impact. In terms of being able to attract migrants to Edinburgh, say, I think that would work too.

Lord Green of Deddington: As I think we would all agree, it would add an additional layer of complexity. It would also distort competition at the boundaries. If you are just outside Greater London, do you have different conditions from a firm a mile down the road? You would have pressure from other regions. If you do this for London, why not do it in due course for Manchester? As one of my colleagues mentioned, if you went down this road, you would have an even greater problem of enforcement than you now have. You may even have a legal problem in saying where people can live and for how long they can live there. In Canada and Australia, it has not worked. They have moved on later.

I hesitate to talk to you about Scotland, but some of the arguments put forward in Scotland are not very convincing, as I am sure you know. The actual complaints can probably be met in a variety of ways. I do not think this is the place to deal with it, but the SNP has three or four things that it complains about continuously which can be met within the existing system. If it is pressing for a different system, it is for different and rather political reasons.

Q23 **Lord Darling of Roulanish:** We know that. Can I ask, finally, a question to all three of you? We touched on students right at the start. I do not want to misrepresent you, Lord Green, and you will correct me if I am wrong, but you said that there seems to be quite a lot of evidence that, of the people who come here to study, a large bulk leave after they have their degree. I just wonder whether it would make sense to treat the student numbers as separate and distinct from the general migration policy. By and large, it appears that this group comes to study and then goes away, and arguably it brings quite a lot of benefit to the economy. If you include students, it seems to me that you make it even more difficult to understand the factual basis of the problem we are trying to deal with.

Lord Green of Deddington: Historically, it has appeared that a very large number of students have been overstaying. Unless new analysis tells us that that is not true, there is a case for keeping them in net migration figures.

Lord Darling of Roulanish: Do we actually know that they are overstaying? As far as I can see, the statistics-keeping and the ability to monitor who is coming and going are so awful that we do not know.

Lord Green of Deddington: It is done on a survey basis, yes.

Lord Darling of Roulanish: There are all the flaws that go with that.

Lord Green of Deddington: There is no other way to do it, because the immigration numbers depend on intention, and even in an exit or entrance check you do not have any information on intention. If it turns on intention and it gets grossed up, it might not be right. The numbers have been very large for what appear to be overstaying students. Let us see what they actually are.

Stephen Clarke: The ONS has done some work to try to answer the question of how many overstay. It did not really know, but I am happy to share the paper if the Committee is interested. On the point of whether they should be removed from the regime, there is a challenge.

Lord Darling of Roulanish: I did not mean that they should be removed from the regime; rather, that they should be dealt with as a separate body of people.

Stephen Clarke: To a certain extent, they are. The problem, which is as much a problem with the media, is with the way the net migration statistics are reported and interpreted. It is difficult to do so, because we stick by an internationally recognised term, which is that long-term migration is over a year, and most students would fall into that. Therefore, it would be difficult. We already break them out of the surveys. If you are a student for three years, you probably get picked up in the annual population survey at some point. It would be very difficult to make the clean break. We already roughly know the student numbers.

The problem overhanging all this is that it is a target. It then becomes: "Are they in the target or not?" If there was no target, you could just say, "We have X people coming who are students. We have X people coming for this reason". Then at least everyone would then be clear what we are talking about. The problem is that, with the target, it becomes a thing about whether they get put in. That is not very helpful.

Lord Darling of Roulanish: Is not the problem that if somebody comes here to do a three or four-year degree from China or India, in the first year we clock them as a student and, from what you are saying, in the second year they are just part of the general population, even if in three years' time they are going back to the countries they came from?

Stephen Clarke: I agree, and they are students, and we should try to measure them as students; I would completely agree with that. The challenge is where you decide that they are long-term or short-term migrants. Perhaps it is better to have a separate category for them and try to measure them better if we think they are an important and separate entity, and there is a quite lot of evidence that they are. I would probably agree to a certain extent with what you are saying: that they should be counted separately.

Philippe Legrain: The net migration target is absurd, so it would be better to scrap it. If we have to keep it, excluding students who are widely appreciated as being economically beneficial and politically uncontroversial is a good idea. The idea that we are worrying about

students overstaying is also absurd. Australia, for example, has changed its visa regime to make it more attractive for international students who study in Australia to stay there. Education is now its third biggest export industry. Foreign students who have all the benefits of their foreign perspectives and experience, on top of the fact that they are educated locally, speak English perfectly and know local norms, are the ideal workers whom you want to keep in Britain in order to boost GDP per capita, pay tax for local people and make us all better off.

Lord Green of Deddington: I cannot resist saying that that is complete nonsense, for this reason: there is no limit on the number of genuine students allowed into this country; nor is there any limit on the number of students who can stay on and work, provided they get a job at the right level of salary.

Lord Turnbull: When students graduate, we are in effect given first pick of this pool of talent, and we should give that up at our peril. If we say, "You can leave and you have to start applying again", we lose it.

Lord Green of Deddington: We do not say that. They can apply at the end of their course. They have four months in which to apply. There is a case for giving them a bit longer, but nobody says, "You have to go home and apply".

Philippe Legrain: Again, let us put it in a broader perspective. Post Brexit, we are going to be looking to trade more with the rest of the world. The Chinese are the largest category of international students. Having Chinese employees who know the British market and the Chinese market is a huge competitive advantage. Why are we making it difficult for them to stay? Making it difficult to stay in turn creates a disincentive to come in the first place. That is why student numbers in Australia are booming and ours are stagnating. That is insane.

Lord Forsyth of Drumlean: Would it be easier to manage these problems if we had a system of identity cards in this country?

Lord Green of Deddington: Yes, it would. Most people in the present Government do not want to go down that road, and efforts are being made to try to bring various official statistics into contact with each other. The short answer is that if we want to have a better system, not only for this but in terms of access to the health service, planning, the location of people, housing and schools, it would be much better.

Q24 **Lord Livermore:** Many people think that immigration has had a downward effect on wages for working-class people. I just wondered what you thought of the evidence of that. So far, we have heard that there is fairly limited evidence to support that claim. Specifically, can I ask you, Mr Clarke, about the work the Resolution Foundation has done showing that the downward effect on wages in the economy since the 2008 crash far outweighs any impact from immigration?

Stephen Clarke: Yes. As we made clear in our report, it is wrong to say that there is no evidence that migration does not exert a downward effect

on wages for some occupations, particularly slightly lower-skilled ones. However, it is also wrong to suggest that the effect is large. To put it in context, the effect we found was that the squeeze in wages felt across the labour market as a result of the financial crisis is of the magnitude of 10 times any effect of migration. That puts it in perspective. There have been some claims that there is no effect, and that would be wrong, but it is also wrong to overegg the effect that we and some other people have found.

Philippe Legrain: There is no evidence whatever of low-skilled migration harming working-class Britons. Low-skilled migration is only permitted from the EU. A study from the Centre for Economic Performance at the LSE found no statistically significant relationship between changes in the share of EU migrations in the local population and the wages of people born in the UK. The Resolution Foundation study is great; as Stephen says, the impact it finds is very small. If you allow for the wider impacts of migration, such as cheaper food in the supermarket or productivity gains, even those small, measured impacts are offset by the wider benefits. Therefore, even lower-skilled workers will be better off.

Lord Livermore: Given those limited effects, if we reduced immigration, would you expect there to be a sufficient increase in wages in those sectors to tempt domestic workers back into the labour market?

Stephen Clarke: By and large, I would say no. You need wider change to occur. Sectors are most likely to respond by mechanisation, increased investment in capital or reducing output. There is not a lot of evidence that you will see a big substitution.

Lord Livermore: Mr Clarke, you said there were specific sectors where there has been a downward impact.

Stephen Clarke: Yes. It is difficult. There is not enough data to test if it is, say, in bars. It is more high-level than that. We know that the biggest effect will be on accommodation, restaurateurs, skilled trades and relatively low-skilled administrative jobs. I want to stress that this is not just our work; a lot of work has been done with quite similar findings. In some high-skilled occupations there was also a positive effect, which suggests that there is some complementing going on. It is very difficult to be more specific than those broad-brush findings, just because of data limitations.

Q25 **The Chairman:** The White Paper makes it absolutely clear that the Government plan to control immigration. In the section of the White Paper on immigration, they talk about consultation with various sectors of the economy and various institutions to try to establish what I would call a sensible, reasonable, sustainable figure. What level of confidence do you have in the Government's ability to make these sorts of judgments? In the course of today's discussion, it has become clear that we are uncertain about the impact of this on various sectors of the economy. The economy itself is dynamic. It is going to grow in different ways.

Technology is going to have an impact on certain parts of the economy. You also made the point that we need to judge this over a rather longer period or implement it over a longer period. Is it not slightly odd that the Government are going to set out sectoral limits, which will then presumably add up to an overall limit?

Philippe Legrain: Yes.

Lord Green of Deddington: In a sense, absolutely. We are coming back to the very first point that we started on, really, which is that there is a very strong political requirement to get the numbers down, which can be achieved only by setting out a framework and operating within it. We have discussed that. The ability of a Government to operate successfully in a particular sector is rather limited, I would have thought, but the economy is quite flexible and people are quite flexible. We will have to work our way through this. There will be areas where government can be effective. In advance, it is rather hard to see, is it not?

The Chairman: When he came before us, the Chancellor of the Exchequer made the point that the City of London, the financial services sector, will continue to be able to attract the best and the brightest. There is a focus and a reference in the White Paper to the best and the brightest. Quite a lot of the jobs are, let us say, medium-skilled. They are very important, but they are not the glamorous jobs of the best and the brightest. They are regular jobs. Just look at the current White Paper on housing: the Government want to increase the amount of housebuilding to around 175,000 a year. We took evidence that it was going to require another 500,000-plus people to actually deliver that. Some of those people will be the best and the brightest, but many of them will be tradesman and the like who have important skills. Trying to accommodate real life and the real economy within the confines of a sectorally based number is surely, to go back to Lord Burns' point, a recipe for missing targets.

Lord Green of Deddington: Nobody says it is going to be easy. In respect of skills, Baroness Wolf did a very interesting report that showed that serious training by British industry had fallen very sharply over the last 10 years. You cannot say whether that is because of the availability of large numbers of eastern Europeans, but the two were over a similar period. David Goodhart mentioned that the number of apprentices in construction by our own firms was only 8,000 a year. Clearly, having gone into that situation of dependence on immigration, it will take a while to move away from it.

For example, the provision that senior members of international companies can move freely around the place will continue and will therefore ensure that those key people are there. If there are rungs on the ladder that need to be filled from lower down, that will take time, but it is not a good reason for taking the rungs out of the ladder. One of the complaints that IT people make to us, and frankly they are not very well represented, is that the lower rungs of the ladder are being taken by work being sent to other countries or by low-grade ICT coming here. I do

not for a moment deny the difficulties, but it is a whole process and it seems to me that we need to set the ship pointing in the right direction and deal with the waves as we hit them.

The Chairman: It seems to me that you have to look at this in two ways. One is the current situation, where we have 2.1 million or 2.2 million workers out of the 3 million people from the EU. Some of them may decide to leave, for all sorts of different reasons. A system with any structure, control mechanism, numbers or targets would need to take account that those jobs would need to be filled in anyway, as well as new jobs that are being created. Otherwise, we would simply not have enough labour to deliver the ambitious plans that the Government have for the country and the economy to develop.

Lord Green of Deddington: Yes, that could be so. As I say, there is no evidence at the moment that the people you referred to are going to leave any time soon. They are paid three times as much here as they are at home. They might start to leave for all kinds of reasons and, yes, we would hope that in that period of adjustment employers would have trained their own apprentices. If they have not, we are looking at a need for perhaps expanding the work permits system or whatever it might be. Government controlling immigration is a complex and not very precise art, but I come back to the contrast and the alternative. It is one-third of a million and it is going up. Where do we stop?

Philippe Legrain: There is no deep political support for reducing immigration. There is certainly no political support for reducing immigration at any cost. In fact, one poll I saw showed that seven in 10 Britons did not want any restrictions on freedom of movement if it entailed any costs whatsoever to them. The costs of manpower planning are immense. If it is such a good idea, why do we not apply it within Britain? It is because it is an absurd way to conduct your affairs. If we need to have a system of immigration controls, let it be simple, coherent, non-discriminatory and flexible. The best system out there is the Swedish system. Emulate that.

Q26 **Lord Burns:** I rather liked your phrase, Lord Green, about the political imperative. I have been struggling to find out just what this political imperative is. Is it to hold at the present level the stock of immigrant labour? Is it to control its growth at X% a year? Just quoting a net migration number does not seem on its own to meet either of these objectives. Are we just trying to slow it down? The phrase "take control" has been used a great deal. Does that simply mean that we want to know what the number is? Do we want to put well-defined limits on it or general limits?

Lord Green of Deddington: That is of course a mainly political question. I do not do any canvassing, and I am not related to any party, so I am sure people in this room have a better idea than I have. However, as a member of the public it seems to me that there is real concern about both the present scale of migration and the thought that there is no way of stopping it from continuing and increasing. Therefore,

there is a need for a policy response that certainly flattens it and, over time, reduces it.

Lord Burns: Are you talking about flattening net migration or flattening the stock of people?

Lord Green of Deddington: I am talking about net migration. There is no great difficulty with the existing stock. It is neither right nor moral to seek to squeeze people out. They should make their own decisions, but the only thing that is crazier than an immigration policy is to allow your population to continue rising very quickly, at its fastest for 90 years, against the expressed and very widely held view that it is not a good idea.

Philippe Legrain: The Office for Budget Responsibility showed that if we had what it called high migration of 240,000 a year, or if we had zero migration instead, in one case we would have public debt to GDP of 73% in 2042, and otherwise it would be twice that. If you ask the British people a different question, which is, "Do you want to pay much higher taxes in order to pay the pensions and healthcare of a rapidly ageing population? Do you want to do without social care for your parents because it is unaffordable? Do you want to have higher prices in the shops?", you will get a very different response than if you simply present it as a cost-free option.

Lord Livermore: I just wanted to follow up, Lord Green, on your answer to Lord Burns. You said that you wanted only to slow the increase, rather than reduce the stock. You talked a lot in your evidence about the pressure that the current amount of immigration puts on public services. If we are not going to reduce the stock, how is that going to ease the pressure on public services that you have identified?

Lord Green of Deddington: The pressure is there until we catch up. We have had massive levels of immigration for the last six or eight years, without the necessary planning for a start, let alone investment in the extra school places and extra houses. It is no exaggeration to say that at present levels we need to build a new home every five minutes, night and day, for the indefinite future. I do not know where you live, but where I live people are not terribly keen on new housing estates.

Lord Livermore: On that point, you are saying that public services and housing should be invested in to meet the current stock—

Lord Green of Deddington: We have no alternative.

Lord Livermore: —rather than arguing, and following your point, which seems more logical to me, that we should reduce the number of people already here.

Lord Green of Deddington: We should certainly be reducing the numbers coming. We clearly have to invest to house the existing stock. I do not see any way in which one could or should move people out who do not want to go. If they decide to go, that is their problem.

Lord Darling of Roulanish: I just want to be clear about something. In light of the fact that it is common ground that our evidence about who is coming and going is scant, do we have any idea of how many people coming from eastern Europe have come here and gone back? I have asked the question, because it always struck me—you may remember how, 10 years ago, people talked about all the Polish people coming here—that the biggest driver of whether they were here or in Poland had an awful lot to do with how their economy was doing or how our economy was doing, rather than anything else. I just wonder, as we try to reach decisions on what would be best in the future, how on earth you can do so when you have no clue who is here, how long they are here for, when they came or whether they went. Indeed, as somebody said earlier, perhaps crashing the economy is the best thing.

Lord Green of Deddington: With respect, you exaggerate our ignorance. There clearly is a range of people who come here temporarily. Something in the order of 2 million have been here since 2004 and are not here now. They would have come as temporary workers and have gone back. There are 3 million from the EU as a whole, as you mentioned. That much we know. What nobody knows is the economic future of Poland, although the most recent OECD report suggested that there would not be much convergence of incomes between the UK and eastern Europe over the next 20 years. Whether we believe economic forecasts is a matter of choice.

Stephen Clarke: What we know quite well is the stock of people. It is worth having a slightly international view, in the sense that the UK, although it experienced relatively rapid migration relative to the historical trend in the last 15 years, has not particularly been an outlier compared to the rest of Europe. In terms of the numbers here as a share of the total population, we are also not an outlier. In terms of the numbers coming and in terms of net migration as a corrective for population number, again we are not unusual. To go back to the first question, there are a number of different equilibrium points of migration, and funding public services in order to meet the needs of the population is the key.

On the point about Poland, the only thing that might change is that there might be some transitional effects. You can imagine Poland, Romania and Bulgaria with large populations, and once you allow them in there is something of a spike in people coming. We have seen the spike in the data. They cannot be opened up again. Who knows? They might close again now. In theory, you might just get to a point where you have an equilibrium of a certain percentage of Poles who like to come to Britain. It might be relatively stable. It is important to have a dynamic and a more static look at things. Given that we are not expecting a lot more EU enlargement, we might not see any more big spikes in the near future.

Philippe Legrain: Immigration from Poland is likely to tail off, because we know what has happened: average incomes in Poland and GDP per capita, adjusted for purchasing power, have risen from roughly 40% of the EU average to 60% of the EU average in 10 years. That catch-up

growth continues. Poland has been the fastest growing economy in Europe since the financial crisis. It has grown by more than one-quarter since 2008, and that catch-up continues. Secondly, it has a very rapidly ageing population. In 10 years' time, there will be far fewer young Polish people. Therefore, while hazarding any forecast about migration is a dangerous business, it is quite likely that migration from Poland will naturally tail off.

The Chairman: Gentlemen, thank you very much indeed. That brings the session to an end.