HOUSE OF LORDS

Select Committee on Economic Affairs

Corrected oral evidence: Brexit and the labour market

Wednesday 8 March 2017

2.35 pm

Watch the meeting

Members present: Lord Hollick (The Chairman); Lord Burns; Lord Darling of Roulanish; Lord Forsyth of Drumlean; Lord Kerr of Kinlochard; Lord Lamont of Lerwick; Lord Layard; Lord Sharkey; Lord Tugendhat; Baroness Wheatcroft.

Evidence Session No. 4 Heard in Public Questions 39 - 60

Witnesses

I: Ms Charlotte Holloway, Policy Director, techUK; Mr Tim Thomas, Director of Employment and Skills Policy, Engineering Employers' Federation UK.

II: Mr Tim Martin, Founder and Chairman, JD Wetherspoon plc; Ms Andrea Wareham, HR Director, Pret A Manger.

III: Ms Minette Batters, Deputy President, National Farmers' Union; Mr David Swales, Head of Strategic Insight, Agriculture and Horticulture Development Board.

IIII: Mr Chris Cox, Director of Membership Relations, Royal College of Nursing; Mr Mark Dayan, Policy and Public Affairs Analyst, Nuffield Trust.

Examination of witnesses

Ms Charlotte Holloway and Mr Tim Thomas.

Q39 **The Chairman:** Ms Holloway and Mr Thomas, welcome to the House of Lords Economic Affairs Committee and our inquiry into Brexit and the labour market. Thank you very much for your written submissions, which we have read carefully, and hopefully inwardly digested. Perhaps I can start by asking you about the difference between low-skilled and high-skilled jobs. The Government have made a point of talking about high-skilled jobs, but it would appear from the material you sent us that there are quite a lot of lesser-skilled jobs that you fill through immigration. Could you tell us, first, the extent to which your sectors are reliant on EU workers, and, secondly, the reasons for that reliance, presumably lack of domestic supply of such labour? Could you give us your thoughts on those matters?

Ms Charlotte Holloway: First, I thank the Committee for inviting techUK to give oral evidence on this important and critical subject for the future of the UK tech sector. Our sector has always had a problem with definition of roles, and applications and shortages therein, but from recent research we did with Frontier Economics looking at digitally intensive and digitally producing sectors, we know that we employ about 3 million workers in the UK, and about 18% of them are foreign born. About a third of those are from the EU, so about 7% of the digital sector's workforce is from the EU.

Currently, there are no official statistics to enable us to do a thorough breakdown of the divide between what we traditionally call high-skilled or low-skilled, but from our conversations with members at techUK—we represent about 1,000 tech companies, from smaller ones through to FTSE 350 multinationals—we know that their concerns are oriented principally towards the high-skilled end of their workforce, particularly roles in cybersecurity, and for data analysts and product and software developers, where there is a real shortage. An EU workforce and openness to talent from other member states—from eastern Europe, France and other markets across Europe as well—has undoubtedly helped to fill and alleviate some of those shortages, particularly in software roles.

For the low-skilled end, the data is patchy, but anecdotally we know there are concerns—for example, in the telecommunications part of tech, in mass infrastructure builds, and in some of the objectives the Government set out in their digital strategy on connectivity. Some of those major building projects will require workers to deliver on the infrastructure that is so vital for the future of the UK's digital economy.

Mr Tim Thomas: Some of this will be familiar given what has just been said. The first issue is one of data and knowing how many workers we have in our sector. There are various data sources. It seems that there are about 300,000 EU workers in the manufacturing sector, which is about 10% of all EU workers in the UK. That comes from various official surveys, such as ONS. It is very difficult for our members to understand in the first place exactly how many EU workers they have because of the difficulty of gathering evidence—the data. An employer will conduct a right-to-work check when they employ someone and they retain the passport on file. I have not yet found any of our members who thereafter periodically checks whether the person has changed their status. Why would they? If they have a 10-year Polish passport on file there is no reason to check. It may well be that they employ an EU worker today, but that person may not be an EU worker for a significant period of time. Data is an issue.

As to what those individuals are doing within our sector, all we can say is that from our survey evidence the vast majority are in highly skilled roles. The next problem is: what is a highly skilled role and what is a lower-skilled role? For our members, a higher-skilled role is NQF level 6 and above, which is degree level and above: a qualified engineer. However, we need people with various types of skills; for example, we use individuals with craft-level and technical-level skills, such as mechanical and electrical engineers, and they might be HND or HNC. In Home Office terms that is not highly skilled; it would be a lower-level skill. However, we need those workers to make sure our members can keep producing in the UK.

As regards what will happen in the future, irrespective of the context of this conversation, we know that demand for those skills is going to increase: 59% of our members tell us that the demand for production-related technical skills will increase; 72% are concerned about current access to skills; and more than 50% say that demand for technical-level skills is increasing. We face a situation where currently we have a shortage, our demand is increasing and potentially we will have restrictions in the future that blunt our members' access to what I would call lower-level skills. Just to reiterate the point, by lower level I mean anything less than degree level.

The Chairman: You say in your written evidence that there is a stubborn 35% of jobs that are hard to fill.

Mr Tim Thomas: Yes.

The Chairman: Why is that?

Mr Tim Thomas: It is a combination of factors. When we survey our members and ask why jobs are hard to fill, we get a variety of answers. The top ones are lack of technical skills among the applicants, lack of experience among the applicants and lack of applicants—full stop—for particular roles. There is a blend of factors as to why we have a number of hard-to-fill vacancies in our sector. I think there are more hard-to-fill vacancies in manufacturing on the Home Office shortage occupation list than in any other industrial sector.

The Chairman: Are universities reacting to that? You need more engineers. Are universities saying they should increase the number of engineering students, for instance?

Mr Tim Thomas: Not substantially. We have about 30,000 engineering students and 50,000 apprentices a year. The numbers are not going up significantly. EEF is an industrial organisation, but it is a training provider. We have two apprentice training schools. We train 350 apprentices a year, so we know at first hand what the blockage is. The blockage is quite simply a lack of applicants with basic level skills such as maths and English. That is why the figure of hard-to-fill vacancies is stubbornly high.

The Chairman: Not a week goes by without some anxiety arising about robots and artificial intelligence taking over from people. Manufacturing would seem to be the place where that is most likely to happen soonest, so what is the near-term impact of those developments?

Mr Tim Thomas: We do not see the near-term impact as a reduced demand for roles. We see the same demand but for different roles; this is the fourth industrial revolution and there are digital skills that our members need today. To share with you a brief anecdote, one of our members recently invested in some new technology of the kind you described and looked for workers who could use it. The nearest workers they could find were in the Czech Republic. They brought over a team of workers from the Czech Republic to complement their capital investment, but they are now concerned that, were they to lose those workers, their capital investment would be at risk.

The Chairman: In the tech sector a lot of companies have a relationship or a partnership, maybe even a subsidiary, in India to provide tech skills. Is that a practice widely followed in the tech sector?

Ms Charlotte Holloway: A handful of our members would operate that practice, but I would not say it is widespread in the discussions we have about filling their future workforce. Lots of companies we speak to, particularly those that made significant investments in the UK after the referendum, are attracted to locate people in the UK because we have a fantastic ecosystem of factors. Part of that ecosystem is about openness to international talent—from both the EU and more internationally—which has been part of the UK tech success story in recent years.

The UK and Indian markets have strong links in technology. I would not say that it is just about certain functions, as I think you are implying. The UK-India tech relationship is strong, as is the UK's relationship with other markets, but helping companies that operate across those markets move quickly and across countries is very important.

Q40 **Lord Lamont of Lerwick:** To what extent do either of you think you could fill the gap by increased wages or by investing in training? One piece of written evidence put to us—I cannot remember whether it was the present or former chairman of the Migration Advisory Committee—was that the idea of labour gaps or absolute shortages was a rather slippery concept and there would be a market clearing price. Sometimes we were not prepared to try that out, and for some people immigration was a bit of a get-out-of-jail card rather than investing or doing the training themselves.

Mr Tim Thomas: Our sector is one that trains, and we train very heavily; 75% of our members currently have apprenticeship programmes. In our sector an apprenticeship is typically of four years' duration, and it will cost one of our members between £90,000 and £100,000 to train an apprentice. There is already substantial private sector investment going into apprenticeship training. Many of our members sponsor students, and some also sponsor faculties, to make sure they get the graduates they need. We are already substantially training the UK workforce.

We could train more. In answer to the question about whether we could fill the gap, we could. We could train more if we had better-quality candidates to train. We have two apprentice training schools in the West Midlands at Aston and Birmingham. In the last academic year, we sought to train approximately 350 apprentices at our Aston school. We got slightly under that number; we got under 300 in the end, and the major blockage was a lack of applicants in that area of the country. We had approximately 5,000 applications. The majority of them did not have maths and English. As regards the blockage to training, EEF would like to take on 1,000 apprentices in the foreseeable future and fill that gap. I do not think it is a question of salaries; it is about the number of people with skills that our members need. We are quite prepared to pay for the training and to train more people; we just need the people to train.

Lord Lamont of Lerwick: Why are there still gaps if you are doing so much training? Perhaps you are not doing enough training, expensive as it is.

Mr Tim Thomas: There is not much more our members could do to train additional people in the labour market. EEF is the example. We would train more if we had more people we could train.

Lord Lamont of Lerwick: To what extent are you complaining about lack of skills through the education system? Is that primarily your complaint?

Mr Tim Thomas: That is one of our complaints. One of our complaints would be that at the age of 16 we do not have enough young people emerging from school with the basic skills our members need, which would be a good GCSE pass in maths and English, and science if that could be managed as well. Thereafter, our members will invest in the training. There is no question of our members not paying for the training, or EEF not opening another training centre. That we have done recently. It is the blockage at the entry point that we find frustrating.

Ms Charlotte Holloway: I echo some of Tim's points, but through a slightly different lens. You asked whether we could fill the gaps through increased wages. The UK tech sector has very high average wages of about £55,000 a year, as evidenced by the Government's own Tech

Nation report. As regards the skill shortages we face in the UK, a recent European Commission report outlined that the UK has the most pronounced digital skills shortage in the whole of Europe, and about a fifth of all vacancies in digital roles across Europe are in the UK. It is similar to Tim's point. It is fantastic that we are creating these roles in the UK, because UK tech is a fantastic success story and a leader in Europe and increasingly across the world, but if we are not able to fill those roles by other routes, through domestic skills and internationally, there will be a big problem. We have been talking repeatedly about what is essentially a triple hit on the tech companies in our membership. We are creating roles faster than we can fill them. The MAC shortage occupation list has relooked at the fact that a lot of the titles of roles in digital need to be updated to keep pace, and we encourage the Government to continue to look at tech because of its fast-pace nature.

Last week, with the Government's digital strategy, industry committed to creating 4.5 million new training roles for digital skills across the country. Industry knows it has to step up; it is looking at how it applies the apprenticeship levy and makes it fit for the jobs of the future. There are a number of initiatives in universities, and apprenticeships and so forth, on which we can give the Committee further details, but there is a triple hit. Essentially, we are failing to fill roles with either domestic or international talent at the moment.

Lord Lamont of Lerwick: If we have this great skill shortage compared with other countries, could it not be simply that, because we are able to import people to do it, we have not invested enough in skills through companies, whereas other countries, such as Germany, have?

Ms Charlotte Holloway: Something unique is happening with the evolution of digital technologies in the UK. There have been a number of initiatives that will help the domestic talent pipeline to provide the UK workforce for those jobs in the future. That will come through, but it will take a number of years. Things like the computing curriculum in schools and some of the changes that have been made in higher education will take time to come through. Although there are good signs about how we might fill those roles, they will take a number of years to take effect. Similarly, with some of the moves on apprenticeships, we need to think about how we make them flexible to meet the fastest-moving parts of the economy. For example, how do we make the levy work for digital roles rather than lower-skilled roles?

Q41 **Lord Sharkey:** The Chartered Institute of Personnel and Development published a labour market outlook last month. It found that 29% of employers had evidence that EU nationals are looking to leave their organisation or the UK as a result of the referendum, and 27% said EU nationals were considering leaving in 2017. There has also been a lot of anecdotal comment about the tech industry and people moving out of the UK, or certainly being tempted to do so. Do you see any evidence that EU workers in your sector are looking to leave?

Ms Charlotte Holloway: EU workers have played a role in the UK tech sector across a number of fronts. I will take a few examples. Entrepreneurs who choose to locate or found their start-up in London, Manchester or Bristol will look at a range of factors as to what makes the UK the best place to start and grow their business. We talk to the Government regularly about how we can best create conditions for them to continue in the UK, but it is a competitive global marketplace out there. Emmanuel Macron, for example, said recently that he wants to attract many of our entrepreneurs. We think there is a lot we can do to ensure that the UK, particularly London, continues to be a world leader in tech for people looking to found or grow a business.

To move on to skilled workers and some of the roles around cyber and big data that I outlined earlier, we do not yet fully know how that is affecting companies. Those sorts of points were made in the CIPD report. It is something we will be surveying our members on this year. We need certainty from the Government on the right of EU citizens to remain and about what comes next. It has to be a priority in the interests of our members, from the stats I laid out earlier.

Finally, we have seen a drop in applications in the higher education aspects. Who is applying for post-doctoral places? What do the UK's higher education institutions mean for the tech and broader commercialisation pipeline? How are we doing research now to feed into commercialisation down the line? We have already seen a drop in some numbers, on which we can provide the Committee with further evidence, from other sources, but our concern is that, if you start blocking elements of that pipeline now, it could have an impact on the ability to create successful spin-outs and the commercialisation of new products going forward.

Lord Sharkey: When will the results of the survey be available?

Ms Charlotte Holloway: We will be conducting one in the coming months, certainly in time for the end of the Committee's inquiry.

Mr Tim Thomas: We have a survey going out into the field in late March/early April, with a report to be published probably in June. We have various other survey evidence already. We know that 27% of our members already find it hard to attract EU nationals. We launched a report recently on EU affairs. We held six or seven dinners in regions around the country with different groups of members, from London to Leeds to Manchester. At all those meetings, most of which I attended, it was remarkable that about half the members—the dinners were for about 25 members each time—had a similar experience: first, that EU nationals were leaving; secondly, that applications from the EU were drying up. That was a consistent message. Irrespective of the manufacturer or region of the country, around half consistently said that applications were drying up; they were not getting the applications, and they had seen some people leave. The experience of some of our members was that over Christmas some EU nationals went home for the holiday and never returned.

Q42 **Lord Sharkey:** Can you say briefly what the effect on your industries would be if the current system of immigration for non-EU nationals was applied to EU nationals after Brexit?

Mr Tim Thomas: I do not know whether the Committee has seen the chart prepared by Oxford Migration Observatory. If not, I can forward it to the Committee clerk. It is a 2015 chart that maps those rules on various sectors of the economy. The current rules would mean that approximately 75% of those working in manufacturing would not have qualified to come to the UK. If we take the rules as they will be from this April, approximately 82% of the EU nationals in manufacturing would not have qualified to come to the UK. The mapping is across all sectors from banking and finance to agriculture. Even in banking and finance—not directly our sector—it would mean that about 72% of EU nationals would not have qualified to come to the UK.

Ms Charlotte Holloway: Going back to my earlier point, a lot of newly created roles defy conventional measurements for standard occupation codes and so forth. Given what is happening in the digital economy, it becomes much harder to map them in things such as the Migration Observatory work.

The non-EEA migration system has not worked as well as it could have done for UK technology firms. We have consistently called for changes to the tier 2 visa system. We are concerned about the impact on companies of some of the changes that will come into force from April—increases to the salary threshold, the additional skills charge and so forth—which will create additional burdens. We have been calling for the creation of a smart migration system that is much more data-driven, to meet real-time economic needs. We need to think about how we can look at this outside the Home Office, and work closely with the Treasury and so forth on the kind of policies and responsiveness we need for each tier. As I said, tier 2 has been an area of concern for the sector for some time. There have been reforms to tier 1, but we think that more can be done to be responsive to companies that are moving incredibly quickly and want to be open to international talent.

Lord Forsyth of Drumlean: At the dinners you have been having around the country, when people say that workers are leaving, are they individuals who have been employed for very short periods of time?

Mr Tim Thomas: No, they are people who have been employed by our members for a considerable period of time.

Lord Forsyth of Drumlean: What does "a considerable period" mean?

Mr Tim Thomas: More than five years.

Lord Forsyth of Drumlean: Why are they worried about their status when they have the right to remain here?

Mr Tim Thomas: First, their status is not confirmed.

Lord Forsyth of Drumlean: We are still in the European Union and we are still subject to European law. If they have been here for five years they have the right to remain here, so what is it they are worried about?

Mr Tim Thomas: They are worried about their families. There is one direct piece of feedback from one of our members who was a Polish national. She said, "It is not just me; it is my extended family in Poland. Will they be able to come to the UK to see me?" It was also about her children and their access to public funds. In part, her children's access to public funds depends on her nationality. She is Polish. That is why she is concerned.

Lord Forsyth of Drumlean: When you say you need certainty about the rights of residence of EU workers, it includes their extended family and their right to come to this country.

Mr Tim Thomas: It would include the pool of rights, which I agree is extensive, that currently they have by virtue of EU law. The questions they have are not just about themselves.

Lord Forsyth of Drumlean: You think that is the main driving factor for people who would be entitled not only to residence status but to apply for British citizenship. Those people now want to leave, even though nothing has changed.

Mr Tim Thomas: All I can tell you is that I have a member who has told me that a large number of workers—

Lord Forsyth of Drumlean: One woman.

Mr Tim Thomas: No. We had many dinners, at least six round the country. It was not just one member; there was a cohort at each dinner that all had a similar experience of EU workers leaving.

Lord Forsyth of Drumlean: Can I ask you about something you said earlier? You said you could not get young people to take apprenticeships because they do not have maths and English. Did you mean English qualifications?

Mr Tim Thomas: Yes.

Lord Forsyth of Drumlean: It is easier to recruit people with English qualifications from the European Union than from Britain.

Mr Tim Thomas: It is easier to recruit people with a technical qualification in some cases.

Lord Forsyth of Drumlean: You said English and maths.

Mr Tim Thomas: That is if we want to train in the UK. An English apprenticeship framework or standard has certain elements, one of which is a level of attainment in maths and English; otherwise, the person does not qualify as an apprentice.

Lord Forsyth of Drumlean: What efforts are your members making, for example, to work with Kenneth Baker's UTCs, schools and further education institutions so that people who do not have maths and English can do further study and join apprenticeships?

Mr Tim Thomas: First, in some cases, our members will just pay for it, quite frankly. They cannot get it from the public purse so they pay for extra maths and English tuition. Secondly, you mentioned the UTC. The JCB UTC is one of our members. That is an example of an engineering UTC. Other members support free schools and colleges.

Lord Forsyth of Drumlean: Would you be able to give the Committee a note on the number of youngsters you are supporting in that way who do not have maths and English?

Mr Tim Thomas: Certainly.

Lord Forsyth of Drumlean: It seems to me that, if you are right about the consequences, the industry ought to be making a major effort to train people who may have gone through school and may not have English and maths but who would be very well suited to a technical vocation.

Mr Tim Thomas: And our members do. I simply make the point on the part of the employer that, while we will pay £90,000 to £100,000 to train, the expectation is that some basic qualifications are obtained pre-16. I have brought a wide range of materials that I can leave with the Committee clerk that evidence what I have said.

Lord Forsyth of Drumlean: Ms Holloway, you said that there were particular problems in the tech sector in London. What about the rest of the country? If you cannot get labour in London, what about doing stuff in Newcastle, Manchester or Birmingham, even Glasgow?

Ms Charlotte Holloway: I referred to London because in many respects it is one of the world's leading technology cities, if not the leading one, but our vision for UK technology leadership has to extend across the country. The fastest-growing tech cluster in the UK is in Bournemouth, so there is real opportunity right across the country.

Lord Forsyth of Drumlean: Is there anything north of the Wash?

Ms Charlotte Holloway: You can look at Newcastle and Sunderland Software City and at what is happening in Manchester's creative quarter. There are lots of pockets of excellent work. We work with our members across the country, and the Government's Tech North initiative has been doing a lot to that effect.

Lord Forsyth of Drumlean: Are your members actually thinking of dispersing their activities to parts of the country? A lot of the problem in London is that people simply cannot afford to live there because of the high cost of housing. There are lots of young people looking for jobs and careers outside London who find it very difficult. Are you doing anything?

Ms Charlotte Holloway: If this is still to do with how we think about more entry points to the sector and so forth, alongside the launch of the Government's digital strategy last week, as I mentioned, the industry committed to digital skills training for 4.5 million people. That is not just for young people, but people of all ages in work, and a number of companies made efforts to that effect. We hear anecdotal evidence about the mobility of people between cities, or people looking to go to Manchester or Newcastle because they like what is going on there. One of our large members, Sage, does a lot of work with its local ecosystem of tech companies to bring in young people and ensure they get good-quality work. There is a real mix.

Q43 **Lord Forsyth of Drumlean:** You made a very good point about the current points-based system for non-EU workers and its deficiencies. How would you design a new work permit system that worked for EU nationals and non-EU nationals, or do you think we should have different systems for EU and non-EU nationals? I am looking ahead to our leaving the European Union.

Ms Charlotte Holloway: Until we know some of the direction of travel on the exit negotiations, it is a little difficult to pre-empt how fully integrated it will be.

Lord Forsyth of Drumlean: Assume we have done what the Prime Minster says and that we have left the single market and we are outwith the customs union.

Ms Charlotte Holloway: There is a strong case for making a system that is simpler and more straightforward for businesses to navigate when trying to access talent, and that makes it easier, not harder, both for potential employees and for employers themselves. If there are different types of model—EU and non-EU—it could represent additional difficulties and bureaucracy that companies have to think about when processing different types of employee applications.

We have been looking for a smart migration system that is responsive to where we know there are shortages in the economy. With the shortage occupation list, and for cyber roles, big data roles and so forth, we should be looking at how we make it easier to get the right talent in regardless of whether it is EU or non-EU. We have a paper coming out in the coming weeks—we are currently finalising and agreeing positions on it—which will look at what that system could and should be like. We know it has to be much more data-driven and responsive to the real-time needs of very rapidly moving companies that need to fill those roles, particularly smaller scale-ups that need that talent sooner rather than later. I realise I have dodged the question slightly.

Lord Forsyth of Drumlean: It was a good politician's answer.

Ms Charlotte Holloway: When we think about the EU and non-EU question, there is a strong case from a business perspective. How do we make the point of entry in a skills migration system as straightforward as possible? It needs investigation. We need to look at the knock-on effects and what the red tape burden will be. Which types of roles we are looking to fill have economic spillover, and how do we deal with this on a human level? The tech sector is all about ecosystems and people working together in clusters. How do we make sure that there is responsiveness to how people, many of whom are globally mobile, will come to the UK?

Mr Tim Thomas: We would not favour simply cutting and pasting our current non-EEA system, because, as Charlotte indicated, it is bureaucratic and expensive; it takes a very long time.

Lord Forsyth of Drumlean: I have read the evidence and the criticism of the present system. I am really asking what you want.

Mr Tim Thomas: We would want a new work permit system. If the basis of the question is that we are outside the customs union and outwith the single market, we would favour a new work permit system for EU workers.

Lord Forsyth of Drumlean: But different from non-EU workers.

Mr Tim Thomas: Yes.

Lord Forsyth of Drumlean: Why would you want to discriminate EU and non-EU?

Mr Tim Thomas: Because I am presuming that our system for non-EEA workers, the rest-of-the-world workers, will continue as it is at the moment.

Lord Forsyth of Drumlean: Why?

Mr Tim Thomas: Because at the moment we have considerably stricter requirements for non-EEA workers than for EU workers. If we simply cut and paste the non-EEA rules to EU workers, the result is that most EU workers will not qualify to come to the UK.

Lord Forsyth of Drumlean: I understand that, but the evidence we have had is quite critical of the current system for non-EU workers. There will have to be a system. My first question was whether there should be a difference between EU and non-EU workers or whether we should have one system. I think Ms Holloway said we should have one uniform system.

Ms Charlotte Holloway: If we get it right.

Lord Forsyth of Drumlean: I am asking you how we get it right. You are critical of the system, so what do you actually want?

Mr Tim Thomas: I want a separate system for EU workers.

Lord Forsyth of Drumlean: Why?

Mr Tim Thomas: Because we can have a separate system that allows us far greater access to EU workers than we would have with a non-EEA system.

Lord Forsyth of Drumlean: Why do you think that people coming from Germany or Italy should be treated differently from people coming from India?

Mr Tim Thomas: For a start, because they are a much closer labour market. It is a labour market we have had access to for 40 years. If, as of 2019, we suddenly cut ourselves off from that labour market, the impact on our members will be profound.

Lord Burns: To pursue this further, I think Ms Holloway is saying that, if it could be made to work, she would prefer the EU and non-EU systems to be the same.

Ms Charlotte Holloway: If they are well aligned from the perspective of business and the way they interact with the process and the bureaucracy.

Lord Burns: I am not suggesting that we stick with the present non-EU system, but in an ideal world you would like a system that is the same for EU and non-EU. You would like it to be less bureaucratic than it is. Presumably, you would also like it to be able to include non-skilled workers under the present definition than just skilled workers, and possibly you would like to have different definitions for those two classes. Following up what Lord Forsyth said, we are not just interested in saying that some things are a given and we have to design around them. We take the position that we want to gain more control over migration. What is the system as a whole that would work most effectively for you but would also meet the Government's aim of having a controlled system?

Mr Tim Thomas: If that is what is on offer, which is a single system—

Lord Burns: I am not saying it is on offer, but it seems to me that, if that is the system you want, you should be trying to design for us the system you would like to see and put it forward, rather than keep making certain assumptions about what it is that is given.

Mr Tim Thomas: In that case, we have articulated recently what we would like of the system. We have articulated that in the context of the UK's exit from the EU. However, it could quite easily extend to all workers coming to the UK to work. With that extension, I can articulate what we want. We would want a system that divides workers into various classes according to the needs of the economy of the UK. We accept there would need to be evidence of need, but we are well versed in providing evidence to organisations such as the MAC. With that given, we would have various classes of workers. The ones we have suggested are a class for highly skilled workers, which I hope would be fairly uncontroversial in the context of the current debate; and we would need intermediate-level skills—I have already articulated what they are—below degree level. We would also need a class for training, so we would need some free access to non-UK workers for training purposes.

Youth mobility and the development of younger workers is another category we see as very important. We need to deal with intracompany transferees—I can expand on that if necessary—in addition to students and short-term workers here for less than 12 months, and posted workers. I agree that is quite a long list, but it has been extensively tested with our members.

The last point is transition. We cannot suddenly go from a system that we have worked with extensively for a long time to something completely alien come 2019, and that completely ignores what we do with EU workers in the UK at whatever point in time we decide to make the shift.

Lord Burns: Ms Holloway, does that work for you?

Ms Charlotte Holloway: I guess the reason there might be some reluctance to go all out in committing to the question of parity is that the EU has been and will continue to be a hugely important market for UK technology firms, with a majority of tech exports of services and products going to the EU. We need an outcome from the negotiation process that ensures that that key market, with linkages right across member states, continues. We would not want to give the impression that the EU is not going to be a continuing market or that mobility of labour—people as people—will not still be an important part of the tech ecosystem.

Lord Burns: But you would not mind if the non-EU system was levelled up to what you would like to see for the EU system.

Ms Charlotte Holloway: If it is responsive to the needs of the sector and ensures that the UK is at the forefront as a place to start and grow and invest in a tech company, absolutely.

Lord Lamont of Lerwick: Does the present system not discriminate against people in your sector from Asia and India, say? It is much more difficult for you to recruit someone from India than from the EU. Surely it would be an advantage. Why should the system discriminate against Indians?

Ms Charlotte Holloway: In the period ahead, we need to look at strategically important markets and where the shortages are. As part of the Prime Minister's visit to India, with our counterpart NASSCOM we called for migration between our two countries to be looked at in the period ahead. It was mentioned at the outset that India, alongside a number of other countries, is an example where there are strong synergies between our two markets.

Coming back to your point about what we want the system to look like, it would be about exceptional talent and founders and skilled workers. We would want a relook at post-study work visas—how we ensure that talent stays in the UK after study. We think students, whether EU or not EU, should be excluded from the net migration target. As Tim says, there are responsiveness issues on short-term contracts that will need to be addressed in any system going forward. A lot of tech companies in the UK will be going to Europe to do short-term things. It should also include ICTs; tech has been one of the predominant users of the intracompany transfer route.

Lord Burns: On intracompany transfers, until two years ago I was chairman of Santander in the UK. We had a lot of people who moved backwards and forwards between Madrid and London, particularly in the IT sector. If we had an IT job to be done, people from Spain might very well come here and do it and go back. They are largely in the same category as students. They are people who come here to do a job and then they go back again. Do you require any special treatment for intracompany transfers?

Mr Tim Thomas: The answer is yes. I talked to a member yesterday who has approximately 20,000 ICTs a year. If the UK wishes to be a place that attracts inward investment, we need to allow ICTs. Certain parts of the UK manufacturing sector rely on ICTs—for example, energy and transport.

Lord Burns: These are people who largely go back home when the job is done.

Mr Tim Thomas: Exactly. They are here to do a job. They may come to the UK. We have spoken about training. They may want to come to the UK to train the UK workforce, and it would seem a rather odd situation where we do not want people to come to the UK to train our workers.

Baroness Wheatcroft: Mr Thomas, I would like to take you back to the discussions you had with members over that series of dinners. You said it was surprisingly uniform and that at each of them half the people said they were experiencing difficulty with EU migrants going home and not coming back. Was there anything you could draw from that which distinguished why half of them suffered and half did not?

Mr Tim Thomas: No. I said in opening that we have a survey that goes out to our members. What we know from our members about how many EU nationals they employ is limited. What we know about their density is even more limited. By density, I mean that, although we know that a certain proportion of our members employ EU workers, and that is a useful statistic, we do not have a good idea of the density within the company, other than the fact that it is hugely variable. It could be a density of a couple of per cent or more than 50%. It may well be that it was the members with greater density who were experiencing the problem, or it might have been certain job roles. I am afraid that is information we do not have, but we are getting it.

Q44 **Baroness Wheatcroft:** Can I ask both of you about the regional impact of migration and whether there is any region of the country that you think is particularly dependent on migration, and, if so, whether you think we ought to be looking at some sort of regional immigration policy?

Ms Holloway, can you imagine a regional immigration policy working?

Ms Charlotte Holloway: We have been following the debates at City Hall, PwC, City of London and others on this point. From discussions with our members, we believe the case is yet to be made. Tech companies have a higher density in London and the south-east, but we want a system that works for tech companies thriving right across the UK, not focused solely on urban-intense areas such as London, Manchester and so forth. In part, this relates to the previous question. There are companies in our membership with a much higher proportion of EU workers than the figures I outlined at the beginning. They are often more likely to be located in London around, say, the Old Street cluster, the Croydon cluster or similar areas. For our members who have a pan-UK presence, the case is yet to be made on what regional visas will mean for them. I am sure that for some based solely in London it looks like an attractive offer, but we really need to look at what works for the UK tech economy as a whole. We feel there is more to be done for that case to be convincing. A lot of the UK tech strength is along the M4 corridor, which would not fit neatly into a regional visa structure, so there are considerations that still need thinking through. We have ongoing discussions with our members on this point.

Mr Tim Thomas: That the case has not been made is a good way of putting it. Our members do not organise regionally. We organise EEF broadly regionally, but it depends on what you mean by regions. Our members are multi-sited, which means that they could deploy a worker in one area and not another. We have a particular need for green technology skills in the north-east. Potentially, that means we could have great green technology in the north-east but not in the south-east. That would be a barrier, to say the least, and perhaps an odd situation. It could also lead to unintended consequences in the wider labour market. I assume that no one in this room is suggesting that we will radically alter employment law in the UK as a result of this potential policy, but what would you do if there was a redundancy situation in one area but jobs in another, and someone had a regional visa in one area but not the other? Would they be accelerated in the redundancy process, for example? Could you have a TUPE transfer? I could go on, but you can see that the application of employment law might need to change if we had a regional visa system. It would also need considerable administration. You might have a regional visa inside the M25, for example, and that might not fit too well with business expansion.

Baroness Wheatcroft: The difficulty of policing such a system is obviously high.

Mr Tim Thomas: Whatever system we migrate to, if you will pardon the pun, will need considerable thought. The feedback from my members is that it will be highly automated. My first thought is that we could use HMRC systems, but now it appears that that is probably more hope than expectation.

The Chairman: That brings this session to an end. Thank you very much for your evidence. If you would like to send us a note, Mr Thomas, on what you think a new permit system might look like within the next few days, we can take it up with the Minister next week. Ms Holloway, if you have anything to add, please let us know.

Examination of witnesses

Mr Tim Martin and Ms Andrea Wareham.

The Chairman: Ms Wareham and Mr Martin, welcome to the Economic Affairs Committee. Thank you very much for joining us today. Lord Darling will put the first question.

Q45 **Lord Darling of Roulanish:** Can I ask you what proportion of your respective workforces are EU nationals, both skilled and unskilled?

Ms Andrea Wareham: Currently, 65% of our workforce at Pret A Manger are EU nationals, not including our British workforce of course. We have 110 different nationalities within that, and British is our biggest single nationality.

Lord Darling of Roulanish: I should have made myself clear. I want you to distinguish for the purpose of this inquiry EU nationals and British citizens. I know we are in the EU at the moment, but I am trying to get to the obvious. Could you give me the proportion who are non-British EU nationals?

Ms Andrea Wareham: It is 65%.

Lord Darling of Roulanish: That is a very high proportion.

Ms Andrea Wareham: Yes.

Mr Tim Martin: I do not have a figure; we have not done a survey of our whole company. I did a survey of 100 of our most recently opened pubs a couple of years ago, and it was a very low proportion. They were outside London; it would be a much higher percentage inside London. Only 5% were not born in the UK, and about half of those were from the EU. It is much different in London, but Wick, Fort William, Penzance or Pontypridd tend to have a high proportion of UK-born workers.

Lord Darling of Roulanish: Can I ask about the breakdown between skilled and unskilled? I know it can be difficult to say who is skilled and who is unskilled, but I want to get an impression from you.

Mr Tim Martin: If you said that people who become managers are skilled—in our company there are normally five or six of those per pub—a much higher proportion would be from the UK, but proportionately EU workers become managers as quickly as UK workers in my experience.

Lord Darling of Roulanish: What about Pret A Manger?

Ms Andrea Wareham: If you took shop managers as skilled labour, I would say 10% were skilled and the rest unskilled.

Lord Darling of Roulanish: Could you give your impression, because you work in the same industry, about the rest of the catering industry or hospitality industry? Is the picture typical?

Mr Tim Martin: As a personal observation, in the pub world it is slightly more UK than in the restaurant world. Wherever you go in the country you will find some EU workers, but in the restaurant business, with which perhaps EU workers have a stronger affinity, there are perhaps higher numbers as demonstrated by the mostly London-based Pret A Manger.

Ms Andrea Wareham: When I look at our direct competitors who operate in the same cities as we do, we have very similar percentages of EU workers.

Lord Darling of Roulanish: What is the difficulty in hiring British workers? The whole argument in the referendum was that non-British EU residents were "taking jobs that could be filled by British-born nationals". We have had a fair amount of evidence, not just from your types of firms but hospitality generally, that a pretty high proportion of people in the sector are non-British EU citizens. Why is that? What is the difficulty?

Ms Andrea Wareham: It is interesting. It is not a difficulty in selecting; it is a difficulty in attracting. I would say that one in 50 people who apply to our company to work is British. If I had to fill all our vacancies with British-only applicants I would not be able to fill them.

Lord Darling of Roulanish: Because of the lack of willing applicants.

Ms Andrea Wareham: Because of the lack of applications.

Mr Tim Martin: It has always been difficult to attract British workers to London. Thirty years ago when we had a dozen pubs, we used to have road shows in Newcastle and Dublin to try to attract people to come and work here. We used to rent them flats and bring them over. It was quite difficult. In that respect, it is just a fact of life, I suppose, for London, New York or Paris that people go there on spec—I have done it myself—and are prepared to put up with living in more difficult accommodation for a while. That is how capital cities operate, but certainly around the country it is different.

Lord Darling of Roulanish: Some would say that perhaps the answer is that you will have to pay more if you want to get British workers.

Mr Tim Martin: To an extent, that is probably true. It is very difficult to disentangle the broader economic picture. My own personal view is that if you look around the world at successful economies—Australia, New Zealand, North America and Singapore, a tiny island—they have had quite a lot of immigration and a rise in population. I think that works for countries. How you get there, I think, was the main referendum debate. I think a rising population is good. We have very low unemployment at the moment, and a rising economy in a now democratic Poland, et cetera, naturally causes people to go back home. It is a complex picture.

Lord Darling of Roulanish: You must have been in a different referendum from the one I was in. Do you want to say anything, Ms Wareham?

Ms Andrea Wareham: I do not think that increasing pay would do the trick. I can talk only for Pret, but we pay well above the national living wage. We have great benefits and we offer fantastic careers; I could bore you silly with lots of great stories about that. Those who join us on our school leaver programme do so because our pay is fantastic. We do not use lower rates for under-25s, and our opinion surveys show that people recognise our pay and benefits as being really good. The point is whether people want to work in our industry. There has been a time lag in the growth and success of the hospitality industry over the past 10 or 15 years. There are amazing places to work and cool brands to work for, but still we are not always seen as a desirable place to work. I think that is the trick.

Mr Tim Martin: EU workers at Pret A Manger are fantastic, but our company shows that UK workers all around the country are capable of producing the same performance. The two top companies in the whole of the UK for very high environmental health standards are Pret and Wetherspoon. Pret is run mostly by EU workers and Wetherspoon by UK workers. We knock the competitors into a cocked hat. Both sets of workers can do the job. It depends on circumstances.

Q46 **Lord Darling of Roulanish:** You have had a good opportunity for your commercials. My next question is directed at both of you but particularly at Pret A Manger. Can you give me an idea of how static your non-British EU employee population is? Are they here for as long as everybody else, or do they tend to come for a couple of years and go home, or what?

Ms Andrea Wareham: I can speak only for Pret. People tell me that they come thinking they will stay for only a while but, actually, because they have a great career, and are earning more money as they do well in the company, they stay quite a long time. If somebody decides to stay after the first three months, on average they are with us for at least three years.

Lord Burns: Do they then go home or do they work somewhere else?

Ms Andrea Wareham: Often they go home.

Lord Forsyth of Drumlean: If you gave me a job in one of your sandwich shops in London, how much would I get paid?

Ms Andrea Wareham: Currently, you would be paid £7.50 an hour plus £1 an hour bonus, free lunch and paid breaks.

Lord Forsyth of Drumlean: That is about £16,000 a year.

Ms Andrea Wareham: Yes. That is the starting rate. After three months, it goes up.

Lord Forsyth of Drumlean: If I have to find accommodation in London and you are paying me £16,000 a year, could that not explain why one in 50 of your applicants is British?

Ms Andrea Wareham: When workers join us, it is often their first or second job and they find accommodation in zones 2 or 3. Often, it is shared accommodation, as it was in my day when I first came to London. Very quickly they get pay rises. School leavers joining us at Pret can, within a few years, be a manager earning good money with a great career, leading a team.

Lord Forsyth of Drumlean: How much is a manager paid?

Ms Andrea Wareham: Including bonuses, between £40,000 and £45,000 a year.

Lord Forsyth of Drumlean: How much of that is bonuses? How do you pay bonuses on selling sandwiches?

The Chairman: That is not a topic for this inquiry.

Ms Andrea Wareham: I can submit a paper on it afterwards, if you like.

The Chairman: It is a well-kept secret.

Ms Andrea Wareham: The basic pay would be about £33,000.

Lord Forsyth of Drumlean: Of your managers, what percentage of applications come from British people in the UK?

Ms Andrea Wareham: I cannot tell you about applications. We do not track applications in relation to nationality; you cannot do that.

Lord Forsyth of Drumlean: How were you able to tell us that one in 50 was British?

Ms Andrea Wareham: Anecdotally, my recruitment centre team would tell you that.

Lord Forsyth of Drumlean: Anecdotally, what would your recruitment centre tell you about the managers?

Ms Andrea Wareham: There are slightly more British nationals, but not as many as you would think. It is surprising. I have asked that question, but still the vast majority of applications are from non-EU nationals.

Lord Forsyth of Drumlean: Are all the people you recruit young people? Do you recruit any old people like me?

Ms Andrea Wareham: Absolutely. We have a wide range of people who work for Pret and do very well.

Lord Forsyth of Drumlean: People who are over 60.

Ms Andrea Wareham: Yes, definitely.

The Chairman: Lord Forsyth would be welcome.

Ms Andrea Wareham: He would be very welcome.

Lord Kerr of Kinlochard: I am very struck by the one in 50 number that Ms Wareham gave. What proportion of the 49 of the 50 are EEA nationals or extra-EEA—outside the EEA?

Ms Andrea Wareham: Ninety-five per cent are within the EEA.

Lord Kerr of Kinlochard: Migration Watch said that one might extend tier 5 visas to EEA nationals; they could come and learn how to sell sandwiches and would have no right to stay after a couple of years. If the Government are planning to bear down on immigration, would that be one way of helping you avoid the problems that the policy is clearly going to bring?

Ms Andrea Wareham: It would be helpful, but at Pret A Manger we are really looking for people who want to stay with us long term, because we love to promote people internally. Eighty per cent of our managers started with us as team members, and it is part of our business model. We are more interested in people who can stay with us for the long term.

Lord Kerr of Kinlochard: If I am 21 and sitting in Krakow planning what to do next, I might not necessarily think my career is in sandwiches. I could think it might be fun to go to see London. Probably the 49% are motivated more by that than a vocation to sell sandwiches.

Ms Andrea Wareham: I agree.

Lord Kerr of Kinlochard: So possibly the Migration Watch idea is a good one.

Ms Andrea Wareham: It would be helpful.

Lord Tugendhat: I apologise for arriving late. You mentioned just after I came in the difficulties of recruiting UK nationals. It is 10 years since I was last in Australia. I used to go to Australia and its big cities quite a lot. I was very much struck by the fact that in pubs and restaurants in Australia most of the people doing the serving were Australians, but it is not a country without immigrants, obviously. I wonder why that is the case in Australia and if there is anything we might be able to learn from there.

Mr Tim Martin: It is very difficult to say. A lot of it depends on the culture of the Aussie pub, which is not a high one and may be less attractive to foreigners. It is very difficult to generalise, because in the catering industry as a whole in Australia there is a huge number of immigrants who work in the restaurant and hotel trades now. It is quite difficult to generalise as between Pret A Manger with a high level of immigrants and Wetherspoon with a relatively low level.

Ms Andrea Wareham: I agree. In city centres such as Sydney, for example, I would not know what a Pret A Manger equivalent would look like, or the pub on the outskirts or in a more local community.

Lord Tugendhat: None the less, it has always struck me as very surprising that there should be so few Brits in the industry here and so many Australians in the industry there.

Q47 **The Chairman:** Given the expected end of free movement of people between the UK and EU, what would you like to see replacing it that would control immigration?

Mr Tim Martin: At the risk of incurring the wrath of Lord Darling, I think the referendum was about democracy. You touched on the issue earlier. Looking round the world, New Zealanders can work in Australia; the Irish could work here and we could work there long before the EU. There is an argument based on pragmatism and proximity. EU workers have been allowed to come and work here in the past, and there is a case for them being able to do so in the future on some preferential basis, partly on grounds of pragmatism. The reason it would be very difficult to do the same thing for India or China is that they have 2.5 billion people between them and you just cannot open your borders to them on a pragmatic basis; but on a preferential work permit basis, and with the historical links with Ireland, which will continue, you can do something for EU countries.

The Chairman: You would see people from EU countries having essentially the same right to come here in future as they have today to fill jobs—on a jobs basis.

Mr Tim Martin: On a jobs basis—a similar right to be decided by the Government on a pragmatic basis. The numbers can be reasonable.

The Chairman: Do you see the Government playing a role in saying that the hospitality industry, or even the pub sector of it, can have so many people, or would you allow the market to decide that?

Mr Tim Martin: I do not know the answer to that, but for the UK to be a successful country and economy in the next 20, 30 or 50 years we need a gradually rising population, and that will need some type of reasonably controlled immigration. If we do not get it, the economy will tend to go backwards. We need a North American or Australian-type system.

Ms Andrea Wareham: We entirely accept that the number of EU nationals will go down over time, and we would love to increase the number of British nationals in our business. We are excited about that happening. We absolutely accept that it is going to happen. Our thoughts are that there could be quotas based on data about how much work is required, and as the number of EU nationals goes down and the number of British nationals increases, that needs to happen as smoothly as possible over time. Time is definitely the issue.

The Chairman: A transitional period is very important.

Ms Andrea Wareham: Absolutely. There is one thing I would like to reiterate. There is more we can do to attract a fantastic British workforce to our industry, even though it is difficult in central London locations, but that takes time and resource. If we have that, I believe we will be successful in doing it. Whether or not there are quotas, properly worked out, for our industry, whatever happens the system needs to be relatively fast and easy to use. We are a high-speed recruitment industry; we need to fill positions in our shops, and the process needs to be cost-effective. We are a relatively low-margin industry.

The Chairman: Are you concerned about the Government's focus, to date anyway, on high-skilled jobs?

Ms Andrea Wareham: Absolutely. That does not help us in any way. We need some thought to be given to the unskilled labour we talked about earlier.

Lord Darling of Roulanish: Mr Martin, I want to be clear so that I understand you correctly. In respect of EEA or EU citizens, are you arguing almost for an importation of the present system into any new one, for the reasons you stated, or are you saying that it ought to be qualified?

Mr Tim Martin: I think it should be on some sort of work permit basis, but it should be a liberal system, so that if people want to come and work at Pret or Wetherspoon they can.

Lord Darling of Roulanish: Ms Wareham, you touched on the same thing; you talked about quotas. Would the Government have to decide how many workers—X number—would be allowed into the catering industry, or would it be more specific? For example, either of your firms might say, "We cannot get unskilled people in the UK. Therefore, we want you to consider it on a case-by-case basis".

Mr Tim Martin: I would hope for something more liberal. I have not had the opportunity to look into the wider economic implications of doing that, but providing we have democratic control in the UK I am happy for it to be similar to the Irish system. That was ultra-liberal; anyone can go and work there. It could be somewhere between that and the system you have for the rest of the world.

Ms Andrea Wareham: We need to leave that to the experts to decide.

Mr Tim Martin: There are no experts.

Ms Andrea Wareham: More expert than me. We have 10 million hours of work at Pret a year, and, of those, 6.5 million are currently worked by the EU, so I would suggest some sort of data-driven quota system by company or industry.

Q48 **Baroness Wheatcroft:** Ms Wareham, you told us that only one in 50 of your applicants is British, but you said just now that there is more you could do, and if EU migration dries up you are confident you can replace those people with Brits. How?

Ms Andrea Wareham: Over a long period of time, absolutely. There are things we can do in Pret, and this probably goes for other companies as well. We can continue to focus on reducing our turnover, which is a constant focus in our industry. For example, we are working with Jobcentre Plus to provide great opportunities for the unemployed. It is about telling the story of the great careers we can offer, through social media and interacting with schools and careers advisory services. We are doing all of that.

Baroness Wheatcroft: You are doing all that now.

Ms Andrea Wareham: Yes. We started our school leaver programme four years ago. We are doing all that, so I am very clear about the things we can do and have been doing for some time.

Baroness Wheatcroft: But they are not working.

Ms Andrea Wareham: It takes a long time to change hearts and minds, and I would probably find it difficult to do it on my own. This needs collaboration with a wider group of people. We need to work with education, careers services and parents. I am looking to find ways to collaborate to make the difference we need to make, and to be given the time to do it.

The Chairman: Lord Sharkey?

Lord Sharkey: My question was about a leavers programme and I think it has been answered.

Lord Burns: I have a similar question, but perhaps I can press it slightly further. I would not say that you have been lazy about looking for UK workers, but to some degree has it been so easy to take EU nationals that some of the things you are now going to do you did not do because there was no need to do them?

Ms Andrea Wareham: That would probably be fair, although we have had a school leaver programme for four years, and we advertise in the UK only. In no way do we target particular groups in other countries. We are a level playing field and we offer jobs to those who have the right to work and who apply or are attracted to work for us.

Lord Burns: But you will now have to try harder.

Ms Andrea Wareham: We will have to try even harder with limited resources at the same time as responding to apprenticeship levies and other things. That is the challenge that we have.

Q49 **Lord Sharkey:** You talked about London being a special case. Is there a case, therefore, for London having its own immigration policy quite distinct from the rest of the country? If so, what do you think it should be?

Mr Tim Martin: To me, that sounds like pie in the sky. You would almost need border controls at Hoddesdon to stop people who should not be moving out of London, and separate passports. It does not sound a runner or pragmatic.

Ms Andrea Wareham: I agree. I cannot for one minute think how it would work. London is definitely the more challenging environment. However, some of the other major cities we operate in are not that different.

Lord Layard: Is there a major problem with jobcentres and the careers advice system? I have had some experience of visiting these places. They say, "That sort of work is below our people". If we are to manage Brexit, does it require a fundamental change in the attitudes in jobcentres and careers services?

Mr Tim Martin: I do not think it does. We have 37,000 employees around the country, most of them local. Certain work goes on through the jobcentres. It is perfectly possible to have a well-run business that achieves high standards within its industry using local people in all sorts of locations around the country. It works okay. The bigger problem would be in London where a lot of firms have been relying on EU labour; it might have more impact there.

Ms Andrea Wareham: We have a fantastic relationship with Jobcentre Plus, so that is working very well. The biggest work is to be done with careers advisory services in schools to make known the vocational alternatives to university and higher education. It is a big job, as we know, because we spend a lot of time in schools with our school leaver programme. We find there is a lack of resource in schools around careers advice.

Lord Kerr of Kinlochard: On Lord Sharkey's question, suppose that perhaps because of the back door, or the inner Irish frontier, we moved away from border control to employment-related control. I imagine that in your industry, unlike industries demanding highly skilled workers, it would be particularly difficult because you would be getting from abroad people you were engaging without seeing. Am I right? You were a bit dismissive of regional variations, but there is a case that the London market is different from the rest of the country. Because the Scots want more migration, they make a case for a different policy. Are you quite sure your answer stands and that it would be unworkable?

Ms Andrea Wareham: I would have to do more thinking about it, but, if put on the spot now, I would say that it appears problematic to me.

Lord Kerr of Kinlochard: Because your turnover is very rapid and you cannot have a vacancy; you have to get someone.

Ms Andrea Wareham: Yes.

Lord Sharkey: Do you employ agency workers, or do you employ everybody yourselves?

Mr Tim Martin: We do not employ any agency workers at all. We have a central distribution centre that employs a certain number of agency drivers and so on, but all our staff are employed by us.

Ms Andrea Wareham: It is the same for us; 100% are employed by us.

Q50 **Lord Forsyth of Drumlean:** Andrea, one of the most cheerful things that has been said this afternoon was when you said that we need to change the culture and attitude among parents and schools about working in hospitality and making it something that people are proud to do. You talked about using social media. I started off thinking that, as you are owned by private equity, they will be squeezing you to produce, so a long-term investment like that is unlikely to appeal to your board, but that is obviously not the case; otherwise, you would not be here saying that.

Ms Andrea Wareham: Yes.

Lord Forsyth of Drumlean: You said you could not do it on your own and it needs to be done across the hospitality industry. All the stuff I have seen from the hospitality industry—perhaps I have not read enough of it—seems to be a moan, "How are we going to manage?", rather than positive stuff. How realistic is it, and how would you get your industry to move forward on that basis?

Ms Andrea Wareham: With the help of the British Hospitality Association, which we have been speaking to. I have heard things similar to what I have been saying, accepting that the change is happening and we must now move into solution mode and work our way through it. For example, I need to network with the right people and understand what is out there, and work collaboratively with the right network.

Lord Forsyth of Drumlean: Can the Government do anything to help?

Ms Andrea Wareham: Absolutely.

Lord Forsyth of Drumlean: What?

Ms Andrea Wareham: For example, they could be helping with the careers advisory service in schools—supporting and strengthening it—and in the curriculum, ensuring that school targets are focused more on where children are going after school. Is it all about going on to higher education or apprenticeships or about other things? I know that change is starting to happen, but they should be helping schools to gear up to the fact that it is a success if 16, 17 and 18 year-olds leave to go to work somewhere like Pret.

Mr Tim Martin: The focus in the hospitality industry tends to be on whether we can get employees to serve a pint tomorrow. If you are to get successful expanding businesses such as Wetherspoon, Pret A Manger and so on, a bigger factor is a gradually rising economy. A lot of successful restaurant businesses have emanated from London in the last 15 or 20 years when the population has gone up a lot. Pret is an example of that. We did not get that in the 1970s when the population was going down. All these questions are linked to a gradually rising population and a relatively low birth rate, so it is a difficult point to address.

Lord Forsyth of Drumlean: I know this question is difficult because of turnover, but do you have any evidence that your employees who come from the European Union are now looking to leave employment in the UK because they are worried about their security?

Ms Andrea Wareham: We are very close to our employees; we have our ear to the ground. Of course, there was initial surprise after the referendum. They are staying put for now, which is great, because we are supportive and communicative. People are waiting and watching. Our No. 1 concern is looking after the people who currently work for us, but at the moment they are travelling hopefully. We are very hopeful that they will be able to remain, and not many people have left yet.

The Chairman: Thank you very much indeed.

Examination of witnesses

Ms Minette Batters and Mr David Swales.

The Chairman: Ms Batters and Mr Swales, thank you very much indeed. As you know, this is the penultimate session of our inquiry into Brexit and the labour market. We are seeing the Minister next week. If you have any particular questions you want us to ask the Minister, do not hold back. Today, we are trying to hear from different sectors about the impact of Brexit on the labour market, in particular your sectors. Lord Kerr will start us off.

Q51 **Lord Kerr of Kinlochard:** To give us some perspective, how reliant is agriculture on labour from the EU?

Ms Minette Batters: The horticultural sector is very reliant on a seasonal workforce that currently sits at about 80,000. Those are people who harvest and pack fruit and veg. In other sectors, poultry is massively impacted too; there is a requirement for about 20,000 seasonal workers for turkeys around Christmas. As regards the processing and manufacturing sector, yesterday I was at a lamb plant in a very rural part of south-west Wales. Of the 600-strong workforce, 85% were foreign workers. There are all sorts of issues with that. For the supply chain as a whole, 60% and above are foreign workers.

Mr David Swales: The official statistics are a good starting point, but they definitely underestimate the scale of the issue. In the permanent workforce, the figures seem to suggest that probably about 20% of the agricultural workforce are EU-born workers who are now working in that sector. The factor Minette highlighted on seasonal workers is a particular challenge for agriculture and, from the session you have just held, potentially it might also affect hospitality. For agriculture and horticulture it is a key issue, as there are probably lots of relatively lower-skilled roles, such as picking and packing done seasonally at points in the year. There are quite a lot of those jobs in the sector. The official statistics suggest about 70,000 jobs—there may well be more—and the vast majority are done by EU and other migrant workers. We have a particular challenge with quite high dependency on EU workers at the moment.

Lord Kerr of Kinlochard: Is the trend still going up?

Ms Minette Batters: Very much so. The prediction is that the number of seasonal workers will rise to 90,000 by 2020.

Lord Kerr of Kinlochard: How do we know the numbers? Are the official statistics any good?

Ms Minette Batters: On seasonal workers, we have a very solid evidence base. It is a sector where there is clear potential, especially around Brexit, for growth. For instance, we are now 50% self-sufficient in strawberries, so there has been a phenomenal job done on import substitution. There is still potential for that sector to grow, and it would be in the interests of the nation if it grew and we managed to produce far more of our fruit and veg within our shores. There is potential for growth. I think we will come on to mechanisation, but there are crops that are very reliant on the human hand.

Lord Kerr of Kinlochard: If we are talking not about farm workers who are engaged by a farmer and live on the farm but about gangs and gangmasters, it all sounds to me like a grey economy. Can we rely on the numbers for that economy?

Ms Minette Batters: Very much so. I am sure David has more to say on that. Most of the seasonal workers who come to pick, harvest and pack fruit and veg come back year on year. It has been a long-term relationship. Many growers I speak to still have people coming 15 or 20 years down the line. There is a sort of community. One of the challenges we face is that people do not want to leave urban areas to work in very remote rural areas. There has been a long-term relationship; a lot of the workers who are doing the picking and harvesting come back year after year. Then they go home and return to work the following year.

Lord Kerr of Kinlochard: In your written evidence you say that "these figures will not capture seasonal workers coming to work in the UK for short periods of time". How big is that problem?

Mr David Swales: We have a reasonable feel for it. The devolved agricultural departments and Defra do large-scale surveys on an annual basis each June and capture estimates from businesses of how many seasonal workers there are. We know roughly how many there are, but we do not capture in the survey where those migrant workers are from. A lot of the official statistics do not do that. For example, to be captured in something like the labour force survey you have to be based in the UK and planning to stay in your current place of abode for the next 12 months. To be captured in something like the international passenger survey you have to come to the UK and plan to stay for 12 months. If you are coming over to work for six months or less, you will not be captured in some of those surveys, so trying to get accurate statistics about the proportion of seasonal workers who are EU nationals is not possible, but there is certainly a wealth of anecdotal evidence that the vast majority of workers coming to take those jobs are EU nationals. We hear a lot from employers as well. For seasonal work, in many cases the vast bulk of workers, if not all of them, will be migrant workers.

Q52 **Lord Burns:** I am very interested in the example you gave of the town in south-west Wales involved in the lamb industry. I have visited such places. How much do you know about the process whereby EU workers have become such a large percentage of the workforce there? How does the plant recruit people? Has the place become effectively a closed shop to non-EU workers? How have these towns sprung up? The character of a town changes enormously, particularly where there is a large abattoir and all the processing that comes with it.

Ms Minette Batters: It has been a gradual cultural shift for various reasons. Yesterday, I was amazed by that multimillion-pound investment in a very rural part of Wales, which took me five hours to get to. The investment has been made there because that is where the sheep are. The choice was not about putting it in a convenient place to get to; it was about putting it in a place where all the sheep are. That makes it very inconvenient to get to. I do not think there would have been enough people living in that rural area. The plant employs over 600 people. It is a challenging environment to work in—right the way through the plant. It is a good, clean environment in other ways. I think there has been a cultural shift. We have stepped back. We have had a high-achievers education policy for many years. I am not sure that people are aware that those jobs are on offer and may not even be directed to them.

Lord Burns: Do you know how people are recruited for the work?

Ms Minette Batters: One thing I know about recruitment, certainly for seasonal workers, is that our growers always advertise within the UK. This is not about giving up on the UK workforce; they are definitely at all levels continuing to engage with the UK workforce. It is not a case of stepping back and not engaging with them. To my knowledge, those jobs are always advertised within the UK and there is encouragement to have a greater UK workforce.

Lord Burns: What will be the result in that town of the future arrangements for migration?

Ms Minette Batters: On the first point, the biggest threat to the town is if the sheep go, because then you lose that multimillion-pound investment.

Lord Burns: Why should the sheep go?

Ms Minette Batters: If we get the trade deal we potentially will get, the sheep might be gone; we might just have New Zealand lamb flying in, but that is probably another issue. Without doubt that is the risk, but the plant has become part of the local community. It has a permanent workforce that has chosen to come here, stay here and do those jobs. Bridges will need to be built.

The plant is very modern, and I was keen to ask about the mechanisation that had been brought in. It was very clearly pointed out to me that the plant was as mechanised as it could be. There is a lot of mechanisation, but it is still very reliant on the human hand in places. That is now a large chunk of the community in that area.

Lord Sharkey: It has been argued that there are no social integration issues with seasonal agricultural workers as they normally live on farms. Do you think that is the case? I ask because Boston in Lincolnshire has the highest murder rate, if you count attempted murder as well, per head of population in the country and it has a very large and growing immigrant seasonal worker population. Do you really think it is the case that there are no social integration issues involved?

Ms Minette Batters: It varies enormously. I have visited some very rural locations where there is no integration. I visited a grower in Norfolk in the autumn, where there is a whole community. A shop and a cinema have been set up. The community is on the farm because there is no option, because it is so rural, of having integration. The situation you highlight in Lincolnshire is slightly different and there would be far more integration. It is incredibly variable across the country.

Mr David Swales: There is a lot of quite good evidence about employers in agriculture finding it difficult to recruit people. There is evidence from the UK Commission for Employment and Skills showing that the hard-to-fill vacancy rate in agriculture is higher than in any other sector. It tends not to be due to skills or qualifications. The type of jobs that are difficult to recruit are the lower-skilled occupations, and the view that comes across quite strongly is that people do not want to do that type of work. It is manual work and it might be outside, and UK residents tend not to want to do those types of jobs. The jobs may be in the wrong place in the country for them or they may be seasonal. As Minette said, employers are trying to recruit but they struggle to do so, and this is a potential solution for them.

Lord Forsyth of Drumlean: When I was a lad in Angus we used to go to the berry and potato picking. The buses came at 6 o’clock in the morning and lots of people got on them and would pick raspberries and strawberries. Now we are getting evidence that tells us this cannot be done. What has changed? Is it not to do with the amount people are paid for doing it?

Mr David Swales: I do not think it is that. Agricultural employers have been hugely creative over a long period of time about how they source their labour; they ship people in from different parts of the country. I heard examples of horticultural businesses shipping in miners during the strike to do work. The difficulty now is that the type of work involved is manual in many instances, and people no longer want to do that type of work. There has been a change in the type of work people are prepared or willing to do.

Lord Forsyth of Drumlean: Is that not about the market clearing price? It was 50 years ago, but communities like Angus were famous for the quality of their produce; nobody can match Angus for the quality of its raspberries and strawberries. All of it was picked by local people—families and so on. Since then there has been mechanisation. Is it not so much easier to ring up a gangmaster who will provide a lot of labour at a very much reduced cost and less hassle?

Mr David Swales: Yes, certainly, but those migrant workers will not be earning a really low wage. I do not think it is a money issue per se. Obviously, agriculture is not exempt from the minimum wage. With the devaluation of sterling, we are hearing reports that people are paying more to attract labour from abroad. The price of labour has gone up, because people are looking at it from their domestic currency perspective. There would probably come a point when at a certain wage level we could easily fill the vacancies, but agriculture works in a marketplace and ultimately UK producers compete with producers elsewhere in the world. If the price of UK produce is too high, the market imports the product. There is competitive pressure, but agricultural employers have to abide by the minimum wage and other rules and regulations in the same way as everyone else.

Ms Minette Batters: I will try to say this in the right way. It is an incomparable sector from when you and I were younger.

Lord Forsyth of Drumlean: You are very kind.

Ms Minette Batters: It has probably been the most efficient sector. For example, the requirements for strawberry pickers are now completely different. You require pickers who will pick up to three-quarters of a tonne of fruit a day. It is incredibly skilled, hard work, so it is a different job in the first instance. It is not about a low rate of pay. The national living wage has been a massive problem for the sector. It came in without any consultation; nobody had time to prepare for the national living wage, but we now have clear evidence that, with the exchange rate as it is, people have to pay well over the national living wage in order to get people to come here, so it is not a low-paid sector. It is very rural;

these are difficult places to get to. You have to live on site in order to be able to pick and harvest that amount of fruit and veg.

On the cultural issue I referred to, I visited a daffodil grower in Cornwall, who referred to the business park at the bottom of his farm. He said that 20 years ago that business park did not exist. All the locals chose to come to the farm to pick daffodils; it was just part of the way of life. Now the business park is there, people can drop off their children at school and work in the warm. They can arrive at 9 o'clock and finish at 5 o'clock. They do not have to get to his farm at 5 o'clock in the morning and work right the way through in the wet and cold. There has been a cultural problem. I do not think it is due to low pay, but it has been an incredibly productive, successful sector. Its efficiencies and productivity mean that the job is now hard work and phenomenally different from the one we knew as children.

Lord Lamont of Lerwick: You said we would come on to mechanisation, and we have not really. I think it is a key question. In written evidence the NFU said that "current expectations are that automation for harvesting, where achievable, remains at least a decade away. As such, the industry will remain dependent on manual labour". Why is it a decade away?

Ms Minette Batters: It is not a decade away. The technology is there. The machine exists; the robot that can pick strawberries is there. The challenge and the 10 years come in when you look at the investment that will be needed. We could fast-track that investment, and maybe there is an opportunity through the industrial strategy to do that, but there has been no price movement in the sector in the last 15 years and we have the national living wage.

Lord Lamont of Lerwick: Which sector are you talking about?

Ms Minette Batters: The horticultural sector.

Lord Lamont of Lerwick: The whole of horticulture.

Ms Minette Batters: The growing sector. To achieve the rollout of that mechanisation would need phenomenal investment. A lettuce picker costs well over £1 million and you would still need five people to operate it. It is possible and the technology is there, but where will the investment come from in a supply chain that is already massively constrained by cost?

Lord Lamont of Lerwick: Someone in a previous session—I believe Lord Forsyth picked this up—referred to the difference in fruit picking in Australia and California. In California, where a lot of immigrant labour was available, they continued with traditional methods, whereas in Australia such labour was not so easily available and it had become highly mechanised and highly competitive.

Mr David Swales: It is about what the image of a picker is. In essence, there has been massive investment in automation in the horticultural sector, but some of it is still hand-based. Growers have picking rigs going through a field. Harvesting broccoli, for example, is still done by hand to some degree, but the washing, cleaning and packing of the broccoli head will all be done in a mechanical rig that moves through the field. The use of labour is much more efficient than it may have been 10 years ago, but aspects of the process still require people. There are limits.

In the case of broccoli, I know that a research project is going on to make the process even more mechanised so that less labour is involved, but there are limits to how far it can go. In the case of soft fruit it is harder to mechanise the process without bruising the fruit. With broccoli there is less scope for that to happen. There are limits to the existing technology. Some of these things are longer-term solutions, so it will take time, investment and research.

Lord Lamont of Lerwick: But it is not necessarily 10 years away.

Ms Minette Batters: The investment is a greater problem than the technology.

Lord Lamont of Lerwick: You mean the money.

Ms Minette Batters: Yes.

Lord Sharkey: Is that a problem because of the scale of individual operators? There are not, as in America for example, gigantic corporations doing that work, such as Archer Daniels Midland, which have enough money to invest corporately in the machines? Is the structure of our agriculture making it more difficult for us to invest as we need to?

Ms Minette Batters: I think it is. Our food system is incomparable with the United States. It is very hard to find a comparison, and you have to ask whether we would want to.

Lord Sharkey: That is a good question.

Baroness Wheatcroft: I am sure that, in the longer term, technology will deliver autonomous vehicles, but I was struck by the written evidence from NFU Scotland about the number of drivers from the EU who currently operate heavy goods vehicles in your sector. NFU Scotland says that 60,000 HGV drivers are from the EU, and that still leaves a shortfall of about 45,000. How do you explain those numbers?

Mr David Swales: I cannot explain those numbers. Obviously, that is part of the haulage sector rather than part of agriculture. I can comment only on the agricultural sector.

Baroness Wheatcroft: It is across the RHA, but a lot of it impacts on road transport, which your industries need.

Mr David Swales: Certainly, our industries use the road haulage industry, but it is not an area I have done any work on. Road haulage bodies that do that type of work understand their labour requirements.

The work we did was focused very much on agriculture and horticulture and bits of the supply chain to do with food processing and manufacturing that are directly linked to that.

Baroness Wheatcroft: Are you aware of it being a problem, Ms Batters?

Ms Minette Batters: We did a lot of work on a sector-by-sector basis. Certainly, the combinable crop sector was well aware that there was quite a haulage requirement and that EU workers were driving grain lorries.

Q53 **Lord Darling of Roulanish:** I am interested in what we do about all this if we cannot go back to the 1950s when we all went out to work before dawn to pick raspberries or whatever. Possibly it was in the 1960s, but anyway it was all in black and white in those days.

Given that freedom of movement of people will stop, I am interested to know what your industry wants to put in its place. At the extreme, if there is nothing, presumably you will either have to automate or put your prices up in relation to what you are willing to pay for labour. If there was a new immigration agreement, what would you want?

Ms Minette Batters: As you know from the written evidence, we have an ask of government to trial a large-scale seasonal worker permit scheme. That ask has been in for a long time. The caveat is that we still do not have an answer, and we are pushing for one. We need an answer before we can move on.

Lord Darling of Roulanish: I want to get a measure of the weight of the issue. Do you think seasonal workers are the answer to the problem? It seems to me that in your whole industry it is not just people who pick berries; it is people who work on farms or in the food industry itself.

Ms Minette Batters: There are two issues and they have to be separated. The immigration Minister made it very clear to us that seasonal was our chink of light. Those were the words he used. We have had to separate them into two different asks. For seasonal, we asked for the global trial scheme. It is fair to say, and it is an important point, that we would have been asking for that whether or not we had a referendum. For the last three years, we have seen fewer people wanting to come from Europe to work here. Whether or not we were in this situation, we would still be asking for a global scheme to achieve the long-term aim of 90,000 people coming here on a seasonal basis, doing the work and going home again.

As regards permanent workers, we are asking that people who are already living and working here can stay, but the urgent piece of work, for which we have been asking for a long time, is for government to commission the Migration Advisory Committee to look at the permanent workforce and what is needed going forward. We still have not had a response about when that work will commence, but it is absolutely vital; otherwise, quite simply, for both seasonal and the supply chain we will shrink those sectors to the size of the workforce. That is what will happen. We can talk about this from a grower angle, but what about the consumer? What about the people who have every right to continue to buy and enjoy British strawberries—a phenomenal success story—British raspberries, and British and veg in general? What will happen?

Lord Darling of Roulanish: By shrinking, do you mean that if there are not enough people to pick the strawberries or the cost goes up, it might be cheaper to get the strawberries from Poland or Spain?

Ms Minette Batters: Not only that; there will not be the capacity to pick the fruit and veg, so the sector will shrink to the size of the workforce, and we will be bringing in imported produce.

Mr David Swales: AHDB is a non-departmental public body, so we do not have an ask of the Government on this, but we certainly look at what might happen under different scenarios. If employers cannot access labour, they will look to relocate production to where they can. We are aware of lots of UK-based businesses making investments abroad in places where they can access labour. There are lots of options for farming businesses in what they do with the land at their disposal. They could look to shift away from more labour-intensive production like horticulture, which we have been talking about today, towards something less labour-intensive. In essence, as the factors of production change, the industry will restructure to meet the new reality. That would probably not be great in the long run, because we would have less value-added production with the land at our disposal, so it might not necessarily be the best decision.

Q54 **Lord Darling of Roulanish:** When you referred to a chink of light, did you get the impression that the Government might look at a seasonal worker scheme but they are not prepared to look at one for more permanently based people?

Ms Minette Batters: It is very hard to read between the lines. The words "chink of light" were used because we were talking about seasonal workers, but there is no clarity about those requirements. The other thing that needs to be pointed out about seasonal is that there are simply not enough people in the country to do those jobs at the moment. Herefordshire, which is a good example of a growing county, currently needs 3,500 seasonal workers and has 400 unemployed.

Lord Darling of Roulanish: You may not be able to answer my last question. A lot of large farms in the UK have contracts with supermarkets to sell so many carrots or so many gallons of milk at such and such a price. Farmers constantly complain that the bargain being driven is very tough on them. Presumably if, perhaps understandably, you put up the rates of pay for agricultural workers, or otherwise shrink capacity, it would have an effect on the supermarket industry, which also buys quite substantially from the likes of Spain and Israel.

Ms Minette Batters: In dairy, on the whole a herdsman or herdswoman is a highly paid person. I do not see that it is about low pay.

Lord Forsyth of Drumlean: How much?

Ms Minette Batters: It varies. A herdsman in my part of the world is on £60,000—working incredibly hard, mind you. The caveat is that many dairy farmers are putting in their labour for nothing. There is huge disparity. It is a skilled job and it is phenomenally hard work. You start work at four in the morning, seven days a week.

Lord Sharkey: Is not the question whether the margins that those businesses command can absorb an increase in the wage rate?

Mr David Swales: That is determined by their position and power in the supply chain. Ultimately, most agricultural producers are producing a commodity. Milk is a commodity product, and the value of that milk is determined by global factors and domestic factors around supply and demand. It is not the case that farmers can decide to put up their prices. In many cases, the price is determined by the marketplace. The farmer is trying to make his production system as efficient as possible so that he can make a margin. If he does not make a margin, I guess he decides to do something else. In the case of dairy, we see quite a lot of peaks and troughs in commodity prices. Most farmers make money and lose money at different points in the cycle. Farmers by their nature tend to take a very long-term view. They look over the next few years and make a judgment about what their milk price or other prices will be and what their costs will be. If they think they will make money, they will carry on. If not, they may opt to do something else.

Lord Burns: What you are saying is that a lot of horticultural and agricultural industries have grown up in this country and been successful only because of access to migrant labour. If that had not been the case, those industries would never have developed in the way they have. Therefore, winding this back down again will put pressure on the economics of the sector and either the activity stops, in which case we have to import the produce and prices go up, or there is protection to enable prices to go up, so that some of that activity can be sustained. It seems to me that the implication of what you are saying is that, if it had not been for the large amount of migrant labour, much of the industry would not have developed in the way it has.

Mr David Swales: It is important to recognise that before expansion of the EU and the availability of the workforce, a lot of which is from eastern Europe, we had seasonal worker schemes in place, probably for the best part of 60 years.

Lord Burns: This is not the seasonal part of it. I was addressing the underlying long-term nature of the industry. You say that you have not yet seen any chink of light for a system to deal with it.

Mr David Swales: For the permanent jobs, certainly the more highly skilled and highly paid jobs, there are probably relatively good systems in place and a bit of a pipeline. We have land-based colleges and universities, and a lot of effort is being made to recruit people to the sector, so probably more is going on. The particular challenge we have highlighted is for the lower-paid, more manual-type jobs in the sector, where it is very difficult to attract UK residents. With the availability of labour as it is, that has been the solution.

Lord Burns: I interpreted you as saying that without a scheme to deal with it, a lot of that activity will disappear; it will be wound down.

Ms Minette Batters: If you cannot get the workforce, it is a perfect storm. If the sheep are not there, the plant and the workers will not be there. I do not think you can underestimate the challenge. Had we all known where we were going, maybe we would have been planning. We have not been planning for this. Now we have to put plans in place very quickly and there is huge concern. Referring to the processor I spoke to yesterday, with phenomenal overseas investment why would he keep a business in the UK? Businesses need some clarity about why they would stay here. He has a clear incentive to stay; the sheep are there. But if he does not have a workforce in the long term, why would he keep his business there?

It is about the knock-on effect on rural Britain, not about individual farmers. What is the impact assessment? We have a clear ask of government: it needs to look at the impact on rural Britain of a WTO default position for trade. It is not just labour but the whole thing. It is a perfect storm. We could lose huge parts of the supply chain.

The Chairman: Can we pursue that a little more? You said that if the supply of relatively inexpensive labour dried up the business model would have to change. Where would the business model go? Instead of having produce that benefits from low-cost labour, if that low-cost labour was not available, what would substitute for it?

Mr David Swales: It is important to note that there has been a huge substitution of labour with capital in agriculture for a significant period. The obvious example is the arable sector. Basically, a farmer could go down an arable route with much lower labour requirements. It would be incredibly easy for one person to harvest hectares and hectares of land using machinery. There is no need for hand picking. If the labour was not there, farmers would say, "What do I do instead? How do I adapt my business?" They may choose other options, but there is so much uncertainty at the minute both as regards the markets they might be able to sell into and whether they will have the people to pick what they plant. There is a whole range of uncertainty. We know that uncertainty kills off investment, so, given that climate, who will make those types of investment at this point in time without knowing what will happen over the next couple of years?

Lord Forsyth of Drumlean: You indicated that you had not had time to plan, which is a fair point. How long would you need to produce a plan, and what would it involve? Putting it quite brutally, you seem to be saying to us that there is something inherent in the British workforce that means they cannot be trained or persuaded to do jobs that involve hard physical work and are highly skilled. I go back to my strawberries, although I know we cannot go back to the 1950s. You say there is a shortage of labour, but in Scotland, for example, unemployment is still going up. To what extent is the shortage of labour tied up with the availability of housing in rural areas and other matters? On mechanisation, would capital allowances for investment in agriculture to achieve that purpose be a sensible idea? What is your remedy for the problem? If you had time to plan, what would you plan to do?

Ms Minette Batters: It is quite difficult, because if you are making an economic plan you will do it differently from a political plan.

Lord Forsyth of Drumlean: I do not know what a political plan is.

Ms Minette Batters: Nor do we. That is the challenge.

Lord Forsyth of Drumlean: A political plan means a political plan, which means nothing.

Ms Minette Batters: Before Christmas, it looked as though the movement of people was up for negotiation. Our ask was for full unrestricted access to the single market. It is now very clear that that is off the table. We are not going to be part of the single market, so the movement of people is off the table too. The plan of what good looks like has to move with the politics.

We feel very strongly about transition. With all the suggestions that have been made, there is the potential to get there, but we will not get there in two years. We have to build bridges in order to get there, whether by mechanisation or empowering a UK workforce. I am loath to say that the UK workforce does not want to do those jobs and has completely rejected them. I do not think they have, but ultimately we have an education policy that does not mention the word "food", and it certainly does not mention the words "primary production", so nobody has any idea that those jobs exist in the first instance, and they are very rural.

It is not about lots of little farms growing fruit and veg. There has been massive consolidation, all driven by a long-term cheap food policy. It is the cheap food policy that has driven the sector that we now have. In the plant I saw yesterday no one is trained to do all the cutting. Each bone cutter is allowed to do one cut, so that they do not upskill too quickly and become a competitive possession that everybody else starts wanting. The problem is that the cheap food policy has driven efficiencies that now we may not really like. The market has to drive this. We must not drive British food into being a niche—"We have to pay more for British". The market must drive this and we must keep quality, affordable British food for everybody at the forefront.

Lord Forsyth of Drumlean: You have not really answered my question as to what period of time is required and what the ingredients of the plan would be. On the issue of quality food, South African strawberries or raspberries cannot compete with Scottish ones, which are a quality product, and indeed are marketed as such.

Mr David Swales: For some people, that would be really important. The quality and provenance of a particular product could well command a premium from some people, but that is not the mass market.

Lord Forsyth of Drumlean: I agree.

Mr David Swales: We cannot plan an industry around delivering niche products. We have to be competitive in the market.

Lord Forsyth of Drumlean: You do not need politicians to plan your industry. Surely, if you can see the problem and you know what the Government are saying will happen with the internal market, should you not be telling government that you need time to do things? What are the ingredients? Perhaps you might want to think about that and send us a note, but it is quite important that the industry has a plan other than saying, "Please, can everything be the same?"

Ms Minette Batters: There is a whole load of cultural issues. In Herefordshire where growers produce asparagus, strawberries and apples, there are 400 people unemployed. It is exactly the same in Cambridgeshire. There are 400 unemployed, and the sector needs 3,500 seasonal workers. Are we going to bus them in from other parts? Are they going to leave their houses and stay on site? Those are all potentials, but how is that going to work? Do people actually want to do that?

I go back to the point I made at the beginning. These jobs are consistently advertised in the United Kingdom. I know a Herefordshire grower well. He always advertises. Of his 600 workers, six come from the UK marketplace every year. Growers and packhouses are always advertising in the UK market. The potential is there, but we have a cheap food policy. We do not even have a credible food and farming policy at the moment. We have waited two years for the latest one. It still is not on the table. We can come up with a plan, but do Government value a food system in this country? Is food security important, or are we a wealthy nation that can afford to import our food? It has to matter to government to make the seismic changes that will need to be made. If it does not matter, I do not see that the inclination will be there to do it.

Lord Kerr of Kinlochard: I was going to say that your perfect storm point is quite important, but I think you have just said it yourself. A plan for the manpower issue has to be part of a plan for farming as a whole. What you said about lamb and New Zealand is true for beef in Scotland and Argentina or America; it is true for arable in East Anglia and America or Canada and so on. If the Government are taking us down the path of a global free market, the nature of farming will change hugely in this country. How much of a farmer's income comes from the single farm payment? I should think that in most cases it is well over 50%. Is that going to carry on? I can see why the industry needs to know before it can make a plan for any particular element of agricultural policy. Do you want to expand on your perfect storm point, or have I got it right?

Ms Minette Batters: You have got it absolutely right. You can have a plan for a perfect world, but we live in a far from perfect world right now. Trying to paint what good looks like is incredibly difficult. It is all about the trade deal if we are to do the right thing for the economy. If domestic food security does not matter to the country and to this Government, that is the worst outlook. If we can show that there can be an economic Brexit for agriculture and we can be absolutely part of the solution, it is a different plan. As a union we feel very strongly about it being a commercial Brexit and us being part of the solution. We do not want to be out there with our begging bowl. There are enormous opportunities, but ultimately government has to see those opportunities itself.

Q55 **The Chairman:** The Government have laid great store on skilled immigration. Does that cause you a problem?

Mr David Swales: It causes a significant challenge. From work we did, we found evidence that for permanent jobs, leaving to one side the seasonal stuff, about 96% of migrant workers coming in would not hit the current requirements of the MAC on a points-based system. As we said at the beginning, a lot of the issue is not necessarily about skills and qualifications for some of these jobs; it is about the nature of that work. If there were very specific skill and qualification requirements attached to those roles, it would present a challenge. It is important that the MAC has a good look at the requirements. It is not dissimilar in other sectors. In social care and other sectors, there would be similar issues about the types of roles being undertaken.

The Chairman: You would urge the Government to have a policy of allowing sectoral migration to meet your current requirements, and to the extent that that was not available after a while it would give you an opportunity to transition to new business models—different crops, arable, for example—that used less labour.

Mr David Swales: I would not have a particular ask of government, but it is certainly something the Government need to consider as regards what they want as their end game. For me, if there is a transitional period, there are opportunities for businesses to make capital investment and perhaps do more substitution. That is probably a good outcome from my perspective, but the challenge is: who will make the investment when we do not know what our agricultural policy looks like? Obviously, that has been tied up with Europe. We do not know who we are going to trade with and what access to labour we will have.

Your challenge is a fair one—you ask what the plan is—but it is not for me or Minette to come up with that plan. There are thousands of agricultural businesses looking at this issue and trying to make the best decision for them, and at the moment there is a massive amount of uncertainty. Most of them are relatively small businesses and it is quite difficult for them. They probably need a bit longer than larger businesses in some other sectors to make the adjustment, and they probably have the most change in any sector of the economy because of the nature of our involvement in the EU.

The Chairman: Thank you very much indeed. That brings this session to an end.

Examination of witnesses

Mr Chris Cox and Mr Mark Dayan.

The Chairman: Gentlemen, thank you very much for joining us. I would like to welcome you here and to ask Lord Lamont to ask the first question.

Q56 **Lord Lamont of Lerwick:** Why is there such a large proportion of EU workers both in social care and nursing? The reasons are probably different for each, but we are very interested in exploring that.

Mr Mark Dayan: Interestingly, if you look at it in absolute terms, the proportion is not that large. It is about 5% of nurses and 7% of social care workers. The absolute proportion of the current workforce is not all that large. What is significant is the proportion of the annual increase at the moment.

Lord Lamont of Lerwick: If the question had been not EU but foreign nurses, what would the proportions be?

Mr Mark Dayan: The UK has 22% of nurses who are foreign born and an even higher proportion of doctors, with more of them non-EU than EU in origin. That has been a unique feature of the UK health system for a long time. Basically, we do not train enough and we are chronically dependent on importing those professionals. The root causes go back to short-sighted workforce planning over a number of decades.

Lord Lamont of Lerwick: Let me concentrate on nursing first. That is what I expected to be revealed. Perhaps I should not say this, but public expenditure constraints probably mean it is cheaper to hire people from abroad rather than for the NHS to train them. I remember the chairman of the Migration Advisory Committee saying that immigration had been a get out of jail card for the National Health Service because it just gave an excuse not to invest in training.

Mr Chris Cox: You are absolutely right. For the past two decades there has been a mismatch between the demand for nurses and the supply of nurses in this country. The Migration Advisory Committee went into a number of factors that they thought lay behind that failure to ensure that the supply matched the demand.

Lord Lamont of Lerwick: Was there a specific Migration Advisory Committee report on that?

Mr Chris Cox: When the Migration Advisory Committee was asked to place nursing on the shortage occupation list—they made a recommendation to that effect last year—they looked into the reasons for the serious shortage in nursing staff and how that had come about. They said, and this was endorsed by the evidence the Royal College of Nursing has presented over the years, that there was almost a cyclical pattern in the nursing workforce of the past 20 years of boom and bust. Towards the end of the 1990s and early 2000s, we had a shortage of nurses. Then there was an active policy of international recruitment of nurses from overseas, primarily outside the EEA countries. That came to a halt in mid-2005-06, just before the financial crisis. That was because of financial and other reasons, and because there was felt to be an excess of the nursing workforce.

Subsequently, towards 2010 the shortage began again. We then started seeing an active policy of recruitment from EEA countries. There were a number of factors behind that, which included changing demographics, the older population having more complex nursing needs over that period and thus more demand, the position in relation to changes in the way healthcare is delivered, and the roles of nurses having changed significantly. On the demand side, there was an increase in demand for nurses. On the supply side, we were simply not training enough of our own nurses. Also, now, one in three nurses is due to retire in the next 10 years. Underpinning all that has been poor workforce planning for many years.

Lord Lamont of Lerwick: I am reaching into the recesses of my memory, although I may be wrong about this, but has the method of financing training and loans or grants had anything to do with it?

Mr Mark Dayan: There is a big change in the process now, which will be fully implemented this year coming, which is a shift from nursing bursaries to nursing loans. That takes direct state financing out of the equation, which, in theory at least, allows universities to increase the number of places as much as they want. There is an important caveat to that, which is that there are only so many training places available in hospitals. The policy might do something to help fill the gap that we currently rely on migration to fill, but, as yet, it is untested. You could easily see the dynamic going the other way, where students who would have considered nursing will think, “I will have to pay back a loan when before I would not have had to. Perhaps it is not for me”.

Mr Chris Cox: It is very speculative as to what might happen. We know that this year there has been a 23% drop in the number of applicants for university places for nursing training compared with the previous year. We also know that loans are not attractive, particularly to young women in their mid to late-20s who go into nursing, who may have family commitments and so forth. Coming out at the end of a three-year degree course with a debt of between £40,000 to £60,000, when the pay they are likely to be getting is around £26,000 a year, is not an attractive incentive.

Lord Sharkey: It is true, is it not, that within the NHS and the social care system the dependence on parts of the system on EU labour varies quite strongly. For example, when it comes to surgery and ophthalmology, we have data that show that something like 20% and 24% of people in that area are from the EEA. Since those are both absolutely critical sectors, especially surgery, does that not show a very large dependence on the EEA for the continued functioning of that part of the NHS?

Mr Mark Dayan: It does. One of the issues that the NHS has in recruitment, other than absolute numbers, is the ability to steer medical graduates in particular into the right areas. There are chronic shortages for example in emergency medicine and general practice.

Lord Sharkey: And radiology, for example.

Mr Mark Dayan: And a number of small ones, such as parts of pathology. Those, again, are areas where the NHS is missing the target and compensates in reality by migration.

Lord Sharkey: I know that in radiology, for example, the NHS is trying hard to recruit from Holland, because Holland, rather oddly, has produced a surplus of radiologists. We are dependent for the moment on being successful in recruiting these people.

Can I turn to the other part of that, which is the social care sector? Again, the percentage of people who are from the EU is relatively small. Does the rate of turnover of people in this sector not also have a profound influence? Where these people have been recruited from is therefore critical to the future success.

Mr Mark Dayan: That is absolutely right. Although the proportion, as you say, is relatively small at 7% or so, the number has been going up by 10,000 a year for the past two years. Although taking the full stock of the existing workforce it does not look that dependent on EU migration, the reality is that there is a disproportionate need now for the flow of new people coming in from the EU. That dynamic is the same in nursing, where a third of new registrants are from the EEA, and it is the same in physiotherapy. In terms of where the next generation is coming from, in a field with very high turnover there is a disproportionate reliance on EEA migration in particular.

Lord Sharkey: The rate of turnover in the care system is 25% per annum. Do we know why it is as high as that?

Mr Mark Dayan: There is survey data on that, which I cannot remember off the top of my head. I would be happy to write to you about that. I believe it is something to do with the sector itself. These are not qualified roles that you would necessarily expect to be a job for life. There is a certain amount of movement in and out to other jobs which require similar skillsets.

Mr Chris Cox: The care sector employs nurses. The same issues that arise around recruitment and retention of people within the care sector are not dissimilar to those that apply across the NHS. It is noticeable that, as part of the workforce planning, the whole of the demand in relation to the independent healthcare sector is not and has never been taken into account when looking at the training places for nurses. That has been solely confined to the NHS, so it misses a large proportion of the demand that will subsequently arise once a nurse is qualified.

Lord Darling of Roulanish: I have a follow-up question in relation to that. Why are nurses and doctors leaving either the NHS or the care sector? If you take doctors, for example—maybe the BMA would dispute this—most would say that their pay has gone up quite substantially during the past few years. I understand the position of the RCN, but, equally, successive Governments have tried to address that. As I understand it, more people are leaving in advance of retirement age, and when you ask them why, it is not pay but other things. I want to get a picture of what is happening to the workforce, because it seems to me you need to know that before you look at the supply problem.

Mr Chris Cox: From the nursing perspective, many nurses undoubtedly leave when they reach retirement age. As I said, one in three of our nurses currently will retire within the next 10 years, and they do not stay on beyond 55 or 60. It is a very stressful environment out there. Because of the severe nursing shortages, nurses are working excessive hours. A staff survey for England, which was published yesterday, showed that more than 30% of healthcare staff experience stress-related illness. Around 59% of nurses work additional hours to their contracted hours—often 12-hour shifts—for no pay. The environment in which they are working is difficult and stressful. It is having an impact on their health and their motivation to remain in employment.

In addition to that, you mentioned pay, but pay has been capped for nurses since 2011. It amounts to a 14% real pay cut over that period. Most nurses work within what we call band 5 of the agenda for change pay bands, where the average salary is £26,000, which simply does not compare with other graduate professions and where often nowadays in order to save costs there is considerable downbanding of nurses within healthcare environments. It is not a very attractive environment in which to be working at present.

Lord Darling of Roulanish: Could you give me some indication of how long a non-British EU nurse might stay working in the UK? Are they here long term, do they come for two or three years or what?

Mr Chris Cox: EEA nurses.

Lord Darling of Roulanish: Yes.

Mr Chris Cox: Experience has been that they have not stayed for a very long time. They have often moved on elsewhere. I do not have the figures to hand.

Lord Darling of Roulanish: Do figures exist?

Mr Chris Cox: I do not know. I would have to make inquiries. I will certainly come back to the Committee if there are some figures around.

They certainly do not stay as long as nurses who have been recruited from elsewhere, although to be fair we have only had the increase in proportion of EEA-recruited nurses since about 2010 onwards. They do not stay as long as nurses who were recruited from outside EEA areas, such as India, the Philippines and elsewhere.

Lord Darling of Roulanish: They tend to stay longer.

Mr Chris Cox: They tend to stay longer, yes.

Mr Mark Dayan: I would like to add a couple of things on incentives for recruitment and pay. If you look back to 2005, for the first few years after the financial crash hit, pay for NHS professionals, including nurses, was doing slightly better than pay in the private sector. Since 2010 that situation has reversed, and the private sector has a narrow advantage, although both are doing pretty poorly. Furthermore, because we speak English in the UK and it is a bit of a global language, that puts us in much more of a competitive marketplace than countries where the language is not widely shared and you would have to retrain. Effectively, we are competing against Australia and America, where salaries are quite high.

Q57 **Lord Forsyth of Drumlean:** Thirty years ago when I was a junior Minister in the Scottish Office responsible for health and education, Project 2000 came along, which was driven by the nursing profession and which ultimately led to nursing becoming a degree-based profession. In the old days, you had state registered nurses and different types of nurses who did not have degrees. A lot of the work—the manual and caring work—was done by those nurses. Did we take a wrong turn in insisting on nursing being solely a degree profession and in so doing exclude a whole load of people who might be employed in nursing? Do we need to think about going back to that, given that the supply of labour from the EU and non-EU countries is likely to be attenuated? You are going to say no, are you not?

Mr Chris Cox: You would be surprised if I said yes. The answer is no for a number of very good reasons. First, all the evidence that has been produced in recent years, both internationally and domestically, shows that being nursed by a degree-qualified nurse has better outcomes for patients. It is a safer environment with better patient outcomes. All the evidence points to that.

There is sometimes a serious underestimation in the general public’s view about the skills and qualities required from a registered nurse. Unless we have had personal experience of being in a nursing environment where we have been cared for, we simply do not know nowadays about the technicalities, complications and the judgment that have to be exercised to be a nurse.

Lord Forsyth of Drumlean: I accept that, but we read reports of people not being cared for in hospitals and simple tasks such as feeding patients not being carried out, which do not require substantial medical skills but require caring skills. In the past, prior to Project 2000, those tasks would have been done by particular nurses who were not graduates and who were not required to administer injections and things of that kind.

Mr Chris Cox: The complexity of the nursing role has changed. Nurses are now assuming far more responsibility for roles that were previously undertaken by doctors. The issue you have identified, such as patients being left unattended and all the rest of it, is an issue that comes down to staffing levels generally.

Lord Forsyth of Drumlean: That is why I am asking the question.

Mr Chris Cox: There is a need for both healthcare support workers and for nurses. There is a serious shortage, and there has been for some years now, in relation to nursing and healthcare support staff.

Lord Forsyth of Drumlean: While we are still on nursing, in the RCN's written evidence you said that there had been a 90% drop in the number of EEA nurses joining the regulatory register.

Mr Chris Cox: That is the evidence we have just heard. It may be closer to 85% from the NMC. That is very recent evidence, since the Brexit vote.

Lord Forsyth of Drumlean: What was it the year before the Brexit vote?

Mr Chris Cox: In 2015-16 there were 30,000 new applications for registration at the Nursing and Midwifery Council, of which about 9,300 were from nurses from EEA countries, about 19,000-odd from UK-trained nurses and then about 1,500 or thereabouts from nurses outside the EEA. A third of the nurses seeking registration for the first time with the NMC in the year 2015-16 were from EEA nurses. It is just this sudden period since the Brexit vote.

Lord Forsyth of Drumlean: What is your explanation for that?

Mr Chris Cox: One possible explanation has been the uncertainty of the position of EEA nurses and people in this country. It has not been a very comfortable environment. We have had experience in the RCN of nurses who have faced levels of discrimination and racist behaviour towards them and so forth since the Brexit vote. The newspaper coverage and everything else has not presented the United Kingdom as a very attractive place to come from EEA countries.

Lord Forsyth of Drumlean: It has nothing to do with the exchange rate.

Mr Chris Cox: That may have played some part in it.

Mr Mark Dayan: We are concerned that the exchange rate might play a role in deterring migration from the EU in the health and care sector, although perhaps not so much for nursing as for those roles such as healthcare assistants or social care workers where quite a lot of people move, perhaps temporarily, and plan to send money home as remittances. If that is what you are doing with your salary, you have had an effective pay cut of 15% or more, which is a substantial disincentive.

Lord Forsyth of Drumlean: On the question of the shortage of GPs, I am told anecdotally—I do not know if there is any evidence for this—that one of the reasons why GPs, who are on quite substantial salaries and final salary pension schemes, are seeking retirement in their 50s because they find that they are above the limit on pension funds. The previous Chancellor reduced the limit where the tax rules were generous. So, when they get into their 50s, because the threshold was reduced to £1 million, they find themselves suddenly above the threshold in respect of their pensions and having to pay substantial extra tax. So, they retire, take their pensions, come back as locums and get paid more. How widespread is that problem?

Mr Mark Dayan: I could not say. I have heard the same anecdotes. The end of the GP shortage problem that we have a much clearer handle on is the front end rather than retirement. For a number of years, Health Education England has had a target that half of all medical graduates should go on to practise in general practice. That has been consistently missed. That is the obvious place to start in looking for what has changed to drive a wedge between the supply we know we need and the numbers that we are getting.

Lord Forsyth of Drumlean: Hang on a second. You say it is the obvious place to start, but you are losing experienced GPs.

Mr Mark Dayan: It is true that the retirement rate has gone up.

Lord Forsyth of Drumlean: We are told that this is because of stress in the health service, but one can see how financially there is a huge incentive for GPs to do this, and it appears to be happening.

Mr Mark Dayan: It is possible. Unfortunately, I have no data on that. The University of Manchester does a survey of how likely GPs are to retire, but it does not ask the reasons in that sort of granularity.

Lord Forsyth of Drumlean: The last question that Lord Darling touched on was on how long the EEA nurses come for. If they only come for short periods and there is a degree of churning, which is financially very disruptive, would it not make more sense to look at how we could improve recruitment domestically, which might include looking at issues such as whether they have to pay student fees and things of that kind?

Mr Chris Cox: Absolutely. Ideally, we should have more home-grown nurses. We should not be wholly dependent on them.

Lord Forsyth of Drumlean: How can we do that?

Mr Chris Cox: We made various suggestions, including better workforce planning. We are now at the transitory stage where we do not know what the impact of the change to the student loans will be and what the bursary situation will entail in practice. We believe that we should be incentivising people moving into the nursing profession through better pay and terms and conditions. A number of approaches that we suggested would, we think, go some way towards encouraging young people to move into a nursing career, such as better retention of nurses, better career opportunities and career development.

Lord Sharkey: Is there not a remarkable distortion in the way nurses are paid? David Metcalf told us that migrant nurses are paid on average £6,000 a year less than the British equivalent. What kind of market is this?

Mr Mark Dayan: I suppose that could partly reflect the different average banding.

Mr Chris Cox: On pay and the market for nursing, as you will probably be aware there are nationally negotiated terms and conditions and there is a national pay structure with nine bands. People are recruited on to those bands, which is underpinned by a job evaluation scheme, depending on the demands of that particular role. It is not quite an ordinary market situation for them. We noticed his suggestion that older nurses recruited from overseas were still being recruited to band 5. You would think that an older nurse with possibly more experience would be capable of, and perhaps have been, performing at a higher level but had been recruited because of a desperate need to fill a band 5 role. I suggest that is partly because there are limits and constraints on the availability of funding for that particular hospital. They have been downbanding nurses for a number of years now in order to save costs—moving them from more skilled roles.

Lord Forsyth of Drumlean: So they are a source of cheap labour.

Mr Chris Cox: You could put it that way.

Q58 **Lord Kerr of Kinlochard:** You are basically saying that the core problem is not EU migration—that the reductions in EU migration will not solve the core problem or will create an additional problem. The problem is financial strain on the National Health Service. But clearly the end of free movement of workers from Europe will have a deleterious effect.

Mr Mark Dayan: Yes.

Lord Kerr of Kinlochard: What system would you like to see introduced? Assume it is going to happen. How would you best mitigate the downside effects of it?

Mr Mark Dayan: That is absolutely right. EU migration does not have much to do with the cause of the nursing or even social care worker shortage, but it is the only solution we have and at the moment we are really reliant on it. There is also a timing issue here. Even if, for example, the reforms in nursing bursaries meant a massive upsurge in nursing applications, and even if it were large enough to fill the gaps that would be left if you took out EEA migration, which is the absolute upper end of the Government's estimates, that would not even begin to happen until the middle of 2020, a year after Brexit. At least in the medium term we are pretty reliant on EU labour to patch up what admittedly is a problem with roots somewhere very different.

Of the different menu of options that we have seen for the post-Brexit migration system, if we are going to have a work permit system there will probably have to be several thousand permits a year for both NHS nurses and social care workers and some for physiotherapists. If we are going to have a points-based system, it will have to be quite lenient towards nurses, possibly treating them as a shortage occupation in the same way as the existing non-EEA system does. There would also have to be particular provision for social care, because a lot of the people who go into the social care sector are in some sense unskilled labour and are relatively unlikely to rack up many points on a points-based system but are none the less pretty sorely needed, at least in the medium term.

Mr Chris Cox: I endorse all Mark's suggestions. Our concern would be having to replace the current freedom of movement with the current tiered work permit system, which, given the constraints around minimum salary, simply would not work for the 30,000 to 35,000 nurses who are averaging around £26,000.

Mr Mark Dayan: Social care workers are earning something like £14,000 to £16,000. They are not even in the ballpark of meeting the salary cut-off for a tier 2 visa.

Lord Kerr of Kinlochard: Should the criteria for the shortage occupation list be changed? Should it take more account of demand? You say that there is tremendous demand that is not reflected in the criteria for the list. We say that a nurse should be a graduate and therefore eligible under tier 2. Lord Forsyth had a point, and lots of other countries do not say that a nurse has to be a graduate. Should we be looking at that?

Mr Mark Dayan: There are people who are fully qualified to come and practise as nurses in the UK. The tier 2 visa system as it currently works—you will know this better than me—has a £35,000 cut-off for people to remain. There should be no doubt about what is being declared a shortage occupation. The criteria for being declared a shortage occupation involve a range of things such as vacancy rates and indicators of strain on the market such as salaries rising. So there is quite a systematic way of making decisions. The system is explicitly designed to allow only skilled migration, yet the reality, especially in social care, is that we probably need some unskilled migration. It is difficult to see how that system would really meet the needs of health and social care in the medium term.

Lord Kerr of Kinlochard: Despite the general point that you have been making throughout about financial strain, the money would be there. I am looking at the other end of it. We are talking about the supply. You say there is plenty of supply; that it is all there. Why are we not taking it now? It is because the money is not there.

Mr Mark Dayan: Yes. The money is there to pay salaries capped at 1% a year. That would probably be enough to attract many people from other countries. I think it is fair to say that it puts a lot of strain on the nursing market in the UK.

Mr Chris Cox: It does. Interestingly, the Migration Advisory Committee took the view that remuneration and salaries were a relevant factor in the current mismatch between demand and supply for nursing labour in this country, despite representations by departments and the Government to the contrary. Generally, we have not come up with any recommendations for what sort of replacement system we would like for free movement. We have suggested some principles that we think should underpin any new system. We put in a joint submission with the Cavendish Coalition on the immigration arrangements that might follow to try to address some of these issues across the different professional groups in healthcare.

Q59 **Lord Burns:** In one of our earlier sessions, we explored further the kind of system people would like, whether the EU system should be the same as the non-EU system, and whether there should be a wider range of tests other than just skilled that would allow the semi-skilled and unskilled. Then there is the question: over what time period should any phasing take place to avoid cliff-edge problems in order to give time for the pipeline to fill from domestically trained workers?

Mr Chris Cox: We have said that there should be a transition period of at least four years so as to avoid precisely the disaster that you have referred to.

Mr Mark Dayan: I am speaking here mainly about social care. At least within the current spending review period up to 2021, there is less than no money for raising social care wages to the extent that they would have to be raised in order to draw on labour from other sectors. There would have to be a minimum time window for some kind of transition.

Lord Burns: You consider that raising the pay levels would have to go alongside any programme to seek to bring more UK-born people into this labour force.

Mr Mark Dayan: In social care, yes. The average hourly wage in social care is £7.69. That was a fair bit above the minimum wage, but the national living wage is coming up below that and potentially reducing that differential. I know that a lot of providers in the social care sector and a lot of directors of adult social services at councils are quite concerned about that. In a system that, I should stress, is already under grave financial challenges—it only pulls through by cutting the number of people who receive care—there is no space available for the relative increase in wages compared with other sectors that you would need to significantly—

Lord Burns: What sort of figure do you have in mind? What adjustment will be needed in wage levels in the care industry in five years?

Mr Mark Dayan: You would need to do a pretty serious economic analysis to come up with a solid figure. At the very least it would need to keep pace with the rest of the economy.

Lord Burns: But that is not a relative change. You said that there would have to be a relative change in order to attract people.

Mr Mark Dayan: At the very least it would need to keep pace in relative terms, which is looking very difficult at the moment. That, traditionally, has been in the region of 2% a year or so.

Lord Burns: Is that enough to do the job? I thought you were implying that if one was going to attract people from other industries there would have to be a relative switch.

Mr Mark Dayan: I cannot answer that specifically. Unfortunately you would need to do a pretty deep economic study of the labour market and what the marginal person needs.

Lord Burns: We do not have to be doing that. We have heard from quite a number of industries that wages would not rise as a result; their arguments were that a lot of the activity that is taking place, such as fruit picking and so on, simply would not take place. In this case, the activity level cannot really fall. If anything, you are saying that it is undersupplied.

Mr Mark Dayan: The activity level has already fallen. We have seen the terrible strains that has put on the NHS, with 200,000 delayed days in hospitals a month. It is not a feasible proposition to reduce it further. In fact, today the Chancellor provided significant extra money to social care in the very immediate term ahead of Brexit in recognition of that.

Mr Chris Cox: But today he made no comment about what might happen to nurses' pay and the cap of 1%. For us, five years of that cap has resulted in a significant fall amounting to 14% in real wages of nurses.

Lord Burns: How far have wages fallen short of average levels?

Mr Chris Cox: I do not have the figures to hand.

Lord Burns: All public sector wages have been under a certain amount of pressure.

Mr Chris Cox: What has been evidenced recently by the TUC is that the relative wages of the public sector versus the private sector have now shifted. At one time, the public sector was slightly better off than the private sector. That position has now reversed. The change has been very recent. Although pay is not the reason why nurses go into that profession, nevertheless it is clearly a relevant factor to their ability to survive within that profession, particularly in the current environment in which they are working. The recent survey, which was published yesterday, showed that 63% of health staff are dissatisfied with their level of pay. We know of other evidence that the financial grants that are being sought by members through some of our charitable foundations have gone up more than 50% in the last 12 months. There is real hardship.

Lord Burns: The implication of this is that the faster we want to reduce the flow of EU labour coming into the UK, the greater is going to have to be the movement of relative wages in this sector compared with the economy as a whole.

Mr Mark Dayan: That is right.

Lord Burns: There is a choice between speed and cost.

Mr Mark Dayan: That is absolutely right. It is completely true. I would add that for the foreseeable five-year future the budgets that have already been set down for the NHS and social care more or less preclude the option of significant pay rises.

The Chairman: We are just about to have a Division, but we might just get one small question in first.

Baroness Wheatcroft: How many qualified nurses are there in this country who have left the profession and who, with improved conditions, might be brought back into it?

Mr Chris Cox: That is a difficult one for us to answer. We know that currently there are 690,000-odd nurses on the NMC register. There have been attempts in the past to look at means of trying to encourage nurses to come back to nursing who have left early or retired early. There are issues to do with the flexibility of working arrangements and so on that do not exist in the NHS generally to accommodate the needs of the older worker. A lot more needs to be done in that regard, but I could not give you exact figures on that.

Q60 **Baroness Wheatcroft:** I have a totally different question. Is there any evidence post the referendum of doctors and nurses leaving this country?

Mr Chris Cox: There is evidence, as we said earlier, of the number of applicants registering with the Nursing and Midwifery Council immediately after the Brexit decision. On the question of how many are leaving, I have no evidence.

Mr Mark Dayan: It is a bit too early to tell. After the migration laws were tightened up for non-EEA migrants in 2010, it was not so much that you saw people already here leaving as that there was an absolute collapse in the numbers coming in. That is where historically the biggest impact has been seen.

The Chairman: Thank you very much. I am sorry that you have some competition, but it has been a very interesting session. Thank you.