

# Treasury Committee

## Oral evidence: The UK's economic relationship with the European Union, HC 473

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Members present: Nicky Morgan (Chair); Rushanara Ali; Mr Simon Clarke; Stewart Hosie; John Mann; Alison McGovern.

Questions 447 - 520

### Witnesses

I: Professor Jonathan Portes, Professor of Economics and Public Policy & Senior Fellow, King's College London; Phoebe Griffith, Associate Director for Migration, Integration and Communities, Institute for Public Policy Research; Alp Mehmet, Vice-Chairman, Migration Watch; Madeleine Sumption, Director, Migration Observatory, University of Oxford.

## Examination of witnesses

Witnesses: Professor Portes, Phoebe Griffith, Alp Mehmet and Madeleine Sumption.

Q447 **Chair:** Good morning to our panel. Thank you very much indeed for coming in to help us with the next session of our ongoing inquiry into the UK's economic relationship with the European Union. We are particularly looking this morning at the economics of migration. Just for the record, because there are people watching online as well as watching here in the room, could I ask you all to introduce yourselves? We were debating if it is Miss, Mrs or Ms Griffith.

**Phoebe Griffith:** I guess it is Mrs Phoebe Griffith. I am an associate director at the Institute for Public Policy Research.

**Professor Portes:** I am Jonathan Portes, professor of economics and public policy at King's College London, and a senior fellow of the UK in a Changing Europe.

**Madeleine Sumption:** I am Madeleine Sumption and I am director of the Migration Observatory at the University of Oxford.

**Chair:** Is it Ms Sumption?

**Madeleine Sumption:** Yes.

**Alp Mehmet:** I am Alp Mehmet, vice-chairman of Migration Watch.

Q448 **Chair:** Thank you all very much indeed. Mrs Griffith, I know you have to leave at 12.15 so we will understand, if we have not finished by then, if you dash out. Obviously we have four very informed panellists this morning. I am sure you will want to answer all questions. We will try to direct them to people but, if you want to come in on something, please do. It will also help to keep answers relatively brief, so we are able to get through as much as possible.

I wanted to start by picking up the OBR's latest economic and fiscal outlook, and whether you agreed with its assessment that lower net inward migration would reduce the potential output of the UK economy. Mrs Griffith, let us start with you.

**Phoebe Griffith:** It is a very tangible assessment. It is based on recent figures that reflect on the most recent trends we have seen in terms of the net migration statistics and the changes that we are starting to witness. It is an important assessment of something that we should factor into future decisions on immigration policy.

**Professor Portes:** By definition, yes. The OBR is following the mainstream economic models that most central banks and treasuries use. Labour is one of the key inputs, and net migration has reduced relative to what we would otherwise have expected. That is partly a result of the Brexit vote and partly a result of other factors. That has reduced



potential output. The way in which the OBR calculates the reduction of potential output is, as it says itself, very crude and simplistic. It simply assumes that immigrants are exactly like the rest of us when, of course, there are reasons why immigrants might contribute more or less to potential output than other people of working age. As a starting point, it is pretty obvious, I would say.

**Madeleine Sumption:** I would agree with that. Mechanically, if you increase the number of people in the labour force, you are going to increase output. That is not very surprising. It would actually be very surprising if it did not. Potentially the more interesting estimates are the impacts of GDP per capita, which mechanically also go up, if you increase the number of people who are working and producing. The assumptions the OBR makes are simplifying. As Jonathan said, for anyone of the same age and gender, it assumes the same rates of labour force participation and productivity. You can debate whether that is optimistic or not. Potentially on the employment side it is a touch optimistic because, if you take migrants as a whole or people born abroad, the employment rates have tended to be a little lower, by one or two percentage points. The skills distribution of people who are in work, UK born versus non-UK born, is pretty similar, so I do not think that there is anything outrageous about its assumptions.

**Alp Mehmet:** My colleagues have said it all. Perhaps more important than the actual growth of GDP, as Madeleine says, is the GDP per head and whether that has increased. That seems to be a huge issue for debate. The likelihood that it does not depends on the sort of immigration that we are taking in and the sort of migrants we are not taking in at the moment, who are perhaps able to come to this country.

Q449 **Chair:** We are hoping to get into a lot more, so thank you for your opening answers. We are hoping to pick up a lot of the issues that you have identified. Professor Portes, in your written evidence to the Committee, you said, "The reductions in migration resulting from Brexit are likely to have a significant adverse impact on UK productivity and GDP per capita". You have probably touched on some of this, but perhaps you could explain further how you came to that conclusion.

**Professor Portes:** As Alp said, in the medium to long run, what you are worried about more than the impact on GDP is the impact on GDP per head, which in turn is driven by productivity. I would emphasise that there is relatively little evidence about the impact of migration on productivity in the UK. In my written evidence, I summarised what we know from the international evidence, which is that migration appears to have a positive relationship with GDP per capita, looking across countries. That is to say that, on the whole, countries that have higher levels of migration experience higher growth in GDP per capita, not just in GDP. In other words, migrants contribute in some indirect sense more than their weight in the population, and there are a variety of reasons why that could be the case.



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As I said in the written evidence, we do not have as much good evidence for the UK as we would like. Indeed, I am doing some work for the Migration Advisory Committee trying to look in detail at the UK micro-level evidence on that, so I hope we will know more in a few months. For what it is worth, my view is that the international evidence suggests the impact of migration on productivity is positive, and the impact of reducing migration as a consequence of changes after Brexit is therefore likely to be negative. In particular, and this is somewhat more speculative, I think free movement has contributed to the flexibility and dynamism of the UK economy, and restricting it is likely to reduce that flexibility and dynamism, and hence reduce productivity growth.

Q450 **Chair:** Mr Mehmet, the Migration Watch website states that immigration “does not significantly increase GDP per head so does not necessarily make for a better economy”. Perhaps you could just explain that conclusion. Would you agree with what Professor Portes has said or do you have a different take on it?

**Alp Mehmet:** It is mixed. Those coming to work—and we are talking about those coming to work—are clearly going to increase GDP, as we said earlier. If you look at the wealth created, and this is where we are coming from, the wealth created per head is bound to fall the more people that there are. We and others, including CReAM, the Centre for Research and Analysis of Migration, also looked at the contributions and found, between 1995 and 2011, there was a net cost to the economy. Again, over that period overall, migration was a net cost to the economy of between £100 billion and £165 billion. Clearly there are going to be additions to GDP, but there are also negatives when it comes to migration.

**Chair:** Professor Portes is shaking his head very violently. I am sure you want to come back on that. Mr Mehmet, you just said wealth created per head is bound to fall the more people there are. I would like to know whether the rest of the panel agrees with that. Professor Portes, let us start with you.

**Professor Portes:** I think Alp slightly got the wrong end of the stick of your question. I am not necessarily saying that his reference to the CReAM research is wrong; it is not entirely accurate in my view, but you are referring to the fiscal effects of migration. The question was about productivity and GDP per head. To the question of whether GDP per capita falls as you have more people, as I said, it certainly does not fall automatically. It depends on the interaction of people coming in with people already here and with the structure of the economy as it already is. That is an empirical question. As I said, the empirical evidence internationally, which I describe in my paper, particularly the recent IMF analysis, is that more people coming in appears to contribute to an increase in GDP per capita, due to mechanisms that it discusses but which are not entirely clear. However, we need more evidence for the UK.



**Alp Mehmet:** On the other hand, if you have 20 people producing something and then you have 25 or 30 people producing the same product, productivity is falling. The wealth creation is for a larger number of people. By definition that surely suggests that the wealth being created is less than it would be if there were fewer people doing it.

Q451 **Chair:** You could end up with investment and produce more, so the economy continues to grow and powers ahead, and actually GDP per head grows. That is what we hope to see in our economy. I want to move on. I can see Committee members wanting to come in. We are going to touch on this, and Stewart Hosie is going to take some evidence about public services, but I just want to understand Migration Watch's desire to sharply reduce EU immigration. Is it based primarily on economic or social considerations?

**Alp Mehmet:** It is both. It is based on the economics of migration and the number of people coming here. Those coming from the EU 14 are generally going to higher-paid and higher-skilled jobs. The majority of those coming from eastern Europe go into lower-paid and lower-skilled work. They are coming and attracting benefits. In fact, eastern Europeans attract twice the amount of benefit than the average benefit paid in the UK. That suggests to me that the mix is such that it is bound to have an impact on the wealth creation of those who are coming here to work.

Q452 **Chair:** We are going to unpick some of those issues. This is to both Mrs Griffith and to Ms Sumption about low-skilled migrant workers. I wondered how the typical skills profile of EU migrants compares to non-EU migrants.

**Phoebe Griffith:** The typical skills profile for EU migrants is that they tend to be more skilled than the average UK worker. However, they tend to congregate quite a lot in the low-wage economy. This has some bearing on the productivity question. The evidence I have seen, internationally and some evidence for the UK, suggests that the impacts at the highly skilled end of the spectrum are very different from the impacts at the low-skilled end of the spectrum. This might be small in some cases, but it might be quite significant in other cases. If we are looking at highly skilled people with lots of human and social capital, who are able to skill up when they face competition from international peers, they will be in a very different position from someone who is working for the minimum wage and may have less motivation to work hard, so we need to look at that.

We also need to segment different parts of our labour market and look at every single dynamic in a very concentrated way. The dynamics for the City of London would be different from the dynamics in a city like Coventry, for example, where there is a high concentration of distribution centres and hard, difficult work. We need to be very nuanced in the way we understand and differentiate, and think about the distributional effects of different types of immigration.



**Chair:** Ms Sumption, do you have any thoughts about the skills of EU migrants as opposed to non-EU?

**Madeleine Sumption:** The skills distribution is somewhat different between EU and non-EU. If you take the UK-born and the non-UK-born as a whole, and average together all the non-UK-born, the distribution is pretty similar. If you split up the non-UK-born into EU and non-EU, in both cases the majority of workers are in what the ONS classifies as middle-skilled jobs, not high or low. That is just over half of the total. EU workers are much more likely to be working in the least-skilled jobs, which are jobs at the bottom of the labour market, just over 10%. Non-EU workers are more likely to be working in the most skilled jobs, which are graduate jobs, broadly speaking. There is that difference in distribution.

In general, when we talk about the economics of migration overall, it is important to remember that the distribution really matters. One of the things that comes out strongly from all the research on different impacts of immigration, whether they are productivity or fiscal impacts, or impacts on GDP per capita, is that skill is really important. Just talking mechanically about a reduction of 50,000 in net migration is not going to be that helpful, but what really matters is whether that reduction is coming from low-skilled, middle-skilled, high-skilled or some combination of the three.

**Chair:** It is that nuance that Mrs Griffith was talking about. Thank you very much.

Q453 **Mr Clarke:** Professor Portes, I will just return to this point about the impact of immigration on productivity, because it is an interesting and pertinent point. I somewhat take issue with Mr Mehmet's analysis of the situation, while conceding that this is a very complex debate. Would you accept that we have faced a challenge in Britain over the last few years, whereby our productivity has not necessarily increased in line with our hopes, because of a glut of labour? That is based on our own labour bank as well as from migration, and it has provided an easy way for employers to avoid investing in new technology, for example, because it is easier to hire two people to do the job.

**Professor Portes:** That seems intuitively plausible, but we do not have any evidence that that is the case. We have a lot of competing explanations for the productivity puzzle. One of those might be the availability of relatively flexible and relatively low-cost labour. As I said earlier, the work that I and colleagues are doing for the Migration Advisory Committee is intended to look precisely at that question, but at the moment we do not have the evidence to sustain what you say. I am not saying it is not true. Indeed, it is intuitively plausible. If I had to bet, I would bet that it probably is the case in some sectors or for some firms, but is it macroeconomically significant? Does it actually contribute to explaining why we had this very sharp fall in productivity? At the



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moment, we simply do not know that and the international evidence, such as it is, seems to go the other way.

Q454 **Mr Clarke:** That is very helpful, thank you. I will look forward to seeing that evidence when it is published. Ms Sumption, could you provide a general overview of the employment characteristics of migrants to the UK and, if possible, distinguish between EU and non-EU migration and whether there is a difference there?

**Madeleine Sumption:** As I mentioned in terms of skill levels, we tend to see relatively similar distribution across different kinds of occupations by broad skill groupings, except that non-EU are more concentrated in the most-skilled jobs and EU migrants are more concentrated in the least-skilled jobs. There are some concentrations in specific occupations that are more reliant on migrant workers than others. The classic examples of that would be things such as food processing, hospitality, hotels and restaurants, which are big users particularly of EU migrants. In some cases, you get some regional effects as well. For example, the construction industry across the UK as a whole does not rely that heavily on migrant workers, but London is very different. A much larger share of migrant workers in London are from overseas, particularly from EU countries.

In terms of thinking about the differences within those populations, you see some significant differences in the employment characteristics depending on why people came to the country. If you look at the non-EU population, people who came on work visas or people who say that they came for work are more likely to be in high-skilled jobs and have high employment rates, whereas people who come for family reasons or particularly refugees are in lower-skilled jobs and have lower employment rates. EU workers are a mix, in that sense: they have very high employment rates, but are more likely to be in low-skilled jobs.

Q455 **Mr Clarke:** With that in mind, would a points-based immigration system after Brexit seem sensible? I am trying to understand how we might structure this more sensibly afterwards, because I am very conscious of this. My personal view has always been that the blend of immigration rather than the raw numbers is the issue.

**Madeleine Sumption:** It depends a lot on what you mean by a points-based system. This term is used in many different ways. Some people use it to refer to an Australian-style model, particularly the old Australian-style model, where you can come in without a job offer based on your educational qualifications, languages spoken and so forth. Generally, there is a lot of evidence that it is not a very good idea for people to come in without a job offer. They cannot find work. High-skilled people are more likely to be unemployed or working in low-skilled jobs. There is a lot of evidence internationally to support having an employer-driven component. If you are going to have a visa system, employer selection is quite a good way of working out who is employable in your local labour market.



There is then the question, unless you are going to do what Sweden does and say any occupation is eligible, about how you select those occupations. Points is one way to do it and is actually a bit easier for policymakers, but one of the problems with points systems is that you create a points table, people apply and they have different combinations of attributes that get them in, but you cannot necessarily just say, "We want doctors, but we do not want care workers". Those types of decisions are the intuitive decisions that policymakers want to be making, but you get slightly unpredictable outcomes from the points-based system. From a policy perspective, it is sometimes more satisfactory just to decide what your criteria are and say, "This is what we consider a skilled job. Everyone above gets in. Below that are the exceptions we are going to have".

**Q456 Mr Clarke:** Thank you very much indeed. Mrs Griffith, are there particular sectors or regions of the UK or people with certain economic characteristics that have experienced disproportionate impacts from migration?

**Phoebe Griffith:** There have been regions of the UK that have been well prepared for receiving higher volumes of migration. London is illustrative of this. It is a city that has a long history of immigration. It is a city with a thriving labour market where there is a lot of opportunity and, therefore, that scale of immigration has been relatively sustainable.

In other parts of the UK, the effects have been more mixed. I have spent a lot of time in Coventry over the past 12 months. On the one hand, immigration has been very much driven by the considerable employment growth there has been in the city. It has also been driven by the city being host to a thriving higher education sector. These are all indicators of success, on the one hand. On the other hand, it is a city that has seen very stringent cuts to its budget. Therefore, it has struggled to ensure that the provision of schools is sufficient. It has struggled to ensure that housing is available, and this has created pressures.

In addition to that, the profile of workers in Coventry is very much at the low-skilled end. If the evidence suggests that those types of workers are potentially more vulnerable to seeing their conditions being affected, overall, the city probably has had more to deal with as a city than London. On the other hand, there are parts of the UK that have seen very big pressures as a consequence of demographic decline, Scotland being one example and the north-east being another. It is a patchwork. I do not think there is a comprehensive single piece of data that would give you an accurate picture of what the situation is across the UK.

**Q457 Mr Clarke:** That is very helpful. We had a series of quite ugly protests at Teesport recently about migrant labour allegedly displacing local labour, which was profoundly unhelpful and perhaps driven precisely by some of those misconceptions. How we get a future immigration routine that allows us to identify and distinguish between workers who complement the domestic workforce and those who risk displacing them is pertinent to



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me. What thoughts do you have on that?

**Phoebe Griffith:** This is a time for thinking big and new, and one proposal is to think much more regionally, in a more devolved way, about our immigration system. That would allow us to tailor our immigration policies to the realities of different labour markets across the UK. It would have a considerable political impact and allow us to have a better conversation about immigration, one which is about trade-offs rather than net numbers. It would allow you to look really quite specifically at sectors of your labour market or sectors of your public services where immigration has to be part of the solution, rather than something that we look at in a very comprehensive and often quite negative way.

That is one idea; there are others. Sectoral systems are in operation in other countries, where you have much stronger traditions of sector-based bodies. That is not something that we generally benefit from in the UK, apart from in some specific sectors, farming being a clear one. It is very interesting that, since Brexit, the farming community has had a very strong voice on the future of immigration. That is a reflection of the fact that it has the infrastructure and the bodies to support it in making its case for the system.

Q458 **Mr Clarke:** Mr Mehmet, does EU immigration drive down the wages of domestic workers?

**Alp Mehmet:** In certain cases it appears to, yes. It probably does at the lower end. Professor Portes himself has said that it may have a slightly negative impact at the lower end of the wage level. It just so happens that the people it affects the most are those who can afford it the least.

Coming back to the regional immigration system, I am personally not a great fan of points-based systems. We had one in this country in 2008. It took out all the common sense from the system. It was supposed to be objective but, in practice, it was a total disaster because a lot of people were able to get visas by producing the evidence for their points and that was it, whatever their ultimate intentions were. It may be appropriate for other countries, but for this country I do not think it works. Rather than introduce objectivity, I think it destroys objectivity.

With regards to a regional immigration system—a different system for the north-east, one for Wales and one for Scotland—do we really want to complicate our system to that extent? Do we want to have to say to employers, “Yes, you can employ this person in that part of the country, but you cannot shift them to another part of the country”? Where regional immigration policies have been tried, in places such as Canada, Australia and New Zealand, the results are pretty mixed.

Q459 **Mr Clarke:** Just to come back on that, might you be able to nuance it? Sorry, I must move on. I have one final question, but just very quickly can you nuance this point?



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**Alp Mehmet:** Do you mean to the point of saying why it has not worked in these countries?

**Mr Clarke:** You would not want to say that you could not have person X employed in the north-east as opposed to the north-west, but you might accept that there might be greater flexibility locally.

**Alp Mehmet:** I am not sure how it would work. It would certainly impact on integrity, because enforcement would become very difficult. If you are not able to enforce the system, what is the point of having it?

Q460 **Mr Clarke:** That is certainly true, and that has perhaps been the lesson of our wider immigration policy for a long time. Professor Portes, this is the final question from me. In your written evidence, you stated, "To the considerable surprise of many economists, including this author, there is now a clear consensus that even in the short-term EU migration does not appear to have had a negative impact on the employment outcomes of UK natives", which is obviously a very important conclusion. I wanted to check on the data that you reference. That was from 2014, at a time when the employment market was still recovering and there was a lot of slack in it. I just want to be clear whether you think that still applies now, as the labour market tightens.

**Professor Portes:** I am not sure there have been any analyses that recently, but I would be very surprised if things had changed. Since then, we have seen that net migration rose even more in 2015 and the first half of 2016, at the same time as unemployment overall fell and the employment rate for UK-born workers rose to its highest level since whenever. At least in the aggregate data, if anything, that conclusion has been reinforced and I would be very surprised if detailed analysis suggested anything had changed.

**Madeleine Sumption:** There are a couple of studies, one from the US and one from the UK, that suggest that the impacts of immigration are more positive when the economy is doing well than when the labour market is weak.

Q461 **Alison McGovern:** I just wanted to follow up on this question of places that are prepared versus places those that are not. Mrs Griffith, you mentioned that London would be well prepared, but Coventry had had budget cuts so was less well prepared. My local government finance knowledge is not perfect, but London boroughs had significant budget cuts during the same period, so I wondered if you would comment on that. It does not seem to me that London has escaped any of the overcrowding issues of having more people. If anything, internal movement to London has caused significant problems for school places, crowding issues and indeed house prices. Why do you think that London was able to cope? Is that an economic factor or are you thinking more of the cultural factor?

**Phoebe Griffith:** The cultural factor has a clear role.



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**Alison McGovern:** It is people being able to accept migrants more than the capacity of local government.

**Phoebe Griffith:** London certainly has more revenue-collecting capability than other local authorities. You just have to look at the levels and scale of economic activity in London. They are very different. The scale of development programmes in south London at this point is illustrative of that. The cultural factor certainly plays a role in London. There is a more generalised sense that opportunity has been better distributed. Of course, there are big and very deep pockets of inequality within London but, overall, the situation for a migrant in London would be quite different from one in the midlands, for example, where you have pretty much endemic low pay and where skills are a big factor. Coventry is one of the least well-skilled cities in the UK, for example. On that basis, attainment outcomes are also poorer. Comparing the situation in those two contexts, the impacts have to be quite different when you have significant levels of immigration.

Q462 **Stewart Hosie:** Can I thank you all for your early answers to the Chair on the mechanisms that drove the OBR's assumptions and your explanation that it took a rather simplified view of things? I am not going to revisit that. Rather I would like to start by picking up a couple of the things that were said. Mr Mehmet, you have just described a regional immigration system as complicated. You then went on to talk about the integrity of the system and enforcement. Does it ever cross your mind that people might want to come to live and work in Scotland, Wales or to north of England, and not simply fly into Glasgow and then get the first train to London?

**Alp Mehmet:** Yes, I am sure they do. The fact is that the employers are driving it, unless we are talking about EU nationals with free movement at the moment. The employers are recruiting. They are the ones that are going out and saying, "Come and work for me". They are the ones to which non-EUs are applying for certificates of sponsorship. Yes, I am sure lots of people would love to go and work in any part of the UK.

Q463 **Stewart Hosie:** Given that these migrants are coming, sponsored, with employment, what precisely would the problem be with having a variable migration system to allow, let us say, 20,000 eastern European fruit pickers to come into Scotland for six months to work in the soft fruit industry and then go home for the winter, as they currently do? Why should that be prohibited or stopped, causing both economic and social damage?

**Alp Mehmet:** It is not at the moment. We had a seasonal agricultural workers scheme that ended when Romania and Bulgaria had access to the labour market here. The constraints were lifted. I have no problem in coming up with a reasonable, manageable seasonal agricultural workers scheme. That would not add to migration and is probably one way that the Government will have to address the sort of need that there clearly is in the horticultural sector, to name but one. It is a scheme that



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we had from the days when I was an immigration officer in the 1970s and worked perfectly well. The Migration Advisory Committee also looked at SAWS, the seasonal agricultural workers scheme, and thought it worked very well. It is perfectly possible to come up with a scheme that works equally well, in due course.

**Q464 Stewart Hosie:** You also said earlier, and were quite robust about this, that your view was that GDP per head would be impacted because of migration. I just did a quick calculation off the top of my head. The population in 2001, on the census, was 59 million with a nominal GDP of £1.12 trillion. By 2011 it was 63 million and a nominal GDP of £1.64 trillion. That is a GDP per head of £19,000 rising to £26,000, a 38% or so increase over the decade. That is a real-terms increase during a period when the population grew, driven in part by EU migration. You are simply wrong about GDP per head falling, are you not?

**Alp Mehmet:** Let me nuance it a bit. GDP per head grew by 21% between 1997 and 2004. Since then it has grown by something like 10% when the population has grown. The population increase has largely been driven by migration in recent years. When I talk about migration costing, it costs because of the extent to which it drives the population increase, which is pretty much unprecedented at the moment.

**Q465 Stewart Hosie:** Given that period covers the biggest downturn since the great depression, a non-normal time, in the parlance, it is not credible to make any assertion or assumption about migration driving down GDP or GDP per head, in the middle of the biggest economic crisis that the planet has faced for about 80 years. That is not credible, is it?

**Alp Mehmet:** I am not sure that I disagree with much of what you say. What I am talking about here is the impact more broadly. What I am saying is that the population increase, at the levels we have at the moment, driven by migration is having an impact on the whole economy and having a social impact as well. That is all I am suggesting is actually happening. I am not sure what your point is.

**Stewart Hosie:** You seem to be suggesting that the social and economic impact will be negative. Apart from some odd bits of data at the fringes, I have never seen an assessment that said it was anything other than positive.

**Alp Mehmet:** It is pretty much neutral; that is what most reports and studies have shown. At the lower end, if anything it is a little negative.

**Q466 Stewart Hosie:** Let me move on to some of the other witnesses. Ms Sumption and Professor Portes, Migration Watch has challenged the OBR assumption of a net fiscal contribution on the basis that migrants themselves will age and push up public spending through increases to the health service and pension costs. Can you tell me what we know about how likely it is that migrants will stay into old age, compared to how many will "return home" when they reach retirement age? What do we



know about that dynamic?

**Madeleine Sumption:** There are some data on this, but it is quite difficult to get a really accurate picture. Essentially we have data on who is in the country. We have some data on who is leaving, but not much information about who is leaving, so we try to get it back out from the picture of who is still here and work out who is left. It looks like roughly 50% of migrants who come to the UK for long enough to get into surveys like the Labour Force Survey, for example, would eventually leave, and most people who leave are relatively short-term migrants. They would be gone within about five years. Generally, the longer someone stays here the more likely they are to be settled, have children here, be fully integrated and not want to leave ever. We do not have very good evidence on how many people return home on retirement, but the general data picture suggests that, if there was a massive effect there, you would probably see it in the data. It looks like most emigration is happening within the first five or so years.

**Professor Portes:** I agree with Madeleine on what we know and do not know about return migration. In terms of the long-term fiscal impacts, it is clearly true—and the OBR accepts this and Migration Watch is perfectly reasonable in making this point—that, to have a proper picture of the economic and fiscal impacts of migration, you ideally should look over the lifecycle and that is a much more complicated exercise. Of course, the OBR looks at the very long term in its fiscal sustainability report, which shows that the positive impact of migration on the fiscal accounts continues for as long as you look at it. You can see its charts that show that lower net migration leads to a much higher level of public sector net debt, over the very long term. They look at half a century. There are a lot of assumptions that go under that and those assumptions will inevitably be wrong, as forecasts always are. In terms of what we know now, the evidence suggests that the long-term fiscal impact of migration will also be positive.

Q467 **Stewart Hosie:** I will paraphrase, but does that broadly confirm evidence that we have had previously that we tend not to have the cost of educating migrants' children, because they come here educated; and, to a greater or lesser extent, we will not have the full pension and health costs in old age, because a number will be here for a short period of time or a medium period of time, or they will go home at retirement? Some will stay, but would that broadly be an accurate picture?

**Professor Portes:** Broadly it is.

**Madeleine Sumption:** It is mostly about not educating the children, rather than not paying for their retirement.

Q468 **Stewart Hosie:** Is the bigger fiscal cost the education side?

**Professor Portes:** Madeleine is right: it is the assumption about not educating them and the fact that we do not educate them that drives most of it. We do not really know, as Madeleine says, how many will



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retire, although that will be another positive fiscal impact depending on how much of their pension contributions they were able to re-export, which is another very difficult factor to quantify.

**Phoebe Griffith:** It is also worth considering what happens in the medium term. Particularly in relation to non-EU migration, our system has become much more focused on ensuring that people who come leave. That has an impact in terms of how people operate in the labour market, for example, and the extent to which they invest in their skills. That in turn enhances their productivity, which in turn enhances their wages, which would in effect help them contribute more to the public purse. Yes, we should factor in very long-term scenarios, in terms of what happens when people retire, but we should also factor in medium-term scenarios. If we offer people the opportunity to settle, are they likely to be more productive workers and therefore contribute more fiscally?

Q469 **Stewart Hosie:** Finally, this is just to get a confirmation from each of you in turn. Do you believe migration or migrants have a net positive fiscal impact and does that mean, in essence, they are generating more yield for the Exchequer than the cost of the services that they use over the lifetime that they are here?

**Phoebe Griffith:** Overall, yes, they play a very important part in delivering public services. They have helped incur significant savings in terms of the NHS. The cost of recruiting migrants is a fraction of the cost of training people domestically. I do not think anyone has come up with the overall figure, but that has been a considerable saving. If you factor in that most migrants, particularly EU migrants, have come here to work and that many migrants play a considerable role in delivery of public services, the net effect is positive.

**Professor Portes:** Yes, it is, for the same reasons.

**Madeleine Sumption:** I would say the impacts are pretty small. There are some studies that suggest a small cost. If you take a snapshot of a single year and you count up the costs and the benefits in that year, they tend to be pretty close to zero. Some of the recent studies have suggested they were negative, but mostly because the Government were running a budget deficit during this time, so everyone's impact was negative.

Q470 **Stewart Hosie:** That was positive, positive, neutral but with reasons for it.

**Alp Mehmet:** That is pretty much what I think as well, although dare I refer back to the Dustmann and Frattini study that showed that overall migration was well over £100 billion negative between 1997 and 2011? That was their finding.

Q471 **Stewart Hosie:** Sorry, what was that figure?



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**Alp Mehmet:** It was over £100 billion. In fact, it was between £111 billion and £160 billion net fiscal cost between 1997 and 2011.

**Stewart Hosie:** The 2013 update on that research showed that there was a cost to non-EEA migration, but there was a positive impact from all other migration, so we may have to look at those numbers again a little more clearly.

**Alp Mehmet:** That was my point really. We have to look at individual bits of migration before we can give a fairer picture of what the economic impact is. On a personal note, I arrived as an eight-year-old in 1956 and here I am approaching 70, still here. I came from Cyprus with my parents. My father came and lived and died here. My mother is still around and is about to hit 90. By and large, people who make the conscious effort to move to another country, in my experience, tend to stay. If we are talking about short-term visits and stays, they are a different matter. By and large, migrants who come long term come and stay.

**Stewart Hosie:** Let us hope many others are given the opportunity to make the same contribution.

Q472 **John Mann:** I am still waiting to hear a clear answer to one of the Chair's opening questions. Is there any quantifiable evidence that EU migrants are better for the British economy than the same number of migrants from anywhere in the world?

**Madeleine Sumption:** There are different reasons that you might have a different impact. One is the characteristics of people. We talked a little bit about the skill differences. In general, high-skilled migration is more beneficial to the economy across various different metrics than low-skilled migration, although there are some caveats to that. If we look at EU versus non-EU, we see different skills profiles, but that does not necessarily mean that there is anything inherently more economically beneficial about being from Poland than being from Bangladesh.

**John Mann:** You do not have data on that, because we have not had much non-EU non-skilled immigration in the last 10 years.

**Madeleine Sumption:** We have, because of family migration, for example. If you look at the skill distribution of non-EU migration, it is not all in graduate jobs. The people who come for work have to be in graduate jobs, but that is only about a third of the non-EU-born population and the rest would be in middle or low-skilled jobs, so you have a distribution in both of those populations. You can look at the averages and say what is more beneficial, non-EU or EU. The more relevant question from a policy perspective is what you would want to do.

Unless you are arguing that we need reciprocity with the EU and therefore would get some economic benefit from that relationship, if you were thinking about it purely unilaterally, it does not seem to me that



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there is a strong economic argument for preferring someone from one country over another. What matters are the characteristics of the people who come in, what work they are doing, the employment rates they and their families have, and so forth.

Q473 **John Mann:** Does anyone have any data on the relative levels of home ownership for EU migrants and non-EU migrants in this country?

**Madeleine Sumption:** Yes. Of EU migrants, 34% in 2017 were in a house that they owned outright or with a mortgage. That compares to 69% of UK and 42% of non-UK. The basic picture is that migrants in general are less likely to own their own homes and more likely to be in the private rental sector. The stats for social housing are about the same. That is partly driven, particularly the EU figure, by the fact that many migrants have come here quite recently. What happens is that people come into the country and are much more likely to be in the private rental sector. If you track those people over time, they become much more similar to the UK population in distribution. People who have been here for 20 or 30 years are more likely to own their own homes, just like UK-born.

Q474 **John Mann:** Professor Portes, have you seen any evidence on China that would show that, if China had had significant levels of inward migration and population growth comparable to other countries, as opposed to having a unique state restriction on population, it would have aided the Chinese economy; and, if so, by how much?

**Professor Portes:** I have seen no evidence on international migration into China. On Chinese demography more generally, I am not an expert so not necessarily the right person to testify, but there is quite a bit of evidence that Chinese population policy has stored up considerable problems. They had a nasty downturn in the working-age population as a consequence of previous efforts to restrain population growth, which is going to cause them some significant economic dislocation, which they may or may not be able to deal with. We will see over the next couple of decades.

From a migration studies point of view, the most interesting thing about China is the huge amount of internal migration that is taking place from rural China to the cities. From a labour market point of view, that has been the driving factor behind Chinese growth over the last three decades. The Chinese economic miracle has been precisely because of migration from the less-developed rural areas mostly in the west to the industrialising coastal areas in the east, but we are possibly going a bit beyond the scope of this Committee.

Q475 **John Mann:** We are not, because I am going to come to you, Phoebe Griffith. You have talked about regional immigration, but you missed housing out of that. If there was a regional immigration policy, how would that impact on housing policy in this country?

**Phoebe Griffith:** It would depend on how you managed that policy.



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**John Mann:** You seemed to suggest that a regional immigration policy was a good thing, so I am asking how housing policy would work with that, in your view.

**Phoebe Griffith:** For example, it could help sustain big housing development programmes in certain parts of the country where there is scarcity. It could be bespoke to that. On the other hand, in areas of the country where, as a consequence of depopulation, you have housing underuse, you could also develop programmes where you repopulate. This is something that has taken place in parts of the United States. That would be a decision you make; it does not have to be first and foremost.

As far as I am concerned, one of the major benefits of a more regionalised approach could be a more equitable flow of skilled migration, for example, trying to build into the immigration system incentives for migrant investors or entrepreneurs to go to parts of the country that are seeing underinvestment. You could do that relatively simply by adjusting the criteria that people have to meet in order to enter the UK. That is just one example of how you might be able to use migration in a regional way to incentivise economic growth. I am not sure whether the concern you have is an undersupply of housing or an oversupply of housing. Both things are an issue and a factor, and play out differently in different parts of the UK.

Q476 **John Mann:** I was going to ask the question, but that would depend on which region, because it would vary. Germany, in essence, in terms of administration and state controls, has regional immigration, because you are required to register in the Land in which you are working. Is that something you would anticipate as a strength?

**Phoebe Griffith:** Administratively it would be useful to have some form of registration if we were to continue with free movement. At the moment, the situation for people coming from outside the European Union is that they have to be sponsored by an employer. In effect, the employer is liable for them to abide by the terms of their visa, which is why we have thought very carefully about the enforcement challenge around regional migration and we think that it would probably require an extension of current rules. It would not require a massive rethink of the current system as it applies to non-EU migrants. In addition, things like the introduction of biometric data cards will help employers ascertain whether migrants can work in a certain region.

I would challenge a little Alp's assertion that international evidence suggests that these schemes do not work. The best evaluated scheme that I have seen is in Canada, where they have found quite high levels of people abiding by the terms of their regional visa. We have discussed this a lot and people tend to remain in the part of the country where they arrived first, for multiple reasons. Enforceability is absolutely critical. It is extremely critical if one of the objectives is to have a more constructive conversation around immigration, but it is something that can be



addressed and done relatively effectively within the parameters of the current system.

**Madeleine Sumption:** Can I chip in on that? First, I would recommend a Migration Observatory report on the pros and cons of regional migration policies that was produced late last year, which lays out the economic advantages and disadvantages of those programmes.

**John Mann:** You could submit that to the Committee, if you have not already.

**Madeleine Sumption:** Yes, I will. One of the things that we found was that enforceability is a political problem, because people do not believe that regional systems are enforceable. Operationally, it is not fundamentally different from the other enforcement challenges that we already have in the system. Currently, you have to be in a skilled job, so people have an incentive to pretend that they are in a skilled job when they are not. We have to enforce boundaries between occupations. The Home Office has to do that and employers have to do it.

The bigger issue with these programmes is the complexity that they introduce. Employers really do not like them, even in Scotland. There are surveys of employers that ask what they think about the regional system, and they tend not to be favourable, partly because of the additional complexity. If they have a manager working in one office, if there are going to be rules about how many days a week they are allowed to spend in London or those types of things, it creates an additional layer of administration for them to make sure that they are complying with the rules.

In some ways it comes down to a matter of principle about where you think power should lie. In the same way that we believe that the UK should not have the same policy as the United States, even if our needs are pretty similar and we would be fine with that policy, we feel we should have our own policy because we are a country and we should. These are questions of principle about what you think is the right level of devolution in this policy. That should be more important than the economic arguments.

Q477 **John Mann:** That is one issue. There is another one, which is my final question to you, Professor Portes. Take the example of Sports Direct. Sports Direct has—the accurate term would be—imported 3,200 workers who were recruited in Poland. It could have set up a distribution site in Poland, theoretically anyway, and brought the profits from that back into the UK economy, which would have been a net positive contribution. Next is about to do the same thing in South Yorkshire by recruiting entirely in Poland for a new warehouse. That is ongoing at the moment. There are lots of political issues, but economically is it better for the UK economy that Next goes and recruits in Poland for warehouse labour, as opposed to recruiting in the local economy in South Yorkshire, purely in economic terms?



**Professor Portes:** Purely in economic terms, the answer is it is very difficult to say without looking at the circumstances. On the whole, you would probably want employers, as far as possible, to recruit locally if they can get the people to fill the jobs. Now, I suspect the companies will tell you, "We are not doing this to save money on wages. We would pay the same anyway. We simply cannot find the people". Whether that is true or not is quite difficult to say, either for us or for you, because these are businesses making decisions.

What is the answer from a policy point of view? It seems to me the first answer is to make sure that, whatever the laws are regarding both minimum wage and how employees are treated, those laws are actually enforced. If we think those laws are still inadequate to ensure that workers are being properly treated and paid, change the laws about how labour markets work and how companies are allowed to recruit, rather than worrying too much about free movement.

Q478 **John Mann:** That is getting into human rights aspects, as opposed to economic aspects. I am not aware that there is good research on this and you might be able to confirm that. The economic argument would be whether or not that workforce coming in would have a higher multiplier effect in the economy than taking a local workforce and employing them. If there are additional costs on either side of the equation, be it people not working and the welfare state or how they spend their money, there would be an economic quantifier on what would be better for the economy.

**Professor Portes:** On the whole, it is very difficult to comment on specific cases. Assuming that unemployment in the UK is pretty low, that it would be difficult for employers to recruit locally and that the impact of this is not to reduce employment rates for local people—and the evidence we have suggests that, overall, that is very unlikely to happen—you simply have more jobs, more people and more economic activity in a locality than you would otherwise have. Yes, the economics are mostly on the upside.

Q479 **Rushanara Ali:** I want to focus my questions on the impact on healthcare and other sectors. Some of you have already touched on sectors that are affected in particular areas of the country. Can you say a bit more, Ms Sumption, about which sectors are going to be affected by and are sensitive to migration flows, particularly from Europe?

**Madeleine Sumption:** I mentioned some of them. Food processing and hospitality are among the sectors that are most reliant on EU workers in particular. There are also a number of high-skilled jobs, for example scientific researchers, where a decent share of the workforce is foreign born, particularly Europeans. Some others have a high reliance on migrants, but not necessarily EU migrants. Social care, for example, has historically relied much more on non-EU migrants. That seems to be shifting a bit recently, after it became much harder for non-EU citizens to come to the country for work or other reasons. Nursing and lots of the



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healthcare professions are quite reliant on migrant workers. Again, it is a mix of EU and non-EU, with some increases over the last decade in EU.

**Q480 Rushanara Ali:** How effective is current immigration policy in identifying and responding to those sectors that rely on migration, particularly from Europe? Who would like to come in?

**Phoebe Griffith:** A number of sectors are struggling with the system and they will struggle more after we leave the European Union. In that mix, there are sectors that have had to think less about their own policies. We know the record of UK employers in investment in skills is very poor, particularly compared to our European and OECD counterparts. I do not think that is necessarily a consequence of how we run our immigration system. It is much more a consequence of how we have thought about skills and how we invest in skills in the UK. The one scenario that we need to avoid after we leave the European Union is both cutting off that supply of labour and not addressing, in a systematic way, the skills challenge that has been dominant and longstanding.

**Q481 Rushanara Ali:** Professor Portes, do you want to add anything about skills and the skills challenge?

**Professor Portes:** Just to build a bit on what Madeleine said, historically, the health service and the social care sector were very dependent on non-EU immigration. In the last 10 years, the Government made a sustained effort to reduce that because they wanted to get immigration down. Of course, the result was that, given free movement, it did not reduce immigration but simply displaced those demands from non-EU to EU migration. Although EU migrants are not overrepresented in the healthcare workforce overall, they are hugely overrepresented in new hires in the healthcare workforce. They have been picking up all this slack.

Over the last year and a half or so since the referendum, even though law and policy have not changed at all and we still have free movement, the UK has become a significantly less attractive place for EU migrants. We are no longer able to pick up the slack in the same way we were and hence the pressure is getting much worse. Interestingly the result, and we have seen this, has been to push the pressure back towards non-EU migration, but we have the completely absurd cap on skilled migrants. Even though we have a quite restrictive system for skilled migrants from outside the EU, even if they have the skills that we want and follow all the rules and qualify, we are still not going to let them in because we have hit this arbitrary number.

**Q482 Rushanara Ali:** This has happened with nursing, hasn't it?

**Professor Portes:** It has been happening with doctors for the last few months. For example, we have seen Addenbrooke's not being able to recruit child psychiatrists, a speciality that is desperately undersupplied in this country, because we have hit the monthly quota for tier 2 skilled visas, even though Addenbrooke's had somebody from outside the EU



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who met all the criteria. That is what you get. If you will allow me to make a slightly wider point, that is the inevitable consequence of having quotas and targets in the immigration system. This is what happens if you try to centrally plan and manage an economy in this way, with numbers. It is not a bug; it is a feature.

Q483 **Rushanara Ali:** What would be a better approach to this?

**Professor Portes:** Up until 2010, we had a system, which is the system that most countries have, including non-EU countries that do not have free movement, which is that you say what criteria you need to meet to get a work visa to come to the UK. That was the rational system we had until 2010. Most other countries that are not in the EU and do not have free movement have it now. Because the Government decided to introduce its “tens of thousands” target and, in particular, to impose a hard cap on the number of tier 2 skilled visas in addition to the criteria, we now have this absurd system where we are turning away people that we want.

Q484 **Rushanara Ali:** The narrative that I heard quite a lot during the debates about Brexit and immigration was that it would be easier for Commonwealth migrants to come to the UK because, at the moment, there is more favouritism towards EU nationals because of free movement. Presumably the attitude towards that is that the Government have cut down in the past. Where do you see that argument going?

**Professor Portes:** That argument was clearly correct, or not “clearly correct”, but there is some theoretical merit to it in the sense that, after we leave the EU, we will have more flexibility in how we structure our immigration system. We could choose to be more liberal towards non-EU migration, but that would be a policy choice. You will have people like me, who on the whole think that liberal migration policies have significant economic benefits, arguing for it. You will have people like Alp, who think that we should apply the same extremely restrictive system that we apply now to non-EU migration to EU migrants as well. That is a decision for you.

Q485 **Rushanara Ali:** Mr Mehmet, can you say something about the impact on the UK, in terms of how restrictions on EU migration will affect some of these sectors? How do you see it? I know your organisation has made various statements about migration and EU migration. What are your reflections? What do you have to say about the fact that we have very low unemployment rates now, so the spare capacity is much more limited within the UK population? As you have more restrictions on EU migration post Brexit, where does that leave us in dealing with the skills shortage and the immediate short-term pressures, even if you were to deal with the long-term pressures by dealing with skills gaps?

**Alp Mehmet:** First of all, the cap has been in place since 2010. It is only recently that we have heard that it is insufficient to meet our needs.

Q486 **Rushanara Ali:** Why is that? Why do you think that is happening?



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**Alp Mehmet:** Among other things, our population has grown, dare I say it? We have a greater need now than we did in 2010.

**Rushanara Ali:** It has nothing to do with the fact that EU migrants are leaving because of the Brexit vote and the rhetoric that people are hearing and feeling unwelcome, including some of the remarks your organisation makes.

**Alp Mehmet:** No, that has absolutely nothing to do with it.

**Rushanara Ali:** It has nothing to do with it.

**Alp Mehmet:** In the NHS, something like 58,700 EU nationals were employed at the time of the referendum.

**Rushanara Ali:** Some 10,000 NHS doctors, nurses and support staff have left since the EU referendum, so that has nothing to do with it.

**Alp Mehmet:** Others have come to replace them.

Q487 **Rushanara Ali:** They have not. How many have come since the referendum?

**Alp Mehmet:** There are 62,000 now.

**Rushanara Ali:** Sorry, how many have come?

**Alp Mehmet:** I do not know how many exactly.

**Rushanara Ali:** You just said others have come.

**Alp Mehmet:** I do not know exactly how many have come, but clearly they have been replaced.

**Rushanara Ali:** If you do not know, you do not know.

**Alp Mehmet:** The overall figure is 62,000 EU nationals employed in the NHS.

Q488 **Rushanara Ali:** Has it gone down since the referendum? Since 2016, have the numbers gone down? How many people have left? How many EU nationals who worked in the NHS have left since 2016? I am telling you it is nearly 10,000.

**Alp Mehmet:** There are no caps on the number of EU nationals coming here.

**Rushanara Ali:** No, but that was not my question.

**Alp Mehmet:** I was referring to the cap. With regard to the cap, in fact, it has been there for a long time and it is only recently that we appear to have had problems. We do not know precisely what those problems are and what the scale of it is.



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Q489 **Rushanara Ali:** Professor Portes is talking about a cap. You are saying that there is no cap. Which is correct?

**Alp Mehmet:** For EU nationals there is no cap. You are asking me how many EU nationals have left and I have said that that has nothing to do with the cap, because the cap applies to non-EU nationals. That is going to continue for another three years or so.

Q490 **Rushanara Ali:** You have brought in the point about the cap. I asked the question about how many have left and it is nearly 10,000 already. My question is how we address that gap, where there is a gap in any sector in the economy, in the context of a low unemployment rate. Can you say something about how we address the skills gap in the short term? For instance for medical staff, how do we do that? Is it plausible to replace the 10,000 people who are leaving, without migration, whether from the EU or outside the EU? Is it plausible?

**Alp Mehmet:** We have never said or suggested that EU nationals, or any other national the NHS needs, should not be able to come here. The solution is there for the short term. Longer term, I would argue that we need to train. Perhaps we should have thought a great deal more some years ago about the number of doctors and nurses we need to train. We have not done that.

Q491 **Rushanara Ali:** That is brilliant, thank you. I am going to get on to what kind of training. What should the Government be doing to put the investment in now to deal with the longer-term challenges of what may well be a gap in terms of a labour shortage, unless we have migration? If you want to reduce migration, what should Government do to address the training and skills gap? I am not sure how we are going to deal with how you square, if you have almost full employment or very low employment, not bringing people in, whether from within the EU post Brexit or from outside of the EU. Just explain to me what you think the Government could do to deal with the skills and training gap going forward, so that we are not having to respond quickly by bringing in migrants. In terms of the debates with Brexit, we have seen that the population wants less free movement and less immigration. There has to be a way to deal with training. Have the Government invested enough and thought through enough about how to deal with the training and skills budgets and support that are required to deal with that gap?

**Alp Mehmet:** I am assuming that the Government are not going to be made responsible for all training in our economy. The private sector employs the people; it should be.

Q492 **Rushanara Ali:** I have asked you a question about what you think the Government could do. This is an opportunity for you to suggest some ideas for our Committee about what you think the Government could do.

**Alp Mehmet:** Certainly with regard to apprenticeships, the Government could do a great deal more. Frankly, if the Government were to make it



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more difficult for people to recruit easily from overseas, perhaps employers would be keener to introduce their own schemes for training.

**Rushanara Ali:** In areas where there is a labour shortage, let us say doctors, just making it difficult is not going to be enough to meet the shortfall of doctors. That just does not make any sense.

**Alp Mehmet:** There are no restrictions on doctors coming in.

**Rushanara Ali:** I asked you a question about training.

**Alp Mehmet:** Train more doctors, but then you are talking about four, five, six, seven or eight years.

**Rushanara Ali:** Yes, that is my point.

**Alp Mehmet:** That is what we should have been doing 10 years ago, which we did not do.

**Rushanara Ali:** Going forward, if we do not do that, if we do not put the investment in, and you want to restrict opportunities—

**Alp Mehmet:** Who is going to put in the investment? Are you saying that the Government are responsible?

**Rushanara Ali:** You cannot have it both ways. You cannot restrict immigration and not deal with the labour shortage.

**Alp Mehmet:** No, you cannot have it both ways, I am afraid.

**Rushanara Ali:** What you are saying does not make any sense. I am going to move on to higher education.

**Phoebe Griffith:** Can I offer an idea of something Government could do, which we have thought a bit about, in relation to the immigration system? Our view is that, at the moment, we operate a system of trusted sponsors for higher education. We could apply a similar principle to employers. In order to gain that status, employers would have to demonstrate that they are, for example, investing heavily in developing domestic skills, paying the living wage and operating at the level of corporate social responsibility that is required. We believe that, when employers do this, they should be at the front of the queue in terms of gaining access to tier 2 visas and should not be affected by caps or very stringent salary thresholds, for example.

**Rushanara Ali:** Thank you. Are there any other ideas? We are in the business of ideas today.

**Chair:** Let us move on to higher education, Rushanara.

Q493 **Rushanara Ali:** Particularly for Professor Portes and Ms Sumption, what do you think the post-Brexit world looks like for higher education, both in terms of research and people coming into our universities? You have



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touched on it already. What are likely to be the impacts for higher education institutions?

**Professor Portes:** That is a multidimensional question. Starting on the immigration end, what about our staff? King's, where my post is, currently has the largest proportion of EU national staff of any university in the country, I think about 25%, but it is pretty high over the education sector as a whole. About 15% of academic staff are from elsewhere in the EU at the moment. Again that has been growing significantly over the last two years. The proportion of new hires is even greater than that, and that has been one thing that has enabled the UK higher education sector to be so successful. This illustrates Alp's point earlier that more people must lead to declining productivity, because you have more people doing the same thing. Actually, in high-skilled sectors more people allow you to expand, to be more productive and to export more. Of course, the higher education sector is a huge exporter.

**Alp Mehmet:** I would agree with that.

**Professor Portes:** From a staff point of view, our immediate concern is the staff who are here already: can we be sure that their status will be protected? I will leave that aside for the moment, because we are looking forward, but we are obviously concerned that we are able to continue recruiting from Europe in the future. A big issue here for us, and one that I made in the written evidence, is that I am sure that whatever system we will come up with after Brexit will still let us hire professors from Germany, say. We will still have a visa system that allows that. Let me make the point that that will not mean that we do not lose out relative to where we are now. Having even a relatively liberal visa system for high-skilled workers is not the same as free movement. You have to go through the hoops, you have to go through the bureaucracy and you have to get the visa. More importantly, what about your family? What about your future in the country? What about your kids?

Q494 **Rushanara Ali:** Do you think it would weaken the position that our higher education institutions are in?

**Professor Portes:** Yes, absolutely it would, and I am not sure there is any alternative. The UK has benefited hugely from the free market of academic talent within Europe and from the fact that, frankly, our higher education institutions are a bit more flexible and more dynamic than some other countries. Bright young people who cannot get jobs in Italy, say, come and work here. LSE, which is one of the top 10 economics departments in the world, has more Italian economists than it has British economists, and that is because Italian economists cannot get decent jobs in the Italian university system so they come here. We have been huge winners from that. That is one issue of staff.

The other issue is students, so what is the issue for students, relating to both visas and fees post Brexit? Here we know absolutely nothing. My



assumption is that the Government will find a way to make the visa system relatively easy for EU students post Brexit, but they will presumably not be paying domestic fees any more. From the Government's point of view, that is perfectly reasonable. I would not expect anything else, but it is a challenge we will have to meet, because a large proportion of our students are from elsewhere in the EU.

Finally, there is research, and we benefit a lot because the UK punches well above its weight in terms of pan-European research funding and collaborations. I know the Government intend to do their best to ensure that that continues after Brexit and that is obviously a very high priority for us.

**Rushanara Ali:** There is some uncertainty.

Q495 **Chair:** Ms Sumption, do you have anything to add on the higher education piece?

**Madeleine Sumption:** No, I broadly agree with that. There is a big empirical question about how much of a barrier the paperwork associated with the work permit is. Basically we do not know; there is no evidence on that. The Government have prioritised research jobs for non-EU citizens. They get a much easier ride in the immigration system than lower-skilled jobs and non-research jobs. The big question is on these things that Jonathan mentioned: the hassle of going through the work permit process, the uncertainty about the work rights of family members and all those types of things, and how big an impact they have. Frankly, we do not know. It is the kind of thing that you just see when it happens.

Q496 **Alison McGovern:** Briefly, Jonathan, before I move on to my main questions, I want to come back to something that Mr Mehmet said on the evidence about low-skilled migration. In your written evidence to us you somewhat pointedly say, "Nickell and Salaheen (2015) find that a 10 percentage point (not 10%, as misleadingly claimed by a number of politicians)"—politicians cannot count; who knew?"—"rise in the immigrant share—that is, larger than that observed over the entirety of the last decade—leads to approximately a 1.5% reduction in wages for native workers".

Basically since 2004, that would equate to a penny an hour so, by your words, we are talking about a very small impact on low-paid workers. In my experience of the political discourse that has been translated into: "Of course you know it hits low-paid workers". We heard that just a moment ago. Would you comment on why you think that process has happened? People have taken what is a very small noticeable impact and it has become, in the popular mind and the political discourse, a serious impact on low-paid workers.

**Professor Portes:** That is a huge question and possibly more about political science than an economics question. The fact is that over the last decade, since the financial crisis essentially, real wages overall in the



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UK, not just for low-paid people but for the whole population, have performed almost unbelievably badly by historical standards. We still do not entirely know why that is the case, but it is the case. Given that we have had centuries of real wages going up and doing reasonably well, it is perhaps not surprising that people who think, "My pay has been cut" should also look around and say, "What else has been happening?" One of the things that happened was the financial crisis and its aftermath, but one of the other things that happened over the last 15 years or so is that we had relatively high levels of immigration. Immigration is visible for all sorts of obvious reasons.

It is reasonable intuitively, and from an economics point of view perfectly feasible, that immigration should have had an impact on wages. It just so happens that, once you look in detail at the evidence, you find that the impact of immigration, as far as we can tell from the data, appears to be fairly small, as you have just said from my evidence, and indeed Alp agreed. You cannot expect most people or even most politicians to read and interpret econometric analysis. People look at what has actually happened. They look at the possible explanations and then they draw conclusions. As you said, some politicians behave extremely irresponsibly, in my view, and talk about these things without bothering to look at the numbers. It is very important to look at what is actually driving real wages, to try to understand these things and do something about it.

**Q497 Alison McGovern:** To move on to the net migration target, you have also, again somewhat pointedly, described the net migration target as "economically illiterate". Could you just say why you think that? We got into this a bit before but, if you could, just nail it. What is so wrong with having a target?

**Professor Portes:** It is this idea that there is some sort of optimal population level for the UK that we should be targeting. If you believed that, you would also be worried about births and deaths. It does not stand up to scrutiny.

**Q498 Alison McGovern:** Would you describe it as Malthusian?

**Professor Portes:** It is possibly, but not quite. There is a bit of that. This idea that we are a small crowded island and we cannot have any more people is obviously nonsense. How many people you can have depends on context and is societally specific. In the 17th century, 30 million people would have been far too many for the UK. It does not therefore follow that 65 million is too many now or that 80 million will be too many, too few or the right number in 20 years' time. It depends what we do to our own transport infrastructure, housing and all the rest of it.

As to the distortions imposed by having a numerical target, I come back to Alp's point about the cap on tier 2 visas, saying that we did not hit it in the first few years of its operation. That is correct. The point about



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having a numerical cap is this. If it is irrelevant, does not drive policy and you do not try to hit it or change anything as a result of it, why do you have it, except to discredit politicians in the eyes of the public, because they see that you are setting a target that you do not care about it? If you take actual measures to limit it and hit it, that inevitably means that you impose binding constraints on yourself that you would not otherwise have done, which means you turn away people who, in other circumstances, you would have wanted to come here because they are beneficial to the economy or society.

Q499 **Alison McGovern:** Mr Mehmet, does Migration Watch support the Government's ambition to reduce net migration to tens of thousands?

**Alp Mehmet:** Yes, we do and we always have done.

Q500 **Alison McGovern:** Could you just say why?

**Alp Mehmet:** We believe it focuses the Government. We believe it is a way of making sure that they are doing what they are saying, if we can see what they commit to doing. They have committed to bring numbers down. That is by and large what people in this country want. Yes, we support the migration target itself, if you are going to come up with policies designed to achieve it.

Q501 **Alison McGovern:** Just to be clear, your rationale for supporting the "tens of thousands not hundreds of thousands" policy target is that having a target is good, because the Government can be held to it, and that the target itself matters, because it is what people in Britain want. That is the rationale behind it.

**Alp Mehmet:** Yes, that is what our politics are about, I suppose, giving people what they want. I hope that is what they are about. Sorry, can I just add one point?

**Alison McGovern:** I have a lot of questions to get through.

**Alp Mehmet:** The reason that it is important to bring numbers down is the unprecedented levels of migration that we have had and the way they are contributing to population growth, just that.

Q502 **Alison McGovern:** I thought we had dealt with that issue of population growth and whether population growth in and of itself is a bad thing. It seems an interesting approach to take because, if population growth in and of itself is a bad thing, our country has been getting noticeably worse forever.

**Alp Mehmet:** Scale and speed are what we are referring to. We are not suggesting that population growth in itself is bad. Of course it is not but, if it happens at the scale and speed that it has been happening at over the last 10 or 15 years, that is a serious problem.

Q503 **Alison McGovern:** Since you have raised this issue and mentioned your own personal story, in Merseyside for the whole of my life until I was 22



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the city region that I am from lost population. It shrank in number. Would you say that that was objectively good for Merseyside?

**Alp Mehmet:** No, not at all.

**Alison McGovern:** You are disagreeing with what you just said a couple of moments ago.

**Alp Mehmet:** No, I am not disagreeing at all. I am talking about the overall impact of migration, and the scale and speed of migration.

**Alison McGovern:** It was quite swift. Lots of people left. I was one of them. It was very painful for the whole city region to shrink in that way.

**Alp Mehmet:** Clearly that was a bad thing. That was not population shrinkage; that was people moving. That was migration, if you like.

Q504 **Alison McGovern:** I do not think we should continue down there, because we are not going to agree. Mrs Griffith, could you comment briefly? You have done a lot of work in talking to people around the country about what they think. Could you comment on what you think the impact is on trust and credibility in the Government from missing the target or having the target? What do people think about that?

**Phoebe Griffith:** I think the target was more a political tool than an economic tool, to be very honest. I do not think it would help strengthen public trust in the immigration system if it was met year in, year out, and it has still not been met. On the other hand, there are two things to bear in mind. First, people are better informed than we take them to be on immigration and public attitudes towards different types of immigration vary considerably. That is something that we should factor into the way that we approach our strategy around immigration.

One of the mistakes of the net migration target was to incorporate all immigration into a single target, which is why we have proposed disaggregating net migration into different immigration flows. One of the main benefits of that is, again, to have a more constructive and mature conversation about immigration and the trade-offs of restricting it or increasing it. What will be the repercussions of restricting the numbers of international students on our local university? That is the kind of conversation that would be enabled by having a much more disaggregated conversation around different immigration flows.

On the point about caps or no caps, people want to have a sense of scale. This is what people tell us. I do not think people are set in terms of what the number should be necessarily, although the net migration target has almost ingrained that in people's minds. Nevertheless, people want a sense of where we are aiming for. That does not necessarily always mean that we are aiming downwards. It could mean aiming upwards, but they want to understand why. A target or some kind of numerical figure allows you to have that kind of conversation. "In the next quarter, we are increasing our target on international students because we have



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decided to change the funding regime for higher education". That is a very good conversation. Just having a crude "tens of thousands" number is not conducive to that kind of conversation.

**Q505 Alison McGovern:** That is really helpful. I have one final question for you, Ms Sumption. You are a member of the Migration Advisory Committee. It seems obvious to me, given the discussion that we have had, that other similar advisory committees might have requested information or data from you in order to carry out their own work, for example the Low Pay Commission, whose role it is to determine the rate of the living wage and to comment otherwise to the Government on the causes of low pay. Has the Low Pay Commission ever requested from your committee data or information about migration on the lower-paid sectors of our economy?

**Madeleine Sumption:** I am not aware of any formal request, but there is collaboration across Government. I know that the members of the MAC secretariat have regular conversations with people in different departments and agencies, so I would not be at all surprised.

**Alison McGovern:** There is collaboration among the officers of the committees, but there has not been any formal joint working to conduct some sort of investigation into this.

**Madeleine Sumption:** There has not been anything formal that I am aware of.

**Q506 Chair:** Perhaps you might just check that last point. If there is something, please feel free to write to us. Very briefly, the last bit I wanted to pick up on was the work of the Migration Advisory Committee. Ms Sumption, I know you are a member. The committee has published an interim report today, summarising the evidence received so far from the call for evidence. I think the Home Secretary asked the committee to report back by September of this year to inform future policy direction, some of which we have touched on this morning. As far as you are aware, is the committee on track to meet that September deadline?

**Madeleine Sumption:** Yes, we are.

**Chair:** That means a busy summer, no doubt.

**Madeleine Sumption:** It certainly does.

**Q507 Chair:** I also wanted to ask about the relationship between immigration policy and trade policy, very briefly. Mrs Griffith, the IPPR recommended that the Government should "introduce a new trade and migration strategy, co-ordinated by the Department for International Trade and the Home Office, to rethink how our immigration policy can contribute to boosting UK exports". I wonder if you could briefly expand on that and perhaps any conversations you are having and traction you are gaining with that proposal.



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**Phoebe Griffith:** Unfortunately there is not a huge amount of traction, even though it is a proposal in which we believe very strongly. The main driver for this is that we think, in light of the scale of immigration that the UK has experienced and in light of the fact that our balance of trade has become gradually worse in relation to most trading partners, we must be doing something wrong. Intuitively, you would expect high levels of immigration to correlate with higher levels of trade, because you will therefore have more human links across boundaries. If you are in an economy like ours that is highly dependent on services, assets such as human capital and the ability to navigate cultural differences are ones we should be leveraging in order to open new markets and so forth.

On that basis, for example, we have a worse balance of trade with India than Germany does. Our diaspora is far larger. We think much more could be done. You mentioned China; we have a growing population of Chinese students in Britain, coming and studying in our higher education institutions. As far as I know, there are very small efforts being made to, for example, tap into their networks once they return to China, as most of them do. These are very sporadic and are led by individual higher education institutions. We should take stock of this. It is a missed opportunity, if anything, and it would not require a huge amount. It would require investment but nothing enormous. It just means being more proactive about tapping into existing populations that are from other nations. Obviously this becomes all the more important once we leave the European Union, in light of the need to open up new trading relationships.

**Q508 Chair:** Mr Mehmet, I wonder what Migration Watch's position is about trade deals that might trade off market access for a more open migration regime. I think particularly in relation to India. Many of the reports back from trade missions out there say that we are unlikely to secure a lot more trade with India unless we have a more liberal immigration policy with visas, in relation to people from India coming to live and work here. What is Migration Watch's position on that?

**Alp Mehmet:** As an immigration officer 40 years ago, I seem to recall the same sorts of requests, if not demands, from the Indians that we get now. As to whether we should be encouraging high levels of migration simply to be able to trade, I am not so sure. We trade because in itself it is a good thing to do. It is in our interests and whichever other country's interests to trade. I just do not see the point of adding immigration into that mix.

**Q509 Chair:** There have already been changes for high-skilled and high-net-worth individuals in China, in terms of immigration policy, in order to open up new markets for the good of the country. If they insisted on it, if both India and China said, "We are only going to do more trade with the UK if we have a more open migration policy with the UK", what would Migration Watch say about that?



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**Alp Mehmet:** They are saying that they do not want all these encumbrances and difficulties, when all they are seeking to do is come over, talk and trade, perhaps contribute to whatever the operation is here briefly, and leave. I can see why we should make that an easier, more efficient and more effective system for allowing people to travel between countries, but I do not see the relevance of saying, "You can have freer access for long-term migration to the UK, if you allow us to trade with you". That is not the way it works.

Q510 **Chair:** What about students? Both India and China are student markets that we would like to attract more people from to our universities.

**Alp Mehmet:** Absolutely. As you know, there are no limits. There is no limit to the number of genuine students who can come here. As far as I am concerned, the more the merrier. All we have ever been concerned about, and what I think the Government have been concerned about, are those who use the student route as a device for long-term migration. That is where the Government have done rather well. The sort of regime that they introduced in 2010-11 with regard to students, interviewing them for example, has meant that we have many fewer bogus students—for want of another word—coming here. That is why, for example, the number of Indian students, where abuse was the greatest, in 2009-10 when the points-based system was introduced in India, meant we had to close certain consulates because of the scale and level of abuse. We now find that is no longer happening, which is great.

Q511 **Chair:** There was coverage last summer that showed that the ONS information on bogus students had been wholly inaccurate. Perhaps another of the panel members wants to come back.

**Alp Mehmet:** Can I just come in on that? What the ONS found was an answer to a question that it had not been able to answer before. That was that 97% of students who had come here from outside the EU were compliant with their conditions. They came here, either left on time or sought leave to remain here. No one is suggesting—

Q512 **Chair:** Do you take the point that Alison was getting at about the language used by Migration Watch? Perhaps, if you would like to write to the Committee, you can direct us to when Migration Watch has put out a clear statement or policy report backing up the Government's view that there are no limits on overseas students being able to come here. In fact, all students are welcome. Do you not accept that the language used by organisations like Migration Watch is picked up in countries like India and used as a way of saying that the UK is not open to their students and that they should go elsewhere?

**Alp Mehmet:** No, I would take issue with that. We have never suggested that genuine students were not welcome here or that the numbers should be constrained. We have never done that.

Q513 **Chair:** Have you gone the other way? Has Migration Watch put out something publicly that has said, "There are no limits and we would



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welcome all students to come here”? Could you perhaps write to us? It would be really helpful if you could write to us to say when you have sent out a positive message about overseas students being able to come and study in our higher education institutions.

**Alp Mehmet:** I would be very happy to write to you and say that we are more than happy. I spent my career encouraging foreign students to come and study in this country.

Q514 **Chair:** Perhaps you can take that career and explain, in writing to the Committee, how Migration Watch is putting out a positive message on the basis of some of the things that have been said this morning.

**Alp Mehmet:** Might I also ask where you have seen that Migration Watch has somehow said that international students are not welcome here?

**Chair:** The point is the general message from Migration Watch.

**Alp Mehmet:** No, it is not from Migration Watch.

Q515 **Chair:** Part of the reason for you being on the panel this morning has been to have a critical voice in terms of immigration policy. We would welcome seeing what you say positively about immigration, particularly around there being no caps on overseas students coming to study at our higher education institutions. Very briefly, Professor Portes and Ms Sumption, do you have anything to add on the relationship between immigration and trade policy?

**Madeleine Sumption:** In general, if you look at trade agreements around the world, they tend not to have very substantive provisions on migration. Usually they are relatively technical things to do with intracompany transfers, which in the Indian case could be quite a big deal, because they had a lot of people coming as intracompany transfers in short-term routes who had lower pay, who are now no longer eligible. India is an exception, in some ways, and a country that might have a big ask in a trade deal related to migration.

In general, if you look at the CETA deal between Canada and the EU for example, it had a chapter that had some provisions to do with movement of self-employed professionals. The UK had to do almost nothing to accommodate those provisions. The EU/UK deal might be slightly different. We would be interested to see whether the EU has really substantive demands for migration, but it is very possible that it will just not be something that plays a big role in trade agreements.

**Professor Portes:** I agree with that. India is the big exception, where clearly one of the reasons that the EU-India free trade deal fell through in 2010-11 was precisely, as Vince Cable said, because the UK Home Office would not accept that immigration was on the table. It would clearly have to be on the table if there is going to be a UK-India FTA. I agree with Madeleine: beyond that, it usually has not been a factor. It is a very interesting question for those of us working on immigration policy after



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Brexit. Madeleine and I in particular are looking at the extent to which, if at all, this will be a topic in the UK-EU negotiations on our future deep and comprehensive trade relationship. We just do not know at the moment what the EU wants on this topic, if anything.

Q516 **Chair:** Finally, Professor Portes, you mentioned you are doing a research paper or have done one on migration and the impact on wages.

**Professor Portes:** It is productivity.

Q517 **Chair:** Is that something that you could send to the Committee?

**Professor Portes:** I am afraid I cannot. Madeleine can say more about it. The situation here is that the Migration Advisory Committee, as part of the report that it is publishing in September, has commissioned five research projects. The one on migration and wages is not being done by me. What are the others? I have forgotten. There is one on migration and wages, migration and training, and migration and productivity.

**Madeleine Sumption:** You are going to show me up here.

**Chair:** It is a test now.

**Professor Portes:** There is one on the fiscal impacts of migration, which we were talking about before with the impact on public finances. There is possibly one more.

Q518 **Alison McGovern:** To a certain extent that answers my question from earlier. Would that pertain to the question I asked earlier about the impact on wages and work that might inform the low-paid question?

**Professor Portes:** Yes.

Q519 **Chair:** The plan is not to release those reports publicly or is that a question to be resolved?

**Professor Portes:** We have been asked by the Migration Advisory Committee to supply drafts of these reports. Even if I wanted to, I could not send you mine because it is not written yet. We do not have the results and the MAC is breathing down our necks. I know that the MAC is considering the early findings in May, but it will be for the MAC to determine. It is up to Madeleine and co to decide. They are the boss.

**Madeleine Sumption:** The reports get published.

**Professor Portes:** They will be published as annexes to the September report.

**Madeleine Sumption:** It will not be right away, but later on.

Q520 **Chair:** Is that alongside the final report in September or after?

**Madeleine Sumption:** I do not think there has been a decision about timing of publication, but it is usually the case that everything would be published eventually.



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**Chair:** Thank you very much indeed for your evidence this morning. It has been very interesting. We are very grateful to you all for giving up your time and sharing your thoughts with us. Thank you.