

Home Affairs Committee

Oral evidence: [Post-Brexit Migration](#), HC 1614

Tuesday 9 October 2018

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Members present: Yvette Cooper (Chair); Rehman Chishti; Stephen Doughty; Kate Green; Tim Loughton; Stuart C. McDonald.

Questions 1–91

Witnesses

I: Professor Alan Manning, Chair, Migration Advisory Committee, and Madeleine Sumption, Director, Migration Observatory, University of Oxford.

Examination of witnesses

Professor Alan Manning and Madeleine Sumption.

Q1 **Chair:** Can I welcome everyone to this session of the Home Affairs Select Committee hearing from the Migration Advisory Committee? Can I ask our panel to introduce themselves?

Professor Manning: I am Alan Manning. I am currently the Chair of the MAC.

Madeleine Sumption: I am Madeleine Sumption. I am also a member of MAC but I am here today in my capacity as the Director of the Migration Observatory at the University of Oxford.

Q2 **Chair:** Welcome. Can we go directly to the recommendations that you made in your report? Could you quickly clarify for me what impact you think those recommendations will have on the labour market, productivity, public finances and EEA migration, some of the issues that you looked at the overall impact of? What is your assessment of the impact of your recommendations and these policy changes on those things?

Professor Manning: First of all on the labour market, a shift towards making work migration have a bias towards higher-skilled, higher-earning migrants would act to raise average wages in the UK as a whole, just in a batting-average composition effect. Our assessment is that it would not really have a very large effect on the earnings of existing UK residents. Any effect that it does have would probably be to raise wages slightly for lower-skilled workers in the UK, but these are fairly modest effects.

On the public finances, we expect that it would lead to an improvement in the public finances, although one should emphasise that these effects are likely to be modest. The overall conclusion is that our assessment of the impacts in many areas of migration would be modest. We do think there are ways to accentuate the benefits and mitigate the costs, which our recommendations are based on, but one has to be realistic that the benefits from making those changes are also likely to be modest.

Q3 **Chair:** Does “modest” mean small?

Professor Manning: Yes, sorry.

Q4 **Chair:** So your recommendations, you think, are going to have a small impact on the labour market, productivity and the public finances. What level of uncertainty attaches to your assessment of the impact of your recommendations?

Professor Manning: There is always quite a lot of uncertainty, in particular about the volumes of migration flows, because one of our recommendations was, for example, to remove the cap and on the number of tier 2 visas. One is then saying that there is a minimum occupational salary threshold at which migrants can come in, so great



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uncertainty relates to what the volumes would be, and that is driven often by things that are not really in the control of the UK Government—things to do with how other economies are doing, and so on.

Q5 Chair: So you have significant uncertainty and a small impact, but changes that you are recommending are quite big.

Professor Manning: I am not sure that we would see them as quite as big as they have sometimes been reported. This is not about changes to the existing stock. This is about restricting the flow, in particular of lower-skilled migrants, in future. One of the points we make is that there is quite a sizeable flow of lower-skilled migrants, just often not through the work route. They come through other routes, like the family and so on. It would be that there is probably a smaller flow, but I think the way the image has been characterised, as very big changes in the stock, is not quite what I would expect the consequences to be.

Q6 Chair: Okay, we will come back to that.

You say in your report that the drop in the pound since the referendum has had more impact than all of EU migration since 2004. Do you think that the trade deal that Britain will be trying to negotiate as part of the Brexit negotiations will have more impact on the economy in terms of scale of impact and on the welfare of the resident population and so on than any of the immigration policy changes that you are recommending?

Professor Manning: That is not something that we have considered in this report.

Q7 Chair: As an economist do you think it will?

Professor Manning: My personal view on that is that yes, it will. A lot depends on the nature of the trade deal, how close we remain to the EU, but yes, I think it is quite likely that the impacts already from the fall in the value of the pound have been larger than the benefits you might expect from there and the costs of weakening trade ties with our major trading partners are likely to be larger than any benefits from the changes that we recommend, which were based on the scenario of immigration not having been part of the agreement.

Q8 Chair: That feels like quite an odd assumption for you to make.

Professor Manning: First of all, it was what we were asked to do.

Q9 Chair: Were you specifically asked to assume that immigration has no role to play in the negotiations?

Professor Manning: No, we were asked to think about what the new immigration system would be after the end of the implementation period, so beginning in 2021. We did have to decide about how we were going to approach that question, because there were a lot of other moving parts and we did not really know what was going to happen. We did decide in some sense to do what is perhaps the cleanest version of that, which is to say if the UK ends up in a situation where it is setting its migration policy



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on its own, as many other countries more or less do, and the migration parts of trade agreements are often quite small, what should it then do?

- Q10 **Chair:** We heard from Guy Verhofstadt that he would expect immigration arrangements to form part of the discussion, that the closer the trade and economic relationships the more smooth and easy the future system of migration would be. We heard evidence from Ivan Rogers that excluding immigration will have consequences elsewhere in the trade discussions to come, so we have heard lots of different views that immigration may well end up being part of those trade discussions in some form or another. That is why it feels really odd that you have decided to just assume that it is going to have nothing to do with it and you are only going to look at one scenario, in which it is not included as part of the trade discussions at all.

Professor Manning: I do not have any insight into this beyond what I read in the newspapers, but one does not get the impression that there has been a large number of discussions to date about migration in the negotiations. Discussions have mostly been about the single market, the customs union, Northern Ireland and so on.

- Q11 **Chair:** Sure, but are you saying that you just assumed that wherever the Government ends up on whatever kind of Chequers deal, whatever else it might be, whatever level of regulatory alignment, access to single market, any of those things, given that some of those may have immigration consequences, you are just not going to look at any of them?

Professor Manning: No. It is important when you are entering into negotiations to have a clear idea of what, if you could get exactly the deal you wanted, that deal would be. We were quite clear in the report that we were not expressing any view about whether immigration should be in the negotiations. If we had gone down that route, what could we have written? We could have written about what are the ways in which you could have had something between free movement and the UK unilaterally deciding what the possible migration options are. We could have outlined what we think of as the costs and benefits of those different migration options. What we would not have been able to do would be to know anything about what is in the offer, in terms of better access on the trade in goods and services side, in order to weigh up and make recommendations about the way in which we should go into negotiations. We came to the view that it was just going to get too messy in that scenario.

- Q12 **Chair:** Sure. In the end, of course, it is the Government's job and Parliament's job to weigh up the different things and the different issues within a negotiation. For example, you say, "We don't see a compelling reason to offer a different set of rules for the EEA," but that sounds as if you are basically saying that trade and market access are not ever a compelling reason to offer a different set of rules for the EEA. That sounds as if you are making a recommendation.



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Professor Manning: That is not what we meant to say. It is really that you would not offer preferential access to EEA citizens except if it was part of a negotiated agreement and in return, obviously, for something on the trade side.

Q13 **Chair:** Okay, so given that you have come up with a set of recommendations that, as you say yourself, have just a small impact on the things that you were trying to assess it against, are there any alternative reforms that might also have a similarly small impact, maybe different kinds of impact, that you looked at and rejected but which might be, for example, more compatible with a closer trade agreement than the scenario you seem to have assumed?

Professor Manning: So you mean something between free movement as it exists and this unilateral decision? There are a number of options that one might look at. Here we are not talking about the Committee view, but there are a number of ideas. There is the emergency brake idea, which is essentially just saying you might have free access but there is some annual limit to the number of migrants you let in. That is a very simple idea. To make that as simple as possible you might not have that tied to any particular skill level, so it is not an employer-driven system. On the other hand, some people would say that anyone with a job offer should be able to come in. My view is that that is essentially the current system.

Q14 **Chair:** Have you looked at any of those?

Professor Manning: Not in the committee report. I think we have views as individuals who work on migration. I should not speak for you, Madeleine.

Madeleine Sumption: No, no. I have views.

Q15 **Chair:** None of us knows at the moment where the trade negotiations are likely to get to. You yourselves have said that the impact of the trade negotiations on all the things that you are concerned about—productivity, innovation, the impact of the economy and so on—is likely to be far bigger than the impact, which you have said is small, from your immigration reforms. There might be potentially some huge benefits from a particular set of trade agreements that might be achievable with some sort of immigration policy negotiation being included in the negotiations. Given that all of that seems to be possible and that those benefits might be substantially bigger than the small impact of your immigration proposals, what I am still struggling to understand is why you did not look at a series of other policy options that might be compatible with a closer trade relationship, including—and it would be useful if you could clarify whether you looked at any of these things as part of the negotiations—the Swiss prioritisation of domestic recruitment, the Swiss system that operated in 2012 and 2013, the current transitional control arrangements that apply to Croatia, the David Cameron emergency-brakes proposal, the Michael Ambühl wider proposals for an emergency



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brake, requiring people to have a job offer before they come, the Lichtenstein safeguard measures, the Belgian registration measures, the Norwegian ID cards, the stronger labour market enforcement measures that apply in a whole series of different EU countries' regulation of employment agencies. Did you look at any of those as part of your consideration of policy options for the MAC?

Professor Manning: You have just given a perfect example of a very long list of different institutional arrangements, and of course one might look outside the EU as well for other possibilities. What we decided to do was to say what our recommendations were for in this particular scenario. You can infer that in arriving at our recommendations we thought they were better than some of these other arrangements would be. Of course we are not in the position to evaluate what in return for some concession on migration we would get in terms of trade and we are not assessing trade things.

Q16 **Chair:** So it is fair to conclude that the MAC has not looked at a whole series of possible policy options for immigration reform despite the fact that you were asked to look at the evidence from other countries and the experience of other countries?

Professor Manning: No, I do not think that is fair. We are doing an assessment of what this is and then we are making these recommendations.

Q17 **Chair:** You made an assumption and you then decided to look at one set of possibilities based on an assumption about the trade negotiations. You just told me you did not look at all of those policy options that I listed.

Professor Manning: No. One scenario was given and we asked in that scenario what would we recommend within that scenario. In doing that, we are bringing to bear what we know about the experience of every other country in the world and what the evidence is on that. We are trying to put in really quite broad-brush principles and some of the things you listed are extremely detailed. To be honest, I do not think things like the Belgian registration scheme would make very much difference in practice.

Q18 **Chair:** You just told us that your proposals are not going to make much difference either and the impact is just going to be small. Your recommendations around tier 2 and so on do look quite detailed, so if you were setting out some broad-brush recommendations, that might be a more plausible response.

Professor Manning: A huge amount of work would have to be done between what we lay out as what I do think of as broad-brush proposals and turning them into operational rules. There is an awful lot there that we are not doing. I do think of them as rather broad-brush principles. It is saying things like we think the current salary thresholds are probably about right, but not that we think necessarily these are right to the penny.



Madeleine Sumption: The MAC report does not explicitly address those scenarios. I do think the analysis in there is useful for thinking through them. One general point: if you look at the observation in the report that the impacts of EEA migration have been relatively small, that also implies that the impacts of policy changes, as Alan has just said, are relatively small. By implication, if you are getting something good in return, then the costs of making concessions on immigration are not very high.

In terms of the specific scenarios you mentioned, I have looked at these separately outside of a MAC context. Basically, you can put them into different categories. There are a number of measures like, for example, the Swiss system, for notifying vacancies to job centres or a job offer or a registration requirement that are essentially about throwing a little bit of sand in the wheels of the process but do not change the fundamentals of free movement, which is having those skills selections. Under that scenario, given that all of the evidence itself is never so precise, I do think it is reasonable to assume that you can analyse those scenarios in the same way that you can analyse free movement—that basically the impacts will be close enough that you can treat the analysis in the report as applying to those scenarios.

One thing I do regard as different is the emergency brake. That is fundamentally different, in the sense that you have a really big challenge with this, which is: what is the level of the brake and basically how binding is it? Depending on the answer to that question, you end up with a policy that is either probably mostly symbolic if the emergency brake is barely ever used or does not have very much impact on numbers, or a scenario where it is very binding and has a big impact on numbers and is potentially quite damaging. The reason that it would be damaging is because you are keeping in place this fundamental principle of free movement in which is that there is no skills selection. You would end up essentially having a situation—

Q19 **Chair:** So it is damaging?

Madeleine Sumption: It would be damaging economically because you are essentially looking at a situation like the tier 2 cap but there is no prioritisation mechanism at all.

Q20 **Chair:** Have you looked at whether, for example, you could have safeguard measures or an emergency brake that only applied to low-skilled migration, for example?

Madeleine Sumption: That is a political question about what the EU will accept. The way that this is discussed in the EU, the idea of not having selection, seems to be so fundamental to the way that the EU thinks about free movement that my assumption is that that is not on the table. As soon as you start talking about selection and prioritisation, what the tier 2 cap does is say, "Okay, we will take the highest-skilled and the highest-paid people or people on shortage occupations." If you were going to have an emergency brake for EU workers under something that



even pretends to be vaguely like free movement, you are either looking at a situation where you have doctors and bankers waiting in a queue behind waiters and waitresses on the minimum wage, if the cap is very binding, or you are saying, "We are going to let the bankers in and we are not going to have the waiters and waitresses." At that point it is not my position to say what the EU will or will not accept, but it is hard to construct an argument that that is remotely free movement in any form.

- Q21 **Chair:** The question in terms of what the MAC has looked at may not be asking about whether you should be looking at things that are free movement. What you are figuring feels very binary—that we can only look at things that are effectively free movement or we can look at things that are the proposals that you have come up with. What about things like the current Croatian transitional controls, for example, which do have differentials based in them?

Madeleine Sumption: There is an assumption in the British debate often that immigration with the EU, the trade-off between immigration and trade, is a sliding scale, so you can have free movement and highly facilitated trade or you can have no free movement and not very much trade at all and that you can position yourself anywhere along that line. I think that is probably not the case. If you look, for example, at Ivan Rogers's evidence to this Committee, he was really talking about that trade-off as a kind of all-or-nothing trade-off, of free movement, or free movement plus some trimmings, or nothing at all. I think to some extent it is an all-or-nothing trade-off. The Croatian model is potentially applicable. I have not looked at it in a huge amount of detail, but my understanding is that it is temporary and was agreed to specifically because it is a temporary transitional measure for getting to full free movement.

Professor Manning: There are hybrid possibilities. You could take what we propose on tier 2. You could say that EU citizens have some preference under that—for instance, they might not pay the immigration skills charge—so there is a route always for the doctors, for example, to come in, and then you would have something driven by individuals that does not have a skill bias but has a cap or some kind of quota on, like the emergency brake, and that would be a hybrid system that you could conceivably offer. I do not really know whether this is the kind of thing that has got any legs at all if you start putting it to the EU.

- Q22 **Chair:** I accept that, and it would not be fair to expect you to do an assessment of the likelihood of success within negotiations. I was just trying to confirm what it was that the MAC had looked at in terms of the options that Governments might need to have available to them. Can I confirm what I think you have said already in response to my earlier question? It appeared that you were saying that there was not a compelling reason to choose a preferential system, but is your view that if there were substantial trade benefits, that might be a compelling reason to choose a preferential system, subject to all kinds of discussions



about what kind of preferential system that might look like?

Professor Manning: Yes. It might be even that the existing system of free movement is better. I do not know what is on the trade side. The EU is a package and nothing in this report should be interpreted to say that any potential gains from going it alone on migration can offset a substantial weakening of trade ties with the EU. We do not really know how much weakened those are going to be.

Q23 **Chair:** Is that your view as well, Ms Sumption?

Madeleine Sumption: Yes.

Q24 **Stuart C. McDonald:** Thank you, and my apologies, I have to leave in about five minutes or so. Following on from what the Chair said, essentially you would have been able to see a lot of fantastic research, both in the EU report, and also in the report on international students, but you could have swapped all the conclusions around and you could have taken exactly the same research and said, "On the basis of this research we need a two-year post-study work visa," or you could have said, "On the basis of our EEA research, we should just carry on with the free movement of people." In your EEA report there is a paragraph in your introduction that essentially says, "We recommend a tier 2 approach simply because we take back control," to put it as bluntly as that.

Professor Manning: No. I think probably the most contentious thing in the EEA report is probably what we said about lower-skilled migration. We said you really need to think carefully about whether there should be a lower-skilled route. If you say, "Why is that the case?", one of the things which perhaps we did not really quite bring together in the report—it is all in there but it is not brought together in one place—is that, first of all, there is always a supply of lower-skilled migrants through non-work routes. Secondly, the lower-skilled migrants have been fiscally negative; that just in a batting-average composition effect, they make the UK a slightly lower waged, lower productivity kind of economy. Any effects that they have on innovation are not positive, and so on. Basically if you say, "What has been the benefit of this lower-skilled migration?" there is not very much on the positive side of the ledger. There is perhaps a little bit in that perhaps some goods have become a little bit cheaper. That is how I would justify what we said about lower-skilled migration, that there is a set of negative effects. You are not going to get no lower-skilled migration even if you do not have an explicitly lower-skilled work group and there is not really that much on the positive side of the ledger.

Q25 **Stuart C. McDonald:** That does not really come through very much in your report, as you say, but let me take an example of a sector that has already expressed concerns to me—universities and medical research. Universities are absolutely terrified that they are not going to be able to recruit the early-career medical researchers or technicians that they rely on through tier 2, even with your reforms now—you are talking about



low-skilled, low-wage migration; you are talking about all sorts of things—and that is exactly what would boost productivity and be good for this country, surely?

Professor Manning: Technicians are what we call middle-skill workers, so they would be eligible for the system under what we propose. They would have to meet the salary threshold. When you say “early career” threshold, the threshold for that is £20,800. They are meeting that threshold. There is an issue that once they get a bit more experience, they have to meet the £30,000 threshold, but if you look at median earnings in many of those technician jobs, you will see that median earnings are well above £30,000.

- Q26 **Stuart C. McDonald:** In relation to the question of regional systems and so on, it strikes me, and it has struck other people that I have been speaking to, that between the interim report and the report that came out a couple of weeks back, there has not been very much taken forward. Was there any research on options? Was there any work done on looking at what happens in Canada and Australia? It does seem to be the very same broad-brush outline of an approach that was set out in the interim report in relation to Northern Ireland, where it seems to be that the MAC says there are very serious issues for Northern Ireland, but we cannot really address them here. Is that a fair summary of where we are at?

Professor Manning: No. In the specific case of Northern Ireland there is no Government in Northern Ireland at the moment but the head of the civil service wrote to us about the interim report and we did address the points that had been raised in that letter in the final report. We were sympathetic to some of the problems that they face, but the problem that is faced is, are you going to have a separate system for Northern Ireland.

- Q27 **Tim Loughton:** Can we come back to the thorny question of net migration targets and particularly the comments you made about students and targets giving out mixed messages? Would you elaborate on that? I did not understand the comment that you made in response to your survey, “The majority of respondents have recommended removing students from the net migration target but this will be technically difficult and make little difference to net migration figures”. Why?

Professor Manning: There is a technical annex, which goes through that in a little bit more detail but it is a bit technical. What you would have to do technically is have a way of measuring when students emigrate. We have perhaps a reasonable measure of student immigration. You would need a measure of when they emigrate, and that measure is very poor at the moment, and then you would need a measure of when they move, as some of them do, from being a student to a non-student. Those things are quite technically difficult to do.

- Q28 **Tim Loughton:** Why don’t you invent something very clear, that you have to differentiate when you move from a being a student to being a



non-student?

Professor Manning: You can do that for non-EU. You have administrative data on people who are going from a student visa to a work visa, say. Of course that does not cover EU at the moment and the rest of the way in which we count the immigration statistics is not based on administrative counts of visas. There is an issue about whether you are measuring things. The more important issue is that even if you do this and we go through a back-of-the-envelope calculation, it makes almost no difference to the net migration figure. You would go through all that effort and the numbers would come out the same. The reason for that is that most students are temporary migrants. They come in and then they leave after their studies, so they have no effect on net migration. By stopping counting them in and not counting them out, as we do now, you would alter the timing of when they come in and out, but you really do not affect the level very much at all.

Q29 **Tim Loughton:** Yet we are led to believe that the figure could be as high as 100,000 initially.

Professor Manning: Some people are led to believe that, but I do not think there is any evidence like that about the number of students who are staying on at the end of their studies.

Q30 **Tim Loughton:** What is your calculation of the number of students who are coming in each year?

Professor Manning: If you include all students for all courses, we are talking about 750,000, many of them for short language courses. If you are talking about higher education and university—

Q31 **Tim Loughton:** I am primarily focusing on higher education, university degree-level studies, not short-term summer holiday courses.

Professor Manning: I think it is just over 200,000 a year.

Madeleine Sumption: Yes. If you are looking at the measure in the international passenger survey, which is the data set that the net migration target is based on, it is lower than that. It is closer to 150,000 or a little bit above.

The big issue here is that the net migration target is fundamentally based on this one survey, the international passenger survey, which is not correctly measuring student migration flows and that is well recognised. The ONS recognises it. No one thinks that the numbers, particularly on student emigration, are correct. You are in a position where if you try to do it with this data set and you try to take the students out, you are almost guaranteed to produce a number that is nonsense and wrong, because we know that part of what we are taking out is incorrect.

There is a completely separate question. You could ditch that data set and say, "Okay, we have had a net migration target based on the IPS. Let's forget about that and construct a new target with another data



source that does not have these problems.” Maybe it will not be about net migration, maybe it will be to do with settlement or gross visa issuances or what-have-you. You can include whoever you want in that and ultimately these are political choices. The technical issue is with using the international passenger survey to do something that basically the accuracy of the data does not really permit you to do.

Q32 Tim Loughton: Do you think there is any logic to having a net migration target?

Madeleine Sumption: There is a logic if you care about population growth. The issue with a net migration target is essentially it treats everyone the same and so a lower-skilled worker is treated the same as a higher-skilled worker, a British citizen the same as an EU citizen. The rationale for doing that makes sense if population growth is the major thing you care about. The MAC report did address this briefly and noted that from an economic perspective the total size of the population is not necessarily that important over the long run.

Q33 Tim Loughton: I am more concerned about the logic of having a target where the Government only has control over one side of that equation. If it is a net figure, the Government has no control over the number of people leaving the country depending on how well the country is doing economically at that time. It is rather pointless, isn't it, in that respect? What you are concerned about is the number of people coming in and that is something that you can do something about. You cannot do anything, other than try to bribe them economically, about the number of people choosing to leave the country, be they indigenous British citizens or others who have been here for some time.

Madeleine Sumption: Yes. The Government has some level of control over the departure of non-EU citizens in the sense that there are separate policies on whether people get settlement or not. If those policies are more restrictive, then more people might go home, but in general certainly one of the issues with the current net migration target is for EU citizens and UK citizens who are also in there, there is no control. If you wanted it to be something that the Government squarely controls, then you would need to focus on something where the Government is doing something, visa issuances, settlement issuances or what-have-you.

Q34 Tim Loughton: The question about mixed messages, about having this net migration target, do you think that has had an impact on people making a choice as to whether they come to the country to work or to study? Is there evidence that people are being deterred?

Professor Manning: I do not think we saw much evidence. If you asked the potential international student whether they knew that the UK had a net migration target, whether they knew that students were included in that, and whether they cared at all about that for their decision to come here as an individual, I am not sure it would be important. That is not saying that creating a welcoming image—that this is a place where you



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are welcome and you are going to be safe and so on—is not something that occurs to people, but I do not think there is any evidence that the net migration target itself affects student choices or student numbers. The net migration target came in in 2010 and only applies to non-EU students. Was there a brake on the numbers there? Not really.

The net migration target is not really a policy. It is the Government's statement of intent on migration.

- Q35 **Tim Loughton:** Clearly it is not proving to be a very reasonable or a cheaper one, because it has not been achieved in terms of bringing numbers down to below 100,000. My understanding was that we are the second destination of choice for overseas students behind the States, but we have been falling back. Is Australia number three and becoming more and more popular? That must be for a reason.

Professor Manning: Yes, some people have said we might be overtaken by Australia in the next few years. We have not yet been overtaken, but that is possible. We lay this out in the report. We have some graphs on the UK's market share, and when you look at that over a long period of time, the changes are really quite modest. The way I think we put it in the report is that there are no grounds for complacency in this. Our competitors are being more active in the market, trying to attract international students. It is becoming more competitive. It is not, however, a situation where we feel that we are facing a crisis.

- Q36 **Tim Loughton:** Is there evidence that the charges, the fees made for students to come to study to get visas, have any deterrent effect? I talk from the experience that I have a daughter who is currently studying in Brazil and the fee for a student visa for a British student seems to be the most expensive of any category per person. Fortunately, it did not deter me from having to write a cheque for her, but is it having impacts on certain students coming here?

Professor Manning: I do not think so. The student visas are quite cheap.

Tim Loughton: Try going to Brazil.

Professor Manning: Yes. I do not have the figure, but I think they are quite cheap and if you think about the fees that are being charged by the British universities to non-EU students, I think the visa fees are a fairly small share of the total cost.

Madeleine Sumption: There is some survey evidence that is laid out in the report that shows that the tuition fees and the cost of living are an important factor that people take into account, but the visa fees would be very small in comparison.

- Q37 **Rehman Chishti:** Could I follow on from my colleague, Tim Loughton, with another question about students? We talk about ensuring that we are bringing the brightest and the best to our great, wonderful country.



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Some—for example, if one speaks to Bishop Michael Nazir-Ali, the former Bishop of Rochester and who is now at OXTRAD teaching theology—say the way that the system is designed at the moment ensures that if you have money, and you have to show money in your accounts before you can come and study over here, that prevents those who might be the best and the ablest, but who might not have the means to demonstrate that they can stay in the United Kingdom. So the way the process is applied deters some of the brightest and the best because they may not be from an affluent background. Do you get those concerns raised with you or not?

Professor Manning: A bit, but if you are talking about international students, we would expect international students who come here to have some way of supporting themselves while they are here. It might be through a scholarship or financial aid from a UK institution to attract the best and the brightest. I do not think it is unreasonable to think that there is a certain level of financial resources to provide assurance that people can have enough money to live on as well as pay the fees while they are here.

Q38 **Rehman Chishti:** I totally understand the point you raise. My point was to ask if that is something that has been raised. If it has, then one would need to look at future modelling to address some of those concerns when moving forward.

Professor Manning: I would not have said that it is one of the things that came up most frequently, but it has been mentioned, just not very often.

Q39 **Rehman Chishti:** Looking at the post-Brexit migration strategy and coming to you, Ms Sumption, the Migration Observatory has noted that it is important to understand the current picture of low-skilled migration coming into the UK, in order to look at setting the strategy in moving forward. However, at the same time it says that it is very difficult to get a reliable picture to come to the correct conclusion. How do you come to the correct conclusion?

Madeleine Sumption: If you are talking about the data gaps, this is a really significant issue. When you are trying to look at the skill composition of the flow of people to the UK it is essentially impossible. We have data on people who are here, so we know a fair amount about the jobs that people are doing, at least if they are here long-term enough to make it into the labour force survey and so forth. We then have data on flows of people coming in and out, but there is no occupational or employment information about them, partly because it is not in the questions, but also people do not necessarily have a job when they are doing it. This means that we do not have basic information—for example, what the annual number of people entering the UK and working, say, in the hospitality industry or in a low-skilled job is. That I think is something that there could in principle be some data on in the future. If you are looking at administrative data sources, which the ONS is currently doing



but still in the early stages of development, we have information on the nationalities of people as they come in—you can look at who is a new arrival, what kind of jobs they are doing—and that would, I think, make it a lot easier to do that kind of modelling. If we are looking at the system going forward, one of the really big questions is how we are going to evaluate. Let's say there are big changes in the immigration system. Are we going to know what the impacts were? Currently there are some really big deficiencies in the data that will make that quite hard.

- Q40 **Rehman Chishti:** In relation to moving forward, I think it is always good to learn from mistakes that have been made to ensure you get it right in the future. Following from what you said a moment ago, are the Government looking at the information deficit that means that you cannot get a reliable picture to set the right strategy, and are they asking the right questions to ensure that it can information that needs for future strategies?

Madeleine Sumption: I cannot speak for the Government's plans. I do not know what they are doing.

- Q41 **Rehman Chishti:** I am not asking you to speak for the Government. I am talking about us independently looking at the information you do have. You are far better equipped to look at that information than, for example, I am, because it is not my area of expertise. I am asking you, as an independent observer looking at this, are Government asking the right questions to ensure that they get the right information to set the correct strategy?

Madeleine Sumption: I have some concerns about the availability of data in the future that would be needed to evaluate the system. For example, let us say we are going to expand the youth mobility scheme. This is something that the Government have said in the Brexit White Paper that they want to do. When the MAC looked at teacher shortages a couple of years ago, one of the interesting thing that came out of the report—and this was a report about tier 2 and the shortage list—was that recruitment companies were saying teachers are mostly using tier 5, not tier 2, but there was basically no information on what people on tier 5 visas are doing. If we are going to evaluate a possible expansion of the youth mobility scheme, a basic piece of information you might want to know is what people are doing. It is in principle possible to have that information if you do what Canada, for example, does, which is linking up tax records to immigration records and following people who come in on different routes.

The other area where I think there is a big issue in the future is the settled status scheme. It is possible that in a few years' time, when the scheme has been implemented, we will not really have any idea how inclusive it has been and whether there are significant numbers of people who fall through the gaps. Administrative data is part of that, but we could be doing, for example, things like collecting survey data. This is something that Australia does. In their survey data they ask people what



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type of visa they are on. That would enable you to work out things like whether people have settled status and what are the characteristics of people who do not. I am not aware of any plans in place to try to do that kind of thing. I do think it would be quite helpful if we are serious about trying to evaluate these policies.

Q42 Rehman Chishti: Just a clarification on that, in terms of concerns about availability of data. Is that because sometimes one does not want to ask the question because they may not like the answer they get, or is it genuinely too complex an issue to grasp? How does one deal with that?

Madeleine Sumption: It is not impossible to have data on these things. Other countries do it. Some of it requires a significant amount of development, and as I mentioned the Office of National Statistics is working on trying to make better use of administrative data, but it is a slow process. With a lot of these things, it is a question of how much priority is put on making sure that the data sources are there. If we really wanted those data sources to be in place, I suspect it could be made to happen.

Q43 Rehman Chishti: Can I just clarify one thing? You mentioned the settled status point. Am I right in saying that that is in relation to joining a family member over here.?

Madeleine Sumption: Sorry, this is for EU citizens who are already living in the UK and who will need some kind of documentation to stay here legally after Brexit.

Q44 Rehman Chishti: The reason I ask that question is a bit wide of the mark. On a flight from Chicago last night to London this morning, a point was raised with me by the passenger next to me, a US citizen now married to a British national, and living in Hampshire. They are both qualified and well skilled. The husband, who is a British national, has a small firm, and they pay themselves in dividends rather than income. They pay their taxes and dues. Have there been concerns about how incomes are calculated, which may delay legitimate applicants wishing to come to this country?

Madeleine Sumption: I assume you are talking about how income is measured for the purposes of meeting the minimum income requirement.

Rehman Chishti: Correct

Madeleine Sumption: This is something that stakeholders raise a fair amount. It is more difficult for self-employed people to demonstrate their incomes. I am not aware of any in-depth research that has been done on it.

Q45 Rehman Chishti: Would you say that is an area that needs to be looked at.

Madeleine Sumption: Yes.



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- Q46 **Rehman Chishti:** I do want to be clear, Chair: Liz from Iowa—whom I met last night on the plane from Chicago to London, and who sat next to me, after two hours' sleep because the first flight got cancelled—I did raise the point, and she will be sending me an email that I will forward to you. As Members of Parliament, we do travel and we do hear what people have to say, but it was raised with me.

Chair: I am very impressed at her luck in being allocated that seat.

Rehman Chishti: She is not even my constituent, in Hampshire; I am in Kent. However, it is the kind of point people do raise, where they do do the right thing and their point is about how calculations are made and if there is a better way of doing it that works all round

Madeleine Sumption: A number of questions have been raised about how income is calculated, whether it be about self-employment or the fact that spousal income does not count towards the threshold when people are coming into the country. The whole package of measures is something that certainly comes up a lot.

- Q47 **Rehman Chishti:** Can I ask you a question, Professor Manning? Just in relation to tier 2, what is the current UK's annual median salary?

Professor Manning: The median annual full-time salary—from the latest available figures of April 2017—is £28,746, I believe. If you uprate that to what it would be today, it would be about £30,000.

- Q48 **Rehman Chishti:** That is if the economy continues to improve and if it does not—

Professor Manning: No, this is what will have happened over the past 18 months. I know that it has been reported.

Chair: You are slightly overestimating the wage inflation that has happened in the last 12 months.

Professor Manning: Over 18 months, if we say 4%—the current median is a bit over 4% below the actual median, so I think 4% wage growth over 18 months is not so— It is there or thereabouts, I think it would be fair to say.

- Q49 **Rehman Chishti:** The point I raise on that—and I think you touched on it earlier when you mentioned the point about doctors and a route that may be able to assist those professionals—is that, for teachers and healthcare professionals, one of the thresholds is at £30,000 and you are currently looking at a median salary of £28,000-odd. Every penny counts and every pound matters. You are still going to have a challenge in relation to addressing the threshold for those key sectors, which we need in our economy and society, don't we?

Professor Manning: Teachers and doctors are already meeting those salary thresholds within the tier 2 system. I think people sometimes forget about the entrance rates. The bottom of the teacher pay scale is above the minimum entrance salary and then over a certain number of



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normal years a teacher would end up above £30,000. So even if you take primary school teachers, you have median earnings of £35,000. Our view—and I know it has not always been reported in this way—is that salary thresholds are not so unreasonable.

- Q50 **Rehman Chishti:** Would I be right in saying that you are now saying that there will be no risk at all that the threshold will be too difficult to meet for workers in professions such as teaching and healthcare?

Professor Manning: No risk would be a very strong statement.

- Q51 **Rehman Chishti:** Where would you say the risk is, high, low or medium?

Professor Manning: There is a new entrant's salary, which is £20,800 and then there is a jump to £30,000. I think there are some issues about whether that jump is a little bit too steep, and whether you want to smooth it out, but you do want to keep the system as simple as possible. One of the big complaints about the system is it is very complicated to understand.

If you have a migrant who comes in earning below median earnings, they are driving down the average wages of people in the UK. They are making the UK a little bit of a lower-wage economy and the question is, is that what we want the UK? It is not our vision for what we want the UK to be, if you look at, for example, the Government's industrial strategy or even every previous Government's industrial strategy.

- Q52 **Rehman Chishti:** We all want to ensure that we get the brightest and the best and create a fair system and therefore we have to ask those questions.

Let me ask Ms Sumption a final question. How great is the risk that the changes intended to control lower-skilled migration—that is, employer sponsorship of workers—will also discourage skilled migration?

Madeleine Sumption: Yes, I think that is a risk. The MAC report mentions some ways of making it easier on the high-skilled end for tier 2s, on the labour market test for example and the cap. In more general terms, the Government needs to take seriously the concerns about how difficult it is for people to get through the sponsor licensing system, although there is a whole area of inquiry, and that will be a whole other report in itself, to look at exactly how that can be done.

Overall, if you look across the world, especially for example if you are thinking about small businesses, it is widely recognised that some employers find it difficult to get through the work permit system regardless—not just the UK system, whatever system you have. It is always more difficult for small businesses than for large businesses and that is because of lack of capacity. It is not a surprise, probably, that when you look at the current tier 2 system, it is mostly large businesses that are using that system. In 2017, around 70% of the people sponsored



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for tier 2 visas were going to companies with over 250 employees. Yes, I do think that is an issue.

Empirically, it is very difficult to predict exactly what those impacts will be, and obviously it depends on how the policy is implemented and whether there is an effort to try to make it easier for businesses to use the system.

Q53 **Kate Green:** A moment ago we were discussing the £30,000 threshold and you said that it was likely that if you had a threshold lower, it would have the impact of driving down lower wages for the indigenous population.

Professor Manning: No, I did not. I'm sorry, I did not say that. I meant it is just in an average sense, the average level of wages because—

Q54 **Kate Green:** But your report suggests that it is at the lower end of the wage scale that there would be an adverse effect.

Professor Manning: If there is any effect.

Q55 **Kate Green:** If there were an impact, it would be at that end. None the less, that has to be balanced, doesn't it, against the need for labour in particular sectors even at those lower levels of wage where currently we see quite extreme labour pressure. One sector would be the social care sector, which is one that you single out in the report.

We already know that that sector is reliant on migrant labour. We know that the need is rising and that funding is not keeping pace with need. So in the absence of any extra cash, if there is not new funding forthcoming, are you confident that your recommendations will meet the labour needs of that sector in the medium term?

Professor Manning: We did express the view that we are very concerned about that. The central problem is that the sector does not pay enough and the terms and conditions are not attractive enough. The sector is not paying the market wage. That is the central problem. Only 3% of EU migrants work in social care. For every one working in social care, you have another 30 working in a variety of other sectors. If you were going to pick a sector that is going to have a big impact on potential restrictions on EU migration, you would not single out social care, although you might be worried about that sector generally.

Our view is that the bullet has to be bitten on that. There has to be a way to be found to make those jobs more attractive, because even if you recruit migrants into those jobs, just as the resident population find them rather unattractive, the migrants do not find them terribly attractive either and as soon as they come in they start leaving.

Canada had a live-in caregiver's visa and after 10 years, something like just a bit over 10% of the people who came in on that visa were still working in care, so it is the same issue. The jobs are just not attractive enough. That is what we would say about that problem. The share of EU



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migrants working in social care is smaller than the share in the economy as a whole. The sector is much more dependent on non-EU migrants than EU migrants, even though the non-EU migrants working within that sector, certainly in the less skilled roles, are not getting work permits because they are coming in through these other routes that I talked about earlier.

- Q56 **Kate Green:** I think Global Future, for example, and the Association of Directors of Adult Social Services both identify a widening gap in terms of the ability to fulfil labour market needs in that sector, particularly in the absence of new Government funding, and there does not seem to be any sign of that additional funding forthcoming. ADASS suggests £3 billion is needed to bring pay up to the sort of levels that might make the sector more attractive.

If there is not more funding and if the sector is not made more attractive in other ways, isn't there going to be a continuing and growing need for migrant labour, be that EU migrants or migrants from the rest of the world?

Professor Manning: The sector will struggle, but it will struggle even if it has access to migrants. That is the point that I am making.

- Q57 **Kate Green:** Yes, but would you want to make it worse?

Professor Manning: I think whatever Government is in power has to address this issue very seriously. It is not on its own important enough to wag the tail of the whole migration system.

- Q58 **Kate Green:** Why have you therefore ruled out the need for a special scheme, perhaps even a temporary special scheme, for social care given this issue? You say it is not the whole of the story about migration, but it is a sector facing particular pressures.

Professor Manning: The argument against special carve-outs is normally that we cannot adjust immediately, we need some time to sort this out and so on. I am not personally totally against that, but I think there is a risk that that is used as cover for not making the changes that need to be made and you end up in a situation where, when the special deal is supposed to end, you still have the original problem you had and you carry on muddling through. Even if there were a special visa for people coming in to work in that sector, you could not reasonably expect them to work in that sector all their life. After a time, you have to give them the settled status and the freedom in work in other sectors, and then I think you would find they would just start leaving as soon as they had the opportunity to do so.

- Q59 **Kate Green:** Do you agree that a special scheme might serve to attract people now or in the near future when we do have a pressing need, given that the number of Europeans working in social care has risen by 50% over the last five years?



Professor Manning: You could. If you look at the Canadian live-in caregiver system, it had very large numbers. It almost became on its own the biggest single reason for visa entry over a certain number of years. Canada has gone backwards. I think they closed it to new entrants because of this problem that they were getting lots of people in, but the people were not sticking in the sector, so they were not solving the recruitment problem in social care. You are just getting them in. It is the same issue. Because they are not being paid properly, the minute any worker in that sector has the freedom to move, many will take it. Perfectly understandably, they are taking the freedom to move.

I understand the difficulties in the trade-offs. It is not an easy problem and successive Governments have struggled with the financing of social care and so on. We are just making the point that it is not right to think that there is a simple migration fix for the sector's problems.

Q60 **Kate Green:** In connection with meeting labour shortages in social care and in other sectors, you also point to the youth mobility scheme, or a version of it, being part of a possible model going forward. Do you think that scheme has applicability in the social care sector?

Professor Manning: I think it is probably the case that the workers in the social care sector tend to be a bit older than—I am not sure if you know; I am not quite sure—

Q61 **Kate Green:** It could be completely irrelevant to that sector.

Professor Manning: If you looked at non-EU workers currently in the social care sector, you would probably find they have mostly not come through youth mobility schemes. Madeleine said earlier that our data is so poor, but if you look at the nationalities of people working in social care—an example would be that quite of a lot of Zimbabweans work in the sector. Those migrants would almost certainly have come in under a refugee asylum route. I am not sure that a youth mobility scheme specifically would work. Social care jobs are minimum-wage jobs quite often, and for a young person I am not sure that working in social care is terribly attractive relative to working in a minimum-wage job in a café or a bar.

Madeleine Sumption: I think the youth mobility scheme has some potential advantages if you are looking at a specific route to fill low-skilled work. One of the big advantages is mobility between sectors, so people have the right to leave a bad job. If they are being exploited for example, they can go somewhere else. It gives the workers more rights. The drawback is exactly what Alan points out, which is that you cannot use it in order to channel people towards unattractive jobs. Agriculture would be the other example where youth mobility probably is not so good.

I think youth mobility works well for something like the hospitality sector, where also in any case a majority of recent EU migrants have been



between the ages of 18 and 30. It is trickier for the less attractive jobs. There are ways that you can nudge people in those directions. Australia pushes people who are on their equivalent of the youth mobility scheme towards agriculture by saying they can only get an extension into a second year of the visa if they do at least three months on a farm or in certain hospitality jobs. That has also been accompanied by concerns about exploitation by employers who can get some of their captive workforce back. There are trade-offs in either respect. It is hard to rely on youth mobility for industries like social care or agriculture.

Q62 Kate Green: On the subject of youth mobility, have you considered the impact that it has more generally, in terms of integration and community cohesion?

Madeleine Sumption: Yes. The Migration Observatory released a report a few weeks ago that looked at different models, including the youth mobility scheme. If you compare youth mobility to work permits, which may also be temporary, then there are advantages and disadvantages that we lay out, including things like whether people have mobility between jobs. If you are comparing it to free movement, then arguably the biggest difference is the fact that it is strictly a temporary, once-in-a-lifetime visa. Basically, the reason people propose this is because they see it as a way of meeting the demand that employers have without adding to the permanent population.

It is very likely to have impacts on integration and you are designing integration out of the system. If you had a large youth mobility scheme, you are looking at basically having a constant churn of people, and on average people are going to have lower levels of language ability and lower levels of specific skills, for example knowledge of health and safety regulations in particular skilled occupations. Those would all be consequences of relying on a strictly temporary route.

Q63 Kate Green: In its work has the MAC made an assessment of the likely increase in scale of the youth mobility scheme in the context of all your other recommendations?

Professor Manning: The scale would depend on what countries this is open to. If you opened it to the whole world, there would be an enormous take-up—

Q64 Kate Green: I suppose I was thinking about it in terms of labour market needs and how they might need to be filled.

Professor Manning: We tend to think that an approach based on labour market needs is not a very helpful one. One of the problems is that people think of the number of jobs or labour market needs in an economy being fixed, independent of labour supply. That is not the way things are. To a first approximation, it is labour supply that drives employment and employment needs. One way of thinking about that is from the perspective of an individual employer. If you have a shortage of labour, you think, "Well, I solved my shortage by being able to hire a migrant,"



but that migrant is earning money and spending money elsewhere in the economy, so that is raising the demand for labour elsewhere. What you are doing is just shuffling the shortage around. Because migration raises labour demand and labour supply in more or less equal proportions—it is not exact, but roughly—that is why the labour market impacts of migration are not very large, but it also means that restricting the flow does not mean that you are going to have loads and loads of shortages as some people would say.

If we had had less restriction, that perhaps might have been more like the 10 years prior to 2004. If we had had lower flows and less lower-skilled flow, it would have made us more like Germany, Denmark, or The Netherlands. You do not look at those economies and say, “Well, they had terrible shortages.” That is because the demand for labour adjusts to the supply rather than the other way round.

Q65 Stephen Doughty: A lot of what you have said there has had a lot of caveats to it and I think you said change is not quite as big as reported. Do you feel that your recommendations have been misused or misappropriated, whether by Government or by media or others? There does seem to be an awful lot of confusion, certainly coming across to me today, but also from reading the report, and certainly from what I read in the media coverage of it and what the Government said in response.

Professor Manning: Some of the ways in which the report has been interpreted have been different from how it was intended. Some of that is probably our fault. If I write an academic paper, I circulate the draft, endlessly trying to get people’s reactions, and then write it to try to make them react in the way that we would like them to. Obviously with this kind of report you cannot circulate drafts ahead of time to lots of people. Some of that is like the example that I mentioned—that we did not bring together why we do not think lower-skilled migration has been beneficial to the UK, why it has not had positive effects and has negative effects.

Q66 Chair: How big, the negative effects?

Professor Manning: We did not add it all up because they are in different dimensions, but as I said earlier, the lower-skill migration has probably been negative on the public finances.

Q67 Chair: I am interested in the quantifying, because before you were talking about small. Is it different from small?

Professor Manning: No. I am saying I do think it has been particularly big. The other side of it is that that means that the restrictions that we are proposing are not as dramatic as people would say. A lot of the debate is very polarised between saying, “There must be huge costs to immigration and huge benefits to immigration.”

Q68 Stephen Doughty: These things matter quite a lot. If you are saying something and that is reported or interpreted in some particular way and used for a political purpose or otherwise, what have you done to clarify



publicly or otherwise a number of the points you are making?

Professor Manning: There is such a huge amount that is written. If there is a newspaper article that somebody writes that we do not agree with, we do not dive in and correct them, and then have everything on social media being about that. Being here today, I would see this as a useful opportunity to provide a balanced view, as would doing a number of other public engagements like this. We are not getting down in the trenches on Twitter. Last week there was this storm about us having proposed a £50,000 salary threshold. I had no idea where that came from. I do know now where that came from, but at the time I had no idea then where that came from and yet it was out there for a while. We do not have the resources or the time to be out there the whole time.

Q69 **Stephen Doughty:** Going back to one of the fundamental points that was raised at the beginning but also throughout this session, I am still very confused about why you have not spoken about the link with trade and the negotiations, because it is absolutely fundamental to it. The mandate you were given by the Government was to look at the role of migration in the wider economy and society, so I just do not see how that can be divorced or separated off from the different options that relate to the trade options that go forward.

Professor Manning: It is. We tried to signal that it was. That is not what we were doing. A wider point—and we made this at a number of places—is that you often cannot see migration in isolation from other Government policies, whether it is the financing of social care or a housebuilding programme and so on, or our vocational system of vocational training for young people. We cannot follow every line of inquiry about this.

I do take the point that the trade negotiations are quite a big one. It certainly is our intention to try to signal quite clearly why you might think about putting this into the negotiations without, I admit, providing detail about the way you would do that. That is partly because we are not privy to those negotiations and those are often tactical decisions in the negotiations. I do not think our advice would necessarily be particularly well informed in that situation.

Q70 **Stephen Doughty:** Kate Green asked you about social care and some other sectors, and I want to ask you about some other sectors. Looking at elementary process plants occupations—industrial cleaning, food and drink production, those sorts of areas—something like 62,000 people came from the EU in 2017 into those roles, 46% of the workforce overall. What assessment did you make of an industry like the food processing sector or industrial cleaning or whatever it might be, in your recommendations?

Professor Manning: We discussed this quite a bit in the interim report we produced in the spring—that these sectors essentially had a tailwind behind them after 2004. They suddenly had opened up in front of them a supply of labour that was highly skilled for the jobs that they were doing.



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They did not ask for particularly high wages and so on. They expanded off the back of that tailwind. If that tailwind had not been there, the sectors just would not have grown in the same way. It is perfectly understandable that those sectors want that tailwind to continue. The tailwind is disappearing even independently of changes to the migration policy, things like the fall in the value of the pound having affected them quite badly.

It goes back to this point earlier—that they would say we need these workers—but the reason they have grown is not because of a need on the demand side, it is because the supply of workers was there.

Q71 **Stephen Doughty:** Are you saying there is not a demand or there is not a benefit to the expansion of those sectors?

Professor Manning: Our view is yes. When I say that for that lower-skill migration there is no clear benefit on the positive side of the ledger for UK residents, that is what we are saying.

Q72 **Stephen Doughty:** Not in terms of the other jobs that are providing those sectors or the taxes those companies pay into the Treasury or the wider supply chains they might create in particular areas.

Professor Manning: If we take the public finances, what we are saying is that that lower-skill migration has probably been negative on the public finances, because most of these workers are earning on average below what would be a breakeven salary, at which taxes exceed benefits and the public services the workers consume.

Q73 **Stephen Doughty:** Again I am just completely confused, because in other areas you are saying that EEA migrants contribute much more to the health service and provision of social care in financial resources than they consume, that they are an increasing share of these workforces, that there is no evidence that migration has reduced the quality of healthcare. On one hand you are setting out all these positive impacts, then you are saying there are some negative ones. To be honest, I am left completely confused as to what you are saying.

Professor Manning: They are not positive ones. They are neutral ones. They are saying there has been no effect. That is not a benefit. I think that is the problem that some people are thinking, because they think the basic—

Stephen Doughty: No, with respect: “EEA migrants contribute much more to the health service and the provision of social care in financial resources and through work than they consume”. That is a positive effect.

Madeleine Sumption: That is the average versus the distribution.

Professor Manning: The heterogeneity within these groups is much bigger than any differences between nationality groups. Within these groups you have low and high-skill workers. It is true that if you take the



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public finances as a whole, EEA migrants, as a whole, pay more in taxes than they take out, but it is not—

- Q74 **Chair:** At paragraph 4.14 you point out, “The breakeven for the public finances for a single person with no kids is £10,000 a year and it is £45,000 if it is a working couple—obviously two people’s income—with two kids,” and your £30,000 breakeven point you say, “All these figures should be taken with caution”. You seem to be now adding quite a lot of certainty to the negative impact on the public finances. Clearly the impact is going to be different or is going to be more positive for high-skilled and for low-skilled, but you seem to now be adding a level of certainty about the negative impact of low-skilled that seems to be rather different from the very qualified details that you have in your report at paragraph 4.14.

Professor Manning: I am not sure if people have this in front of them. It is true that the breakeven income depends a huge amount on whether you have dependents and what other people in the household are doing. The graph on this is in paragraph 4.16 over the page, page 75. It basically says that something like the existing Tier 2 system does not restrict the ability to bring dependents and so on; some of them are single; some of them have children; some of them have spouses and partners—

- Q75 **Chair:** That is the paragraph where you say, “These breakeven points should be interpreted with caution”.

Professor Manning: Yes, but that is a best estimate. It might be that our best estimate might be high.

- Q76 **Chair:** Sure, and it would be different then for different kinds of households. For a young single adult, it would be very different for a couple with two children so it will vary. In your group of low-skilled households that you will now restrict in future—so, prevent coming in future—some of those low-skilled households would have made a net contribution and have provided a net benefit.

Professor Manning: Sure, and that is why if you looked at the youth mobility programme, where you are not allowed to bring dependents, so everyone is single, because it is temporary and you have to be young, so you are not going to consume much on average in the way of healthcare and so on, you could have a much lower salary. If you were to have a youth mobility scheme, it would be like it is now, but not restricted to working in certain types of jobs. If everyone on a youth mobility scheme is essentially single, then if they are working full time at the minimum wage, they are probably paying more in taxes than they are receiving in benefits. As soon as you go to a tier 2 type of system in which there is a path to settlement and in which you can bring dependants and so on, you have to look at on average the household types you would expect to get under different systems. That is what the graph on the page over looks at.

- Q77 **Stephen Doughty:** Can I just ask about other sectors? Hospitality: the



IPPR report suggests that 97% of current employees in that sector would not be eligible under your proposals. Are you suggesting that hospitality does not have a net benefit to the economy and our society, particularly in deprived, declining coastal towns, let alone in some of our key cities?

Professor Manning: Because our estimate is that it has had no effect on the employment opportunities and the wages of existing UK residents, the view would be no, it is not at all obvious that that has been a benefit.

- Q78 **Stephen Doughty:** Do you not accept that if your proposals led to the overwhelming majority of employees in that sector suddenly being ineligible to work and, therefore, there being serious labour supply shortages that had knock-on effects on those industries, it would have a very significant certainly short-term disbenefit to those communities and those businesses?

Professor Manning: I do not think that. First, we are not talking about the existing stock. It is about restricting the future flow.

- Q79 **Stephen Doughty:** But that will apply from the next holiday season.

Professor Manning: Well, not quite, but I take the point. What we are saying is that it is not at all obvious. Most of the EU migration since 2004 has been predominantly low-skill. It is not at all clear what benefit that has had to the UK residents. If you look at other European countries, for example, we have had higher levels and more lower-skill migrants than many other European countries.

- Q80 **Stephen Doughty:** With the greatest respect, you have not given us the clear evidence to suggest that. You put all these caveats on. It is very hard to underpin what you are saying with clear evidence. When you look at what other people are saying, you have the BCC describing your recommendations as disastrous. Are we to just ignore what they say? Are we to ignore what CIPD, IPPR and others say?

Professor Manning: We try to be honest about where there is imprecision. It goes back to questions about the quality of data and so on. There are people who say this will be disastrous. If you take—

- Q81 **Stephen Doughty:** We should just ignore all of them, should we?

Professor Manning: No, I do not think you should ignore them. You have to listen to them very carefully. If you went back 50 years ago, you would have found employer organisations saying that the Equal Pay Act was going to be disastrous; 20 years ago that the national minimum wage was going to be disastrous. You have to listen to them, but you also have to approach it in a critical way.

The thing is that if you ask a question like, "Suppose we had had a more restrictive approach to lower-skill migration after 2004, what position would we be in?", you might say, what about the previous decade we had had in the UK? What about other European countries that have had a



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more— the view that the alternative scenarios are disastrous I do not think stands up to scrutiny.

- Q82 **Stephen Doughty:** With the greatest respect, some of the comments you make do not stand up to scrutiny in terms of the evidence that has been provided. I will just leave you with this. I leave this feeling very, very confused, to be honest, as to what you are saying and what evidence there is to—

Professor Manning: Then we have done a bad job.

Stephen Doughty: That we should be confused?

Professor Manning: No, we have done a bad job if you are confused.

- Q83 **Stephen Doughty:** Okay. Then that has serious implications for whether people should be using it as public policy advice.

Professor Manning: There is a lot of uncertainty about this and we try to be honest and clear about that. When we say this is our best estimate, it might be higher, it might be lower. People talk as if all the errors must inevitably be on one side. That is not our view. It could be on the other side. This is a best estimate.

- Q84 **Chair:** Unfortunately, we have business in the Chamber shortly. I shall just quickly ask you: do you think that your proposals will result in a reduction in high and medium-skilled migration?

Professor Manning: It is very hard to say. The answer to that is, on higher skilled, I would think not. It would result in higher migration in the higher skilled because—

- Q85 **Chair:** On what basis? Just looking at it, it looks as though you will have basically additional friction in the system. At the moment, there is a level of high-skilled migration and medium-skilled migration from the EU, for which obviously there is no friction at all in the system. You are going to be adding friction by adding the tier 2 system, even if it is an amended version of it. You are going to be adding the immigration charge to it, and you are going to be saying that there will be a bunch of jobs that are still skilled jobs—I think 4.2 million according to your figures—that will be either high or medium-skilled but will not meet the threshold for tier 2, even though currently they would, at least for EU applications. To me, it looks as though these are measures that would reduce the level of high-skilled migration. Given that you have said obviously the high-skilled migration adds a positive impact on the public finances, that would also seem to then have a knock-on impact on the public finances that would be negative.

Professor Manning: That is why part of our recommendation is that you have to have a serious look at reducing friction in the existing tier 2 system. Then what would be happening is, yes, you are introducing more friction for higher-skilled EU citizens. If you move away from free movement, that is going to happen, but you will be having lower friction



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for non-EU higher-skilled migration. Of the things that the employers complain to us a lot about—I guess this would be the most common one—is the resident labour market test. We are not at all convinced that serves any purpose whatsoever. We do not think that currently they engage enough with the users of the system.

You are right to say that an awful lot depends upon the operation and detail of how that gets sorted out, but we would want to say that that is a serious part of the system. It goes back to what you say about how income is going to be counted. There are lots and lots of details, and it needs someone to go at that with a very serious intent to strip out everything that is not absolutely necessary.

Q86 Chair: It is not your intention to reduce high-skilled migration as part of these proposals?

Professor Manning: No, we do not really have a numerical target. We think that it is better to say if a migrant is meeting these conditions, yes, and then it should be relatively straightforward to come in; no other conditions.

Q87 Chair: Based on the evidence you looked at—because you have effectively said you want a reduction in low-skilled migration—do you want an increase in high-skilled migration?

Professor Manning: We do not go into numbers, more or less. We say we want to ensure that the work migrants that we have are of benefit to the UK resident population. It is more of a threshold to come in rather than any aspiration for a particular number.

Q88 Chair: Am I wrong to assume then that, by adding additional friction or adding additional costs for high-skilled migration, based on your proposals, we would expect to see a reduction in the level of high-skilled migration?

Professor Manning: No, because we will be adding frictions for the EU side of it, but what we are hoping is that there are reduced frictions on the non-EU side. Obviously, I know a lot of the devil is in the detail of how exactly that is done, but we are serious about saying that you have to look at all the elements of the existing tier 2 system and think about whether this is absolutely necessary or not. There is a lot of stuff in there at the moment that we think probably does not serve much purpose, just throws friction in for no gain.

Q89 Chair: Finally, quickly going back to the social care issue, I was concerned by what you said about this only being one small section of the economy. It is actually hugely important to all of the families who depend on social care. Given the scale of the increase that is going to be needed, I would certainly agree with you that there should be more investment and also more pay for staff, but in terms of the actual scale that is going to resolve this and the scale of additional funding, don't you think you had a responsibility to also look at other options if all of that funding is



not forthcoming?

Professor Manning: We sort of did. Obviously, one option is you have a dedicated care visa, and that does have the effect of getting migrants into the care sector. We did lay out what the downside of that is. You may be able to recruit migrants into that sector, but you struggle to retain them. If you are interested in having workers in the sector, which is what we are interested in, that may seem outwardly very appealing but may not actually be that successful, as the Canadian system has turned out.

The alternative is to not have a specific sector but just to have a rather open, general system that is open to everyone, even if it is really targeted on social care. We are also not terribly comfortable on that because—

Q90 **Chair:** The unfortunate thing is I think that it ends up undermining the credibility of your approach that there is such an important sector that people are worried about and you are ending up reliant on entirely different policy proposals coming from another bit of Government that at the moment none of us can see coming down the track.

Unfortunately, we have to conclude the evidence session at this point. I am very conscious, and I know it is an unfortunate thing for the MAC, that you are reliant on the Home Office to commission things from you, which is something we have made recommendations on separately—that you should be able to look further at things without having a commission from the Home Office to do so. My final thought—I do not speak for the Committee on this, because we have not had a chance to discuss this—would be about whether or not you would, therefore, within the context of your previous commission that you have already had from the Home Office, have the scope to look further at some of these things that you did not look at already, including other options around social care, if additional funding is not coming down the track, including other ways of making sure that high-skilled migration can be properly supported and met, and including other options if the trade negotiations end up being completely different to the ones that you have assumed. Surely what we want is for the Government to have a range of options available for it, all of which are based on evidence.

Finally, given the confusion that some of us have expressed about some of the gaps between what appears to be your evidence and your conclusions, any further thoughts you could give to how to fill that gap or to change some of your conclusions, depending on the evidence, would also be extremely welcome.

Professor Manning: Realistically, we have one active commission at the moment, which is on the shortage occupation list, which will consider some of these issues because we will be looking at this argument about shortages not just in occupations that are currently eligible but potentially wider, as we recommend. We do not have the resources to do all of these kinds of things. I try to go out, like today, and talk to people to try to



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explain what is going on, but I am not going to be able to promise you that we are going to be able to write a report on those things.

Q91 **Chair:** Depending on where on earth the Brexit negotiations get to, then, we will just look forward to flying blind into a whole series of other options that may need to be looked at on the immigration side.

Professor Manning: Madeleine Sumption, for example, in her capacity at the Migration Observatory, produced a document for one of the House of Lords Committees.

Madeleine Sumption: Yes, I would be happy to send that along. It looks at some of the options.

Chair: We will look forward to additional evidence from the Migration Observatory and from other organisations, even if you end up being too constrained from the MAC to do so. Thank you very much for your time today. We appreciate it.