



Select Committee on the European Union

Home Affairs Sub-Committee

Oral evidence:

Brexit: Future EU migration to the UK for work

Wednesday 3 April 2019

11.35 am

Watch the meeting

Members present: Lord Jay of Ewelme (The Chairman); Lord Best; Baroness Janke; Lord Haselhurst; Lord Kirkhope of Harrogate; Baroness Massey of Darwen; Baroness Pinnock; Lord Watts.

Evidence Session No. 1

Heard in Public

Questions 1 - 9

Witnesses

[I](#): Kate Nicholls, Chief Executive, UK Hospitality; Sara Gorton, Co-Chair, Cavendish Coalition; Fionnuala Horrocks-Burns, Employment & Skills Policy Adviser, British Retail Consortium; Rachel Beddow, Brexit Programme Lead, Citizens Advice.

Examination of witnesses

Kate Nicholls, Sara Gorton, Fionnuala Horrocks-Burns and Rachel Beddow.

Q1 **The Chairman:** Welcome to you all. Thank you for coming and giving evidence to us. We are very grateful. We are in this rather grand room because there are four of you, so we are rather far away from you. Perhaps that is just an excuse for me to say that if you could speak up, that would be excellent.

We are conducting a short inquiry into the implications of Brexit for migration to the UK for work. We are keen to hear your views on that. I thank those of you who have submitted evidence in advance, which has been extremely helpful to us and will help the inquiry.

This is a public inquiry and we will send you a transcript after the hearing, so that you can check that we have recorded you correctly. I hope that that will be helpful. We aim to finish by 12.30 pm, although we may run over a little, as we have quite a lot of questions and there are quite a lot of you, but you do not have to answer every question if you do not feel that you have anything to add to what has been said. I know that one of us has to leave at 12.30 pm, so we will aim to finish then.

Since there are four of you and since your descriptions are rather far away from this end of the table, please introduce yourselves and your organisations, after which we will move on to the questions.

Rachel Beddow: I am Brexit programme lead at Citizens Advice. Thank you for this very welcome chance to give evidence and to share our insights.

We at Citizens Advice feel that we have a unique insight into issues as complex and broad as Brexit. We see around 2.6 million people every year—on the phone, face to face and online—and help them with around 6 million issues. As an organisation that offers advice on all issues, we are in a unique position to see how problems interlink. Typically, if somebody comes in with one problem we will identify three interlinked issues that have led to it.

With something like Brexit, we have been gathering data and insight into how issues are changing. It is still early days, as people tend to come to us only once they have a problem, but we have seen a 37% increase in Brexit-related inquiries over the last three months. These have been on quite broad issues. Immigration is far and away the largest, but there is also employment and consumer discrimination.

As I say, immigration is the number one issue, and around half of our advisers have seen an increase in the last three months, very much focused on the EU Settlement Scheme, as you might expect. While we know that it is straightforward for the majority of people, we are in a good position to see first hand the challenges that people are still facing in applying for the scheme.

I hope that this insight will be of use to you as you look to the future. I am happy to take questions on any issue that feels appropriate but, of course, given our position, we may be able to say more on some issues than on others.

Fionnuala Horrocks-Burns: I am the employment and skills policy lead at the British Retail Consortium. BRC is the trade association for the retail industry. We represent the full swathe of the industry, from very large to very small, from online to offline, and everything in between. Our industry is one of the largest private sector employers, supporting over 3 million jobs.

On the direct contribution of EEA nationals, they are about 7% of the retail workforce, but, as I am sure you will know, the retail industry is highly reliant on complex supply chains and other industries. When you look down the agri-food supply chain, for example, the proportion of employees outside the UK significantly increases.

To give you a bit of background, the industry is going through a period of transformation. We at the BRC have done some analysis of what the future of the workforce looks like. We expect an overall reduction in the number of workers on the retail side but, at the same time, an increase in new higher-skilled jobs and in warehousing roles. We are seeing some labour market adjustments as the industry goes through this period of change. As a service industry, we are still heavily reliant on people, so immigration policy is at the forefront of our members' minds.

Kate Nicholls: Good morning. I am Chief Executive of UKHospitality, which is the trade body for the hospitality sector. The sector is the third-largest private sector employer: we have 3.2 million employees. We are a sector of the economy that is still in growth, both in overall revenue and employment numbers—we generated one in eight net new jobs last year alone. Of those 3.2 million workers, around one in eight will be EU workers. That rises and changes depending on the geographical location of the businesses and the type of roles—in London and the south-east, the proportion will be considerably higher. Although the vast majority of our workforce are UK workers, our EU colleagues are a vital component.

In keeping with the retail sector, our complex supply chains mean that we are concerned about future migration policy and ensuring that we can continue to fulfil the levels of growth that are anticipated. We are forecast to grow by 5% to 6% over the next five years. Given that we are a people and experiential business, the workforce that we have is key to delivering that level of growth and contributing to local economies.

Sara Gorton: Good morning. I am head of health for the trade union Unison, but I am here with a different hat on today as the co-convenor of the Cavendish Coalition. The Cavendish Coalition is a broad grouping of 36 organisations representing roughly four different interest groups. We have providers of care and NHS health services, from both independent and public bodies—we represent large and small organisations. We have

professional bodies to represent all the different occupations in health and care. We have trade unions and we have the sector skills bodies.

We are pleased to have this opportunity to talk to you today, because immigration policy is an area of significant interest and concern to the coalition. When we established the coalition in late 2016, our interest was to create an overall focus on workforce as part of the ongoing conversation about leaving the EU. The NHS is one of the world's largest employers, so obviously the implications of having a new immigration policy are a key concern to us.

The ability to recruit and retain staff in the health and social care sector is a significant challenge at the moment. Within the current context, your colleagues elsewhere in the House have reported their findings on the challenges that the workforce faces. We hope that you have received the Cavendish Coalition briefings that we have put together. Like other colleagues, we are happy to follow up any technical inquiries and provide more detail after today's session.

Q2 The Chairman: Thank you very much, all of you. I think we have chosen our witnesses well. That will be very helpful.

Some of you have already answered the question I wanted to ask, at least in part, but what starting and recruitment pressures, if any—this question is for anybody other than Rachel Beddow, who I will come to in a moment—are the sectors you represent already facing, given the increased uncertainty that we have at the moment as the result of Brexit? Who would like to say something about that in relation to your sectors?

Fionnuala Horrocks-Burns: I mentioned that around 6% of the retail workforce are from the EEA, so the vast majority of the retail workforce are UK. The real issue at the moment is the tightening of the labour market and the UK's current record high employment rate.

Following the 2016 referendum, we surveyed members to ask whether they had seen any staff leave and return home to the EU. Only about a fifth had, although they could not attribute that directly to the referendum outcome because people leave for a number of reasons.

However, we are seeing key shortages in warehouse operatives and drivers at the moment. The drivers' shortage has been long-standing in the UK, but it is being made more difficult in current circumstances because a significant proportion of that workforce is from the EU. Also, as I mentioned, various parts of the agri-food supply chain as a whole have a much higher proportion of both permanent and temporary workers who come from the EU, and we are seeing some tightening there, particularly at the agriculture and labour-provider end.

The Chairman: So the tightening predates the referendum. We have seen that for a while, have we?

Fionnuala Horrocks-Burns: Yes.

The Chairman: Kate Nicholls, is that also your view?

Kate Nicholls: That is in step with what we are finding. We have a range of members in our organisation, from single-site to large international chains. They recruit locally; they are not recruiting specifically abroad. So the increasing tightening of the labour market over the last year-18 months is what is driving labour shortages. It is not skill shortages that we have in our sector but labour shortages.

The Chairman: Right. That is important.

Kate Nicholls: Brexit and the threat of Brexit makes that more acute. By way of reference, we survey our members regularly, and half of them are reporting that they have hard-to-fill vacancies: that is, vacancies that are vacant for more than three months. That is up from a third at the time of the referendum, so it was a challenge that predates the referendum.

In our sector, about 60% of the workforce are young people under 30, and we know that there is a demographic change going through the UK; we are forecast to have 200,000 fewer 18 to 24-year-olds born in the UK entering the jobs market by 2020 than we did a decade ago. That is also increasing the pressure.

To pick up on Fionnuala's point about anecdotal reports of people going home after the referendum, the anecdotal evidence in our sector was that it was more to do with sterling, the exchange rate and improvements in their home economies than with sentiment about the referendum.

We have seen some reporting of an increase in the number of EU workers coming back in over the last three months of this year, as the political confusion has led to more people returning because they do not see a cut-off date or an end point coming any time soon. It seems to be picking up a bit, and there is a rush of people trying to get in to secure settled status, but I would not want you to think that it is a flood and that it solves our problem.

The tightening of the labour market overall is what we need to be concerned about when we set migration policy, if we are to have a policy that supports the needs of the entire economy.

The Chairman: Thank you. What about the NHS?

Sara Gorton: The problems in the wider context with vacancies and recruitment issues are well quantified. The report published by the Public Accounts Committee yesterday backed up the figures put forward by NHS Improvement, the regulator: 100,000 vacancies in the NHS in quarter 3, and very similar but slightly higher figures in adult social care—110,000. It is a growing problem.

The Public Accounts Committee's conclusion was that there was little sign of the NHS shortage problem being solved any time soon, and it noted the reliance on overseas recruitment to the sector. Similarly, with social

care, the demand mapped out over the future shows no sign of a diminishing requirement for staff from overseas.

The healthcare registers for the registered occupations showed a very sharp drop in the numbers of staff from the EU registering. Certainly since 2016 and the June decision they have consistently shown a drop in the number of joiners of the register from outside the UK and an increase in the number of leavers.

Anecdotally, we are starting to hear stories from people working in the sector that those from outside the UK are being actively recruited by other EU countries, which can offer not only a workload that is slightly more manageable but better pay, and they are now offering them a more certain future and status.

The Chairman: Thank you very much. Rachel Beddow, do you want to add to what you said already about the main issues and concerns that you are finding EU nationals raising with you?

Rachel Beddow: I will give a little more detail on what I said at the start. As I mentioned, the largest concern that we are hearing from people is their right to stay in the country. The top line is that there is a huge amount of confusion among people about the timelines, what they need to do and whether they need to apply. Those are relatively straightforward questions, but there is a lot of anxiety and confusion there.

We are seeing them look for clarity not just about how the process will work but about what it will mean for other parts of their life, so they will also ask about what it will mean for their benefits entitlements, their right to work, their right to housing. They want to know the full impact on those issues.

There are also a lot of questions about what it might mean for family members who are currently outside the UK but who may be thinking about coming here in the future. We are also seeing a more limited number of people from vulnerable groups who have more complex immigration questions, such as women who do not have the documentation as a result of relationship breakdown. They are relatively straightforward questions, but they require additional assistance.

In addition, there is a small number of discrimination cases, or potential discrimination cases, which we are watching. We had an example recently of someone who was offered employment, only for that offer to be rescinded because they were told that they no longer had the right to work.

There are also, as I said, questions from people with family members abroad about how different entitlements interact. There was an example recently of somebody who wanted their mother to leave an abusive relationship in her home country and move to join them in the UK but who had concerns about whether she would be entitled to NHS care or

benefits after Brexit, or whether she would be asked to return to her home country.

The issues are often very specific to people's lived experiences and tend to involve quite a lot of mixed questions.

The Chairman: That is very helpful. Thank you very much.

Q3 **Baroness Massey of Darwen:** Thank you for your very interesting, and slightly depressing, answers.

Ultimately, I want to ask you three questions. First, as a bit of background, you will know that the immigration White Paper outlines plans for a temporary short-term workers route, time-limited to 12 months with a 12-month cooling-off period, as "a transitional measure" designed to help employers to adapt to the end of free movement. Witnesses we have heard from before have said that they recognise the importance of having some kind of adjustment mechanism, but they question whether this particular proposal is what employers really want and need. You are all nodding, so you recognise the problem.

You may want to split my three questions up or you may want to answer parts of them. First, what do you think about this proposal? Secondly, do your organisations plan to engage in the Government's planned consultation on the short-term workers route? If so, what would you recommend? Finally, what is your assessment of the implications of increased levels of temporary migration for skills investment and community integration in the UK? I know that is a lot to think about.

Kate Nicholls: First, I should say that we agree with your previous witnesses: transition is helpful, and we need something to move us off, but it is not what employers want or need.

There are three main problems for our sector. The first is that it has been talked about explicitly as a temporary measure, which is not very reassuring if you are looking to come and make your life in the UK or come here to study. In our sector, a lot of students work part-time and then transition.

Secondly, 12 months is too short. It is not enough time for a worker to make decisions about what they want to do and for investment to be made in that young person, particularly in our sector, for training, upskilling and career development. We touch on that issue in some of the later questions, so I will not go into more detail now, but 12 months is not sufficient.

In addition, we are trying to invest quite heavily in apprenticeships in hospitality, which require you to be here for more than 12 months. You therefore have a two-tier system straightaway, with potentially foreign workers and UK workers.

The third and most important issue is that these people have to go home and have a 12-month cooling-off period, so even if we attract the brightest and the best—and invest in and develop them—they go straight

home and cannot reapply or transition in the country, as they used to be able to do. We run the risk of them going home and not coming back to the UK. We lose their talent, skills and ability to train other people. Those are our three main problems.

On engagement with the Government, we have found Ministers and civil servants in the Home Office to be open about engagement so far. It is not a consultation, however. It is a year-long engagement process. There is no formal consultation on these proposals, so we have no certainty about the ability to shape or change them, or whether there is openness to adjusting them. We very much hope that there will be throughout that year-long engagement. We will make the very most of it.

We have recommended that the short-term worker route should be extended; 24 months would be sensible to bring it in line with the youth mobility scheme which the Government are also talking about introducing. There should also be an ability to transfer in-country to a higher-skilled route or a different visa entitlement if people have decided to make their life here and which they want to continue to invest and grow.

Baroness Massey of Darwen: When they go back to their own countries, may some of them go on to other countries rather than come back to the UK?

Kate Nicholls: Absolutely. We represent a wide range of businesses, but if you are talking about talented restaurant managers, skilled chefs or hotel managers, in particular, there is a desire for them to come to the UK because we are seen as world-class hospitality offering to get their training and investment. There is a plethora of alternatives: if they do not come to the UK, they may go to New York, Milan, Sydney or Singapore to other hotel and restaurant capitals across the world. There is a real danger that they come for 12 months and because we signal to them that they are temporary and transitional—that we are not open for leisure and business—they do not make that investment.

Your final question was about our assessment of this. I fear that if we continue with something that is explicitly temporary, transitional and only for 12 months, and then we say, “Please go home”, we will not attract migrant workers from around the world and we will not fulfil our skills and labour requirements in this country while we have such a tight labour market.

Baroness Massey of Darwen: That was very comprehensive, thank you.

The Chairman: Would either of you like to add anything regarding your sectors?

Fionnuala Horrocks-Burns: The issues that Kate has highlighted are all very similar to those in the retail industry. One of our members’ biggest concerns is that if you have that temporary nature and the 12-month

limit you are embedding additional cost and churn into your business. At a time when the retail industry is going through such a significant transformation, any additional cost could be quite harmful. Kate alluded to a two-tier workforce, and the impact of that churn on employment relations, with this group of people constantly coming and leaving, could be significant.

Sara Gorton: We have very similar concerns that were described in broad terms at the start. Additional points from our sector concern the cooling-off period. You asked about engagement. The Cavendish Coalition had some very recent engagement with the Home Office, who came to a meeting that we held at the start of March. Hopefully, that will be the start of an engagement process, but we have to echo the real concern about the lack of a formal process, and the fact that this will not be subjected to formal consultation, which we would strongly advocate.

We had some indication from the Home Office that it was open to having a more broad conversation about this through the engagement period. We welcome that, because the biggest risk feared by the coalition in our sector concerns the impact on social care and, similar to the concerns described by others, the sector's ability to recruit care workers who want security for themselves and their families. Anecdotally, we are hearing that this will drive behaviour and actively keep people from coming to work in the UK.

Q4 **Lord Kirkhope of Harrogate:** I would like to take you a little further on the question of consultation and notice being taken of your sectors' requirements.

As you know, the Migration Advisory Committee made recommendations relating to the Tier 2 visa questions and intermediate skill levels. First, the Government simply came out with this minimum salary threshold, which then seemed to be tempered by agreeing to review and to flexibility in certain sectors if required.

What contact, if any, have you in your sectors had with the Migration Advisory Committee? To what extent do you believe that the input you are being allowed to make through the Home Office or whatever is being taken into account when a decision of that kind is made or stated to the public? What more do you think can be done now to make sure that your views and needs are reflected?

On another point, there is a planned review of what is called the Shortage Occupation List. Do you fully understand that? If so, where do you think that will go?

Fionnuala Horrocks-Burns: On the retail sector's engagement with the Migration Advisory Committee and the Home Office, we have fed in at every point where we have been given the opportunity to do so. We have been given a number of opportunities to input formally into the Migration Advisory Committee's call for evidence, but also as part of a representative group that we sit on in the Home Office.

The committee, in our view, was given very narrow terms of reference when it was commissioned by the Home Office. It is a group of economists; they are very good at looking at the economy. The piece that is often missing for us when we read through its reports and recommendations is the labour market reality and the business reality of how its recommendations will play out in practice.

More could definitely be done about greater independence for the MAC, but also about getting that business voice and labour-market reality embedded within it in the same way we have it with bodies such as the Low Pay Commission.

Kate Nicholls: I echo that. We have fed in. Given that the interim report from the Migration Advisory Committee concluded that EU migration had not driven down wages, impacted adversely on skills and training for UK workers or had an adverse effect on the labour market, we were quite surprised that it set out a relatively negative framework as a result.

We are also concerned, as Fionnuala said, that it is a pure economic analysis. Ministers then rely on it as the evidence base for making fundamental decisions about the economy as a whole when the base is very narrow and it is just some economists' opinions on a lot of those matters.

We are also concerned for our sector as a whole that, in its report and in several evidence sessions about it, the Migration Advisory Committee has been quite explicit that if it is a choice between controlling migration and allowing sectors such as hospitality to grow, hospitality growth should be sacrificed. That is a very dangerous sentiment to be progressing when it needs to be taken account of in a broader policy and jobs environment.

Sara Gorton: In the health sector, three occupations are currently exempted from the threshold: nurses, paramedics and radiographers. We are very grateful that those exemptions were made, but there is a lack of security to that because they currently only run until 2021. Again, as with all these very difficult areas, there is a lack of certainty for our workforce and the future workers we want to attract.

On your question about what more can be done, we would like more active engagement on alternatives to that scheme and how the occupation shortage list could operate. Health is covered by the biggest collective agreement for pay, which means that we are largely able to predict skills requirements and pay levels for those sectors. It is slightly more difficult when you stray into social care, because there is no common currency for qualification frameworks and training requirements. Those would be active barriers, but we would like to see more done to engage us on the alternatives to the Shortage Occupation List and interaction with the immigration policy.

Lord Kirkhope of Harrogate: Could I add one more point to that question? You are saying on the one hand that the Migration Advisory Committee is full of economists, which I think a lot of us might be slightly

concerned about, but on the other that it is more concerned with specific issues of levels of migration as opposed to the economic effect. I do not quite get this; how this committee is made up and its terms of reference seem like a contradiction. Are you indicating that its terms of reference need thorough examination or change to meet the needs of the sectors you represent?

Kate Nicholls: That would be a strong recommendation from our sector. That committee's remit is not entirely clear, and the role it plays is certainly confusing for businesses when they try to engage with it and talk about the shortage occupations, or challenges they face in an economic environment.

We would certainly endorse Fionnuala's proposal of a change to a broadly based, forward-looking remit to make it more in line with something like the Low Pay Commission, which has a more balanced representation in its mix, and a broader remit to look at the needs of the overall economy. That is what we need to consider when we are in a tightened labour market, as we are at the moment. You cannot set migration policy in isolation without taking those broader factors into account.

Apologies, I neglected to answer your question about the Shortage Occupation List and what we thought could be done to the minimum salary threshold. We very much hope that the review of the minimum salary threshold will take account of the evidence that we and other sectors are presenting. It is a long way in excess of average graduate salary levels and of average levels of salary within a wide range of what would be classified as skilled occupations.

As an indicator of skill it seems a false metric to use, in our assessment. We carried out a review of those valuable EU workers in our hospitality sector teams. About 87% to 90% of those roles would fail to meet that £30,000 salary requirement, partly because they are part-time, but also because you will get some very skilled workers who are paid at a lower rate than that. It will have a severe impact on our economy generally if we maintain that level of threshold.

On the Shortage Occupation List, we currently have chefs as a shortage occupation with the salary threshold of £30,000. It is not widely used in the sector because of the constraints of the salary threshold and the restrictions, so if you want to do Deliveroo or takeaway you cannot take advantage of that. There will be an opportunity to use the Shortage Occupation List as a way of creating an exemption from a minimum salary threshold. That is one of the ways in which we think it could be used: if you have the overarching rule of thumb that a salary indicates skill and there are shortage occupations that do not meet that requirement, you might be able to have a separate access point for shortage occupations where there are genuine shortages.

The Chairman: That is very helpful. I know that Lord Watts wants to ask a question. Then we are going to speed up a little bit.

Lord Watts: On involvement, you said that you had been able to input into the committee. Did you get a response back to the points you raised, or were they just noted? You obviously raised a number of issues that you are concerned about, and I am interested to know whether the advisory committee actually responded when you put them to the advisory board so that you have a response to your concerns.

Fionnuala Horrocks-Burns: On the whole I would say no, we do not get a response to our individual points. We have had the opportunity to bring the Migration Advisory Committee into round-table discussions with our retail members. At that point, discussion and response happens to an extent, but that is one engagement that it has with a much broader stakeholder base, so when it comes to the report or the recommendations it is very rare that we see our points responded to.

On engagement with the Home Office and with the White Paper generally, one of the critical things, as has been mentioned, is that it is not a consultation. As I mentioned, we are part of one of the representative groups, and it has said that it will be as open as it can with us on its thinking, but there comes a point where for us to feed in and provide useful information we need to know where it has got to with its policy-making and what is on and off the table.

At the moment, there are a number of areas that it says it is interested in views on. We have shared our view from a retail perspective and other industries have shared their views, but we are not getting anything back from the Home Office at this stage to say that that has been noted and it is now considering X, Y, and Z instead. That might come later in the year.

Q5 **Lord Haselhurst:** Returning to the hospitality sector, are we right in holding the belief that young continentals have been more interested in working in hospitality and catering as a career than their British counterparts?

Kate Nicholls: Yes, broadly speaking. Hospitality provides a route for a lot of people to work part-time while they are studying. It also provides the ability to go from bar to boardroom. It is the ultimate meritocracy. A lot of young, ambitious workers will come in, start at the bottom and work their way up. They can progress very rapidly, going from no qualifications to running a restaurant or a department in a hotel in two years. It provides a career route.

There is also more of a history on the continent, with some prestigious hotel and hospitality schools, of seeing hospitality as a worthwhile career. As part of submissions to a sector deal, we are working hard to address that in the UK to make sure that young people here are equally aware of the career opportunities that we provide.

Lord Haselhurst: Would you say that imposing all sorts of restrictions and classifications—be they monetary in terms of earnings or being low-skill, medium-skill or high-skill—is pretty difficult to accommodate if you have people looking at these jobs as a career in the way you describe?

Kate Nicholls: It would cut across that. It would certainly cut across people coming to the UK for a career in hospitality and taking what might be perceived as a lower-skilled job—I think they are semi-skilled jobs—to learn English, progress, and certainly move forward from what we would call back-of-house roles to front-of-house roles.

Another point is a longer-term and structural issue for the UK curriculum. We are not very good at instilling foreign languages in our young people and training them. Therefore, we lack a real skill when we come to top-end hospitality employers and do not have people with language skills. The European citizens who come for a career provide those valuable language skills.

Lord Haselhurst: If I took your figures down correctly, there are about 275,000 employees here from continental Europe.

Kate Nicholls: It is just under half a million. One in eight of our employees are European workers. That is across the board. In certain roles and certain parts of the UK it will be higher, but around 450,000 workers are European.

Lord Haselhurst: Is there any evidence that they are depriving aspiring young Brits from employment in your sector?

Kate Nicholls: Absolutely not. Since the financial crash, we have generated on average one in six of net new jobs every year. The UK workforce has grown faster than the EU workforce or our foreign national workforce. Obviously, if you take non-UK nationals, it is roughly 25% on average across the UK. That means that 75% are UK nationals with rewarding careers in hospitality.

The Chairman: That is very helpful. Thank you very much. Rachel Beddow, you have been silent. If there is anything you want to add at this stage, please do so.

Q6 **Baroness Janke:** You have already mentioned consultation. You said that there is a year-long engagement process but no formal consultation. I think you also mentioned a lack of feedback. I wonder what consultation you would hope to see as the Government develops the proposals in the White Paper.

On another point slightly associated with that, which you may want to ask Rachel about, I have received a lot of complaints about administration and bureaucracy levels, including the inability to get to the bottom of things and process applications. What do you think about the future of people coming into the country with all these new changes being introduced, in addition to the things going on at the moment?

Fionnuala Horrocks-Burns: On the consultation, we would like to see clarity on what is on the table and what is not when we get further down the line with this engagement process. We have talked about the temporary route and the 12-month proposal. In discussions I have had with other industry bodies, I have heard suggestions of 24 months, nine months or six months.

I recognise that the Home Office and the Government will have to find something that tries to meet the needs of as many sectors as possible. We are not advocating a specific retail sector route by any means, but it would be good to know whether all those options are currently on the table or whether they are only seriously considering one or two of them, so that we can help to inform their view.

At that point, you can start having a meaningful conversation and we can galvanise our membership to provide the data they need about what that would look like for a business. Until you can narrow that down, there is so much going on for retail businesses at the moment, particularly in the employment space but across the piste, that for us as a trade association to go to them and say, "The Home Office would like to know how these six proposals will impact on your business", unless they seriously think that one of them will be taken forward, that is a huge piece of work for them to invest time and resource in when they could be doing other things that benefit them. That is the bottom line.

Kate Nicholls: Fionnuala has hit the nail on the head. We want meaningful engagement and something more structured and formalised so that we can understand how we were supposed to engage. It is a bit ad hoc at the moment, apart from the advisory group that both our organisations sit on alongside employers. I recommend other departments as models; we have had excellent work with Defra on Brexit no-deal planning, including migration, where we have been able to have that meaningful dialogue in private and separate from a formal consultation. That helps to open things up.

The other complicating factor that we have in hospitality, and in tourism more broadly, is that 80% to 90% of businesses are SMEs. The challenges described by Fionnuala are for large retailers with a head office and which will be able to cope with that. Trying to work your way through the processes, obligations and requirements of a new migration system is incredibly difficult for a relatively small business.

At present, the cost and bureaucracy you have to go through if you want to sponsor somebody on Tier 2 is considerable. I have done it myself. It took three months to get it sorted and cost our business about £1,000, so doing that for multiple people in your business will be challenging. It is more about how meaningful that engagement will be.

Sara Gorton: In our sector, we have had some initial engagement. Our main priority for that contact was discussing the impact of the threshold on our sector. It will come as no surprise that 94% of social care staff would fall below that threshold. It would also cover a significant proportion of healthcare occupations. Band 5 is where all the new entrants fall; it is also the most populous grade for nurses and allied health professionals in the system. The top of that band is set just below £30,000, which is obviously a major concern for us.

That has been our first priority, but in the engagement from this point on we would like to see a narrowing of options, as others have said, a view

to how realistic some of those options might be, and whether what is being sought is sectors' ability to put forward options that would work for their recruitment and retention world, or a broad one-size-fits-all approach, and where the balance will be. At the moment, the priority appears to have been the one-size-fits-all approach.

We have thought of three very broad options to propose. One would be to use another yardstick, such as looking at going rates for occupations. As I said earlier, that would be much easier for healthcare than for social care. We could also look at using the Shortage Occupation List in some way but with the caveats provided by others about how that could work. Thirdly, there has also been the view that we should explore the potential for a public value option for our sector, which might work. Our first priority has been to assess and communicate the impact of the proposals, particularly the threshold. Clarity about our engagement on the possible alternatives would be good.

I have one brief point to make about the burdens that were referred to. Again, in our sector, they will be different across different types of providers. Obviously the burden for a large, acute teaching hospital with 8,000 staff will be different from the burden for a small care home with 20 employees. The burden will fall very unevenly across the sector.

There is also an issue of capacity, not just for the providers sector but when it comes to the track record on dealing with these issues, particularly because some of them might interact with the settled status programme and other schemes that are being rolled out. That also needs to be considered.

Rachel Beddow: I have a few things to say about complaints about the tricky administrative process. That is certainly echoed in our data and the cases we are seeing. One, as I said earlier, is about our desire for clarity, not just about the scheme itself but about the rights that might fall out from it, and, for us as advice givers, legal certainty about what things might mean for people's benefits entitlements and housing et cetera.

It is fair to say that the Settlement Scheme is fairly straightforward in comparison to other immigration schemes. That said, however well designed a scheme it is, there will still be people we will need to support through it. There are a few issues here, often for people for whom English is not their first language. People come to us feeling extremely anxious, particularly given the stakes and what it means for them if they get an immigration process wrong. It will mean that people will have more questions than they might do about comparable processes that they are going through.

Then there is the fact that it is a digital-by-default scheme, which is extremely convenient for many people, but one in three of the people who come to us struggle with digital services. We know that across the population as a whole, depending on what you look at, 7% to 10% have never used the internet. We have potentially 3 million to 5 million people going through the Settlement Scheme. That is a large number of people

who from a practical point of view struggle to make the application. We are seeing that. That is one of our concerns.

The Home Office put some funding in place to support that, which is extremely welcome. Our concern is that, as the scheme ramps up, the practical, digital support that those people might need might not be enough for them or for the more complex cases that we will have. A minority might find the process difficult, but it is often a vulnerable minority. Our concern is that there is limited specialist immigration provision for both sides; the practical support but also the specialist advice needs to be in place.

The Chairman: Thank you. We are now going to speed up a bit, because I am very keen that we have the question at the end on no deal, which is important.

Q7 **Lord Best:** How do you feel about the Home Office's reaction to all this? Will it be able to cope? It is moving from this relatively simple system of free movement to a system in which there will be six or seven different categories of immigration. Is it up to it? This is after the end of a transition period, if we get one. Are there any anxieties on your part about the practicalities of the Home Office and the UK Border Force coping?

Kate Nicholls: That is a very good question. Obviously it will depend on whether we are in a transition and how long it will be. We are only 20 months away from a new system taking effect. That is not very long. It is not very long for businesses to plan for their future employment needs. They would usually be mapping it out much further in advance than 20 months. There is considerable uncertainty. It will require significant investment in resources to be able to manage the digital processes that you will need for progressing applications and for the Border Force.

Fionnuala Horrocks-Burns: I want to make two quick points. The potential movement of quite a significant proportion of EU workers into a sponsored route will be a significant challenge unless there are real changes to the current sponsorship regime for Tier 2. The Home Office seems to be quite alive to that fact from the conversations I have had with it. It has talked about streamlining the system, which is hugely welcome. At the moment we are missing what exactly that process will look like.

The other piece on our members' minds is enforcement and compliance. We have heard suggestions from the Home Office that there will be a period of light-touch enforcement as we transition to the new system, which is welcome from an employment perspective, but there is the question of what happens when that light-touch enforcement regime ends and you find yourself in a situation you did not expect and the Home Office did not predict. What do we do there? The fines for illegal working are significant and not something any of our members would want to find themselves with.

Sara Gorton: For us, there are three issues. The first is timing. We could end up with no deal in May, which would mean that the new system would need to be up and running by the end of August.

The second is capacity. A significant proportion of the people who will be needed in the Civil Service to work on the scheme are currently absorbed with the current decision-making process about what is to happen.

The third concerns behaviour. If our sectors are hearing noises about enforcement policies without the security of knowing what exactly will happen and when, that is likely to drive further behaviour and people will just think that staying is too risky.

Kate Nicholls: I am not certain that the Home Office has registered the additional costs and bureaucracy that employers would face as a result of moving to a Tier 2 system. I have not seen a regulatory impact assessment that looks at that in detail.

Q8 **Lord Watts:** I think you have touched on some of this, but you can expand on it if you wish. You talked about the problems of digital by default and how that still needs support, but do you see any possible opportunities with devising a new system that could be more employer-led or could simplify some of the rules? Are you actively involved in that with the Home Office?

Fionnuala Horrocks-Burns: There are huge opportunities from our perspective. When we asked members what their priorities were for the future system, their top three were low cost, speed of access and simplicity. I am sure that will not come as a surprise.

Notwithstanding the point that Rachel raised about vulnerable individuals, shifting the onus to the individual to own their immigration status is welcome and of benefit to employers. The digital processes that have been rolled out recently for non-EEA nationals are hugely welcomed by the retail industry, because they will not be in a slightly grey area of right to work compliance. It is very black and white. That process for individuals and employers is very beneficial.

Rachel Beddow: We would also welcome a scheme that is as simple as possible, as always, because we know that that would be of help to our clients. Similarly, we fully see the benefits of a digital process for most people. The issue is support being in place so that those who struggle to access digital services have the support to do so, or alternatives routes being available where that does not work. That is the main concern.

The Home Office's capacity to put that support in place and to mobilise it in time before any scheme goes live is the area we have most concern about, and we and other advice-giving organisations need clarity and certainty as far ahead of time as possible so that we can have the advice in place to reassure people about it.

The Chairman: Thank you for going back to that.

Q9 **Baroness Pinnock:** Just supposing that we have a no-deal scenario, the Government are currently saying that if EEA and Swiss nationals want to stay for longer than three months they will have to apply for temporary leave to remain, which would be valid for three years. First, what do you think about that? Secondly, has the announcement that people could stay for three years helped to reassure? What has been the reaction?

Kate Nicholls: I think the announcement was helpful, because at the time there was still a lot of uncertainty among employers about whether the new immigration system and the restrictions on EU migration would kick in straightaway if we crashed out without a deal.

There are two sides of the same coin. One is that there will be a temporary right to come through and that we will be able to transition, while at the same time confirming that the new migration system will not come in until 1 January 2021 at the earliest. That was helpful and reassuring. However, it has not been communicated terribly well, particularly for small businesses. The fact that two national newspapers interpreted the announcement in two very different ways on the day the Home Secretary made it caused a lot of uncertainty and confusion. I still get members phoning me up who have not registered the fact that 1 January 2021 is the new point and have not heard of this new system at all, or worse still have interpreted it as, "You can only come and work for 90 days and then you've got to go home".

That is not helped by the misinformation coming out of Europe—I do not believe it is deliberate; I think it is based on misunderstandings—from the European Commission and some of the European member states that are also not communicating effectively what the UK has unilaterally offered. There is an awful lot of confusion there. If it is confusing for our businesses and bigger ones and we cannot get our heads round it; it will definitely not have filtered through to workers on the ground.

The other missing bit that we are not sure about concerns the new requirements on employers, should that new system come into force. Obviously, there is an access point where people are coming in without a job or any control at the border. What are you as an employer then expected to do? What questions are you required to ask to prove that you have acted with due diligence? That bit needs to be finalised, but it helps us to get from A to B, should we have no deal.

Fionnuala Horrocks-Burns: I would echo what Kate said. The announcement was welcome, but there has been very little guidance on or detail about how the system would operate. Since it was announced, from a BRC perspective I have been getting requests from members for more information about how it operates.

The critical point that seems to be missing from the proposal is what happens when you get to the end of those three years and your ability to remain in the UK ends. It has been suggested that you may not be able to switch into the new system, but an employer that has hired someone who has fitted in well with their business does not want to find itself three

years down the line having to say, "Actually, you may now have to leave because you don't have the right to work here".

Sara Gorton: A particular issue has also been raised about healthcare students engaged in courses running for longer than three years. Various professional bodies have put that concern forward.

Rachel Beddow: In our data, we have not seen any significant pattern with regard to this particular announcement. As a general observation about announcements and reassurances, people are very confused, as I said before. The people we talk to often struggle to differentiate between the different announcements they hear and what they feel is conflicting information.

As was mentioned, they tend to want more information about how things will work in practice before they feel reassured. They often have a lot of follow-up questions. I imagine it will be the same here, but given that this is targeted at people outside the UK it goes beyond our client group.

Kate Nicholls: I want to make one final observation, picking up on something Fionnuala said. Among all these ideas—"At the end of a particular period, you've got to go home", or, "You may be welcome to stay on a temporary basis only"—something really positive has happened over the past few years: through work, we have successfully integrated a large number of foreign migrant workers into our communities. Temporary permission, or having a very transient workforce, could undermine that positive community integration, because there is then no incentive for them.

The Chairman: That is a good point. To go back a little, can you give your views on the plan to open up the Tier 2 visa to include medium-skilled workers? We have touched on it.

Kate Nicholls: I think it is a positive liberalisation. The current Tier 2 restriction and requirement for degree-level qualification obviously cut across a large number of sectors where vocational qualifications are much more valuable. It is therefore a helpful step forward to reduce that requirement to an RQF Level 3 to 5. It is just the linkage of that requirement with the salary that causes concern.

Sara Gorton: In our sector, the salary threshold is much higher up our list of problems. This would not help the social care sector, in particular. As I said earlier, there is no common framework, or currency, for skills, so it would be very difficult. For the health sector, the salary threshold would still outweigh that as the skills currency.

Fionnuala Horrocks-Burns: From a retail perspective, the situation is very similar. The salary threshold is an issue. The suggestion we put to the Home Office and the Migration Advisory Committee is to lower the salary threshold to make it equivalent to the occupation, which would lower it to just over £20,000. The current salary threshold under Tier 2 is designed to prevent the undercutting of the local labour market. It is not

designed to raise wages, which is what the MAC has used to justify why it recommended the £30,000 threshold, despite saying that almost half of people at that skill level would not cut it. That seems out of balance.

Additionally, a number of additional charges are associated with Tier 2 sponsorship. The immigration skills charge is the key one for our members. It is substantial—£1,000 per migrant per year of the visa—so if someone comes over for five years, that means a charge of £5,000 up front. For someone who has never used Tier 2 before, such as a smaller business, that is a huge cost to bear.

We would like to see that skills charge reduced significantly or removed entirely. There is very little transparency over where that money goes. The Home Office could use other mechanisms to ensure that employers bringing in workers from outside the UK are also investing in skills and training, which we already are doing through the apprenticeship levy and other means.

The Chairman: Thank you. Rachel Beddow, do you have anything to add?

Rachel Beddow: No.

The Chairman: In that case, we are extremely grateful to you. We have covered a great deal of ground in an hour and half. You have been very helpful. Thank you very much indeed. I declare the formal session closed at this stage, although I think we had some technical problems, so before we—members of the Committee, that is—start saying how wonderful you have been, I should say that we may still be live. Thank you.