

**CIPD**

*Championing better  
work and working lives*

# MIGRATION

**A practical immigration  
system for post-Brexit  
Britain**

Report  
September 2019

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 150,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

## Report

# Migration: a practical immigration system for post-Brexit Britain

## Contents

Introduction	2
Executive summary and policy recommendations	3
Impact of the referendum result and employers' response	6
Employer views on post-Brexit immigration policy	14
Methodology	20
Glossary	22

## Acknowledgements

This report was written by Gerwyn Davies of the CIPD, with contributions from Dr Heather Rolfe of the National Institute of Economic and Social Research, and Ben Willmott, Jon Boys and Mark Beatson of the CIPD.

We would like to thank the many employers who took part in the research for this report: the 2,182 establishments that responded to the survey and those who took part in regional roundtables in Wales, Scotland, London, Manchester and Birmingham.

## 1 Introduction

The regulation of labour immigration is undoubtedly one of the most important Brexit-related public policy issues facing the UK. Until now, UK employers have benefitted from free movement of labour across the EU, which, together with strong employment growth in recent years, has attracted a high number of EU citizens to live and work in the UK.

And while the inflow of EU migrant workers has already slowed since the referendum, the introduction of migration restrictions is likely to see significantly fewer EU citizens coming to live and work in the UK after it leaves the EU.

The UK Government is currently consulting on proposals for controlling the number of workers from the EU through its immigration white paper. These are largely based on extending the current points-based system for non-EU citizens to cover EU citizens, as well as those from the wider European Economic Area, from January 2021.

Some of the recommendations in the white paper have been welcomed by employers, for example, the removal of the migration cap on overall numbers and the Resident Labour Market Test, as well as the plan to lower the minimum skill threshold from graduate-level occupations to those requiring just A-Level-equivalent qualifications.

However, by extending the points-based immigration system for non-EU workers to EU citizens, the UK would effectively have two new overarching routes for all migrant workers.

The first one, for skilled workers, would entitle them to stay for longer periods, to bring dependants, and in some cases to settle permanently. The key restrictions for this route are a proposed minimum salary threshold of £30,000 and a minimum skills threshold of RQF Level 3 (SCQF 6 in Scotland) (equivalent to A-Level occupation). The second route is for temporary short-term workers at all skills levels via the Youth Mobility Scheme (YMS) for 18–30-year-olds and a one-year temporary visa which is not age limited.

These proposals have raised concerns among many employers, especially those in low-skilled sectors or with a lot of low-skilled roles, that the immigration system post-Brexit could lead to labour shortages.

Many employers report they are already doing all they can to recruit UK-born workers and that EU migrant workers are often doing jobs that locals will not or cannot do, while pointing to the record low unemployment rate. However, other commentators point to evidence that migrant workers are being used in some sectors to undercut the resident workforce and depress wages, especially at the lower-skilled end.

To inform this debate and provide policy recommendations in response to the Government's white paper, this report explores solutions to the many challenges employers are likely to face from future immigration restrictions. The research, which draws on six roundtables taking place across the UK and a survey of more than 2,000 employers, also explores how and why employers recruit EU citizens and whether the referendum has had any impact to date in terms of the recruitment and retention of EU citizens.

## 2 Executive summary and policy recommendations

Alongside access to the single market, immigration policy is arguably the most important issue facing employers and policy-makers following the UK's decision to leave the European Union in 2016. At the time of publication, the terms of the UK's exit from the EU and how free movement of labour will end, both in the short term and beyond 2021, is far from clear. However, it seems very likely that many of the key proposals in the Government's white paper, such as the requirement for EU citizens to have a job offer to live and work in the UK, will be confirmed in spring 2020, when we should expect to see the Government articulate its post-Brexit immigration policy.

The report describes the potential impact that the white paper proposals could have on employers and explores alternative policy options where there are clear challenges. One of the key issues facing employers and the Government in the short term is the low awareness of the proposals among employers, which is inextricably linked to the alarming lack of preparedness and response for the introduction of restrictions.

The focus group discussions also showed that when employers learned about some of the specific recommendations in the white paper, a significant majority were daunted by the prospect of using the new immigration system and alarmed by the full range of restrictions and costs they are likely to incur. The report thus recommends a set of workable policies that could apply across all sectors that are **simple, low-cost, fair and user-friendly**, for both employers and non-UK citizens.

### What do employers want from new immigration policies?

Several clear conclusions emerge from the research. First, it is apparent that relatively few organisations are aware of the Government's proposals and fewer still have put in place measures to respond to the restrictions. According to employers, this is primarily due to resource constraints, and the ongoing Brexit-related uncertainty, which together have reduced their interest in its white paper. Employer efforts are currently restricted to retaining EU citizens in the workforce and encouraging them to register with the [EU Settlement Scheme](#). Employers therefore seem to be making a rational, sensible choice in terms of how best to use their resources given the political uncertainty – which may partly explain why relatively few organisations say that they have yet to see a 'Brexodus' effect in their organisation.

Second, when the immigration white paper proposals are explained to employers, many employers are concerned about the potential impact on their organisation. Of these, the most important concerns the introduction of a minimum salary threshold of £30,000 and the full range of costs that the proposals would incur. Other concerns include the administrative burden, which includes the extra HR resource that will be required to administer the new system, and their future ability to attract EU citizens – especially through the temporary, one-year unskilled route.

The policy recommendations are therefore designed to ensure that the UK economy can continue to attract labour and skills from overseas in the medium term and to buy employers more time to adapt given their lack of preparedness in the short term. This could help soften the impact of any short-term labour supply shock, which could weigh on the UK's recent strong growth in employment.

## **CIPD's policy recommendations**

### **Two-year mobility scheme for all EU citizens**

The most significant policy recommendations for reform in the report are focused on enabling employers to continue to have a viable route to employ low-skilled EU workers from January 2021. Feedback from employers suggests that the proposed mechanisms for achieving this – the Youth Mobility Scheme for 18–30-year-olds for all EU citizens and a temporary 12-month visa – will be inadequate.

Consequently, we propose that the two routes should be merged to create a two-year visa that would allow EU citizens to live and work in the UK for a maximum of two years to study or work without a job offer, irrespective of age. The merging of the two routes would make the system simpler and fairer, because it doesn't discriminate by age, and would reduce costs, as it helps employers avoid the sponsorship system.

Consistent with previous CIPD research,<sup>1</sup> data from an employer survey commissioned to inform this report and feedback from the employer focus groups shows that most employers think that the proposed temporary one-year visa is too short and that a two-year timeframe would be a minimum requirement due to training costs. They also anticipate that few EU citizens would be attracted to work here for 12 months, especially given the savings requirements and the health surcharge that are associated with the unskilled routes.

The fact that other EU labour markets will continue to enjoy free movement of labour is also likely to be a factor in dampening future demand among EU citizens to want to live and work in the UK.

Robust employment growth in some EU countries already appears to have had an impact on EU citizens' appetite to work in the UK since the vote to leave the EU, with inflows from EU member states into the UK well below the pre-referendum average, especially EU8\* countries, which have provided the bulk of low-skill labour supply in recent years.

The above measure is therefore designed to soften any further falls in inflows, which seem inevitable, especially for low-skilled labour. The control on numbers that could potentially come via this route would be reinforced by denying workers the automatic right to transfer to other work-related visas at the end of this period, for example to Tier 2 or to shortage occupations. This is partly based on employer feedback that very few individuals in low-skilled occupations would progress in the role to meet the minimum salary threshold. This policy should be reviewed in 2025.

As a transitional measure, we believe that the temporary short-term workers route would ensure that businesses have the staff they need across all skills levels while helping them adapt to the new immigration system. As the roundtable discussions show, very few employers are currently preparing for the introduction of migration restrictions in January 2021.

Alternatively, the Government could extend the one-year visa to a two-year visa followed by a two-year cooling-off period to reflect the employer concerns about the inadequacy of a one-year timeframe. This would run alongside the Youth Mobility Scheme as currently set out.

---

<sup>1</sup> [www.cipd.co.uk/knowledge/fundamentals/emp-law/recruitment/post-brexit-skills-shortages](http://www.cipd.co.uk/knowledge/fundamentals/emp-law/recruitment/post-brexit-skills-shortages)

### **Minimum salary threshold**

If the two-year unskilled route were introduced, the CIPD would support retaining the current proposal of a minimum salary threshold of £30,000. However, we recommend that lower salary thresholds could be set for some jobs on the shortage occupation list while removing the current exemption for some public service organisations. The specific proposal is that if the median annual earnings for a shortage occupation lies below the £30,000 threshold, this should become the default minimum salary threshold for that particular occupation. Under this arrangement, many public service occupations, such as social workers and nurses, would still benefit from a lower salary threshold because they are on the shortage occupation list.<sup>2</sup>

The main advantages of this proposal are that it is simpler and fairer because the current arrangement gives public sector employers special treatment. The median earnings measure would also prevent misuse, such as undercutting UK workers, and ensure that migrants complement, not substitute, UK workers.

We agree that the proposed minimum salary threshold would encourage organisations to grow the pool of local talent at all skills levels and support wage growth in some cases, as the survey data and roundtable discussions imply.

In addition, we agree with the Government that graduate entrant jobs should be subject to a lower salary threshold and a light-touch form of the Resident Labour Market Test to ensure that employers are doing all they can to maximise employment opportunities for UK-born graduates.

### **Abolishing the minimum skill threshold**

In order to make the system as simple to understand and use as possible, the CIPD believes that there should be consideration of removing the skill threshold altogether. The salary threshold, not the skills threshold, will decide whether employers can recruit EU nationals and other overseas workers under the new system as very few, if any, occupations below intermediate skills level would command a salary of £30,000 or above. If the skills threshold is of no practical use in terms of screening out overseas workers, there seems little point in retaining it as part of the new system.

### **Costs**

The vast majority of employers we spoke to were alarmed by the range of costs they are due to incur for recruiting workers via the skilled route, which include a sponsorship licence, a skills surcharge and a visa. Many employers also reported feeling under pressure to pay the health charge that individual migrants would also have to pay. As a result, we support the government working plan to take a closer look at a 'tiered' system of sponsorship. This would include a transactional 'self-service' system for low-volume users of the system or those who do not need a licence, and an umbrella sponsorship system that would allow membership and sectoral bodies to be responsible for compliance duties.

### **Devolved administration/regional scheme and salaries**

Our view, based on discussions with a wide range of employers, is that a combined youth mobility/temporary visa route and flexibility over the salary threshold, tied to the shortage occupation list, would be a better approach to addressing key skills and labour shortages in the economy than introducing an array of formal sector-based schemes or regional or devolved administration schemes. Such a system would be complex, administratively bureaucratic and would inhibit labour mobility. Reflecting the specific needs of the Scottish labour market and the existing shortage occupation list for Scotland only, the report recommends that the current shortage occupation list arrangements for Scotland be extended to include all non-UK citizens.

<sup>2</sup> [www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-k-shortage-occupation-list](https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-k-shortage-occupation-list)

We also don't support the idea of regional variation in salary thresholds because employers tell us that it would be difficult to administer, especially those with multiple sites across the UK, with the possible exception of Scotland. This is consistent with CIPD survey data (CIPD *Labour Market Outlook*, Winter 2017/18), which showed that a UK-wide immigration system post-Brexit would be more popular with employers (41%) than sector (13%) or regional (5%) schemes. Employers in Scotland were more likely to favour a regional immigration policy (19%) than employers from elsewhere in the UK, but they were still more likely to support a UK-wide approach to post-Brexit immigration (29%).

#### **Intra-company transfers**

We welcome the proposal in the white paper that intra-company transfers will be maintained to enable companies to transfer existing employees and skilled workers from an overseas branch to their UK office. However, in line with a lowering of the skills threshold, this should be extended to include intermediate skilled workers (RQF 3–5, SCQF Level 6 in Scotland).

#### **Skills**

Funds generated from the Immigration Skills Charge, a cost incurred by employers, should be directed towards the Apprenticeship Levy. In due course, we hope the levy will be broadened to become a training levy to help improve employer access to funding for other equally important forms of training and development, as well as apprenticeships. This would help reverse the long-term decline in employer investment in skills and in the number of employees that are engaged in job-related training or education.

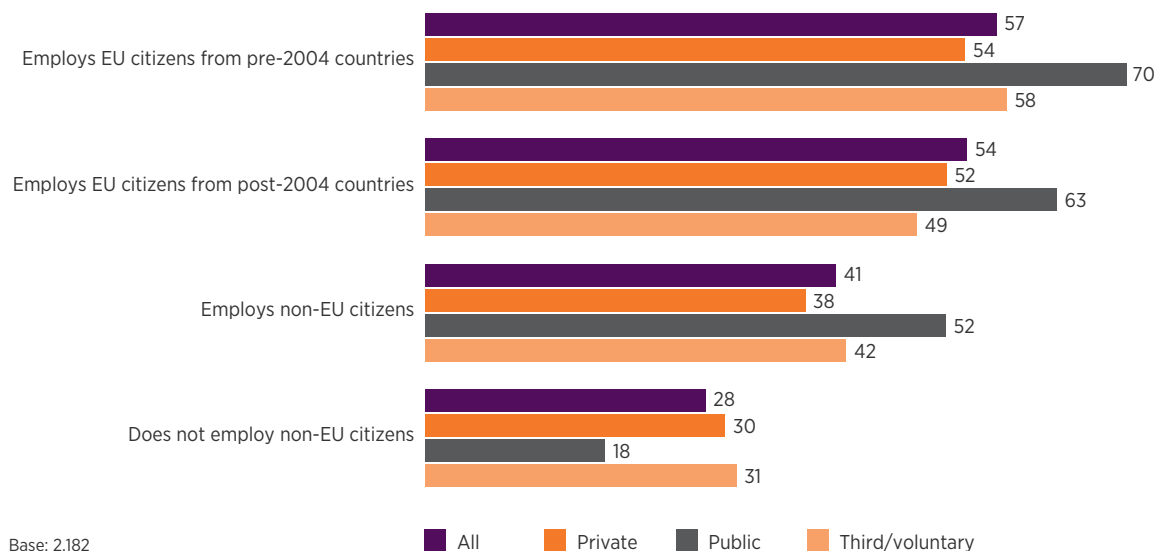
## **3 Impact of the referendum result and employers' response**

This section of the report brings together the findings of our six employer roundtables held around the UK, as well as data from our spring 2019 *Labour Market Outlook* survey report based on responses from more than 2,000 employers. It highlights the impact that the vote to leave the EU has already had on their ability to recruit and retain EU workers and any challenges they have faced as a result.

The significant growth in migration into the UK from the EU in particular is reflected in the workforce profile of the 2,182 organisations surveyed for this report. Overall, over seven in ten (72%) UK employers report that they employ non-UK nationals. This includes over half of establishments that employ non-UK nationals from the EU14 countries (57%) and EU8 and EU2 countries (54%). By comparison, over four in ten (41%) organisations report they employ non-UK nationals from outside the EU.

The share of organisations that employ non-UK nationals is especially high in the public sector. Seven in ten (70%) public sector organisations employ non-UK nationals from the EU14 countries, compared with around two-thirds of employers who employ citizens from EU8 and EU2 countries. Meanwhile, over half (52%) of establishments employ non-UK nationals from outside the EU. By comparison, the share of private sector organisations that employ non-UK nationals from outside the EU is relatively low (38%). Additionally, largely owing to size effects, larger organisations (those employing 250 people or more) are almost twice as likely to include non-UK nationals in their workforce compared with small establishments (organisations that employ up to 249 workers).



**Figure 1: Profile of establishments that employ non-UK nationals (%)**

### Post-referendum impact on workforce

According to the roundtable discussions, the referendum result has not had a substantial impact on employers' overall ability to recruit and retain EU citizens to date. The majority of organisations across our focus groups reported few difficulties recruiting EU citizens from overseas since the referendum. Indeed, a couple of employers had noticed an increase in applications from EU citizens since the referendum, including a Scottish employer that has experienced a 15% increase in applications for vacancies in social care during the same period.

Fewer still reported retention issues. This may reflect the strenuous efforts many employers reported making to help support EU citizens in their workforce. Others made the point that their EU migrant employees are settled in the UK and could not leave quickly and easily.

These comments are fairly typical of the efforts many employers have been making to help retain EU staff:

*'I don't think we've seen a mass exodus of EU nationals, and I think that's probably because we've provided a lot of support, for example we have set up an EU national group to support EU staff. And we've been very active, we've been working with those colleagues, providing a forum for people to vent and ask questions. We've had specialists come in and speak to them to give them some advice on what's happening. We also paid for everybody's fees to get settled status before it got waived.'*

#### **University, north-west of England**

*'I haven't noticed any particular trend or reduction in EU applicants for roles, it's about the same. What we have done is, for current staff from EU countries, is we've specifically spoken to them about the arrangements for settled status and pre-settled status and all those things. When there was a fee we supported them by paying the fee and for anyone that was coming in, at interview we told them that if they wanted to apply for that then we would. We made that as a conscious decision but we didn't necessarily change anything aside from actually having that conversation with staff.'*

#### **Private sector healthcare employer**

However, a minority of employers did report some difficulties in terms of receiving fewer applications from EU nationals, especially from EU8 member states. Key factors behind the fall in applications included the depreciation of sterling, uncertainty over status and the employment and earnings growth in other EU countries, such as Poland.

As one employer said:

*'So the first questions were obviously, "are we welcome here anymore, what will happen next?" etc, etc. Then, when people saw nothing massively changed overnight, concerns eased a little bit. But living standards in other countries, especially in Poland, have also improved which means other EU countries are also more attractive.'*

**Hospitality employer, Manchester**

*'We have our back offices here in London, so we have to have people with language skills. All of our employees who work in the back office are bilingual because we are so linked to the whole of Europe. People know nowadays that, because you're relying on their language skills, you have to pay for that as well. We had two Italians leaving and it was quite difficult to get them for the right salary in the first place as well.'*

**International property investment firm, London**

*'The pool [of EU candidates] is reducing; it has not necessarily stopped altogether, but it's a reducing pool. There are UK-based candidates in there as well, and that type of thing, but we've just failed to recruit for a cyber-security post, which is the first one where we've actually failed to recruit. That could be an indication that the UK is less attractive perhaps.'*

**University, Wales**

These observations are broadly consistent with official migration data, which indicates that immigration for work-related reasons from the EU continues to grow, but at a slower rate compared with the pre-referendum trend. According to the latest data, the number of EU-born workers in employment increased by 103,000 to 2.44 million between Q2 2015 and Q2 2019.<sup>3</sup>

### **Employers sitting on hands in preparation for migration restrictions**

Overall, little activity seems to be taking place in organisations in anticipation of future migration restrictions across the six focus groups, many of which report that they are in 'wait and see' mode. This is partly due to low levels of awareness of the Government's immigration policy recommendations in its white paper (Figure 2), alongside other factors such as the uncertainty of the political environment and the in-house capability and resource to plan for the migration restrictions. According to the CIPD's spring 2019 *Labour Market Outlook* survey data, a majority (56%) of employers say they do not have enough information to start making decisions about their post-Brexit recruitment strategy, compared with just over a quarter (27%) who are happy to make decisions based on existing information. Around a fifth (17%) of establishments are equivocal about whether there is enough information to make such decisions.

This anxiety, equivocation and prevarication is captured by the following fairly typical comments taken from one of the roundtable discussions:

*'Actually this is a really interesting point, because there have been some internal discussions within the HR people in the council. I presume some people will have thought about this and some employees will ask questions. But because of the small numbers involved, and because of the political uncertainty there's been, it's been left as an issue and not dealt with.'*

<sup>3</sup> [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/september2019](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/september2019)

*'The feeling is that we cannot give people any useful advice in terms of how things are going to be moving forward, so we said we'll have to wait and see what sort of policy decisions are made ... We don't know if we're leaving the EU, when we're leaving it and under what terms. Saying anything may risk undermining your credibility with the workforce.'*

**Local authority, West Midlands**

*'I'll be honest personally and I think I've taken a bit of a decision that is a Brexit inertia thing, given we actually don't know what's happening. There's been such a hoo-ha about it generally. There's been an element of I've got enough going on day to day. I'm just going to set this aside and not necessarily worry too much about it because actually you can make all the plans in the world if you want to and it could end up being for nothing or it could be a completely different Boris option or whatever that might be ... and actually even if it does happen, however it happens, we've still got a bit of time. That might be slightly misplaced and misguided, but that's definitely my personal view.'*

**Private sector healthcare employer**

Of those employers that are responding to the prospect of restrictions, raising pay and investing in skills, especially through apprenticeships, seem to be the most prevalent employer responses. Other responses include increased efforts to attract more local people to apply for roles, especially through social media initiatives, partly in order to reflect the local customer base:

*'One of the things that we decided to do was to sign up as a Real Living Wage employer, which is £9 for Manchester, so we could advertise jobs using the logo, things like that. [When asked whether this was a consequence of Brexit] ... Yeah, we've been more proactive. We were more worried about retention actually, because we've got some quality individuals that have been with us for a little bit of time now, and we wanted to retain those within our business. But we also wanted to attract people from the whole community and increase diversity.'*

**UK-wide support services firm**

*'We have adopted more tactics like targeting Facebook, social media and job adverts as well as paid. We actually invested in paid adverts as well. We are doing a lot to improve our social media presence ... not just to advertise roles, but a presence. We had a social media conversation, we would talk about different subjects and things that were important in the local communities. ... So again, Stretford for example, go to the community halls and lend our guru tech support for free, and all that sort of thing, just to try and garner some interest that we are an employer of choice.'*

**FTSE 100 retailer**

*'We're getting asked a lot about recruitment policy. And one of the questions that we are frequently asked about by our management team is, are we going to introduce a blanket ban on recruiting from the EU?'*

**Oil and gas company, Scotland**

Additionally, many employers reported that other policy interventions, such as gender pay gap reporting, the apprenticeship levy and the National Living Wage were bigger catalysts behind this activity compared with Brexit. However, the tight labour market seems to be the key underlying factor.

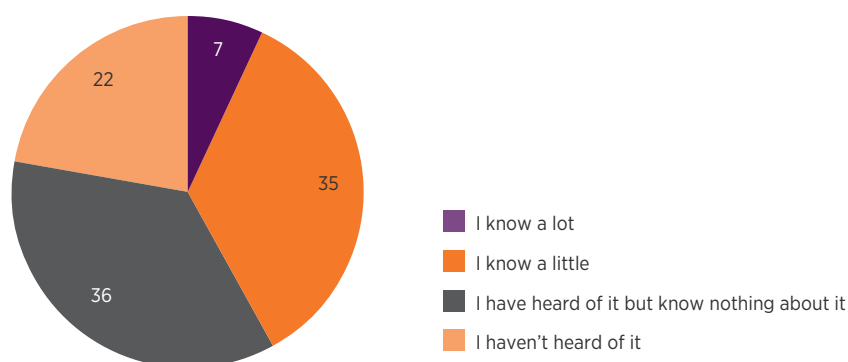
These observations are supported by the survey data, which show that nearly a third (32%) of organisations that employ EU citizens have communicated with current EU staff about

the implications of the referendum result. However, fewer than one in five (17%) employers that employ EU nationals say they have carried out an audit of their workforce or identified roles where the share of EU nationals is particularly high in anticipation of the restrictions. Fewer still report reviewing their talent management/recruitment strategy (17%) or reviewing their workforce development strategy (13%).

This lack of activity may be linked to low levels of awareness among employers of the Government's current post-Brexit immigration policy, highlighted by the survey of more than 2,100 organisations that was carried out for this study.

On average, a significant majority (58%) of employers say they have no knowledge of the white paper. Given the disproportionately large impact the proposals will have on low-skilled employers, it is concerning that more than two-thirds (68%) of employers of low-wage labour are ignorant of the restrictions that are likely to affect them. By contrast, fewer than one in ten (7%) of all employers say that they know a lot about the immigration white paper proposals. And the proportion is only marginally higher (8%) among those that employ non-UK citizens.

**Figure 2: Employer awareness of the immigration white paper proposals (%)**



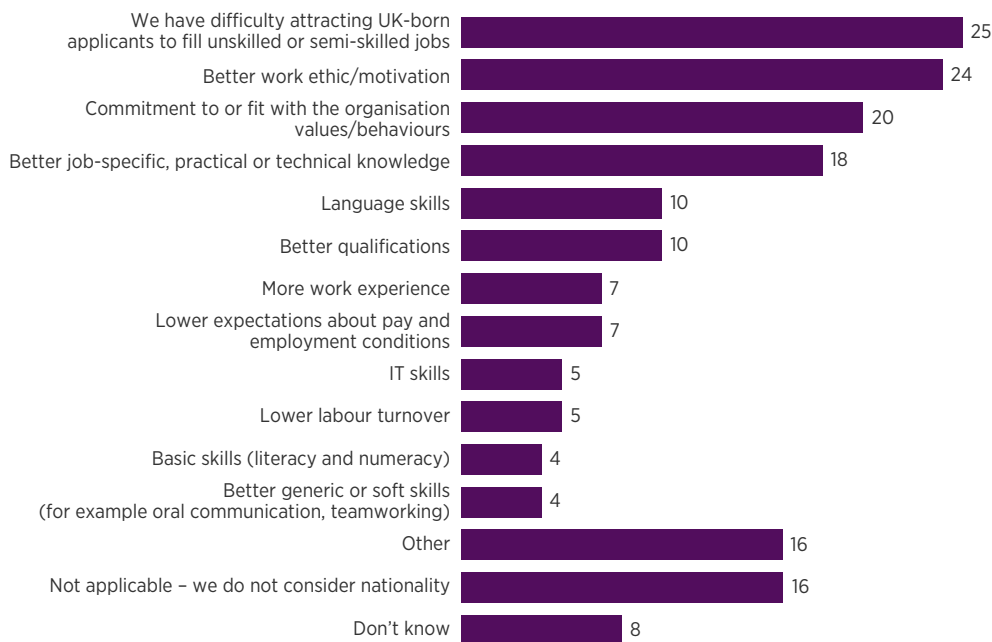
Base: CIPD/The Adecco Group *Labour Market Outlook* spring 2019, all employers (n=2,182)

### Reasons for employing EU citizens and possible alternatives

CIPD evidence has consistently shown that most employers do not base their recruitment practices and decisions on a conscious strategy to encourage or discourage the employment of migrants based on predetermined judgements or assumptions about the suitability of UK-born or EU migrant workers. This is endorsed by findings from the focus group interviews.

### Labour shortages

According to the spring 2017 *Labour Market Outlook* survey data, the most commonly mentioned reason cited by survey respondents for employing EU migrant workers is an inadequate supply of UK-born labour, especially for low-skilled roles. Around a quarter of employers (25%) cite a 'difficulty in attracting UK-born candidates to fill unskilled or semi-skilled jobs' as the reason for recruiting EU nationals (see Figure 3). It is perhaps no surprise that as many as one in three (35%) low-wage industry employers say they recruit EU nationals because they cannot fill the positions with UK-born applicants.

**Figure 3: Reasons for employing EU nationals (%)**

Base: CIPD/The Adecco Group *Labour Market Outlook* spring 2017, all employers of EU nationals (n=574)

The focus group discussions provided more evidence that employers typically recruit EU migrants because of a shortage of UK-born applicants. When asked why they recruit EU migrants, the overwhelming response of case study employers was that they do not actively seek to do so, but that these are the workers they manage to attract. Many low-skilled employers said that they have difficulties filling vacancies with local people, in particular UK nationals, especially in London.

The following comments are typical:

*'For us, being part of the European Union, it is very easy to have these people coming in and they come at any time, there's no visa restriction. The turnover in the hotel sector tends to be quite high, and even though we're a very good employer and we look after our employees, it is still something that we see. We have people leave quite a lot. Consequently, having that availability to that talent pool obviously is very helpful and I think historically hotels have relied on candidates from the European Union quite a lot. We're still having quite a few people from Italy, Greece, Spain apply for jobs here.'*

**Large hotel, London**

*'We have got the other half of our workforce, we've got to look after the procurement supply chain, with our supply chain staff we have people called venture co-ordinators, but essentially they take a box from A to B, and it goes from the warehouse when it gets delivered out into the hospital to wherever it goes. It's a very physical, very transactional manual job. Because of that we do end up with quite a lot of turnover, so possibly slightly similar to the domestic room attendants, that kind of situation. That's our area where we have the most EU workers. It's still not tremendously high and is probably only about 15% of our workforce in that area. That availability of labour, if you like, is probably something that we do notice. It's not necessarily that we purposefully chase or recruit that group of staff, but again it's a more manual role. It's something where we have fewer British-settled workers applying to take those roles.'*

**Healthcare provider (private sector)**

*'All of our industries tend to have unsociable hours, and that seems to have a massive impact. People that are the non-UK, if you like, tend to be more flexible in terms of their approach to that. And that makes a massive difference; it's not just about pay. It is about that flexibility. Weekend working and late night working and things like that is a feature of the normal job for us now. None of us want to do that – we'd all quite like to do a 35-hour week, Monday to Friday, nine to five, or eight to four. And that's where those gaps are very definitely plugged by EU workers. I would probably say my night shift is predominantly made up of people from outside the UK. They are the ones that tend to want to do the less social shifts because they want the additional money so they can send money home. And the shift allowance and things like that are very attractive to them. We want to live in a 24-hour service environment, but we don't want to work it.'*

**Support services firm**

*'I think for us, in terms of hospitality, sometimes it's hard to find British people wanting to work in this industry. I have met a number of people in the past who work in our industry [who are migrant workers] who are engineers back home or they are perhaps coming to the UK to study, but you don't really have that many British people working in hospitality in a lot of roles, so I think that's why you have all these people coming over and working in the industry.'*

**Large hotel, London**

According to the focus groups, the other key factor behind employers' decisions to recruit EU citizens is skills, especially in Scotland and the north of England. In particular, employers reported specific shortages of engineers, AI specialists, nurses, academics and people with foreign languages – which they explained partly with reference to shortcomings in the UK's education and training system. This is illustrated by the following comments:

*'For us it is their experience, so their diversity because the engineering work is not just only one way of doing it. Their experience from outside the UK, or their thinking process, etc. It will make the team more diverse and open to innovative ideas.'*

**Large engineering consultancy, south-east of England**

*'I think our difficulty is in filling roles, they've been difficult to fill before and we know why it is and we know that it's because there isn't really a technical skills pathway from leaving sixth form, university education. There's a real general lack of focus on that in terms of workforce planning. We know that other general hospitals are having similar recruitment problems recruiting people to work in critical care, for example, to look after paediatric machines. That's been a problem, and it still is a problem because we cannot see where the pipeline is coming from.'*

**Healthcare provider, London**

*'There are areas of skill shortage, where there are not enough people doing exactly those jobs, like upholsterer, and different roles for the fast production lines ... And definitely in the last years we were finding it more difficult to find more people, especially after the referendum.'*

**Manufacturer, north-west of England**

*'There's not enough skills for, particularly, medical professionals in our sector. And, yes, we have light competition between NHS Scotland and the trusts in England. We've all got our arms open. We're welcome to take anybody that has the skills. But it's got to that stage now, where we are physically now having to go and target these people overseas, candidates, usually doctors, to say, "Would you like to come over here?" ... So, we're also having to try to get to find the experts from abroad can possibly teach our UK doctors about technological-based medicine.'*

**NHS employer, Scotland**

### **Possible alternatives to EU migrants**

The roundtables also explored in some depth whether EU migrants might in future be replaced by alternatives, and by UK-born workers in particular. As highlighted previously, many employers said they recruit EU workers not out of preference but through lack of choice in the labour market. As a result, many employers were concerned about how they might respond to the migration restrictions, including some who said they are seriously concerned about how they would keep their businesses running.

However, some pointed to the need to improve pay and employment conditions and invest in more apprenticeships to attract more local applicants, although many employers report that they are already pursuing these options to help ease ongoing recruitment difficulties.

Only a small minority of employers reported that they see automation as a substitute for labour – although these employers largely report that they would have made the changes anyway given the interaction with other government policies, such as the annual uprating in the National Living Wage and the changing business environment.

### **Anticipated response to migration restrictions**

A majority (52%) of employers are either unable to identify how they might respond to the planned migration restrictions or report that they will not take any action. A fifth (20%) of employers say that they don't have enough information yet to make a decision. Meanwhile, 16% of organisations say that they will not take any action and the same proportion of employers say they don't know how they might respond. See Figure 4.

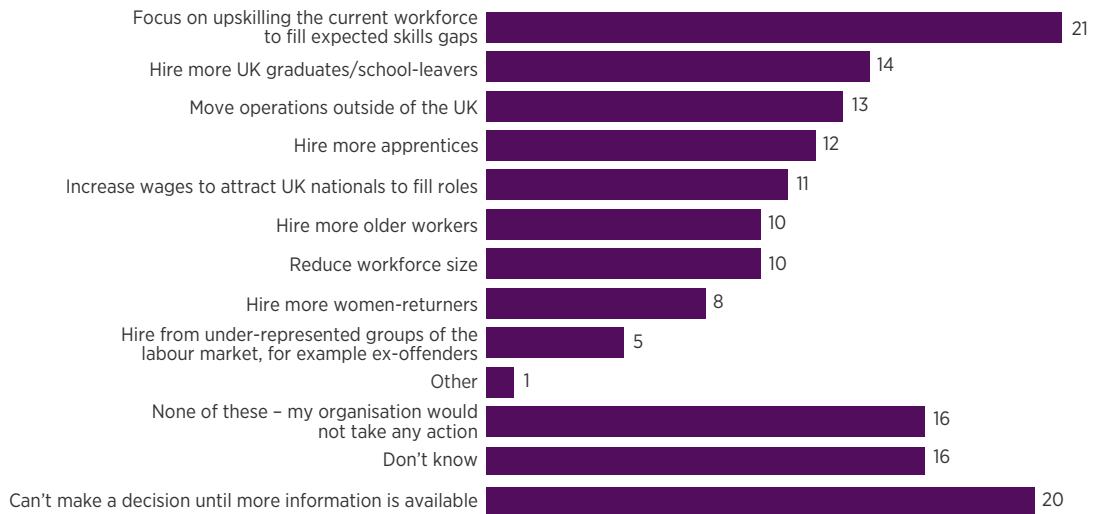
Among those employers that can identify their likely response, it seems that higher levels of skills investment and recruitment activity from within the domestic workforce are the most popular options. Over a fifth (21%) of employers say that they will turn to the existing workforce to help ease skill gaps within their organisations. And around one in ten say that they will hire more UK graduates/school-leavers (14%) and more apprentices (12%). Around one in ten (11%) employers report that they will raise wages in response to the new migration restrictions. However, the roundtable discussions imply that there will be less activity among employers than the survey data suggests.

More radically, more than one in ten (13%) employers said they would move some or all of their operations overseas, a point that was also highlighted by a small minority of employers in the roundtable discussions. As the HR director of a manufacturer from the south-east of England commented:

*'If I can't open a manufacturing site with the right staff in the UK, as we had planned to do, and which now seems very unlikely; then we will be moving our headquarters from London to Germany or Romania ... We had planned to relocate our Romanian manufacturing site that employs around 8,000 people to the UK. However, that was before Brexit.'*

**Manufacturer, south-east of England**

**Figure 4: Anticipated response to future migration restrictions among employers that employ EU citizens (%)**



Base: CIPD/The Adecco Group *Labour Market Outlook* spring 2019, all employers of EU nationals (n=1,296)

## 4 Employer views on post-Brexit immigration policy

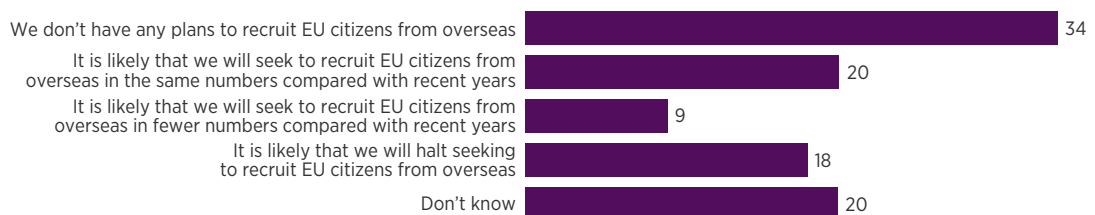
This section of the report seeks to explore employer attitudes to the immigration white paper proposals. It draws on questions placed in the CIPD's spring 2019 *Labour Market Outlook* (LMO) survey, which was based on a representative sample of over 2,000 employers and six roundtable discussions across the UK.

### Impact of government proposals on recruitment activity overseas

Overall, around one in five (18%) employers that currently employ EU citizens say that it is very likely that they will halt recruiting EU nationals from overseas as a result of the white paper proposals, compared with almost one in ten (9%) employers who say that they will recruit fewer EU citizens compared with recent years.

One in five (20%) employers say that they don't know what impact the white paper proposals will have on hiring activity, although the focus group discussions suggest that there is a higher level of uncertainty around future recruitment activity than the survey data suggests. And the same proportion of organisations report that they expect to hire EU citizens in the same numbers compared with recent years.

**Figure 5: Potential impact of immigration proposals on future recruitment activity of EU citizens (%)**



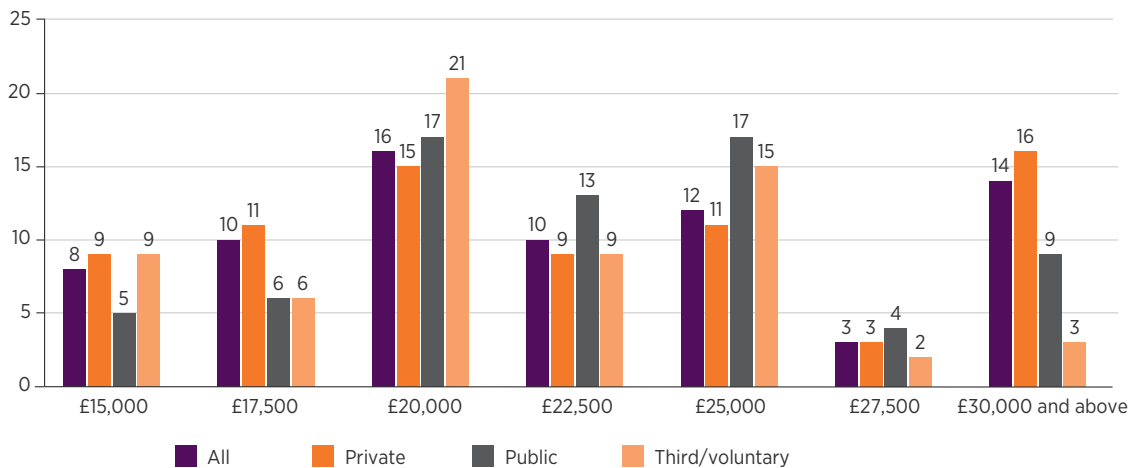
Base: CIPD/The Adecco Group *Labour Market Outlook* spring 2019, all employers that employ EU citizens (n=1,296)



### Minimum salary threshold

The immigration white paper proposes introducing a minimum salary threshold of £30,000 for recruiting most non-UK nationals from 2021. And when asked what minimum salary threshold would enable them to meet their recruitment needs, the responses were very broad-based, but the most popular responses were £20,000 (16%), £30,000 (14%) and £25,000 (12%). However, there is some variation across sectors, most notably the hospitality and retail sectors, where the most popular response is £15,000.

**Figure 6: Minimum salary threshold that would enable employers to recruit people from outside the UK for jobs that require skills at A-Level or above<sup>4</sup> (%)**



Base: CIPD/The Adecco Group spring 2019 *Labour Market Outlook*, all employers that employ EU citizens (n=1,296)

Many employers in the roundtable discussions claimed that the introduction of a minimum salary threshold of £30,000 would impact on labour or skill shortages at their organisation. This includes many higher education institutions, who report that it would affect them in terms of their ability to hire researchers from overseas. According to the HR director of one Scottish university, the salary threshold would have had an impact on the 15% of the research workforce who are EU nationals at the point of hiring. At the same time, some employers of low-skill labour pointed out that it would be impossible to meet the salary threshold. It should be pointed out that many of the focus group participants were unaware of the alternatives and exemptions to the minimum salary threshold.

However, also it seems that a minority of employers, especially among employers of low-skilled labour, have built a 'low-road' business model in which they rely heavily on low-cost labour and disproportionately on EU migrant workers. We also heard from some employers that they employ EU citizens because they are cheaper, especially among London-based organisations.

Consequently, the introduction of future migration restrictions could force some organisations to invest more in their workforces to enable them to attract and retain people.

<sup>4</sup> This minimum salary threshold currently excludes entry-level roles and some public service occupations, such as nurses and some teachers, where the salary threshold is lower.

### **Solution to minimum salary threshold**

If this were introduced, the CIPD would support retaining the suggested minimum salary threshold of £30,000. However, we recommend replacing the existing current exemption for some public service occupations, with a lower salary requirement for shortage occupations across all sectors. The specific proposal is that if the median annual earnings for a shortage occupation lies below the £30,000 threshold, this should become the default minimum salary threshold for that particular occupation.

Under this arrangement, many public service occupations, such as social workers and nurses, would still benefit from a lower salary threshold because they are on the shortage occupation list.<sup>5</sup> Of the options set out by the Government, the CIPD therefore has a clear preference for ‘a single minimum salary threshold, potentially with some flexibilities to set a lower rate’, for roles covered by the shortage occupation list.

The main advantages of this proposal are that it is simpler and fairer because it would enable all employers, including public service organisations, that have genuine skills shortages governed by the shortage occupation list, to set a lower-level salary threshold where this is appropriate.

The median earnings measure would also prevent misuse, such as undercutting UK workers, and ensure that migrants complement, not substitute for, UK workers.

### **Regional salary thresholds**

Additionally, it is not surprising that London employers report that they are more able to absorb the national salary threshold compared with other regions and nations. A fifth (20%) of London employers said that they would be able to meet their recruitment needs if a minimum salary threshold of £30,000 were introduced compared with an all-survey average of 14%. Around one in ten employers in the Midlands (8%) and Scotland (11%) say that the new salary floor would allow them to continue with their recruitment activity.

This is understandable given that London tops the regional list for median earnings for full-time employees by some distance.<sup>6</sup> London-based employees earn £142 per week more on average than the median for the whole of the UK (£550). Yet, there is relatively little variation in full-time gross weekly earnings across the regions and nations of the UK. Any regional variation would therefore need to include a higher threshold for London. However, the CIPD opposes a regional approach, as it would inhibit labour mobility and would be difficult to administer, according to the majority of employers, especially those with multiple sites across the UK. Some focus group employers did favour this approach, especially in Scotland but previous CIPD survey data shows most employers favour a UK wide approach. CIPD’s Winter 2017–18 *Labour Market Outlook* showed 41% of employers wanted a UK-wide post-Brexit immigration system compared with 13% of organisations that supported sector schemes and 5% of employers that preferred a regional approach.

Employers in Scotland were more likely to favour regional immigration policy than employers from elsewhere in the UK (19%) but they were still more likely to favour a UK-wide approach (29%).

<sup>5</sup> [www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-k-shortage-occupation-list](http://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-k-shortage-occupation-list)

<sup>6</sup> [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2017provisionaland2016revisedresults#regional-earnings](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2017provisionaland2016revisedresults#regional-earnings)

**Table 1: Median full-time gross weekly earnings, by region, UK, April 2018**

Region	Median full-time gross weekly earnings (£)
UK	569.0
London	713.2
South-east of England	589.2
Scotland	563.2
East of England	558.1
West Midlands	536.6
South-west of England	531.2
North-west of England	529.6
Northern Ireland	521.2
Yorkshire and the Humber	520.8
East Midlands	515.9
Wales	509.0
North-east of England	506.8

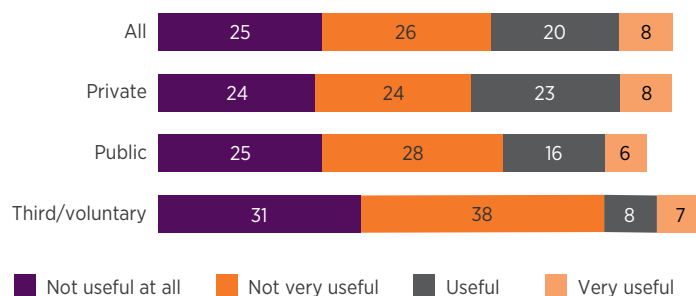
In order to make the system simpler and in light of the lowering of the minimum skill threshold to RQF Level 3 (SCQF 6 in Scotland), there is also a case for abolishing the skill threshold, because very few, if any, occupations below RQF Level 3 command salaries of £30,000 or above.

### Temporary visas

The Government has proposed two unskilled routes that would enable employers to recruit EU citizens. The Youth Mobility Scheme would allow 18–30-year-old EU citizens to live and work in the UK for a period of up to two years without a job offer. The Government has also proposed a temporary visa that would allow EU workers of any skills level to live and work in the UK for a period of up to 12 months. This policy will be reviewed in 2025.

The survey data suggests that demand for a 12-month temporary visa is relatively low. Only just over a quarter (28%) of employers say that a one-year visa would be useful to them in terms of meeting their recruitment needs. Perhaps reflecting the mandatory training requirements for many public service occupations, just over a fifth (22%) of public sector organisations say that the proposals would be useful compared with over three in ten (31%) private sector employers.

By comparison, a majority (51%) of all employers say that the proposal is not very useful or not useful at all. Around a fifth (21%) of establishments were unable to provide an answer.

**Figure 7: Share of employers that say that a one-year visa route would be useful to their recruitment activity (%)**

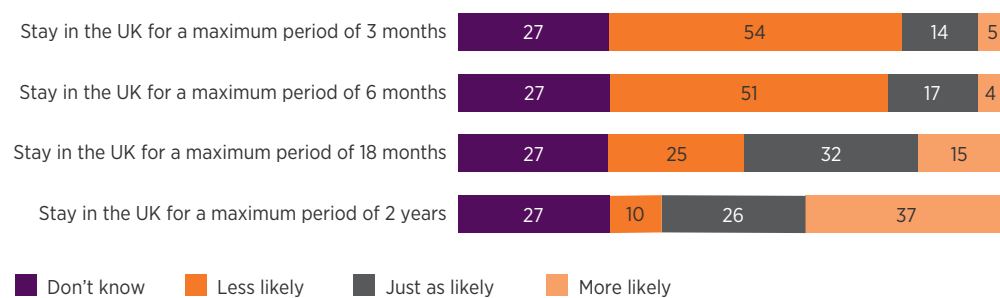
Base: 1,296

### Prospect of a two-year temporary visa

However, more than a third of employers (37%) say that they would be more likely to use a short-term visa option if it were extended to two years alongside a two-year cooling-off period. In terms of sub-sectors, the share of organisations that report that they would be more likely to use a two-year temporary visa is higher among organisations in hospitality (46%), retail (41%) and healthcare (40%). Additionally, the idea is favoured by a relatively high share of low-wage employers (44%). By comparison, one in ten employers say that they would be less likely to use a two-year temporary visa, which may be due in part to employers being put off by the prospect of EU citizens not being able to return to the UK for two years through the two-year cooling-off period.

Additionally, in terms of employers that employ EU citizens, almost four in ten (39%) employers say that they would be more likely to use a two-year visa. By comparison, over one in ten (11%) say that they would be less likely to use a two-year visa compared with a one-year visa.

**Figure 8: Likely employer uptake of different visa length options (%)**



Base: 1,417

The two-year visa option proved particularly popular among the roundtable participants. As a recruitment manager for NHS Scotland put it:

*'The biggest areas where we need low-skill workers are laundry services and social care support, which isn't on the NHS side, it's the social care side. But we have an extremely high reliance on EU nationals within those posts, and when we put an advert out, over 80% of those people are non-UK nationals that apply for them. So the two years following a two-year cooling-off period would be suitable for us if there is still significant interest from EU nationals.'*

### Reform of short-term visa proposals required

Overall, the feedback from the roundtables and the employer survey suggests that there is a need to re-think the proposals in the white paper on short-term visas.

One way of overcoming the challenges identified by employers would be to merge the two-year Youth Mobility Scheme for 18–30-year-olds and the 12-month temporary visa routes into one to create a two-year mobility scheme for all EU citizens. The route would allow EU citizens to come to the UK for a maximum period of two years to study or work without a job offer, irrespective of age. It would create a simpler and more flexible route to enable employers to continue to recruit low-skilled workers for a transitional period and would be subject to review in 2025.

### Positive aspects of white paper proposals

On the upside, some of the proposals have been welcomed by employers. Employers were given a list of potential responses and were permitted to choose up to three that would have the most positive impact on their organisation, in order of importance. In terms of the most favoured first choice, over a quarter (26%) of employers cited the removal of the migration cap, while a quarter (25%) said that a less bureaucratic sponsorship system would have the biggest impact on their organisation. Almost a fifth (18%) said that abolition of the Resident Labour Market Test and the same proportion cited giving graduates and post-graduates six months to find permanent skilled work. It should be noted that the UK government has subsequently announced a two-year post-study work visa for international students. Meanwhile, 14% of employers said that the lowering of the skill threshold to RQF/NQF Level 3 (SCQF 6 in Scotland) would benefit them most. Almost a third of education employers said that the post-study worker route would have the biggest positive impact on them.

There was universal support for these proposals from employers in the roundtable discussions, especially in terms of the removal of the cap and the RLMT.

**Figure 9: Policy proposals that will have the most positive impact on organisations (%)**



Base: CIPD/The Adecco Group *Labour Market Outlook* spring 2019, all employers that employ EU citizens (n=1,239)

### Recruiting non-EU workers

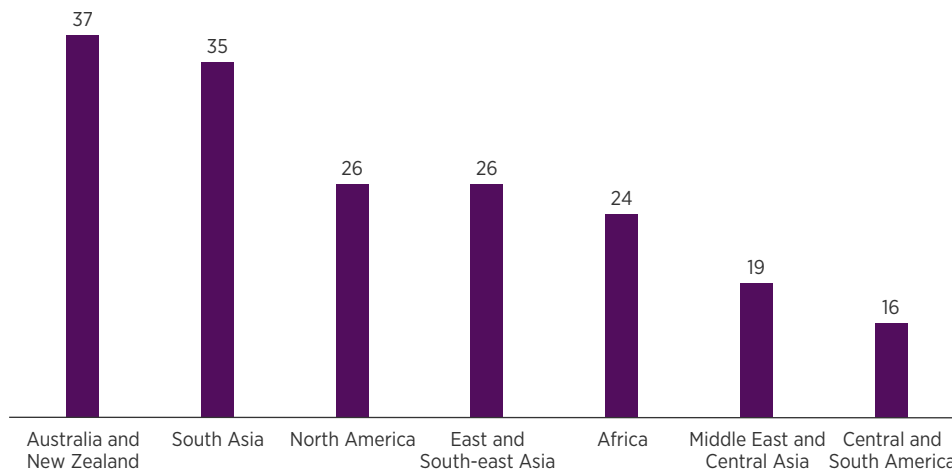
The official data suggests that more employers have turned to non-EU workers following the referendum decision. According to the latest data, the number of EU-born workers in employment increased by 103,000 to 2.44 million between Q2 2015 and Q2 2019. However, the number of non-EU-born workers in work in the UK increased by 268,000 to 3.34 million during the same period.

One might expect recruitment from outside the EU to increase further from 2021 as a result of the new policies, which look set to be loosened for non-EU citizens while becoming more restrictive for EU citizens. In particular, more non-EU citizens will become eligible to apply for a visa due to the lowering of the national skill threshold from RQF Level 6 to Level 3. However, only around one in ten (10%) employers that currently employ non-UK nationals say that they will recruit non-EU citizens in greater numbers, compared with a slightly higher share (15%) of employers who say that they will employ fewer non-EU citizens. In terms of employers that employ non-UK citizens, 14% say that they plan to increase recruitment activity outside the EU once the new restrictions are introduced. By comparison, almost one in five (19%) of establishments say that they will reduce activity. The proportion of employers that say they will employ fewer non-EU-born citizens is also higher than the share that say they will hire more among employers that employ EU citizens.

The share of employers that predict more recruitment activity outside the EU is higher among IT and healthcare employers, which is not surprising given that a high proportion of Tier 2 visas have been awarded to healthcare and IT professionals in recent years. The

data implies that employers may respond by making more effort to train the domestic workforce and to attract local applicants, which broadly is consistent with other survey data in this report (Figure 4).

**Figure 11: Regions where non-EU recruitment activity is likely to take place (%)**



Base: 617

According to the survey data, it seems that Australia and New Zealand (37%), South Asia (35%) and North America (26%) are going to be the main sources of labour. And the most prevalent roles they are being recruited for are chefs, data analysts, scientists, teachers, doctors, nurses, engineers and software development engineers.

## 5 Methodology

The research draws on six regional roundtables taking place across the UK and a survey of more than 2,000 employers explores the potential impact that the immigration system post-Brexit could have on employers in terms of skill and labour shortages.

### Survey method

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,182 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 21 March and 18 April 2019. The survey was carried out online. The figures have been weighted and are representative of UK business by size, sector and industry.

### Weighting

Rim weighting is applied using targets on size and sector drawn from the *Business Population Estimates for the UK and Regions 2016*. The following tables contain unweighted counts.

### The focus group method

We carried out regional roundtables to provide a more detailed picture than a survey can provide and to explore key issues with employers potentially most affected by introduction of migration restrictions. In particular, the roundtable discussions were aimed at understanding the extent to which employers are preparing for the restrictions and what immigration policies might work for them. We therefore involved employers who could engage with and shed light on these issues rather than to achieve a representative sample. At the same time, their responses are likely to reflect many who are considering their circumstances and options as the UK prepares to leave the EU.

**Table 2: Breakdown of the sample, by number of employees in organisation**

Employer size band	Count
2-9	449
10-49	485
50-99	181
100-249	229
250-499	170
500-999	123
1,000 or more	545
<b>Total</b>	<b>2,182</b>

**Table 3: Breakdown of sample, by sector**

Sector	Count
Private sector	1,659
Public sector	328
Third/voluntary sector	195
<b>Total</b>	<b>2,182</b>

**Table 4: Breakdown of sample, by industry**

Industry	Count
Voluntary	195
<b>Manufacturing and production</b>	<b>371</b>
Manufacturing	192
Construction	129
Primary and utilities	50
<b>Education</b>	<b>209</b>
<b>Healthcare</b>	<b>145</b>
<b>Private sector services</b>	<b>1,127</b>
Wholesale, retail and real estate	143
Transport and storage	58
Information and communication	134
Finance and insurance	175
Business services (eg consultancy, law, PR, marketing, scientific and technical services)	257
Hotels, catering and restaurants/Arts, entertainment and recreation	152
Administrative and support service activities and other service activities	208
<b>Public administration and defence</b>	<b>135</b>
Public administration and other public sector	120
Police and armed forces	15
<b>Total</b>	<b>2,182</b>

**Table 5: Breakdown of sample, by region**

Region	Count
North-east of England	63
East Midlands	114
West Midlands	149
Scotland	140
London	365
South-west of England	154
Eastern England	105
Wales	62
South-east of England	304
North-west of England	167
Yorkshire and Humberside	134
Northern Ireland	18

## 6 Glossary

### **ASHE**

The Annual Survey of Hours and Earnings is the most comprehensive source of information on earnings in the UK. It provides data on levels, distribution and make-up of earnings and hours worked for UK employees by sex and full-time or part-time status in all industries and occupations.

### **EEA**

The EEA includes European Union (EU) countries plus Iceland, Liechtenstein and Norway.

### **EU2**

The EU2 (formerly known as the A2) are the two countries that joined the EU on 1 January 2007: Bulgaria and Romania.

### **EU8**

The eight central and east European countries that joined the EU on 1 May 2004 (formerly known as A8): Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia.

### **EU15**

Countries that joined the EU prior to 2004:

Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

### **MIGRATION CAP**

The Government has an annual cap on the number of work visas that can be issued to non-EU citizens through the skilled worker rate (Tier 2).

### **RLMT**

The Resident Labour Market Test requires a UK employer to advertise a job domestically for 28 days, before it can be offered to a foreign worker, if it's not on the shortage occupation list.

### **RQF**

Regulated Qualifications Framework.

### **SCQF**

Scottish Credit and Qualifications Framework.

### **YMS**

The Youth Mobility Scheme allows non-UK citizens that are aged 18 to 30 from eight countries, such as Australia and Japan, to live and work in the UK for a period of up to two years.





# CIPD

Chartered Institute of Personnel and Development  
151 The Broadway London SW19 1JQ United Kingdom  
**T** +44 (0)20 8612 6200 **F** +44 (0)20 8612 6201  
**E** [cipd@cipd.co.uk](mailto:cipd@cipd.co.uk) **W** [cipd.co.uk](http://cipd.co.uk)

Incorporated by Royal Charter  
Registered as a charity in England and Wales (1079797)  
Scotland (SC045154) and Ireland (20100827)

Issued: September 2019 Reference: 7932 © CIPD 2019

