

Farewell to Free Movement?  
Immigration and Workforce after  
Brexit

**GK**

## GK and onefourzero

GK and our sister agency, onefourzero, are delighted to publish 'Farewell to Free Movement? Immigration and Workforce After Brexit', our first in a series of papers tackling issues that are shaping the national political narrative. Our business is defined by supporting investors and organisations to analyse, understand and manage political risk through research-led communications with a focus on delivering commercial value. It has become evident that whilst the risks and opportunities of Brexit are still being decided free movement and the implications for the UK workforce is the single pressing issue. GK are delighted to contribute our unique research and commentary to this important debate. As an agency GK are pushing boundaries - not only responding to, but shaping the policy landscape.

GK was established in 2009 by founders Luke Kennedy and Robin Grainger.

“ From GK’s inception, our team has provided first class political and policy insight to businesses grappling with opportunities and threats. Never has the need been greater for organisations to understand the risks, and indeed opportunities, that a post-Brexit world provides. Workforce is truly at the heart of that challenge. ”



Luke Kennedy, Founder & Co-chairman, [GK Strategy](#)

“ What sets this research apart is the combination of political theory and unique online sentiment analysis from across the world. The world is watching the UK and, as we see in this report, there is already a real impact on certain demographics intent to migrate to the UK which could in turn place further strain on key sectors such as social care. ”





Robin Grainger, founder & Co-chairman, [GK Strategy](#)


# Contents


Executive Summary	4
Introduction	5
Brexit and Immigration	7
Curbs on Immigration vs Access to Single Market	9
Farewell to Free Movement? The Norwegian Debate	11
The Swiss Debate	12
Farewell to Free Movement	14
Points - Based System	15
Employer - Led System	16
The Compromise	17
Supply and Demand	19
Potential Impact on Specific Sectors	23
Health and Social Care	24
Housing	27
Manufacturing	29
Higher Education	31
Retail	33
Conclusion	35


# Executive Summary

 **The high profile of immigration during the EU referendum and Theresa May's reputation as Home Secretary have made it the defining issue of the forthcoming Article 50 negotiations.** The Government's enduring commitment to bring net migration down to the 'tens of thousands', which continues to be a political priority for Theresa May and her team in Number 10, ensures that immigration from the EU will be the most important issue at stake in the Brexit negotiations. Whatever the outcome of the negotiations, and whatever settlement is reached, it is almost certain that the UK will be saying farewell to free movement once the process is complete.

 **GK's research suggests that intent to move to the UK is declining, although specific sectors are less at risk than others.** Over the last 12 months, the proportion of people intending to move to the UK to work has decreased in a number of EU member states, including Poland, Romania and Bulgaria. However, demand for work in specific sectors – notably leisure and retail – has increased in recent months.

 **A post-Brexit migration system will have to balance the political attractiveness of a stringent approach to immigration from the EU with employers' desire for a sustainable settlement.** It is clear that the British public favours tougher restrictions on migration from the EU, and that Theresa May intends to prioritise an end to the freedom of movement ahead of maintaining access to the Single Market. However, the wrong approach risks exacerbating skills shortages in sectors such as construction and manufacturing and compounding recruitment concerns in other areas such as health and social care, retail and higher education.

 **The Government should recognise that both skilled and unskilled workers are needed to support particular sectors.** We know that employers are frequently concerned that the Government rhetoric makes a crude distinction between skilled and unskilled workers in which the latter are seen as unnecessary. Tough restrictions on unskilled labour could lead to unsustainable shortages in particular sectors that have already experienced difficulties with recruitment as a consequence of domestic policies such as the National Living Wage.

 **It will have to be a compromise between a points-based system and employer-led system.** Both systems carry potential risks and rewards for the Government; a points-based system fits neatly with Vote Leave's demand to 'take back control', but risks leaving some migrants unemployed if their permission to enter the UK is not tied to a specific job offer. An employer-led system removes that risk and allows the potential for greater flexibility in specific sectors, but would still require significant state regulation to ensure that workers are not exploited. In practice, the existing visa regime for non-EU migrants is a blend of a points-based system and employer-led system, and the Government may, with some modifications, largely extend this model to EU migration.

# Introduction



## Farewell to Free Movement?

## Immigration and Workforce after Brexit

Immigration played a pivotal, and in some respects defining, role in the referendum on the UK's membership of the European Union. While it has been a politically contentious issue for decades, it is argued that since the increase in migration from the continent following the accession of new member states that the question of migration has been a defining part of the national political narrative. The failure of the Labour Government to put in place transitional controls for migrants arriving from the accession states created a sharp political divide, and at every general election since, the issue of immigration has been seen as one of the most important to the electorate.

In the 2005 general election, the Conservatives achieved some notoriety with a campaign – devised primarily by their chief strategist over the last decade and a half, Sir Lynton Crosby – that carried the slogan 'Are you thinking what we're thinking?' alongside calls to place a cap on immigration. This was followed, in the 2010 election, by a pledge to cut immigration down to the 'tens of thousands' in the Conservative manifesto. Once the party had formed a coalition with the Liberal Democrats, who have traditionally been pro-migration, the target was expected by some to be dropped, only to be later revived again in a matter of months by then Home Secretary Theresa May.

Despite remaining a focus for the Cameron administration, and continuing to assume a prominent presence in the party's campaign in the next election, the target was consistently breached. It became an issue that Cameron was prepared to publicly acknowledge his party had failed to deliver on, hoping to stem the rising popularity of UKIP by re-affirming his belief that net migration could, and should, be brought down significantly. The missed target was much debated in the lead-up to the referendum, with a number of high-profile figures in the Leave campaign arguing that the Government's target could only be met by the UK withdrawing from the EU.

## Key Players

It is important to note that the immigration target was central to May's time in the Home Office, and an issue that remains close to her heart as Prime Minister and to those of her closest advisers, who have followed her into Number 10. Despite having failed to deliver on the number promised, she has shown little sign of abandoning the target since assuming office in July. May has, at least in words, shown a maintained commitment to drastically reduce net immigration since becoming Prime Minister, despite some early political pressure from within the Government to drop the target.



In light of this, Amber Rudd, now occupying the Home Office as Secretary of State, was considered by some to be a surprising choice for the role given her previously more liberal stance on immigration. However, Rudd's rhetoric has hardened under May's premiership. The same could be said of Foreign Secretary Boris Johnson, who has also previously spoken out against the migration target, though his role as Foreign Secretary allows him less influence over the issue than Rudd. Initially after being appointed, both Rudd and Johnson had suggested that rather than targeting a specific number, net migration should simply be brought down to 'sustainable levels', but in another clear signal from May on the issue, her office commented in response that 'the Prime Minister does see sustainable levels as down to the tens of thousands'.

Robert Goodwill's appointment as Immigration Minister is the strongest sign of continuity from May's reign in the Home Office; he was a firm supporter of the Government's immigration policy during the last parliament and is likely to oppose any attempt to dilute the current approach. The most notable shift on immigration will be in Ministers' rhetoric, where Rudd should be expected to place a firmer emphasis on the phrase 'sustainable levels' rather than on specific figures; this is not only an attempt to make sure that the Government is not a hostage to fortune in light of previous failures to reach the migration target, but also a tacit recognition that there is little certainty at this stage as to how migration patterns will change as the UK withdraws from the EU.

One figure that perhaps stands out in May's cabinet in this regard is Chancellor Philip Hammond. After he appeared to clash with May in October on whether international students will be counted within the net migration figures, there is a feeling that tensions may continue to break through the surface on this issue between the two most powerful figures in Government. For May, imposing further restrictions on tier 4 visas is a priority for keeping the numbers down, and is something of a historical battle with the resident of Number 11. Having overruled Osborne on the issue while in the Home Office, it seems extremely unlikely that her determination on this will waver now that she is in the top job. The dynamic between May and Hammond on the immigration issue is of note, particularly in the context of other emerging disagreements between Number 10 and Number 11.

The Labour Party, still blamed for its mishandling of migration in 2004, has struggled to articulate its position on freedom of movement after Brexit. A number of the party's MPs, such as former Shadow Work and Pensions Secretary Rachel Reeves and former Shadow Europe Minister Emma Reynolds, have called for an end to free movement as it currently exists, while party leader Jeremy Corbyn has invited confusion over his own stance by arguing that immigration is vital to the UK economy but that Labour is 'not wedded' to the idea of free movement.



The issues of the UK's membership and the reduction of net migration have become intertwined due to the perceived mismanagement of migration from the accession states in 2004. This coupled with the success of UKIP and its former leader Nigel Farage in attributing growing pressure on public services to population increases caused by unlimited migration from within the EU. Immigration was consistently identified as the most important consideration of voters during the referendum campaign, and Vote Leave, in addition to now-infamous pledges on redistributing the UK's payments to the EU to public services such as the NHS, proposed a strict points-based system for limiting immigration from the EU.

Following the vote for the UK to leave, much of domestic politics is set to be dominated by the negotiation of the future relationship with the EU, led by May, her Secretary of State for Leaving the European Union, David Davis and Secretary of State for International Trade, Liam Fox. The main issue for debate will be regarding the dynamics of access to the Single Market and acceptance of the free movement of labour, a question which, having been at the heart of the referendum campaign, is set to intensify further once Article 50 has been triggered and a formal negotiation process is underway.

Given May's rhetoric on reducing immigration and the public backing for the position implied by her recent proclamations, it appears increasingly likely that her Government will prioritise an agreement that limits free movement of labour, viewing restricted access to the Single Market as a price worth paying for reducing net migration from Europe. Despite the Government's narrow parliamentary majority and strong opposition from other political parties to sacrificing membership of the Single Market, the Prime Minister is acutely aware of the public mood. This is not to say that May does not recognise the case for retaining economic ties with the EU; she has suggested that the UK should not pursue 'a model that is on the shelf already', indicating her appetite to eschew the remarks of those in the European Commission who argue that there will be no Single Market access without free movement.

One of the most important facets of the debate over the post-Brexit settlement on immigration and the relationship with EU member states will be the relationship between the UK and the Republic of Ireland. The reintroduction of a formal border between Northern Ireland and the Republic of Ireland is arguably one of the most sensitive aspects of the negotiation process, and politicians in both the UK and the EU will be mindful of the risks of reaching agreement that has the potential to create tension between Dublin, Belfast and Westminster. Visiting Belfast on 25th July 2016, Theresa May said that she would not allow a 'hard border' to re-emerge between Northern Ireland and the Republic of Ireland to reassure people that there would be no risk to the peace process and the Good Friday Agreement.<sup>1</sup>

The border issue is a vivid illustration of the difficulty that the UK faces in reaching an appropriate settlement in its negotiations with the EU. A re-established border with a UK that has no access to the Single Market could become a 'backdoor' route for businesses seeking to avoid new tariffs on exports; the lack of a new border will allow EU passport holders to travel into Northern Ireland and across to Britain without any additional checks.

Ultimately, this debate is likely to have little impact on the mobility of workers between the UK and the Republic of Ireland; free movement between the two countries has effectively existed since the secession of the Irish Free State in 1922, far predating the UK's membership of the EU, and is now incorporated in the Common Travel Area. Former Immigration Minister James Brokenshire, when asked about restrictions on immigration after Brexit, commented that both the UK and Irish Governments had committed to 'preserve the Common Travel Area'.<sup>2</sup>



1 <http://www.ft.com/cms/s/0/bf8a7f30-519a-11e6-befd-2fc0c26b3c60.html?siteedition=uk#axz4FPDhiPaH>  
2 <https://www.theguardian.com/uk-news/2016/jul/12/uk-immigration-system-not-points-based-minister>





## Curbs on Immigration vs Access to Single Market

At the 2016 Conservative Party conference, Theresa May indicated that control of immigration was going to be the key basis for Brexit, stating firmly 'we will decide for ourselves how we control immigration'.<sup>3</sup> It increasingly appears that regaining control of immigration is more of a priority for the Government than holding on to access to the Single Market.

Recent polling carried out by the National Centre for Social Research (NatCen) showed that nine in ten people would like the UK's access to the Single Market to continue. At the same time, as many as seven in ten thought that the UK should be able to limit the number of people from the EU who could work and live in the UK. NatCen concluded that the public is, on the whole, evenly split over whether the UK 'should accept freedom of movement of people in exchange for free trade with EU countries'.<sup>4</sup>

May firmly ruled out the establishing of a relationship such as the Norwegian or Swiss model in her conference speech, insisting that a new agreement would be created between 'an independent, sovereign United Kingdom and the European Union'.<sup>5</sup>

She has continued to reject the binary terminology of a 'soft Brexit' or 'hard Brexit', believing that a bespoke arrangement involving both good trade deals and control of immigration can be achieved for the UK.

3 <http://press.conservatives.com/post/151239411635/prime-minister-britain-after-brexit-a-vision-of>

4 <http://whatukthinks.org/eu/wp-content/uploads/2016/11/Analysis-paper-9-What-do-voters-want-from-Brexit.pdf>

5 <http://press.conservatives.com/post/151239411635/prime-minister-britain-after-brexit-a-vision-of>

David Davis has reiterated the Prime Minister's desire for a 'best of both worlds' Brexit, maintaining that 'the freest possible trade between us, without betraying the instruction we have received from the British people to take back control of our own affairs'.<sup>6</sup>

While the Government has an apparent preference for a tailor-made deal for the UK, the likelihood of this eventuality has been thrown into question following the sharp reaction of EU leaders. François Hollande, President of the French Republic, has said allowing Britain an advantageous deal regarding trade deals and control over immigration without the obligations of being an EU member state would 'jeopardise the fundamental principles of the EU' as other countries would want to leave. President of the European Commission, Jean-Claude Juncker, has encouraged a firm and unified response from remaining EU member states, stating 'we must be unyielding on this point'. He added that the UK cannot have 'one foot in and one foot out'. Chancellor of Germany Angela Merkel has agreed with her fellow EU leaders, announcing that full access to the Single Market is 'tied to complete acceptance of the four basic freedoms', referring to the freedom of movement of goods, people, services and capital over borders. The UK Government will therefore face a fight to exit Brexit negotiations on their terms.



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6 <http://press.conservatives.com/post/151240065825/davis-speech-to-conservative-party-conference>



## Farewell to Free Movement? The Norwegian Debate

Were the Government to seek membership or a form of associate membership of the European Economic Area (EEA), this would entail the UK accepting the free movement of people in close to its current form. While some flexibility may be allowed – EEA members that are outside of the EU are permitted to take ‘appropriate measures’ to restrict migration from EU member states in the event of serious economic risk arising from immigration – in practice, the UK would effectively be limited to the so-called ‘emergency brake’ negotiated by David Cameron prior to the referendum and would otherwise be subject to the same rules as EU member states.

Given the political impetus behind restricting migration, retention of almost any aspect of free movement is likely to prove unpalatable to the public and, consequently, to the Government. Theresa May has left no doubt that curbing free movement of people is a red line in negotiations and noted at the G20 summit in China in September 2016 that her goal would be ‘an ability to control the movement of people from the European Union...not free movement as it has been in the past’. There is clear public and political support for an immigration system that is under full domestic UK control, meaning that even an alternative version of free movement as under the EEA option is unlikely to fit with the Government’s anticipated position on this issue in the negotiations.



## The Swiss Debate

Switzerland has developed its relations with the EU through bilateral agreements in order to obtain access to the Single Market. The agreements cover access to the Single Market alongside issues of free movement, allowing for economic cooperation and the extension of asylum and free travel within the Schengen borders. EU-Swiss relations are currently governed by more than 120 sectoral agreements.<sup>7</sup>

While the agreements allow for the access to the Single Market desired by Switzerland, they have also created a complex network of requirements which are difficult to manage, suffer from discrepancies and require considerable time and resources to keep updated. EU-Swiss negotiations for a framework institutional agreement to replace the bilateral agreements began in May 2014. The negotiations are important for Switzerland as, in an exercise of power, the Council of the EU will not allow Switzerland any further Single Market access without the new agreement.

However, negotiations for the new agreement stagnated as the Swiss population voted in favour of amending their constitution to introduce annual quotas for the number of non-Swiss nationals, and to give preference to Swiss citizens in the job market. Implementing the results of the referendum would be incompatible with the current EU-Swiss bilateral agreements, and the 'guillotine clause' – whereby if one agreement is terminated (in this case, the Free Movement of People Agreement, part of Bilateral 1), the other agreements would cease to apply – would see the end of Single Market access for Switzerland.<sup>8</sup>

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7 [http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuid=FTU\\_6.5.3.html](http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuid=FTU_6.5.3.html)

8 [http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuid=FTU\\_6.5.3.html](http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuid=FTU_6.5.3.html)

In the period that followed, the Swiss Government faced tough political and legal decisions, and EU-Swiss relations became strained; Switzerland was ejected from the EU's science research programme, Horizon2020, and the Erasmus student exchange programme.

Recently, in December 2016, the Swiss Government decided not to impose quotas in a bid to preserve its Single Market access. Instead, their parliament voted to pass a compromise immigration law which will attempt to curb immigration by giving residents priority in new job vacancies. This has appeased the EU, as the law will not impose outright quotas. The EU were particularly wary of creating a flexible precedent following Brexit, as Britain may attempt to use this in their favour during Brexit negotiations. An EU diplomat stated explicitly 'we cannot set a precedent on free movement, especially not now, given the UK situation'.

The situation with Switzerland has thrown up some questions from EU members about its enviable network of specially tailored contracts. The EU is highly unlikely to countenance negotiating a similar arrangement with the UK, with one former EU negotiator stating 'you don't make a mistake like that twice'.<sup>9</sup>



9 <https://www.ft.com/content/4c8efca6-7b28-11e6-b837-eb4b4333ee43>



Farewell to Free Movement



## Points - Based System

During the referendum campaign, Vote Leave proposed the introduction of a so-called ‘points-based system’ for deciding the number of skilled and unskilled migrants entering the country. The Prime Minister has explicitly rejected the idea of a points-based system, although it was never fully clarified by the Leave campaign how they anticipated this system would operate. The term ‘Australian-style points-based system’ is one that has been present in British political discourse for several years, used not only by UKIP but also by Conservative and Labour politicians, but without much significant elaboration on how such a system might work in practice.

The potential political gains to be reaped from a points-based system are clear; it certainly fits more neatly with the Leave campaign’s mantra of ‘taking back control’, and is flexible, meaning that any changes to the economic, social and cultural landscape of the country can be reflected in the criteria for entry. Proponents of the system also claim it is more easily accountable than other options, since the criteria will often be relatively straightforward and transparent and can be geared towards integration. However, such a system is arguably less preferable from a labour market perspective as it means that migrants are more easily able to arrive without a formal offer of work, potentially leading to higher rates of unemployment among migrants which may in turn stifle integration.

Given the lack of preference for a points-based system in the Prime Minister’s office, it appears unlikely that the Government would pursue a hard cap on the number of EU migrants arriving in the UK. By extension, it would then be likely that the reduction of net migration to the tens of thousands will remain an aspiration, as it was during the last parliament, rather than a specific target for the Government to achieve within a set timeframe. A hard cap becomes much more difficult to achieve under any system that allows a significant degree of responsiveness to employer demand, but May’s apparent unwillingness to drop the target altogether means that it is highly likely to stay in place as an aim for the foreseeable future.



## Employer - Led System

As suggested by Open Europe and others, the principal alternative to a points-based system for controlling migration is allowing employers greater control over migration.<sup>10</sup> A demand-led system responsive to the needs of employers would allow businesses to select EU workers directly rather than simply adding to an available pool of labour that risks leaving immigrants unemployed. This removes the potential risk to integration posed by a points-based system but also makes it more difficult for criteria for entry to be designed around long-term cultural integration.

A system led by demand would not go without state regulation, and the Government would be expected to ensure that appropriate employment laws are enforced and that the Government has given early reassurances to the financial services sector that mobility for highly-skilled migrants would not be restricted, a sign that Ministers and Number 10 are open to sector-specific settlements on migration from the EU based on employer demand. This would also be a welcome approach for those businesses in sectors such as social care, hospitality and retail that may rely heavily on EU workers but who fear they would lose out under a strict points-based system.

Where there may be a greater risk attached to an employer-led system is a potential lack of security for both the worker and employer; their right to remain in the country for a period of time, their accommodation in the UK or other significant benefits attached to their work status may be at risk if they were to lose their job or experience significant change in their working patterns, meaning that a worker may ultimately have to leave the country and employer may be left understaffed.

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<sup>10</sup> <http://openeurope.org.uk/today/blog/points-based-or-work-permit-immigration-system-the-uk-needs-the-best-of-both/>





## The Compromise

Therefore, the fundamental question for future immigration policy which is yet to be addressed is the extent to which the Government is willing for a reformed system to be truly led by employer demand; that is, whether a system that incorporates points would be fully reflective of the dependence on unskilled EU migrant labour in sectors such as social care or retail, as well as skilled workers arriving into professions such as healthcare and teaching. There is concern among the business community that the Government is so focused on assuaging public concern over the overall level of net migration that its rhetoric on reducing that level produces a crude and simplistic distinction between skilled and non-skilled migrants, rendering the former only conditionally welcome and the latter simply undesirable.

A frequently suggested solution has been a visa programme, where migrants would require an offer of employment to move to the UK. This was reported to have been considered by the Prime Minister's immigration taskforce, and would appear, for the most part, to extend the existing visa regime for non-EU migrants. Immigration Minister Robert Goodwill has also refused to rule out a levy of £1,000 per year on businesses for each EU worker they employ.<sup>11</sup> Such solutions are unlikely to find much favour with UK employers and the Government will continue to engage with the business community on policy as it develops.

Once formal negotiations are underway, and the Government inevitably receives representations from businesses reliant on unskilled migrants arriving from EU member states, a more nuanced debate over a practical immigration policy will emerge that employers then have an opportunity to shape.

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11 <http://www.telegraph.co.uk/news/2017/01/11/businesses-could-hit-annual-1000-charge-every-eu-migrant-bring/>

The Government has been clear that it wants to make sure that sectors at risk of labour shortages do not suffer, and so in practice, future policy on EU migration is likely to amount to a combination of points-based and employer-led systems.

Much in the same way as the current visa regime for non-EU migrants works in the UK – a four-tier system that is based on employer sponsorship and criteria set by central government – post-Brexit migration from EU member states is likely to mix an awareness of particular needs in specific sectors and strict national criteria that allows the net migration target to appear more achievable.

What remains to be seen is whether the above combination leaves any room for a transition to permanent residence. It may prove politically difficult for the Government to speak openly about allowing a route to permanency for migrants given the prevalence of concerns expressed during the referendum campaign around pressure on the labour market and public services from population growth, perceived by some to be the fault of open borders with the EU. Indeed, where Theresa May was deemed by some to have been reluctant to guarantee the rights of existing EU migrants in the UK, it seems unlikely that the Government would immediately be willing to talk about permanent residence for future migrants under a new system.





## Supply and Demand

“ When we look at the immediate impact of the leave vote on workforce issues we see the areas where demand by employers is highest are the ones experiencing a negative impact in terms of prospective employees’ interest in coming to the UK. We expect the uncertainty of the current situation to put off families and couples, but the impact this will have on specific sectors is perhaps being underestimated. ”

Fleur Hicks-Duarte, Managing Director, [onefourzero](#)

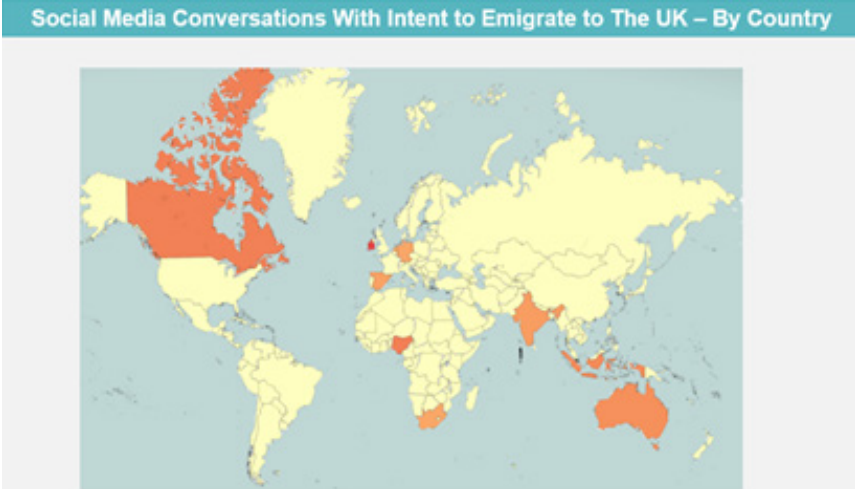


“ While the uncertainty Brexit brings is having an impact on whether or not some EU citizens desire to come to work in the UK, it is worth noting so far there has been no significant decrease in the number of jobs being advertised in these countries by UK employers. It’s still early days, but we see this potentially growing shortfall in supply verses demand as a clear example of some of the workforce problems that are on the horizon in a post-Brexit world. Obviously this is something employers across a variety of sectors need to keep an eye on as the situation will continue to change. ”

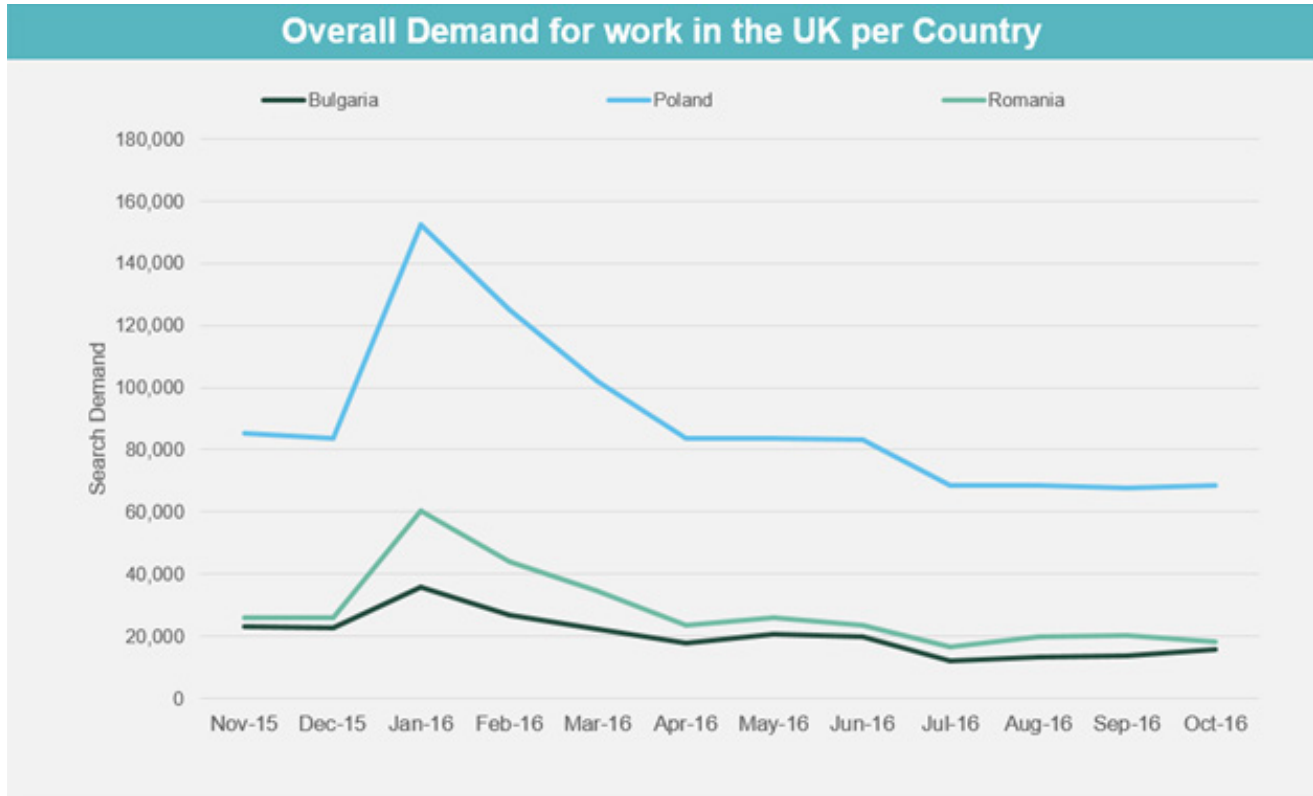
Robin Grainger, founder & Co-chairman, [GK Strategy](#)



onefourzero, GK's sister agency, has analysed the desirability of the UK as a destination for migrants to seek work. Using data taken from social media conversations, we can see a number of patterns emerging in the months after the referendum with regard to demand from specific countries, the desirability of specific jobs and sectors among potential migrants using Poland as an example, and the sectors whose vacancies are advertised most frequently.



Country	Ranking
U.S.A	#1
Ireland	#2
Canada	#3
Nigeria	#4
Indonesia	#5
Australia	#6
India	#7
Spain	#8
Germany	#9
South Africa	#10

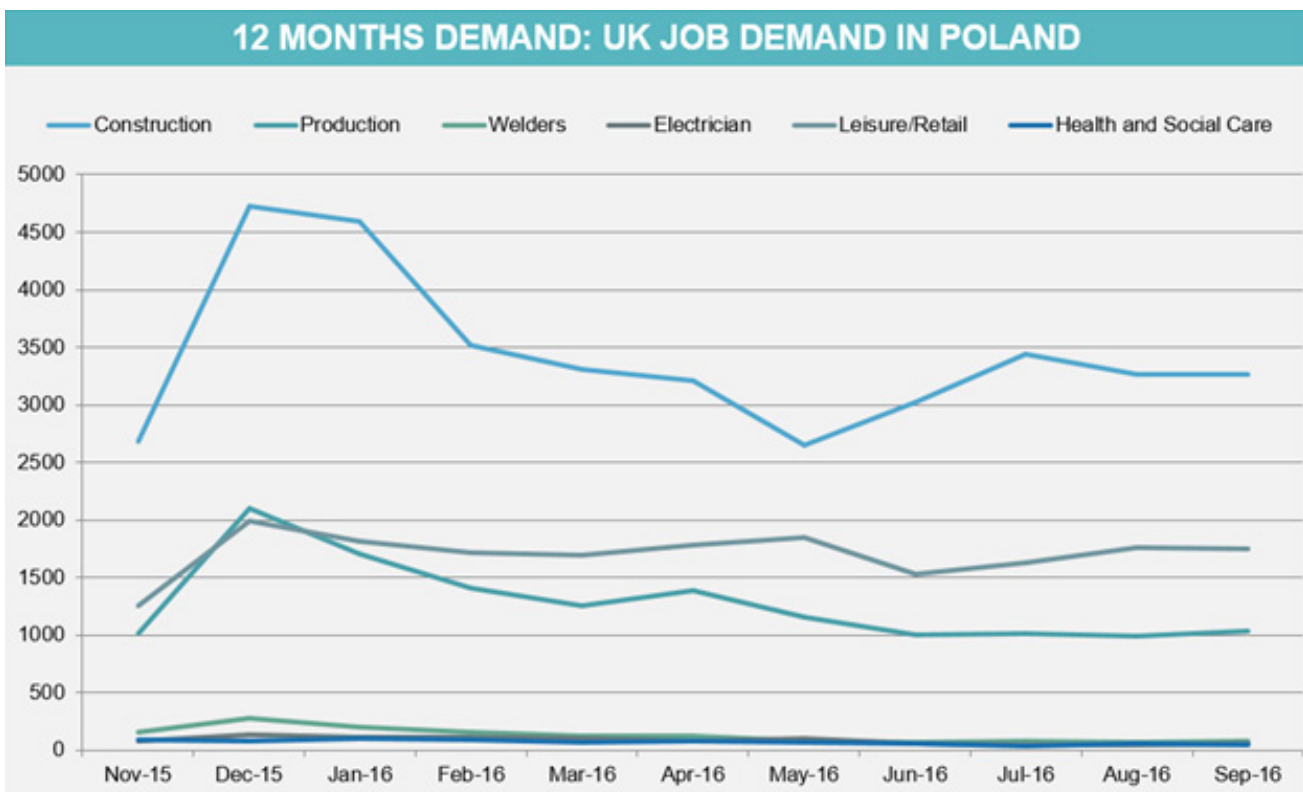


Our analysis found that over the last 12 months, overall the intent to move to the UK decreased by 27% across the selected countries.

- Intent from Poland has decreased by 20% over the last 12 months.
- Bulgarian intent to move to the UK has decreased by 32% over the same period.
- Romanian intent to move to the UK has decreased by 30% over the 12 month period.

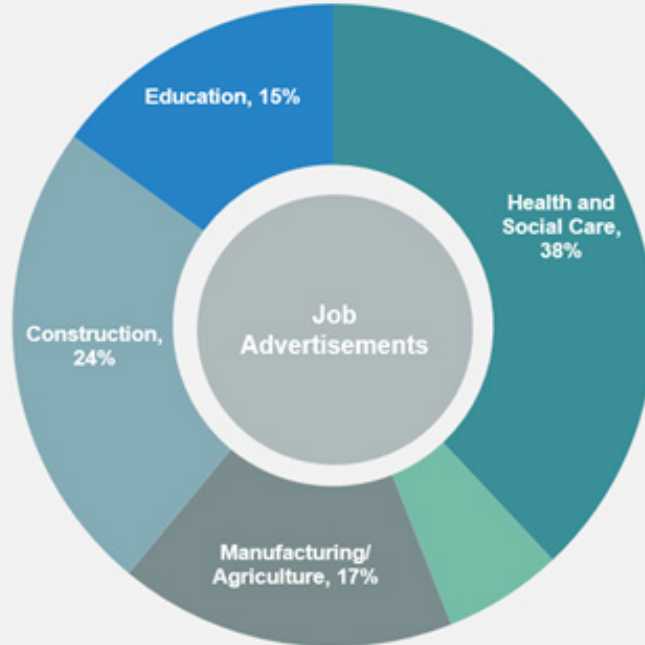
We looked at the demand for work in the UK in specific sectors.

- In construction, demand has increased by 22% over the 12 month period.
- Production demand has seen an increase of 3% over the same period.



- Within the health and social care sector, particularly nursing and homecare, there appears to be a gradual decrease over the last 12 months. Since June 2016, there has been a decrease of 17%.
- Overall demand for work in the UK has decreased, our analysis shows that sector specific demand is on the rise.

## Job Advertisements in Poland per Sector



- Our analysis indicates that the highest number of advertisements in Poland, seeking work in the UK is within the Health and Social Care sector, followed by construction and manufacturing.
- We also note that there is no significant decrease in the number of job vacancies advertised.
- We found that 3% of Polish Ex-pats had concerns about British schools – selection of schools offered to immigrants, fear of children becoming ‘second-class’ citizens, and racial bullying.
- 14% were concerned about racism, particularly racist attacks and racial harassment.
- 19% expressed an intent to leave or discussed leaving the UK.
- 10% were worried about the future of the economy and the value of the Pound.
- 6% were discussing not being able to integrate into British society.
- 48% of the conversation was general Brexit-related discussions. This could represent undecided Ex-Pats.



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## Potential Impact on Specific Sectors

Whilst the workforce implications of Brexit provide some challenges for sectors – there are also opportunities to businesses.



## Health and Social Care

We know that EU nationals currently comprise around 4.95% of staff in NHS trusts and Clinical Commissioning Groups (CCGs), and 5% of the social care workforce.<sup>12</sup>

Given the Government's lack of clarification on the status of whether these staff will have the right to remain in the EU following the negotiation process, these figures are potentially very worrying. With staff shortages already a salient issue for the NHS, the prospect of losing anything like this proportion of the workforce is a legitimate cause for concern for those running the NHS and, more importantly, for those using it.

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*“The social care system is critically dependant on non-UK citizens, in both the residential and domiciliary care settings. Our elderly must not be caused to worry about the continuity of care they receive, so there is an urgent need for the status of these carers to be clarified. Within the NHS, something like 130,000 clinicians are citizens of the 27 EU members. Many of them have been working in the NHS for many years, at all levels, from healthcare assistant through to senior consultant. The workforce pressures in our NHS are well known, and it is important that we are able to continue to attract and retain clinicians at all levels. There are undoubtedly a significant number of senior consultants, who could work anywhere in the world, who feel that they are now regarded as ‘stop gaps’ until we have trained home grown consultants to replace them, which will of course take at least 10 years.”*

Tim Smart, Associate

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<sup>12</sup> <http://researchbriefings.files.parliament.uk/documents/LLN-2016-0039/LLN-2016-0039.pdf>



To provide a sense of the recruitment and retention issues facing the NHS and care sector, in 2014 there was a shortfall of 5.9% between the number of staff needed and the number in post in the NHS. Similarly, the estimated vacancy rate is 5.4%, and 7.7% in domiciliary care services.<sup>13</sup>

While prominent figures such as Jeremy Hunt, Secretary of State for Health, and Bruce Keogh, Medical Director at NHS England, have sought to reassure European staff at the health service since 23rd June, there was a series of more worrying claims made prior to the vote that are difficult to ignore, even if they did carry some bias as part of the campaign to remain in the EU. Hunt, for example, commented in March 2016 that ‘uncertainties around visas and residency permits could cause some to return home, with an unpredictable impact on hard-pressed frontline services’.<sup>14</sup>

The King’s Fund have also been outspoken on the topic, commenting after the vote that ‘it is widely acknowledged that the NHS is currently struggling to recruit and retain permanent staff’, and arguing that the Government should make its intentions clear as soon as possible with regard to whether EU nationals will be able to work in the health and social care sectors in the UK. They have also stated that they would like to see providers of NHS and social care services retain the ability to recruit staff from the EU where there are not enough resident workers to fill vacancies, possibly through adding specific occupations to the Migration Advisory Committee’s shortage occupation list.<sup>15</sup>



“ Nationality is an issue. Our health and social care system is supported by many workers from overseas at all levels, who provide capacity for services as well as sharing their skills and experience. This is particularly true in metropolitan areas where hospitals might have well over 10% of their staff from outside the UK. In social care it’s the same and, following Brexit, will current carers from EU countries want to, or be able to, stay to do the very important but low paid work looking after our most vulnerable family members and citizens?

This is before we even consider the impact on scientists doing cutting edge research, who will move to where they can get the best funding. What many of these dedicated and knowledgeable people want most is some certainty. This is currently in short supply. ”



Andrew Nye, Head of Health & Social Care **GK Strategy**

13 <https://www.kingsfund.org.uk/publications/articles/brexit-and-nhs>

14 <https://www.theguardian.com/commentisfree/2016/mar/26/jeremy-hunt-brexit-nhs>

15 <https://www.kingsfund.org.uk/publications/articles/brexit-and-nhs>

On the other side of the coin, the Vote Leave campaign suggested that free movement laws have prevented the testing the English of all doctors working in the UK, although the NHS's chief executive, Simon Stevens, has refuted any notion that the health and care sectors do not benefit 'enormously' from EU doctors and nurses.

Should EU nationals be refused the right to work in these sectors as part of the negotiation outcome, it is difficult to envisage how this would not, particularly in the short term, compound this pressure. The falling quality of services, particularly in social care, has been gaining momentum as a political priority in recent months, and it seems likely that May and her team will be keen to avoid exacerbating these issues and the public's perception of them. Whether or not the UK will be able to arrive at a happy compromise over freedom of movement with regard to health and social care is, however, under question.





## Housing

Despite solid growth in recent years, the construction industry in the UK has struggled with both recruitment and training of skilled workers. The Royal Institute of Chartered Surveyors (RICS) has warned that, even before withdrawal from the EU and reforms to the immigration system, the industry is facing its highest skills shortage for almost 20 years.<sup>16</sup>

As a result of this trend, a significant and steadily growing proportion of the construction workforce originates from EU member states; it is thought that of the 3 million jobs in the construction industry in the UK, between 10-12% are filled by EU migrants. The risk to the sector from migrants leaving the UK to work elsewhere in the EU or future restrictions put in place is at the forefront of the minds of construction businesses: a survey by property company Smith & Williamson suggests that 55% of those in the sector fear that there will be damaging labour shortages, leading to longer project times and higher wage costs, as a consequence of Brexit.<sup>17</sup>

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*“Many people voted for Brexit because they believe migrants have lowered earnings and burdened public services including housing. If EU migration is cut after Brexit, pay levels would undoubtedly rise. However, construction jobs could evaporate if schemes become commercially unviable. Market conditions would also worsen if house prices stall or decline because of economic uncertainty and a fall in overseas investment at the top end of the housing market. In such a scenario, government may have to step in to build the housing that is needed and create the jobs that are lost or under threat.”*

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16 <http://www.rics.org/uk/knowledge/market-analysis/rics-uk-construction-market-survey/>

17 <http://smithandwilliamson.com/business/insights/news/property-survey-2017>

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Stephanie Elsy, Associate

With central and local government aiming for ambitious policies to accelerate housebuilding across the country to meet increasing demand, the potential for severely restricted access to labour looks likely to be another barrier to overcome. While local authorities are making some progress in making land available for new developments, they will be worried that developers may struggle to capitalise on this if a shortage of workers and increased labour costs hinder their ability to move forward with projects. With independent forecasts warning that the construction industry could lose out on more than 200,000 workers in the event of the Government pursuing a points-based system for EU migrants, there could be a large drop in labour supply at a critical moment for housebuilding in the UK.

There is already a skills shortage in the construction sector, and while the Government may be open to considering a sector-specific deal on migration as advocated by industry stakeholders such as the Home Builders federation, more likely is an increased focus on improving skills training and widening access to apprenticeships. With a specific tax – the Construction Industry Training Board (CITB) levy – already supporting the sector, Ministers may feel that it makes more sense to focus on addressing a skills problem that migration restrictions are likely only to exacerbate. Such an approach also has the advantage of dovetailing neatly with the Government’s broader policy on increasing the overall number of apprenticeships and would further justify the decision to maintain the CITB levy alongside the apprenticeship levy coming into effect from this April.

In addition to the direct impact on the construction workforce, there are also concerns that a particularly restrictive deal on immigration would have a demand-side impact as well; fewer migrants entering the country would potentially hit a private rented sector still coming to terms with domestic changes around buy-to-let taxation and restrictions on letting agents. This may yet force both central government and local authorities to reconsider their housing strategy as potentially significant changes to supply and demand materialise following Brexit.



“ With EU nationals making up such a large proportion of construction workers in the UK, the housebuilding sector will be very worried about the Brexit impact on the workforce – not for starting a worker shortage crisis but compounding one. Since the 2008 recession, the construction workforce has declined significantly and is forecast to decline further over the coming years. Yet with growing housing demand and ambitious government targets, it is estimated the industry will need around 800,000 – 1,000,000 new workers to replace leavers and meet demand. There will likely be more sympathy to help deliver apprenticeships and skills training more effectively and perhaps incentivise adoption of innovations which require fewer skilled workers, such as off-site, modular housing. Housebuilding remains a top policy priority for the Government and undoubtedly will feature heavily in their minds as they negotiate restrictions on freedom of movement. ”



Jack Withrington, Associate Director, **GK Strategy**



## Manufacturing

EU workers make up a significant proportion of the manufacturing workforce, with 185,000 EU nationals working in the sector. The CBI have insisted that the skills EU nationals bring to the sector fill vacancies and allow companies to grow, and there are fears that innovation and growth will be disrupted in the absence of skilled EU workers.<sup>18</sup>

The Secretary of State for Exiting the EU, David Davis, has reassured the sector that a tighter grip of immigration controls will not come at the expense of British industry. In a speech at the CBI conference in November 2016, Prime Minister Theresa May announced that a new industrial strategy will be made a priority, stating that the Government are committed to ‘a new, active role that backs British business’ and are focusing on boosting ‘long-term economic success’. She addressed the issue of uncertainty around Brexit for businesses, imploring them to focus on new opportunities to ‘set our own rules and forge new and dynamic trading agreements’, but did not address the issue of freedom of movement.<sup>19</sup>

According to the Food and Drink Federation, around 27% of the UK’s food and drink manufacturing workforce are EU nationals (almost 100,000 workers).<sup>20</sup> Food industry executives have called on the Government to assure the sector’s access to EU seasonal and permanent labour will remain. A letter from 75 food industry heads addressed to The Times stated ‘this access to labour is essential as it underpins the UK food chain’s timely delivery of high-quality, affordable food to consumers’. Without access to EU nationals who are readily available seasonally, companies will struggle to recruit enough skilled, semi-skilled and unskilled workers.

18 <http://www.cbi.org.uk/insight-and-analysis/manufacturing-and-the-eu/>

19 <https://www.gov.uk/government/speeches/cbi-annual-conference-2016-prime-ministers-speech>

20 [https://www.fdf.org.uk/corporate\\_pubs/FDF-Manifesto-A-New-UK-EU-Relationship.pdf](https://www.fdf.org.uk/corporate_pubs/FDF-Manifesto-A-New-UK-EU-Relationship.pdf)

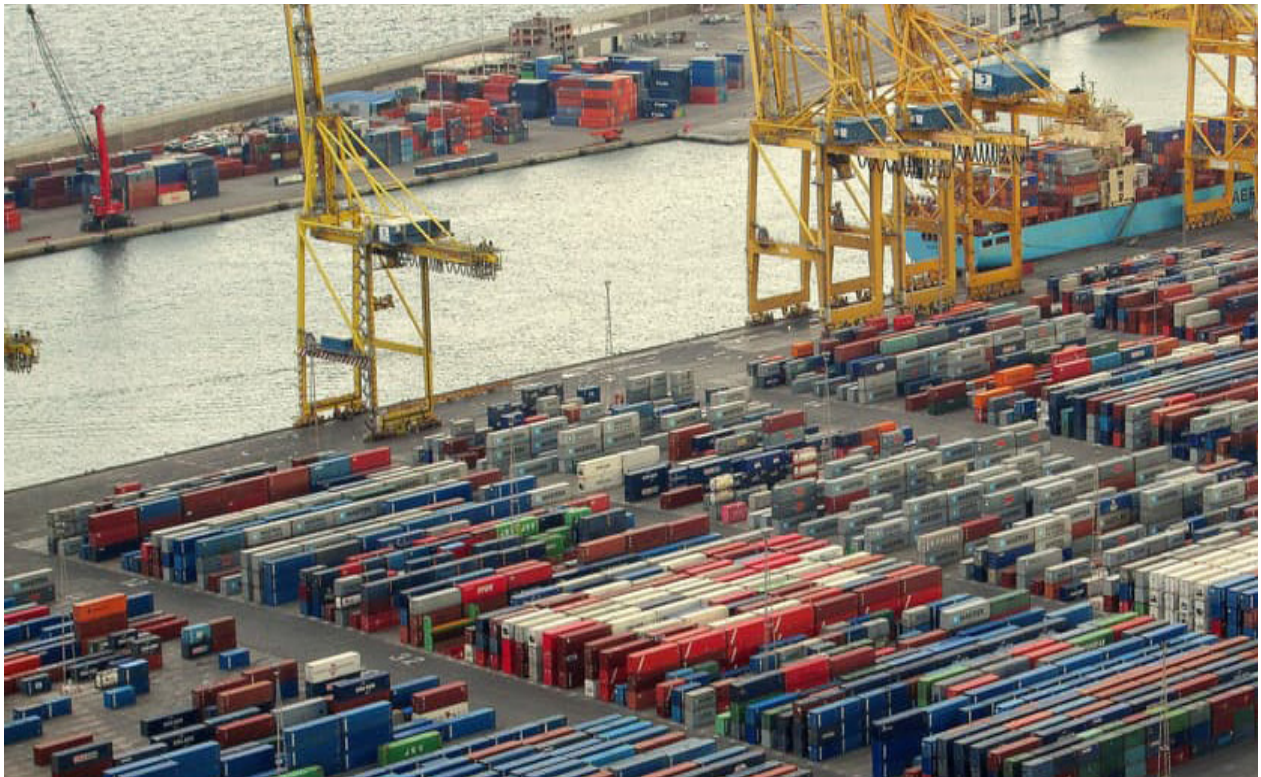


“ On becoming Prime Minister, Theresa May talked up the idea of an industrial strategy, but has had remarkably little to say on what part manufacturing might play in this recent months. With manufacturing historically such a significant part of the British economy and potentially being hit by tariffs after Brexit, the Government will want to ensure that future restrictions on immigration from the EU – which could affect a significant proportion of the workforce in this sector – do not impede any progress towards its nascent industrial strategy. ”



Jamie Cater, Research Manager, **GK Strategy**

This will result in the UK facing limited food choices and increased food prices. A study led by the Royal Academy of Engineering estimates that around 182,000 higher level technicians and engineers alone will be needed each year to meet UK industry growth and innovation ambitions up to 2022, which the UK alone couldn't supply for several years, despite new government initiatives to increase training opportunities. The report also found that if companies struggled to transfer their own employees into the UK, costs could be sharply driven up. Without access to EU talent, it is likely that there will be costly delays to large infrastructure projects such as the Hinkley Point nuclear power station.<sup>21</sup>



21 <http://www.raeng.org.uk/news/news-releases/2016/october/engineering-industry-says-renewed-focus-on-industry>



## Higher Education

There has been significant discussion about the impact of Brexit on Higher Education (HE), in terms of both students' and staff's ability to move freely. Fears about the workforce became more pronounced following the German Academic Exchange Service's (DAAD) warning that British universities could lose up to 15% of staff should academics be prohibited in their movement. DAAD's head, Margaret Wintermantel, said several months ago that even in the early stages of the vote's aftermath, the uncertainty around the issue was leading academics to turn down British university jobs.

This sentiment was echoed by pro-remain campaign group Scientists for EU, which found that almost 30 out of around 430 responses to a call for evidence had been from EU nationals rejecting UK jobs or withdrawing applications due to the vote. The group also received 40 reports from British members of international research projects who had been asked to 'scale down their role or withdraw from the consortium altogether' by EU partners.<sup>22</sup>

Concerns have also been expressed by the likes of the Francis Crick Institute (Europe's biggest biomedical research centre), many British universities and several national academies, including the British Academy and the Royal Society. Universities UK and Russell Group, trade bodies representing British universities, have also both warned of the negative consequences of the Brexit vote.

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22 <https://www.theguardian.com/education/2016/sep/25/brexit-may-force-15-of-staff-at-uk-universities-to-leave-warns-group>



“ Staff mobility is understandably a huge concern for higher education institutions. Hesa figures show that in 2013-14, 15% of academics at UK non-Russell Group universities were EU nationals, and the figures were even higher for members of the Russell Group. The future landscape for recruiting EU staff will depend on the kind of relationship the UK negotiates with the EU. With Home Office policies perceived as being increasingly unwelcoming to prospective students, Higher Education Institutions (HEIs) will be concerned over how effectively and quickly they might navigate any future UK visa system for staff. With the Higher Education and Research Bill already creating waves across the sector, HEIs are asking for certainty on areas of risk for them and the future of their workforce is high on that list. The value of higher education to the UK economy is widely recognised, and the quality and calibre of academics is fundamental to its continued success. ”

Emma Petela, Associate Director, **GK Strategy**



In its response to the House of Commons Science and Technology Committee inquiry on leaving the EU, the latter stated that ‘one fifth of Russell Group academics are EU nationals and, amongst other things, they bring diverse approaches to tackling complex global challenges’.<sup>23</sup> They also indicated that feedback from members had shown that prospective staff from within and outside of the EU were ‘changing their minds about continuing with job applications or accepting work contracts because of the Brexit vote’.

To top this, just this week the results of a survey by YouGov have been published, which asked more than 1,000 lecturers and professors about the impact of the vote. 90% said that they thought Brexit would have a negative overall impact on the sector, and 40% said they were more likely to consider leaving UK HE to continue their career. Among non-UK EU nationals, 76% showed that inclination.

Finally, it is also worth noting the debate around student visas. The immediate priority for May’s administration on reducing net migration numbers appears to be further restrictions on tier 4 visas – those that are used by international students to study in the UK. This was something that she previously clashed with Osborne on in her time as Home Secretary and his as Chancellor, and indeed something that she also appears to have collided with Philip Hammond on since assuming the PM role. We have seen a renewed determination from May to see greater restrictions on those able to come to the UK to study, and it has been reported that the Home Office and the Department for Education are to be ordered by Downing Street to examine how the student visa regime can be tightened further.

There is clearly an overall feeling of apprehension in the UK’s HE sector, and evidence to show that it is already suffering. It does not bode well that academics already look to be pursuing other avenues as a result of the vote, before the negotiation process has even officially kicked off. This situation is likely to be worsened by May’s likely crackdown on the student visas, given the impact this could have on standards and diversity at British universities. Despite this, broader reforms to the HE sector as part of the Higher Education and Research Bill will continue to make the sector – particularly alternative, for-profit operators – an attractive proposition to investors. It is critical for HEIs to take this opportunity to review their strategy and evolve to meet the Brexit and broader policy challenge.

23 <https://www.russellgroup.ac.uk/media/5430/russell-group-response-to-inquiry-on-leaving-the-eu-implications-and-opportunities-for-science-and-research-final.pdf>





## Retail

Following the initial shock of Brexit, consumers have continued to spend. Retail sales figures for November 2016, as reported by the Office for National Statistics (ONS), have increased by 5.9% compared with November 2015.<sup>24</sup> However, with retail, leisure and hospitality industries reliant on EU workers, the uncertainty surrounding free movement is creating much unease with regards to the long-term impact of Brexit on these industries.<sup>25</sup>

Although a relatively small proportion of the UK retail workforce is comprised of EU workers, with 442,000 EU workers currently employed in UK retail and hospitality, retailers may still struggle to recruit for relatively unskilled roles in their supply chains or warehouses.<sup>26</sup> This situation may be worsened due to the impact of the weaker pound – and estimated slower economic growth – predicted to deter new EU workers coming to the UK.<sup>27</sup> The leisure and hospitality industries will feel the impact of fewer EU workers more keenly – with EU nationals making up 15% of employees in the hospitality and tourism sector (around 700,000 people). The chief executive of the British Hospitality Association has urged the Government ‘not to push our businesses to a cliff edge on immigration’.<sup>28</sup>

24 <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/nov2016>

25 <http://www.cbi.org.uk/insight-and-analysis/hospitality-leisure-and-the-eu/>

26 <https://united-kingdom.taylorwessing.com/en/news/brexit-and-business-immigration-safeguarding-eu-citizens-and-britons>

27 <https://www.ft.com/content/d5c16006-d0f8-11e6-b06b-680c49b4b4c0>

28 <http://www.thisismoney.co.uk/money/news/article-3794237/As-700-000-leisure-staff-face-Brexit-curbs-industry-s-leader-stark-warning-PM-Don-t-push-business-cliff-edge.html>



“ This is a sector that in some regards has experienced an increase on their cost base with the introduction of the National Living Wage and it seems almost certain that employers will find it harder to recruit unskilled workers for their supply chains, which may lead to higher costs for consumers. Nevertheless, with a relatively small proportion of workers recruited from EU countries, the retail sector will be less affected by restrictions on migration compared with some. ”



Louise Allen, Policy Director , GK Strategy

For the retail, leisure and hospitality industries in the UK, the current outlook is uncertain; the implementation of the National Living Wage (NLW), pension auto-enrolment and the introduction of the apprenticeship levy in April 2017 have already placed significant pressure on staffing costs. Following Brexit, difficulties recruiting may result in wage inflation to attract new staff, which smaller businesses can ill afford.<sup>29</sup> It is important to note that the NLW was subject to ‘sustained economic growth’, with the Government’s objective to have a NLW of ‘over £9 by 2020’, but this is no longer a given, with warnings that the impact of Brexit on these industries is yet to be felt.<sup>30</sup> Paul Martin, head of retail at KPMG, has commented ‘it can take 12 months for the effect [of Brexit] to filter into real economy’, noting a gradual impact with price increases beginning in early January 2017.



29 <https://ecommera.com/content/brexit-debate-what-does-it-mean-retail-industry>

30 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/571631/LPC\\_spring\\_report\\_2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/571631/LPC_spring_report_2016.pdf)

## Conclusion

The Government has a difficult balance to strike in its approach to managing migration from the EU after Brexit. There is some tension between what employers and the public demand; Theresa May and her colleagues will have to find a way of keeping public opinion on their side and being seen to 'take back control', while ensuring that a new system is sufficiently flexible to be responsive to the needs of the UK's employers. The process of negotiating the UK's future relationship with the EU could be long and complex, and the question of immigration may prove the hardest to answer. Businesses should be proactive in engaging with the Government to ensure that their views are heard during this process, and that future migration policy results in a system that is capable of meeting their needs.

## Report Team



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