

# STRIKING THE RIGHT DEAL

UK–EU migration and the Brexit negotiations

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## 60-SECOND SUMMARY

The government should seek a new agreement on UK-EU migration as part of the forthcoming Brexit negotiations. This agreement should find a compromise between the UK and the EU by granting the UK greater control over EU migration while retaining elements of the current migration rules. This should operate through an agreement to continue free movement for certain categories of people – for instance, certain occupations or sectors – and not others. If this is not negotiable, then the UK should instead seek to negotiate an agreement to implement temporary controls on free movement during periods of high migration pressures.

A UK-EU agreement on migration would be in the national interest. First, it would significantly help support the government's aims to secure an ambitious free trade agreement with the EU. Second, our research suggests that the impacts of stringent restrictions on the UK labour market could be substantial; a UK-EU agreement on migration could thereby ameliorate any negative post-Brexit effects on the labour market. Third, our analysis of public opinion suggests there is political scope for a deal on migration with the EU. A deal of the type we suggest could therefore help the EU negotiations, benefit the UK labour market, as well as secure public consent.

## KEY POINTS

### The negotiations

- The UK government is seeking an ambitious free trade agreement with the EU, which will cover extensive integration in trade in both goods and services. The government is aiming to secure the same trade benefits the UK currently has by virtue of its EU membership. Most trade deals with the EU with this degree of scope include a provision on migration. Therefore, in order to secure this agreement, it is in the UK's interest to negotiate an agreement on UK-EU movement of people.
- There are six main options for a UK-EU agreement on migration:
  - **Option 1: temporary controls on free movement:** The government would temporarily introduce limits on free movement for particular sectors or regions during periods of high EU inflows.
  - **Option 2: free movement for those with a job offer:** Free movement would continue as before for workers, students, family members and the self-sufficient, but jobseekers would no longer have the right to reside in the UK.
  - **Option 3: free movement for certain flows:** Free movement between the UK and the EU would continue for particular workers – for instance, certain professions and workers in particular sectors – as well as non-active groups.
  - **Option 4: points-based system:** EU nationals seeking the right to work in the UK would need to meet the requirements of a points-based system. Points could be allocated on the basis of criteria such as highest qualification level, age and language ability.
  - **Option 5: 'preferential' system for EU nationals:** EU nationals coming to the UK to work would face a more relaxed version of the rules non-EU nationals currently face.
  - **Option 6: controls on EU labour migration; free movement for others:** The UK would be at liberty to set its own rules for EU workers and the self-employed – in practice most likely applying the same system that currently operates for non-EU nationals – but would agree to facilitate continued free movement, as far as is feasible, for students, family members, and the self-sufficient.
- For each of these options, the government should negotiate scope for a **regional dimension** to future EU migration policy, to allow regions and nations to adapt their own immigration policies to meet local priorities.

### The labour market

- EU nationals are largely concentrated in lower-skilled occupations. While on average EU nationals make up 7 per cent of the UK workforce, in the two lowest occupational groups – machine operatives and elementary staff – just under 15 per cent of workers are EU nationals.
- Certain sectors – notably hotels and restaurants, and manufacturing – rely heavily on lower-skilled EU labour (10 per cent and 7 per cent of their workforce respectively are lower-skilled EU nationals). Particular subsectors such as food manufacturing (28 per cent) and domestic personnel (19 per cent) have even greater proportions of lower-skilled EU nationals in their workforce.
- The impacts of Brexit on the labour market vary radically depending on the type of system introduced. If the current visa rules for non-EU workers were also applied to EU workers, then the vast majority of recent EU workers would be ineligible. On the other hand, if free movement for people with key jobs in the economy and for highly skilled workers were admitted, the impacts would be considerably less severe.

- Applying the non-EU rules to EU workers would have a particularly significant impact on the hotels and restaurants sector (where 16 per cent of the entire workforce are ineligible EU nationals), the manufacturing sector (10 per cent), and the agriculture sector (9 per cent). The occupational groups most affected would be machine operatives and elementary staff.
- Many employers would face serious difficulties adapting to restrictions on lower-skilled EU nationals. The significant turnover in the workforce means that relying on EU nationals currently in the UK – who are expected to have their rights protected – will not be sufficient to fill the new vacancies. The pool of UK workers to recruit from domestically is small – the current UK unemployment rate is 4.7 per cent, at its joint lowest point since 1975, and the economic inactivity rate is at a near record low of 21.6 per cent.
- Moreover, employers already find many lower-skilled vacancies hard to fill. A total of 43 per cent of machine operative vacancies (where EU nationals are particularly concentrated) are hard to fill, far higher than the average of 33 per cent. More than half of hard-to-fill vacancies in machine operative roles are reported as causing loss of business to competitors or increased operating costs. This impact is larger than for any other occupational group.
- While some employers may be able to invest in new technologies to replace labour, a number of sectors reliant on EU nationals – such as domestic personnel, warehousing and support for transport, and services to buildings and landscape – have lower potential for automation. In other sectors, such as meat processing, the costs of investment in technology are prohibitively high for many businesses.
- Therefore, in order to prevent many employers reliant on EU labour from shrinking their operations or moving them abroad, the government will need to adopt a carefully managed approach to a new migration policy for EU nationals, with a transition period for employers to adapt to the new labour market conditions.

### Public opinion

- Concern about freedom of movement was a key (though by no means the sole) driver in the vote to leave the EU.
- However the UK public are more pragmatic on immigration than is often assumed. Only a small minority (11 per cent) expect full control over EU immigration post-Brexit and, excluding the ‘don’t knows’, a majority accept that there is a trade-off between restricting freedom of movement and accessing the single market. There is therefore more

political scope for a compromise on UK-EU migration as part of the Brexit negotiations than many have thought possible.

- Even among those who want immigration to fall, there is no majority demand for a complete cut-off in EU inflows. A dramatic reduction in immigration would therefore not just be harmful to the negotiations and to the UK’s labour market; it would also not reflect the public’s priorities.
- Attitudes to EU immigration vary considerably by region and local area. Building regional flexibility into the immigration system for EU (and non-EU) nationals could therefore effectively reflect the divergent attitudes to EU immigration across the country.

### A new agreement

- The most promising options for a future UK-EU agreement on migration are, first, a system that allows free movement for certain flows or, second, a system that implements temporary controls on free movement.
- These proposals are the most promising for three reasons:
  - they have the greatest likelihood of being negotiable with the EU in return for an advantageous deal on trade in goods and services, because they continue to respect the underlying principle of free movement in some form
  - they would have limited negative labour market impacts, because for the most part they would allow for flexible labour mobility in key sectors
  - they would help to address a number of the concerns the public has about the current system (such as the pressures of high levels of EU immigration on public services and infrastructure).

A system that allows **free movement for certain flows** is our preferred option, because this would guarantee greater labour market stability and would be more likely to secure public support; but if this fails to be agreed with the EU the government should seek a deal on temporary controls on free movement, given it is the most negotiable option.

- Either option could also include a **regional component** to allow for the different political priorities and labour market needs of the UK’s regions and nations.
- These two options therefore represent a sensible basis for an agreement on UK-EU migration in the negotiations, as a means of securing the government’s wider ambitions of a comprehensive free trade agreement with the EU post-Brexit, supporting the UK’s labour market, and addressing public concerns about free movement.

For the full report, including all references, data sources and notes on methodology, see: [www.ippr.org/publications/striking-the-right-deal](http://www.ippr.org/publications/striking-the-right-deal)

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