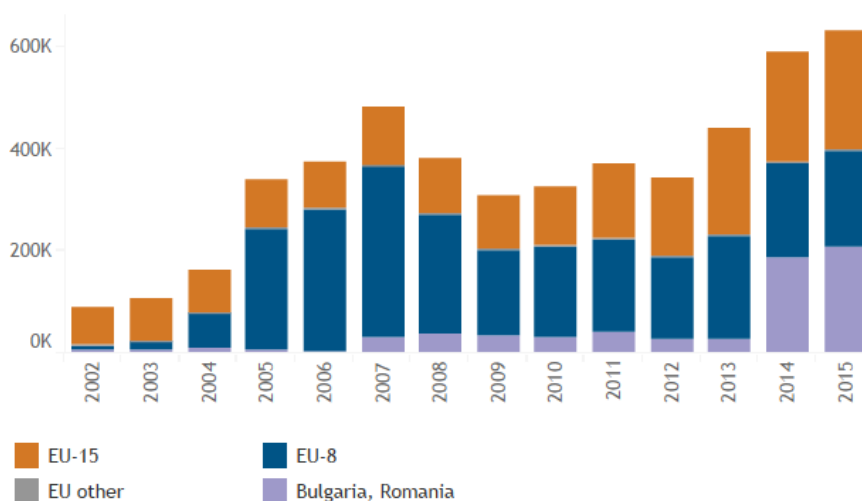


David Davis blurs the government line on migration

Blog post by Adviser Tom Smith, 02 December 2016

In the 12 months before the EU referendum, migration to the UK remained at historically high levels, with a record 284,000 new settlers from the EU contributing to a net intake of 335,000. While this reflects the buoyancy of the British economy compared to the rest of the continent, it will create a headache for Theresa May in trying to balance implementing a referendum result implicitly predicated on public displeasure with high levels of migration with the demands of an economy increasingly driven by the availability of migrant labour. Crucially, the headline figures conceal evidence that migration from the EU has now peaked. The rate of national insurance number registrations by EU nationals has flattened off after seven years of steady growth, with only an uptick in registrants from Romania and Bulgaria preventing the beginning of a decline. NI registration data has been published covering the period up to the end of September, so the immediate impact of Brexit can now begin to be analysed.

NI registrations by EU nationals



Source: DWP

The figures come as the UK government, or at least some senior cabinet ministers, have taken a far softer line on the migration question. This week was rife with stories of Foreign Secretary Boris Johnson's preference for maintaining freedom of movement with the EU, although this was far from a political surprise. DExEU secretary David Davis was more open in breaching the 'no running commentary' covenant by reassuring the CBI that the government will ensure that key sectors do not experience labour shortages. While there's no official definition of 'key sector' his remarks were aimed firmly at the care, construction, agriculture, food processing and hospitality sectors, all of which have struggled to recruit native workers despite sustained increases in the minimum wage.

While Davis' remarks come at an embryonic phase of the negotiations due to kick off in March, this is an explicit, if potentially temporary, softening of the anti-business and anti-migrant rhetoric on display two months ago at Conservative Party Conference. This slight change in approach reflects an effective lobbying operation from the CBI and the wider business community, which had been somewhat excluded from Number 10 over the summer, but could also reflect the government attempting to reassure the CBI in the short term in an attempt to find some breathing space. Many more twists and turns in messaging can be expected in the coming months as ministers take the temperature of all stakeholders on the appropriate solution for the UK's labour market.

The question remains, however, which migration system the UK will adopt. May will find it difficult to justify a regime that resembles free movement of labour given public sentiment and the views of a significant number of Conservative backbenchers. Davis' reassuring words still point, therefore, to a radical overhaul for the UK's migration system, especially for lower skilled workers. A number of options are available, including the opening of the Tier 3 visa route, which was intended to cater for low skilled migrants but was never invoked after EU migration continued to climb. Beyond this, a series of sector based quotas could be introduced, potentially with a variation of the immigration skills charge that is soon to be levied on businesses bringing in higher skilled migrant workers. What seems to be certain is that any such regime will seek to break the link between eligibility to work and eligibility to settle. Many lower skilled migrants are seasonal, send remittances to their home countries and intend to return there after a few years. This is an undervalued, but critical part of the UK economy and Davis at least is aware that cutting off labour supply here would be damaging, both economically and politically. Being explicit about denying the right to settle, as many other OECD members have done for low skilled workers, may well satisfy demands to reduce the impact of migration.