

GREATER MANCHESTER COMBINED AUTHORITY

Date: 27th November 2020

Subject: Greater Manchester preparations for EU exit and analysis of the introduction of the points-based immigration system

Report of: Councillor Elise Wilson, Portfolio Lead for Business & Economy

PURPOSE OF REPORT:

To provide GMCA with an update on the coordination of activities across Greater Manchester to prepare for the end of the transition period on 31st December 2020. The report also provides detailed analysis of the introduction of the points-based immigration system from 1st January 2021, and possible implications for Greater Manchester. Finally, the report highlights work underway on the Greater Manchester International Strategy and how this seeks to respond to issues arising from EU exit, along with also highlighting opportunities for continued joint working between Greater Manchester and individual EU nations.

RECOMMENDATIONS:

GMCA is requested to:

1. Note and provide comment of the work underway by the GM Brexit Readiness Group to understand the impacts arising from EU exit and to coordinate responses across the city-region.
2. Note and provide comment on the work underway on the GM International Strategy and ongoing partnership working with EU nations to develop GM opportunities in the future.
3. Review, note and provide comment on the analysis undertaken of the points-based immigration system to be implemented from 1st January 2021.
4. Agree a further update on Greater Manchester preparations for EU exit be brought to the December GMCA meeting.

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Equalities Implications:

The UK's exit from the EU will have impacts for all people in Greater Manchester, with the possibility of most significant negative impacts on members of society who are employed in some of the sectors most likely to be impacted. Depending on the outcome of the trade negotiations it is also possible tariffs and charges will be applied to goods and services, along with risks around availability of goods and services, should these occur it is likely the greatest impact of this will be felt by more vulnerable sectors of society.

Climate change impact and mitigation measures:

Currently no arising climate change impacts, future impacts will depend on the nature of any deal agreed with the EU.

Risk Management:

N/A

Legal considerations:

N/A

Financial Consequences – Revenue:

The UK's exit from the EU will have an impact on a range of funding sources, currently provided to Greater Manchester via the EU. It is currently not clear the levels to which these funding sources will be replaced by UK administered funds, or if the UK will buy into any of the 2021-2028 EU funding programmes as third member state (such as Norway, Iceland or Switzerland).

Financial Consequences – Capital:

The UK's exit from the EU will have an impact on a range of funding sources, currently provided to Greater Manchester via the EU. It is currently not clear the levels to which these funding sources will be replaced by UK administered funds.

Number of attachments to the report: N/A

Comments/recommendations from Overview & Scrutiny Committee

Will be considered by O&S Committees in December

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		No
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		
GM Transport Committee	Overview & Scrutiny Committee	

1. INTRODUCTION

- 1.1 Trade talks with the EU continue, with the UK government continuing to state a deal can still be reached with the EU in time to be ratified before the exit date of 31st December 2020. The ongoing talks are trying to bridge what have been described as significant differences on fishing quotas and competition issues. The Prime Minister has stated that the “outlines” of an agreement were clear and a deal was “there to be done”. If no agreement is reached trade between the EU and the UK will default to World Trade Organisation (WTO) rules, introducing tariffs on imports and exports.
- 1.2 The Prime Minister has announced the establishment of a new Office for Investment to encourage investors to do business in a post-Brexit UK.
- 1.3 The government suffered a heavy defeat in the House of Lords as they voted to remove a section of the Internal Market Bill that would allow ministers to break international law. The government has said it will reinstate the clauses when the bill returns to the House of Commons next month. If a deal with the EU is reached the Bill will become redundant.

2. GREATER MANCHESTER PREPARATIONS

- 2.1 The GMCA has reconvened the GM Brexit Readiness Group, which is meeting monthly to consider possible impacts arising from Brexit and to ensure necessary preparatory actions are being undertaken. The membership of the Group includes: GMCA, Local Authorities, AGMA Resilience Unit, GMP, Growth Company, NHS, GMCVO, Manchester Airport and TfGM.
- 2.2 The Brexit Readiness Group is considering impacts in the following areas, ensuring alignment to the national planning scenarios:
- Borders
 - Transport & Infrastructure
 - Health & Social Care
 - Food & Water
 - Energy
 - Civil Contingency Planning
 - Business & Economy
 - Law & Order and
Community Tensions
 - Community Impacts
 - Engagement with
Government
 - Skills
 - Higher Education
 - Funding and cross-border
partnerships
 - Organisational Readiness
 - Data
 - Communications
- 2.3 While it is acknowledged the ongoing pandemic creates additional pressures and challenges in terms of responding to impacts arising from Brexit, the pandemic has in

many organisations supported a greater level of preparedness in terms of understanding supply chains, staffing issues and stockpiling to continue to deliver an effective Covid response.

3. GREATER MANCHESTER INTERNATIONAL STRATEGY AND OPPORTUNITIES

3.1 The International Strategy was published on 9th October. The UK's new relationship with the EU will impact significantly on all of the priorities in the updated strategy, in particular:

- International students
- Trading
- Research and Innovation
- Global Perception
- End of funding to support city to city partnership

3.2 The International Strategy seeks to respond to these issues and other challenges arising from Brexit and Covid.

3.3 It should be noted that in parallel to the UK / EU negotiations, some European countries have already started to invest in their bilateral relations with the UK. The Netherlands has a programme of support aimed at Dutch businesses trading or doing business in the UK. Germany will also invest in the UK-Germany partnerships, with initial indication suggesting that those may include city to city partnerships, research relationships and scholarships. Ireland is to open a new Consulate in Manchester which will support the relations between Ireland, Greater Manchester and the north of England. Ireland, the Netherlands and Germany are prime markets for the UK, and GM will continue working with these markets via the Embassies in London and their offices in Manchester to ensure that Greater Manchester maintains and increases the level of support with these countries and the other countries in Europe – including Ireland, Spain and France.

4. INTRODUCTION OF POINTS-BASED IMMIGRATION SYSTEM

4.1 The free movement between the UK and the EU ends on 31 December 2020 and the UK is introducing a points-based immigration system to attract talent from around the world based on skills rather than nationality. Anyone coming to the UK to work, except for Irish citizens, will need permission in advance employers will need to become sponsors to hire most competent employees from outside the UK. This process usually takes 8 weeks.

4.2 Previous research by GMCA indicated that the removal of free movement for EU citizens could result in labour shortages within the GM economy, particularly in sectors such as Retail and Wholesale Trade; Accommodation and Food Services;

Business, Financial and Professional Services; Education and Health and Social Care; and Manufacturing, which currently employ the largest numbers of EU workers in GM. Low-skilled roles are likely to be particularly affected. The implications of the proposals for non-EU nationals looking to work in the UK, and the potential impacts for local residents should also be considered.

- 4.3 Further analysis will need to be undertaken to fully understand the Covid impact on employment, but to date the most pronounced sectoral impact has been in the hospitality, retail and leisure sectors which tend to employ lower skilled employees and tend to offer lower paid and less secure employment.
- 4.4 The points-based immigration system was published in February. The system will treat EU and non-EU citizens equally, applying the same tests to their eligibility for a working visa in the UK. Whilst the changes to the system represent a relatively minor adjustment to the rules for non- EU workers, they are a significant departure for EU workers who previously enjoyed free movement as part of the UK’s membership of the EU.
- 4.5 The revised visa system requires migrants to accrue 70 points in order to be able to apply for a visa to work in the UK. The points allocations are outlined in the table below, with some characteristics required for all applicants, and some ‘tradeable’ to meet the 70 point threshold.

Characteristics	Tradeable	Points
Offer of job by approved sponsor	No	20
Job at appropriate skill level	No	20
Speaks English at required level	No	10
Salary of £20,480 (minimum) – £23,039	Yes	0
Salary of £23,040 – £25,599	Yes	10
Salary of £25,600 or above	Yes	20
Job in a shortage occupation (as designated by the MAC)	Yes	20
Education qualification: PhD in subject relevant to the job	Yes	10
Education qualification: PhD in a STEM subject relevant to the job	Yes	20

- 4.6 Effectively, this requires that all migrants will need to have a job offer with a salary of £25,600. The Government previously published a salary figure of £35,800, but have now reduced it to £25,600, and added advice stating if earnings are less than this - but no less than £20,480 – people may still be able to apply by ‘trading’ points on specific characteristics on their salary. For example, if a job offer is in place in a shortage occupation or have a PhD relevant to the job.

Non- EU Workers

- 4.7 The new rules represent a slight liberalisation of rules for those applying for visas from outside of the EU. Changes include:
- The required skill level of an applicant's job offer is reduced from RQF6 (equivalent to a Bachelor's degree) to RQF3 (equivalent to A-levels)
 - The minimum salary requirement of the job offer is reduced from £30,000 to £25,600 in most cases
 - The national cap on the number of skilled migrants coming to the UK is removed. This previously capped the number of non-EU migrants granted visas to work in the UK at 20,700 per year
 - The 'resident labour market test' is removed. This previously required any job offered to a migrant from outside the EU to have been advertised to settled residents for a minimum of 28 days.

EU workers

- 4.8 Since EU workers can currently travel to the UK to work visa free, the introduction of the points based system introduces a significant set of additional restrictions for EU residents. In addition to requiring EU workers meet the same visa requirements as non-EU residents, the policy also mandates that migrants will only be entitled to access income-related benefits after indefinite leave to remain is granted, usually after five years. Currently, EU nationals in the UK can claim benefits if they are "economically active".
- 4.9 EU citizens already resident in the UK will be eligible to stay and work in the UK through the Settlement Scheme for EU citizens. They will not be required to re-apply using the points-based system.
- 4.10 For EU students, from January 2021 they will be treated as any other non-UK students, meaning that they will no longer be eligible for UK fee status or be eligible for student loans. Also, EU students are only eligible to apply for the EU pre-Settlement Status if they are living in the UK before the 31st December. Many however have delayed their trip to the UK because of Covid and have started their studies online. Some Embassies and the EU Representation in the UK are sending messages out to EU students to travel to the UK before the 31st December so they can apply to the EU Settlement Status next year, otherwise they will have to apply for study visas and will not benefit from NHS cover.

Exceptions

- 4.11 The policy statement recognises a number of exceptions to the points-based system:
- The Government will allow 10,000 workers per year to enter the UK to work in seasonal agricultural work

- Youth mobility arrangements will continue with eight countries (Australia, New Zealand, Canada, Japan, Monaco, Taiwan, Hong Kong and South Korea) allowing around 20,000 young people per year to work in the UK for up to 2 years
- Students will be covered by the points-based system, but will be able to achieve the required points if they can demonstrate that they have an offer from an approved educational institution, speak English and are able to support themselves financially during their studies in the UK
- The Graduate work visa will also be introduced for international students next year, which will allow students to remain in the UK for two years to work or to live after their Masters
- Existing rules for artists, entertainers and musicians will be unaffected by the new system.

5. POTENTIAL IMPACTS OF A POINTS-BASED IMMIGRATION SYSTEM ON THE GM ECONOMY

- 5.1 Greater Manchester had over 1.33 million residents in employment as of September 2019. Of these, approximately 6% were EU nationals, equivalent to just under 80,000 residents in employment. The introduction of a points-based immigration system (which brings in a significant set of additional restrictions on in-migration of EU nationals) therefore has the potential to pose a risk to the labour force supply in Greater Manchester.
- 5.2 GM employers may experience a more restricted supply of labour for lower-skilled roles (where potential EU applicants would be less likely to meet the new immigration criteria), potentially leading to some increases in labour costs. Highly-skilled EU nationals may also be put off from seeking work in the UK due to the introduction of the visa system, with implications across all sectors.
- 5.3 Previous research published by the GMCA on the potential labour market impacts of the UK's decision to leave the European Union involved scenario testing of different options for immigration policy post-Brexit. The analysis estimated that under a scenario where visas would be introduced for EU workers, only high-skilled workers would be eligible to apply for visas, and restrictive conditions on granting visas would be applied, GM's population could contract by 182,600 people (6%) by 2039, while the size of the labour force could decline by 106,900 people (7%).
- 5.4 This research also included an initial assessment of sectors where employers may be most exposed to risks emerging from a reduction in access to EU workers and consequent skills shortages.
- 5.5 Analysis of the ONS Labour Force Survey by the Migration Observatory at Oxford University (2015) identified the proportions of the GM's workforce who are UK, EU or

non-EU nationals.¹ Across GM, the industry with the highest proportion of EU workers is Agriculture, Forestry, and Fishing, with 14% of the total workforce born in the EU. This is closely followed by Manufacturing, which has 11% of its workforce born in the EU; and Retail, Wholesale Trade, Accommodation and Food Services, with 10%.

5.6 Most industries, apart from Energy and Water, and Manufacturing, have a higher share of non-EU workers than EU workers.

ONS SIC code	Industry	UK	EU	Non-EU
A	Agriculture, Forestry, and Fishing	64%	14%	22%
B,D,E	Energy and Water	84%	8%	7%
C	Manufacturing	80%	11%	9%
F	Construction	94%	3%	4%
G,I	Retail and Wholesale Trade Accommodation and Food Services	77%	10%	13%
H,J	Transport and Communication	87%	5%	8%
K,L,M,N	Business, Financial and Professional Services	85%	7%	9%
O,P,Q	Public Administration, Education and Health & Social Care	87%	3%	10%
R,S,T,U	Other Services	87%	3%	10%
Total	Average for all economy	84%	6%	10%

Source: *The Migration Observatory, Oxford University*

5.7 Applying these proportions to the latest available data on the size of the GM workforce by sector from the ONS Annual Population Survey², the sectors most at risk of potential labour shortages, according to the size of the current EU workforce in Greater Manchester, are:

- Retail and Wholesale Trade, and Accommodation & Food Services, where an estimated 26,000 workers are EU nationals;
- Business, Financial and Professional Services, where an estimated 16,000 workers are EU nationals;
- Public Administration, Education, and Health & Social Care, where an estimated 12,000 workers are EU nationals;

¹ The analysis by the Migration Observatory was based on Labour Force Survey (all quarters), using a sample based on individuals living in the relevant geography, in the labour force (aged 16-65), who are employed.

² ONS APS Oct 2018 – Sep 2019

- Manufacturing, where an estimated 11,500 workers are EU nationals.
- 5.8 These figures are likely to under-represent the overall potential impact on the labour market, because many workers who are seasonal and/or contracted through employment agencies will not be included in these data. This is particularly the case for industries such as Agriculture, Forestry, and Fishing, and Accommodation & Food Services.
- 5.9 Low-skilled jobs are likely to be most vulnerable to the introduction of the points-based immigration system. Sectors with a higher proportion of low skilled jobs, and an over-representation of workers from EU8 (Eastern European countries that acceded to the EU in 2004) and EU2 (Bulgaria and Romania, who joined in 2007), who are typically over-represented in lower skilled jobs, are more vulnerable to future changes in migration policy. In particular this is the case within Retail and Wholesale Trade, Accommodation & Food Services, and Manufacturing, particularly certain sub-sectors such as Food and Drink Manufacturing and Textiles Manufacturing.
- 5.10 Although in general GM has a lower proportion of EU migrants than the UK as a whole, it does have a higher share of EU8 migrants as a proportion of total EU nationals, which ONS data has shown to be driving recent falls in net migration. That said, EU8 migrants (from the eight countries that joined the EU during its 2004 enlargement) still make up only 2% of the total GM population.
- 5.11 The proposals for changes to immigration policy do not involve the creation of a dedicated route for self-employed people. Although self-employed people and those looking to start up businesses in the UK will continue to be able to enter the UK under the innovator route, and will in due course be able to benefit from the proposed unsponsored route, anecdotal evidence based on previous experiences of non-EU nationals suggests that those routes suffer from significant barriers to entry and consequent low take-up rates. This may discourage EU entrepreneurs from engaging with or initiating new business start-ups in the UK, and is likely to also have a related impact on investment flows.
- 5.12 The impact of the points-based immigration system will play out differently in different parts of the UK, as well as in different parts of GM. The composition of different local economies matters, both in terms of industry sectors and the characteristics of the local workforce. While the local economies within GM share a number of commonalities, there are also a number of important differences between them, meaning each local authority is likely to see a different impact.
- 5.13 Previous research has shown that within GM, Manchester and Salford have the highest proportion of residents born in the EU, at 7%; these were the only two GM local authorities above the national average on this measure.
- 5.14 The proposed changes to immigration policy will also have implications for non-EU nationals applying to work in the UK after 2021. As non-EU nationals generally

outnumber EU nationals in the GM labour force across most industries in GM, this may help to offset some of the impact of the comparatively more restrictive rules for EU nationals, at least in certain sectors; however more research is required to estimate how likely this is.

6. RECOMMENDATIONS

6.1 GMCA are asked to:

1. Note and provide comment of the work underway by the GM Brexit Readiness Group to understand the impacts arising from EU exit and to coordinate responses across the city-region
2. Note and provide comment on the work underway on the GM International Strategy and ongoing partnership working with EU nations to develop GM opportunities in the future
3. Review, note and provide comment on the analysis undertaken of the points-based immigration system to be implemented from 1st January 2021
4. Agree a further update on Greater Manchester preparations for EU exit be brought to the December GMCA meeting