

This report was written by Heather Rolfe and published by Prospect Magazine

## What employers want to know about Brexit

With Article 50 finally triggered, the safeguarding of rights for the three million EU citizens currently living in the UK is still yet to be confirmed.

It is of course this group which will be most affected by the outcome in the end. But the business owners who employ them will be concerned also, not just about the current dispute but about all future immigration arrangements.

In the days immediately following the referendum, the National Institute of Economic and Social Research (NIESR) spoke to many employers as part of on-going research on Brexit's impact on employers—particularly in sectors which play a key role in Britain's economy. Four days after the Leave vote, a construction employer described his state of mind: "I feel like I'm in a dark room, I don't know what's going to happen." Eight months later, very similar feelings were expressed by a hotelier: "There's a complete void of any information.... It feels like you're fumbling around in the dark."

Like many employers, she had made little progress in planning for a post-Brexit future. Most employers now seem to accept that free movement will end, in light of statements to this effect by [Theresa May in January](#): "Brexit must mean control of the number of people who come to Britain from Europe. And that is what we will deliver."

But employers are still none the wiser on what "control" might look like, nor have they any clarity on the status of the UK's current 2.3m EU workers: a resolution of the dispute between peers and the government cannot come soon enough.

Various government enquiries are collecting the views of employers and their representative bodies, for example the [Economic Affairs Committee inquiry on Brexit and Labour Market](#), and there is no doubt much campaigning behind the scenes. But it's worth registering the views of employers in sectors which particularly depend on EU migrants. What are their preferences for future immigration policies and what are their concerns? Our interviews and focus-group research have found these to be as clear as government policy is fuzzy.

### Employers urgently want clarity on the status of their existing workforces

As far as employers are concerned, the status of their existing workforces is of huge economic importance. While EU migrants didn't have their status affirmed before May pressed the button, clearly in the long-term their rights must be guaranteed. The right to live in the UK is not the only thing worth considering here; the potential withdrawal of rights to healthcare and welfare was seen as problematic by the employers we spoke to, as it could fuel the departure of some migrants, even if they were otherwise allowed to stay.

Indeed, with migrants already concerned about their futures in the UK, employers are already reporting labour shortages. As well as triggering wage inflation, as employers in some areas have competed for migrant labour, these shortages have enabled some migrants to upgrade to better jobs, leaving less desirable ones unfilled. One meat processing employer explained: “A Romanian Post Office driver will go home and the Romanian meat packer will move into that job. People are moving away from our industry. We’re at the bottom of the attractiveness pile.”

Some employers recognise that they will be more reliant on UK workers in future, but don’t currently know to what extent—and whether they should be investing more in new advertising and recruitment. At the same time other costs, particularly of raw materials, are rising and making it difficult to pay at rates which might attract more British workers.

## Low skilled labour matters

If the referendum can be interpreted as a vote against free movement, it was primarily against low skilled immigration—the type that many of Britain’s key industries rely on. But while the public and policy makers are much more supportive of skilled than low skilled migration, employers see the distinction as a false one when production needs are at stake.

[The government’s new Industrial Strategy green paper](#) states: “Our failure to address skills shortages has increased our reliance on flows of migrant labour” yet, while migrants are found in highly skilled jobs, the lower-skilled sectors associated with the food and hospitality industries are heavily reliant on them too: 35 per cent of workers in food processing are migrants; [a quarter in hospitality](#). Whether employers have, as the green paper argues, employed migrants as [a substitute for training Britons is questionable](#). But employers attending our roundtables remarked that the UK’s industrial strategy, as well as our immigration policy, cannot ignore the need for low skilled labour.

Some employers favour a sector-by-sector scheme when it comes to migration post-Brexit. A scheme like this operated until recently in agriculture and in some low skilled sectors. However, such programmes are likely to entail restrictions on, for example, how long migrants can stay in the UK. This might suit sectors such as agriculture, which have defined seasonal needs. However, employers who want a permanent workforce are less keen on this.

One proposal floated sometimes, to restrict the right to work to migrants with a job offer, might work for employers who recruit online, via skype or through agencies. It will incentivise agencies to shift their recruitment pool to Eastern Europe, an expensive but sometimes necessary option for employers, which goes down badly with the public.

## Employers don’t want to become border police

Speaking at one of our roundtable events, former NIESR Fellow [Jonathan Portes](#) pointed out that, in practice, control over EU migration will very largely not be applied at the border. As he has explained [elsewhere](#): “As with other non-visa nationals, like Americans or Australians, [control] will be applied in the workplace; employers will have to verify that EEA nationals are entitled to work in the UK, just as they currently do for non-EEA nationals.”

And with many potential different categories and restrictions, this may not be a quick and easy process. The realisation sent a shudder of concern around the room as employers considered the implications of having to vet the status of their employees. An employer body described it as a “tsunami of a challenge” with the costs of regulatory administration adding to those they already incur and hitting smaller businesses hardest. The costs of making a mistake, of immigration raids and fines are cause for considerable concern.

## The wider implications of ending free movement

Free movement has worked well for employers in lower-skilled sectors, enabling them to expand, boosting employment for UK workers and providing the public with low cost goods and services. Depending on the detail of new immigration policies, employers anxious about the Leave vote will inevitably need to move to the final stages of grief, reorganise and move on—in some cases to locations outside the UK.

And any increase in costs, through higher costs of administration or labour [will be passed on to us. consumers](#). Polls show consistently that the public values the cultural contribution of migrants to the UK, but migrants have also been working away behind the scenes to provide us with the lifestyles we take for granted. Once the implications of ending free movement become clearer, it won't just be employers who are unhappy.

## Looking for support to retain and develop your staff?

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