

Changes to freedom of movement after Brexit – implications for Wales

EAAL(5) FOM11 Evidence from South and Mid Wales Chambers of Commerce

Covering most of Wales, the South & Mid Wales Chamber of Commerce's core membership is SME's who are wanting to expand and grow their business. Through our extended network we speak to businesses of all sizes and from all sectors. We understand their ambitions, the challenges they face in getting there and we work with partners across the private and public sectors to help them achieve their goals.

In the three years since the decision of the United Kingdom to leave the European Union we have held numerous discussions with our members on how they may be affected. These have included round-table meetings, panel discussions and surveys. Many of these conversations have focussed on the impact of changing the UK's immigration rules, with one survey asking questions specifically on the UK Government's White Paper.

Impact on Businesses

It is clear that while only a proportion of Welsh businesses currently employ non-UK citizens these companies are the ones with growth potential. The Welsh economy will only succeed if these businesses succeed.

In a survey of Chamber members, conducted online between 20 May and 10 June 2019, 70% of businesses told us that they have not employed a non-UK citizen in the last year. Of these 80% do not expect that the new immigration rules will have an impact on them, 15% expect a limited or indirect impact, while only 5% expect the changes to have a direct affect on them.

Meanwhile, of the 30% of firms who have employed a non-UK citizen in the last year 56% expect to be directly affected with an additional 12% expecting some impact. These businesses are also the larger companies (50% employ more than 50 members of staff compared to only 15% of businesses who do not hire overseas workers) that are more likely to export (71% export compared to 46% of firms who only employ UK citizens).

Concerns of Businesses

Our members primary concern is that any changes to the immigration system will make it harder for them to recruit people with the skills and knowledge that the business needs to develop, and that this in turn will increase costs making the business unsustainable.

In detail these concerns include:

- If the UK takes a more hostile attitude to immigration fewer people from overseas will want to move here, reducing the pool of talent that Welsh businesses can choose from. Our members who regularly recruit international staff are already reporting that they are receiving fewer applications from outside the UK. They expect this to only get worse with time.
- There are costs; fees, administrative costs and time, involved with getting a visa for an employee from outside the EU. If EU citizens also require a visa to work in the UK this will increase the costs for businesses.

A professional services business based in Cardiff told us,

“We pay consultants to manage our visa applications - change always brings cost.”

- There are already difficulties with the visa system, with the time taken to process applications often meaning that potential employees decide to not take up the offer. Including EU citizens in this process will slow it down further and increase the number of people not taking up roles.

A small manufacturer of electronic goods told us,

“The foreign visa system is a farce. By the time you get a licence the employee has moved on and even then you then move into a lottery for the actual visa.”

While a marketing, media and events company based in Cardiff told us,

“Any difficulty or increased work in getting skilled staff into the UK to work will have a direct impact on our ability to operate.”

- There are insufficient people in the local area with the appropriate skills to fill roles while people with the skills in other parts of the UK may not be willing to move.
- The proposed salary threshold is wildly out of step with the average salaries in Wales. If the threshold of £30,000 is imposed it will disadvantage Wales in attracting overseas talent compared to more affluent areas. Welsh businesses would also have to disproportionately increase what they pay non-UK citizens just to put them over the threshold.
- Any added restrictions, whether bringing in rules for EU citizens or increasing regulations for non-EU citizens, may affect the ability of global companies to move staff around for short term working.

A manufacturer employing 500 people in the Valleys told us,

“We are a global organisation with development responsibility for all regions. We need to be able to bring

colleagues from all regions for hands on training to the UK for them to apply the skills to local markets. Any restrictions to this prevent us from training our global workforce and undermines our ability to carry out essential functions of a global development centre.

If the concerns of businesses come to fruition, there will be impacts both for those individual firms and on the wider Welsh economy. These could include:

- Some businesses are considering relocating overseas if they cannot fulfil their employment requirements here. This will lead to job losses and reduction in tax being paid.

A manufacturer based in Swansea told us,

“We’ll move overseas if necessary.”

- The impact of the immigration rule changes on one business can have a knock-on effect on their customers, supply chain and sub-contractors. These effects are likely to include increased prices, inability to fulfil orders and businesses looking to find alternative, cheaper suppliers.

A professional services business based in the Valleys told us,

“Any restrictions on immigration make it even more difficult for our clients to find employees and so affects our business because they are less successful.”

Doing things differently and a Wales-specific Shortage Occupation List

Our members are concerned that introducing a different immigration policy in Wales compared to the rest the UK will add to their administrative burdens and costs rather than make the system simpler.

In considering whether to support a Wales-specific Shortage Occupation List we would urge the Committee to ask the following questions:

- Are there many occupations with a significant enough shortage in Wales that they would be included on a Wales-specific list but not an UK wide list?
- If there is, why is there a shortage in Wales but not in the rest of the UK?
- Are there alternative steps that could be taken to encourage people to take these jobs in Wales?
- If a Wales-specific list is introduced how can it be done without any additional administration burdens and costs to businesses?
- And finally, what happens in the case of businesses that employ people across the UK? Which shortage occupation list would they fall under? And how will this impact on where businesses choose to locate staff?

What should the Welsh Government be doing?

While most of the decision making around immigration policy lies with the UK Government, we believe that the Welsh Government has a role to play in minimising the effect on Welsh businesses of any changes in the immigration system. Our recommendations are:

1. The Welsh Government, working with the private sector, fully research which occupations currently rely on workers from overseas, which sectors are most affected and what the implications could be for their supply chains.
2. All occupations require some level of skill, knowledge or experience. For the occupations that could be particularly hit by changes to the immigration rules, the Welsh Government should develop training pathways in schools, colleges, universities and in partnership with private sector training providers, for people, particularly living in areas with a high concentration of these roles, or in areas of high unemployment, to gain the required skills.
3. The Welsh Government, the business community and others to work together to make Wales an attractive place for people to choose to work through improving housing availability and quality, improving transport connections within Wales as well as to the rest of the UK and beyond, improving the quality of life for people, particularly for young people, in all parts of Wales and, improve working conditions. This must however be done in a way that doesn't make Wales an unattractive place to locate a business.
4. Give serious consideration to the questions we ask around a Wales-specific Shortage Occupation list before pressing ahead.
5. Influence the UK Government to:
 - a. Reduce the proposed £30,000 salary cap.
 - b. Increase the capacity to process visa applications.
 - c. Reduce the cost of visa applications.

Yours sincerely,



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