



### POST BREXIT MIGRATION TRENDS AND ITS IMPACT ON BRITISH ECONOMY

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*(Views expressed in the brief are those of the author, and do not represent those of ISSI)*



**On June 23, 2016, the majority of the British citizens voted in favor of Brexit believing that migrants are eating away British workers' jobs; an argument made by pro-Brexiteers during the Brexit referendum campaign. Since then, UK has witnessed a significant decline in migrants entering the country.**

According to a report submitted by the British Office for National Statistics (ONS), net migration to the UK fell from 327,000 in 2016 to 246,000 in March, 2017.<sup>1</sup> With the Brexit talks still underway, the lack of clarity over post Brexit immigration policy is driving many EU citizens out of UK and is causing huge uncertainty among large businesses and firms.

Recently, there has been a sharp increase in EU nationals leaving UK with official statistics showing that about 17,000 EU nationals left UK in the year following Brexit. Most of these were from EU8 countries that joined the Union in 2004 – Hungary, Poland, the Czech Republic, Estonia, Latvia, Lithuania, Slovakia and Slovenia.<sup>2</sup> Similarly, 25,000 fewer Poles and other Eastern Europeans have entered UK in 2017 as compared to 2016.<sup>3</sup> However, the number of Bulgarians and Romanians

<sup>1</sup> Helen Warrell, Sarah O'Connor and Naomi Rovnick, "Net migration to UK falls as Brexit breeds uncertainty," *Financial Times*, August 24, 2017, <https://www.ft.com/content/57120656-8896-11e7-8bb1-5ba57d47eff7>.

<sup>2</sup> Jamie Grierson, "Net migration to UK drops to lowest level for three years," *The Guardian*, August 24, 2017, <https://www.theguardian.com/world/2017/aug/24/net-migration-to-uk-drops-to-lowest-level-for-three-years>.

<sup>3</sup> Alan Travis, "Number of EU workers in UK rises by 112,000 since Brexit vote," *The Guardian*, November 15, 2017, <https://www.theguardian.com/world/2017/nov/15/number-european-union-workers-britain-rises>.

working in UK has increased from 257,000 in 2016 to 347,000 in 2017.<sup>4</sup> PwC, a consulting giant, recently released its UK Economic Outlook in which it forecasted that a 50% fall in EU migration in the future can reduce UK's GDP by around 1.1% (£22 billion) in 2030.<sup>5</sup> Similarly, many leading economists are of the opinion that migrants pay far more in tax than they claim in benefits by contributing about £7 billion annually.<sup>6</sup>

These departures are hurting the construction, hospitality and nursing sector the most. Even before Brexit, UK was experiencing staffing shortages in its National Health Service (N.H.S) and now it has 40,000 nursing vacancies to be filled.<sup>7</sup> Nurses from the EU have greatly helped in the past to fill this gap, but recently there have been reports that the nursing sector is witnessing a considerable decrease in applications from EU nationals. Similarly, according to the National Farmers' Union, the number of seasonal workers who entered UK in 2017 has decreased by 17%.<sup>8</sup> Over the past 30 years, British food industry has become increasingly reliant on EU nationals, many of whom are seasonal laborers. About 20% of agriculture workers in Britain come from abroad, while 63% of British Meat Processors Association's staff is not from UK.<sup>9</sup> If this downward migration trend continues, the British food industry will have to cut back its production leading to an increase in prices and higher inflation.

UK's hospitality sector employs about 0.75 million EU citizens which includes 25% of total chefs and 75% of total waiters working in UK<sup>10</sup>. Due to staff shortages, many franchises are shutting down their outlets in various areas of London which includes sandwich chain Pret A Manger and pizza chain Franco Manca.<sup>11</sup> This is a serious cause of concern for an industry that's Britain's fourth biggest employer. EU workers previously employed in UK's hospitality sector are now heading towards

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<sup>4</sup> Ibid.

<sup>5</sup> Lianna Brinded "Britain's economy could lose \$29 billion if EU migration halves post-Brexit." *Quartz*, November 13, 2017, <https://qz.com/1127944/britains-economy-could-lose-29-billion-if-eu-migration-halves-post-brexit/>.

<sup>6</sup> George Eaton, "The Brexit effect: how EU migrants are already shunning the UK," *New Statesman*, August 24, 2017, <https://www.newstatesman.com/politics/uk/2017/08/brexit-effect-how-eu-migrants-are-already-shunning-uk>.

<sup>7</sup> Katrin Bennhold, "Where Brexit Hurts: The Nurses and Doctors Leaving London," *The New York Times*, November 21, 2017, <https://www.nytimes.com/2017/11/21/world/europe/nhs-brexit-eu-migrants.html>.

<sup>8</sup> Robert Wright, "Business frets over Brexit migration rules as much as trade deal," *Financial Times*, November 16, 2017, <https://www.ft.com/content/65570694-c9fa-11e7-ab18-7a9fb7d6163e>.

<sup>9</sup> Jay Rayner, "Brexit and the coming food crisis: 'If you can't feed a country, you haven't got a country'," *The Guardian*, May 21, 2017, <https://www.theguardian.com/business/2017/may/21/brexit-coming-food-crisis-seasonal-migrant-labour-eu>.

<sup>10</sup> Ben Quinn, "Restaurants fear Brexit will turn boom to bust," *The Guardian*, November 11, 2017, <https://www.theguardian.com/business/2017/nov/11/restaurants-brexit-boom-to-bust-uk-hospitality-industry>.

<sup>11</sup> Ibid.

Australia and Canada, while some are looking towards France where the new labor laws might lead to better work opportunities.<sup>12</sup>

The downward migration trend is not only restricted to workers entering UK, but there has been a significant decrease in number of international students coming to UK since 2016. The number of international students entering UK has dropped by 27,000, mostly due to strict visa regulations on non-EU students.<sup>13</sup> UK's education sector is a major source of revenue for the UK government and if this trend continues, the international students will start preferring universities in the US, Australia and Canada rather than coming to UK. This can also have serious consequences on UK's economy.

With rising hate crimes, xenophobia, depreciating pound and uncertainty about laws regarding residence, job security, free access to health care and pensions, more and more EU nationals are leaving UK. These non-UK citizens are mostly of working age, economically active and pay way more in taxes than they get in benefits. As the number of state pensioners is expected to increase in the future, from 12.4 million in 2017 to 16.9 million in 2024,<sup>14</sup> the Tory government would need to rethink its policy of limiting net migrants to below 100,000 a year. Furthermore, the UK government needs to take substantial measures to train its British citizens in professional fields that were previously dominated by EU nationals.

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<sup>12</sup> Ibid.

<sup>13</sup> Saim Saeed, "UK net migration falls by almost 25 percent post Brexit," *Politico*, August 24, 2017, <https://www.politico.eu/article/uk-net-migration-falls-by-almost-25-percent-post-brexite/>.

<sup>14</sup> Diane King, "UK state pensions 'must be overhauled' says think tank," *The Scotsman*, November 18, 2017, <https://www.scotsman.com/news/uk-state-pensions-must-be-overhauled-says-think-tank-1-4616815>.