

The Rise and Fall of New Labour?

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“The rise and fall of new labour?” may sound like a political blockbuster tracking the fortunes of one of the UK’s largest political parties. But it actually describes one of the most significant economic developments over the last decade - inward migration.

Immigration featured prominently as an issue during the recent EU referendum. For example, the Leave camp put forward arguments on the impact of inward migration on the UK economy, such as increased demand for public services. It appears that post-Brexit, controlling inward migration from the EU will be a key policy objective. In the months ahead, we will no doubt see a broader debate on the costs and benefits of inward migration to the UK and Northern Ireland economies.

The key benefit of EU membership is access to the Single Market – the largest single market in the world. This guarantees the free movement of goods, capital, services and people – the so-called “four freedoms”. Economic arguments surrounding the benefits of this internal market have largely focussed on trade and investment. Much less attention has been devoted to the importance of access to the Single Market for labour – both skilled and unskilled.

The new Prime Minister Theresa May has made it clear that “Brexit means Brexit”. Although what Brexit actually means remains open to interpretation. But we received a bit more clarity from the new Chancellor of the Exchequer last week. According to Phillip Hammond the UK will leave the Single Market.

How significant will this be from an access to labour perspective? One of the first concerns voiced by Nicola Sturgeon following the Brexit vote related to access to skills. A number of industries are reliant on workers from the rest of the EU - the hospitality sector, food producers, aspects of manufacturing, and the construction sector, for instance.

A recent article in the Financial Times reported that within the UK, EU nationals account for 31% of the workers in food manufacturing, 21% of those in hotels and other accommodation, 16% of those in agriculture and 15% of those employed in warehouses. Not surprisingly, the CEO of one leading Irish agri-food company recently said: “I don’t know how the industry in Britain could survive without non-national labour”.

Remember lack of access to EU labour isn’t just a concern for big business. It impacts on the public sector too. One of the world’s biggest employers, the NHS, is reliant on both EU and non-EU nationals. We face an ageing population crisis, with private nursing homes becoming increasingly reliant on migrant labour. Where will these industries source their labour from if / when the tap is turned down in relation to incoming skills?

So what about the significance of EU nationals working within Northern Ireland? According to analysis from the Ulster University’s Centre for Economic Policy (UUCPEP), using the Labour Force Survey, there were almost 97,000 EU nationals (non-UK and Republic of Ireland) living in Northern

Ireland in Q3 2015. This accounted for 1 in 20 of the population. A further 54,000 (3%) were non-EU nationals. By way of comparison, the population of Derry's District Council Area was 108,000 according to the 2011 Census. Clearly, EU nationals, accounting for 5% of the population also have a significant input to consumer spending.

Turning specifically to employment, using the UUCEP analysis, it is noted that there were 43,300 EU nationals working in Northern Ireland - 13,800 (almost one third of them) in manufacturing, and 7,200 (17%) in the wholesale & retail sector.

Some sectors of the economy are clearly more reliant on EU nationals than others. Over one quarter (27%) of workers in the 'other services' sector, which includes a myriad of occupations are EU nationals. 17% of workers in the manufacturing sector are EU nationals. Meanwhile EU nationals account for 12% of workers in agriculture and 8% of those working in hotels & restaurants.

Some sub-sectors such as food producers and certain firms / institutions have an even greater reliance on EU nationals. For example, UK and NI universities have significant concentrations of EU nationals within their academic staff. Attracting these staff will become increasingly difficult irrespective of whether they will be able to access a working visa, as UK universities will not be able to avail of EU research funding. Access to collaborative EU research is a motivating factor for academics and the loss of this will make working in UK universities less attractive. In turn, this will have implications for producing skilled graduates within Northern Ireland to meet existing skills gaps.

Since April 2016, skilled workers from non-EU countries must have a job offer and earn £35,000 p.a. to obtain a visa. Northern Ireland would have a lot of skilled job vacancies below this threshold. National and regional skills requirements vary considerably. A national immigration system will not meet the needs of Northern Ireland's economy. The scope to bend rules for regional circumstances may be limited – though the new Secretary of State for Northern Ireland should be well informed on these issues, being a former Immigration Minister.

How will Northern Ireland firms, care homes, and the NHS fill job vacancies below this £35k threshold if they can no longer access EU labour?

Significantly, Northern Ireland also has shortages of unskilled labour, with EU nationals currently helping plug this gap. Any points-based immigration system is unlikely to enable access for unskilled labour. Instead it will focus on genuine skills shortages and lack of expertise.

The reality is that employment levels within the UK and Northern Ireland have never been higher, and these record highs would not have been possible without access to labour from beyond these shores. Going forward, Northern Ireland's ambitions for job creation, export growth etc will have to be amended to reflect the fact that the rules of the game that gave rise to these aspirations are changing.

In light of Brexit, Northern Ireland will have to re-assess how it will access skills and source labour in the future. Up until now, many firms have expanded at home and abroad by importing skills and labour from outside of the UK. Indeed, local recruitment firms have opened up offices in Eastern Europe and have Polish versions of their websites. This ability to source labour from outside of Northern Ireland meant that the failure to tackle economic inactivity and skills gaps within the local labour market was tolerable. Now, Northern Ireland is going to have to redouble its efforts in trying to source skills at home, activating the economically inactive, and encouraging people from within Great Britain and the Republic of Ireland to choose to live and work here rather than elsewhere.

The competitiveness of firms will be impacted too, with a shortage of supply likely to lead to wage increases and more resources dedicated to training. Policies on this front will be a slow burn rather than a quick fix. Amidst the fog of Brexit, there are many things that lie outside of our control. But now more than ever, we must plan and deliver those things that do lie within our gift. A rise in home grown labour supply and skills development is a must to counter the likely fall in labour from the EU.

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