



Working Capital

The role of migrant workers in driving London's economy

November 2016

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This report was commissioned by London Chamber of Commerce and Industry (LCCI), but does not necessarily reflect the views of LCCI.

London, November 2016

Note on Methodology

The data used in this report is derived from releases from the Office for National Statistics, chiefly the Labour Force Survey (LFS). The LFS is a quarterly survey of approximately 41,000 responding private households, providing information on employees currently working throughout the UK. There are limitations to the survey, as some residents may not be covered such as international students living in university halls of residence. More information about the LFS can be found on the ONS website: <https://www.ons.gov.uk/surveys/informationforhouseholdsandindividuals/householdandindividualsurveys/labourforcesurveylfs>

Official ONS employment and population data track both the country of birth and nationality of individuals. In this report, we determine whether an individual in the data set is a migrant by their nationality, unless otherwise stated. We chose this measure because those with UK nationality (even if born in a different country) are less vulnerable to any changes in immigration policy (the focus of this analysis). Within this report, the term 'migrant worker' refers to an individual working in the UK without British nationality. The term 'native worker' refers to those in employment with British nationality, and 'native-born' refers to those born within the United Kingdom.

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Executive Summary

With changing immigration laws a likely consequence of the UK's vote to leave the EU, this report examines the current contribution of EU and non-EU labour to the London economy, considers the possible effects of extending existing non-EU immigration controls to EU workers in London, and highlights possible alternatives.

The key findings of the report are as follows:

- **Immigration, particularly EU-born, accounts for increasing shares of total UK employment** – Whereas in 2005, 3% of total UK employment was EU-born, in 2016 it was over 7%.
- **London is a hub for immigration and is uniquely impacted by it** – London contains just 11% of the nation's UK nationals, but 35% of the UK's EU nationals, and 39% of the nation's non-EU foreign nationals. The share of EU migrants in London is over twice as high as in any other part of the country.
- **Migrant workers make up around one quarter of London's workforce** – This compares to 8% for the rest of the UK. Over 15% of London's workers are EU nationals and over 9% are non-EU foreign nationals.
- **EU nationality migrant workers pay an estimated £7 billion in taxes in London annually** – EU-migrants contribute this in direct taxes (income tax and National Insurance Contributions) from earnings of over £30 billion annually, and contribute £26 billion to economic output (in terms of gross value added, GVA) in London.
- **Migrants help fill skills shortages in key sectors of the London economy** – 24% of workers in London's financial industry are foreign nationals (London's finance industry is over two times larger than the national average). In London's construction industry, 36% are migrant workers (30% EU nationals).
- **Immigrants contribute more than they take** – Wide-ranging analyses have concluded immigrants make higher net fiscal contributions than native-born citizens.
- **The departure of EU immigrants in London would be economically detrimental and put pressure on public funds** – The loss of EU nationals working in London would negatively impact key industries and result in a higher dependency ratio, with fewer working age individuals to support care for children and the elderly through tax contributions.
- **Within just a few years, extending current Tier 2 visa controls to EU nationals would limit London's industries** - With median wages in many occupations failing to meet minimum visa salary requirements, by 2020 London would have lost access to 160,000 potential migrant workers, particularly in lower-paid occupations. If visa controls were introduced today, by 2020, this would lower GVA by migrants in London by an estimated £6.9 billion, and result in over £2 billion lower tax receipts.
- **Regional visa systems have been successfully introduced in other countries** to address localised demand for labour and respond to regional skills shortages. Such an approach could be considered for London.

1: Introduction

This report examines the unique contribution of migrant labour within the London economy, before exploring the limitations of extending the current Tier 2 visa system to its EU nationals and alternative approaches of other countries to ensure regional labour and skills demands are met.

With the wheels of Brexit soon to be in motion, immigration will undoubtedly be central to negotiations between the UK and the European Union, with sensitive political and economic factors influencing the outcome. Ultimately, tighter immigration controls in the UK may be necessary following the referendum, given the strong link between anti-EU sentiment and the desire to reduce immigration into the UK.

However, uniform immigration laws may not reflect the needs, and attitudes, of different parts of the UK. The economic landscape of London is markedly different to that of the rest of the UK, drawing upon foreign labour for a greater proportion of its workforce.

With growing concerns, both from businesses and workers, about the future of migrant labour following Brexit, this report aims to clarify the facts and understand the true value of work-related immigration to London. Given London's central importance to the national economy – accounting for over a fifth of the UK's economic output (measured using gross value added¹) – the health of the capital's economy is crucial, and the impact of changing immigration policy ought to be scrutinised.

Looking ahead, this report assesses the future consequences of differing immigration scenarios. In particular, this will include the effects of extending the current Tier 2 visa system to EU nationals working in London on different industries and existing skills shortages.

Countries such as Canada and Australia take a regionalised approach to their work-related visa system, differentiating between parts of the country by setting immigration criteria and caps regionally. Others, such as Hong Kong, utilise a work permit system to enable openness to migrant labour in key industries. The advantage such systems offer is flexibility, to reflect and respond to regional needs, selecting the labour most in demand. We consider whether London's labour and skills requirements are sufficiently different from the rest of the UK to warrant similar regionalisation of immigration controls. The aim of this objective analysis is to accurately inform the debate, and clarify the facts behind policy.

The structure of the report is as follows:

- Section 2 examines ONS Census, Population, and Labour Force Survey data, to give a clear picture of current immigration, comparing London to the rest of the UK.
- Section 3 explores the economic contribution of immigration into London in particular, quantifying income and tax contributions, spending power, and gross value added (GVA), as well as considering the potential downsides of immigration.
- Section 4 analyses data on the UK's visa system, and projects the economic impact of different immigration scenarios.
- Section 5 examines precedents for regional work visas and permits, in Australia, Canada, Hong Kong and the UK.
- Section 6 draws conclusions from the preceding analysis.

¹ The ONS's Regional Gross Value Added release (2015) calculates London's share of UK GVA at 22.6%,
<http://www.ons.gov.uk/economy/grossvalueaddedgva/bulletins/regionalgrossvalueaddedincomeapproach/december2015>

2: Setting the Scene

Migrant workers² have accounted for a rising share of total employment in the UK, driven by increases in EU immigration. This is significantly centred within London: around 25% of the capital's workforce is foreign nationals – around three times larger than the proportion for the rest of the UK (8%).

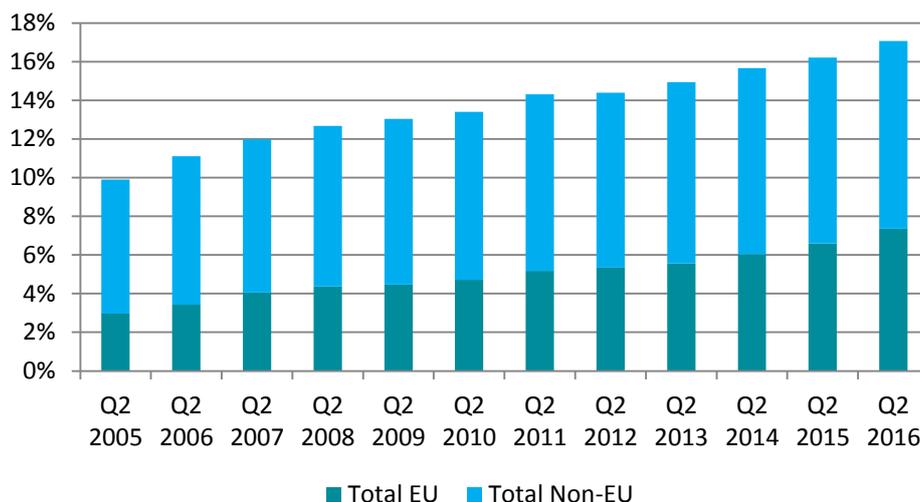
Whilst immigration has broad effects across the UK, this labour is disproportionately centralised in London. This immigration is a crucial part of the capital's workforce, contributing towards many key industries and keeping the capital competitive. With changing immigration laws looming, the uncertainty surrounding the futures of these workers is economically concerning, as business leaders have already made clear. With its high reliance on migrant labour, London is most vulnerable to these changes.

2.1 Immigration growth trends

With significantly higher inflows of immigration compared the rest of the UK, London stands out in terms of its demographics. In 2014, London contained 37% of the UK's foreign-born population, but only 11% of the country's UK-born population. Similarly, the concentration of EU-born migrants in London was over twice as high as in any other part of the country.³

In line with their increasing proportion of the total UK population, immigrants have contributed to a growing share of total *employment*. From 2005 to 2016, non-UK born labour grew as a share of total employment from below 10% to over 17%. Figure 1 illustrates the main drivers of this increase – chiefly migration from the EU, which more than doubled in share from 3% to 7% of the total. Whilst non-EU born migrants' share of total employment grew from 7% to 10% between 2005 and 2016, almost no increase occurred in this group from 2011 onwards.⁴

Figure 1: Employment as a share of total UK employment, EU and non-EU born, 2005-2016



Source: ONS *Employment by country of birth and nationality (EMP06)*

² Please see methodology notes for the definition of a migrant worker for the purposes of this report, and other notes on data.

³ We use country-of-birth here to capture long-term immigration trends, and include foreign-born individuals even if they have become UK citizens. Using this measure, the size of the foreign-born population in the UK has grown significantly. This shows the growing proportion of immigrants into the UK population. Notably, this growth has been largely driven by EU immigration in the last decade.

⁴ This is a result, in part, of immigration policy – see section 2.2 for more detail about the difference between immigration policies for EU and non-EU migrants.

It is worth remembering that migrants' share of total employment is reflective of demographics. Rather than migrant workers excluding UK citizens from the job market, their share of employment has grown as foreign-born have made up a greater share of the UK population. Whereas around 1 in 11 (8.9%) of the UK population was foreign-born in 2004, this proportion had grown to over 1 in 8 (13.3%) by 2015. The same is true in London; the higher share of migrants in the total workforce is in line with a higher share of migrants in the total population.

2.2 The current immigration system

At present, EU nationals have the right to freedom of movement within member states of the EU, without requiring a work permit or visa. As members of the single-market, countries within the European Economic Area (EEA) also have the same rights (including EU member states, Iceland, Liechtenstein and Norway).

From 2008, a points-based immigration system has been in place to manage non-EEA work-related immigration. The scheme is composed of 'tiers'. As is discussed in section 4, the most common route for non-EEA migrants is the Tier 2 visa. Another, lesser used route open to all potential migrants is the Tier 1 visa for high-value workers. Additionally, there are the Tier 4 student visa and the Tier 5 visa for temporary workers. A Tier 3 visa, for unskilled workers, was never implemented and discontinued.

There are various sub-routes within the Tier 2 visa. These include rulings for sportspeople and religious ministers, but the most used route is the Tier 2 General visa.⁵ This is a visa available to potential migrants (from outside the EEA) who have been offered a skilled job in the UK, and meet certain point-based criteria.

The current points-based system requires migrants to score a minimum of 70 points based on a variety of factors. This includes having a certain amount of savings and evidence of English language proficiency. More points can be added for higher education qualifications and higher prospective salary. The current minimum salary to qualify for a Tier 2 general visa is £20,800, although this will rise to £30,000 by April 2017.⁶

The candidate must also have a certificate of sponsorship from their prospective UK employer. This certificate will confirm that the migrant is able and sufficiently skilled to perform the job in question. The sponsoring employer themselves must meet certain standards, and the specific role must pass the Resident Labour Market Test (RLMT). Passing the RLMT requires the employer to prove they have advertised and attempted to recruit existing UK citizens to fill the role before searching for a migrant worker. The job must be advertised in full for a minimum of 28 days.

There are exemptions to completing the RLMT: if the potential migrant is already granted the right to work under an existing visa, such as the Tier 1 Graduate Entrepreneur visa; the salary is above £155,300; the job is an Intra-Company Transfer (ICT) or the job is on the Shortage Occupation List (SOL).⁷

The Shortage Occupation List is one way that migrants can help to address skills shortages in the UK. This is a published list of jobs which employers are finding especially difficult to fill with native workers. Shortage occupations on the list are determined and recommended for inclusion by the Migration Advisory Committee.⁸ Applicants for such jobs are more likely to be granted a visa, as more points are

⁵ More information on entry clearance visas by category can be found at <https://www.gov.uk/government/publications/immigration-statistics-january-to-march-2016/visas>

⁶ For further details, see the Migration Advisory Committee's review of Tier 2 visas: <https://www.gov.uk/government/news/migration-advisory-committee-reviews-of-tier-2> before rising to £30,000 by April 2017, the Tier General salary threshold will rise to £25,000 in autumn 2016.

⁷ More information can be found at <https://www.gov.uk/uk-visa-sponsorship-employers/job-suitability>

⁸ <https://www.gov.uk/government/publications/tier-2-shortage-occupation-list>; a review of the list by the Migration Advisory Committee can be found at <https://www.gov.uk/government/news/migration-advisory-committee-mac-partial-review-of-the-shortage-occupation-lists>

awarded for shortage occupations, effectively easing other requirement criteria needed for a successful application. A shortage occupation list for Scotland is also used, but the list is limited; currently, only seven occupations are on the list. Aside from this, there is not currently any regional differentiation recognising skills shortages for the Tier 2 visa. Tier 2 General Visas are currently capped, with typically around 2,000 certificates allocated each month. In the past the cap has been reached, and the arrival of skilled workers has consequently been blocked.⁹

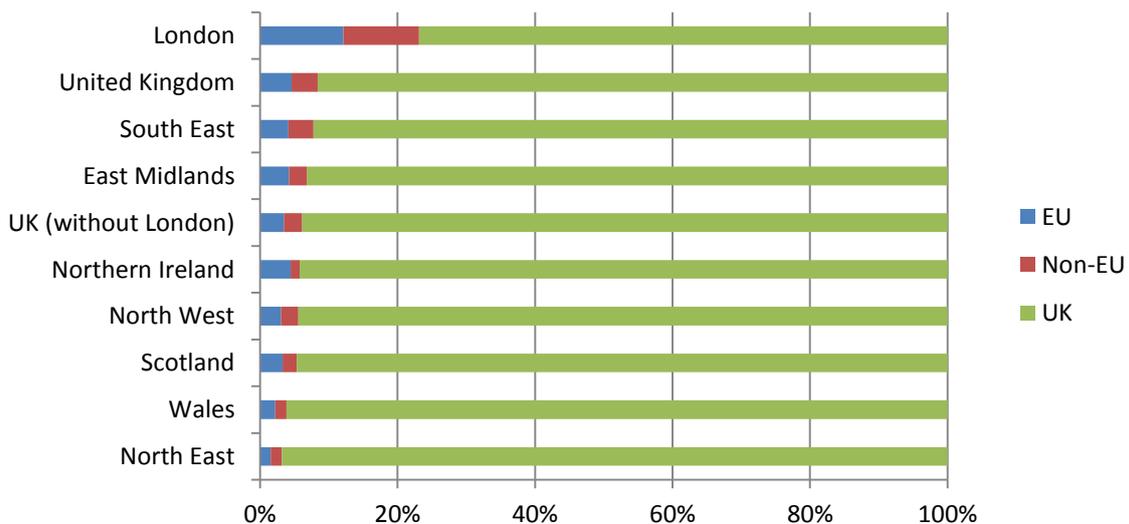
2.3 Comparing London and the rest of the UK

London has long been a hub for international immigration, as demonstrated by its cultural diversity and many established migrant communities. Much of this has its roots in long-term migration trends, and many such immigrants have become naturalised UK-citizens. EU migration, however, is a more recent phenomenon. A high proportion of EU migrants are not naturalised, and are therefore vulnerable to any imminent immigration policy changes, unlike naturalised immigrants. For this reason, we use nationality, over country of birth, as a proxy for migrant workers in this section.

In 2014, London contained over 1 million EU foreign nationals (35% of the UK total) and 930,000 non-EU foreign nationals (39% of the UK total), with only 11% of the country's UK nationals.¹⁰ With well over a third of the nation's foreign nationality population, it is easy to see how London is relatively unique compared to the rest of the UK, with the effects of immigration policy concentrated in the capital.¹¹

When compared to other regions of the UK, the concentration of immigration in London is starker. Over 30% of London's total population are foreign nationals, a proportion unlike any other part of the UK, as illustrated in Figure 2. In the North East of England, by comparison, only 3% of the total regional population are foreign nationals. The United Kingdom average is 9% (and this average is skewed by London; without London the UK average is 6.5%).

Figure 2: Share of regional population by nationality (2014)



Source: ONS Annual Population Survey (2014), Cebr analysis

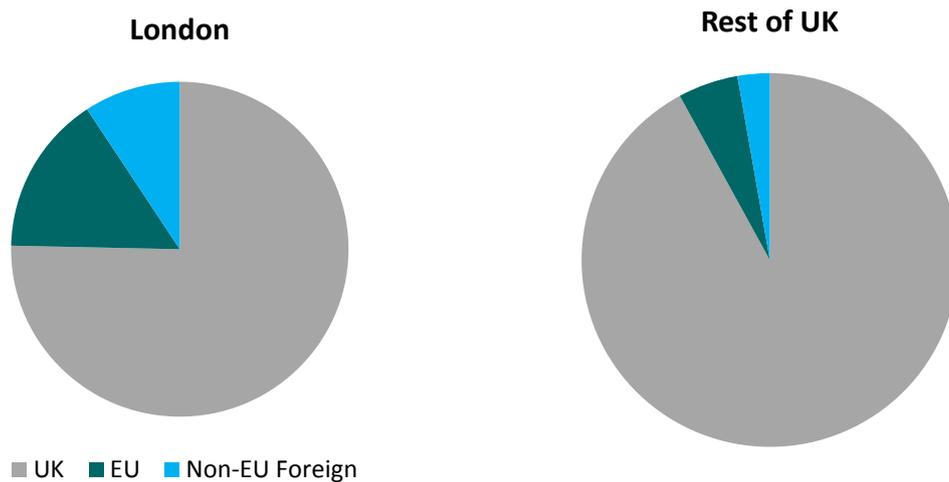
⁹ <http://www.bbc.co.uk/news/uk-33101336>

¹⁰ ONS Annual Population Survey

¹¹ While nationality is used here, so as to focus only on those vulnerable to changes to immigration laws, if we use country of birth as a proxy for migrants, London has an even greater proportion of the UK's migrant population - in 2015, London contained 29% of the UK's EU-born population (932,000) and 41% of the non-EU-born population (2,212,000).

This difference in *population* has embedded itself within the labour market of London. Contrasted with the UK, London's reliance on migrants is much greater. In Q1 of 2016, there were over 1,200,000 foreign nationals working in London (771,000 of these EU nationals), equalling 25% of the total London workforce; on average across the UK, only 10% of the workforce is comprised of foreign nationals.

Figure 3: Comparing the distribution of employment by nationality (2016)

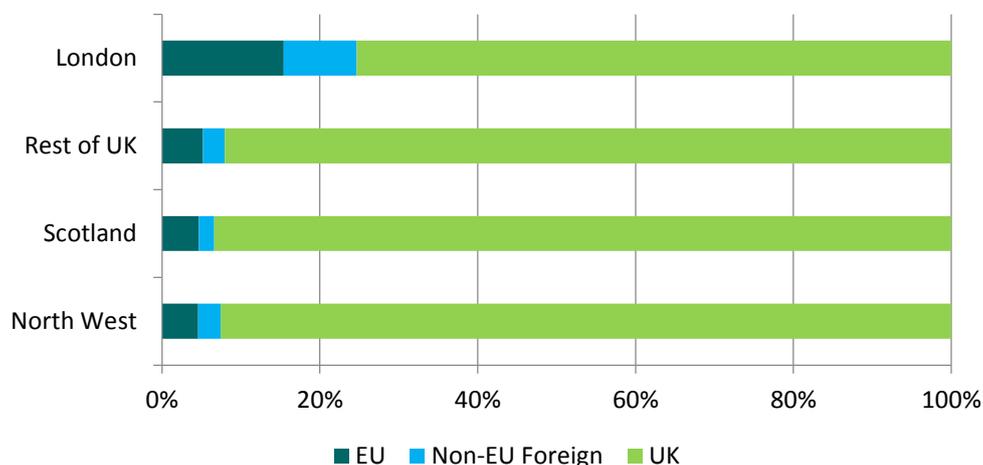


Source: ONS Labour Force Survey, Q1 2016

Furthermore, this UK average itself includes the London figures, influencing the average for the whole country. Removing London from this average, in the rest of the UK only 8% of the workforce is comprised of foreign nationals, and London has over 3 times the relative amount of foreign nationality workers than the rest of the UK. This highlights the asymmetry of London and the rest of the UK in terms of labour markets.

Comparing London to the North West region, and Scotland, we can see the stark contrast between the labour markets. Whilst around a quarter of London's workers are foreign nationals, this figure is 6% in Scotland and 7% in the North West.

Figure 4: Share of total workforce by nationality, EU, non-EU foreign, and UK



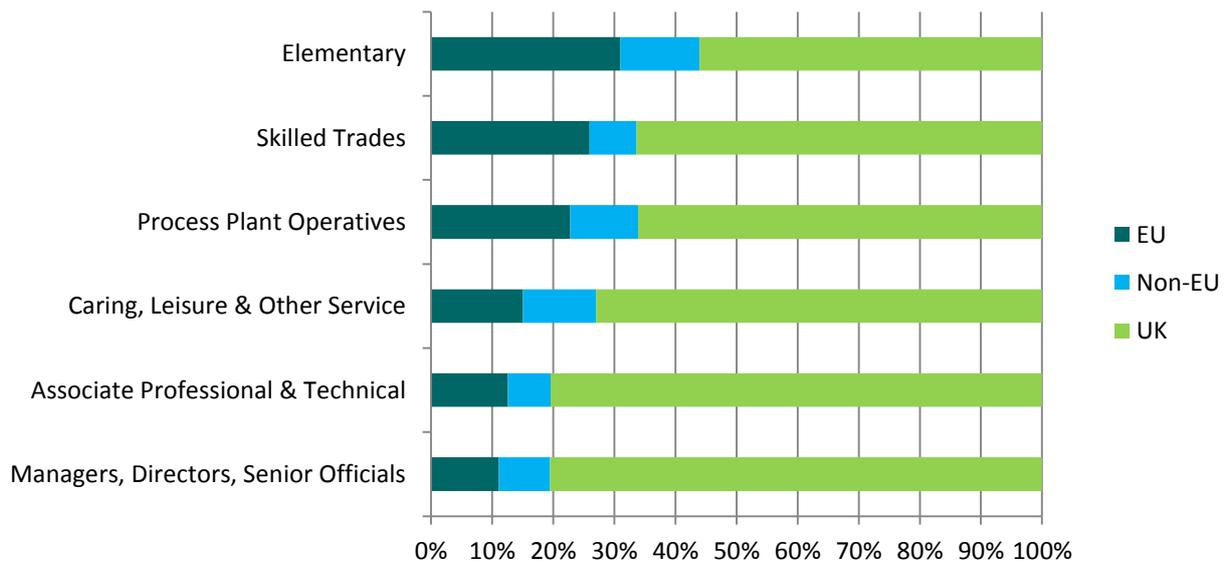
Source: ONS Labour Force Survey, Q1 2016

Considering London’s reliance on migrant workers, any future changes to immigration policy would be felt disproportionately in London.

2.4 Occupations and industries of migrant workers

If we look at London’s reliance on foreign national labour, defined as foreign workers’ share of total employment in each occupation within London, the occupation groups most dependent on migrant workers are the elementary¹² and skilled trade occupations. In Q1 of 2016, 44% of all those working in elementary professions in London were migrant workers and 34% of London’s skilled tradespeople were foreign nationals. However, migrant workers also account for a significant proportion of those working in associate professional & technical occupations,¹³ and managerial jobs; almost 20% of this workforce is of foreign nationality.

Figure 5: Reliance on labour by occupation and nationality: EU, non-EU & UK, selected occupation groups, London



Source: ONS Labour Force Survey, Q1 2016

Looking at the regional reliance on EU migrant workers, Figure 6 highlights the workforce share of EU migrants by industry, comparing London to other regions. As shown, London is comparatively more reliant on EU-workers across all sectors. This reinforces London’s uniqueness within the UK. Most prominently, London is more than 6 times as reliant on EU nationals for construction than the rest of the UK.

¹² Elementary occupations, as classified by the ONS’s standard occupational classification groupings, consist of basic trade occupations - as general labouring, assistants in building (including assisting the work of plumbers, painters, electricians etc.), basic machine operatives - as well as elementary administration occupations, including office clerical tasks, cleaning, storage and transportation of goods, catering, hospital, and domestic preparation.

¹³ Associate, professional and technical occupations, as classified by the ONS, consist of occupations which ‘require experience and knowledge of principles and practices necessary to assume operational responsibility and to give technical support’ to other professionals, managers and senior officials. Examples of such occupations are media professionals, scientists, engineers, pilots, specialist operators of industry specific equipment, and those serving in the armed forces. More information can be found at http://www.neighbourhood.statistics.gov.uk/HTMLDocs/dev3/ONS_SOC_hierarchy_view.html

Figure 6: London’s reliance on EU nationality labour, compared with selected regions



Source: ONS Labour Force Survey, Q1 2016

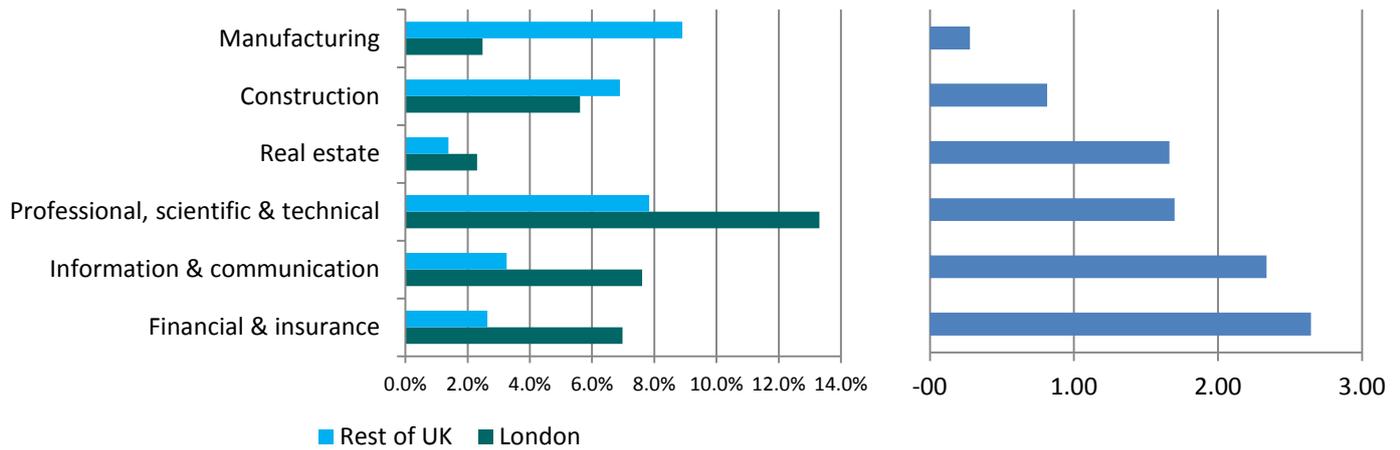
Many industries that are dependent on migrant workers are vital to London’s economy. These include sectors like construction and the financial and insurance industry, shown by their relative size in terms of the share of the workforce they employ (regionally) as shown in Figure 7.

For example, the financial and insurance industry accounts for 7% of London’s workforce, but only 2.6% of the workforce in the rest of the UK. Meanwhile, the relative share of London’s information and communication sector is greater than the rest of the UK – 2.3 times larger in terms of workforce share, compared to the rest of the UK. Similarly, the share of the workforce employed in professional, scientific & technical jobs is 1.7 times higher in London than in the rest of the UK.¹⁴

This asymmetry shows such industries are clearly an integral part of the London economy. By way of contrast, the relative size of London’s manufacturing industry is far smaller than the rest of the UK – far fewer people are employed in manufacturing, just over 2% of London’s workforce, compared to 9% in the rest of the UK.

¹⁴ The professional, scientific & technical group is an industrial classification as used by the ONS in employment data. It is a wide group including lawyers, architects, specialist consultants and engineers. A detailed list can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/455263/SIC_codes_V2.pdf

Figure 7: Share of those in employment, by industry, as a % of total employment of all industries (2016) **How much larger is this London industry, by share of employees, than the rest of the UK (2016)?**



Source: ONS Labour Force Survey, Q1 2016

Whilst both EU and non-EU migrant workers underpin the workforce in several key occupation groups, those most at risk of any future immigration policy changes are EU nationals, so far exempt from visa standards under EU freedom of movement laws. This is the case in critical industries such as financial and insurance, in which London is a global leader. Additionally, other industries, such as construction, transport, and information & communication, are vulnerable too, fuelled by high shares of migrant workers. It is clear that restrictions upon migrants will have a widespread impact, across a range of industries and occupations.

3: The Value of Immigration

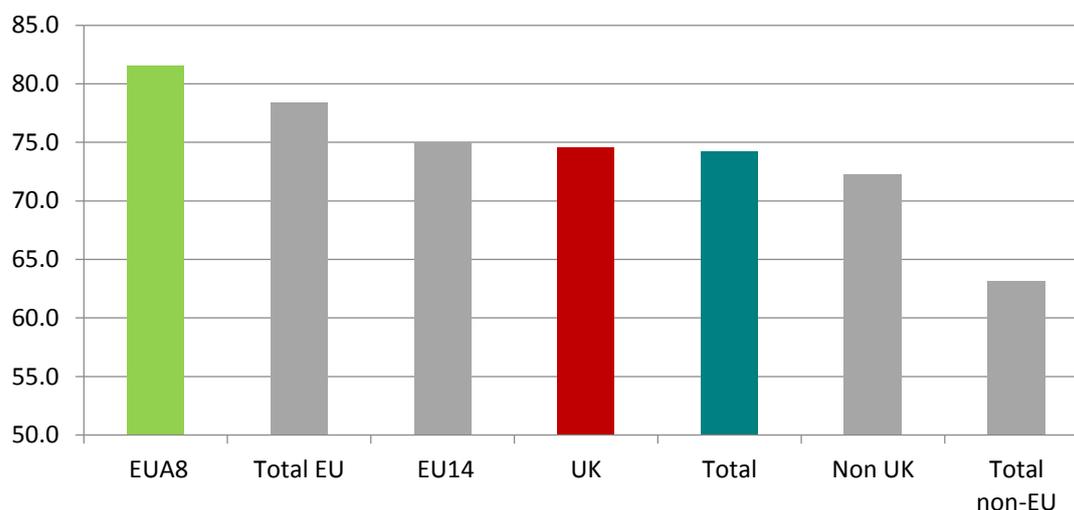
Far from draining public resources and funding, migrant workers add to the London and UK economy. Within London, migrants contribute an estimated £44 billion annually to total production measured in gross value added - £24 billion via EU national workers. Additionally, EU migrant workers in London pay over £7 billion in direct taxes every year. In total, foreign nationals working in London pay around £13 billion in direct tax payments.

3.1 Employment Rates

Migrants have been accused of burdening the UK economy, exploiting the benefits of the UK welfare system without working. However, 2016 ONS data show that the employment rate (for those aged 16 to 64) for EU immigrants is significantly higher than the UK average. Notably, immigrants from EU A8 states¹⁵ have the highest employment rate of any cohort at 82%; the UK nationality rate was significantly lower at 75%. Overall, the employment rate of EU migrants is higher than for UK nationals, perhaps reflecting the fact that the majority of EU migrants come to take up work, or to find work.¹⁶

Although higher employment rates for migrants might intuitively seem to come at the expense of UK citizens' employment, immigration is not a zero-sum game. Rises in migrant employment need not entail worse job prospects for UK nationals. Wadsworth (2015)¹⁷ finds 'no evidence' that immigrants have a negative impact on jobs, unskilled wages, housing or public services. Research from the Migration Advisory Committee (2012)¹⁸, whilst noting a variety of evidence, claims 'most studies [estimate] little or no association between migrant inflows and changes to employment or unemployment'.

Figure 8: UK Employment rates by nationality, ages 16-64, Q2 2016, %



Source: ONS Labour Market Statistics, Q2 2016

Thus, EU nationals are seen to be highly active in the UK economy, and more likely to be employed than native workers. This undermines the argument that EU freedom of movement encourages welfare or

¹⁵ The EU A8, or 'accession countries' of the EU's 2004 expansion, are Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia

¹⁶ According to Full Fact, 41% of EU migrants give 'definite job' as their reason for migrating, and a further 31% give 'looking for work' as the reason. See further details at <https://fullfact.org/immigration/eu-migration-and-uk/>

¹⁷ Wadsworth, J (2015) Immigration and the UK Labour Market, London School of Economics

¹⁸ Migration Advisory Committee. "Analysis of the Impacts of Migration." Home Office, London, 2012.

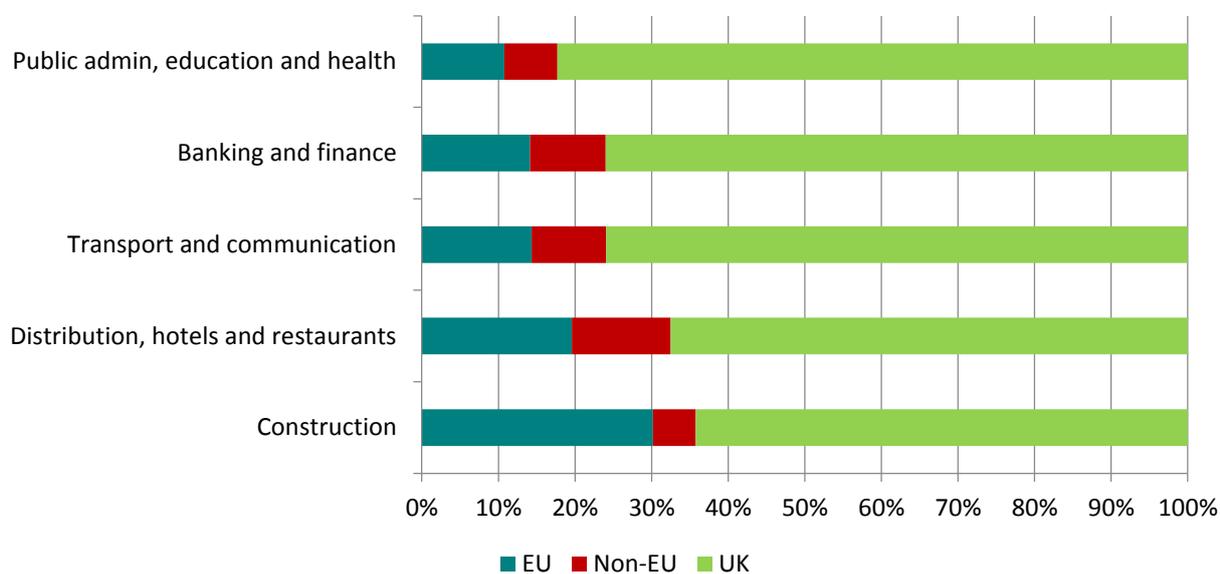
benefit exploitation, especially when we consider that EU nationals' access to welfare has become increasingly restricted. It is also worth noting that non-EEA migrant workers are subject to even greater restrictions. They must pay an Immigration Health Surcharge of £200 at the point of the visa application,¹⁹ and most have 'no recourse to use public funds' for their initial years; until a permanent residency permit is granted, most benefits cannot be granted, including tax credits, housing benefits, and income support.²⁰

Furthermore, this level of migrant employment does not lead to lower employment levels for other groups. As well as adding to labour supply, migrants bring an increase in aggregate demand. Through higher spending in the economy, demand for more labour is generated. Therefore, an increased supply of employed labour can lead to higher spending and economic activity, necessitating increased labour demand. Additionally, migrants contribute to public funds through tax on income and on consumption of goods. This adds to the wider economy, through fiscal contributions as well as higher demand for goods and services; rather than draining the resources from a finite system, immigration adds to the resources to generate labour demand as well as supply.

3.2 Addressing Skills Shortages

As has already been seen, London relies on foreign labour to a much greater extent than the rest of the UK (see Figure 6, chapter 2.4), but does this foreign labour plug gaps in the sectors with skills shortages?

Figure 9: Share of total employment by nationality in London, selected industries



Source: ONS Labour Force Survey, Q1 2016

It is well documented that the UK is experiencing significant skills shortages. 'Skills shortage vacancies' (i.e. positions which are left open as employers are unable to fill them with appropriately skilled workers) have more than doubled from 2011 to 2015, according to the Employers Skills Survey.²¹

¹⁹ More information can be found at <https://www.gov.uk/healthcare-immigration-application/overview>

²⁰ A full and detailed list of the public funds which are not available to migrants without permanent residency can be found at <https://www.gov.uk/government/publications/public-funds--2/public-funds>

²¹ Vivian, D. et al (2016) Employer Skills Survey 2015: Results, available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/525444/UKCESS_2015_Report_for_web_May_.pdf

Construction is a prime example of this. The construction industry is facing ongoing large-scale skill shortages, particularly pivotal to the UK's economy due to its importance in housing and infrastructure to stimulate UK growth. Meeting construction targets is economically important for residents and businesses alike; according to the London Business Survey (2015), 'almost two-thirds of businesses cite housing costs and availability as having a negative impact on recruitment of entry-level staff'.²² Looking ahead, the Construction Skills Network predict a construction output annual growth rate of 4.2% between 2015 and 2019 in Greater London – the second highest regional growth rate.²³ However, across the UK widely, according to the Employers Skills Survey, employers in the construction industry were struggling to fill 1 in 3 vacancies due to lack of skills in 2015.¹⁹ There is an acute shortage of construction workers in London; over half of firms report shortages of carpenters and 60% report shortages of bricklayers.²⁴

We know that EU nationality workers already make up a very sizeable 30% of London's construction workforce, and that significant skills-shortages still exist in the industry. The argument has been made that the departure of EU migrant workers would improve job prospects for native workers. This argument may hold if there were no skills shortages in industries, and a current surplus of skilled potential employees. However, this is clearly not the case in construction. The departure of EU construction workers would not solve, but rather exacerbate, skills shortages, and stretch industries already struggling to hire suitable staff. A long-term solution to skills shortages also requires improved training of the UK workforce to address labour demand in specific industries. Yet, whilst crucial, this takes time, and in order to address shortages in the short-term, access to migrant workers is a responsive way to bring much-needed labour to the places where it is most in demand.

Migrant workers are also important to plugging skills gaps in capital's financial services sector. In London, the share of the financial services industry is much larger than the rest of the UK (see Figure 7), and much of this workforce is foreign; around 14% of the banking and finance industry workforce is made up of EU nationals, with a further 10% made up from non-EU migrants. Yet, there are still significant skills shortages, as indicated by the Employers Skills Survey. In the financial sector, from 2013 to 2015, the amount of skills shortage vacancies increased from 2,800 to 6,600. As a result, in 2015, 21% of jobs in financial services were left vacant as employers could not find the workers to fill them. For associate professionals in the financial industry, employers noted a 41% skills shortage density (two-fifths of jobs cannot be filled for lack of skills)¹⁹. Again, losing access to overseas talent would exacerbate existing skills shortages.

London is able to benefit from a large, international labour market to fill competitive vacancies with international talent. London businesses have claimed 'retaining key talent' is their number one concern.²⁵ London has been able to benefit from a large, international labour market to fill competitive vacancies with international talent. Restricting access to migrant workers would further exacerbate skills shortages, and potentially undermine the growth and development of key sectors of the capital's economy.

3.3 Income and Tax Revenue

Using data from the Labour Force Survey 2015, coupled with data from the 2011 Census, we calculate the contribution migrant workers make to the UK economy, and total tax paid. We utilise a combination of Labour Force Survey data, and salary data from the Annual Survey of Hours and Earnings from the

²² London Business Survey: CBI (2015) <http://www.cbi.org.uk/news/capital-s-firms-to-next-mayor-transport-and-housing-must-improve-cbi-cbre/cbi-cbre-london-business-survey/> September 2015

²³ Industry Insights: Blueprint for Construction 2015-2019, Construction Skills Network (2015), available at <https://www.citb.co.uk/documents/research/csn%20reports%202015-2019/construction-skills-network-uk-2015-2019.pdf>

²⁴ Jobs and Skills in London: Building a more responsive skills system in the capital, IPPR (2016), available at <http://www.ippr.org/publications/jobs-and-skills-in-london>

²⁵ London Business Survey: CBI (2015) <http://www.cbi.org.uk/news/capital-s-firms-to-next-mayor-transport-and-housing-must-improve-cbi-cbre/cbi-cbre-london-business-survey/> September 2015

ONS. Based on income tax and National Insurance Contributions, EU migrant workers in London paid an estimated £7 billion in taxes in 2015. Together with non-EU migrants, the total taxation on the earnings of London's migrant workforce is estimated to be around £13 billion.²⁶

Figure 10: Estimated direct tax receipts by occupation group of non-UK EU national workers in London, 2016



Source: ONS Annual Survey of Hours and Earnings (2016), Cebr Analysis

Although immigrants can be seen to contribute significantly in terms of earnings and taxation, some portrayals of immigrants still focus on the strain they may place on public funds, perpetuating the recurrent notion that immigrants are intent on freeloading upon the UK's welfare system.

However, empirical research shows this portrayal to be inaccurate. Dustmann and Frattini (2013)²⁷ find that, from 1999, immigrants 'have made positive fiscal contributions irrespective of origin'. Furthermore, in the period from 2001 to 2011, the net fiscal contribution of European immigrants has been over £15 billion cumulatively, with over £5 billion from 'recent A10 arrivals'. By comparison, Dustmann and Frattini calculate that 'over the same time period, the natives' fiscal cost amounted to almost £617 billion'. Thus, in fiscal terms, immigrants can be seen to be largely beneficial to the UK economy, especially in comparison to native-born citizens.

The fact that many migrants are educated in their countries of birth is significant for such fiscal contributions. Many immigrants arrive in the UK at working age, after they have been educated in a different country. As such, the UK receives fiscal contributions from the work of these migrants, without having to spend a comparable amount to educate and train many of these workers. Many migrant workers arrive with high-levels of education: Keohane, Broughton, & Ketola (2016)²⁸ find that only 15% of EEA-born migrants arrive having left school before the age of 17, compared to 44% of UK-born workers. Furthermore, migrants have restricted access to public funds, limiting the welfare benefits available, and must pay a surcharge for NHS healthcare.

²⁶ In London, we derive total direct receipts from total estimated earnings of EU migrants. We estimate that EU-nationality migrant workers earn over £30 billion annually. Much of this comes from managerial and high-skilled professions primarily filled by migrants from EU14. We estimate total annual earnings of non-EU foreign nationals amounts to £19.5 billion. Together with EU migrants, those with non-UK nationality earn £50 billion per year in London. It is worth bearing in mind that non-EU migrants have added this amount despite being restricted to visa Tier 2 restrictions.

²⁷ Dustmann, C. & Frattini, T. (2013), 'The Fiscal Effects of Immigration to the UK', The Economic Journal

²⁸ Keohane, N, Broughton, N, & Ketola, T. (2016) Working Together? The impact of the EU referendum on UK employers, Social Market Foundation

The idea that immigration puts downward pressure on wages is also commonly stated. Yet, most empirical research shows higher immigration has little to negligible impact upon wages and unemployment.

While Reed & Latorre (2009)²⁹ calculate that 1 percentage point increase in migrants' share of the UK working-age population creates a 0.3% decrease in wages, Dustmann, Frattini & Preston (2013)³⁰ find a similar increase will raise wages by between 0.1% and 0.3%. Both agree the impact on wages is small. This is reinforced by a historical cross-country analysis. Blanchflower (2007)³¹ notes that in numerous examples across various countries, influxes of migrant labour have not resulted in significant effects on wages, nor detrimental impacts upon employment rates. In terms of the Tier 2 visa, the Migration Advisory Committee finds little evidence of 'undercutting' of wages with salary minimum thresholds in place.³²

3.4 Spending Power and GVA

To assess the wider impact immigration has on London, we utilise ONS data from the Annual Business Survey to calculate the spending power and economic output (gross value added, GVA) contribution of both EU and non-EU migrant workers. GVA measures total economic output generated per worker; summing the individual contribution of migrant workers in London shows us how much immigrants are *worth* to the London economy.

We estimate that the GVA contribution of all migrant workers in London is £44 billion annually. Of this, over £26 billion comes from EU-national migrant workers, and over £17 billion is estimated to be from non-EU migrant workers. In particular, some key industries are significantly driven by foreign nationality labour. We estimate that £8.6 billion of value is added by foreign workers in London in professional, scientific & technical services every year. In addition, over £6 billion GVA is contributed by migrant workers in administration, and almost £7 billion of GVA is generated through migrants working in financial and insurance professions.

The measure of total spending power from migrant workers within London is dependent on the average rate of consumption. Accounting for current estimates of the propensity to save and spend, the total spending power of EU nationals in London is approximately £29 billion per year. Non-EU migrant workers' spending power is currently estimated to be £19 billion annually.

London's place as a powerhouse of the UK economy is well established, and we have seen that migrant workers are a fundamental element of the workforce which underpins this. The capital's economic growth is certainly fuelled in part by dynamic flows of migration into the capital. In terms of providing industries with skills, addressing (or avoiding) skills shortages, and contributing to GVA, migrant workers are a crucial part of London's economy.

²⁹ Reed, H. and M. Latorre (2009) "The Economic Impacts of Migration on the UK Labour Market." IPPR Economics of Migration Working Paper 3, Institute for Public Policy Research

³⁰ Dustmann, C., T. Frattini, and I. P. Preston. (2013) "The Effect of Immigration along the Distribution of Wages." *Review of Economic Studies* 80

³¹ Blanchflower (2007), 'The Impact of the Recent Migration from Eastern Europe on the UK Economy', Bank of England

³² Migration Advisory Committee (2015) Review of Tier 2, available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/452805/Review_of_Tier_2_-_Analysis_of_salary_thresholds.pdf. The MAC has only identified a small negative impact upon the wages of low paid individuals, see MAC 2014. Migrants in low skilled work: the growth of EU and non-EU labour in low-skilled jobs and its impact on the UK.

4: Immigration Policy – Projections

Under uniform national immigration policy, in line with the Government’s planned limit of 100,000 net migration per year, London would lose out on around 30,000 migrant workers every year.

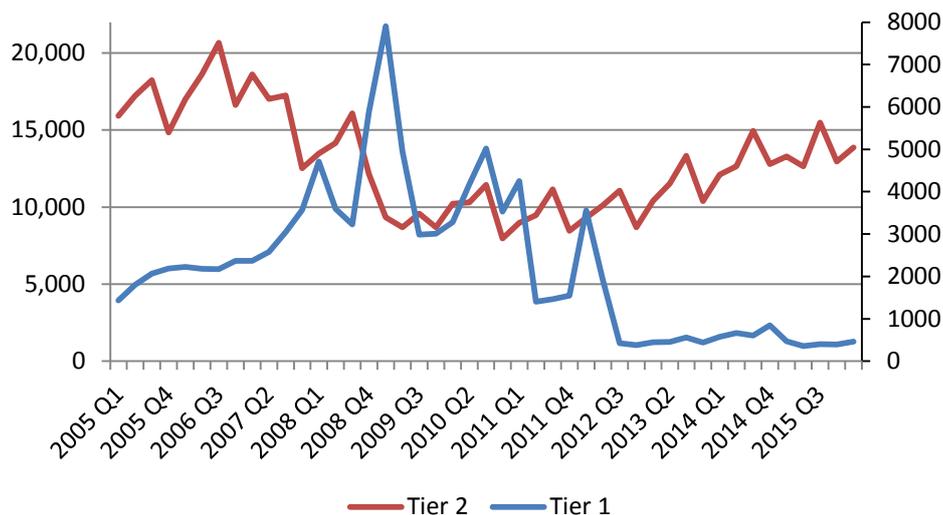
4.1 Visa Trends: flows of migration

The growth in London’s economy has been supported by continued openness to EU immigration in recent years, but that is likely to change. To understand the economic consequences of changing immigration policy, which may be inevitable following the UK’s vote to leave the EU, we project the likely consequences of a range of different scenarios. For London, where immigration is concentrated and industries are more reliant on migrant labour, the reverberations of tighter immigration controls are certain to be felt the strongest.

Recent immigration growth has largely been driven by EU migrants, who have not been subject to restrictions on where they live and work. Between 2011 and 2015, total EU migration was 2.4 times larger than that of total non-EU migration. This can be explained, in part, by the tightening of restrictions on non-EU migration, aiming to meet the government’s 2010 pledge to limit net migration to 100,000, which the Government continues to commit to.³³ Consequently, visa requirements were made more stringent, particularly the Tier 1, ‘high-value migrant’ route.

Overall, whilst the amount of Tier 2 visas granted has risen slightly, Tier 1 visas granted³⁴ have fallen sharply since 2010, as can be seen in Figure 10. In the year to June 2016, the majority of visas granted were Tier 2.³⁵

Figure 11: Total visas granted per quarter, tiers 1 (RHS) & 2 (LHS), main applicant



Source: Home Office Immigration Statistics (2016)

³³ <http://www.cityam.com/245827/theresa-may-has-officially-delayed-plans-budget-surplus-her>

³⁴ Of the various tiers of visa available, Tier 1 and 2 are the only long-term work visas. Tier 2 visas are given to ‘skilled workers’ already with a job offer, including international transfers, or for workers meeting the skill-shortage list. Tier 1 visas are given to ‘high value migrants’: individuals must have £200,000 to invest through the entrepreneur route, £1,000,000 to invest, or meet ‘exceptional talent’ requirements.

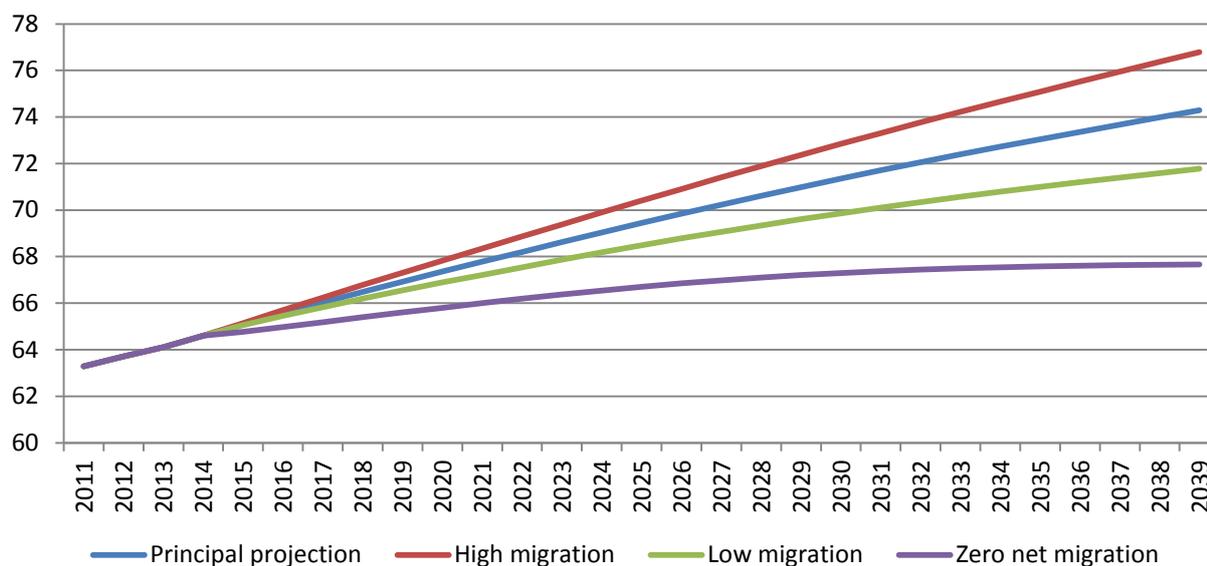
³⁵ 56% were Tier 2 skilled worker visas, compared to 3% Tier 1. A further 26% were granted for Tier 535 ‘temporary workers’, and 15% for non-points-based or other work visas. Additionally, a proportion of people are granted visas through the intra-company transfer route.

Tier 2 visas (excluding intra-company transfers)³⁶ are subject to the Resident Labour Market Test (RLMT), meaning employers must show they have searched for a suitable settled worker for the job, and been unable to find a suitable candidate, before employing a non-EEA migrant. This is meant to ensure that visas are only awarded when all domestic recruitment attempts have been exhausted.³⁷

4.2 Projections: different immigration scenarios

In terms of the national population, key scenarios can be considered. Using ONS figures, the principal projection (shown in blue, Figure 12) shows the expected population under a ‘business as usual’ situation. These principal projections are based on ONS assumptions for expected migration (set at 185,000 positive net immigration per year), as well as expected mortality and fertility. This projection assumes immigration trends would continue in line with pre-Brexit levels, ignoring any effects of leaving the EU. Under such conditions, the UK population would be around 74 million by 2039.

Figure 12: Projected UK population (millions), under different scenarios



Source: ONS Population Projection

The extent to which population projections are influenced by immigration can be seen by the divergence of the high, low and zero migration scenarios. As illustrated, the high migration scenario sees population much higher, at 77 million by 2039, compared to 72 million in a low migration scenario. Crucially, population growth is driven by immigration, and the effects are amplified over time.

In London, the effects of differing migration scenarios would be felt disproportionately, within the workforce especially. Below, we look at two different scenarios:

- Business as usual: migration scenarios unchanged, with pre-Brexit immigration assumptions, in line with ONS principal projections.
- Post-Brexit national immigration controls: no regional differentiation, applying current tiered visa restrictions upon EU nationals.

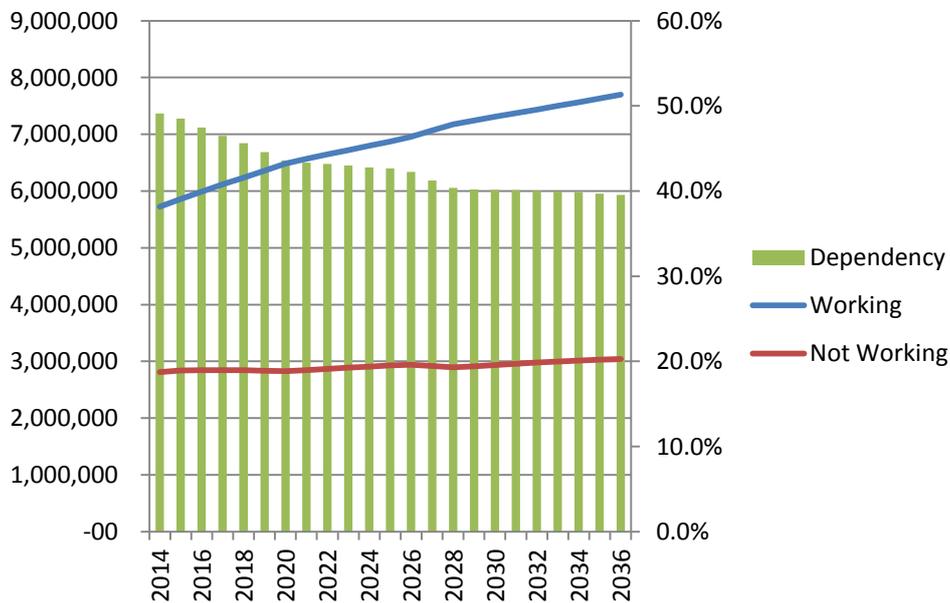
³⁶ Intra-Company Transfers, or ICTs allow multinational companies to transfer non-EEA migrant workers from overseas to a UK location. The sponsorship conditions are similar to other Tier 2 sub-routes. More information can be found at <https://www.gov.uk/tier-2-intracompany-transfer-worker-visa/overview>

³⁷ More information about the RLMT can be found at <https://www.gov.uk/uk-visa-sponsorship-employers/job-suitability>

London - Business as usual:

For this scenario, we use Cebr projections and ONS figures to cast a principal projection for London’s population and workforce, taking the assumption that immigration policy would continue in largely the same direction as before, unaffected by Brexit. Whilst this is an unlikely scenario, the projection shows the key benefit of immigration, namely the decreasing dependency ratio (calculated by the dependent population as a share of the working population). Furthermore, a benefit less easily captured is the clarity and certainty afforded to London’s businesses regarding migrant workers currently working in the UK.

Figure 13: London population projection: business as before, population (LHS); dependency (RHS)



Source: ONS population projections, Cebr analysis

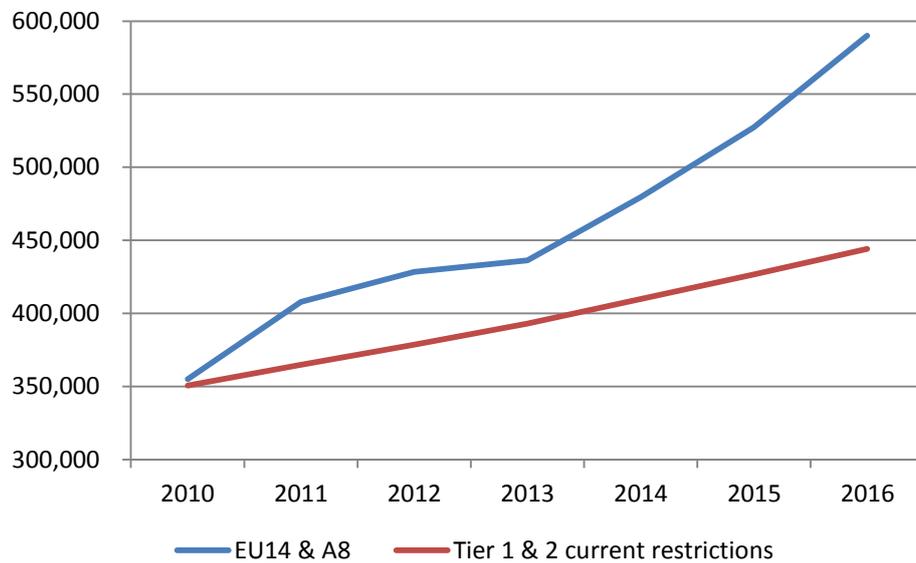
If immigration were to continue at current levels, the population of London would increase, but this would largely be due to growth in working-age individuals, leading to a reduction in the capital’s dependency ratio which in turn supports economic growth and fiscal sustainability. As mentioned, migrants typically arrive at working age, after education, immediately contributing to the labour market and tax receipts. Thus, as population grows under typical migration assumptions, dependency falls.

Post-Brexit national immigration controls:

In the event of immigration controls falling under national restrictions, the Government may stick to its target of a maximum of 100,000 net migration per year, under a Tier 1 and 2 system. Had London’s EU migrant workforce been subject to the Tier 2 restrictions from 2010 which have been placed upon other non-EU workers, we estimate that over the years to 2016, London would have a drastically reduced non-UK EU workforce, 145,000 lower than with free movement of labour.³⁸

³⁸ Whilst we use the proposed 100,000 cap to illustrate the impact of Tier 2 restrictions upon EU workers, this cap is not necessarily achieved – in 2015, the effective inflow of non-EU migration was actually 151,000 (due in part to visa categories which are not capped, such as the Tier 2 Inter-Company Transfers sub-category). However, the aim of reducing migration to ‘tens of thousands’ remains a target of the current government, so comparable restrictions are likely to be placed on EU migrants if they are to be subject to Tier 2 restrictions.

Figure 14: Total EU national workforce projection if London had been subject to tier 1 & 2 visa restrictions (2010-2016)



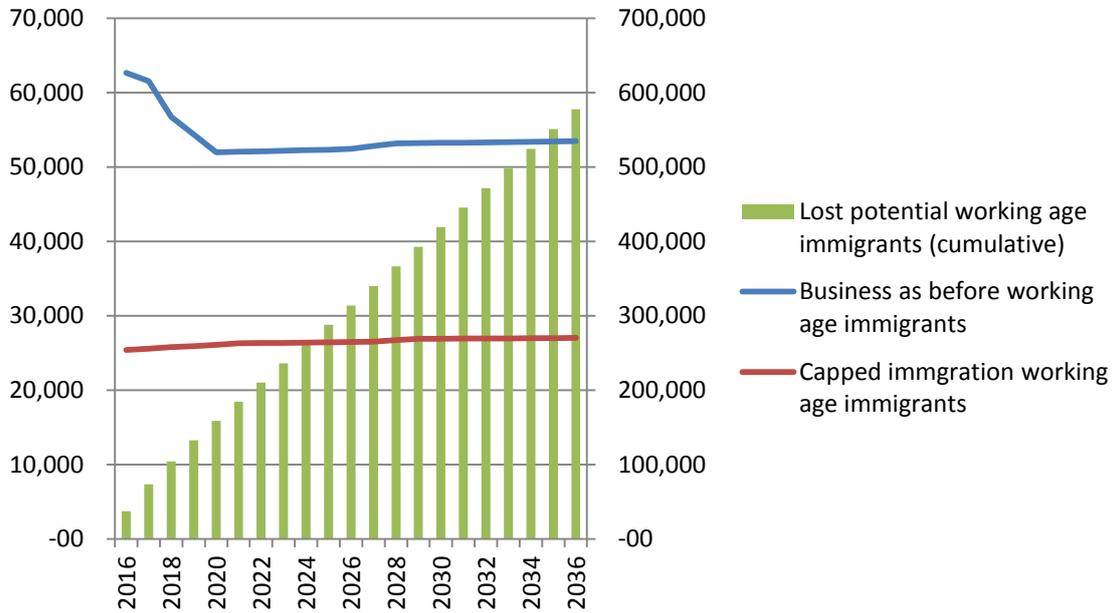
Source: Cebr analysis, Home Office Immigration Statistics

To understand the contribution these EU workers make towards the capital, we estimate that if all EU-workers in London were to depart, the dependency ratio of the capital (the ratio of those of working ages 16 to 64 to those outside working ages) would rise by 5 percentage points to 51%.

If the government sticks to its maximum net immigration target of 100,000 annually, we estimate this would mean total immigration for London would be below 38,000 annually (in proportion with the share of total immigration which comes to London), drastically capping the labour London relies upon, and leading to further skills shortages, particularly in lower-paid jobs.

Whilst salary requirements are in fact likely to be felt more widely in other areas of the country than London, many occupations will fall well below the upcoming £30,000 salary minimum under Tier 2 visas.

Figure 15: Working age migrants under ‘business as before’ versus national immigration policy capped at 100,000, London (LHS); potential migrants lost (RHS)

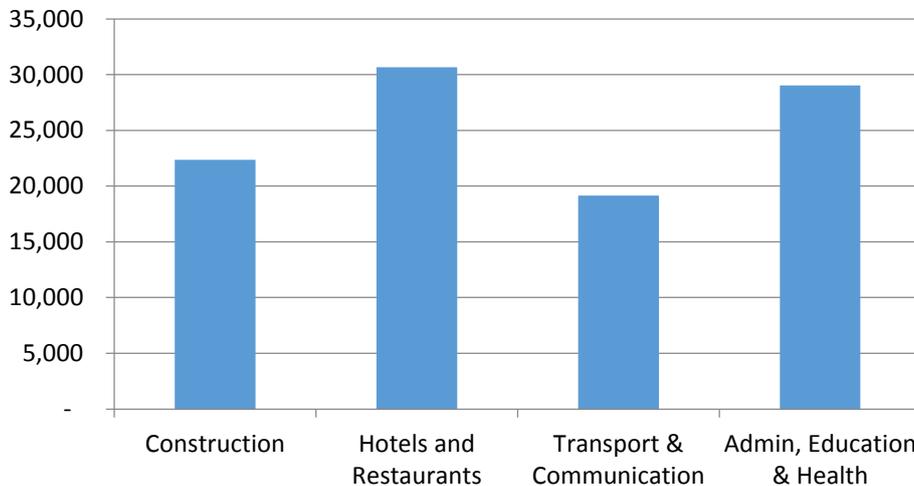


Source: ONS population projections, Cebr analysis

Under this scenario, if national immigration controls were brought in today and immigration fell into line with government targets, by the year 2020, we estimate the capital would have lost access to 160,000 migrant workers. Combining this with London salary data from the ONS, we can estimate how many migrant workers in each occupation and industry would not meet Tier 2 requirements.

The effect of this would be to squeeze many industries that are already under pressure. Under a restricted scenario, London would lose access to around 22,000 EU workers within construction, 30,000 migrant hotel and restaurant workers, and approximately 29,000 migrant public administration workers.

Figure 16: Potential London workers lost under national immigration controls, by 2020



Source: Labour Force Survey, ONS (2016), Cebr analysis

We estimate that, compared to a business as usual scenario, national immigration controls would have a negative effect upon the regional GVA of London, as well as resulting in decreased tax receipts. If immigration policy followed current Tier 2 visa targets, the GVA cost to London as a result of restricted access to foreign labour would be an estimated £6.9 billion per year. This represents a significant amount of lost production after restricted access to migrant workers. Furthermore, the lost taxation of national immigration policies would be over £2 billion per annum by 2020.

Overall, the effect of tighter immigration policies is estimated to lower London's potential GVA, restrict the access to workers in key industries, and lower taxation paid. On top of this, there are the knock-on effects of restricting key industries. Failing to meet construction targets, for example, may put further pressure on recruitment for businesses, with workers struggling to live in London.

Crucially, in the case of many lower-paid jobs, like those in hospitality, construction, or elementary occupations, migrants may fail to meet minimum visa salary requirements, especially with Tier 2 minimum salary set to increase to £30,000 in 2017. With this salary minimum in place, many workers would not meet visa standards, and would be unavailable to London's employers. Importantly, it is many of these industries and occupations which are dependent on migrant workers.

Those in elementary jobs would almost all fail to meet the 2017 minimum salary requirements. Therefore with national visa requirements, this occupational group would be subject to effectively zero migration. As seen earlier, London depends on foreign labour for about 60% of elementary occupation roles, so restricting this labour could be massively detrimental to the provision of labour in these occupations.

In occupational terms, almost all workers in elementary occupations would fail to meet salary requirements, 50% of skilled tradespeople would not meet requirements, nor would 60% of administrative and secretarial staff. Based on average salaries, over half of construction workers, around 70% of those working in the arts & entertainment industry, and almost all workers in food and drink service will fail to meet salary requirements. Unless they are on the national occupation shortage list, they will not be eligible for a visa, even if regional demand is high. When we compare these restrictions to skills shortages (in construction one in three vacancies could not be filled due to lack of skills in 2015), and current reliance on EU labour (30% of London's construction workers are EU nationals), the vulnerability of such industries is clear.

The loss of access to migrant workers for elementary positions could be particularly detrimental for London. Employers in London currently rely upon EU nationals for over 30% of these jobs. It appears that London would lose access to such workers, crucial for delivering services such as hospital assistance, cleaning, and lower-skilled construction jobs.

Whilst these workers may not earn high wages comparatively, their value to the economy is vital. A visa system which imposes minimum salary requirements well above these workers' salaries removes a large group from the economy. As sectors are interdependent, cutting out migrant labour in one sector will negatively impact upon others – the provision of hospital assistants, cleaners, caterers, and transport workers are crucial in the day-to-day function of any city. At present, national visa requirements cannot respond to the importance of these workers, but a regional visa or work permit system could. In the following section existing regional visa schemes will be explored.

5: International Case Studies

Countries like Canada and Australia have used regional visa schemes which allow for a more flexible response to localised labour needs. Such systems provide insight into effective ways to respond to regional skills shortages, showing a uniform national immigration system is not the only option.

London's businesses and their workers are facing uncertainty as to the future direction of immigration policy in the UK. As the preceding analysis has shown, extending the existing system to EU nationals poses significant risks to the capital's economic growth and development, due to London's unique reliance on migrant labour. This chapter examines overseas examples of taking a more regional, responsive approach to immigration controls.

5.1 Other Systems: examining regional immigration schemes

Australia

Australia has a regionalised visa system, designed to address the differing skills needs of its various territories. This is effectively done in two main ways. First, the regional government can actively nominate candidates with matching skills needs. For example, under the subclass 190 visa, the immigrant is state-sponsored and is not linked to a particular employer. State and territory governments can find the candidates on the online skilled migration program website 'SkillSelect', where candidates' expressions of interest are collected. Governments can select candidates whose profession features on the national Skilled Occupation List, which is determined by the Department of Employment and currently features over 650 occupations. The candidate must also score a minimum number of points, established by the national government.

The subclass 187 allows skilled migrants to work in regional Australia if they are nominated by an employer. Again, the occupation must feature on the national Skilled Occupation List, and the candidate must score a minimum number of points. Employers must also seek a regional certifying body's advice on the prevailing market salary and whether it is possible to recruit from the local labour market, before they can nominate a foreign national to a particular role. To qualify for the visa, the foreign national must work and live in the sponsoring location for up to three years (depending on the visa type). If the authorities are informed that the individual has left the region, their visa will be cancelled.

The Australian examples show how visas can be tied to a particular region, and how in some cases regional governments can actively nominate candidates, to respond to their own particular skills needs and targets.

Canada

The Canadian government has signed agreements with most of its provinces and territories to regionalise controls over permanent immigration. Provinces and territories (bar Quebec, which has its own system) are able to establish agreements with Citizenship and Immigration Canada to tailor their own Provincial Nominee Program (PNP). Alongside certain national standards, provinces set their own supplementary requirements to respond to local labour needs by tailoring the selection criteria of their own PNP.

Applicants through a PNP must first apply to a region for a nomination. This requires the potential candidate to show intent to reside permanently in the area. If the region accepts to nominate them, the individual can then apply for permanent residency.

There are two ways Provinces and Territories can nominate candidates. If candidates are nominated for the Express Entry route, they are pooled with the other potential Express Entry candidates. All candidates are then scored, whereby additional points are granted for a Provincial Nomination, and those candidates with the most points are invited to apply for permanent residence.

Alternatively, candidates can be nominated directly through the regional nomination system, whereby the primary focus is on the Province's skills need (and not on the candidate's points total). If nominated this way, the candidate still needs to comply with the minimum requirements set by the national government.

Within Canada, the province with the greatest freedom to determine immigration policy is Quebec, to which immigration policy was fully devolved in 1991. Consequently, Quebec operates a separate system to the PNP, establishes its own targets for the total level of immigration, and sets the criteria and points requirements for potential candidates to meet local labour demand³⁹.

Quebec's points-based criteria include education, industry-specific work experience, as well as age and language skills. As such, the province can effectively select which sectors have skills shortages, or where it aspires to grow, and encourage workers to locate there. For example, with a planned 115,000 new jobs in knowledge and innovation by 2017, Quebec sets its own requirements for this sector, inviting immigrants for these in-demand jobs. Furthermore, the Quebec Skilled Worker Programme (QSWP) is aimed at attracting high-value immigrants. For this route, potential high-skilled migrants can apply for one of 75 eligible occupations. The QSWP seeks to select candidates with the highest probability of successful economic settlement and potential to add value to the regional economy.

As has been shown, Canadian regional governments have to some extent been given the responsibility to determine their own immigration targets and needs, in some cases even bypassing the national points based system.

Hong Kong

While Hong Kong, as an autonomous territory, is in a different situation to London, the visa system is comparable to a city work permit. The most common route to gain a work permit in Hong Kong is through the General Employment Policy, which is tied to sponsored employment and based on the localised labour need. Through this route, the applicant must have a confirmed offer of work, through a sponsoring employer, or have work experience that cannot be readily taken up by the local workforce. There are also minimum salary requirements. Furthermore, in order to ensure local workers are not overlooked, employers must prove that a local worker could not have filled that position (much in the same way as the RLMT for UK Tier 2 visas).

Aside from the most common General route, there is also a Quality Migrant Admission Scheme, aiming to attract 'highly skilled or talented' workers to enhance 'Hong Kong's economic competitiveness'. For this, there is a list of prerequisites and a points-based test for potential applicants. Crucially, Hong Kong does not apply a quota on the number of potential migrants, and allows labour market needs determine inflow.

Hong Kong provides a strong example how a regionalised immigration system is driven primarily by labour market needs, rather than by targets and a cap – which is again an important factor in setting up a regional immigration system.

³⁹ The federal Canadian government reserves the right to overrule judgments for health and security reasons, although this power is rarely exercised.

UK - Seasonal Agricultural Workers Scheme

Another example of targeted immigration policy can be found within the UK, in the Seasonal Agricultural Workers Scheme (SAWS). The scheme facilitated the short-term supply of migrants to a labour-intensive, low-skill sector of the UK economy. UK growers were allowed to employ a set number of migrant workers from Bulgaria and Romania for up to six months. The scheme was deemed unnecessary and terminated when restrictions on freedom of movement of EU2 labour was lifted at the end of 2014.

5.2 Practical Considerations

Whether that is lower-skilled elementary workers, or highly specialised professionals, regionalised visa systems have proved beneficial to employers and local economies. And this does not have to come at the cost of local workers' job prospects. The cases above employ various safeguards to ensure native workers are not disadvantaged.

One common concern raised in response to regional work visas, is how to prevent migrant workers leaving the sponsoring region. In Australia, applications for the RSMS may be cancelled if any false or misleading information is used relating to the person's intention to reside in the designated area (and this has led to an increase in compliance with regional residence requirements). Under Canada's Provincial Nominee Programmes there is no requirement for visa holders to stay in the region that nominated them. Yet, empirical research by the Canadian government showed many regions had high retention rates. In 2008, more than three-quarters of permanent residency immigrants who had arrived between 2000 and 2008 had remained in their nominating region. Much of this is down to the screening process – whilst showing intent to stay in the region is hard to prove and regulate, authorities can take into account location of family members and other factors to increase the retention rate.

All of the aforementioned schemes and systems have one thing in common; they are flexible and responsive to the differing needs of regional economies. Considering the capital's unique skills and labour needs, they should prompt us to consider whether similar should be implemented in London.

6: Conclusion

This report illustrates the unique position of London, as a centralised location for immigration within the UK. Whilst other parts of the UK feel the effects of immigration, nowhere has it been so important to a regional economy as in the capital. Indeed, London's economy has benefitted from openness to immigration in many ways. These benefits are felt across the UK, through London's position as a global powerhouse, contributing to national production, especially in high-value industries, and making significant fiscal contributions. While immigration is a feature of all UK regions, London is uniquely impacted by it.

In 2016, EU nationals working in London will contribute an estimated £26 billion GVA and will spend an estimated £29 billion. These migrant workers, alongside non-EU foreign nationals, will bring skills and add significant value to the economy. Additionally, such workers will pay an estimated £7 billion in taxes in 2016, contributing the fiscal strength of the UK. The departure of such workers from the capital would undoubtedly hold back both national and regional economic growth, weaken London's position as an international financial centre, and place more pressure on public finances.

As a hub for international talent, a centre of information, and a desirable destination, London can draw from the best talent from around the world. This can propel business. Changing immigration policy may reduce this draw, and harm London's reputation as an open, global city.

Given London's unique economic landscape, relative to the rest of the UK, regional visa standards could respond to the needs of London more effectively. And, given the role London plays in contributing to the wider UK economy, protecting its workforce is vital.

The referendum vote to leave the European Union earlier this year reflected, in part, anti-immigration sentiment across the UK. Yet, as this analysis shows, extending existing immigration restrictions to EU nationals risks exacerbating skills shortages, restricting London's industries and employers further. This analysis shows that, because of its unique economic immigration footprint and contribution, London needs a more flexible arrangement, one that will benefit not only the capital's growth and support London's employers, but also strengthen the wider UK economy.