

PARLIAMENTARY DEBATES

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OFFICIAL REPORT

Ninth Delegated Legislation Committee

DRAFT IMMIGRATION SKILLS CHARGE
REGULATIONS 2017

Wednesday 22 March 2017

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The Committee consisted of the following Members:

Chair: MR GARY STREETER

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| † Allan, Lucy (<i>Telford</i>) (Con) | † Johnson, Dr Caroline (<i>Sleaford and North Hykeham</i>) (Con) |
| † Argar, Edward (<i>Charnwood</i>) (Con) | McDonagh, Siobhain (<i>Mitcham and Morden</i>) (Lab) |
| † Blackman, Kirsty (<i>Aberdeen North</i>) (SNP) | † McLaughlin, Anne (<i>Glasgow North East</i>) (SNP) |
| Bradshaw, Mr Ben (<i>Exeter</i>) (Lab) | † Marsden, Gordon (<i>Blackpool South</i>) (Lab) |
| † Double, Steve (<i>St Austell and Newquay</i>) (Con) | † Menzies, Mark (<i>Fylde</i>) (Con) |
| † Dowden, Oliver (<i>Hertsmere</i>) (Con) | Parish, Neil (<i>Tiverton and Honiton</i>) (Con) |
| Farrelly, Paul (<i>Newcastle-under-Lyme</i>) (Lab) | † Swayne, Sir Desmond (<i>New Forest West</i>) (Con) |
| Godsiff, Mr Roger (<i>Birmingham, Hall Green</i>) (Lab) | † Turner, Karl (<i>Kingston upon Hull East</i>) (Lab) |
| † Halfon, Robert (<i>Minister for Apprenticeships and Skills</i>) | Juliet Levy, <i>Committee Clerk</i> |
| † Heaton-Harris, Chris (<i>Daventry</i>) (Con) | † attended the Committee |

Ninth Delegated Legislation Committee

Wednesday 22 March 2017

[MR GARY STREETER *in the Chair*]

Draft Immigration Skills Charge Regulations 2017

8.55 am

The Minister for Apprenticeships and Skills (Robert Halfon): I beg to move,

That the Committee has considered the draft Immigration Skills Charge Regulations 2017.

It is an honour to serve under your chairmanship, Mr Streeter. The Immigration Act 2014, as amended by the Immigration Act 2016, provides the Secretary of State with the power to require certain employers who recruit skilled workers from outside the European economic area to pay an immigration skills charge. The regulations provide for the amount of the charge and the obligation to pay it.

The Government are committed to a strong skills system that can drive increases in productivity and improvements in social mobility, and help to make a success of Brexit. The immigration skills charge plays its part in that commitment by incentivising employers to invest in training and upskilling the resident workforce. It was first announced in May 2015. We then commissioned the independent Migration Advisory Committee to advise on applying a skills charge to businesses recruiting workers from outside the European economic area. The MAC considered the charge as part of its review of the tier 2 skilled worker route and reported in January 2016. In its report, the MAC supported the introduction of the charge.

We announced the rate, scope, exemptions and introduction date of the charge in March 2016. We took into account the MAC's recommendations—for example, on the rate—but we also responded to concerns raised in Parliament during the passage of the Immigration Bill and by employers by announcing a number of exemptions and a lower rate for charities and smaller employers.

The draft regulations implement the decisions taken last year. We believe that has given employers enough time to prepare for the introduction of the charge, subject to parliamentary consideration. Through the charge, we want to incentivise employers to think differently about their recruitment and skills decisions and the balance between their investment in UK skills and overseas recruitment.

As Minister for Apprenticeships and Skills, I am committed to ensuring that people from all backgrounds can get a step up on the ladder of opportunity. We need to do more to support people into quality jobs and help them to gain the world-class skills that meet employers' needs. The evidence is that the lack of investment in skills is damaging our productivity and economy. We are quite honest about the skills problem facing our nation. Employer investment in training has been declining for 20 years. UK workers undertake 20% less continuing vocational training, on average, than those in the EU.

According to the latest available international comparison, the UK spends 55% less than Germany and just over 70% less than France per employee on vocational training. We are forecast to fall from 24th to 28th out of 33 OECD countries for intermediate skills by 2020.

Skilled migration has brought huge economic benefit to the UK. It has boosted our ability to compete in many global markets and helped to make us world leaders. There are many examples of good practice, but it seems that some employers would prefer to recruit skilled workers from overseas than invest in training UK workers. Use of the tier 2 visa route grew by 37% between 2010 and 2016. Our aim is to see UK workers with the right skills to fill those tier 2 roles. Through the immigration skills charge, we want to encourage employers to think differently about recruitment to those roles, which are mainly at graduate level and above, with a salary of more than £30,000.

As the Secondary Legislation Scrutiny Committee acknowledged, most respondents to the MAC's consultation were not in favour of a charge, but it is not surprising that those who will have to pay the charge do not welcome it. The MAC supported it. Made up of independent experts, the MAC made this decision as part of a comprehensive review of tier 2, having analysed different levels of charge and taking into account views from more than 250 written submissions and meetings with more than 200 public and private sector employers.

The MAC considered that a flat charge of £1,000 per worker per year would be large enough to have an impact on employer behaviour and would be the right level to incentivise employers to reduce their reliance on migrant workers. Where Government took a different line from the MAC, it was to protect the UK's position as a centre of excellence for education and research and to support smaller employers. Regulation 3 therefore introduces a reduced rate of £364 per individual per year for small and charitable sponsors.

Regulation 4 provides for the exemptions. As the MAC recommended, sponsors of tier 2 intra-company transfer graduate trainees are exempt from paying the charge. The Government have also exempted specified PhD-level occupations, including higher education lecturers and researchers. In addition, those who switch from a tier 4 student visa to a tier 2 general visa to take up a graduate-level position in the UK are exempt. That was welcomed by the British Medical Association, because it will benefit doctors completing their foundation training. The exemptions are designed to protect employers' ability to recruit the brightest and the best. For out-of-country applications for entry clearance, the regulation provides that the charge does not apply for leave of less than six months.

Regulation 5 provides that the sponsor must pay the charge up front. This is for a minimum of 12 months and then in six-monthly increments, rounded up. It will be calculated according to the length of employment that the sponsor enters on the certificate of sponsorship. Employers will pay the charge as part of the existing sponsorship process administered by the Home Office.

Regulation 6 provides that part or all of the charge may be refunded or waived.

Regulation 7 means that the charge will not be retrospective. Employers of individuals who are already in the UK on a tier 2 visa or who have been assigned a

tier 2 certificate of sponsorship at the time the regulations come into force will not have to pay the charge. That will also be the case when such individuals apply to extend their stay or change job or employer.

Let me turn to how the funding raised will be used. Based on Home Office analysis of the use of the tier 2 route, it is estimated that the charge will raise £100 million in the first year. The Home Office will collect the charge and transfer it to the Consolidated Fund, less an amount to cover the costs of collecting the charge. The population percentages underlying the Barnett formula will be used by the Treasury to determine the split of funding between the Department for Education and each of the devolved Administrations. The income raised from the charge will be used to address skills gaps in the workforce. It will make a contribution to the Department's skills budget, ensuring that we can continue to make a significant investment in developing the skills that the country needs.

The charge will raise income, but it is also designed to change employer behaviour, and that applies across all sectors. I recognise the concerns about the impact of the charge on health and education in particular, but the MAC was clear in its recommendations that the public sector should not be exempt from the charge. As an employer like any other, it should be incentivised to consider the UK labour market first. That is in line with Government policy. It is not sustainable to rely on recruiting overseas staff. We are committed to building home-grown skills, recruiting from the domestic labour market and investing in training. There are 52,000 students training to be nurses, and the first apprentice nurses could be in training from September 2017. Once the system is established, up to 1,000 apprentice nurses could join the NHS each year. There are 30,000 students training to be doctors. The Department for Education is investing more than £1.3 billion up to 2020 to attract new teachers into the profession.

We recognise that immigration has a role to play in the supply of workers where there are genuine skills shortages, but that should not come at the expense of investment in skills in our country. As Minister for Apprenticeships and Skills, I am committed to ensuring that people from all backgrounds can get a step up on the ladder of opportunity. This charge is designed to incentivise employers to invest in training and upskill the resident workforce. It will also raise funding to support ongoing investment by the Government in skills programmes. I hope that the Committee will support the regulations.

The Chair: Before I call Mr Marsden, I remind the Committee that this is not a general debate on immigration policy. The debate must be focused on the regulations before us.

9.4 am

Gordon Marsden (Blackpool South) (Lab): It is a great pleasure to serve under your chairmanship, Mr Streeter. It is also only appropriate to congratulate the Minister on his birthday.

We support the broad principle of the regulations. We support everything that the Minister has said about the need to change behaviour and to skill up, and we support the analysis in the policy background in paragraphs

7.1 and 7.3 of the explanatory memorandum. The Minister is absolutely right to say that the skills gap has been a continuing problem, although it is not a new problem. Governments of all persuasions have not succeeded in addressing it for a period of 25 years, so it was not unreasonable that the Government should have embarked on this process in, presumably, 2014-15.

The Minister has gone through the details and done everything he is supposed to do. However, we want to ask some fairly probing questions this morning about the detail. The Minister knows that I often say the devil is in the detail, and there is a lot of detail in the explanatory memorandum on which the Committee will need some substantive answers. Of course, it is not just a question of detail, but a question of chronology.

Perhaps the Minister will tell us when the regulations were first mooted between the Home Office and the then Department. We know from the policy background in the document that the charge was announced by the then Prime Minister, David Cameron, in May 2015. As the Minister has said, the MAC endorsed it in January 2016 and the charge is due to be introduced on 6 April 2017. In that period of time we have had Brexit, which alters the context of the regulations substantially.

The charge relates, of course, to the issue of migrant workers from non-EU countries and allows for the recruitment of skilled workers, to be specific, from outside the European economic area. The reality is that the implications of Brexit mean that the context in which the Government introduced the charges and the Migration Advisory Committee put forward its recommendations has utterly changed. That is not an argument for rejecting the regulations, but it is an argument for saying that we have to look substantially more closely at the impact that Brexit will have on our ability to have skilled workers who, by the time the charge has come fully into effect, may include skilled workers from the EU, of which we will no longer be a part. That is the context in which my comments will be made.

I will begin by picking up one or two points from the Minister's speech. He used gentler language than I would when he talked about the Migration Advisory Committee, because I would say that it ignored the views of the majority of consultees. I take slight issue with the Minister. Perhaps neither of us is in a completely good position to make a thorough judgment because we were not there at the time and we were not looking at the context of the Migration Advisory Committee's work, but I suspect that the concern of many of the stakeholders and employers was not simply about cost, although cost is obviously important. They might have had other concerns. Given the detail of what the regulations will require from employers or would-be sponsors, they might have had concerns about the sheer volume of quite complex regulatory procedures that they will have to comply with in this process.

If the Minister does not mind my saying so, there was some confusion in our Whips Office when we saw the explanatory memorandum today, because initially I was not going to be granted the privilege of addressing you, Mr Streeter, from 8.55 in the morning; that opportunity was due to go to my right hon. Friend the Member for Hackney North and Stoke Newington (Ms Abbott), the

[Gordon Marsden]

shadow Home Secretary. I am sorry that you do not have the shadow Home Secretary, Mr Streeter; you have got me.

Robert Halfon: A much better option.

Gordon Marsden: I could not possibly comment.

That is just an illustration of how closely woven these regulations are with the perfectly reasonable policy objectives of the Home Office. However, I have to say, and I think this point is germane, that looking at the detail of the regulations, we can see that they will be a significant burden—administratively, apart from anything else. The Minister mentioned small employers and the regulations will be a particular burden on them, but I will talk about that a little more in a few moments.

The Minister said that enough time had been given for people to prepare for the introduction of the regulations. There is a great gift in Government for making an argument out of necessity and there is a little element of that here. It has taken two years to bring the regulations together. We can look at that either way: either we can say that they are the product of mature, concerned deliberation, or we can say that all the upheavals in the Conservative party and the Conservative Government over the last 12 months, including getting a new leader, a new Prime Minister, and having to deal with Brexit, may have had something to do with it.

Nevertheless, we are debating the regulations here today. We often forget this, but it is not unwise from time to time to prick the Government and officials on this point: we are debating here today something that will be implemented in 10 days' time. That is one of the issues, especially with a particularly complex set of instruments such as these regulations. It would have been beneficial—I will say no more than that—for this House and indeed the other place, which debated the regulations yesterday, to have seen them two or three months earlier. Anyway, we are where we are.

I have some specific questions for the Minister about the explanatory memorandum. Paragraph 7.5 says that there is a large degree of uncertainty around the potential income raised by the charge. It then makes the point that a number of assumptions have been made in taking all the different factors into account.

The Minister will be relieved to know that I am not going to ask him for the statistical basis or analysis on which his officials prepared those estimates and assumptions. Having been a Parliamentary Private Secretary, I am well aware of the ways in which they will have done that: there will have been a pessimistic view and an optimistic view. Members can judge for themselves whether the £100 million represents the pessimistic view or the optimistic view.

I want to draw attention to the number of assumptions that have been made, which are dealt with subsequently in the regulations. That makes the argument for being very careful about unintended consequences arising as a result of the legislation, the principle of which, I repeat, we support. That is what paragraph 7.5 says.

Again, I draw Members' attention to the detail—I will not go through it—in paragraphs 7.8 and 7.9, which spell out the complexities of these regulations for

employers. There is the sponsor licence, the certificate, the sponsorship providing evidence, and so on. Behind those bland sentences is a raft of bureaucracy that many companies, particularly those having to fill gaps fairly rapidly, will struggle to deal with.

I notice in the explanatory memorandum that it will not be the Minister's Department administering this process, but the Home Office. The Home Office, perfectly reasonably, will get a fee that is, from memory, 1% of the £100 million—if that is incorrect, the Minister can tell me. I know the ways of interdepartmental dealings in these matters. What guarantees can the Minister give us that his colleagues in the Home Office will not come calling for more money for their administrative processes if they prove to be far more laborious and time-consuming than these bland regulations suggest? If that were the case, the £100 million—the figure given as the potential benefit for the skills process—would rapidly begin to shrivel.

My second question for the Minister in that respect is how his Department plans to use the money that eventually comes to him after the top-slicing from the Home Office, whatever it may be, in the skills sector to do precisely the sort of thing he said, perfectly reasonably, that he wanted to do.

I want to emphasise again the issues around the consultation process. The memorandum says:

“The Government considered the Committee's recommendations before announcing the rate and scope of the charge”.

That is civil service speak for largely ignoring it. The Minister was more candid; I have given my views on what the problems were. That is done and dusted, but what concerns me more is paragraph 8.4, which says:

“A full public consultation has not taken place.”

The Minister observed that, but it would be helpful if he outlined the reasons why a full public consultation has not taken place.

Specifically, in terms of both the public and private sectors' response, it would be helpful to know what consultations took place with large, or indeed small, business organisations. What consultations were there with the Confederation of British Industry, the Institute of Directors or the sector skills councils for the groups that will be most affected, according to the table on page 6? In the context of what the Minister said about the issues for small business, was there consultation with the Federation of Small Businesses? The table at paragraph 10.4 on page 6 shows the five sectors that will account for the majority of sponsored skilled visa applications, according to the Home Office's own immigration statistics from February 2017. It is striking that by far and away the largest of the top five categories listed is information and communication, with 23,358 sponsored skilled visa applications in the period that the Home Office assessed.

Everybody knows that we are going hell for leather—and perfectly reasonably so—to enter the digital age. The Digital Economy Bill has just concluded its passage through the House of Lords. Has any consideration been given to the potentially harmful impact on that process if things do not go quite as smoothly as the regulations suggest? Specifically, what consultations has the Minister's Department had with colleagues in the Cabinet Office and what is now the Department for Business, Energy and Industrial Strategy—both of which

would be adversely affected in the digital areas if the regulations did not produce what they said on the tin—and what was the response? If we simply go through the detail of what the Government have put forward in their explanatory memorandum, we see that various issues and problems are already looming.

The Minister and his colleagues have been very helpful, and I pay tribute to him for holding an information session last week. I was not able to attend, but my assistant was, and he provided very helpful information. However, I have a couple of questions about what was said. My understanding from the meeting and from the memorandum is that there are no plans to extend the charge for the European economic area, but I want to put my question again: what will happen if in the future EU citizens become necessarily eligible for tier 2 visas?

I have already mentioned the issue of how the Minister and his Department intend to spend the money, so I will not dwell on that again. The charge is about incentivising existing employers. In theory, if it is successful, at some point the skills charge will not be necessary. Has the Minister's Department done any modelling or made any assessment of the nudge impact, which I think is perhaps the right way of describing what the Minister said the purpose of this was?

I have touched on the issue of statistics, which are extraordinarily important for Government to be able to make judgments not only about how to introduce a policy but about how to administer it. Sad to say, but the Government's closure of the UK Commission for Employment and Skills last year, which routinely did analysis and collection of statistics, means that we no longer have a single body with a national overview of the skills gaps that the Minister referred to. I therefore want to ask—this is absolutely crucial for him to convince and persuade not only the Committee, but the majority of employers who will participate in the process—how his Department and his officials will identify the skills gaps and decide how much of the £100 million they will prioritise for which areas.

I have already mentioned Brexit and I will return to it in the context of the regulations at the end, but I also want to raise the implications they will have for the NHS and the healthcare sector. Again, the chart in paragraph 10.4 identifies human health and social work activities. I hope the Minister's Home Office colleagues have made him aware of a letter sent by the British Medical Association and the Royal College of Nursing to the Home Secretary on Friday 10 March regarding the impact of the charge on the health and social care workforce. In that letter they asked the Home Secretary to exempt the NHS and the wider health and social care system from the charge.

The British Medical Association and the Royal College of Nursing quoted two particular statistics that the Minister may or may not wish to challenge. They said that £3.5 million would be taken out of the NHS budget if the charge was applied to doctors who were granted tier 2 general visas from August 2014 to August 2015. They also made the point that if the charge had been applied to registered nurses, the health and social care system would have lost £655,000 in 2014-15, rising to £2.1 million in 2015-16. Of course, those are "What ifs?" and hypotheticals, but they nevertheless give some indication of why the BMA and the Royal College of Nursing are so concerned.

I do not want to quote at length from the detailed letter that the BMA and the Royal College of Nursing sent to the Home Secretary, but there are a couple of key points. The Minister talked about wanting to get moving on this, get skills coming in and get people trained, all of which I agree with. However, the chair of the BMA and the general secretary of the Royal College of Nursing rightly reminded the Home Secretary and her officials of the gestation time of this process. They said:

"While the health secretary has outlined proposals to expand the supply of UK trained doctors to reduce the NHS's reliance on doctors from overseas, the length of time taken to train a senior doctor will mean that the NHS will continue to be reliant upon doctors from the EU and overseas in the short to medium term to fill vacant posts."

They also said:

"Checks and balances are already in place to ensure posts are first offered to UK and EU nationals through the resident labour market test. It is unfair therefore, to penalise health and social care employers for recruiting a doctor or a nurse on a tier 2 visa".

I do not intend to go into the broader debate around health service training and skills, because that would be outwith the purposes of the regulations, but those comments certainly ought to send a message to the Minister and to Home Office officials and the Home Secretary, who will have to bear the responsibility. Although the Minister and his Department will benefit from this—I mean this in the nicest possible way—they are the bag carrier for the Home Office in this matter.

It is important to look at the practicals. It is not irrelevant to give a brief example from my own constituency. My local hospital, Blackpool Victoria hospital, in common with many other hospitals, is finding it extraordinarily difficult to recruit at the moment. It has just had to hire 80 medical staff from the Philippines. Some people might say, "Well, they should have been doing more to retrain, reskill and bring people on board," but the reality of attracting staff to coastal or suburban places that have more challenges than university-led or city centre hospitals is significant. Given the town the Minister represents, I venture to say that he will know of those issues, in terms of the competition between small-town areas and city centres. Those are really important issues that will need to be taken into consideration in implementing these regulations.

My hon. Friend Lord Watson of Invergowrie, speaking for our party in the other place yesterday on these regulations, identified potential problems coming from science, technology, engineering and maths teachers not being exempt. Will the Minister look carefully at that and respond? I do not believe that his hon. Friend, the Minister responsible in the other place, gave a response, although I stand to be corrected.

In that debate my hon. Friend also suggested a sunset clause, whether formal or informal, for the regulations. I urge the Minister to look seriously at that. This is a bold initiative, but it is nevertheless full of a series of untested variables that could be even more prone than usual to the law of unintended consequences. The Government themselves have admitted, in paragraph 7.5, the complexity of the regulations. I am sure that officials will sometimes say, "A sunset clause is unnecessary." They might say that in the context of the fact that we are told in paragraph 12.1 of the explanatory memorandum, which refers to monitoring and review:

[Gordon Marsden]

“The Department for Education will keep the operation of the charge under review, with support from, amongst others, the Home Office. This will include reviewing the policy after 12 months’ operations.”

It is not clear to me whether that means reviewing the policy as a whole or in the context of the charges and tariffs that have been produced for it. I would be grateful for clarification on that matter from the Minister.

One of the reasons why we thought long and hard about whether we would not oppose these regulations is that we believe the regulations have to be monitored extremely carefully, for all the reasons I have described. If the Minister is not minded, or not able, to apply a sunset clause to them, we need at the very least to have an annual review brought to Parliament that says where there have been problems or where there is potential for tweaking the policy.

I repeat what I said at the beginning. We are in broad support of the process, which is a process and a set of suggestions that we considered as a party in opposition and discussed before the 2015 election, so it would not be right for us to oppose the regulations on this occasion. However, our abstention comes with a big caveat to the Minister to take note of all the things that I have said and that my noble Friend said in the other place yesterday. I give notice today that we, and my colleagues in the shadow Home Office team, will very vigilantly pursue the process and the implementation of the regulations. There is also a role for the Chairs of the Select Committee on Education and the Select Committee on Business, Energy and Industrial Strategy, so I will be sending a copy of my remarks and those of my noble Friend in the other place to them too.

9.32 am

Anne McLaughlin (Glasgow North East) (SNP): I have listened to what you said about not going off the subject, Mr Streeter. Given your patience with me in another place yesterday, you will be pleased to hear that I have taken my pen and scored out an awful lot of what I was planning to say.

I want to speak about our fundamental opposition to the regulations. My colleague and hon. Friend the Member for Aberdeen North will have some more specific points and some questions. When we get back to the fundamentals of this, I would argue, mistaken proposal, it is clear that it is yet another policy driven simply by the Prime Minister’s unachievable aim of getting migration under 100,000. That ever-retreating mirage of a policy ambition is perhaps causing more misery on these islands than any other of the Government’s objectives, outside those of the Department for Work and Pensions and the Brexit Department.

Any economy that is to expand needs to fill skill shortages in the short term, as its businesses grow, even if it ensures that in the middle term local workers are given the opportunity to be trained. Nobody would argue with that intention. What these measures will do is to discourage skilled workers and tax-paying migrants from many of our closest friends and allies from contributing to the UK economy—a policy that, it is clear to me, will harm British business.

We should not be punishing companies that need to bring in skilled workers from elsewhere. Those workers will contribute to our tax base, as will the companies

that sponsor them, and we should not be disincentivising that simply because some employers, as the Minister said, do not make the effort to train and find people from the UK.

In the short to medium term, all we are doing is encouraging further migration from the EU. That is something that I wholeheartedly approve of, but I do not think it was the intention of the drafters of the regulations. Companies will quite likely look to the continent to avoid paying the sponsoring fees, even as we stumble further forward into the shadows of Brexit. Whether those EU nationals will be the slightest bit interested in those overtures, given the insecurity they will face if they accept them, remains to be seen.

We share the concerns of the hon. Member for Blackpool South on the public sector, and in particular the health service. As I said, my hon. Friend the Member for Aberdeen North will come on to that.

The Government are simply pulling up the drawbridge, not only on EU workers but on non-EU workers. I expect and hope that Scotland will choose a different path, but there is no guarantee of that; we may be stuck with this. Even if Scotland chooses a different path, I want the rest of the UK to be able to make it independently, seeing as that is what people have chosen. However, it will not make it if it keeps putting up barriers to people who have the skills to grow the economy.

We oppose the charge, and I urge the Minister to think again and to think about what we have all had to say today. I wish him a happy birthday, but I am more likely to bake him a cake if he considers what we have said.

The Chair: Before I call Kirsty Blackman, Caroline Johnson has a few words to say.

9.36 am

Dr Caroline Johnson (Sleaford and North Hykeham) (Con): I wonder if someone could explain to me a few things about the regulations. Before I was elected in December, I was a consultant paediatrician—a doctor—working in the NHS. My understanding of tax is that it is there to either raise revenue or change behaviour. I welcome the broad principle of the charge, which is essentially, as I understand it, to incentivise employers to employ or upskill British workers, rather than taking the perhaps easier option of employing an already skilled person from abroad.

However, I do not understand why the charge will be applied to the medical profession. I will explain. Roughly 55,000 tier 2 visas were granted in 2015, of which 3,600-ish were for doctors. I do not understand how the charge can raise revenue. As I understand it, we are asking the NHS to pay a charge. That will not increase revenue to the Treasury, but will take money from the Treasury to the NHS to the Home Office and into the Consolidated Fund, then, via some Treasury calculations, either to the Department for Education or to the devolved Administrations. Doing that will not provide us with information because we already know to whom the tier 2 visas are being granted and which particular employers are requesting them.

Does the charge change behaviour instead? I do not understand how it will do that either. We have a national shortage of doctors. According to the House of Commons

Library, there are 935 consultant vacancies—I suppose I am responsible for one—and 1,560 junior doctor vacancies. The Department of Health has done a lot to improve that, and I welcome the fact that 30,000 new medical students are in training. However, with a roughly five-year training programme, that means we will be getting 6,000 new doctors a year. It will be many years before we can be reliant on home-trained doctors rather than overseas recruitment.

Grantham A&E, which serves my constituency although it is just outside it, abruptly announced last August that it would be closing to patients overnight, owing to a shortage of middle-grade doctors—those who have already spent at least nine years in training to be a doctor. Trusts are being penalised for attempting to recruit doctors from overseas to fill those gaps, but they have no control over what they are being penalised for. Unlike other staff in the NHS who are specifically trained in-post, the number of doctors being trained is governed centrally by the Department of Health, not by trusts. The trusts have no control over the making of new doctors and are not able to recruit new, British staff to train to be doctors. They also cannot change the salary, because that is set nationally as well. Doctors who have perhaps left medicine to train abroad or to go into other professions cannot be enticed back with financial incentives, because trusts are only allowed to offer them a fixed salary.

I do not understand how the charge will change a trust's behaviour, since a trust has no control over the training of doctors. Will the Minister explain how the tax, specifically as it applies to doctors working in the NHS, will either increase revenue or change behaviour and increase the number of British doctors available?

9.40 am

Kirsty Blackman (Aberdeen North) (SNP): Thank you for calling me in this debate, Mr Streeter. I want to start by agreeing with my hon. Friend the Member for Glasgow North East. The measure is poorly thought out and it is ideological, which is the main reason for our opposition to it. I want to talk about various things that the Minister mentioned and agree with some of the things that the hon. Member for Blackpool South mentioned.

But first I want to briefly mention the hon. Member for Sleaford and—Hykeham?

Dr Caroline Johnson: North Hykeham.

Kirsty Blackman: Sorry. It is invaluable to have the hon. Lady's experience in this place. She talks from a knowledgeable point of view about how long it takes to train doctors. I imagine it took her many years to train to become a consultant. The Government are missing the fact that it is not just the five years to become a junior doctor that we need to consider. Some people train for 15 or 20 years to get to the positions where we have the gaps. We cannot train such people overnight. The Government perhaps overlooked that issue when they introduced this measure.

The Minister mentioned the Migration Advisory Committee. I understand that that body was set up to make recommendations to Government, but the quality of the input is at issue here. The Government asked the

Migration Advisory Committee to do a wide-ranging review of tier 2 with a view to recommending proposals that would substantially restrict inflows under that route. If it is asked to do that, it will give us things that restrict inflows under that route and not what is best for the economy and for the United Kingdom as a whole. It will give us what the Government asked it to do, so we cannot say that the proposal is impartial and has fully taken account of all the representations it received, because it was given a specific brief, which it has met. That was my first concern that needed to be made clear.

I have a few issues about the implementation and the document. As the hon. Member for Blackpool South mentioned, the Government did not undertake a full public consultation. They did not do an impact assessment. They have not been clear about how the money will be invested. We have had more clarity recently, with the Government predicting that it will be £100 million and saying that it will go to the Department for Education and that there will be Barnett consequential, but that is not enough clarity. If employers are being asked to pay this tax, they need to be able to understand where the money is going and understand the benefits to the British economy of paying it. A tax is reasonable only if people can be convinced that they should pay it. The Government have failed to do that because of the lack of information they have provided.

I welcome that the explanatory memorandum states that there will be a review after one year of the amount of money that has been brought in, but there is no mention of a review of where the money is spent and the effects it has. Also not mentioned is the impact on employers and whether that will be taken into account in any review. Basically, the Government are committed to providing us with a headline, "This is the amount that we took in", but no further information on the impact. If the Government are to justify this to the British public, it is important that they provide us with the information we need.

One thing that is not clear—I do not think it has been made clear to businesses—is whether there will be refunds. Let us say somebody is employed in the United Kingdom for one year and the company pays the upfront cost. What if they pitch up, they are here for a month and then they drop down dead or they toddle back off to the country that they came from because they decided it was too cold here? Will the Government give those companies a refund if they have not employed that person for a full year? That has not been clear in any of the information I have seen. I apologise if it has been made clear; I have not yet seen it. Certainly, a number of businesses do not understand the possible implications, so it has obviously not been discussed or publicised widely enough.

The points about the NHS have largely been covered by the hon. Member for Sleaford and—I will not attempt to say the second part of her constituency again—and by the hon. Member for Blackpool South. In saying that there has been plenty of time, the Minister does not recognise the fact that it takes a very long time to train people to fill some occupations. The hon. Member for Blackpool South mentioned the numbers that the BMA got in touch about and the particular cost of this measure to the NHS.

[Kirsty Blackman]

One thing that is not clear is how much of the money that is taken in will go towards infrastructure funding to support the training of doctors and nurses. For example, will the size of lecture theatres and the number of tutors who train doctors and nurses be increased? Why was that not done five or 10 years ago to ensure that we did not have the shortages we have today? Businesses and public service bodies that are asked to pay this money as of April will not have the opportunity to fill those gaps that they needed to fill five or 10 years ago, in terms of the teaching frameworks that we have.

There is a particular issue around very highly skilled occupations in which we have very few experts. We have had issues in my constituency with recruiting senior doctors who are experts in gender reassignment surgery, and gender reassignment generally, because there are so few of them across the world. Whatever we do today, we will still not have those people in post tomorrow or next week; it will take a long time to get those specialists. I do not think the Government have made enough allowances for the most specialised occupations.

If the Government had done this in a more sensible way, they would have looked at the shortage occupation list that is already in use and applied that, rather than coming up with a new list. That would have been a more sensible way to do this. We have previously argued against some of the things on the shortage occupation list, particularly because it does not take account of specific geographic issues and the lower salaries in Scotland.

The proposal poses a specific issue for the Scottish economy for a number of reasons. We have a high proportion of rural communities and communities that are relatively highly reliant on one industry or business that employs most of the people in a village, for example. Even though it employs most people in the village, there may only be 20 or 30 employees and it may still be a relatively small business that is not generating a huge amount of profit. Despite the lower costs for small businesses, they will still be expected to pay the charge.

It can be particularly hard to attract people in specialist occupations to the most remote areas of Scotland, where there is maybe not much access to services or a big supermarket. It is hard enough to attract those people anyway. If companies now have to pay extra money to attract them, that will be a real issue, particularly in the most rural areas where there is not a devolved settlement. I cannot imagine the Department for Education prioritising training in a small, rural community in the north of England in order to have one person filling one role. That would not be cost-effective for the Government, but this measure will cost such small businesses a huge amount of money.

I specifically raised those issues around rural communities. The other thing about Scotland is that our economy relies more heavily on small businesses than England's, which is partly because of the rural nature of much of Scotland. From the information the Government have provided, I cannot tell the differential impact that the charge will have on small businesses; the Government have simply not provided that much information. They have provided information on how much money they think they will get in total, but there has been no

breakdown of the impact on different sectors or communities. That highlights how poorly thought out this is.

The Scottish Government wrote to the UK Government and asked for information about the impact on Scotland but were not provided with it. If the UK Government intend to implement charges such as this across the whole of the United Kingdom, they need to be clear about the impact on Scotland and answer our request for information about that.

The last thing I want to touch on is something I have brought up in relation to immigration in a number of other settings, and I will continue to do so. The UK Government are setting out their stall—that it will be “global Britain”, trading across the world. I have previously raised the issue of trading with Commonwealth partners, given our massively high refusal rates of visitor visas for people coming from Nigeria or Pakistan, for example. If we want to have influence with those countries, have them look favourably upon us and sign free trade agreements with them, we need to be nicer to them than we currently are. There is a major issue with visitor visas.

This charge will be a major issue as well. If we are saying to people in other countries, “We would love you to sign a free trade deal that will allow us to export lots of stuff to your country—but by the way, we don't want any of your people to come to our country,” that will be a real issue in the negotiation of free trade agreements. What I can see coming down the line is that once we have implemented the regulations, and once doctors being trained in India are less likely to be able to take up a post in the United Kingdom, that will affect our ability to strike decent, favourable deals for the UK.

I have spoken to Ministers before about soft power. Britain is not putting itself in a positive position on the world stage by the behaviour it is exhibiting on immigration. If we want to have better influence and the “global Britain” panacea being suggested to us by some of those who are most in favour of Brexit, we need to change the attitude of this Government.

The Chair: We have had four sparkling contributions, with lots of questions. I return to the Minister to respond.

9.52 am

Robert Halfon: I thank all the shadow spokespeople and my hon. Friend the Member for Sleaford and North Hykeham—who I am delighted to see in her place, having won the by-election—for their thoughtful and considered questions. I will try to answer as many as possible.

I would like to make a wider point, following what the hon. Member for Aberdeen North said about our putting up the drawbridge. There is nothing of the sort. This is very much part of our genuine policy on skills reform, including the apprenticeship levy, the Sainsbury reforms and the £500 million announced in the Budget to support further education. All that is about building a skills and apprenticeships nation, because we have a huge skills deficit in our country.

The leader of the Labour party often criticises Conservatives for cutting corporation tax, which we have done in order to increase jobs and ensure that

companies can invest in capital. We believe we have to share the burden of paying for skills with big business and big organisations and the hard-pressed taxpayer. That is the Conservative approach.

I am a huge believer in overseas development and overseas aid. I also believe in soft power. I have fantastic Filipino nurses in Harlow. However, every time we take someone from a poorer country and do not develop our own people's skills, we are making that country poorer, not richer, because that doctor from India or the Philippines is lost to that country and is doing service here. We are not only not skilling our own population but causing damage to poorer countries that desperately need those skills. I believe in soft power, but this is about reforms to skills.

I am happy to apologise about the timing. As the hon. Member for Blackpool South kindly acknowledged, the measure was first announced in 2015 and was debated in Parliament in 2016. We wanted to bring it in earlier. It is genuinely the case that Brexit, the new Government and trying to get it right have meant a delay, for which we apologise. It has not been as ideal as it might have. As the hon. Gentleman acknowledged, there have been many external factors.

To be clear in terms of Brexit, this charge will be paid by UK employers who recruit skilled workers from outside the European Economic Area through the tier 2 general visa. There are no plans to apply a charge to employers when they recruit EU nationals. Primary legislation would need amending to extend the charge to workers from Europe and we have no plans to do that.

Gordon Marsden: I am grateful to the Minister for his apology. I want to make it clear that I entirely exempt him from what were not criticisms but observations of the process. I appreciate that he had to use the words “no plans”, but will the Government categorically confirm that, if we withdraw from the EU without any trade agreement, the position will not affect the employment of EU nationals and that they will not be treated in the same way as those affected by this instrument?

Robert Halfon: First, the immigration skills charge is purely to do with those outside the European Economic Area and there are no plans to apply the charge to EU nationals. We would have to amend primary legislation. When we leave the EU, we will be able to take steps to control EU immigration, but the precise way that is to happen has not been determined. The immigration charge is purely to do with people from outside the European Economic Area and there are no plans to apply that to the EU. The Home Office Minister is in another debate today at the same time; otherwise, I am sure he would have been able to confirm that.

The hon. Gentleman referred to our sending a conflicting message about being open for business, a point that was also made by the other shadow spokeswomen. We remain open to attracting the brightest and best from overseas. As I set out in my opening remarks, the exemptions to the immigration skills charge show the commitment, supporting global knowledge and the exchange of skills. However, we must have the right skills domestically and we are way behind.

The vote to leave the EU demonstrated the importance of making the economy work for people of all backgrounds, in all areas of the country. The fact is that British individuals in our country are losing out because of the decisions of employers instead to recruit people, often from poorer countries. That is why we introduced the immigration skills charge.

The consultation was done by the Migration Advisory Committee. It undertook a thorough review and consulted widely. It issued a public call for evidence, receiving 251 written submissions and meeting representatives from 200-plus public and private sector employers. I will happily send a list of every single one to members of the Committee, if they would like—I do not have it on me today. Our job is to listen to the views of the Migration Advisory Committee and we followed its recommendations. There was a consultation, but it was done by that specific, respected body and the people on it.

In terms of the fee, the Department for Education is paying IT development costs of about £600,000 in 2016-17. That is not coming from the income raised from the charge. The small ongoing administration costs are approximately 1%. As I said in my opening remarks, the money is going into the Consolidated Fund, but it will be spent on skills. We are discussing with various people how that money should be spent. I would hope that it will sustain, for example, the institute of technology colleges and/or the lifelong learning and so on that we announced, but it will be spent on skills.

The hon. Member for Blackpool South asked about the stats and the closure of the UKCES. The reason I go on about the “Nightmare on Skills Street”, as I describe it, is because the Department and many other bodies collect a huge range of statistics about skills and apprenticeships and social disadvantage. The reason why we have the skills and apprenticeships priorities that we do—widespread, quality provision, social mobility and addressing our skills needs, particularly of women in STEM—is all the data and the analysis going on in the Department, with the Skills Funding Agency and many other organisations.

Let me turn to the public sector and the health service, which were raised by my hon. Friend the Member for Sleaford and North Hykeham and the Opposition spokesman. We need to put this into context. The number of doctors, nurses and teachers recruited through a tier 2 visa route—the thing we are talking about today—is low. The MAC's report found that 3,600 certificates of sponsorship were used for doctors and 2,600 for nurses for the year ending August 2015. In terms of teachers, the same report showed that 164 certificates of sponsorship were used for science teachers and 10 for teachers of Mandarin in 2015. Let me put that in context. The use of tier 2 visas is relatively low in terms of the whole number.

Kirsty Blackman: If the numbers are relatively low, why do the Government not exempt the NHS and the teaching professions?

Robert Halfon: For two reasons. First, we are trying to change behaviours and develop—[*Interruption.*] If I am given a chance, I will set out all the things we are doing to invest in skills in the NHS. The second reason is to raise funds to invest in skills. We want to change

[Robert Halfon]

behaviours and we want to raise funds. We want to share the burden of paying for the cost of skills across the United Kingdom and not put all of the burden on the hard-pressed taxpayer but share it fairly.

Anne McLaughlin: Would it not be quite useful not just to invest in training new doctors and nurses, but to treat existing NHS staff a little better so that they want to stay in the NHS? For example, there might be a nursing shortage because the Government stopped nursing bursaries. In Scotland, nursing bursaries still exist, plus there is an additional fund for those facing extra hardship. The result is that, while applications to train as a nurse in England and Wales have dropped, they have gone up by 50% in Scotland.

The Chair: Order. Interventions should be brief.

Robert Halfon: I have some important news for the hon. Lady. We are investing a huge amount, and we will have a new nursing degree apprenticeship. That is not a bursary; apprentices will earn while they learn, get the skills on the apprenticeship and get the qualifications they need. Health Education England is forecasting that more than 11,000 additional doctors will be available by 2020 and more than 40,000 additional nurses will be available by 2020. We are investing in frontline staff and we are ensuring that even with this charge the NHS and elsewhere have the skills that they need. I do not know whether your Government are going to introduce a nursing degree apprenticeship, but if they were, I strongly recommend that.

The Chair: Order. Just to let the Minister know, my Government are not going to introduce any such change.

Robert Halfon: I beg your pardon, Mr Streeter. I meant to say “her Government”.

The number of teachers using the tier 2 route is relatively low; the overall volume of teachers recruited through the tier 2 route has fallen markedly from almost 1,500 in 2009 to under 900 in 2015. Through our STEM programme, the Department for Education will recruit up to 2,500 additional maths and physics teachers and provide subject knowledge and training in maths and physics to 15,000 non-specialist serving teachers. The DFE is investing £1.3 billion up to 2020 in new teachers, and schools could also benefit from the small and charitable sponsors reduced rate of £364, as well as from the exemption if individuals switch from the tier 4 student route to the tier 2 general route.

Putting teachers on the shortage occupation list is not a green light for overseas recruitment. The MAC report notes that, as I have said, the number of teachers being recruited through tier 2 is relatively low.

The hon. Member for Blackpool South asked about a review of the policy, and we have committed to conduct one after a year. Its scope is yet to be agreed, but I am happy to discuss that with him and take his advice on how it should be conducted. The hon. Member for Glasgow North East asked about the impact of spending on skills, and we will continue to monitor, review and evaluate the skills programme. She also asked about the payment, and I referred earlier to the sum of £1,000 and £364 for small organisations. The amount payable is calculated according to the length of employment that the sponsor enters on the certificate of sponsorship, and that is for a minimum of 12 months, followed by six-monthly increments rounded up. The important thing to note—I hope this pleases my hon. Friend the Member for Sleaford and North Hykeham—is that this charge is not retrospective, so none of the nurses who are no doubt doing a brilliant job in the hospital mentioned by the hon. Member for Blackpool South will be affected.

I think that I have answered most of the questions, and I thank everyone for contributing to an interesting debate. We have introduced the regulations as part of our general reforms to create a ladder of opportunity for millions of people in our country to get the skills they need. We will have a productive UK economy. The Treasury has had many discussions with the devolved Governments and we have kept our colleagues in the devolved Administrations informed at every stage. The Treasury has had continuing discussions about how the funding will be distributed; the hon. Member for Glasgow North East will know that it will be based on the Barnett formula.

I am glad that at least there has been broad agreement with my senior shadow about the principle, if not questions about the detail. With the immigration skills charge we will raise important funds for skills and change behaviours right across our country.

Question put,

The Committee divided: Ayes 8, Noes 2.

Division No. 1]

AYES

Allan, Lucy	Heaton-Harris, Chris
Argar, Edward	Johnson, Dr Caroline
Double, Steve	Menzies, Mark
Halfon, rh Robert	Swayne, rh Sir Desmond

NOES

Blackman, Kirsty	McLaughlin, Anne
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Question accordingly agreed to.

Resolved,

That the Committee has considered the draft Immigration Skills Charge Regulations 2017.

10.10 am

Committee rose.