EEA-workers in the UK labour market

Energy Institute response to Migration Advisory Committee's call for evidence on the economic and social impacts of the UK's exit from the European Union and on how the UK's immigration system should be aligned with a modern industrial strategy

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Executive summary

- EI members believe that any post-Brexit restrictions on immigration could exacerbate already existing energy workforce challenges.
- Specifically, if freedom of movement were restricted, EI members anticipate a fall in the number of skilled workers and qualification levels.
- The high level of interconnectedness and co-dependency between sectors of the energy industry may intensify the impact of labour shortages on any individual sector.
- Restrictions on movement of people may affect not only individual energy employees, but may also prompt energy companies with headquarters in the UK to relocate elsewhere, particularly in light of the sector's unique mobility.
- Given their concerns, EI members call for broad support to ensure sufficient supply of workers, particularly engineers and qualified manual labour, as well as low-skilled workers.
- EI members believe that measures to ensure sufficient supply of labour should be implemented by the Government, academia and employers. These measures should include supporting industry training and apprenticeships, encouraging controlled immigration of skilled labour**,** supporting vocational and retraining programmes for workers coming to energy from other industries or encouraging cooperation between academia and industry.
- EI members hope any changes to migration post-Brexit will underpin a modern industrial strategy by maintaining the UK as an attractive place for international researchers and students, addressing the UK's STEM skills gap and developing home-grown talent.

Energy Institute response

The EI welcomes the opportunity to make the following submission to the Migration Advisory Committee to support the inquiry into the alignment of the UK's immigration system with a modern industrial strategy. We appreciate the importance of the consultation, as a workforce with the right skills underpins all aspects of running and developing the energy system.

This response is based on views of EI members, collected via several member engagement activities exploring the potential impacts of Brexit on the energy industry, including:

- The Energy Barometer 2017[1], an annual survey of a representative sample of EI professional and pre-professional members living and working in the UK. A total of 466 individuals completed the survey online in February 2017
- Collaboration with the Royal Academy of Engineering on the publication of 'Engineering a future outside the EU: securing the best outcome for the UK'[2] report
- The Energy Institute Debate: Implications of Brexit for the UK Energy Sector[3] organised in October 2016
- Other relevant studies.

EEA Migration trends

Q: Please provide evidence on the characteristics (e.g. types of jobs migrants perform; skill levels, etc) of EEA migrants in your particular sector/local area/ region. How do these differ from UK workers? And from non-EEA workers?

Broad energy context

EEA migrants work across the energy industry and at all skill levels, from unskilled manual labour to technical specialists and senior managers. EI members expressed concern about access to this diverse workforce independent of Brexit, and believe that restrictions on immigration could exacerbate existing challenges.

According to Office for National Statistics (ONS) figures for 2016, 4% of people employed in UK energy and utilities are from the EU[4]. However, this low percentage may not fully reflect the potential impact of Brexit on the energy workforce. Analysis prepared by KPMG Economics Insights found the relatively low share of EU labour among utilities "masks the potential impact on the energy industry, where four out of the 'Big 6' energy firms are foreign owned with significant proportions of EU nationals in their workforce."[5]

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[1] Energy Institute, Energy Barometer 2017, https://knowledge.energyinst.org/__data/assets/pdf_file/0017/304451/Energy-Barometer-2017.pdf

[2] The Royal Academy of Engineering, (2016) Engineering a future outside the EU: securing the best outcome for the UK, www.raeng.org.uk/publications/reports/engineering-a-future-outside-the-eu

[3] The Energy Institute (2016) Implications of Brexit for the UK Energy Sector (a high level summary), https://www.energyinst.org/_uploads/documents/energy-institute-debate-implications-of-brexit-for-the-uk-energy-sector.pdf

[4] Office for National Statistics, (2017) International immigration and the labour market, UK: 2016, https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/migrationandthelabourmarketuk/2016#what-industry-and-occupations-did-non-uk-nationals-work-in

[5] KPMG Economics Insights, (2017) Brexit: the impact on sectors, https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2017/03/brexit-the-sector-impact.pdf

Overlap with other sectors

According to the EngineeringUK 2017: State of Engineering report, the UK faces a potential shortfall of some 20,000 graduate-level engineers entering the wider engineering sector per annum.[6] Engineering is one of the key occupations in the energy industry; this is based on number of employees, their importance to the industry survival and growth, as well as the occupation's exposure to skills shortages and recruitment challenges.[7] Hence, the energy industry is highly dependent on attracting and retaining engineering talent from outside the EU to fill these shortages and support industry growth.

The energy industry's exposure to shortages should not be examined in isolation, as "the high level of interconnectedness among sectors [is] likely to amplify the impact for any individual sector".[8] Indeed, skills problems faced by energy and utilities will likely impact the construction, transport, manufacture and petrochemical industries, and vice versa. This interdependence shows how critical the energy industry and its workforce are to the UK's industrial capabilities, national security and GDP.

Skills flow across UK border in both directions

The characteristics of energy professionals from EEA are not seen to differ from those of UK nationals. Engineering companies tend to recruit from a global pool of talent.[9] Just as UK-based companies attract energy professionals from outside UK borders, UK engineers seek job opportunities across a global labour market. For example, 91% of respondents to Hays' survey of the oil and gas workforce[10] considered an international move. EI members in the first five years of their careers also cited the opportunity to work outside the UK as a top reason for choosing to work in energy rather than other industries[11].

Mobility is an important characteristic of the energy workforce, distinguishing it from other industries. As stressed in the recent Royal Academy of Engineering study: "Many companies require their engineers to move freely to support and fulfil contracts. In some sectors, e.g. electricity distribution, the movement of engineers quickly across the EU borders is critical to supporting and repairing the UK's infrastructure in times of emergency."[12] When acknowledging the particular mobility of the energy workforce and its global nature, the Government should also consider that any restriction on free movement of people will not only affect individual employees, but may also prompt energy companies with headquarters in the UK to relocate elsewhere.[13]

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[6] EngineeringUK, (2017) Engineering UK 2017: State of Engineering, https://www.engineeringuk.com/news-media/2017-engineering-uk-the-state-of-engineering-published/

[7] UK Commission for Employment and Skills (UKCES), (2017) Sector insights: skills and performance challenges in the energy sector. Evidence Report 90, http://www.pyetait.com/wp-content/uploads/2015/08/15.03.25._Energy_SLMI_-_evidence_report.pdf

[8] KPMG Economics Insights, Brexit: the impact on sectors

[9] Mentioned during the Energy Institute Debate, Implications of Brexit for the UK Energy Sector, but also in the Royal Academy of Engineering and EngineeringUK's reports.

[10] Hays (2016), Oil and Gas Global Salary Guide, http://www.hays.com/oil-and-gas/SalaryGuide/index.htm

[11] Energy Barometer 2017

[12] Engineering a future outside the EU

[13] Butler, N. (2016) 'Brexit and the energy sector – the risk of Little Britain', *Financial Times*, https://www.ft.com/content/343630ae-bd62-3101-affe-31909b2f27c3

Have you made any assessment of the impact of a possible reduction in the availability of EEA migrants (whether occurring naturally or through policy) as part of your workforce? What impact would a reduction in EEA migration have on your sector/local area/region? How will your business/sector/area/region cope? Would the impacts be different if reductions in migration took place amongst non-EEA migrants? Have you made any contingency plans?

Approximately 40-50% of the occupations from the current UK occupation shortage list are related to the energy and utilities sector.[14] Through the 2017 Energy Barometer, EI members expressed apprehension about access to appropriate professional skills post-Brexit.

Nearly 60% of EI members anticipated a fall in the number of skilled workers and over 40% foresaw a drop in qualification levels if freedom of movement were restricted. Such opinions reveal worries that Brexit could exacerbate existing shortages in scientific, technical, engineering and mathematical (STEM) skills in the UK. STEM shortages are already fuelled by increasing global demand, large scale downsizing during the recent financial crisis leading to redundancies of experienced employees and a lack of recruitment into the energy sector, and a large section of the industry's workforce rapidly approaching retirement.[15]

Given their concern for a post-Brexit shortfall in skilled labour, EI members would like to see multilateral support to ensure sufficient supply of workers, in particular engineers and qualified manual labour. Apart from these two key disciplines, energy professionals would prioritise supporting unskilled manual labour over professionals such as project managers, IT or business administrators. The impact of Brexit on particularly low-skilled workforce was also stressed in the Energy and Utilities Skills' report.[16]

When it comes to contingency plans, EI members believe that measures to ensure sufficient supply of labour should be implemented by Government, academia and employers. From Government, these measures should include supporting industry training and apprenticeships, and importantly encouraging immigration of skilled labour**.** Additionally, nearly 40% of respondents to the Energy Barometer thought that Government should support vocational and retraining programmes for workers coming to energy from other industries and also encourage cooperation between academia and industry. Considerable support for a range of skills-related policy mechanisms indicates that a package of measures is needed, rather than a single solution.

[14] Home Office Immigration Rules Appendix K: shortage occupation list, https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-k-shortage-occupation-list

[15] For example: Energy Institute, Deloitte, Norman Broadbent, *(2008)* Skills needs in the energy industry report, https://www.energyinst.org/documents/5, Berwin Leighton Paisner, (2016) Brexit: Implications for energy sector employers, http://www.blplaw.com/expert-legal-insights/articles/brexit-implications-for-energy-sector-employers or PwC, (2017) 2017 Oil and Gas Trend. Adjusting business models to a period of recovery, https://www.strategyand.pwc.com/trend/2017-oil-and-gas-trends

[16] Energy and Utilities Skills Partnership, (2017) Many Skills One Vision. Energy and Utilities Workforce Renewal and Skills Strategy: 2020, http://www.euskills.co.uk/sites/default/files/Workforce%20Renewal%20and%20Skills%20Strategy%20FINAL.pdf

Recruitment practices, training and skills

To what extent has EEA and non-EEA migration affected the skills and training of the UK workers? How involved are universities and training providers in ensuring that the UK workforce has the skills needed to fill key roles/roles in high demand in your sector? Do you have plans to increase this involvement in the future?

As stated above, a sizeable proportion of EI members believe EEA migration would affect the availability of skilled workforce if freedom of movement were curtailed post-Brexit. They further believe such restrictions would result in a drop of qualification levels in the energy sector.

Their concern is underscored by the Royal Academy of Engineering's recent study which showed UK university engineering departments to have a higher proportion of international students and researchers compared to the average across all subjects.[17] These findings were confirmed by the EngineeringUK's study which claims that engineering "stands out from other subjects in terms of the nationality profile of students, and is therefore vulnerable both to changes in future immigration policy and perceptions of the UK by prospective international students".[18]

EI members hope that the Brexit negotiation outcomes provide assurance for existing EEA migrants, researchers and academics, as well as continue to make the UK an attractive place to work and study.[19] On the other hand, EI members have called for greater cooperation between academia and industry to address this issue and develop home-grown talent. Such cooperation should focus on apprenticeships, training, providing work placements and internships.

Energy professionals' emphasis on training and apprenticeships corresponds with Government's Spring Budget 2017 promise to expand technical training for young people through new technical education that includes high-quality industry work placements. Additionally, the call for skill improvements aligns with the proposed Industrial Strategy, as presented in BEIS's Green Paper.

Overall, it is vital for Government to give clear and early signals that the UK will be open and welcoming for the EU and other overseas talent needed by our universities and industries. This should be done alongside improving the pipeline of UK-domiciled graduate and apprentice workers with engineering and technology skills.

About the Energy Institute

The Energy Institute (EI) brings energy expertise together.
We're a unique global network with insight built over a century and spanning the whole energy system, from conventional oil and gas to the most innovative low carbon and energy efficient technologies.
We gather and share essential knowledge about energy, the skills that are helping us use it more wisely, and the good practice that keeps it safe and secure.
We articulate the voice of energy experts, taking the know-how of our 20,000 global members to the heart of the public debate.
And we're an independent, not-for-profit, safe space for evidence-based collaboration - an honest broker between industry, academia and policy makers.
The EI is here for anyone who wants to better understand the extraordinary energy system on which we all depend.

[17] ibid, pp. 8-10
[18] Engineering UK 2017: State of Engineering report, p.121
[19] Implications of Brexit for the UK Energy Sector