Dear Sir / Madam,

MAC Consultation Response re Brexit and in Context of Industrial Strategy

Thank you for this opportunity to respond regarding the potential impact of Brexit on Arup, particularly as it relates to our people. This letter outlines some of the issues we face and the challenges we foresee in continuing to deliver services to our clients post-Brexit.

For context, I should first explain that Arup is an independent firm of designers, planners, engineers and consultants, working across every sector of the built environment from almost 100 offices worldwide. Arup was founded in 1947 and is the designer and engineer behind some of the world’s most famous structures, from the Sydney Opera House and the Øresund Bridge to the Gherkin building and the High Speed link between the UK and Europe. The group generates a worldwide income of some £1.5 billion pa.

The responses to your queries are set out below.

Section 1: EEA Migration Trends

- 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?

The vast majority of non-UK staff members directly employed by Arup in the UK are typically qualified to degree level (NFQ6) and above.

There is no practical difference between the work carried out by non-UK staff and UK staff and both range across a number of disciplines, from design engineering, planning and specialist consultancy services from railway electrification design and fire engineering to acoustics and seismology.
To what extent are EEA migrants seasonal; part-time; agency-workers; temporary; short-term assignments; intra-company transfers; self-employed? What information do you have on their skill levels? To what extent do these differ from UK workers and non-EEA workers?

Arup’s main concern is with intra-company transfers and temporary assignments.

To the first point on transfers, I would note that the firm runs a global mobility scheme where approximately 1 in 20 of our staff work outside their ‘home’ office at any given time. This is extremely important for creating a ‘One Arup’ culture around the globe, allowing the firm to ensure that client service levels do not vary according to geography and at the same time ensuring that we can tap into global talent markets more effectively. As it stands, there is already an increasing challenge in meeting salary hurdles for Tier 2 visas, which restricts our ability to train global staff in the UK HQ.

Regarding temporary assignments, major infrastructure projects tend to be extremely ‘lumpy’ in terms of headcount requirements. The ability to move staff between countries and global regions is critical for ensuring that we can service contracts in a timely manner and maintain our global reputation for excellence, particularly should the firm win multiple projects within a relatively short timeframe.

Again, there is little substantive difference between UK and non-UK staff, with the significant exception of access to language skills where non-UK staff tend to have an advantage.

Are there any relevant sources of evidence, beyond the usual range of official statistics, that would allow the MAC to get a more detailed view of the current patterns of EEA migration, especially over the last year?

I feel sure the MAC is au fait with all the regular datasets. However, it may well be worth looking at correlations between leading economic indicators such as FDI or currency movements and historical migration levels.

Have the patterns of EEA migration changed over time? What evidence do you have showing your employment of EEA migrants since 2000? And after the Brexit referendum? Are these trends different for UK workers and non-EEA workers?

Arup employs some 13,500 staff members worldwide, with over 5,000 based in the UK and 1,800 in the Europe Region. In the UK overall, some 12% of staff are non-UK nationals, with the figure somewhat higher in London, running at just over 20%.

The firm has traditionally had a very global outlook. Indeed, Arup was founded by a small team with very diverse backgrounds in terms of origin and citizenship. As a result, the firm has always attracted staff from diverse backgrounds. That said, trendline percentages may have risen slightly since 2000 as the firm has diversified even further globally.
- *Have you conducted any analysis on the future trends of EEA migration, in particular in the absence of immigration controls?*

No. We would fully expect immigration controls to exist under any scenario, including the current EU system, which has a wide range of control tools available for governments which wish to make use of them.

- *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?*

The Royal Academy of Engineering produced a commendable and insightful report on skills shortages across the sector – [http://www.raeng.org.uk/publications/reports/engineering-a-future-outside-the-eu](http://www.raeng.org.uk/publications/reports/engineering-a-future-outside-the-eu) – and I suspect the RAE and similar groups will have more up-to-date insights to offer.

For Arup, Brexit is already impacting the firm’s access to global talent in advance of Brexit actually happening. For example, graduate applications to Arup from EEA countries (excl. UK) dropped by a fifth in the most recent recruitment round. There are also early indicators that some EEA citizens are less inclined to apply to work for Arup in the UK, which may be partly attributed to the fall in the value of the Pound – another post-Referendum, pre-Brexit impact.

Simply put, anything that constrains the ability of Arup to access the best talent available – whether in the UK, the EEA or elsewhere – potentially limits our ability to expand the business and serve our clients. This will have a greater impact in London as the firm has a higher number of non-UK citizens based in and around the Capital (see above – non-UK citizens make up some 20% of staff versus 12% on a national basis).

As a leading firm in our sector, Arup will still be able to attract the best of the talent available, but inevitably the pool available in the UK will be smaller if EEA migration is restricted. As a global firm, clearly, there will be a similarly deleterious effect for restrictions beyond the EEA.

Contingency plans include closely tracking and adjusting the graduate numbers we will need for the future. It should be noted that this is extremely difficult to predict given the uncertainty over GDP growth and investment in a post-Brexit world. For example, if Brexit leads to a significant recession and investment in property and infrastructure falls, then skills shortages will become less pertinent. By contrast, if the Government were to try to pump more funding into infrastructure to maintain demand in the economy in the event of a recession, then access to skills would be a critical issue.

**Section 2 – Recruitment Practices, Training & Skills**

- *Please provide evidence on the methods of recruitment used to employ EEA migrants. Do these methods differ from those used to employ UK and non-EEA workers? What impact does this have on UK workers? Have these methods changed following the Brexit referendum?*
Arup participates in select graduate recruitment programmes in the UK and across Europe. The mission is to attract the best available talent, giving due regard to the firm’s ambitions around diversity. The firm also makes strategic hires based on experience and skills in particular disciplines, markets and sectors. Recruitment processes are aimed at attracting the best talent available regardless of ethnicity etc and presents no disadvantage to good UK talent.

We do not intend to compromise our focus on attracting, recruiting and retaining the highest quality staff possible irrespective of Brexit.

- **Do recruitment practices differ by skill-type and occupation?**

No fundamentally, although the channels vary between disciplines for identifying talent of course.

- **What are the advantages and disadvantages of employing EEA workers? Have these changed following the Brexit referendum result?**

The advantages of employing EEA staff include:

- the ability to expand the cultural richness and awareness of the Arup offer to a global client base
- the ability to attract additional language and culturally sensitive client engagement skills
- the ability to deploy staff on specific projects in EEA countries.

As it stands, there are few disadvantages at present other than a limited administrative burden. However, that may change as:

- pressure on the value of the pound makes the UK less attractive as an employment destination
- uncertainty over the economy and residency status leads to staff leaving for jobs elsewhere – eg see comments from recent Arup exit interviews below:
  - “The uncertainty surrounding Brexit was a contributing factor, as I am a German citizen and received an offer to work in Germany”
  - “We not feel welcomed in this country anymore and we don’t want to be the bargaining chip for this government”
  - “After the referendum in 2016, we decided to stay another 12 months. However, we have decided to go now as there is no indication that they can stay here at present due to uncertainty from the current UK government and lack of clarity as to what will happen to European Nationals here”
  - “It's a bit of a gamble to stay in the UK when you're an EU national”
  - “Lack of confidence in UK business due Brexit”
• “The Brexit referendum was a contributing factor in the move. Also the currency going down”

• “He also feels with Brexit that a good friend (the UK) has betrayed them. A number of people he knows are returning home (to Europe) due to this”

• “Transfer to Arup Dublin office and to my home country. Although it didn’t affect my initial decision, Brexit has made me fell less welcome in the UK making me more certain of returning to Ireland”

• To what extent has EEA and non-EEA migration affected the skills and training of the UK workers?

Not at all. Arup has long pursued an internal training and development programme to ensure that we maximise the potential of staff, regardless of background.

• 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?

Arup already engages with a number of trade and professional associations in this regard covering multiple disciplines, as well as working with universities and colleges across the UK to develop the talent pipeline. The firm is also involved in the apprenticeships programme, taking on a total of 212 apprentices over the past 5 years.

If suitable opportunities present themselves, the firm will expand its engagement accordingly.

• How well are you of current UK migration policies for non-EEA migrants? If new immigration policies restrict the numbers of low-skilled migrants who can come to work in the UK, which forms of migration into low-skilled work should be prioritised? For example, the current shortage occupation list2 applies to high skilled occupations; do you think this should be expanded to cover lower skill levels?

I believe we are well informed about the current migration policies for non-EEA nationals as a firm.

If new immigration policies restrict the numbers of low-skilled migrants to the UK, this will likely have second-order effects on Arup, driving up costs for external services, for example, rather than impacting the firm directly. However, the firm is not in a position to recommend which forms of low-skilled migration should be prioritised in a highly complex and inter-dependent modern economy.

The shortage occupation list for highly skilled occupations may be useful for identifying areas to incentivise training and skills development, but there are two key issues here. First, it will require almost constant updating. Secondly, expanding such programmes will most likely serve to create a new raft of bureaucracy as the UK tends toward command economy principles.
There is also reliable evidence to show that it is extremely difficult to predict the skills and jobs that will exist even over relatively short time horizons, so the Government should be extremely wary of putting itself in the position of trying to second guess labour markets in a rapidly evolving global economy or it may risk stifling innovation.

If these future skills in areas such as digital are not available in the UK, for example, clients will simply look overseas.

Section 3 – Economic, Social and Fiscal Impacts

- What are the economic, social and fiscal costs and benefits of EEA migration to the UK economy? What are the impacts of EEA migrants on the labour market, prices, public services, net fiscal impacts (e.g. taxes paid by migrants; benefits they receive), productivity, investment, innovation and general competitiveness of UK industry?

Arup is not well-placed to answer the wider questions outlined above, but we are aware of studies such as that carried out by the BoE and others suggesting relatively low downward pressure on low-skilled wages and positive overall contributions to the economy from migrants, particularly with respect to startups.

For Arup, EEA migration expands the cultural richness of the firm and the pool of talent that we can draw upon.

It might also be argued that a skills shortage in any given area would lead to increased costs for staffing more generally, particularly if staff have opportunities available in the global market.

- Do these differ from the impact of non-EEA migrants?

For Arup, no.

- Do these impacts differ at national, regional or local level?

For Arup, no.

- Do these impacts vary by sector and occupation?

For Arup, no.

- Do these impacts vary by skill level (high-skilled, medium-skilled, and low-skilled workers)?

For Arup, no.
Section 4 – Additional Comments

For Arup overall, the effects of further restrictions on migration will be wide-ranging and largely negative, eg:

- adding red tape and costs such as processing visa applications for staff
- limiting the ability of the firm to deploy staff resources quickly and flexibly to fulfil contract obligations
- increasing uncertainty over the Mutual Recognition of Qualifications for UK staff in Europe and vice versa
- reducing the size of talent pool the firm can easily draw on
- curbing the ability of the firm to engage in pan-EU R&D collaboration such as Horizon
- increasing uncertainty for non-UK staff worried about their future settled status
- increasing uncertainty for investors and Arup clients.

We also note that this MAC consultation will not report until September 2018 and, as such, represents a snapshot of issues that may well become more critical in the year ahead as we approach the Brexit deadline. As such, we suggest the committee consider publishing interim results to avoid further anxiety for both EU nationals and investment opportunities.

Arup is, of course, planning for a number of scenarios to ensure that we can maintain the very high standards we set for ourselves to be able to deliver quality work for our global clients. The firm is adaptable and resilient and we believe that we will be able to respond effectively to the challenges to come.

In the meantime, the firm would urge all parties involved in the UK-EU27 negotiations to provide certainty around the key issues as soon as possible for the benefit of all businesses – not just our own.

Yours faithfully

James Kenny
Head of Global Affairs