

## References to science in the HM Treasury analysis of the long-term economic impact of EU membership and the alternatives

**Briefing**  
19 April 2016

This briefing is based on the document [HM Treasury analysis: the long-term economic impact of EU membership and the alternatives](#) published by HM Government on 18 April 2016.

The document concludes that a vote to remain in the EU is in best interest of the British people and the UK economy. The impact on science is mentioned only in broad terms, with one more specific example of the pharmaceutical industry.

This briefing presents the quotes from the document relevant to the UK science, research and universities; significant extracts from the document are presented in the boxes below.

### 1. Impact of EU membership on professional services

Scientific activities are part of the professional services industry. The report concludes that “if the UK were to leave the EU the professional services industry would be worse off because of a reduction in access to the Single Market.”

### 2. Funding for UK research institutions and universities

It states that 27% of all expected UK receipts from the 2014-2020 EU budget are for Research and Development, a major contribution to the UK science funding.

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**1.119** Many UK receipts cover research and development, providing an important source of funding for UK universities and research institutions, and are allocated through a competitive bidding process. As a world leader in these sectors, the UK has a strong track record at securing these funds – in recent years around 15% of such receipts from Horizon 2020, the EU’s main research programme, have gone to the UK. British universities are the top 4 Higher Education recipients in the EU of Horizon 2020 funding to date<sup>167</sup>

<sup>167</sup> See tables 1.3 and 1.4 of UK participation in Horizon 2020 and Framework Programme 7, Department for Business Innovation and Skills (2016).

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**1.125** Within the smaller overall budget, the 2013 deal also redirected expenditure towards better value areas of the budget. The proportion of the budget spent on competitiveness, research, innovation and university funding has increased by over one third, and Horizon 2020's budget was almost 30% higher in real terms than its predecessor programme. At the same time, funding for the CAP over the current budget will fall by €55 billion in 2011 prices, or 13% compared to the previous 7-year budget period.

### 3. Impact of the EU on the UK's pharmaceutical industry

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The Single Market will give life science companies investing in the UK access to new opportunities in a wider market for their products. These benefits for UK-based companies would be put at risk if the UK was to leave the EU. The EU provides a single framework for regulating and improving pharmaceutical products. This ensures a high standard of patient safety, raises productivity through economies of scale and increased competition, and reduces the cost of supplying drugs across the EU. The UK has strong influence over the EU's regulatory framework for pharmaceuticals, which would be lost under any of the alternative relationships discussed in Section 2.

### 4. Impact of migration on productivity, including in the universities sector

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**1.110** In terms of the impact of migration on productivity, the Bank of England suggests that "EU workers may have filled skill gaps or specialised in different tasks". They cite research by Rolfe et al (2013) which found that employers in the pharmaceuticals, IT, banking and universities sectors recruited from outside the UK in order to fill skills gaps that exist in the resident population, to recruit high skilled individuals who are in short supply globally and to complement the skills of non-migrants.<sup>159</sup> While productivity gains can accrue to the migrant, the resident population may gain via any effects of skilled immigration on productivity. This may arise through specialisation of tasks, job creation in complementary tasks, and wider dynamic effects on the labour market.<sup>160</sup>

<sup>159</sup> Migration and productivity: employers' practices, public attitudes and statistical evidence, Rolfe, Rienzo, Lalani, and Portes (2013).

<sup>160</sup> Migrants in Low Skilled Work, MAC (2014).