



## Migration Watch UK Evidence to MAC Review on Low Skilled Work

### Summary

1. Large scale immigration by low paid workers from the EU reduces the wages of low skilled British workers, adds nothing to GDP per head but adds considerably to pressure on public services. In-work benefits are a huge incentive and must be reformed. Recommendations are at paragraph 14.

### Introduction

2. Migration Watch UK believes that significant inward flows of people can detrimentally affect the chances of the native born in the labour market. In particular large flows from Eastern Europe, where wages are far lower and for whom there are no employment restrictions, are particularly detrimental to those native born workers who possess lower skills levels and especially younger workers in London. Moreover, the system of social security in the UK and the effective tax rates for the low paid distort the labour market by disincentivising work for the native born. This evidence note is confined to a discussion of low skilled migrant labour from East Europe since there has not been a direct route for non-EU workers to come to fill low skilled routes for many years.

3. We welcome the opportunity that the MAC has provided for people to submit evidence with respect to “‘real-life’ perspectives”<sup>1</sup> that they may have experienced themselves or observed in their local area. This type of anecdotal evidence has for too long been disregarded by desk-based economists who have ignored what cannot be input into a spreadsheet but which has a significant impact on people’s lives.

### Migrant Labour in Low-Skilled Sectors – Why do Migrants take Low Skilled Work?

4. Migration can largely be explained by two factors: employment opportunities and the wage differentials between two countries. The lower the wage relative to other countries, the greater the incentive for migration. The wage differential between East Europe and the UK largely explains the significant flow of migration from these countries following the accession of the A8 countries in 2004.

5. The wage differential continues to exist almost ten years on from accession and exists even for those who come to work in low skilled sectors where wages are topped up by in-work benefits; these can be substantial for those with a family. Migration Watch UK research has found that a family of four with a single earner working at the minimum wage would be almost four times better off in the UK than in Poland, taking account for the cost of living.<sup>2</sup> A Romanian and

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1 MAC, Call for Evidence: Review of Migrant Employment in Low-Skilled Work, September 2013.

2 Migration Watch UK, Briefing Paper 4.15, ‘Incentives for Polish Migration’, April 2012, URL: <http://www.migrationwatchuk.org/briefing-paper/4.15>

Bulgarian<sup>3</sup> family would be eight and nine times better off, respectively.<sup>4</sup> The consequence of this significant pull factor is that 20 percent of people in low skilled jobs were born abroad.<sup>5</sup>

### **Benefits of Migrant Labour for Employers**

6. Business is often reluctant to admit that it is in favour of higher levels of immigration primarily because it reduces wages at the lower end and thus their costs. Businesses and employment agencies have been found to be actively recruiting overseas.

7. A number of studies have found that there has been no impact on average wages but that they have fallen at the lower end of the labour market.<sup>6</sup> Large flows may also have a negative impact on workers' conditions as an employee could be less likely to report poor working conditions for fear that their employer will replace him with a migrant worker.

8. Migrant workers can be more motivated than native born workers since their incentives to take low paid work is much greater. A migrant worker from Europe has travelled across a continent in order to find work which will increase his living standard considerably. This is in contrast to a native born worker who has a weaker incentive to work due to an unreformed benefits system which imposes significant effective rates of tax on those who move from benefits to work. As low paid workers take on more hours and earn more money benefits are withdrawn such that tax rates can be as high as 95%.<sup>7</sup>

### **Impact of Migrant Labour**

9. The economic benefit of migration largely accrues to the migrant themselves through their wages. Beyond that however there exists little economic benefit from low skilled and low paid migrant workers since they generally add to GDP at the same rate as they add to population, thus failing to increase GDP per head of the population. The National Institute for Economic and Social Research found that the medium-term impact of A8 migration to the UK on GDP per capita was likely to be 'negligible'.<sup>8</sup>

10. Although many studies have failed to find conclusive evidence of a link between EU migration and displacement of local workers in the labour market as a whole, this does not mean that there is no link between high levels of migration from Europe and youth unemployment in certain parts of the country, notably in London where one in four economically active young people are out of work. Meanwhile London sucks in East European migrants in order to fill low skilled and low paid roles. The IPPR noted in 2012 that:

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3 Romania and Bulgaria joined the EU in 2007 and transitional controls on their employment in the UK are lifted on 1 January 2014.

4 Migration Watch UK, Briefing Paper 4.20, 'Incentives for Romanian and Bulgarian Migration to the UK', February 2013, URL: <http://www.migrationwatchuk.org/briefing-paper/4.20>

5 David Goodhart, The British Dream, Successes and Failures of Post War Immigration, 2013.

6 MAC, Analysis of the Impacts of Migration, January 2012.

7 Fraser Nelson in Spectator, 'Brits are not idle – they're just taxed to death', December 2013, URL: <http://blogs.spectator.co.uk/coffeehouse/2013/12/brits-are-not-lazy-ms-campeanu-theyre-just-taxed-to-death/>

8 NIESR, 'Labour mobility within in EU – The impact of enlargement and the functioning of the transitional arrangements', April 2011, URL: [http://www.niesr.ac.uk/pdf/270411\\_143310.pdf](http://www.niesr.ac.uk/pdf/270411_143310.pdf)

“Employers have also become increasingly reluctant to hire teenagers, particularly in London. Only 6 per cent of UK employers, and just 3 per cent of employers in the capital, recruit straight from school. As a result, school-leavers compete with more experienced workers for the same jobs, in addition to competing with more highly qualified young people. Despite the vibrancy of London’s economy, the inward flow of migration from other regions and abroad has resulted in a highly competitive environment at the lower end of the labour market. Many of these relatively well-skilled new residents take on low paid jobs while they finish their studies or look for something better, leaving those with the weakest skills and experience more likely to be ‘squeezed out’.”<sup>9</sup>

11. The impacts of unemployment on the individual, the family unit and on the wider community are significant and negative. There is also an impact on the taxpayer since taxes are spent on supporting those displaced from work as a result of immigration.

12. There are wider impacts on society as a result of a significant flow of migrants to the UK, including on the provision of housing, healthcare and education:

a) Between 2008 and 2033 the number of households in England was projected by DCLG to grow by 5.8 million, or 232,000 per year. Of this increase, 36% will be a result of immigration. Demand for housing is high and the government is failing to build houses at the rate that they are required. The result is higher rents and property prices as well as lengthening waiting lists for social housing.

b) While migrants who come for work are generally younger and healthier than the *average* person, many have gone on to start families in the UK, placing a considerable burden on maternity wards and on NHS provision for young children. The latest statistics for 2012 show that Poland remains, for the third consecutive year, the most common country of birth for non-UK born mothers in 2012; 21,000 babies were born to Polish born mothers in 2012 and between 2005 and 2012 a total of 117,500 babies have been born to Polish born mothers, placing additional demands on maternity sections and GP services.<sup>10</sup>

c) The children of migrants require schooling, placing strains on schools where there is a high concentration of migrants.

13. Families in which the workers earn the minimum wage in low skilled work do not make sufficient tax contributions to cover the costs of the additional services that they consume so they are a net cost to the taxpayer.

## Recommendations

14. Migration from East Europe cannot be restricted under the current EU framework. Similarly, the benefit system must be applied equally to all EU citizens. However, all of the major political parties believe that the EU, as it currently functions, needs changing. Within this context of reform the government should consider the following:

a) The effect of the present system of tax credits is to provide a taxpayer subsidy to foreign migrants thus encouraging still more. Therefore, no benefits or tax credits should be available to EU migrants until they have worked for five years or have achieved the status of permanent residence. EU migrants should also not be entitled to social housing until they have worked for five years. This would bring the availability of welfare for EU migrants into line with the system that governs non-EU migrants. Opponents of such an idea claim that EU migrants make few demands on the UK’s system of social security. If this is so there can be little opposition to such a move. It would reduce the economic incentive to migrate and could encourage employers to employ native born workers.

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9 IPPR, From Learning to Earning: Understanding the School to Work Transition in London, August 2012, URL: [http://www.ippr.org/images/media/files/publication/2012/08/learning-to-earning\\_Aug2012\\_9516.pdf](http://www.ippr.org/images/media/files/publication/2012/08/learning-to-earning_Aug2012_9516.pdf)

10 Office for National Statistics, Births in England and Wales by Parents’ Country of Birth, 2012, URL: <http://www.ons.gov.uk/ons/rel/vsob1/parents--country-of-birth--england-and-wales/2012/rtd-parents-country-of-birth-tables.xls>

b) Medium and large companies should be required to record the number of non-UK national employees alongside the existing requirements to collect gender and ethnicity data for Equal Opportunities purposes. This data should be submitted to local Job Centres which could monitor local supply and demand for labour and could intervene in cases where the number or proportion of non-UK born employees exceeded certain limits.

c) The minimum wage should be enforced and fines collected where breaches of the law have occurred.

d) All job advertisements should be advertised in English and in the UK to prevent companies from exclusively recruiting abroad and excluding local workers.

e) It is welcome news that companies will not have to pay National Insurance in respect of employees under 21. The government should now negotiate with the EU to permit member states to confine such concessions to their own nationals in the interests of getting young people started in the work force.

13<sup>th</sup> December 2013