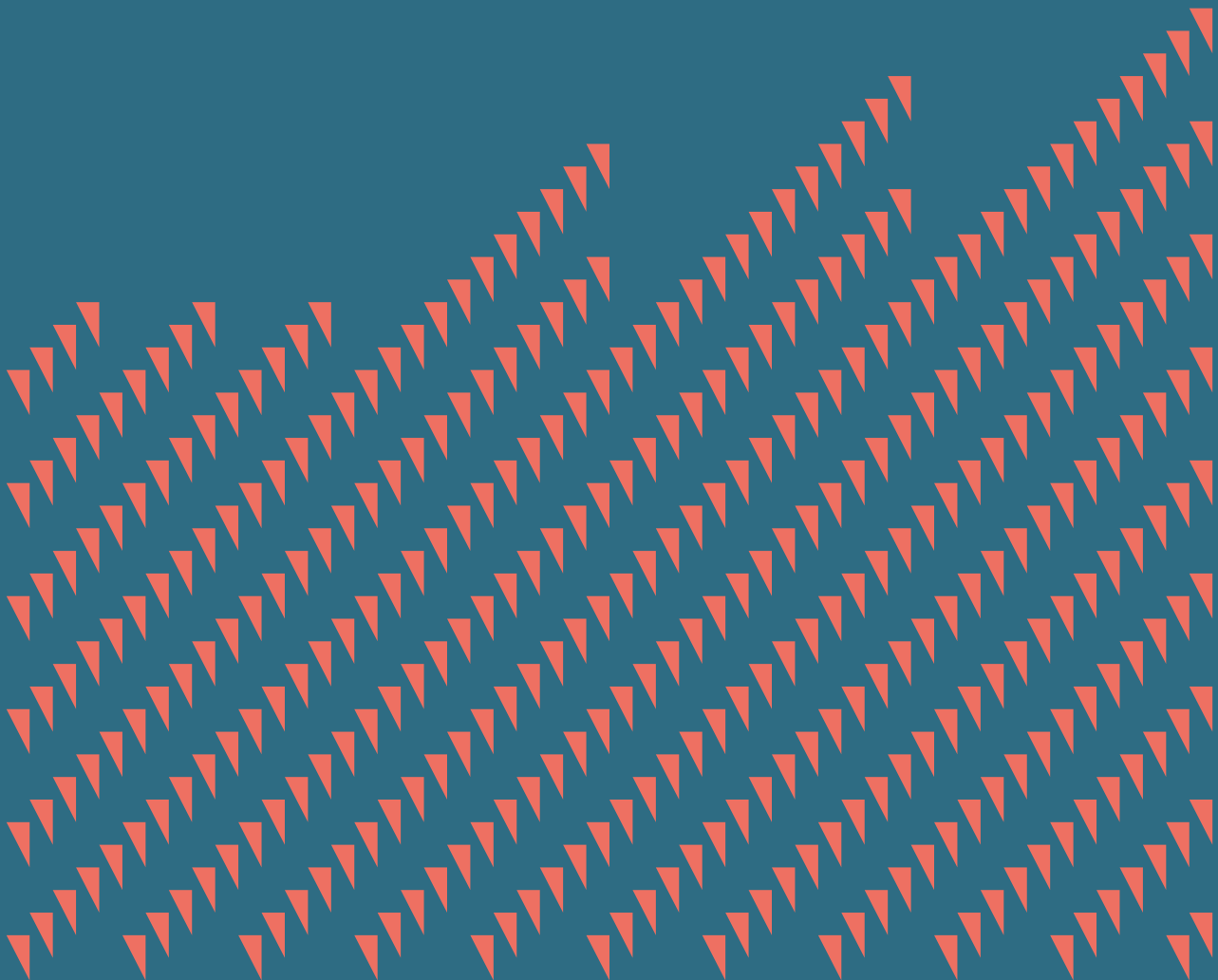




Home and away

The UK labour market in a post-Brexit world

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December 2020



Acknowledgements

This briefing note has been produced as part of the Resolution Foundation's Labour Market Enforcement programme, which is generously supported by Unbound Philanthropy. The authors would like to thank Brian Bell, Alan Manning and Jonathan Portes for their insightful comments on an early draft; Will Somerville for many pointers to the literature; David Freeman for technical advice on ONS data; Klara Skrivankova for convening a special session of the migration sub-group of the Employment Lawyers and Advisors Network (ELAN) to discuss our findings, along with the many frontline organisations who so generously shared their perspectives with us at that meeting; Ian Robinson for clarifying key aspects of the law; and colleagues Mike Brewer, Jack Leslie and Rushabh Malde for research guidance and support. All that said, any errors remain, of course, the authors' own.

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Summary

The UK labour market is on the cusp of a significant change. From January 2021, the UK will move to a post-Brexit immigration regime under which EU citizens will face restrictions on their ability to work in the UK (although those from the rest of the world will see the rules loosen, to a degree). But over the past two decades, migrant workers have had a huge impact on the UK labour force: they accounted for 60 per cent of employment growth between 1996 and 2019, albeit from a low base. This transformative effect was particularly pronounced in Inner and Outer London, and the South East (where non-UK born workers accounted for between 70 and 100 per cent of employment growth over this period), as well as in other areas with urban conurbations, including the West Midlands (74 per cent) and Greater Manchester (59 per cent).

Over this time, migrant workers from the EU and elsewhere have disproportionately taken less attractive jobs in the economy. Although foreign-born workers in every age group are, on average, higher-educated than their British-born counterparts, large numbers are overqualified for the jobs they do: in 2019, foreign-born workers with a degree-level qualification were more than twice as likely to work in a 'lower-skilled' occupation than their UK-born counterparts (13 and 6 per cent, respectively), and nearly half (46 per cent) of EU8 workers were in the bottom three pay deciles. Moreover, younger, recently-arrived migrants are more likely than both UK-born workers and their more-established counterparts to be on a less secure employment contract. We find, for example, that 13 per cent of 18 to 34-year-old migrant workers who have lived in the UK for fewer than five years reported working on a temporary contract in 2019, compared to 10 per cent of all foreign-born, and 7 per cent of UK-born workers in the same age bracket.

Data on migrant workers in the UK is rife with problems, but nonetheless we discern two significant changes to patterns in recent years. First, we note that the number of EU migrants moving to the UK has been falling since the 2016 referendum, while numbers leaving the UK have grown. The ONS International Passenger Survey indicates that the net number of EU workers coming to the UK fell from 207,000 in 2015-16, to 58,000 in 2019-20. Even more tellingly, the net number of EU8 migrants has turned negative: from a net inflow of 69,000 in 2015-16, to a net outflow of 16,000 in 2019-20. Second, there are indications that the stock of foreign-born workers has reduced since the onset of the Covid-19 pandemic. Figures from the ONS Labour Force Survey suggest that the number of EU14 and EU8 workers in lower-skilled occupations fell by 29 and 39 per cent, respectively, between the summers of 2019 and 2020. Although these estimates may be less reliable than usual given current data collection problems, there appears to have been a significant outflow of migrant workers from the UK in response to the pandemic.

The UK's move to the post-Brexit immigration regime in January 2021 will therefore

affect a labour market that has already shown itself to be less attractive to foreign-born workers in recent years: the falling value of the pound has made UK wages less attractive to foreign workers (the referendum effect) while the current economic crisis means new opportunities are now few and far between (the Covid-19 effect). Just as migration contributed to employment growth in some regions more than others, its slowdown will bring change in the opposite direction. Although the total share of employment held by foreign-born workers is substantially larger in London (43 per cent) than in the East Midlands (15 per cent), both regions look set to be significantly affected by imminent changes: in both, 5 per cent of all employment among workers age 16 and older is held by recently-arrived migrants in roles that are ineligible for a skilled worker visa. This compares against 2 per cent of employment in Wales and 1 per cent in the North East.

The economic impact of the coming changes to the immigration regime are often overstated by proponents and opponents alike, but it is clear there will be pinch-points in the labour market even in the near-term. Although heightened unemployment is likely to ease some recruitment challenges, it will be in sectors which employ a larger-than-average share of EU-born workers, in roles that fall outside the Government's list of eligible occupations for a skilled worker visa, and that have higher-than-average turnover rate, where workforce shortages are first likely to be observed. This confluence of factors is far from unusual. We find, for example, that recently-arrived EU migrants comprise one-in-ten food manufacturing operatives and packers, canners and bottlers, and in neither of these sectors are migrants eligible for a skilled worker visa. In addition, overall, ineligible occupations have a higher rate of employee turnover than eligible occupations: 15 per cent of workers across the labour force report being in their job for less than a year, but 20 per cent of those in occupations that are ineligible for a skilled worker visa say the same.

So how could firms in shortage sectors adapt to these new labour market realities? While some may inevitably shrink in size, or invest in labour-saving technologies, in the short-term theory suggests they will have to improve pay and conditions to attract and retain sufficient staff. Improvements in conditions would be very welcome given the poor record that many migrant-dense industries currently have when it comes to labour market rights. Over the 2015 to 2019 period, one-in-seven (15 per cent) of all those employed in the hospitality sector reported they received no paid holiday (a day-one legal right), while a similar share (14 per cent) in the same industry said they were issued no payslip (a breach of the law). Interestingly, we note that foreign-born workers in most sectors are no more likely than the UK-born to be subject to unlawful treatment, although we acknowledge that the most vulnerable of migrants are unlikely to be captured in official data.

There are, however, also ways that the new immigration regime could increase the incidence of labour market violations. It is plausible that firms which already play fast and loose with one set of rules (employment law) are as likely to do so with another (the immigration regime). This is especially true when an employer's likelihood of detection is low (we estimate that, if all irregular workers are in average-sized firms, then those firms have a one-in-a-thousand chance of being detected within a year), and when the high penalties that can be imposed on firms found employing irregular migrants are not applied in over one-third of all cases. Overall, irregular migration could easily increase in the UK under the stricter regime come January, with worrying consequences for labour market rights.

Such a scenario presents Immigration Enforcement with a challenge, but could also prove a serious (and much less talked-about) problem for the UK's labour market enforcement system. While Immigration Enforcement largely relies on reports from third parties to alert it to problem firms, labour market enforcement bodies are far more dependent on worker complaints. While it is hard to envisage a Chinese wall between the two systems, ways need to be found for irregular workers to come forward to report labour market violations without fear of retribution for breaching immigration rules. In the tumultuous months to come, Government policy should think broadly about how the transition to a new migration regime can be as beneficial as possible, for firms, for UK-born workers and for migrant workers alike.

Over recent decades, foreign-born workers have played an outsized role in the UK's employment growth

In January 2021, the UK will move to a post-Brexit immigration regime under which EU citizens excluding those from Ireland will face restrictions on their ability to work in the UK (although those from the rest of the world will see the rules loosen, to a degree)¹. This policy is widely expected to reduce net migration from EU workers, and looks set to begin a new chapter in the UK's recent history of migration. Over the past 25 years, international migration has both boosted the size of the UK labour force and altered its composition. In 1996, just 5 per cent of those in work were born outside the UK: 1 per cent had been born in countries that were in (or would eventually join) the European Union (EU), and four per cent were from the rest of the world (RoW).² By 2019, the share of foreign-born workers in the UK had more than trebled: 17 per cent of all those in work

¹ Under the new regime, Common Travel Arrangements between Ireland and the UK will continue, allowing citizens to remain able to freely live, work, travel and study in either country.

² Unless otherwise noted, this note is focused on employment among those age 16 and older, although unemployment and inactivity rates, where referenced, relate to those age 16-64.

over the age of 16 had been born abroad, 7 per cent from EU countries and 10 per cent from RoW.³

Both economic conditions and policy decisions brought about this change. During the early 2000s, a strong UK economy served as a 'pull factor' for international migrants looking to move to the UK, and the advent of freedom of movement between certain EU countries also provided a new route for many EU citizens to do so. From 1992, citizens of 'EU14' countries⁴ (those that were part of the EU before 2004) were free to move to, and work in, the UK; freedom of movement was extended to a further eight ('EU8')⁵ countries in 2004, and again to citizens of Bulgaria and Romania ('EU2') in 2014. The Euro crisis of the 2010s and the high unemployment that it created provided something of a 'push factor' for further EU migration in the past decade: even though UK economic growth slowed, it was higher than in a number of other European countries.⁶

These successive economic forces and changes to the immigration regime boosted the number of migrants working in the UK labour market over the last two decades. As Figure 1 shows, the number of adults aged 16 and older in work has grown by 28 per cent since 1996. Even though foreign-born workers remain a minority of all in work, they account for the majority (sixty per cent) of growth in employment since 1996.⁷ EU and RoW-born workers each account for 30 per cent of the UK's employment growth, with UK-born workers comprising the remaining 40 per cent. The latter fact reflects substantial growth in the employment rate among UK-born adults over this time period: the proportion of UK-born 16-64-year-olds who were in work grew from 71 to 76 per cent between 1996 and 2019, with the overall employment rate before the onset of Covid-19 setting a record high.⁸

3 This note does not discuss the effects that migrants have had upon employment or earnings among UK-born workers. However, there is a wide body of research showing that foreign-born workers have had a small, if any, impact. See: Migration Observatory, [The Labour Market Effects of Immigration](#), February 2020. D Blanchflower, J Saleheen and C Shadforth find that immigration from EU8 countries helped reduce inflationary pressure and lowered the natural rate of unemployment. See: D Blanchflower, J Saleheen & C. Shadforth, [The Impact of the Recent Migration from Eastern Europe on the UK Economy](#), IZA Discussion Paper No. 2615, Institute for the Study of Labor, 2007. J Saleheen and S Nickell do however find that immigration had a small negative event on average British wages, with the effect being stronger and in semi- and un-skilled services. They do not find a differential effect on wages between EU and non-EU immigration. See: J Saleheen & S Nickell, [The impact of EU and Non-EU immigration on British wages](#), IZA Journal of Development and Migration, October 2017.

4 Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden.

5 Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia. Where this note refers to 'other EU' countries these are: Cyprus, Malta (both joined January 2004) and Croatia (joined July 2013).

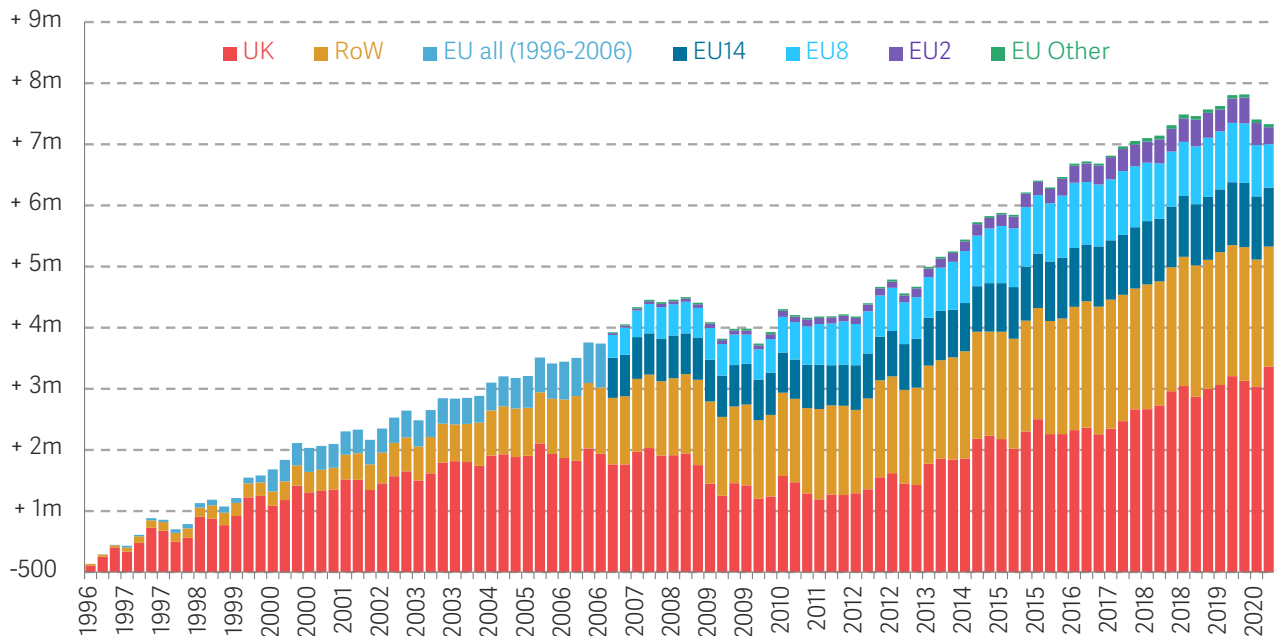
6 See, for example: D Casciani, [Eurozone crisis 'pushing migrants to UK'](#), BBC News, April 2016. For a more detailed discussion, see: Migration Observatory, [Determinants of Migration to the UK](#), October 2017.

7 2019 rather than 2020 is selected as the end point for our calculation due to both the large-scale employment falls that occurred across the UK in 2020, and concerns over the ONS Labour Force Survey's ability to accurately capture the migrant employment in the wake of shifting to a telephone-based survey method – which is discussed later in this note.

8 In fact, between 2008-18 employment in the UK grew among UK-born citizens, as well as among groups that have long had lower-than-average employment rates, including people with disabilities, lower-level qualifications, single mothers and ethnic minorities. See: S Clarke & N Cominetti, [Setting the record straight: How record employment has changed the UK](#), Resolution Foundation, January 2019.

FIGURE 1: Even though the employment rate of UK-born workers has grown since the mid-1990s, migrants account for the majority of the recent increase in employment

Net change in employment among those age 16 and older, by country-of-birth: UK, Q1-1996 to Q3-2020



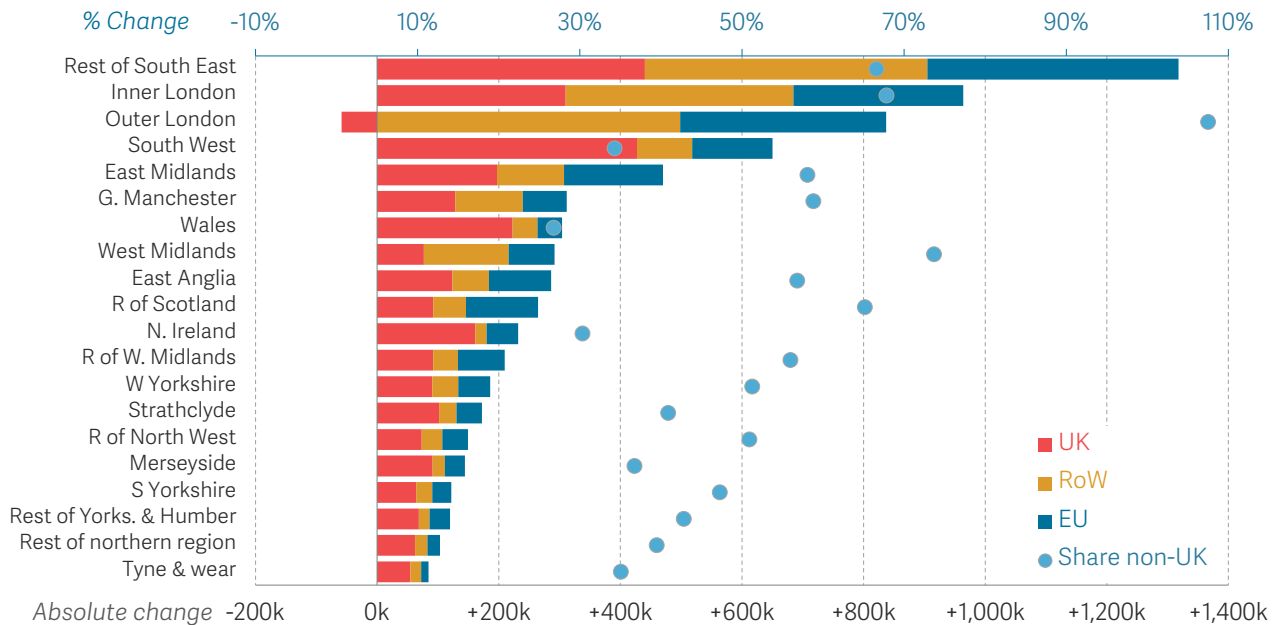
NOTES: Before 2007, data on migrants from EU8 and EU2 countries was not available. Since this point EU14, EU8, EU2 and other EU countries are disaggregated. EU14 refers to citizens from Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden; EU8 refers to Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia; EU2 refers to Bulgaria and Romania; EU other refers to Cyprus, Malta and Croatia.

SOURCE: RF analysis of ONS Labour Force Survey.

Of course, employment growth varied substantially over different UK regions during this period. So too did migrants' contribution to employment growth – a pattern drawn out in Figure 2, which shows net employment change between 1996 and 2019 according to the region that a person works in. Although the number of UK-born workers grew in all regions over this time period, foreign-born workers played a large role in the South East (where they comprised 67 per cent of the net change in employment), inner London (68 per cent) and outer London (107 per cent). By contrast, they constituted just over one-third (34 per cent) of the net change in employment in the South West.

FIGURE 2: Migrants’ contribution to employment growth was largest in London, the South East and the West Midlands

Net change in employment among those age 16 and older, by region of employment: UK, 1996 to 2019

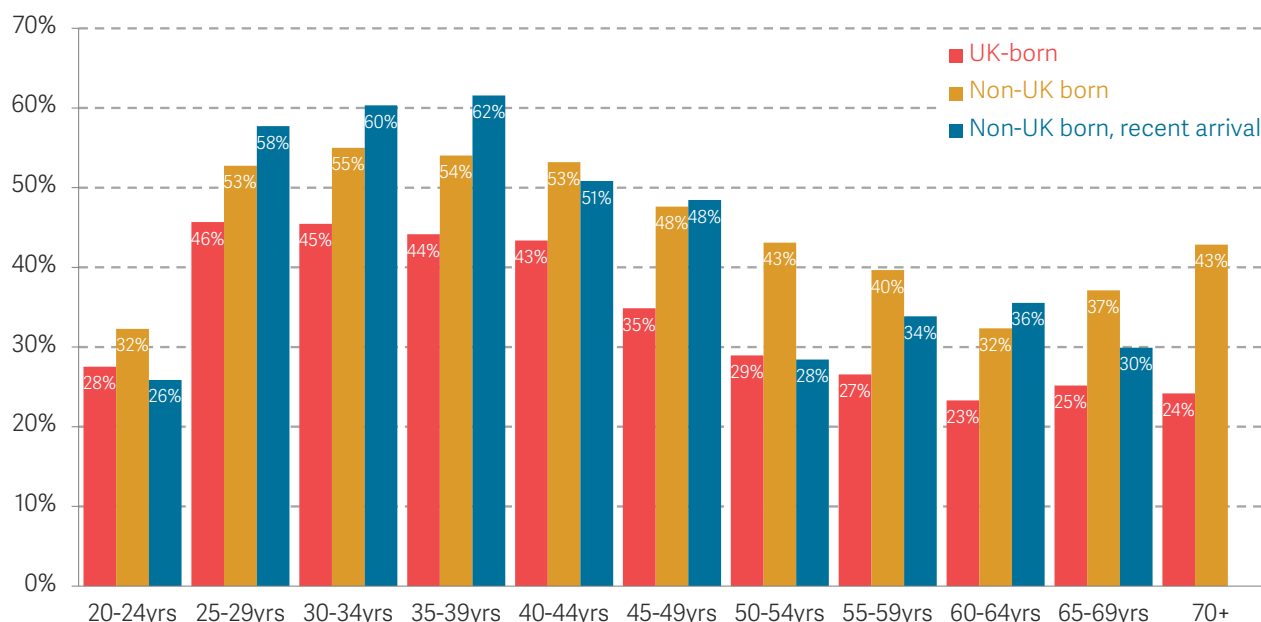


SOURCE: RF analysis of ONS Labour Force Survey.

On average, foreign-born workers have higher educational qualifications than their UK-born counterparts. Figure 3 sets out these differences: in every age group, the share of foreign-born workers with a degree-equivalent qualification is higher than the share of the UK-born counterparts with one. Moreover, the share of recently-arrived migrants (by which we mean those in the UK for fewer than five years, the time required for migrants to attain permanent residency) with a degree is higher still for those aged 25-40. For example, in 2019, 44 per cent of employed UK-born adults age 35-39 had a degree-level qualification, as compared to 54 per cent of all non-UK born workers in that age group, and 62 per cent of non-UK born workers who arrived fewer than five years ago.

FIGURE 3: Across all age groups, the share of foreign-born workers with a degree-level qualification is larger than the share of UK-born workers that have one

Share of employed persons with a degree-equivalent qualification, by whether UK or non-UK born and whether moved to the UK within the last five years: UK, 2019



SOURCE: RF analysis of ONS Labour Force Survey.

Foreign-born workers are also employed in professional-level occupations at a slightly higher rate than their UK-born counterparts: in 2019, 24 per cent of foreign-born workers age 16 and older were employed in these roles, as compared to 21 per cent of those who were born in the UK. But there is some suggestion that migrants with higher-level qualifications are more likely to ‘trade down’ into roles that do not require them. For example, the share of foreign-born workers with a degree-level qualification that work in sales and customer service, process and operative, or elementary occupations (13 per cent of those age 16 and older) is more than twice as large as the share of UK-born workers that do (6 per cent). This suggests a skills mismatch, which could be driven by a number of factors, ranging from the value employers place on foreign qualifications to migrants’ willingness to work in a number of different roles.

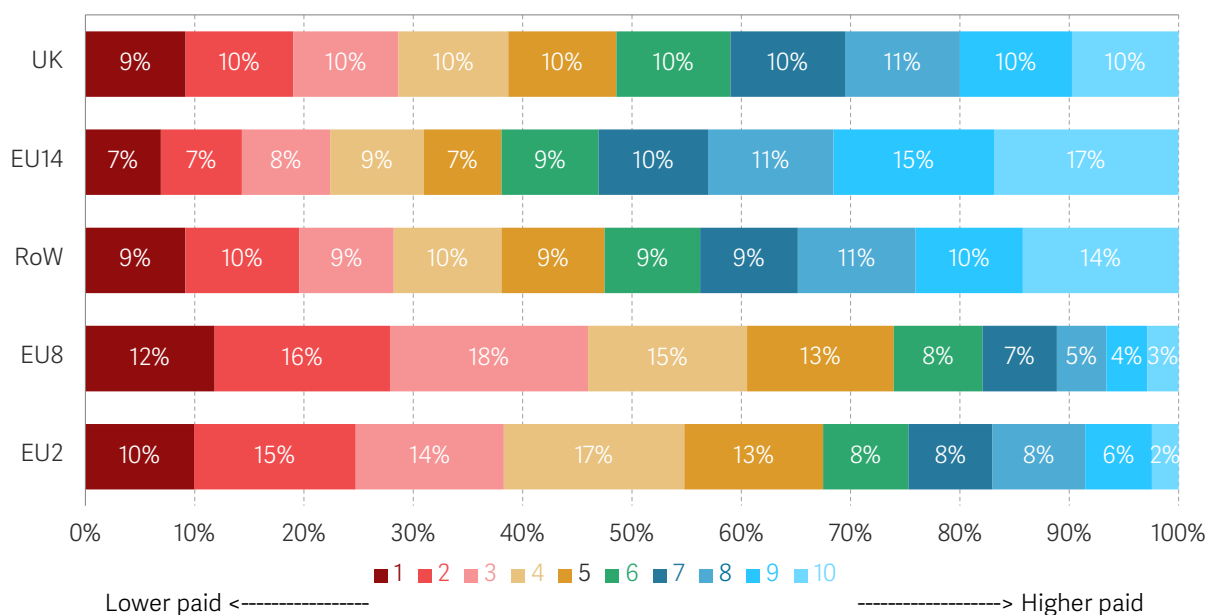
There is a wide variation in the pay of EU migrants, both within and between different EU countries

Putting these causes to one side, the apparent skills-mismatch reflects the diversity and, to a large extent, the inequality of migrants’ experiences in the UK labour market. Figure 4 sets out the share of working-age adults in each point of the pay distribution according to their place of birth. Those from EU14 and, to a lesser extent, RoW countries

are more likely to be in the top half of the pay distribution than those born both in the UK and in the EU8 and EU2 countries. By contrast, nearly half (46 per cent) of those from EU8 countries and 42 per cent of those from EU2 countries are in the bottom three pay deciles. This is compared to just 22 per cent of those from EU14 states, and 29 per cent of those who were born in the UK. (There will inevitably be substantial differences within each of these groups, not least within the RoW countries, but given that it is EU workers who will soon be subjected to a substantial tightening of migration rules, we focus on EU workers and leave RoW migrants as a single entity.)

FIGURE 4: Migrants from EU8 and EU2 are more likely to be in the bottom of the pay distribution than their counterparts from EU14 and non-EU countries

Share of 16-64-year-olds by pay decile and country of birth: UK, 2019



NOTES: EU14 refers to citizens from Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden; EU8 refers to Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia; ; EU2 refers to Bulgaria and Romania.

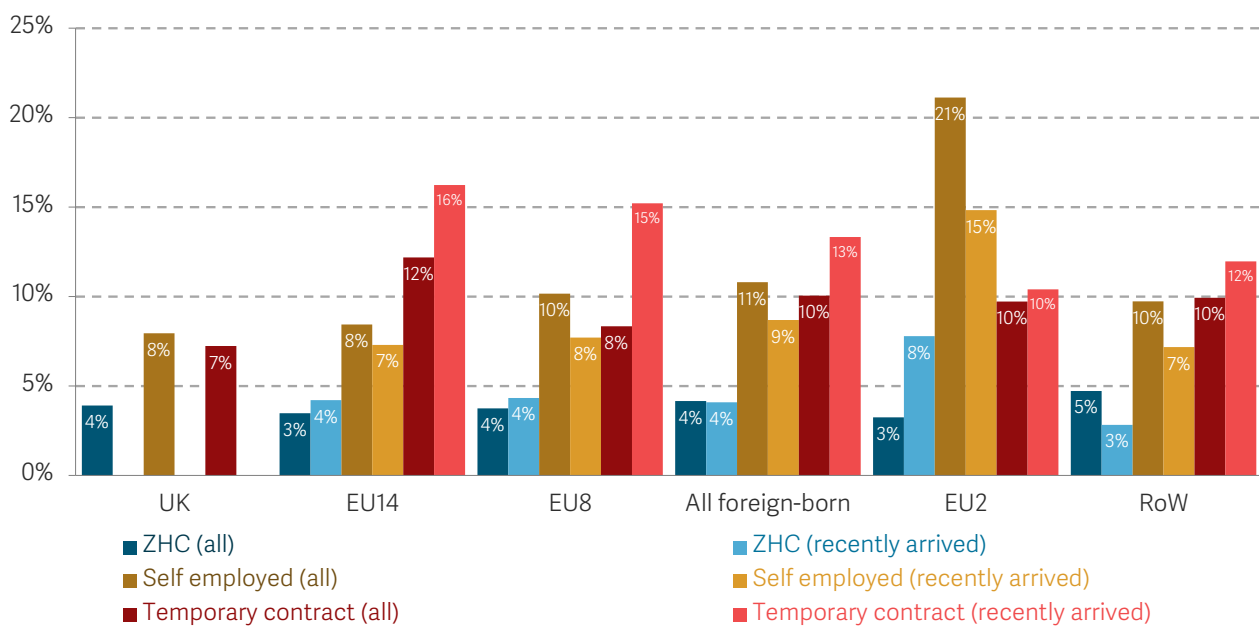
SOURCE: RF analysis of ONS Labour Force Survey.

We can also examine the diversity of migrants' experiences in the UK labour market by looking at contract type among younger workers. Figure 5 shows that there are significant country-of-birth-related differences in the share of 16-34-year-old workers in contingent forms of work (we focus on this age group because overall, it is the most likely to be working in this way). Strikingly we note that 7 per cent of UK-born workers are on temporary contracts, for example, compared with 10 per cent of 16-34-year-old foreign-born workers. Likewise, while we find 8 per cent of the UK-born workers are self-employed, that contrasts with 11 per cent of migrant workers. The recency of a migrant's arrival in the UK is also linked closely to contract type, with 13 per cent of 16-34-year-

old foreign-born workers who have been in the UK for fewer than five years reporting that they worked on a temporary contract – nearly twice the rate of their UK-born counterparts. Similarly, 8 per cent of 16-34-year-old recent arrivals from EU2 reported being on a zero-hours contract in 2019, compared with 3 per cent of 16-34-year-old EU2 workers overall.

FIGURE 5: Recently-arrived migrants are more than twice as likely as their established counterparts to be working on a zero-hours contract

Share of 16-34-year-old workers in contingent forms of work, by place of birth and whether migrants have arrived in the country in the last five years: UK, 2019



NOTES: 'Recently arrived' refers to those who have lived in the UK for fewer than five years. EU14 refers to citizens from Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden; EU8 refers to Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia; EU2 refers to Bulgaria and Romania.

SOURCE: RF analysis of ONS Labour Force Survey.

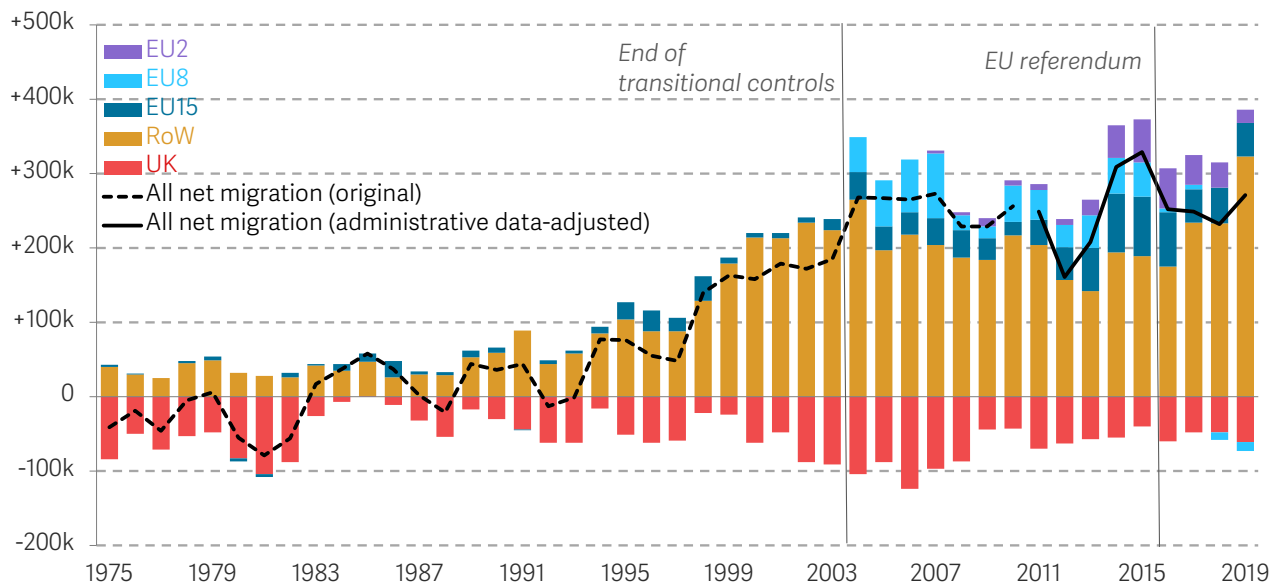
Net migration has slowed in recent years, with some suggestion that the number of foreign-born workers in the labour force is now falling

For much of the 20th century, there was a greater number of people leaving the UK than moving into it. Looked at in the long run, the last 25 years have been the anomaly. Figure 6 proves the point: ONS figures show that net migration (the balance between the number of all long-term emigrants and immigrants that leave and enter the country in a

given year) was negative for much of the 1970s and 1980s before turning sharply positive in the mid-1990s and growing rapidly until 2016.⁹

FIGURE 6: The UK has moved from being an exporter to an importer of residents in just a few decades

Annual net migration by country of citizenship: UK



NOTES: In August 2019 the ONS revised their net migration estimate to include preliminary adjustments using administrative data from the Home Office, the Department for Work and Pensions, Higher Education Statistics Agency, and Census, backdated to 2011. This change followed concerns that that official data sources on international migration were inconsistent with one and other. These adjustments are not reflected in the country-specific estimates presented here but are presented in the solid overall net migration above. EU14 refers to citizens from Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden; EU8 refers to Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia; EU2 refers to Bulgaria and Romania.

SOURCE: ONS, Long-term international migration 2.00, citizenship, UK

Although the number of British citizens moving away the UK has ebbed and flowed, there is no clear pattern over time. By contrast, net migration among all groups of immigrants grew substantially from the mid-1990s, and especially from EU8 after the 2004 Accession, and again after 2014 when transitional controls on migrants from Bulgaria and Romania were lifted. Although immigration levels (and therefore net migration, shown here) fell in the wake of the 2008 financial crisis and subsequent recession, they rose sharply thereafter, with net migration reaching a record high in 2015. Migration from RoW

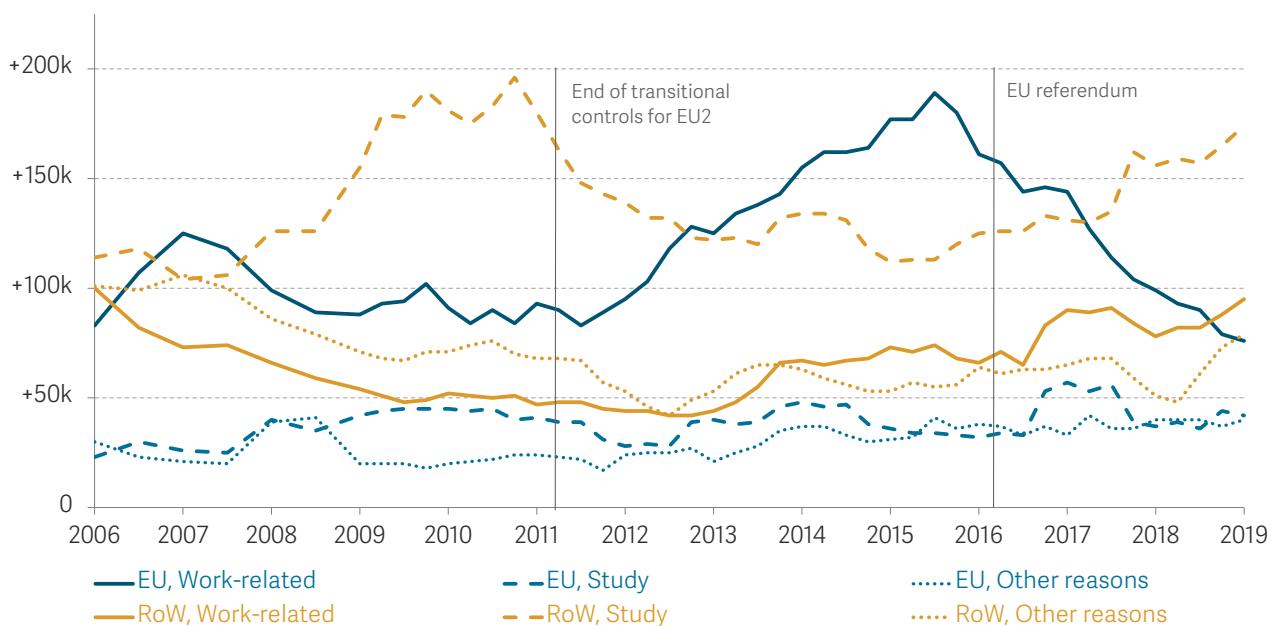
⁹ These figures are derived from the ONS's International Passenger Survey (IPS), conducted at airports, international railways, and major ports. As will be discussed later in this note, the ONS has stated that the IPS has been stretched beyond its original aims (tourism monitoring) and has begun to adjust some of their previous migration estimates by factoring migration-related data from the Department for Work and Pensions and the Home Office. The IPS itself has been reclassified as a set of 'experimental statistics.' Although the IPS migration figures represent the most comprehensive estimate of migration flows into and out of the country (including by citizenship and reasons for migration), there remain concerns about the precision with which it can measure flows.

countries, already the largest component of net migration, rose from the mid-1990s and early 2000s. (The size of the RoW population as a component of net employment growth, set out in Figure 1, is smaller than their overall contribution to net migration shown here. That is because RoW migrants have, historically, been less likely to come to the UK for work-related reasons and more likely to come for reasons including formal study or to join family.)¹⁰

However, the 2016 EU referendum marked something of a turning point for EU migrants. After the UK's vote to leave the European Union, the numbers of migrants coming to the UK from EU countries fell, and the number of EU migrants leaving the UK rose, with these changes being particularly pronounced among people from EU8 countries. Despite annual net migration rising to a record high in 2019 – due to record net migration levels from RoW countries – the overall number of immigrants moving to the UK for work-related reasons had fallen since 2016. Instead, foreign students drove the uptick, as shown in Figure 7.

FIGURE 7: Since 2016, the number EU migrants moving to the UK for work-related reasons has fallen

Immigration to the UK by citizenship and reason



NOTES: In August 2019, the ONS revised their estimates of net migration in order to bring coherence between several different official data sources related to international migration. However, they were not able to provide administrative-data adjustments to their migration estimates according to reason for immigrating/emigrating. As such, this chart provides an unadjusted estimate of immigration by reason, which will not sum to the adjusted estimates they provide. "Other reasons" include migrants who report coming to the UK to accompany family.

SOURCE: RF analysis of ONS Long-term International Migration (LTIM), Table 3.

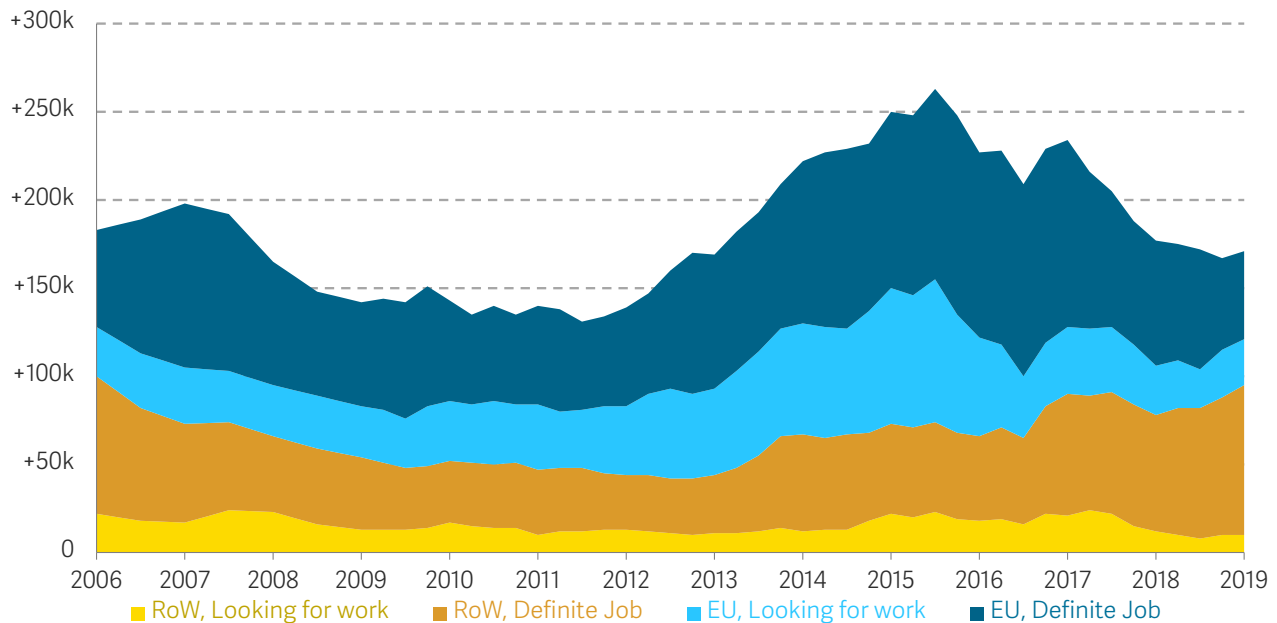
¹⁰ Migration Advisory Committee note that most RoW migrants who settle in the UK originally came to the country on either student (38 per cent) or family (32 per cent) visas. Those who came into the UK through family visas have no restrictions on their rights to work once they have arrived in the country. See: Migration Advisory Committee, *Annual Report 2020*, MAC, December 2020.

In fact, the number of EU citizens immigrating to the UK for work-related reasons has more than halved from just before the EU referendum (190k per year) to the end of 2019 (75k per year). Not only were there substantially greater numbers of non-EU students coming to the UK in 2019 than there were EU workers, but there were also more non-EU workers coming to the UK than there were EU workers, something that has not happened since 2006. (It should be noted, however, that non-EU citizens moving to the UK to accompany or join family typically have unrestricted working rights, which will also apply those accompanying or joining family from the EU in the post-Brexit system.)

Furthermore, among those migrants moving to the UK for work-related reasons, the number from the EU who moved to the UK to look for work (as opposed to moving for a 'definite job') has fallen from 105k in the year ending June 2020 to 33k in the year-ending March 2020 (see Figure 8). The number of migrants moving to the UK for a definite job has also reduced in the wake of the referendum, but to a much lesser extent than those who moved in order to look for work. In other words, the number of migrants coming to the UK with the flexibility to fill vacancies fell sharply after the UK's vote to leave the EU. Looking forward, this suggests that, under the tighter immigration regime from January 2021, UK firms will be less able to rely on both the large numbers of EU migrants and also the flexibility that those coming to a country to look for work can bring, both in terms of flexibility in the type of job or geographical destination that they will accept.

FIGURE 8: The number of EU migrants moving to the UK to look for work fell by more than two-thirds between the EU referendum and the beginning of 2020

Number of work-related migrants moving to the UK by place of origin and reason



NOTES: In August 2019, the ONS revised its estimates of net migration in order to bring coherence between several different official data sources related to international migration. However, it was not able to provide administrative-data adjustments to their migration estimates according to reason for immigrating/emigrating. As such, this chart provides an unadjusted estimate of immigration by reason, which will not sum to the adjusted estimates that the ONS provides. From December 2006 to December 2009 biannual figures only were available; after this, quarterly figures are recorded. Therefore, this figure smooths data across missing quarters between 2006-2009.

SOURCE: RF analysis of ONS Long-term International Migration (LTIM).

It is difficult to disentangle the economic, political and social factors that could have driven the slowdown in EU citizens' immigration to the UK following the 2016 EU referendum. To do so, we would need to separate changes in the macroeconomy from preferences that vary by year or by country. Our attempt to quantify these factors using a 'gravity model' of migration produced statistically-uncertain results, but did indicate that the fall in the value of the pound in the aftermath of the referendum was a large factor. In effect, the value of UK wages fell for a prospective migrant, which could have led to a smaller 'pull factor' to move to the UK. By contrast, the fall in the pound meant that it became cheaper to study in the UK, and, although the number of EU students arriving in the UK has changed little since the referendum, there have been more students from RoW countries.

But the UK is not alone in experiencing a fall in immigration from EU citizens after 2016. For example, after several years in which the number of EU citizens (excluding those from the UK) moving to Ireland grew, immigration to Ireland from EU citizens also dipped in 2017 (from 24,600 in 2016 to 21,700 in 2017). Meanwhile, immigration to Ireland from the

rest of the world continued rising. However, unlike the UK, immigration into Ireland from EU citizens returned to previous (pre-2016) levels during 2018 and 2019.¹¹

Since Covid-19, the number of migrants in the UK has fallen – but data limitations make precise estimates a challenge

The Government's policy of moving to a 'points-based' immigration system and ending the freedom for EU and UK workers to live and work within each other's countries was expected to be the biggest driver of migration change at the start of this decade. But the pandemic has made that picture much more complicated, not only leading to what we suspect are significant changes in migration patterns but also causing problems in measuring that very phenomenon. In particular, in Spring 2020, the ONS suspended the International Passenger Survey (IPS)¹² – its primary tool for collecting information on migration flows – as a result of the pandemic (although the pandemic was the latest in a long series of difficulties the ONS has faced in accurately collecting data on migrants: see Box 1).

BOX 1: The precision of migration-related data was questionable well before the onset of Covid-19

The accuracy of the government's migration estimates (and, consequently, policy makers' ability to understand the effects of immigration policy) have been limited by longstanding challenges to data collection. For example, there are concerns that LFS response rates are lower for non-UK born adults.¹³ And, long before the Covid-19 pandemic, the ONS had determined that its primary method for measuring the number of long-term migrants moving into and out

of the UK – the International Passenger Survey – had been stretched beyond its original aims and that improved data sources were required.¹⁴ For example, in 2017, the ONS reported that the IPS had overestimated net migration among non-EU students,¹⁵ and experts have pointed to unexplained inconsistencies between data from the IPS and the ONS's Annual Population Survey.¹⁶ In response, the ONS had begun to transform the way it collects migration

11 See: Central Statistics Office, [CSO statistical release 27](#), August 2019.

12 See: ONS, [International migration and mobility: what's changed since the Covid-19 pandemic](#), November 2020.

13 Migration Observatory, [Where do migrants live in the UK?](#), December 2017.

14 ONS, [Statement on net migration and student migration](#), August 2017.

15 ONS, [Population and migration statistics system transformation – overview](#), November 2020

16 J Portes, [Mis-underestimating migration](#), VOX EU CEPR, June 2018.

and population data, relying more on administrative data sources¹⁷, and in 2019 it reclassified its Migration Statistics Quarterly Report (MSQR),

which includes data from the IPS and well as from the LFS and a number of other sources, as 'experimental statistics.'¹⁸

Estimating changes in the stock of foreign-born residents living and working in the UK is similarly difficult.¹⁹ Figures from by the ONS and based on the Labour Force Survey show that between Q3 2019 and Q3 2020 the overall number of respondents age 16+ who were born in the UK rose by 1.1m (+2.5%). By contrast, they also show that over the same time period the number born in EU14 countries fell by 37k (-2.5%); the number from EU8 countries declined by 224k (-20%), the number from EU2 countries fell by 99k (-24%) and the number from 'rest of world countries' reduced by 474k (-9%). Unsurprisingly then, it also indicates that the number of foreign-born workers has fallen since the onset of the Covid-19 pandemic, while the number of UK-born workers has grown. Figure 9 sets out these somewhat perplexing changes: the number of UK-born adults age 16+ who were in work appears to have grown by roughly 275k (+1 per cent) between Q3 2019 and Q3 2020, and the number of foreign-born residents working in the UK appears to have fallen, with the number of EU8 workers appearing to fall further in both absolute (-250k) and percentage (a 25 per cent reduction) terms.

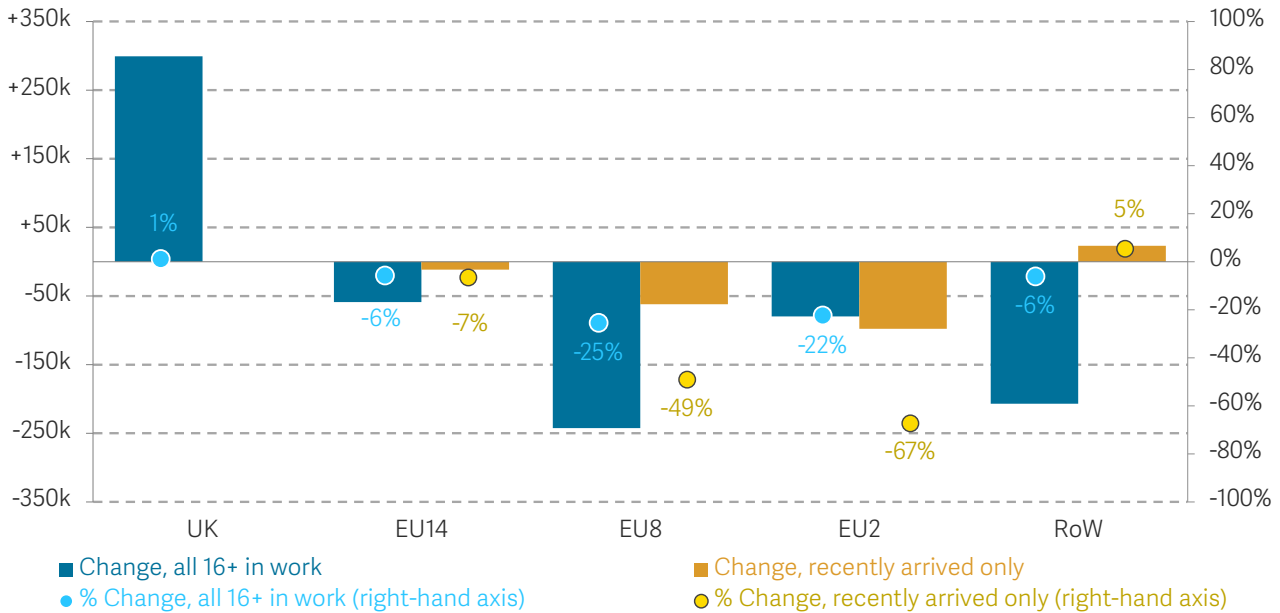
¹⁷ ONS, [Population and migration statistics system transformation – overview](#), November 2020.

¹⁸ ONS, [Statement from the ONS on the reclassification of international migration statistics](#), August 2019

¹⁹ Even before Covid-19, social scientists highlighted limitations in the Labour Force Survey's ability to accurately capture the number of migrants in the country. These limitations include declining response rates, with non-response being higher among non-UK born adults, as well as the fact that the LFS does not capture people who do not live in private households (e.g. caravans, hotels). See: Migration Observatory, [Where do migrants live in the UK?](#), December 2017.

FIGURE 9: The Labour Force Survey suggests there has been a reduction in the number of foreign-born workers in the UK, especially among recent arrivals

Change in number of adults aged 16+ in work by country of birth and length of time since arrived in the UK: UK, Q3 2019 – Q3 2020



NOTES: 'Recently arrived' refers to those who have lived in the UK for fewer than five years. EU14 refers to citizens from Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden; EU8 refers to Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia; EU2 refers to Bulgaria and Romania.
 SOURCE: RF analysis of ONS Labour Force Survey.

There are even larger falls among recently-arrived migrants (those in the UK for fewer than five years), especially those born in EU8 (a 49 per cent fall) and EU2 (a 67 per cent fall) countries. The relative changes for these groups are not implausible: we might expect recently-arrived migrants to be more responsive to changes in the labour market and less restricted by home ownership or UK-based family obligations than both UK citizens and established migrants. Furthermore, recently arrived migrants are also more likely than more established counterparts to work in sectors where employment has fallen as a result of the coronavirus-related demand constraints: for example, during 2019 recently arrived EU migrants were one and a half times as likely as established EU migrants to work in accommodation, and more than 4 times as likely as UK-born workers to do so. We might also expect that recently-arrived EU migrants were more easily able to return to their home countries in the midst of worldwide travel restrictions than non-EU migrants.

Still, the apparent rise in UK-born workforce does raise questions. Although there are a number of factors at hand that could have caused this, it is likely to reflect the way population weights are applied to the LFS, where its results are weighted to a fixed

overall population.²⁰ In short, were a substantial number of migrants to have exited the UK (or for some other reason to have not responded to the survey), then the weighting process used by the ONS would have given more weight to those people who did respond to the survey, leading to the weighted figures suggesting a rise in the UK-born population.

However, we must be hesitant before concluding that the estimates in Figure 9 are an accurate estimate of the change of the number of people in the UK because the pattern of results could also stem partly from recent, coronavirus-driven, changes to the LFS's collection methods. During the spring of 2020, the ONS suspended face-to-face LFS interviews, moving these interviews to a telephone survey. The ONS subsequently found that this led to a lower proportion of respondents in rented accommodation (who would typically be left out of a landline telephone directory), as well as a decline in response rates among groups including ethnic minorities, foreign-born residents and those with disabilities. The ONS has since acted on these sampling issues, specifically the fall in respondents in rented accommodation, by adding a weight that accounts for the housing tenure pattern. However, it is possible that the patterns shown in Figure 9 are partially caused by a decline in response rates among EU workers, over and above any decline among those in rented accommodation. As a result, there remain concerns around the extent to which the LFS is able to capture underlying changes in population size, as the ONS continue to analyse these LFS weights and methods.

On balance, though, given that flows of EU workers were falling before Covid-19 hit the UK, and that it is likely that net migration will have fallen further when the pandemic began, it seems likely to us that the patterns shown in Figure 9 reflect what is actually happening even if the scale of change is uncertain. Additional supportive evidence can be found by examining the occupations in which the number of foreign-born workers has fallen the most. Figure 10 shows that the number of workers in high-skilled roles from most groups of countries grew between Q3 2019 and Q3 2020, from 1 per cent among those from non-EU countries, to 5 per cent among UK-born workers and 7 per cent among those from EU8 countries – a trend seemingly at odds with our understanding of labour market change over recent months and that could indeed be driven by the weighting methods discussed above.²¹

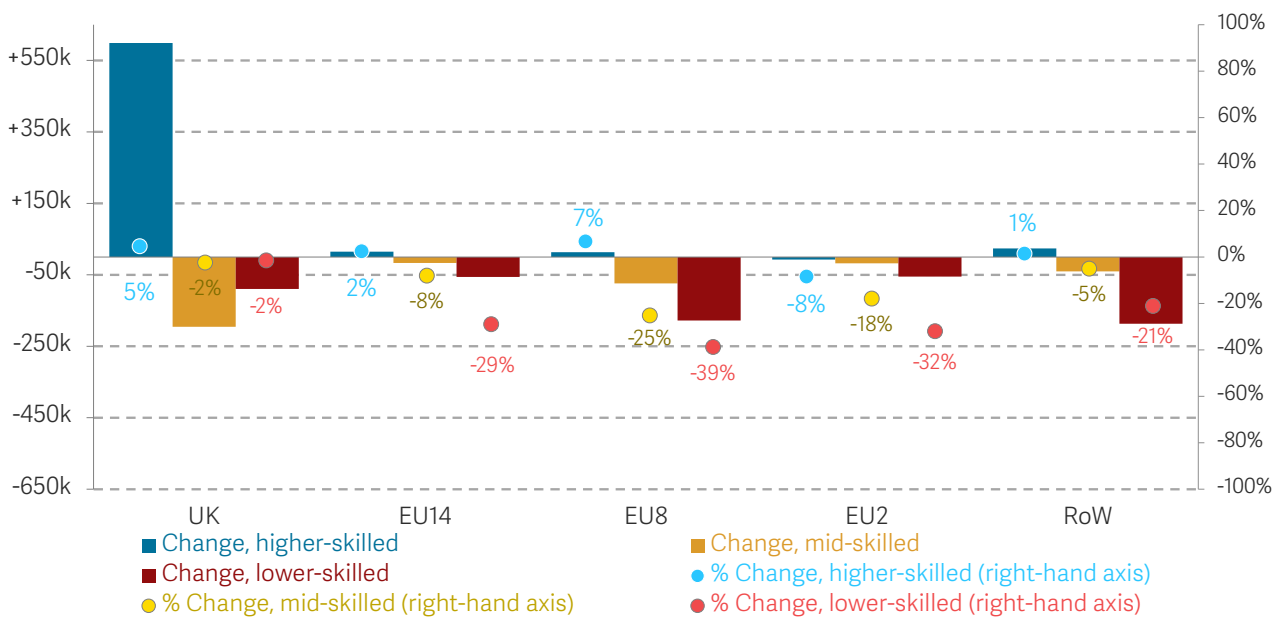
²⁰ For further detail, see: ONS, [Covid-19 and its impact on the Labour Force Survey](#), October 2020.

²¹ When we run this analysis using a more aggregated industrial classification, we find similar results: in hotels, restaurants and distribution there is a 2% fall in UK born workers compared against, 18% fall among EU14-born workers, 29% among EU2-born workers, 24% among RoW-born workers and 30% among EU8-born workers.

However, the current crisis has had a disproportionately negative effect on occupations that are lower-paid or that tend to require mid- and lower-level qualifications,²² and we find that the fall in migrant workers in mid- and lower-skilled occupations is larger than the fall of UK-born workers in these same roles. The number of 16+ adults in lower-skilled occupations fell by 2 per cent among those born in the UK, by 21 per cent among those from non-EU countries, 29 per cent among those from EU14 countries, and by 32 and 39 per cent among those from EU2 and EU8 countries, respectively. In other words, we would expect to find a fall in the number of people working in lower-skilled occupations overall, but the fact that the fall in migrants working in these roles is so much larger than the fall in UK-born workers lends some credence to the hypothesis that a number of migrants may have already left the country.

FIGURE 10: The apparent reduction in the number of working migrants is almost entirely driven by those in mid- and lower-skilled occupations

Change in number of 16+ adults in work by country of birth and occupation type: UK, Q3 2019 – Q3 2020



NOTES: 'Higher-skilled' refers to all occupations within the ONS Standard Occupation Classification (SOC) 2020 categories 1-3 (managerial, professional and associate professional); 'mid-skilled' refers to categories 4-6 (administrative, skilled trades and caring and social work); 'lower-skilled' refers to 7-9 (sales and customer service, process and plant and elementary).

SOURCE: RF analysis of ONS Labour Force Survey.

Those looking for migration estimates during the pandemic have turned to other data sources but have faced difficulties there, too. For example, the number of visas that the

²² For instance, Resolution Foundation research found both that the share of workers in the bottom pay quintile who reported losing their job, losing hours or losing pay between February and September (nearly 30 per cent) was roughly three times as large as the share of the highest paid that did. See: M Brewer et. al., [Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market](#), Resolution Foundation, October 2020.

Home Office issues (to non-EU citizens only), a loose proxy for immigration levels, fell from 138,000 in the year ending March 2020 to 93,000 in the year ending September 2020. But some of the reduction in visas issued may have been affected by operational issues (e.g. the temporary closures of visa processing centres in order to reduce transmission of the Covid-19)²³, as opposed to directly reflecting a fall in inward migration flows.²⁴ Policy makers designing and monitoring the new immigration regime will have to rely on the best available evidence (which would suggest a reduction in both the inflows and overall stock of foreign-born workers, while being mindful of the deficiencies in data collection outlined above).

Brexit and the introduction of a skills-based migration system will put further downward pressure on the UK's supply of foreign-born workers

Before the onset of Covid-19, discussion about the effects of Brexit upon the UK's labour supply tended to focus on the potential for labour shortages to emerge in specific industries where migrant, and especially EU-migrant, labour formed a large share of employment. There were particular concerns that migrant-reliant firms with high employee turnover would quickly run up against difficulty in filling vacancies, particularly in sectors like agriculture (and within that, fruit and vegetable picking), hospitality (restaurants and accommodation) and leisure (including travel and entertainment).²⁵ It was thought that affected firms would need to shrink or change how they operate: for example, by investing more in labour-saving technology, or adopting a different workforce strategy.²⁶ We now know the immigration system that the UK government plans to implement from 2021, and so can evaluate those expected impacts, while recognising that the labour market post-pandemic will have significantly more slack than was previously expected.

²³ Home Office, [Immigration Statistics year ending September 2020](#), November 2020.

²⁴ The number of national insurance number (NINo) registrations to EU citizens fell in each year from 2016 to 2019, while the number registered to RoW held flat between 2016-18 and grew in 2019. After the onset of Covid-19, NINo registrations have fallen for citizens from all countries. However, it is again difficult to draw a distinction between the migration and operational-related factors behind this: after a brief suspension during which time new applications were not processed, processing for non-EU citizens with a work visa has resumed, but processing for EU citizens, who require an 'evidence of identity interview', has not. See: ONS, [International migration and mobility: what's changed since the Covid-19 pandemic](#), November 2020.

²⁵ See for example, BBC News, [Post-Brexit food worker shortage plan needed, warn AMs](#), June 2019; C Morris, [Does fruit-picker scheme go far enough?](#), BBC News, 7 September 2018; X Clay, ['British people just don't want these jobs': what will happen to the restaurant industry under new immigration laws?](#), Telegraph, 1 March 2020.

²⁶ See: S Clarke, [Work in Brexit Britain: reshaping the nation's labour market](#), Resolution Foundation, July 2017.

Under the post-Brexit immigration regime, employers will be able to sponsor foreign workers' visas for jobs that are deemed to require an A level-equivalent qualification and have a minimum annual salary of £25,600.²⁷ Although this 'skilled worker' visa will generally be the most straightforward route for an EU citizen in future, there are additional paths. For example, intra-company transfer visas will exist, and there will be a 'shortage occupation list,' where restrictions on workers in particular areas are less stringent (although this list tends to require very specific skills and experience).²⁸ The Government has also reopened a post-study work visa route, which allows graduates from approved UK universities to stay and work in the UK for two years after completing their studies,²⁹ and a Health & Care visa for those working in particular health-related occupations. In most cases, those accompanying or joining families the UK will also have an unrestricted right to work, but that requires their partner or family member to have obtained the right to work first. Although many industries are currently lobbying for specific visa routes – for example, extending a pilot seasonal agricultural workers visa to more than 10,000 workers including those from the EU, or including EU citizens in an expanded youth mobility scheme – these have not yet come to fruition.³⁰ In sum, barring specific pathways, there is no route for workers to come to the UK and work in occupations that tend to require lower-levels of educational qualifications.³¹

For non-EU workers, the changes to the skilled visa entry route represents a liberalisation: under the previous system's 'skilled worker visa' equivalent, eligible jobs needed to require at least a degree-equivalent qualification and pay a minimum annual salary of £30,000.³² Indeed (the job search platform) has found a sharp uptick in interest from non-EU jobseekers compared to EU counterparts, noting that "the share of clicks on UK jobs from outside the EU has increased around 20% compared to last year." This in part reflects a substantial rise in the number of clicks from Hong Kong-based jobseekers

²⁷ The Government has set out a list of occupations that are eligible for the skilled worker visa where an applicant has a job offer in one of these, working for an employer with a sponsor license at an appropriate salary. In most cases, applicants will need to be paid the 'going rate' for their occupation, or the £25,600 threshold – whichever is higher. In some cases, the pay threshold will be subject to national pay scales, for example in teaching. Applicants classed as 'new entrants' will be subject to a lower salary threshold, either 70 per cent of their occupation's going rate or £20,480 – whichever is higher. New entrants include people under age 26, those switching from a student, graduate or graduate entrepreneur visa, and those working towards qualifications in a professional body, or moving onto a postdoctoral position. See: UK Visas and Immigration, [Skilled Worker visa: eligible occupations](#), 1 December 2020; UK Visas and Immigration, [Skilled Worker visa: going rates for eligible occupation codes](#), 1 December 2020; Fragomen, [Immigration rules changes announced](#), 23 October 2020.

²⁸ Home Office, [Immigration Rules Appendix Shortage Occupation List](#), 2 December 2020.

²⁹ Graduates who studied at the undergraduate level and above are eligible.

³⁰ The Youth Mobility Scheme is limited to 18-30-year-olds from 9 countries, allowing them to live and work in the UK for up to two years. According to the Migration Advisory Committee, there were just 21,000 visas issued under the scheme in 2019, with Australia and New Zealand forming nearly two-thirds (65 per cent of these). The scheme, often dubbed a 'working holiday' scheme is eligible as a result of bilateral negotiations with the UK, with the MAC noting that "the UK government will no doubt need to consider whether to seek to extend the benefits of the scheme to EU countries once we have left the transition period." See: Migration Advisory Committee, [Annual Report 2020](#), December 2020.

³¹ We do not present an exhaustive list of all visa routes into the UK which would allow a person to take up work: for example, we have not covered the Global Talent Scheme, Innovator or Investor visas. However, few of these visas are issued each year and they tend to only affect workers who will go on to work in higher-skilled roles, including many already covered by the new skilled worker visa.

³² However, £30,000 represented the typical minimum threshold, with applicants typically having to earn the 'going rate' for their occupation; as with the new skilled worker visa, there were reduced salary requirements for younger workers and some other groups.

specifically.³³ But these policy changes represent significant new requirements for EU workers, who until January have been able to move to the UK and work without a job offer, let alone a visa. In fact, 57 per cent of those age 26 and older who were from EU countries and worked in the UK during 2019 were in occupations excluded from the Home Office's list of occupations that are eligible for a Skilled Worker visa.³⁴

Stepping back and focusing specifically on those roles that are not on the Home Office's list of eligible occupations for the new skilled worker visa, we can get a sense of where firms may face difficulty in filling vacancies in the years ahead.³⁵ Table 1 lists the top 20 occupations ineligible for the new skilled visa route, defined by the share of workers who are from EU countries and have recently arrived (i.e. have spent fewer than five years in the UK). (We focus on those with a high fraction of recent arrivals because it suggests that those sectors are more reliant on a constant flow of new workers.) We also highlight the employee tenure (specifically: the share of workers in each occupation who have been in their job for one year or less), given we might expect migrant-reliant firms with high employee turnover to more quickly run up against difficulty in filling vacancies.³⁶ In fact, we find that workers in occupations that are ineligible for the skilled worker visa have shorter-than-average employment tenure: 15 per cent of workers age 16+ report having been in their job for one year or less, compared to 20 per cent of those in occupations that are ineligible for a skilled worker visa. In some of the occupations that are most reliant on recently arrived migrants, packers and bottlers, more than a quarter (29 per cent), had been in post for less than a year.³⁷

³³ J Kennedy, *Rising Interest in UK Jobs From Outside the EU Ahead of Post-Brexit Immigration Rules*, Indeed Hiring Lab, December 2020.

³⁴ Of course, non-EU workers would equally be affected, given that many non-EU workers will have come to the UK through non-work-related visas and be working in occupations that do not meet the skilled worker visa criteria. This figure is likely to underestimate the share of EU workers who – had they moved to the UK after Brexit – would not be eligible for a visa because it does not factor in workers in eligible occupations who are paid less than the Home Office's salary requirements. This figure is based on occupational eligibility only, it does not factor in the share of workers in these occupations who earn below their occupation's 'going rate.'

³⁵ See: UK Visas and Immigration, *Skilled Worker visa: eligible occupations*, 1 December 2020.

³⁶ For detail including by geography and salary thresholds, see: Migration Advisory Committee, *A Points-Based System and Salary Thresholds for Immigration*, January 2020.

³⁷ To the extent that lower job tenure reflects workers moving from one job to another within the same sector, our focus on turnover could overstate the problems sectors will face in filling vacancies. However, a sharp drop off in available workers could still add a level of disruption to individual firms' workforce strategies.

TABLE 1: In some occupations that are ineligible for skilled-worker visas, one-in-ten workers is a recently-arrived EU citizen

Occupations ineligible for skilled visas in which at least 3 per cent of workers are recently-arrived EU-born workers age 16 and over: UK, 2018-20

	Share held by workers who are UK born, 16+	Share held by workers who are migrants, 16+	Share held by EU migrants, recently arrived (< five years), 16+	Share in post for < 1 year
Rubber process operatives	59.3%	40.7%	13.3%	13.5%
Packers, bottlers, canners & fillers	41.8%	58.2%	13.0%	28.7%
Vehicle valeters & cleaners	58.0%	42.0%	10.9%	21.5%
Food, drink & tobacco process operatives	52.3%	47.7%	9.3%	17.3%
Fork-lift truck drivers	68.6%	31.5%	7.1%	18.9%
Weighers, graders & sorters	58.4%	41.7%	6.8%	20.1%
Elementary storage occupations	71.6%	28.4%	6.7%	22.5%
Printing machine assistants	82.6%	17.4%	6.5%	16.6%
Waiters & waitresses	72.7%	27.3%	5.9%	43.1%
Plastics process operatives	67.7%	32.3%	5.8%	11.0%
Elementary sales occupations n.e.c.	69.4%	30.6%	5.4%	28.8%
Plant & machine operatives n.e.c.	85.0%	15.0%	3.9%	11.7%
Industrial cleaning process	77.3%	22.7%	3.7%	23.7%
Assemblers & routine operatives n.e.c.	70.8%	29.2%	3.7%	19.2%
Routine inspectors & testers	75.2%	24.8%	3.5%	14.1%
Elementary construction occupations	82.8%	17.2%	3.5%	27.1%
Launderers, dry cleaners & pressers	60.2%	39.8%	3.4%	16.6%
Cleaning & housekeeping managers & supervisors	62.9%	37.1%	3.4%	12.5%
Other elementary services occupations n.e.c.	78.0%	22.0%	3.3%	24.2%
Elementary process plant occupations n.e.c.	76.4%	23.6%	3.2%	20.9%
Van drivers	78.2%	21.8%	3.2%	24.2%
Cleaners & domestics	69.2%	30.8%	3.1%	19.8%
Kitchen & catering assistants	74.4%	25.6%	2.9%	12.4%
Rail construction & maintenance operatives	97.2%	2.8%	2.8%	13.3%
Kitchen & catering assistants	77.3%	22.7%	2.7%	30.2%
<i>All occupations (including those eligible & ineligible)</i>	<i>82.7%</i>	<i>17.3%</i>	<i>1.4%</i>	<i>15.2%</i>

SOURCE: RF analysis of ONS Labour Force Survey.

This is not an exhaustive list of occupations where shortages could arise or deepen. Over the 2018-20 period, nearly one-in-four care workers and home carers was foreign-born, however, they do not appear in Table 1 because the share of EU-born workers in these roles (1 per cent) is lower than the table's 3 per cent threshold. Still, they comprise a large number of EU-born workers (6 per cent of all age 16-plus EU-born workers over 2018-20, just below the share of EU workers in sales) and are also are high in demand,³⁸ with social care vacancy rates being among the highest in the UK labour market.³⁹

³⁸ ONS vacancies data for September 2020 showed that health and social care had the largest number of vacancies out of 14 sectors; however, we showed in earlier work that health and social care ranked 9th out of the 14 sectors in which adults were looking for jobs. See: M Brewer et. al., *Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market*, Resolution Foundation, October 2020.

³⁹ In December-February 2020, the overall vacancy rate (share of vacancies as a proportion of employment) was 2.7 per cent overall and 3.4 per cent in human health and social service activities. Analysis published by the Health Foundation suggests that over 2018-19, the vacancy rate among social care workers specifically was 7.8 per cent. See: ONS, *Vacancies and Jobs in the UK*, May 2020; N Shembavnekar, *Going into Covid-19, the health and social care workforce faced concerning shortages*, The Health Foundation, May 2020.

For that reason, there are concerns that restrictions on the ability of EU citizens to work in this sector could, at least in the short term, intensify shortages (occupations classed as senior care workers are on the 'skilled worker' care workers, but home carers are not). This is particularly the case given analysis suggests that the Government's new Health and Care Visa⁴⁰ for some health and social care workers will not cover less-senior, lower-paid roles in the social care sector.⁴¹ In fact, the Migration Advisory Committee (MAC) has stated that social care funding should be increased in order to allow for higher social care wages, which would make the sector more attractive for workers already in the country. However, the MAC has emphasised the need to make these changes in a timely manner, warning that "if that does not occur, or occurs with substantial delay, we would expect the end of freedom of movement to increase the pressure on the social care sector".⁴²

To get a sense of how these new restrictions will affect different sectors across the board, Table 2 sets out the share of employment, by sector, that is in jobs which will be ineligible for skilled visas, and the share of workers in those ineligible jobs that are UK born, foreign-born and within that, recently-arrived EU migrants. Even though many of these sectors represent a small share of UK employment, some are marked by high employee turnover (as indicated by the share of workers in their job for less than one year). For example, 60 per cent of food manufacturing employment occurs in occupations that won't be eligible for the skilled worker visa, nearly one-in-five (19 per cent) workers in these ineligible food manufacturing jobs is foreign-born and nearly one-in-ten (8 per cent) is a recently-arrived EU migrant.

⁴⁰ Which would include reduced salary requirements for particular occupations.

⁴¹ See: J Portes, E Oommen and C Johnson, [UK migration policy and the Welsh NHS and social care workforce](#), Wales Centre for Public Policy, September 2020.

⁴² Migration Advisory Committee, [Review of the shortage occupation list 2020](#), September 2020.

TABLE 2: More than six-in-ten workers in the food manufacturing industry are in roles that won't be eligible for a skilled worker visa

Top 10 industries with the highest share of employment in occupations that are ineligible for skilled worker visas: UK, 2018-20

	Share of employment currently in jobs that will be ineligible for skilled worker visa, 16+	Share of employment held by UK-born workers in ineligible jobs, 16+	Share of employment held by migrant workers in ineligible jobs, 16+	Share of employment held by recently arrived EU migrant workers in ineligible jobs (< five years), 16+	Share of employment held by workers in post for < 1 year
Manufacture of food products	60.5%	55.5%	44.5%	8.3%	29.6%
Accommodation	60.3%	66.3%	33.7%	6.7%	47.8%
Warehousing and support activities for transportation	65.5%	64.6%	35.4%	6.2%	35.4%
Food and beverage service activities	65.7%	77.7%	22.3%	3.2%	58.3%
Office administrative support	52.7%	82.3%	17.8%	3.0%	45.5%
Postal and courier activities	85.3%	77.3%	22.7%	2.7%	23.0%
Services to buildings and landscape activities	62.0%	70.4%	29.6%	2.4%	32.9%
Land transport and transport via pipelines	76.9%	70.0%	30.0%	2.1%	22.2%
Retail trade, ex. motor vehicles	65.7%	84.0%	16.1%	1.9%	39.4%
Waste collection, treatment and disposal activities; materials recovery	73.3%	87.5%	12.5%	1.2%	24.9%
All industries (including occupations that are both eligible and ineligible)	38.0%	82.6%	17.4%	1.4%	15.2%

SOURCE: RF analysis of ONS Labour Force Survey.

Some sectors, like accommodation – where one-third of workers are migrants, including 8 per cent recently arrived from the EU – are currently struggling with lower demand as a result of social distancing requirements. So, while they unlikely to feel the labour supply shock in the immediate term (compared to what we would have expected without Covid-19), the reduction in foreign-born labour will likely affect their workforce strategies over the medium-term. We would expect a similar pattern in hospitality and leisure. By contrast, the longer-term decline in retail may soften a potential labour supply shock. Other sectors that have faced fewer demand constraints as a result of Covid-19, including warehousing, transport and food manufacturing, may find it harder to fill vacancies in the immediate term. Turnover is one reason for this: on average, these sectors tend to have higher turnover (as indicated by the share of workers in post for less than one year): more than one-in-four (29 per cent) of workers in food manufacturing had been in their jobs for less than one year. A sharp halt in the number of available workers could soon disrupt the sector's ability to fill vacancies. Finally, in Box 2 we provide estimates of what proportion of employment is held by recently arrived migrants in occupations that would not be eligible for a skilled worker visa by region.

BOX 2: The effects of the tighter immigration regime will vary across the UK

The effect of the curbs on migration will not be evenly distributed across the UK. In London, migrants make up 43 per cent of those in work: more than half of those (28 per cent of 16+ employment in London) are in occupations that would be eligible for a skilled worker,

but a substantial minority (15 per cent of 16+ employment in London) are in occupations that would not be. Within that 15 per cent of ineligible employment, more than 5 per cent are recently-arrived migrants.

Table 3: In London, more than 5 per cent of employment is held by recently arrived migrants in occupations that would not be eligible for a skilled worker visa

Share of 16+ employment by country origin and eligibility for a skilled worker visa: UK, 2016 -18

	Share of 16+ employment held by UK born workers	Share of 16+ employment held by migrants	Share of 16+ employment held by migrants in ineligible occupations	Total share of employment that is in an eligible occupation held by recently arrived non-UK workers
London	56.8%	43.2%	15.5%	5.1%
East Midlands	85.3%	14.7%	8.1%	4.6%
Eastern	83.7%	16.3%	7.0%	3.9%
Scotland	88.9%	11.1%	5.1%	3.2%
Northern Ireland	90.6%	9.4%	4.2%	3.1%
West Midlands	85.1%	14.9%	7.5%	3.1%
Yorkshire and Humberside	89.2%	10.8%	5.5%	3.0%
South East	82.6%	17.5%	6.2%	2.8%
South West	88.9%	11.1%	4.7%	2.7%
North West (inc Merseyside)	88.9%	11.1%	5.2%	2.5%
Wales	92.8%	7.2%	3.2%	1.8%
North East	93.4%	6.6%	2.8%	1.4%

SOURCE: RF analysis of ONS Labour Force Survey.

Although there are far fewer migrants working in the East Midlands than in London, the foreign-born workers that are there are much less likely to be eligible for skilled worker visas. Migrants comprise just 15 per cent of

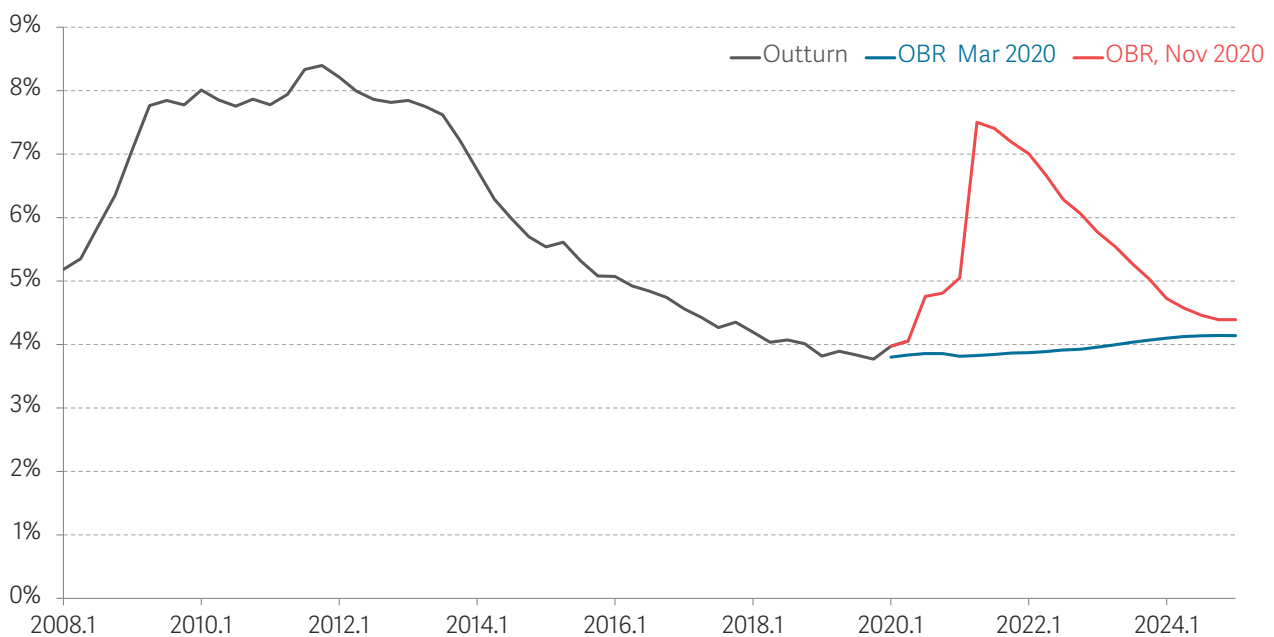
all employment among workers age 16+ in the East Midlands, but nearly 5 per cent of employment is held by recently arrived migrants in occupations that would be ineligible for a skilled worker visa – a similar share to London.

Covid-19 might have delayed – but has not changed – the impact that a tighter immigration regime will have upon firms’ ability to fill vacancies

Before the pandemic began, the expectation was that closing freedom of movement would result, for many sectors, in a swift labour supply shock. However, the level of concern about this ebbed as unemployment rose: November’s OBR unemployment forecasts for 2020-23 now hurtles above the forecasts they issued in March (see Figure 11). The implication is that the rise in unemployment (or rather, the fact that the labour market is nowhere near as tight it was at the start of the year) will soften the impact of a migration-induced labour supply shock for certain sectors (e.g. hospitality and leisure) in the near-term.

FIGURE 11: **Unemployment is likely to remain elevated for several years**

16+ unemployment rate, outturn and successive OBR projections: UK



SOURCE: OBR, Economic and Fiscal Outlook, March 2020 and November 2020

But this is only likely to delay, rather than change, the effect of lower migration into the UK. As unemployment falls and the labour market begins to pick up pace, firms – even those in hospitality, which since March have been shedding jobs – may ultimately feel a labour supply pinch. In fact, some sectors are experiencing a pinch despite a rise in unemployment: vacancy rates in social care, as discussed above, remain stubbornly high (with lower pay in this sector likely those already in the country from applying). Geographical pinch points may be another consequence, to the extent that migrants are

more mobile than UK-born workers and will be more efficient in filling vacancies across different parts of the country.

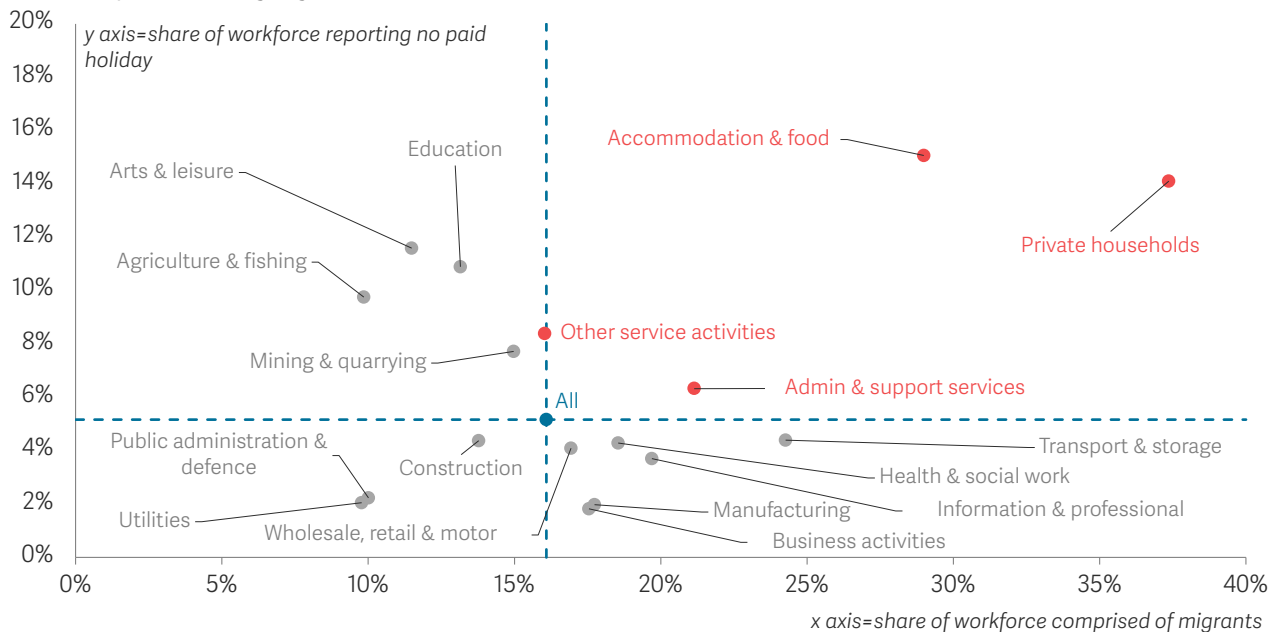
Many sectors that may experience worker shortages have a poor record on labour rights

Labour shortages are often good news for the workforce in affected sectors, pushing firms to improve pay and conditions to attract new, and retain existing, workers. Certainly, improvement on this score is much needed given that many migrant-dense industries currently have a poor record on key labour market rights. In Figure 11, for example, we plot the migrant share of each sector's employee workforce against the share in that industry reporting they receive no paid holiday (a day-one legal right in the UK).⁴³ We find a positive relationship between the two (and the R-squared is 0.19), with the highest incidence of this type of labour market violation being found in the two most migrant-dense sectors of the economy: 15 per cent of those employed in the hospitality sector report having no paid holiday entitlement, for example, closely followed by 14 per cent working in private households, around three-times the economy-wide average of 5 per cent.

⁴³ The self-employed are excluded from our analysis in Figure 11 and Figure 12 because there is no right to paid holiday or a payslip attached to this employment status. For an overview of the legal rights attached to different employment status in the UK see Figure 2 in: L Judge, *The good, the bad and the ugly: The experience of agency workers and the policy response*, Resolution Foundation, November 2018.

FIGURE 12: There is a positive relationship between working in a migrant-dense sector and not receiving paid holiday

Share of employee workforce comprised of migrants, and share of workforce reporting no paid holiday, by sector: UK, 2015-2019



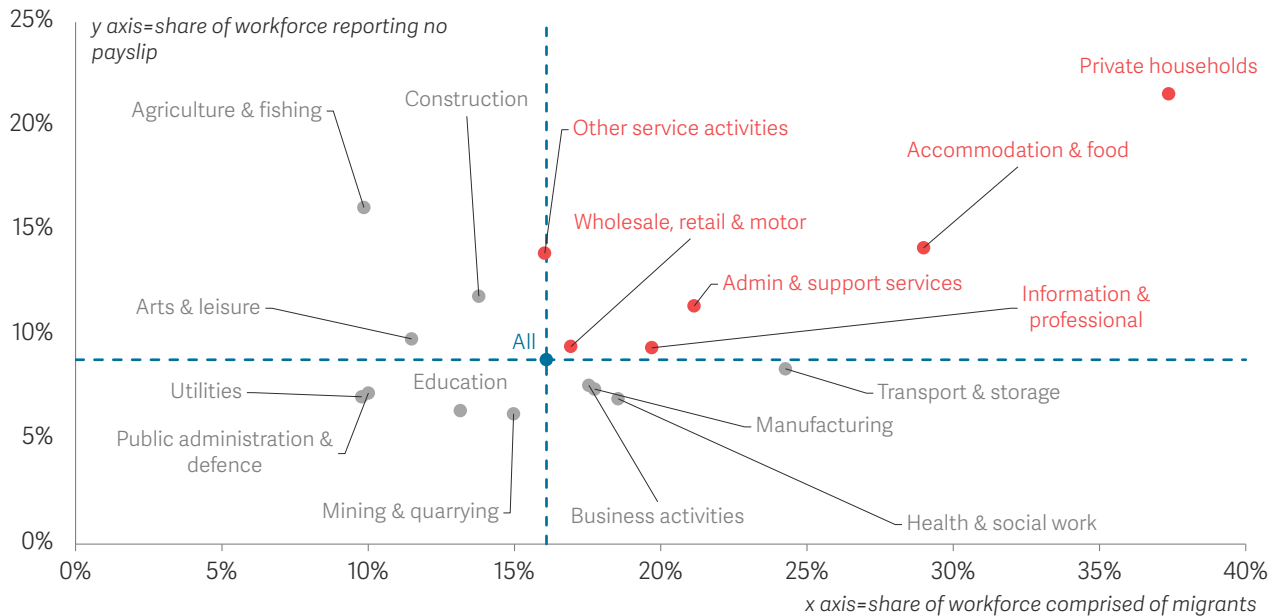
NOTES: Excludes self-employed. In the ONS Labour Force Survey, the category 'employee' captures those with worker as well as employee employment status

SOURCE: RF analysis of ONS, Labour Force Survey.

Plausibly, one factor that might skew the holiday pay picture is a lack of knowledge on the part of migrant workers, rather than actual non-compliance on the part of the firm. However, we see an equally concerning picture when we look at a more objectively-measured employment rights violation – the failure by the employer to provide a payslip documenting their wage. As Figure 12 makes clear, the relationship between migrant-dense sectors and the incidence of this labour market violation is even stronger than that we observe for no paid holiday (with an R-squared of 0.32). Once again, private households and hospitality stand out as problem employers, with 21 per cent and 14 per cent respectively not providing workers with a payslip as legally required, but so too do sectors such as admin and support services (11 per cent), information and professional (10 per cent) and wholesale, retail and motor trade (9 per cent).

FIGURE 13: Many of the sectors where employers fail to provide a payslip have a large migrant workforce

Share of employee workforce comprised of migrants, and share of workforce reporting no payslip, by sector: UK, 2015-16 to 2018-19



NOTES: Excludes self-employed. In both the ONS Labour Force Survey and DWP Family Resources Survey, the category 'employee' captures those with worker as well as employee employment status. The legal right to a payslip was extended from just employees to all workers in April 2019.

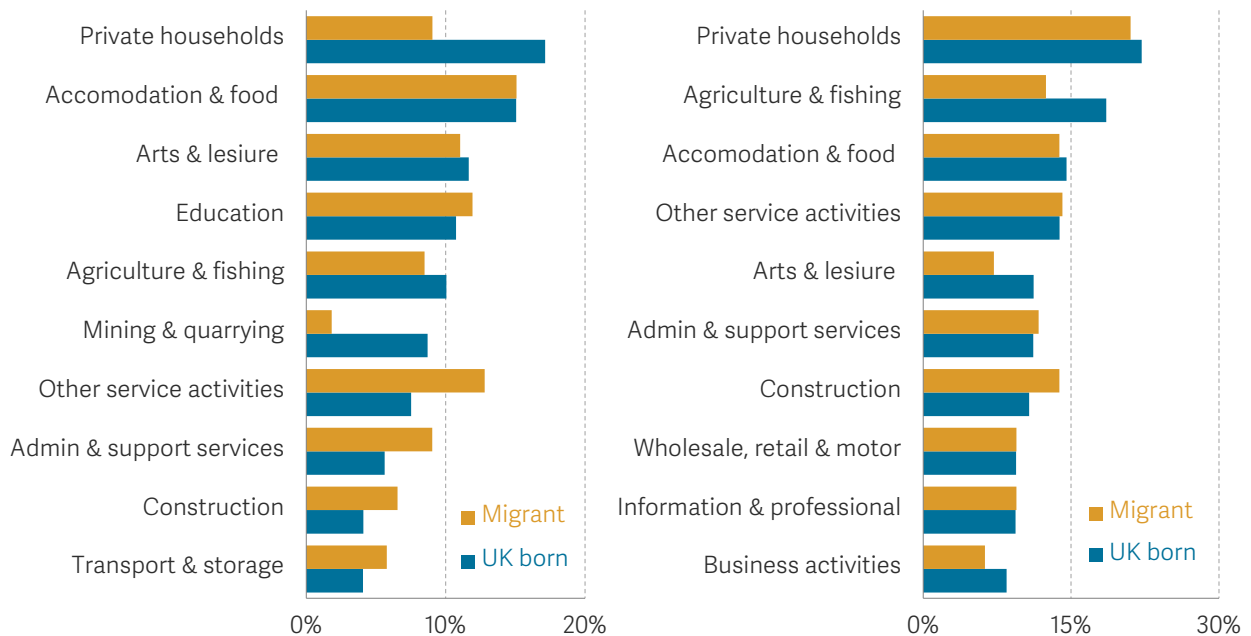
SOURCE: RF analysis of ONS, Labour Force Survey and DWP, Family Resources Survey.

Furthermore, if migrants are more vulnerable to unlawful treatment than UK-born workers, then we would expect to see overall rates of labour-rights violations reduce as migrant numbers drift down (i.e. through a compositional effect). In fact, as Figure 3 makes clear, this does not appear to be the case. Whether we look at the share of employees reporting they have no entitlement to paid holiday (left-hand panel), or the share who are not in receipt of a payslip (right-hand panel), migrant workers do not appear to be consistently more exposed to poor treatment than UK-born workers once we take into account the sector in which they work.⁴⁴ The sole exception to this finding is in construction, where those born outside the UK fare worse than native-born workers on both our metrics (of course, a large share of workers in this sector are self-employed, and therefore will have almost no employment rights at all).

⁴⁴ This finding continues to hold true when we extend our analysis further and control for differences in personal and workplace characteristics between migrant and UK-born workers. See, also: Migration Advisory Committee, *EEA-workers in the UK labour market: Interim Update*, MAC, March 2018 which found that EEA migrants were no more likely than UK-born to be underpaid the minimum wage, although there was some evidence this is the case for non-EEA migrants.

FIGURE 14: Migrant workers are not consistently more likely than UK-born to experience labour market violations

Share of sector employee workforce reporting no paid holiday (left-hand panel) and no payslip (right-hand panel), by country of birth: UK, 2015-2019 (left-hand side panel) and 2014-15 to 2018-19 (right-hand side panel)



NOTES: Excludes self-employed. In both the ONS Labour Force Survey and DWP Family Resources Survey, the category 'employee' captures those with worker as well as employee employment status. Panels show top ten worst offending sectors according to each metric.

SOURCE: Left-hand panel: RF analysis of ONS, Labour Force Survey; right-hand panel: RF analysis of DWP, Family Resources Survey.

Overall, our analysis suggests that UK-born workers are just as likely as migrants to experience poor treatment in sectors with above-average rates of abuse (although the presence of a large share of migrants in the workforce prepared to accept poor terms and conditions may drive down labour market compliance for all). However, this account sits somewhat uncomfortably with the many studies that document the often-extreme vulnerabilities of migrant workers in the UK labour market.⁴⁵ One way to square this circle is to conclude that the most marginal of migrants, such as those with poor language skills or high levels of mobility, are not present in the official surveys we use here. But there is another important group of the migrant workforce that will self-evidently not be represented in conventional sources but is clearly at high-risk of labour market abuse, and that is those with irregular migration status.⁴⁶

⁴⁵ See, for example: European Union Agency for Fundamental Rights, *Protecting Migrant workers from exploitation in the EU: Workers' perspectives*, EUFRA, June 2019; Labour Exploitation Advisory Group, *From compliance to exploitation and the abuses in between*, LEAG, June 2016.

⁴⁶ Irregular migration status is the term used to describe all those who do not have a legal right to work in their job. This will include those who have no right to work at all in the UK such as asylum seekers, those who previously been working legally but whose status has elapsed, and those who are entitled to work in certain roles but who then work outside of these categories. For a discussion of the multiple routes into irregularity, see: P Walsh, *Briefing: Irregular Migration in the UK*, Migration Observatory, September 2020.

Firms in under-pressure sectors have little economic incentive not to employ irregular migrants, increasing the risk of exploitation

This point is important given that another, and far less positive, strategy that firms could adopt in the face of labour shortages is to employ migrants who are working outside of the immigration regime; after all, if a firm is already inclined to play fast and loose with one set of rules (employment law), it may be more likely to breach another (immigration law). It is a criminal offence to employ a worker who does not have status to work in the UK, and there are also significant civil penalties for those employers found to be in breach of the law (currently non-compliant firms can be fined up to £20,000 per irregular worker). But the deterrent effect of a such penalties is contingent on the likelihood that non-compliance is detected in the first place, as we have shown before.⁴⁷ So just how likely are firms that employ irregular migrant workers to be caught?

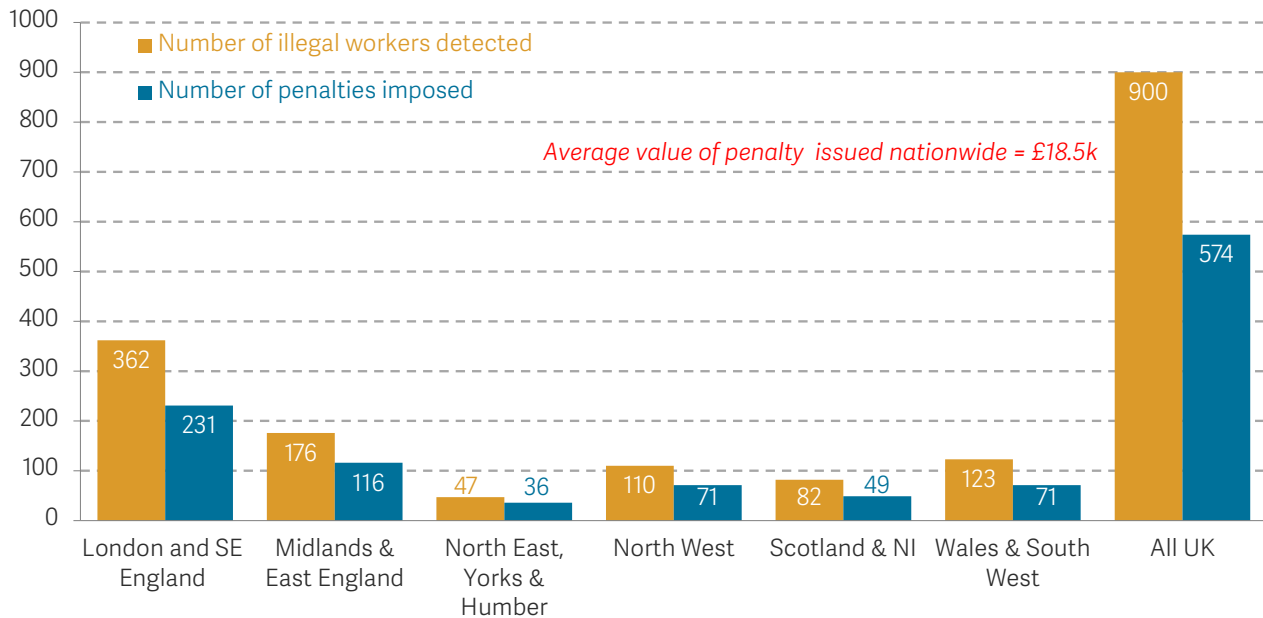
In Figure 14 we present the latest (indeed, almost the only) available data showing the number of irregular workers detected, and penalties issued to firms, by Immigration Enforcement in one quarter of 2019. Three facts are immediately apparent. First, the number of irregular workers detected is small: just 900 across the whole of the UK in the three months in question. Second, when imposed, penalties are considerable, with an average value of £18,500 per worker. But third, penalties are not levied on firms in all instances when irregular working is detected: there were 574 penalties in the third quarter of 2019, equivalent to 63 per cent of those that could have been issued (and the statistics caution that this number could be reduced further once 'adjustments and appeals' are taken into account).⁴⁸

⁴⁷ For a discussion of how effective penalties are in persuading firms to abide by minimum wage law, see L Judge and A Stansbury, *Under the wage floor: Exploring firms' incentives to comply with the minimum wage*, Resolution Foundation, January 2020.

⁴⁸ This finding is consistent with a discussion with the migration sub-group of the Employment Lawyers Advisory Network in December 2020, which provided examples where employers found to be employing irregular migrants went on to co-operate with Immigration Enforcement and were not penalised as a result (indeed, on occasion they were praised). See, for example: The Guardian, [Immigration raid on Byron Hamburgers rounds up 35 workers](#), July 2016.

FIGURE 14: While the civil penalties for employing irregular workers are high, they are not imposed in more than a third of cases

Number of penalties issued and number of irregular workers detected, by Immigration Enforcement: UK, July-September 2019



NOTES: Number of penalties imposed is before adjustments and appeals.

SOURCE: RF analysis of UK Visas and Immigration, Illegal working civil penalties - anonymous regional report, March 2020.

It is possible to take use these figures to derive some very rough estimates of the likelihood that a firm employing irregular worker will be detected. To do this, we use the fact that an internal Immigration Enforcement report (in September 2015) estimated between 190,000 and 240,000 businesses were employing irregular migrants⁴⁹, and we assume that the data presented in Figure 14 represents an average quarter so that there 3,600 workers are detected in a usual year.⁵⁰ Our first calculation then assumes that each of the irregular workers detected by Immigration Enforcement was working in a separate firm. If that were the case, the probability that a rogue firm is detected is less than one-in-fifty (see scenario 1 in Table 4). In scenario 2, we make a more realistic assumption that the rogue firms which are detected are likely to have multiple irregular workers, and that a reasonable assumption is that the number of irregular workers is the average number of workers in a UK firm (16 employees, the mean for UK firms excluding

⁴⁹ Cited in: Independent Chief Inspector of Borders and Immigration, *An inspection of the Home Office's approach to Illegal Working, August–December 2018*, Home Office, May 2019. The figures derived from a 2015-16 Cabinet Office review of illegal working. The Home Office went on to describe them as “speculative” with no “sound statistical basis”, stating “The figures used by the Cabinet Office were subsequently discounted because they were found to be inaccurate, and no policy or operational activity resulted on the basis of the paper or the figures it quoted.” However, these numbers do not seem implausible given that the most recent estimates of the total irregular migrant population (i.e. workers and others, including children) in the UK range from 800,000 to 1.2 million. See: Pew Research Centre, *Unauthorized immigrants in the UK*, Pew Research Centre, November 2019 for further details.

⁵⁰ The Home Office has committed to publishing these statistics every quarter since 2014, but only one other set appears to be in the public domain - for 2019q1. The findings from that quarter are in line with those of 2019q3.

sole traders).⁵¹ Under those conditions, a firm has around a one-in-a-thousand chance of being detected.

TABLE 4: In all reasonable scenarios, a firm's chance of being caught employing irregular workers is very low

Probability of a firm being detected if employing irregular migrants, under various conditions: UK

	Estimated number of firms employing irregular migrants	Assumed average number of irregular migrant workers in each detected rogue firm	No. of rogue firms need to visit to detect 3,600 irregular migrant workers	Estimated probability of rogue firms being detected
<i>Scenario 1</i>				
Lower bound	190000	1	3600	1.89%
Upper bound	240000	1	3600	1.50%
<i>Scenario 2</i>				
Lower bound	190000	16	225	0.12%
Upper bound	240000	16	225	0.09%

SOURCE: Estimates of number of firms employing irregular migrants taken are from: Cabinet Office, 2015-16 cited in Independent Chief Inspector of Borders and Immigration, An inspection of the Home Office's approach to Illegal Working, August – December 2018, Home Office, May 2019. Estimate of average number of workers detected per year is from: UK Visas and Immigration, Illegal working civil penalties - anonymous regional report for July-September 2019, March 2020.

So there may be a demand for irregular migrant labour, but will there still be a supply? Many studies have shown that population movement into the UK is driven by economic factors as well as by the prevailing immigration regime.⁵² Given this, so long as the UK remains an attractive place to work relative to the home country or other potential host states, migration is still likely to occur even if it is outside of the legal avenues. Moreover, there are a number of systemic issues with the new regime that potentially spell problems. First, there looks set to be a sub-group of EU workers currently resident in the UK who could regularise via the Settled Status scheme⁵³ but who may fail to do so by the necessary date.⁵⁴ Second, there is no legal route to enter the UK for self-employment, an issue that will be particularly problematic for sectors such as construction that rely heavily on migrant labour hired on such terms. And third, visa-free travel from the EU will

⁵¹ Average number of employees per firm excluding sole traders are from: RF analysis of BEIS, [Business population estimate for the UK and regions in 2020: Statistical release](#), BEIS, October 2020.

⁵² F Docquier, G Peri and I Ruysen, [The cross-country determinants of potential and actual migration](#), International Migration Review 48(1), July 2018.

⁵³ All EU/EEA/Swiss citizens who do not have a UK passport (excluding Irish citizens, who are exempt) must apply to the EU Settlement Scheme (EUSS) by 30 June 2021. EU citizens who had lived in the UK for five years are more apply for 'settled status,' allowing them to permanently live and work in the UK, while those who had been resident in the UK for fewer than five years apply for pre-settled status, and then apply again for settled status once they reach five years of residency in the country. After June 2021, those who remain working in the UK but who have not secured settled or pre-settled status will be in breach of immigration rules. While the figures on settled status are somewhat confounding, see: House of Commons Library, [The progress of the EU settled scheme so far](#), House of Commons Library, April 2020 [updated September 2020].

⁵⁴ See: M Sumption & M Fernández-Reino, [Unsettled Status – 2020: Which EU Citizens are at Risk of Failing to Secure their Rights after Brexit?](#), Migration Observatory, September 2020 which suggests groups such as those with poor English language skills, who do not have a strong social network or with complications in the provision system (which will break up continuity in residence) are at high-risk of failing to apply to the Settled Status scheme.

continue to make it easy to enter the UK (the UK's experience of regulating visitors from Brazil is instructive in this regard).⁵⁵

An increase in irregular migration would pose a new challenge for the UK's labour market enforcement system

With legal routes reduced, irregular migration could easily increase in the UK under the stricter regime come January, with worrying consequences for labour market rights. Both practice and studies have shown on multiple occasions that irregular status adds a powerful new layer of vulnerability to the migrant worker experience.⁵⁶ Irregular migrant workers work in an informal economy on often very poor terms and conditions, for example, and rogue employers are known to use the threat of exposure to the authorities as a tool for exploitation. As a result, a rise in irregular migration would not only present Immigration Enforcement with a bigger challenge, but could also prove a serious (and much less talked- about) problem for the UK's labour market enforcement system.

But herein lies the rub. On the one hand, the Government is strongly wedded to an immigration regime designed to reduce the influx of unskilled migrants into the UK. On the other, it has indicated it will take steps improve labour market enforcement: it made a manifesto commitment to introduce a Single Enforcement Body in this parliament, for example, to ensure that key rights such as the minimum wage and paid holiday entitlement are effectively realised.⁵⁷ Yet the former arguably makes achieving the latter an even greater challenge. Not only will irregular migrants be more exposed to more acute forms of labour market abuse than regular migrants, but it is also reasonable to expect spill-over effects to UK-born workers as compliant firms cut standards to compete with their less scrupulous competitors.

So how can this tension best be managed? Risk-based enforcement relies on good intelligence in order to identify firms that are operating outside of the rules (be that the immigration regime or employment law). While Immigration Enforcement largely relies on reports from third parties to alert it to problem firms⁵⁸, labour market enforcement bodies are far more dependent on worker complaints.⁵⁹ It is hard to envisage a Chinese wall between the two systems, but there are clearly ways to encourage irregular workers to

⁵⁵ See, for example: BBC News, [UK puts Brazil visitor visa crackdown on hold](#), March 2013; National Audit Office, [Immigration Enforcement](#), NAO, June 2020.

⁵⁶ The most notorious example of the vulnerability of irregular migrants was the death of 19 shellfish gatherers in Morecombe Bay in 2004, which led to the creation of the Gangmasters Licencing Authority in 2005 (the Gangmasters and Labour Abuse Authority since 2017). For an excellent study documenting the experience of irregular migrants, see: Legal Education Advisory Group, [Opportunity knocks: Improving responses to exploitation with secure reporting](#), LEAG, April 2020.

⁵⁷ See also: BEIS, [Good work plan: Establishing a new single enforcement body for employment rights](#), BEIS, July 2019.

⁵⁸ See, for example: Independent Chief Inspector of Borders and Immigration, [An inspection of the Home Office's approach to Illegal Working, August – December 2018](#), Home Office, May 2019.

⁵⁹ All three of the main labour market enforcement agencies, the GLAA, HMRC National Minimum Wage Unit and the Employment Agencies Standards Inspectorate (EAS) use data analytics to identify risk, but they also rely substantially on cases raised by individuals to lead them to problem employers.

come forward and report labour market violations: the Memorandum of Understanding between the NHS and the Home Office, which was amended in 2018 to limit the reporting of migrant patients with insecure status to Immigration Enforcement only when 'serious criminality' is suspected, could provide a good model in this respect.

Conclusion

The findings in this briefing note show that significant labour market changes and new policy challenges for Government are likely to follow from the imminent move to a tighter immigration regime from January 2021. The UK labour force, and certain sectors in particular, have grown in recent decades on the back of significant arrivals of workers born elsewhere. While both opponents and proponents of the government's changes tend to overstate the economic impact of this change in immigration regime, sectors that are most reliant on migrant labour may need to consider significant adjustments to their size and how they operate in the years ahead. Government policy should support that transition to ensure it is as beneficial as possible, for firms, for UK-born workers and for migrant workers alike.

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