

## Jobs & Welfare - Key Topic

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Jobs & Welfare: MW 428

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- Immigration can have a negative impact on the employment prospects of UK young people.
- It can also have a negative impact on the wages of the lowest-paid (although it can raise the wages of those on the highest pay).
- Immigration into low paid work adds significantly to the working-age benefits bill and to rapid population growth / congestion with no assurance that tax revenue would meet the costs.
- Working-age benefits to all migrants in 2015/16 cost an estimated £13.6 billion. EU migrants cost £4.7 bn (or £13 million per day) and the bill for non-EU migrants was £8.9 billion.
- Why should the UK taxpayer continue to subsidise businesses so that they can employ foreign-born workers on low rates of pay?
- The Migration Advisory Committee point to *'the need to raise British human capital and lessen employer dependence on immigration'*. Government and business should take heed.
- Employers need to offer more and better skills training opportunities to UK workers.
- Businesses should also do more to attract some of the four million UK-born people who are either looking for work or would like to work more hours (see our [paper](#)).
- High levels of immigration may have had a negative effect on the availability of full time employment for the UK born and thus on their stability of employment and security of earnings.

## Economic characteristics of migrants to the UK

1. Research by Migration Watch UK has shown significant differences in the economic profiles of migrants from different countries (our paper: ['Economic characteristics of migrants in the UK in 2014'](#)). For example, migrants from Western European countries had higher wages and lower rates of claim to key benefits than the UK-born population, whereas those from Eastern European countries had lower wages and higher rates of claim.

2. Migrants from India had higher employment and lower rates of claim to key benefits than the UK-born population, whereas those from Pakistan and Bangladesh had lower employment and higher rates of claim. Our findings have been confirmed by other researchers including the ONS, the European Commission-sponsored EUROFOUND and the Migration Observatory.

3. The Migration Advisory Committee found that, between 1997 and 2017, non-EEA migrants have consistently had the lowest employment rates – in large part due to lower female labour market participation among some groups.

## Impact on UK employment

4. It is difficult to isolate the impact of immigration from the impact of wider economic factors in a large economy such as our own, particularly over the period leading up to and following the recession. However, evidence of displacement of UK-born workers has been found by the Migration Advisory Committee (MAC). They [reported](#) that 100 additional non-EU migrants may cautiously be estimated to be associated with a reduction in employment of 23 native workers both during periods of economic growth and downturn.

5. The MAC also said in a [2018 report](#) that immigration may have hurt the employment opportunities of the young and less well-educated. Indeed, they noted that *'lower-skilled UK-born workers are more likely to lose out while higher-skilled workers tend to benefit'*. However, these findings were subject to a significant degree of uncertainty.

6. The IPPR has noted a similar phenomenon in a 2012 publication 'Learning to Earning'. They reported that *'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"'* (see [report](#)).

7. Since 2010 the number of people in employment in the UK has increased by 3.7 million. However, a majority (55%) of this employment growth has been due to jobs being filled by those born abroad – amounting to more than two million non-UK born workers since 2010.

8. The large inflow of migrant labour, which has increased the number of foreign-born workers in the UK by two million since 2008 may have contributed to continuing high levels of underemployment which could be around four million people (see our [paper](#)).

9. Meanwhile, much of the return to "full" employment since the recession has been due to growth in part time and self-employment for the UK born. Their number in of UK-born in full employment is lower than in 2008, despite more UK born people working, whereas the number of EU born full time workers has grown significantly. ***High levels of immigration may have had a negative effect on the availability of full time employment for the UK born and thus on their stability of employment and security of earnings.***

## Impact on wages

10. It is uncontested that, in theory, increases in the supply of workers may bear down on wages, especially where an economy is not at full employment. Indeed, academic research has found some negative impact on the wages of lower-paid workers (see [here](#)). However, some claim that there is no real evidence that immigration had a negative effect on wages overall and that, if there were any negative impact, it was on the wages of previous migrant workers or was concentrated at lower pay levels and outweighed by a positive impact elsewhere.

11. A 2015 study conducted by the Bank of England found that migration caused a downward pressure on average wages. The largest effect was observed in the semi/unskilled services sector including hotels and social care where a ten percentage point rise in the proportion of immigrants was associated with a two percent reduction in pay. This suggests that immigration can have a clear negative impact on the wages of those already in low wage jobs.

12. Immigration over the period 2009-2016 *'resulted in native wages for those in skilled trades occupations [electricians; plumbers; bricklayers] being 2.1% lower'* ([Resolution Foundation](#) report).

13. Indeed, the availability of a large pool of labour from abroad has also taken the pressure off employers to raise wages (see Blanchflower, [National Institute Economic Review](#), 2015).

14. The MAC [said](#) in September 2018 that *'immigration is not a major determinate of the wages of UK-born workers [and] found some evidence suggesting that lower-skilled workers face a negative impact while higher-skilled workers benefit... the magnitude of the impacts are generally small'*. However, the MAC has suggested elsewhere that *'a reduction in the supply of low-skilled migrants might push up wages.'*

15. Professor James Wickham of Trinity College Dublin [argues](#) that mass immigration has been linked to social and economic inequality *'which has been growing in virtually every developed society'*. While there is no single cause of inequality, one important driver, he argues, has been changes in the UK and US occupational structure.

16. According to Prof. Wickham, a growing pool of social science research suggests that the reason for the existence of such a large pool of low-paid jobs is the availability of a large pool of immigrant labour. In his words: *"It is clear that today those who call for 'open borders' – the unrestricted entry of unskilled workers into the EU – are facilitating a more polarised occupational structure, more low paid workers and greater social and economic inequality."*

## Welfare Claims

17. Working-age benefits to all migrants in 2015/16 cost an estimated £13.6 billion. Large amounts are paid out to non-UK nationals in state benefits. As table 1 below shows, the working age benefit bill for EU migrants in the UK in 2015/16 was £4.7 billion, or nearly £13 million per day. This bill may well now have risen further as the number of EU workers has risen by 200,000 since March 2016. Meanwhile, the estimated bill for non-EU migrants is £8.9 billion in 2015/16.

18. Calls for continued easy access to an unlimited pool of foreign labour amount to demands for continued subsidies by the taxpayer for businesses to hire workers from overseas on low pay. This ignores their responsibility to pay a fair day's pay for a fair day's work and to provide adequate training (alongside the government) for the UK's young people.

Table 1: Working-age benefits claimed by EEA nationals, 2015/16 (HMRC, DWP figures).

Type of working-age benefit	Amount
In-work tax credits	£1.924 billion
In-work housing benefits	£991 million
Out-of-work tax credits	£300 million
Out-of-work DWP benefits	£613 million
HMRC child benefit	£885 million
<b>Total</b>	<b>£4.713 billion</b>

19. It is often said that immigrants pay more in tax than they claim in working-age benefits. Narrowly, that is true, as it is also true for the UK-born population. But this ignores the extent to which tax raised has also to be spent on services consumed by the immigrant population including health, and education and additional infrastructure required. These elements must be included to give the overall fiscal balance, as the UK continues to run a budget deficit.

20. All research points to immigration overall being a net fiscal cost. The most recent [estimate](#) by Oxford Economics in a paper commissioned by the MAC was that the immigrant population pushed up the public sector borrowing requirement by over £4bn in 2016/17. (For more on this see our Economics [overview](#)).

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