

A.6.

AN OVERVIEW OF STUDIES INTO THE ECONOMIC IMPACT OF  
MIGRANT WORKERS FROM RECENT EXPANSIONS OF THE  
EUROPEAN UNION.

## Introduction:

This overview is a distillation of several studies listed at the back undertaken into the economic impact of migrant workers since 2001.

Whilst figures for migrant workers entering the UK from East European Countries (referred to as 'A8' nations) is readily available at a national or regional level, by the time you try to obtain information at a county or city level the figures are less easy to obtain. Carlisle and Cumbria compare less well in gathering this information when compared with Merseyside or the North East conurbations. The best source of local information remains the report of 2007 (based on 2006 figures) by Voluntary Action Cumbria.

## Carlisle Migration levels: - a brief overview.

In Carlisle between 2005 and 2006 the number of national insurance registrations from A8 residents was 500. Projections using trends in other areas suggest that the 2006 to 2007 total would be between 2,000 to 2,500.

Carlisle represents the second largest community of A8 migrants in Cumbria. South Lakeland has more but given the seasonality of the tourism trade it is likely that our population will not fluctuate through out the year.

Within Carlisle most migrants are employed in the following economic sectors:

- Transport
- Warehousing
- Catering and Hospitality
- 'Low-skill' manufacturing such as food processing.

**Effect of Migrant Work on the existing job market and benefits system:**

There is a common perception amongst the media that the arrival of migrant labour distorts the existing labour market, impacting on the local economy by increasing the level of local joblessness. This so called 'British Jobs for British Workers' argument reasons that the availability of work for young and unskilled workers decreases as they are under cut by new workers.

Academic research however suggests that this is a largely unproven perception.

Most migrant workers in the North West are employed in 'elementary occupations' such as low skill manufacturing or warehousing. Between May 2004 and May 2006 vacancies in such elementary occupations in the Northwest economy changed from 29.9% to 18.9%, whilst in plant and machine operations vacancies fell from 10.4% in 2004 to 6% in 2006 (Liverpool study). This indicates that MW's have had some impact on reducing labour shortages in sectors of the economy where recruitment of labour can be problematic. In addition one of the previous sources of labour for these sectors - the young school leaver has declined over recent years as the effort from government down has been to extend the role of tertiary

education.

Benefit claimants rates in the Northwest region increased slightly over a similar period. In terms of Jobseekers and Income Support claims in the Northwest the rate in April 2004 was 2.5% in July 2006 the claimant rate stood at 2.8%. In the UK as a whole the claimant rate was 2.4% in April 2004 and 2.6% in July 2006. The Carlisle figures in broad terms have declined slightly with several periods of relative stagnation.

Academic study into these figures can not indicate any notable impact of MW workers on the claimant figures given the relative marginality of these changes, over the time period.

In terms of the other perception that MW's will access the benefits system within the UK on arrival, the studies have found no evidence of this on a wide scale level. At present A8 workers have to be permanently employed for the prior 12 months to access benefits. Given the fact that a large level of workers will stay for only a limited period of time, this tends to make this perception irrelevant.

The only potential negative came out of the Liverpool study which noted the effect that long term migration may have on the levels of long term unemployment rates. Prior to 2006 Cumbria had a lower average of unemployed who had not worked for over a year. Since 2006 the Cumbrian rate has tallied more with the national rate. One of the reasons given at the time by the County Council was the availability of labour from overseas, and increasing

employer knowledge of the subject which had empowered employers with more choice. However this has not been statically proven.

### Benefits of Migrant Work to the Treasury

On a national level research by the LSC in Jan 2007 concluded that MW have a net positive effect on the economy. Revenue from Migrant workers stood at £33.8 billion in 1999-2000. In 2003-4 this had increased to £41.2 billion. This rise is the equivalent of 1p on the basic tax rate. Research of migrant workers pay-packets shows them paying more tax as a % of income than the resident population. Nationally in 2003-4 migrants made up 9.6% of the population but accounted for 10% of government revenue.

In part the status of migrant workers often helps the economy of the UK. In general terms recent migrants to the UK have been younger, unmarried and fitter and as knock on effect less likely to use services such as the NHS or social services.

Migrants who access higher skilled work, which had remained vacant for some time, (the stereotypical Polish Plumber) contribute a new source of tax to the treasury. Migrants in lower skilled jobs also contribute more in taxes as they tend to work longer hours with more overtime in comparison to resident workers. This is partially due to a different working attitude and the fact they can work longer hours without being adversely affected by the Family Tax Credit system, which is not applicable to them.

### Barriers to increasing economic impact.

Studies into migrant workers who have made a long-term move to work in the UK, (such as Dustman,2003 and Green, 2006) have identified a number of barriers which prevent migrants from bridging a skills gap between the work that they may be qualified for and the actual work they undertake.

These factors include:-

1. Language Skills - Proficiency is the largest recognised determinant of wage success. A8 migrants are generally over qualified but lack the language skills required (Sachdev & Harries 2006).
2. Lack of understanding of the labour market.
3. Difficulties in gaining equality between qualifications achieved at home and any UK required qualifications.
4. Cultural Barriers - such as the role of women working whilst raising a family.

### Economic Impact of a loss of an existing employer.

Since the entry of Eastern European nations to the EU, there has been several high profile relocation of manufacturing units or production lines to Eastern Europe. These include:

- Raleigh Bikes
- Terry's Chocolates
- Several Boots Healthcare medicines

6

employment. There is often a lack of parity in terms of pay, working hours and working conditions which affected the local economy. Whilst self employment increased, and can be historically seen as increasing in other situations such as the Rover factory, these were in general small scale businesses, which lacked the economic impact of large scale employment.