

Policy Brief

The end of free movement and the low-wage labour force in the UK

Executive Summary

The post-Brexit immigration system liberalised access to the UK labour market for non-EU citizens but introduced visa requirements for EU citizens who had previously been able to work in any job. As a result, low-wage occupations that used to rely heavily on EU workers are now ineligible for work visas, with some limited exceptions for social care and seasonal workers.

Free movement ended during the Covid-19 pandemic, at a time when EU migration had already fallen sharply. But as the economy recovered, employers have faced an unusually tight labour market, with record-high vacancy rates and low unemployment. This has raised the question whether Brexit is the cause of UK labour shortages and what role immigration policy should play, if any, in addressing employers' recruitment difficulties.

Evidence on the impacts of the end of free movement is still incomplete and new data will emerge in the coming months and years. The evidence available so far suggests that immigration policy is one of multiple factors contributing to labour shortages:

High vacancies and low unemployment have been a feature of post-pandemic labour markets, including in several other countries that have not changed their immigration policies.

Recruitment difficulties in some low-wage industries have resulted in part from longer-term problems with unattractive pay or working conditions.

The end of free movement appears to have exacerbated these existing problems employers have faced.

In theory, employers can respond to labour shortages in different ways, including switching from EU to non-EU workers; raising wages (and prices) to attract workers from the existing labour force; or reducing their need for staff by turning to automation or by changing the mix of what they produce.

By mid-2022, some qualitative evidence of pay increases for certain roles and among certain larger employers had started to emerge but there was no evidence of widespread wage increases in low-wage industries that previously relied on EU workers. Further data over the course of 2022 and 2023 will provide a fuller picture, however.

For the most part, employers who relied heavily on EU workers before 2021 will not have been able to switch to hiring non-EU workers from overseas instead because the immigration system does not permit them to do so. There is evidence of a shift towards non-EU recruits in some industries that can access the immigration system relatively easily, such as seasonal agricultural work and health. But several occupations that are eligible for skilled work visas, such as construction, have seen relatively low take-up—perhaps because of the administrative costs and difficulty adjusting to a new system.

What should policymakers do about labour shortages in the post-pandemic, post-Brexit environment? A challenge for government is that there is no consensus on how much of a problem shortages of workers in low-wage jobs actually presents and thus whether immigration policy should attempt to prevent them. Some shortages are more costly to the rest of the economy than others but it is difficult to identify and address these shortages in a

systematic and evidence-based way. Some shortages are transient and will resolve of their own accord in the long run, although the process of ‘adjustment’ may be disruptive for employers who cannot reduce their labour needs through alternatives such as automation. Ending free movement may also have long-term effects in certain parts of the country, such as rural areas where it may be harder for industries that relied on primarily EU workers to be replaced by other industries if they shrink.

Policymakers concerned about the impacts of labour shortages have various strategies they can adopt:

One option is to wait it out, sticking to the current system and hoping that shortages will resolve themselves, as economic theory suggests many of them should.

Alternatively, policymakers could expand work visa eligibility in low-wage jobs. This strategy would benefit employers who have struggled to attract workers after free movement. However, it comes at a cost, most notably higher risks of exploitation in low-wage work—especially if visas are employer sponsored and tie workers to specific industries.

Deciding where to make concessions for low-wage jobs in an evidence-based way is also a big challenge, it is not realistic to assume that policy can adjust quickly to emerging shortages and be based on rigorous evidence. Un-sponsored visas such as an expanded Youth Mobility Scheme avoid the problem of tying workers to employers and are not targeted at specific industries; this means they are expected primarily to benefit industries that find it easier to attract young workers, such as hospitality. Finally, options to facilitate overseas recruitment in skilled jobs that are already eligible for work visas mostly involve reducing administrative requirements or fees for some or all employers.

Introduction

The post-Brexit immigration system for migrant workers is simultaneously liberal and restrictive compared to the one that preceded it. Introduced in January 2021, the new system liberalised access to the UK labour market for non-EU citizens, lowering salary thresholds and skills requirements for work visas. But it was much more restrictive than the previous status quo for EU citizens, who had enjoyed full access to the UK labour market before the end of the post-Brexit transition period in December 2020.

Since free movement ended at the end of December 2020, many employers in industries that previously had relied heavily on EU citizens can no longer recruit newly arriving EU citizens because the jobs are not eligible for work visas. Most EU citizens newly recruited to work in the UK must qualify for Skilled Worker visas, which require a salary of at least £25,600 per year (with rates starting from £20,480 in some cases, such as jobs on the Shortage Occupation List) and are only open for jobs that require at least A-level education. Most low-wage jobs are not eligible, although there is a dedicated work visa route for seasonal workers (mostly in horticulture), and care workers can qualify for skilled worker visas if they earn at least £10.10 per hour, which is £0.60 above the minimum wage. Common low-wage roles such as bar staff, cleaners, drivers, food processing labourers or baggage handlers are not eligible for work visas, although intermediate skill-level positions such as plumbers, electricians and chefs can qualify if they are sufficiently well paid.

Analysis conducted over the past six years repeatedly showed that some industries would be particularly affected by the introduction of a 'skill-selective' work visa system.¹ Such industries included hospitality and retail, where employers relied heavily on EU citizens before Brexit and where relatively few jobs that met the skill and salary criteria for work visas.

In addition to the change in eligibility to come to the UK, the end of free movement changes the rights that migrant workers in low-wage jobs enjoy. Free movement gave EU workers many of the same rights that UK citizens have, such as the ability to switch employers with ease, experience unemployment without losing their residence rights, access welfare benefits and bring family members to the UK. Work visas bring a greater number of restrictions on workers' rights, and this has important policy implications such as greater risks of exploitation, particularly in low-wage jobs² - risks that receive relatively little attention in debates about work visa options.

Over the course of 2021 and 2022, headlines were filled with stories of labour shortages, including shortages of HGV drivers driving fuel tankers and stocking up retail stores; pig farmers claiming that they must slaughter thousands of animals because of a lack of abattoir workers and skilled butchers; and requests from numerous other industries—from hospitality to airports to the care sector—for greater access to visas to supply their labour. Behind the news headlines, employers complained of shortages of workers in less visible roles such as forklift drivers and kitchen assistants.³

So, what do we know so far about the impacts of ending free movement on industries such as these? This briefing examines the evidence from the first year of the post-Brexit immigration system. It looks at three main issues:

- Whether the UK is facing labour shortages as a result of the end of free movement;
- What we know so far about how employers are adjusting to the end of free movement;
- What the immigration policy options are for responding to labour shortages and what their effects would be.

Is the end of free movement responsible for labour shortages in the UK?

Brexit and the pandemic have together had a significant impact on the shape of the migrant workforce in the UK, especially in low-wage jobs where EU workers have been overrepresented over the past.⁴

First, substantial job losses during the pandemic—combined with other longer-term factors such as the decline in the value of the pound and the political and legal uncertainty related to

¹ Vargas-Silva, C. 2016. Potential implications of admission criteria for EU nationals coming to the UK. Oxford: Migration Observatory. <https://migrationobservatory.ox.ac.uk/resources/reports/potential-implications-of-admission-criteria-for-eu-nationals-coming-to-the-uk/>; Migration Advisory Committee (MAC). 2018. EEA migration to the UK: Final report. London: Migration Advisory Committee. <https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-eea-migration>; Morris, M. 2020. Building a Post-Brexit Immigration System for the Economic Recovery. London: IPPR. <https://www.ippr.org/files/2020-11/post-brexit-migrationnov20.pdf>

² Sumption, M. & Fernandez-Reino, M. (2018). [Exploiting the Opportunity? Low-skilled work migration after Brexit](#). UK in a Changing Europe.

³ REC. 2021. Logistics, Catering and Retail, more pressure on Christmas hiring – Adventina. REC Website, 30 November. <https://www.rec.uk.com/our-view/news-our-business-partners/logistics-catering-and-retail-more-pressure-christmas-hiring>

⁴ Sumption, M. & Fernandez-Reino, M. (2018). [Exploiting the Opportunity? Low-skilled work migration after Brexit](#). UK in a Changing Europe.

Brexit—coincided with a sharp fall in net migration of EU citizens.⁵ Second, as the economy and labour market started to emerge from the pandemic, the new immigration system changed the way immigration could respond. Whereas under free movement, we might have expected EU migration to bounce back during the economic recovery, the new immigration system provides few options for EU workers to take up low-wage jobs. (Limited exceptions apply to seasonal agricultural and poultry workers and to EU ‘frontier workers’ who do not live in the UK but who performed short-term work here before the end of 2020).

Indeed, relatively few EU citizens used the new immigration system in the first year of its operation.⁶ The 43,000 EU citizens who received visas for work, family, study or other purposes in 2021 (excluding visitors and ‘frontier workers’ who do not live in the UK) made up only 5% of visas granted that year (Figure 1). Those who did move to the UK were strongly concentrated in London.⁷

At the time of writing there were no data to compare these 43,000 EU visas to pre-pandemic immigration levels. In particular, there were no figures on the number of EU citizens returning to the UK without a visa because they already had status as a result of having lived here before Brexit. However, long-term immigration of EU citizens in the six years before March 2020 averaged in the hundreds of thousands (between 230,000 and 430,000 depending on the data source used)⁸—and these figures do not include between one and two hundred thousand short-term EU citizens coming for work-related reasons in a typical year before Brexit and the pandemic.⁹ The figures available so far are therefore consistent with the possibility of a large decline in EU immigration.

⁵ Sumption, M. and Walsh, P. 2022a. EU Migration to and from the UK. Oxford: Migration Observatory. <https://migrationobservatory.ox.ac.uk/resources/briefings/eu-migration-to-and-from-the-uk/>

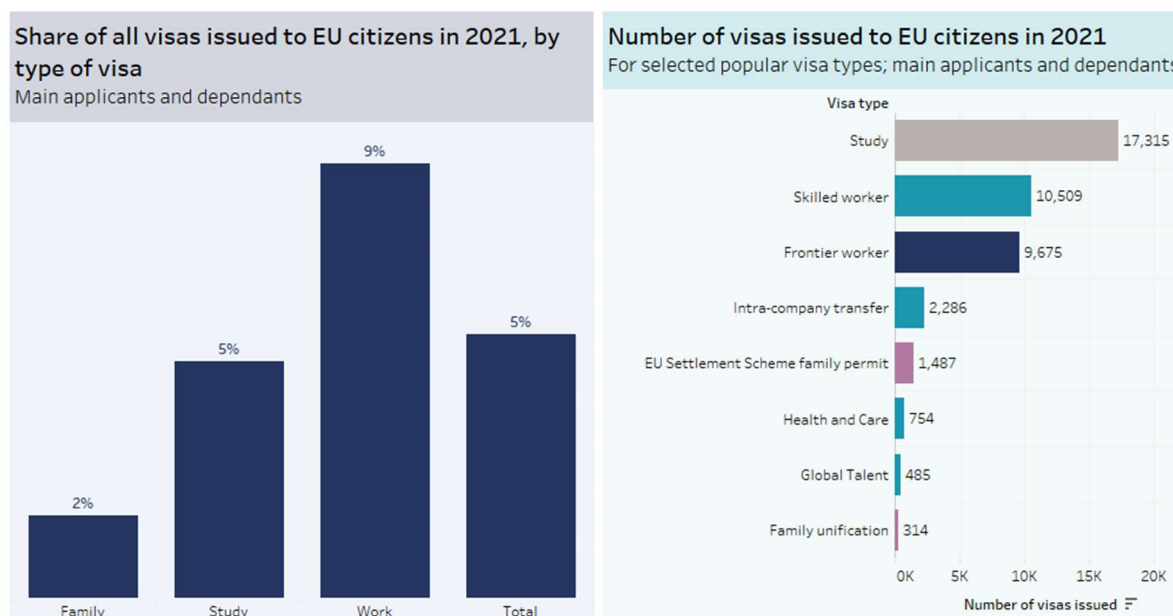
⁶ Sumption, M. and Walsh, P. 2022b. Net migration to the UK. Oxford: Migration Observatory. <https://migrationobservatory.ox.ac.uk/resources/briefings/long-term-international-migration-flows-to-and-from-the-uk/>

⁷ Sumption, M and Strain, Z. 2021. Which parts of the UK are attracting the most skilled workers from overseas? Oxford: Migration Observatory. <https://migrationobservatory.ox.ac.uk/resources/reports/which-parts-of-the-uk-are-attracting-the-most-skilled-workers-from-overseas/>.

⁸ Sumption, M. and Walsh, P. 2022b. Net migration to the UK. Oxford: Migration Observatory. <https://migrationobservatory.ox.ac.uk/resources/briefings/long-term-international-migration-flows-to-and-from-the-uk/>

⁹ Office for National Statistics (ONS). 2021a. Short-Term International Migration for England and Wales: year ending June 2019. Newport: ONS. <https://www.ons.gov.uk/releases/shortterminternationalmigrationforenglandandwalesyearendingjune2019>

Figure 1: Use of the new immigration system



Source: Migration Observatory analysis of Home Office Immigration Statistics Quarterly Release, Table Vis_D01.
Notes: 'Family' visas comprises family unifications visas, EEA family permits, and EU Settlement Scheme family permits. 'Work' visas excludes Frontier Worker visas. 'Total' visas excludes BNO visas, and visitor visas because EU citizens do not require a visa to visit the UK.



So how has the end of the free movement combined with the pandemic affected the migrant workforce? The best data to look at this question come from tax records and are published by HMRC and the Office for National Statistics (ONS) and show the number of jobs held by people of different nationalities at the time they registered for a National Insurance Number. (If the same person has two different jobs, they are counted twice.) At the time of writing, the data covered the period up to June 2021, i.e., the first six months of the new immigration system. And they showed that overall, EU citizen employment had not returned to its pre-pandemic size by mid-2021. In June 2021, it remained 6% smaller than two years previously and stood at just under 2.5 million.

By contrast, non-EU employment was less affected by the pandemic and indeed increased by 9% from June 2019 to June 2021, reaching just over 2.2 million. (Note that these figures probably understate the number of non-EU citizens because they exclude anyone who lived in the UK long enough to become a citizen before they registered for a National Insurance Number.) In the aggregate, this increase offset the decline in EU employment, leading to an overall rise in non-UK employment of 0.3% over the same two-year period. However, non-EU workers in the UK are concentrated in higher-skilled jobs and thus do not substitute for EU workers on a one-to-one basis.¹⁰ This means that employers in low-wage industries who employed migrant workers often relied primarily on workers from EU countries and were more exposed to the consequences of ending free movement.

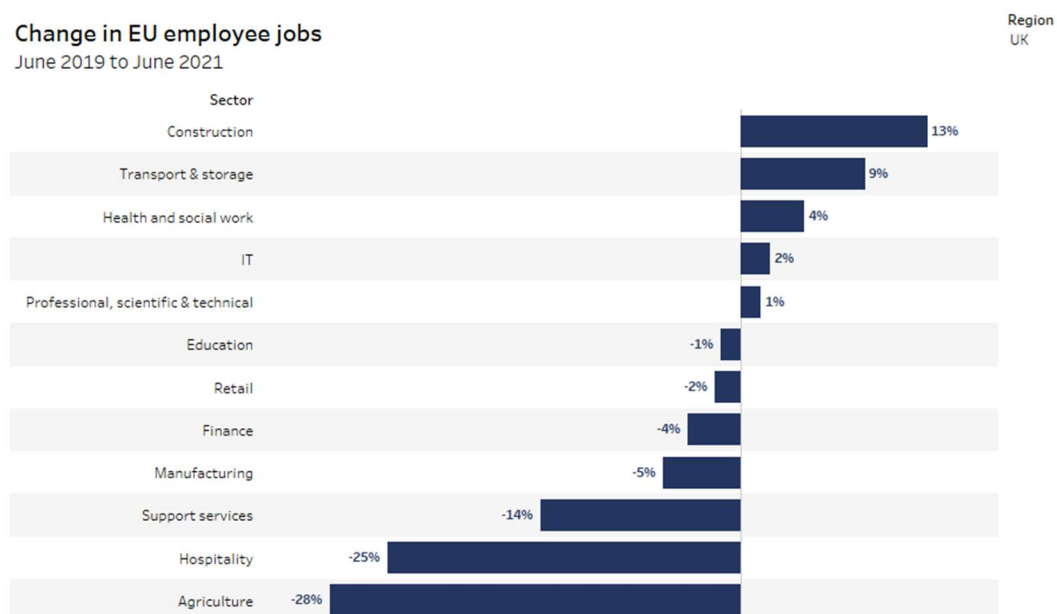
The picture of changing migrant employment varies substantially by industry. In fact, the overall decline in the employment of EU workers was primarily driven by two industries: hospitality, which saw a net decline of just over 98,000 EU citizen jobs in the two years to June 2021, and administrative and support services (a category that includes a range of mostly low-

¹⁰ Fernandez-Reino, M. 2022. Migrants in the UK Labour Market: An Overview. Oxford: Migration Observatory. <https://migrationobservatory.ox.ac.uk/resources/briefings/migrants-in-the-uk-labour-market-an-overview/>.

wage service positions such as building cleaning and maintenance, as well as some agency work), where the same figure fell by just under 64,000.

Some industries have therefore seen a much sharper-than-average decline in the EU migrant workforce, while in others the number of jobs held by EU migrants increased despite the pandemic and post-Brexit immigration system (Figure 2). These figures alone do not tell us whether industries are facing shortages but do indicate that the role of EU migration in meeting labour demand is changing.

Figure 2: Change in the number of jobs held by EU migrants



Source: HMRC, Payrolled employments in the UK by region, industry and nationality, from July 2014 to June 2021 (2022).



Different EU employment patterns by industry are partly driven by the fact that some industries expanded while others contracted during this two-year period during the pandemic, but that is not the whole story. Some industries' relative reliance on EU migrant workers also shifted. In hospitality, for example, the EU workforce recovered much slower than the UK or non-EU workforce, as a result of which the EU share of jobs held decreased by four percentage points. By contrast, jobs held by EU migrants increased faster than for other groups of workers in construction and in transport and storage, despite Brexit and the pandemic (Figure 3). The increase of EU worker jobs in the transport and storage sector took place in 2020 in particular, with small declines in the first six months of 2021.

Several sectors have also seen strong increases in non-EU employees, particularly health and construction (Figure 3). These will not necessarily be people arriving on work visas, but will in many cases come from the existing population of non-EU migrants in the UK (including those who arrived in previous years on family visas or who are refugees). The largest decline in EU employment was in London, which saw a 10% decline (and just under 30% in hospitality) from June 2019 to June 2021.

Figure 3: Changes in employment by industry

Change in payrolled employments, indexed to June 2019 by sector and nationality, June 2019 to June 2021, Index: June 2019 = 100



Source: HM Revenue and Customs – Pay As You Earn Real Time Information (non-seasonally adjusted) and Migrant Worker Scan. This chart is a reproduction of Figure 2 in ONS, Changes in payrolled employments held by non-UK nationals during the coronavirus (COVID-19) pandemic and EU Exit periods.

Note: Figures are headcounts of employees, including part-time workers; people with multiple jobs will be counted more than once.



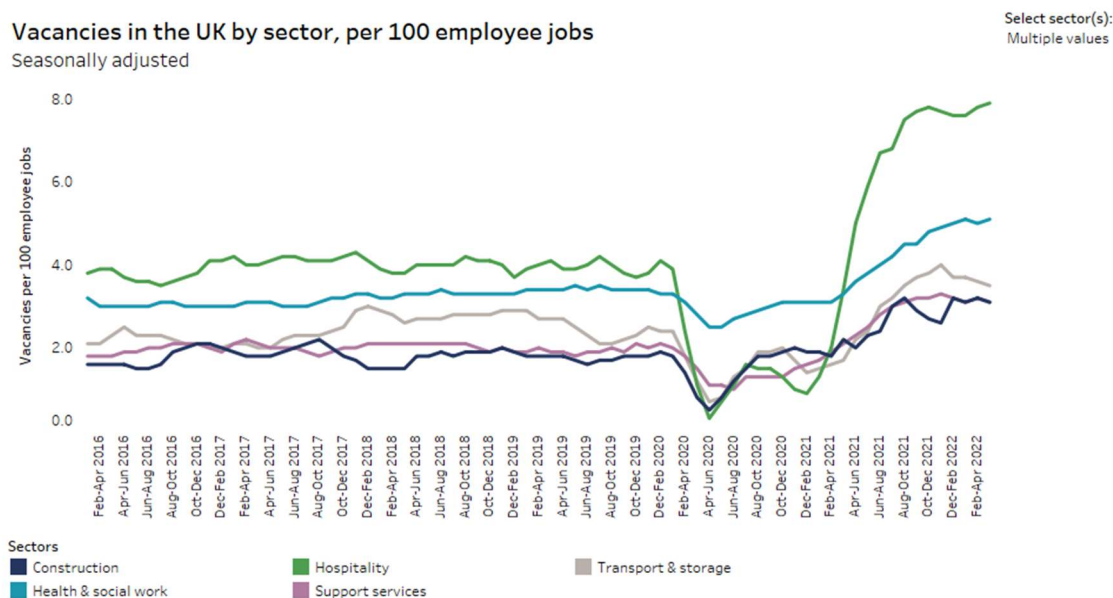
The data do not distinguish between people who have recently arrived in the UK versus those who have lived in the country for some time. The variable picture by industry is consistent with the expectation that some industries, such as hospitality, have traditionally relied more heavily on newly arriving migrants while others recruit in larger numbers from the existing workforce. In 2019, for example, hospitality was the industry whose EU workforce was most likely to comprise recent arrivals. An estimated 35% of EU-born workers in hospitality had arrived in the previous five years, well above the average across all industries of 22% or the 18% share in the construction industry (author’s calculations from the Annual Population Survey). The fact that some industries such as construction rely less heavily on workers who have arrived recently implies that the impact of Brexit on those industries may simply take longer to emerge, as more years of low EU migration deplete or at least slow the growth in the EU workforce. It is also possible that some industries became less attractive to prospective EU recruits already in the UK or returning to the UK with existing (EUSS) work authorisation.

Are employers experiencing shortages?

There are certainly signs that the labour market in 2022 is tight, i.e., that it is more challenging than usual for employers to find workers. Vacancy rates have risen sharply in the UK,

particularly in hospitality and health¹¹ and one third of businesses with at least 10 employees said that they were facing staff shortages in early April 2022.¹² The number of people job-hopping—quitting their jobs and moving to another one—reached a record of more than one million in the fourth quarter of 2021. Among them, 41% moving between industries (ONS, 2022b), although more may have moved occupation within the same industry. Voluntary job moves are an indicator of a tight labour market¹³ and unemployment in the three months to February 2022 was only 3.8%, close to the record lows seen in 2019.¹⁴

Figure 4: UK labour market vacancies by sector



Source: ONS, VACS02, Vacancies by industry, 19 July 2022.



Experimental ONS data based on online job ads paints a similar picture, with many industries showing substantially higher vacancies than pre-pandemic.¹⁵ The same data also suggests substantial variation by geography. At the regional level, estimated growth in vacancy levels

¹¹ Office for National Statistics (ONS). 2022a. VACS02: Vacancies by Industry. Dataset, 12 April 2022, <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/datasets/vacanciesbyindustryvacs02>.

¹² Office for National Statistics (ONS). 2022b. Business insights and impact on the UK economy. Dataset, 21 April 2022. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheukeconomy>

¹³ Cominetti, N., Handscomb, K., Slaughter, H., and Thwaites, G. 2022. Resolution Foundation Labour Market Outlook Q1 2022. London: Resolution Foundation. <https://www.resolutionfoundation.org/publications/labour-market-outlook-q1-2022/>

¹⁴ Office for National Statistics (ONS). 2022c. A02 NSA: Employment, unemployment and economic inactivity for people aged 16 and over and aged from 16 to 64 (not seasonally adjusted). Dataset. Newport: ONS. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/nsaemploymentunemploymentandeconomicinactivityforpeopleaged16andoverandagedfrom16to64a02>

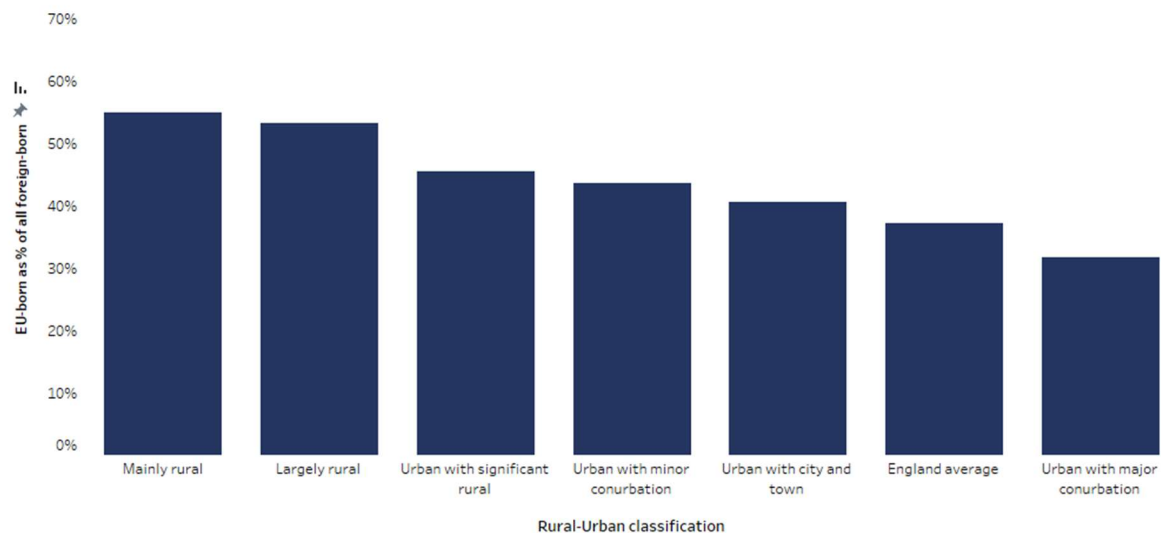
¹⁵ Office for National Statistics (ONS). 2022f. Online job advert estimates. Dataset, 19 May 2022. Newport: ONS. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/onlinejobadvertestimates>

in the year ending mid-May 2022 was highest in Scotland (36%) and London (26%).¹⁶ Analysis of vacancy rates in the summer of 2021, based on data below the regional level, showed stronger growth in vacancy levels in more rural areas such as Cornwall and Cumbria—potentially reflecting the particular impact of the pandemic on cities and the lower impact on areas with high public sector employment.¹⁷ Indeed, unemployment tends to be lower in more rural locations.¹⁸ For example, in 2021 the estimated unemployment in Great Britain was 4.4%, but largely rural areas such as Cumbria (2.8%), Cambridgeshire (3.6%), Suffolk (3.0%), and Cornwall (3.5%) experienced lower rates.¹⁹

The type of migration that different parts of the UK experience also differs. In particular, higher shares of the population of urban areas (and particularly London) are foreign born. But migrants who live in rural areas are much more likely to be from EU countries. In 2019, before the pandemic, more than half of foreign-born residents in local authorities with mostly rural populations were from EU countries compared to only 32% in major conurbations (Figure 5).

Figure 5: EU born migrants by rural-urban classification

EU-born as share of all foreign-born in local authorities in England, by Rural-Urban classification
2019 estimates



Source: ONS, Population by Country of Birth and Nationality, 2019; and DEFRA, Rural-Urban Classification.
Note: 'Mainly rural' local authorities have over 80% of the population living in rural areas; 'largely rural' LAs have 50-79%; and 'urban with significant rural' LAs 26-49%.



¹⁶ Office for National Statistics (ONS). 2022f. Online job advert estimates. Dataset, 19 May 2022. Newport: ONS. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/onlinejobadvertestimates>

¹⁷ Cockett, J., and Wilson, T. 2021. Situations vacant: Online job adverts during the crisis and recovery. IES briefing, 30 June 2021. <https://www.employment-studies.co.uk/resource/situations-vacant-online-job-adverts-during-crisis-and-recovery>

¹⁸ DEFRA. 2021a. Statistical Digest of Rural England: March 2021 edition. London: DEFRA. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002708/02_Statistical_Digest_of_Rural_England_2021_March_edition.pdf

¹⁹ Nomis (2022). [Annual Population Survey - Employment by occupation \(SOC2010\) by sex](#). Office for National Statistics.

Is Brexit the cause of the tight labour market?

Many high-income economies are currently experiencing high vacancy rates during the recovery from the pandemic, which suggests that the end of free movement is by no means the only cause.²⁰ For example, several other countries have faced disruption in the aviation industry due to a lack of staff²¹ and shortages of HGV drivers²² despite not having seen big changes to their immigration policies. Unemployment rates have been very low in some comparable high-income countries too. For example, in May 2022 unemployment was 2.8% in Germany, 3.3% in the Netherlands, and 3.6% in the United States.²³ Job vacancy rates in the EU increased sharply in 2021 and 2022, exceeding pre-pandemic levels.²⁴

The rise in vacancies in the UK has been highest in jobs that relied most heavily on EU workers pre-pandemic, such as warehouse workers²⁵ potentially reflecting persistently unfilled vacancies as outmigration reduces the number of workers available. However, there are other competing explanations, such as high job turnover following the pandemic recession and larger numbers of people becoming economically inactive (e.g., retiring early). Higher inactivity among people over the age of 50 has been the most important contributor to the decrease in the size of the workforce compared to what might have been expected based on pre-pandemic trends.²⁶

Disentangling the impacts of the end of free movement from other quirks of the post-pandemic labour market is thus difficult. Indeed, where employers face difficulties recruiting sufficient staff, often it is because multiple factors come together, including longer-term trends such as low pay growth making some jobs less attractive.

For example, the Migration Advisory Committee's review of the social care workforce found that the industry was facing serious staff shortages that were having a significant impact on the quality and availability of adult social care. It found that these shortages had been exacerbated by the end of free movement but was fundamentally driven by other factors—most notably years of insufficient funding.²⁷ Similarly, a high-profile shortage of HGV drivers in the second half of 2021 had multiple potential causes, including a decline in EU driver numbers but also a gradual decline in the attractiveness of the industry to UK workers over

²⁰ Duval, R., Ji, Y., Li, L., Oikonomou, M., Pizzinelli, C., Shibata, I., Sozzi A., and Tavares, M. 2022. Labor market tightness in advanced economies. IMF Staff Discussion Note SDN/2022/001. <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2022/03/30/Labor-Market-Tightness-in-Advanced-Economies-515270>

²¹ Kotoky, A., Whitley, A., and Philip, SV. 2022. Airline Staff Shortages Threaten to Ruin Millions of Summer Holidays. *Bloomberg UK*, 16 June 2022. <https://www.bloomberg.com/news/articles/2022-06-16/airlines-were-totally-unprepared-when-travel-came-roaring-back>

²² Arnold, M., and Vladkov, A. 2021. Europe's trucker shortage becoming 'extremely dangerous'. *Financial Times*, 13 October.

²³ Eurostat. 2022a. Euro area unemployment at 6.6%. Eurostat Euroindicators, 30 June. <https://ec.europa.eu/eurostat/documents/2995521/14644611/3-30062022-AP-EN.pdf/25600168-6872-9590-d521-6cc783a7ccf2?t=1656526799665>.

²⁴ Eurostat. 2022b. Job vacancy statistics. Eurostat data page, accessed 21 July. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Job_vacancy_statistics

²⁵ Joyce, R., Postel-Vinay, F., Spittal, P., and Xu, X. 2022. Job opportunities after the pandemic. IFS briefing note BN342, Institute for Fiscal Studies. <https://ifs.org.uk/uploads/BN342-Job-opportunities-after-the-pandemic%20%282%29.pdf>

²⁶ IES. Labour market statistics: March 2022. IES briefing note, Institute for Employment Studies, March. <https://www.employment-studies.co.uk/resource/labour-market-statistics-march-2022>

²⁷ Migration Advisory Committee (MAC). 2022a. Review of adult social care 2022. London: Migration Advisory Committee. <https://www.gov.uk/government/publications/review-of-adult-social-care-2022>

the years and a sharp decline in driving tests due to Covid-19 related restrictions.²⁸ Research on labour shortages in 2021 found deeper and longer-term causes of employers' difficulties recruiting staff in low-wage industries such as transportation and warehousing, including poor working conditions, hours, promotion opportunities or job security contributed to employers' difficulties recruiting staff. The same analysis found that limited management skills made it harder for employers to adjust to lower labour supply, for example by adopting new technologies, increasing productivity or making jobs more attractive.²⁹

How are employers responding to the end of free movement?

In principle, there are various different ways employers could respond to the end of free movement:

- Attracting more workers from the UK workforce (whether UK born or migrants who already live in the UK), for example by raising wages, improving working conditions, being more flexible on hours and contracts, or strategies to diversify the workforce;
- Recruiting workers from abroad, usually by sponsoring them on a work visa;
- Reducing the need for workers, e.g., through automation, switching to less labour-intensive goods and services, or cutting back production in the UK.

Wages and other strategies to attract and retain workers

Policy debates about migration often focus on the first of the adjustments outlined above, i.e., attracting more UK workers and ignore the fact that other responses also exist. In theory, we should not expect employers' *primary* response to be to raise wages and attract more UK workers, since past research has generally found that immigration has limited impacts on wages.³⁰ Where there are impacts on wages, they are expected to be relatively short lived and disappear within a few years as the economy adjusts to accommodate newly arrived workers.³¹

In general, tighter labour markets—with high vacancy rates and low unemployment—are expected to cause higher wage growth at least in the short term, as employers seek to attract or retain staff.³² However, during the pandemic period and the first months of the post-Brexit immigration system in the UK, analysis from the Institute for Fiscal Studies suggests that there has been no correlation between rising vacancies (which have been higher in jobs reliant previously on EU workers) and wage growth. It concludes that vacancies did not push up

²⁸ Office for National Statistics (ONS). 2021b. Fall in HGV drivers largest among middle-aged workers. Newport: ONS.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/fallinhgvdriverslargestamongmiddleagedworkers/2021-10-19>

²⁹ CIPD. 2021. Addressing skills and labour shortages post-Brexit. London: CIPD. <https://www.cipd.co.uk/knowledge/work/trends/skills-labour-shortages#gref>

³⁰ See example: Vargas-Silva, C. 2020. The labour market effects of immigration. Oxford: Migration Observatory. <https://migrationobservatory.ox.ac.uk/resources/briefings/the-labour-market-effects-of-immigration/>

³¹ Peri, G. 2010. The impacts of immigrants in recession and economic expansion. Washington DC: Migration Policy Institute. <https://www.migrationpolicy.org/pubs/Peri-June2010.pdf>; Migration Advisory Committee (MAC). 2020a. A points-based system and salary thresholds for immigration. London: Migration Advisory Committee. <https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-points-based-system-and-salary-thresholds>

³² Cominetti, N., Handscomb, K., Slaughter, H., and Thwaites, G. 2022. Resolution Foundation Labour Market Outlook Q1 2022. London: Resolution Foundation. <https://www.resolutionfoundation.org/publications/labour-market-outlook-q1-2022/>; Duval, R., Ji, Y., Li, L., Oikonomou, M., Pizzinelli, C., Shibata, I., Sozzi A., and Tavares, M. 2022. Labor market tightness in advanced economies. IMF Staff Discussion Note SDN/2022/001. <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2022/03/30/Labor-Market-Tightness-in-Advanced-Economies-515270>

wages from 2019 to 2022. In fact, the hospitality industry, which saw one of the largest declines in the share of EU citizens in employment from June 2019 to June 2021 (see Figure 1, above) was one of the industries with the lowest wage growth during that period.³³

A survey of employers in June-July 2021 found that most employers facing recruiting difficulties did not plan to raise wages in response (77%), although the share that did plan to do so had increased from 16% in 2018 to 23% in 2021.³⁴ Initial qualitative evidence from the ESRC LIMITS project found that some employers were increasing the use of signing-up bonuses (e.g., for delivery drivers) and that some had raised pay, although wage increases were more feasible for larger than smaller businesses.³⁵ Some employers struggled to raise wages at the same time that other input costs were increasing, such as energy (Logistic sector employer interview, April 2022 LIMITS project).

In other words, the early figures have not shown any evidence that tight labour markets—whether due to lower EU migration or other factors—have increased wage growth in low-wage jobs. Also unclear is how long any wage effects of immigration would last even if they do start to emerge. In theory, increased wages are expected to encourage employers to reduce the number of people they employ, either by turning to alternatives, such as automation; or by passing on costs to consumers via higher prices. Higher prices should in turn mean lower demand for UK-produced goods and services, as consumers either buy less or turn towards imported goods. As more data become available on wages in the coming months, the short-term effects of lower immigration on wages may start to become clearer, although it could be some years before it would be possible to confirm the expectation that ending free movement has not had a large impact on wages.

Finally, early qualitative evidence found that some employers have sought to compensate for a lower number of EU workers by diversifying their workforce, although the scale of these activities is difficult to assess. Specific strategies included employing prisoners who were released on temporary licence (e.g., in warehousing jobs); and working with the Department of Work and Pensions to get the long-term unemployed into the sector or—in the care sector—looking for ways of employing asylum seekers.³⁶

Recruiting migrants from overseas

Can employers who previously might have hired EU workers under free movement rules instead recruit under the new immigration system, for example by sponsoring EU and non-EU workers instead? For the most part, the immigration system is only designed to permit the

³³ Office for National Statistics (ONS). 2022d. Earnings and employment from Pay As You Earn Real Time Information, seasonally adjusted. Dataset. Newport: ONS.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted>

³⁴ CIPD. 2021. Addressing skills and labour shortages post-Brexit. London: CIPD.

<https://www.cipd.co.uk/knowledge/work/trends/skills-labour-shortages#gref>

³⁵ Alberti, G., Bessa, I., Cutter, J., Dolezalova, M., and Forde, C. 2022. Labour mobility post-Brexit: a sectoral and multi-scalar approach to changing migration regulation, impact on labour processes and social dialogue. Paper presented at the 41st International Labour Process Conference. https://business.leeds.ac.uk/downloads/download/269/labour_mobility_post-brexit.

³⁶ Asylum seekers whose applications have been pending for at least 12 months can apply for the right to work but only in occupations on the shortage occupation list; this list has traditionally only included skilled roles that are difficult for refugees or asylum seekers to secure, but from February 2022 also include care jobs; Alberti, G., Bessa, I., Cutter, J., Dolezalova, M., and Forde, C. 2022. Labour mobility post-Brexit: a sectoral and multi-scalar approach to changing migration regulation, impact on labour processes and social dialogue. Paper presented at the 41st International Labour Process Conference. https://business.leeds.ac.uk/downloads/download/269/labour_mobility_post-brexit

recruitment of non-EU workers directly from overseas in skilled jobs i.e., those that meet skill requirements and salary requirements.

Most of the industries that had above-average shares of EU migrants before the pandemic, such as hospitality, transportation and storage, manufacturing, construction, and admin and support services, were low users of Skilled Worker Route visas in 2021 (Figure 6a). Looking at the results by occupation (Figure 6b), it is clear that many occupation groups that have relied heavily previously on EU migrants sponsored no migrants on skilled work visas at all, because they were ineligible. However, even where jobs are eligible and occupations have in the past relied significantly on EU workers, there are often very low rates of sponsorship. For example, just under 8% of workers in the skilled construction and building trades were EU born in 2018-2020 (82,000 EU migrants), but employers sponsored only 123 people in this occupation group in 2021.

Low sponsorship rates in most middle-skilled jobs that previously relied on EU citizens is likely to result in part from the costs and bureaucracy associated with the using the immigration system, which are highest as a share of existing employment costs for lower-paid workers.³⁷ In theory, such concerns about costs may increase in the current context of high inflation. Some smaller employers also perceive sponsoring migrants on work visas as risky – concerned, for example, that inadvertent non-compliance with rules on monitoring employees could mean they lose their license.³⁸

Because there are start-up costs involved in becoming a sponsor and learning how to sponsor workers, it is possible that larger numbers of employers will turn to the work visa system over time. Qualitative research from the ESRC LIMITS project found that employers in the care sector in particular were often considering sponsoring non-EU citizens, though in some cases were reluctant to do this due to the significant costs.³⁹

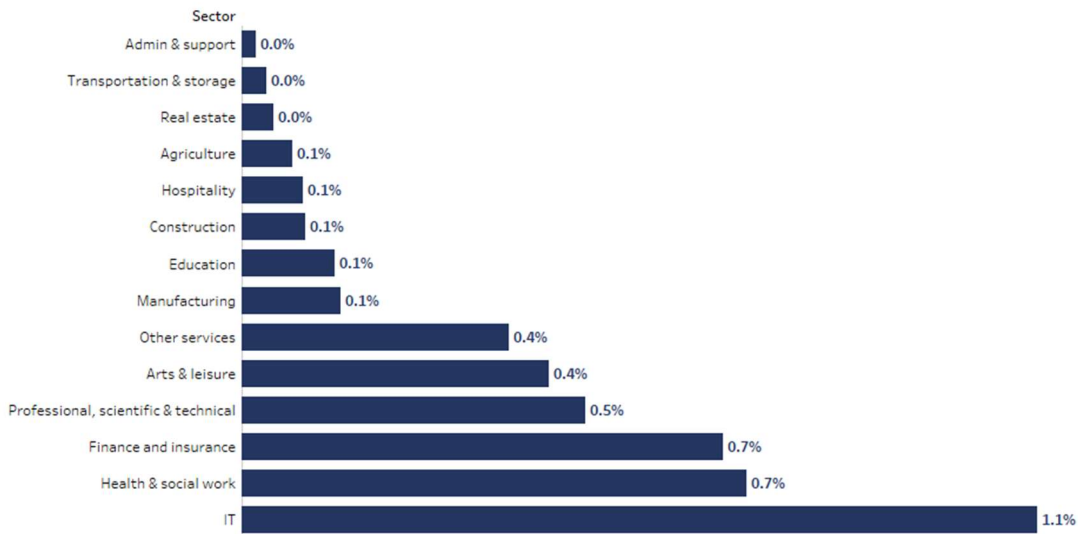
³⁷ Migration Advisory Committee (MAC). 2021. Annual Report. London: Migration Advisory Committee. <https://www.gov.uk/government/publications/migration-advisory-committee-annual-report-2021>

³⁸ Migration Advisory Committee (MAC). 2022a. Review of adult social care 2022. London: Migration Advisory Committee. <https://www.gov.uk/government/publications/review-of-adult-social-care-2022>

³⁹ Alberti, G., Bessa, I., Cutter, J., Dolezalova, M., and Forde, C. 2022. Labour mobility post-Brexit: a sectoral and multi-scalar approach to changing migration regulation, impact on labour processes and social dialogue. Paper presented at the 41st International Labour Process Conference. https://business.leeds.ac.uk/downloads/download/269/labour_mobility_post-brexit.

Figure 6a: Users of the Skilled Worker Route visas by sector

Skilled sponsored workers (EU and non-EU) in 2021
 % of total employment in the sector, Jan 2021

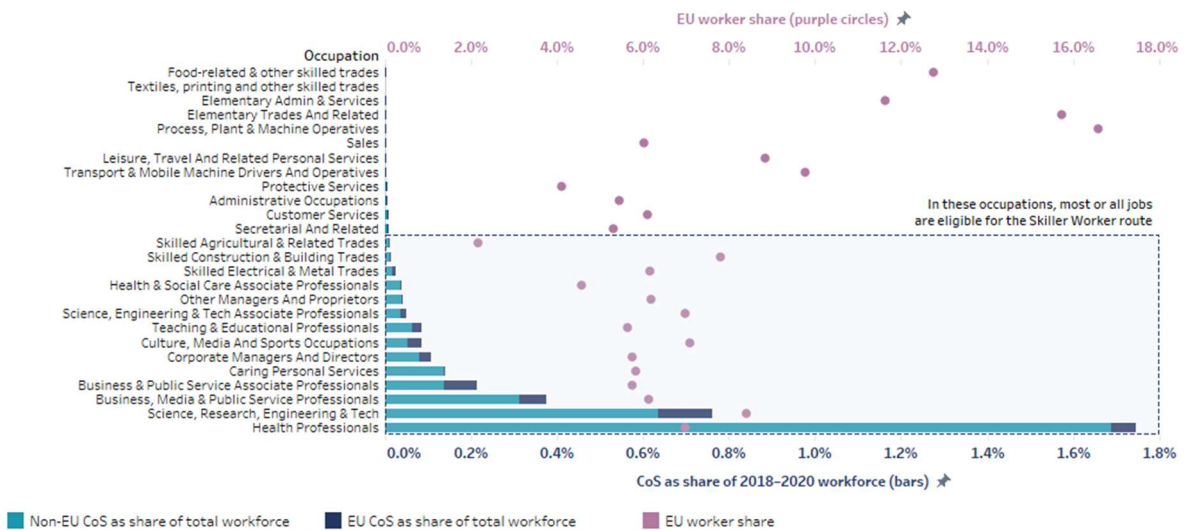


Source: ONS, Employments from Pay As You Earn Real Time Information: Ad hoc estimates of payrolled employees by NUTS1 region and nationality, seasonally adjusted; and FOI 68831 (Home Office management information).
 Notes: CoS data are for out of country visas only.



Figure 6b: Users of the Skilled Worker Route visas by occupation

Skilled Worker Certificates of Sponsorship (CoS) granted in 2021
 As a share of the 2018–2020 workforce



Source: ONS, Employments from Pay As You Earn Real Time Information: Ad hoc estimates of payrolled employees by NUTS1 region and nationality, seasonally adjusted; and FOI 68831 (Home Office management information).
 Notes: CoS data are for out of country visas only.



Indeed, among the relatively limited number of employers (just over 2,600) who sponsored at least one EU worker in 2021, two thirds already had recent experience of the immigration system—i.e., had sponsored non-EU workers since 2017 (Table 1). The fact that recent sponsors of EU migrants already had experience sponsoring non-EU migrants implies that the

start-up costs involved in becoming a sponsor and learning how to sponsor workers has played a role in discouraging use of the new immigration system. It remains to be seen to what extent employers' reticence changes over time as employers become more familiar with it.

Table 1: Are employers sponsoring EU workers also sponsoring non-EU workers?

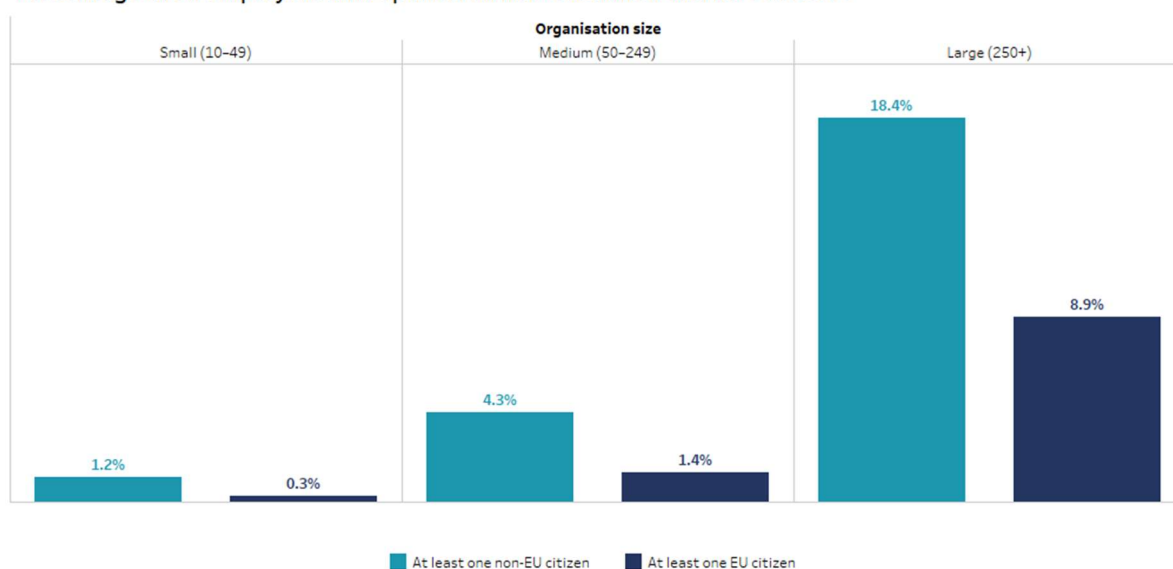
Employer sponsored....	Employer size									
	Micro		Small		Medium		Large		Total	
Only EU citizens (2021)	27%	232	37%	322	22%	194	14%	119	100%	867
Only non-EU citizens (2017-2021)	32%	4,186	33%	4,326	20%	2,684	15%	1,950	100%	13,146
Both	9%	161	22%	389	22%	389	46%	816	100%	1,755
Total	29%	4,579	32%	5,037	21%	3,267	18%	2,885	100%	15,768

Source: FOI 69251, Home Office management information. Note: figures include employers who sponsored at least one EU citizen in 2021, or at least one non-EU citizen from 2017-2021 inclusive.

In 2021, large employers were much more likely to have sponsored EU workers than smaller employers. Figure 7 compares data on the number of Skilled Worker route sponsors of different sizes to estimates of the number of employers in the UK as a whole. An estimated 9% of the UK's large employers (250 employees or more) sponsored at least one EU worker in 2021 compared to 0.3% of small employers (10-49 employees) (Figure 7). Employers in all size bands were more likely to have sponsored non-EU than EU employees, but the relative gap was larger among small employers (i.e., four times more likely to sponsor non-EU than EU workers, compared to just over twice as likely for the largest employers).

Figure 7: Employer sponsorship of non-UK skilled workers (%)

Percentage of all employers who sponsored non-UK Skilled Workers in 2021



Source: Skilled worker sponsorship data from FOI 69251; data on number of employers from Inter-Departmental Business Register (IDBR) taken on 12 March 2021.

Note: There is a small discrepancy in employer size data between Home Office and IDBR. IDBR size bands are shown in the chart. Home Office size bands are for 10-50, 51-250 and 251+ employees respectively. Micro employers are excluded because IDBR figures include large numbers with zero employees, who will by definition not be included in Home Office data for companies sponsoring employees.



Are employers substituting EU with non-EU workers?

From 2019 to 2021, the EU migrant workforce fell at the same time that the number of non-EU workers increased, raising the question whether employers have substituted from EU to non-EU workers.⁴⁰ For the most part, however, the industries that have driven the increase in non-EU citizen employment are not the same ones that drove the decrease in EU citizen employment. In particular, the biggest decline in EU employment was in hospitality, where very few jobs are eligible for work visas, while the increase in non-EU workers was driven by the health sector (ibid).

One notable exception is the agricultural industry, where employers have been able to recruit non-EU citizens using the Seasonal Workers visa (the available numbers of which substantially increased in 2021 after free movement ended). In June 2021, the number of EU-citizen held jobs in agriculture was 13,000 (28%) lower than it had been in the same month two years earlier (Figure 2, above). At the same time, agricultural employers turned in large numbers to the Seasonal Workers visa, which expanded in 2021 to 30,000 places (with 29,600 visas granted).

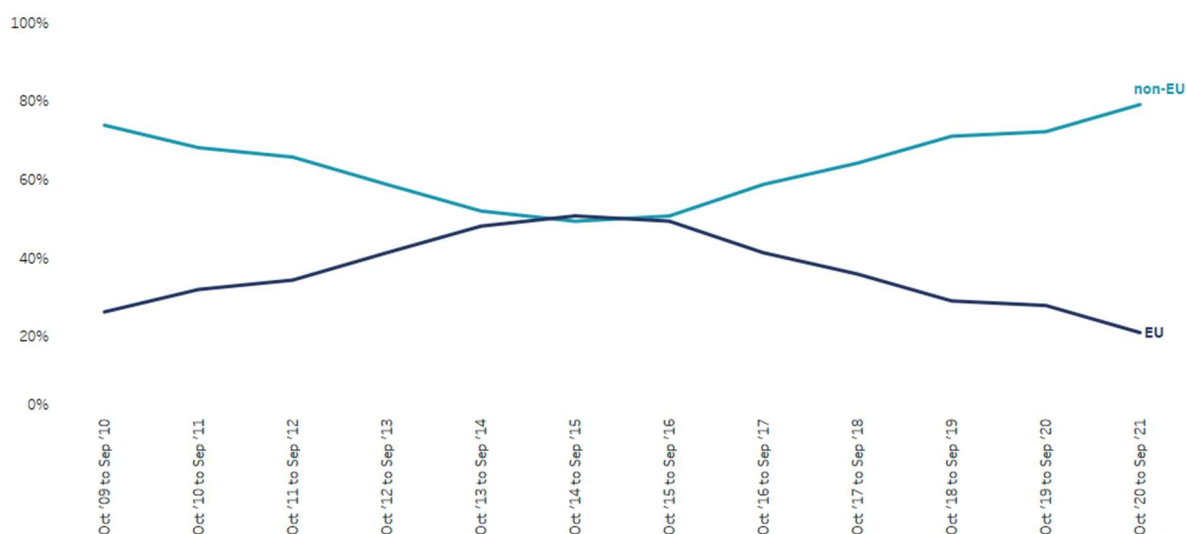
Another industry where there is some evidence of substitution of EU with non-EU workers is health, although this trend predates the post-Brexit immigration system and instead started at around the time of the EU referendum. Before the Brexit referendum, new staff joining the NHS had increasingly come from EU countries and by 2016 roughly half of new joiners from outside the UK were EU nationals (excluding those whose nationality is not known) (Figure 8). This trend reversed from late 2016 onwards, and by the year ending September 2021 only 21% of non-UK new joiners were from EU countries. Health is arguably in a better position than many other industries to pivot towards non-EU recruitment in response to lower EU migration since it has a high share of roles eligible for skilled work visas and comprises large employers who have already been large-scale users of the visa sponsorship system for some years.⁴¹ Note that the UK-national workforce also expanded during most of the period covered in Figure 8.

⁴⁰ Office for National Statistics (ONS). 2022e. Changes in payrolled employments held by non-UK nationals during the coronavirus (COVID-19) pandemic and EU Exit periods. Newport: ONS. <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/article/s/changesinpayrolledemploymentsheldbynonuknationalsduringthecoronaviruscovid19pandemicandeuexitperiods/2022-03-01>

⁴¹ See example for a discussion: Migration Advisory Committee (MAC). 2016. Migration Advisory Committee (MAC) partial review: shortage occupation list and nursing. London: MAC. <https://www.gov.uk/government/publications/migration-advisory-committee-mac-partial-review-shortage-occupation-list-and-nursing>

Figure 8: New EU and non-EU staff joining the NHS

EU and non-EU staff joining the NHS, as share of non-UK joiners FTE, excluding those of unknown nationality



Source: NHS Hospital and Community Health Services (HCHS): Annual turnover of HCHS staff by staff group, grade, customer specified nationality group and NHS England region, in NHS Trusts & CCGs in England, between 30 September each year, 2009 to 2021, full time equivalent & percentage.
 Note: Figures are presented as a percentage of EU or non-EU new joiners. This is because from 2019 to 2021 the share of workers with 'unknown' nationality substantially decreased due to improvements in data collection; therefore presenting the figures as absolute numbers can distort the overall picture.



In other words, there have been some cases where there is clear evidence that employers have been able to respond to lower EU migration by recruiting staff on work visas. In most of the jobs previously particularly reliant on EU workers, however, employers have not turned to the work visa system in large numbers, whether because they are not eligible or because of the costs and perceived risks of doing so.

Qualitative evidence gathered by the Migration Advisory Committee suggests that while some employers responded to recruitment difficulties through migration, more common strategies were to look to recruit migrants in the UK or to extend or invest in more existing recruitment campaigns. That said, some recruitment strategies affect the reliance on migrant workers, particularly network recruitment and recruitment through social media, which 'perpetuated and even embedded the recruitment of migrants into the workforce'.⁴²

Note that one important consequence of the larger number of workers coming to the UK under the new immigration system is that they have more restricted rights than EU citizens who worked in the UK under free movement rules. For example, Seasonal Worker visa holders require the permission of the private contractors that operate the scheme if they want to move between jobs, and Skilled Workers must find a new employer who is willing to sponsor them within 60 days if they leave or lose their job. Work visa holders also have no access to in-work benefits if they are on low wages, or to out-of-work benefits if they become unemployed. The policy implications of these restrictions are discussed further below.

⁴² Migration Advisory Committee (MAC). 2022b. Migration Advisory Committee Research Paper: skills shortages and employers of migrant workers. London: MAC. <https://www.gov.uk/government/publications/skills-shortages-and-employers-of-migrant-workers/migration-advisory-committee-research-paper-skills-shortages-and-employers-of-migrant-workers-accessible>

Reducing demand for workers

In the medium to long run, industries that relied on EU migrants can adopt a number of strategies to mitigate this need. First, one of the main impacts of the changing shape of the workforce under the new immigration system should be that industries that were most reliant on EU workers grow less quickly than they would have done if free movement had continued.⁴³

Put simply, one likely response to the difficulty of recruiting workers is to produce less. About half of employers who said they were facing staff shortages in the February/March 2022 ONS Business Insights survey said that as a result they were “unable to meet demands”—suggesting that business growth was constrained.⁴⁴

The Migration Advisory Committee’s⁴⁵ report on social care found evidence that worker shortages (not primarily resulting from the end of free movement but exacerbated by it) had meant that less care could be provided. As a result, some care providers had been handing back contracts that they could not fulfil, and people with disabilities who had previously directly employed care workers found it increasingly difficult to do so.

Second, there is some early qualitative evidence of firms using practices that rely less on EU migrant workers since the end of free movement. For example, research in the horticultural sector found that UK growers facing staff shortages had in some cases moved production overseas or invested in automation in pack houses to reduce their demand for workers.⁴⁶ Moreover, qualitative research in late 2021 and early 2022 found that employers in some sectors that relied heavily on EU migrants under free movement, such as warehousing and food and drinks manufacturing, were automating more processes and that there was even some increased use of digital telehealth technologies in the care sector.⁴⁷

However, the potential for automation is limited by the cost of making initial investments and by the available technologies. ONS has estimated the extent to which different jobs are ‘at risk’ from automation—i.e., in which automation is reasonably feasible—showing wide differences between roles. Low-wage jobs that were relatively amenable to automation included waiter and waitress roles, shelf fillers, and kitchen assistants; while care workers and certain customer service roles were less so.⁴⁸ Qualitative evidence has found that in many

⁴³ Migration Advisory Committee (MAC). 2018. EEA migration to the UK: Final report. London: Migration Advisory Committee. <https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-eea-migration>

⁴⁴ Office for National Statistics (ONS). 2022b. Business insights and impact on the UK economy. Dataset, 21 April 2022. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheukeconomy>

⁴⁵ Migration Advisory Committee (MAC). 2022a. Review of adult social care 2022. London: Migration Advisory Committee. <https://www.gov.uk/government/publications/review-of-adult-social-care-2022>

⁴⁶ Barbulescu, R., Vargas-Silva, C., and Robertson, B. 2021. Written Evidence submitted by Dr Roxana Barbulescu, Prof. Carlos Vargas-Silva and Dr Bethany Robertson (LS0035). Written evidence to the Environment, Food and Rural Affairs Committee. <https://committees.parliament.uk/writtenevidence/40060/pdf/>

⁴⁷ Alberti, G., Bessa, I., Cutter, J., Dolezalova, M., and Forde, C. 2022. Labour mobility post-Brexit: a sectoral and multi-scalar approach to changing migration regulation, impact on labour processes and social dialogue. Paper presented at the 41st International Labour Process Conference. https://business.leeds.ac.uk/downloads/download/269/labour_mobility_post-brexit.

⁴⁸ Office for National Statistics (ONS). 2019. Which occupations are at highest risk of being automated? Newport: ONS. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/whicheccoccupationsareathighestriskofbeingautomated/2019-03-25>

production processes and job roles employers only envisage opportunities for partial automation.⁴⁹

The costs of automating can also be prohibitive, particularly for small and medium-sized enterprises. Looking at the meat industry, for example⁵⁰ argue that adopting available meat processing technologies is more feasible for large operators (who could actually reduce their costs in the long run by doing so, putting smaller operators that did not mechanise at a competitive disadvantage). In addition to the direct costs, employers across all sectors may face costs and challenges resulting from the need to upskill existing workforces for more automated environments.⁵¹

Finally, one likely response to difficulty recruiting workers is producing less. About half of employers who said they were facing staff shortages in the February/March 2022 ONS Business Insights survey said that as a result they were “unable to meet demands”—suggesting that business growth was constrained.⁵²

What are the implications for immigration policy?

It is still too early to fully assess the impacts of the end of free movement and the introduction of the new immigration system. The data available at the time of writing in June 2022 suggested that many employers in industries that previously relied heavily on EU migration were finding it difficult to recruit, but that this has not necessarily translated into high wage growth for low-wage workers. The end of free movement is likely to have played some role in the tight labour market, but is not the only factor and broadly similar patterns have played out in other high-income countries as they have emerged from the pandemic.

While some employers have turned to overseas recruiting under the new immigration system, this strategy has not been the norm in lower-wage industries, probably as a result of the new system’s eligibility criteria and costs. The consequences of employers’ greater difficulty recruiting are still playing out. In theory, shortages are expected to be short term and translate into slower employment growth in lower-wage jobs or a reduction in demand for these goods and services as the costs of automation or wage increases translate into higher prices. There is some emerging but still limited evidence that adjustments are taking place, with some employers exploring automation or reducing the amount of activity in response to staff shortages. More research and data will be needed over the coming 1-2 years to make a full assessment.

These early findings raise various questions from a policy perspective. In particular, if there are shortages in some parts of the labour market that have been exacerbated by the end of free movement, 1) does it matter and 2) what can or should policymakers do about it?

⁴⁹ Migration Advisory Committee (MAC). 2022b. Migration Advisory Committee Research Paper: skills shortages and employers of migrant workers. London: MAC.

<https://www.gov.uk/government/publications/skills-shortages-and-employers-of-migrant-workers/migration-advisory-committee-research-paper-skills-shortages-and-employers-of-migrant-workers-accessible>

⁵⁰ Baboolall, D., Christiani, P., Nilsson, K., and Uchoa, R. 2020. Achieving optimal yields and efficiency in European meat processing. McKinsey & Company article, 30 January 2020. <https://www.mckinsey.com/industries/agriculture/our-insights/achieving-optimal-yields-and-efficiency-in-european-meat-processing>

⁵¹ CIPD. 2021. Addressing skills and labour shortages post-Brexit. London: CIPD. <https://www.cipd.co.uk/knowledge/work/trends/skills-labour-shortages#gref>

⁵² Office for National Statistics (ONS). 2022b. Business insights and impact on the UK economy. Dataset, 21 April 2022. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheukeconomy>

Are labour shortages a problem?

There is no consensus on whether shortages of workers in low-wage jobs are a problem and whether immigration policy should attempt to prevent them. Free movement from 2004 onwards facilitated the growth in some labour-intensive industries. As a result, the UK has larger labour-intensive industries—for example, higher production of soft fruit—than it is likely it would have done in the absence of free movement.⁵³ However, there is no optimal size of each industry—and thus no reason to believe that the UK *needs* a hospitality or horticulture industry of a particular size. As noted above, the main long-run impact in the long term of restricting the growth in the low-wage labour force by ending free movement likely to be that the industry composition of the economy will be slightly different.⁵⁴ Analysis of the impacts of ending free movement has suggested that the economic effects on aggregate measures such as GDP per capita are likely to be small.⁵⁵

However, the transition from one model to another can be disruptive in the short run. The process of ‘adjustment’ as employers whose business models relied on free movement adapt to a system with many fewer migrant workers could involve automation and wage rises in some cases, but will involve business closures and job losses in others. Some industries are also unable to adjust due to external constraints; for example, wage rises have not been possible in social care due to a funding model premised on the notion that workers will receive the minimum wage.⁵⁶

The argument that the effects of free movement are small on average also masks different and potentially longer-lasting impacts in different locations. For example, sparsely populated areas that have relied on a thriving seasonal hospitality industry will not necessarily be able to replace that activity with something else if the hospitality industry declines. Hospitality makes up a higher share of businesses and of employment in some types of area, particularly villages, towns and cities located with wider areas that are sparsely populated. For example, in 2019/20, 14.6% of businesses in towns and cities located in sparsely populated regions in England were in hospitality, compared to 6.4% for England as a whole.⁵⁷

Even though rural areas tend to have relatively low shares of migrants in the workforce, employers in these areas can also face specific difficulties recruiting workers, particularly in seasonal jobs, due to the sparse population and the fact that rural unemployment is on average substantially lower than in urban areas.⁵⁸ Challenges attracting workers from other parts of the UK may also result from the fact that housing in predominantly rural areas is on

⁵³ Migration Advisory Committee (MAC). 2018. EEA migration to the UK: Final report. London: Migration Advisory Committee. <https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-eea-migration>

⁵⁴ In theory, this is because with a lower supply of labour, labour-intensive industries would face higher costs and these costs would be expected to feed through into higher prices; consumers are then expected to consume less or switch to other goods and services (including imported goods).

⁵⁵ Migration Advisory Committee (MAC). 2018. EEA migration to the UK: Final report. London: Migration Advisory Committee. <https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-eea-migration>; Portes, J. (2022). *The economics of Brexit: What have we learned?* UK in a Changing Europe.

⁵⁶ Migration Advisory Committee (MAC). 2022a. Review of adult social care 2022. London: Migration Advisory Committee. <https://www.gov.uk/government/publications/review-of-adult-social-care-2022>

⁵⁷ DEFRA. 2021a. Statistical Digest of Rural England: March 2021 edition. London: DEFRA. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002708/02_Statistical_Digest_of_Rural_England_2021_March_edition.pdf

⁵⁸ DEFRA. 2021b. Rural economic activity. Official statistics, 25 November. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1035969/Economic_Activity_Nov_2021.pdf

average less affordable due to lower wages and housing supply.⁵⁹ (Note that employers using seasonal worker schemes tend to provide housing). This is one reason that the Migration Advisory Committee, 2018⁶⁰ recommended a pilot work visa programme targeting remote areas, on the basis that the labour markets in these parts of the UK are somewhat different and there are fewer alternative options available to employers.

Finally, different parts of the economy are linked. Shortages of workers in some jobs may have negative effects on other parts of the supply chain: for example, drivers and warehouse workers are critical to retail and many other industries.⁶¹ Some occupations will have more strategic importance than others, although it would be difficult to identify them in a systematic, evidence-based way.

In summary, shortages in low-wage jobs may be transient and if they are not addressed through migration policy the economy is expected to adjust in other ways with relatively small long-term impacts in aggregate. However, some shortages may be more costly to the rest of the economy than others in the short term. Others may never resolve themselves, for example in the case of poorly funded public services where employers cannot raise pay. And if the end of free movement led to a relative decline in some low-wage intensive industries, this may not have large macroeconomic impacts; but it could have a permanent impact on certain parts of the UK, such as towns in rural areas that rely more heavily on hospitality and where previous cohorts of migrants were more likely to be from EU countries.

What are the immigration policy options for addressing shortages?

If policymakers want to use the immigration system to help mitigate shortages, options for doing so fall into three main categories:

- Making low-wage jobs eligible for work visas, either through employer-sponsored schemes or unsponsored ones such as an expanded Youth Mobility visa;
- Reducing the costs employers face when sponsoring non-UK workers on skilled work visas, e.g., by cutting administrative requirements; and
- Expanding the Shortage Occupation List or updating it more often.

These proposals have advantages and disadvantages, which are discussed next.

⁵⁹ DEFRA. 2022. Statistical Digest of Rural England: Housing Availability and Affordability. London: DEFRA. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1078694/Rural_housing_availability_affordability_completions_affordability_rents_homelessness_temp_accommodation_May_2022.pdf

⁶⁰ Migration Advisory Committee (MAC). 2018. EEA migration to the UK: Final report. London: Migration Advisory Committee. <https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-eea-migration>

⁶¹ Wilkes, M. (2021). [Shortages are really not such a good thing](#). Blog, Freethinking Economist.

Making low-wage jobs eligible for work visas

Since neither of the two major parties are proposing to bring back free movement of EU citizens, any realistic immigration policy option in the current political environment involves work visas of some kind. There are two main ways of doing this: employer sponsored work visas that target specific occupations or industries; and unsponsored visas that do not.

Employer-sponsored visas in low-wage work can be long term or strictly temporary. For example, the current Seasonal Workers scheme offers six-month visas, while the special provisions for care workers introduced in early 2022 are multi-year visas that lead to permanent settlement. Employer-sponsored visas have the potential to mitigate employers' recruiting difficulties when employers have time to plan and take them up. The Seasonal Workers programme, for example, was fully subscribed in 2021 with around 30,000 visas granted; take-up of the short-term HGV driver concession was low,⁶² for reasons that are likely to include the last-minute policy announcement and the limited time available for workers to be recruited and apply for visas.

Employer-sponsored visas in low-wage jobs come with drawbacks, however. First, exploitation and restrictions on rights. Free movement gave EU workers in low-wage jobs broadly similar rights to UK citizens, including the ability to move between employers and access most benefits in the event they lost their job. If workers are admitted doing a particular kind of work (e.g., to address shortages in a specific occupation), their visa will generally tie them to their employer. Even if workers are allowed to switch employers, the fact that they are on a work visa creates administrative barriers and risks that reduces their bargaining power vis-à-vis employers.⁶³ For example, workers may worry that gaps between jobs would make them lose their UK immigration status.⁶⁴ In addition, workers may go into debt to pay recruitment agents and travel to the UK, which reduces their ability to leave exploitative work.⁶⁵ For example, the Bureau of Investigative Journalism found reports in early 2022 that some workers in the existing Seasonal Workers scheme were paying thousands of pounds in recruitment fees.⁶⁶

Any efforts to 'replace' free movement by introducing visa schemes for low-wage work thus risk bringing to the UK workers who have many fewer rights and thus have greater exposure to exploitation than EU citizens did before Brexit. In addition to the ability to move between employers, sector-specific schemes in low-wage work often restrict other rights, such as family unification and the ability to integrate long term with a path to permanent residence. Temporary visas provide less time for workers to develop language skills, knowledge of rights and networks that can increase their ability to protect themselves from exploitation.⁶⁷ For example, the Seasonal Workers scheme—which was the vehicle that was used to provide temporary

⁶² Home Office. 2022. Immigration Statistics, year ending December 2021. London: Home Office. <https://www.gov.uk/government/statistics/immigration-statistics-year-ending-december-2021>

⁶³ Sumption, M. & Fernandez-Reino, M. (2018). [Exploiting the Opportunity? Low-skilled work migration after Brexit](#). UK in a Changing Europe; FLEX and Fife Migrants Forum. 2021. Assessment of the risks of human trafficking for forced labour on the UK Seasonal Workers Pilot. London: FLEX.

⁶⁴ Shutes, I. (2012). 'The Employment of Migrant Workers in Long-Term Care: Dynamics of Choice and Control', *Journal of Social Policy*, 41(1), pp.43-59. doi: <https://doi.org/10.1017/S0047279411000596>

⁶⁵ FLEX and Fife Migrants Forum. 2021. Assessment of the risks of human trafficking for forced labour on the UK Seasonal Workers Pilot. London: FLEX.

⁶⁶ Mellino, E., Pangeni, R., and Patisson, P. 2022. Migrant fruit pickers charged thousands in illegal fees to work on UK farms. Bureau of Investigative Journalism, 27 May 2022, <https://www.thebureauinvestigates.com/stories/2022-05-27/migrant-fruit-pickers-charged-thousands-in-illegal-fees-to-work-on-uk-farms>.

⁶⁷ FLEX. 2018. The risks of exploitation in temporary migration programmes. London: FLEX.

visas to HGV drivers, poultry workers and pork butchers in 2021—is a short-term visa that restricts movement between jobs, does not allow workers to bring family members or access benefits.

While such problems can occur across the immigration system, they are most pressing in low-wage work where the risks of exploitation are already higher. Monitoring and enforcement may help but is resource intensive. The review of the 2019 UK Seasonal Workers pilot programme, which had a quota of only 2,500 visas, noted that the scheme was ‘relatively expensive’ for the Home Office due to the monitoring activities and, even with these monitoring difficulties, still identified substantial exploitation risks.⁶⁸ Aside from simply spending more on proactive inspections, other measures to mitigate the risks of exploitation include providing information to workers about their rights; creating channels for reporting abuses anonymously; providing longer grace periods between jobs and allowing access to public funds; or licensing intermediaries.⁶⁹ Such measures will not eliminate the structural disadvantage that migrants on low-wage work visas face, however, especially if proactive labour inspections are limited.

The drawbacks of exploitation in the work visa system should in principle be balanced against the risk that in the absence of work visa schemes, employers may create demand for even more vulnerable workers with no status at all.⁷⁰ Unauthorised workers are expected to face greater risks of exploitation than those on legal work visas. However, there is insufficient evidence about the impact that work visas have on irregular labour migration to fully assess this potential trade-off, since it is very unlikely that low-wage work visa programmes would substitute for irregular workers one to one.⁷¹

A second challenge is targeting. If work visas are to be targeted at specific occupations or industries that face shortages, the government must decide which jobs should be eligible. Doing so in an evidence-based way is difficult because shortages are difficult to measure and because deciding which shortages are damaging and should be addressed is partly subjective.⁷² By its nature, immigration policy is also relatively slow moving, as it takes time to adjust policy, communicate the changes, wait for applicants to come forward, process their visas and admit them to the country. This slowness may be one reason why take-up of ‘emergency’ visas announced in October 2021 to respond to the perceived shortages of butchers, drivers and poultry workers was relatively low. By the end of the year, the government had issued only 130 visas to HGV drivers and 115 to pork butchers; numbers were higher for poultry workers at 1,845 visas issued.⁷³

A third challenge is administrative burden. Employer-sponsored work visas enable the government to specify what work visa holders can do and impose terms and conditions but in

⁶⁸ DEFRA and Home Office. 2021. Seasonal workers pilot review 2019. London: DEFRA and Home Office. <https://www.gov.uk/government/publications/seasonal-workers-pilot-review/seasonal-workers-pilot-review-2019>

⁶⁹ FLEX. 2018. The risks of exploitation in temporary migration programmes. London: FLEX.

⁷⁰ Camp, D. (2020) The Impact of the new UK Immigration system on human trafficking into the UK. Camberley: Alliance HR. https://www.ihrb.org/uploads/member-uploads/The_impact_on_Human_Trafficking_of_the_new_UK_Immigration_System_-_October_2020.pdf

⁷¹ Cooper, R. (2019). Legal Pathways’ Effects on Irregular Migration. K4D Helpdesk Report, 5 April. <https://www.gov.uk/research-for-development-outputs/legal-pathways-effects-on-irregular-migration>

⁷² Sumption, M. 2022. Shortages, high-demand occupations, and the post-Brexit UK immigration system. *Oxford Review of Economic Policy*, Volume 38, Issue 1, Spring 2022, Pages 97–111, <https://doi.org/10.1093/oxrep/grab046>.

⁷³ Home Office. 2022. Immigration Statistics, year ending December 2021. London: Home Office. <https://www.gov.uk/government/statistics/immigration-statistics-year-ending-december-2021>

doing so it also creates costs and paperwork that makes the programmes difficult for some employers to use, as discussed above.

An alternative to employer-sponsored visas that does not face the same problems is an unsponsored visa route such as the Youth Mobility Scheme (YMS) in which workers can do any work and are not tied to specific employers or jobs. YMS visas are open to 18-30-year-old nationals from a limited number of countries with which the UK has concluded bilateral agreements, and last for 2 years. YMS visa grants dropped substantially during the pandemic, from over 20,000 per year in 2018 and 2019 to only around 8,000 per year in both 2020 and 2021.⁷⁴ This source of workers has thus declined at the same time that free movement ended. The government has in the past said that it wants to negotiate youth mobility agreements with EU countries following the end of free movement⁷⁵ but no agreements have materialised. Some business-focused organisations have suggested expanding YMS because it offers a recruitment option that is less administratively burdensome for employers.⁷⁶ YMS visas have the advantage of not being tied to specific jobs, which allows workers to move more easily between jobs and increases their bargaining power. However, the visas are relatively short and strictly temporary, and thus contribute to turnover of employees and reduce the time horizon for workers to learn English and gain knowledge about their rights. Youth Mobility visas also cannot easily be targeted at particular sectors,⁷⁷ for more discussion of the advantages and disadvantages of YMS visas in low-wage work.

Reducing the costs of sponsorship in eligible jobs

Employers in some industries did not take up many visas in 2021 even though they previously relied heavily on EU workers and are eligible to use Skilled Worker visas (see Figure 6, above). One frequently cited deterrent from using Skilled Worker visas is the administrative cost. The post-Brexit immigration system reduced some of the administrative costs for employers, for example by reducing advertising requirements. But employers still cite the complexity and cost of compliance, as well as the extensive fees, as a barrier.⁷⁸ For example, proposals have included reducing the reporting requirements or allowing ‘umbrella’ sponsors to take on sponsorship duties on behalf of smaller businesses that cannot handle the paperwork.⁷⁹ Of course, administrative requirements will generally have at least some policy purpose, such as making it easier to monitor compliance; the challenge therefore is to identify changes that provide limited policy benefits relative to their costs to users.

⁷⁴ Home Office. 2022. Immigration Statistics, year ending December 2021. London: Home Office. <https://www.gov.uk/government/statistics/immigration-statistics-year-ending-december-2021>

⁷⁵ Foster, P. 2021. UK au pairs under threat from new immigration rules. *Financial Times*, 5 February. <https://www.ft.com/content/edab73d0-8c3e-4c94-80f3-09afd302fd0f>

⁷⁶ CIPD. 2021. Addressing skills and labour shortages post-Brexit. London: CIPD. <https://www.cipd.co.uk/knowledge/work/trends/skills-labour-shortages#gref>

⁷⁷ Sumption, M. & Fernandez-Reino, M. (2018). [Exploiting the Opportunity? Low-skilled work migration after Brexit](#). UK in a Changing Europe.

⁷⁸ APPG on Migration. (2021). The Impact of the New Immigration Rules on Employers in the UK. London: APPG on Migration. http://appgmigration.org.uk/wp-content/uploads/2021/09/Report_APPG-Inquiry-Paper_-1.pdf; Migration Advisory Committee (MAC). 2021. Annual Report. London: Migration Advisory Committee. <https://www.gov.uk/government/publications/migration-advisory-committee-annual-report-2021>; REC. 2022. Overcoming shortages - How to create a sustainable labour market. London: REC. <https://www.rec.uk.com/our-view/policy-and-campaigns/labour-shortages/overcoming-shortages-creating-sustainable-labour-market>.

⁷⁹ APPG on Migration. (2021). The Impact of the New Immigration Rules on Employers in the UK. London: APPG on Migration. http://appgmigration.org.uk/wp-content/uploads/2021/09/Report_APPG-Inquiry-Paper_-1.pdf.

Amending the Shortage Occupation List (SOL)

The immigration system already includes a list of shortage occupations that receive concessions, although the role of this list in addressing shortages is less obvious than the casual observer might expect.⁸⁰ At the time of writing, the main function of the SOL was to lower salary requirements for jobs that are already eligible for visas. Reducing salaries in high-skilled jobs is not expected to help address shortages and indeed could have the opposite effect if it makes the roles less attractive; however, it may enable employers in jobs at intermediate skill levels to use Skilled Worker visas if salary requirements would otherwise have been unrealistically high.⁸¹ Some organisations have proposed updating the shortage occupation list more frequently.⁸² But given the huge challenges in creating an accurate and timely SOL⁸³ it is not obvious that more regular updates would substantially improve employers' experience of the immigration system. This might instead simply make immigration policy less predictable, if occupations are frequently added and removed from the list. An alternative use of the SOL would be to reduce the costs of Skilled Worker visas in shortage occupations, including the £1,000-per-year Immigration Skills Charge and the £624-per-year immigration health surcharge. These costs are high in comparison to other countries.⁸⁴

Conclusion and insights

In summary, there is some evidence that the end of free movement has contributed to shortages in the UK labour market, although it is by no means the only driver of recruiting difficulties and other some other countries have experienced similar problems without a major change in immigration policy. Some shortages may be transient and resolve of their own accord in the long run, although the process of 'adjustment' may be disruptive for employers whose business models rely on free movement and who cannot reduce their labour needs through alternatives such as automation. Ending free movement may also have long-term effects in certain parts of the country, such as rural areas where industries that relied on EU free movement are harder to replace. And while some shortages may be more costly to the rest of the economy than others, it is difficult to identify and address these shortages in a systematic and evidence-based way.

This leaves policymakers in a difficult position when it come to the major questions whether and when to facilitate additional migration to address shortages, especially in low wage jobs. Policymakers who are concerned about the impacts of labour shortages have different strategies they can adopt. One is simply to wait it out, in the hope that shortages will resolve themselves in the way economic theory predicts many of them should. This option would allow policymakers to avoid some of the intractable problems managing visa schemes, such as

⁸⁰ Sumption, M. 2022. Shortages, high-demand occupations, and the post-Brexit UK immigration system. *Oxford Review of Economic Policy*, Volume 38, Issue 1, Spring 2022, Pages 97–111, <https://doi.org/10.1093/oxrep/grab046>.

⁸¹ Migration Advisory Committee (MAC). 2020b. Review of the Shortage Occupation List: 2020. London: Migration Advisory Committee. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/927352/SOL_2020_Report_Final.pdf

⁸² REC. 2022. Overcoming shortages - How to create a sustainable labour market. London: REC. <https://www.rec.uk.com/our-view/policy-and-campaigns/labour-shortages/overcoming-shortages-creating-sustainable-labour-market>.

⁸³ Sumption, M. 2022. Shortages, high-demand occupations, and the post-Brexit UK immigration system. *Oxford Review of Economic Policy*, Volume 38, Issue 1, Spring 2022, Pages 97–111, <https://doi.org/10.1093/oxrep/grab046>.

⁸⁴ APPG on Migration. (2021). The Impact of the New Immigration Rules on Employers in the UK. London: APPG on Migration. http://appgmigration.org.uk/wp-content/uploads/2021/09/Report_APPG-Inquiry-Paper_-_1.pdf.

exploitation and difficulties targeting policy towards the ‘right’ occupations in an accurate and timely manner. But it would have costs, including disruption in some businesses in the short to medium term.

A second strategy is to expand visa eligibility for low-wage jobs. If the policy priority is to mitigate shortages in specific occupations or industries of interest to policymakers, employer-sponsored visas are the most obvious option. However, policymakers must recognise that risks of exploitation in low-wage work visa schemes are high and that the process for choosing which industries get concessions may not be evidence based, especially if decisions are taken quickly. If, on the other hand, policymakers are concerned about generalised shortages across low-wage jobs, an expansion of the Youth Mobility Scheme to more countries is the more obvious option; this would likely benefit sectors that are more attractive to young workers such as hospitality.

Third—and not mutually exclusive—options for mitigating recruitment difficulties in skilled jobs that are already eligible for work visas mostly involve technical changes within the structure of the current Skilled Worker scheme. For example, the government could choose to reduce administrative requirements or fees for employers, either across the board or in shortage occupations. This move would need to be balanced against other policy priorities such as raising revenue from immigration fees.

Finally, note that immigration policy is just one—and a relatively limited and crude—policy tool for addressing perceived problems in the labour market. Many other policy areas affect supply and demand for workers, including tax and benefits, minimum wages, education and training, and decisions about public services such as health and social care that rely on migrant workers.⁸⁵ Recruiting difficulties rarely result exclusively from immigration policy. In theory, addressing the underlying factors that drive recruiting difficulties in some occupations—such as poor pay and conditions or limited adoption of available technologies—could thus be more effective than relying on immigration policy. Evidence to understand how sensitively migration responds to changes in other policy fields is limited. But since migration patterns depend on many factors beyond government policy, it is plausible that only fundamental, sweeping changes in other policy areas would have a meaningful impact on employers’ demand for overseas workers. Such policy changes would thus need to make sense in their own right, rather than being introduced with immigration-related goals in mind.

⁸⁵ Teague, P., & Donaghey, J. (2018). Brexit: EU social policy and the UK employment model. *Industrial Relations Journal*, 49(5-6), 512-533; Afonso, A., & Devitt, C. (2016). Comparative political economy and international migration. *Socio-Economic Review*, 14(3), 591-613.

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- This policy brief represents the views of the authors based on the available research. It is not intended to represent the views of all [ReWAGE members](#).
- An earlier version of this analysis was published by CEPR and the UK in a Changing Europe, available here: <https://voxeu.org/system/files/epublication/Economics%20of%20Brexit.pdf>.

Funding

- The work for the evidence paper was supported by the Trust for London, the NHS Confederation and Research England's PSF allocation to the University of Oxford.
- ReWAGE is part of an integrated research infrastructure funded in response to COVID-19 by the Economic and Social Research Council. The ESRC is part of UK Research and Innovation, a non-departmental public body funded by a grant-in-aid from the UK government. For more information visit: www.ukri.org.

About ReWAGE

- ReWAGE is an expert advisory group which supports the government's strategic response to the recovery and renewal of work and employment in the UK as it tackles the impact of Covid-19. See: <https://warwick.ac.uk/fac/soc/ier/rewage/>
- Its recommendations cover: the maintenance and creation of jobs, improving the quality of jobs, ensuring that the workforce has the right skills to access those jobs, and access to training and jobs is available to all. Its scope covers employers, employees and the self-employed.
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About the Migration Observatory

- The Migration Observatory at the University of Oxford provides independent, authoritative, evidence-based analysis of data on migration and migrants in the UK, to inform media, public and policy debates, and to generate high quality research on international migration and public policy issues. The Observatory's analysis involves experts from a range of disciplines and departments at the University of Oxford.
- The Migration Observatory receives core funding from the Paul Hamlyn Foundation, the Barrow Cadbury Trust and the Esmée Fairbairn Foundation, and has also received support from the Economic and Social Research Council (ESRC).
- The Centre on Migration, Policy and Society (COMPAS), where the Migration Observatory is based, conducts high quality research in order to develop theory and knowledge, inform policy-making and public debate, and engage users of research within the field of migration. For further details see the COMPAS website: <https://www.compas.ox.ac.uk/>