

Monitoring the impact of the Accession States on the UK labour market

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Introduction

The Accession States Worker Registration Scheme (WRS) was established in 2004 in order to measure the impact of migration from the Accession States on the UK labour market. The scheme has well-known deficiencies in this respect and also imposes substantial costs on migrant workers and their employers.

The Home Office has indicated that it is prepared to look at other means of analysing the impact of the Accession States on the labour market. In practice, any other means must be based around National Insurance numbers (Ninos).

This paper takes up this challenge. It has been prepared by two major sectoral trade associations (the Association of Labour Providers and the Cleaning and Support Services Association), the National Farmers Union and the Trades Union Congress. A number of other associations, companies and groups concerned with the welfare of immigrant workers have been involved in the preparation of the paper, and their views have been incorporated.

Executive summary

Nino data is more reliable than WRS data in respect of aggregate figures, in particular because it includes the self-employed. There are signs that increasingly workers are deciding not to register, which will make the figures even less useful.

Having inflow data only is unsatisfactory and can fuel scare stories. Stock data is essential. Nino data can be used to provide stock information. The government should extract the figures and publish them on a quarterly basis.

WRS data alone can provide sectoral information. However, the data is manifestly faulty and not fit for purpose.

The WRS data has been useful to policymakers in demonstrating the type of people coming in (basically young people without dependants who do not claim benefits) and giving some information about them and the work that they are doing. However, no further useful information can be derived from the breakdowns given their stability over time and questions over the quality of the sectoral data in particular.

The WRS is used a filter for certain benefits. However, Nino records give a much better filter. In any event the Nino data has to be used alongside WRS data.

Going forward the Nino data will give a better indication of new entrants into the labour market and can also give the much needed stock figures.

The Nino data could be supplemented by a range of information from other sources. If necessary, specific industry studies should be commissioned.

Worker Registration Scheme data

Under the WRS workers other than the self-employed are supposed to register with the Home Office within one month of beginning employment in the UK. The application form catches a

range of data including the sector in which they are working, the region where they are living, their job title, their nationality and also information about dependants.

The data is published and analysed on a quarterly basis in a joint report by the Home Office, DWP, HMRC and DCLG.

At first sight, the analysis gives an excellent picture of the impact of Accession State workers, detailing precisely how many are working from which countries in which sectors and in which areas. However, the reality is rather different. The quality of the data is generally agreed to be highly questionable. Three problems are built into the system that cannot be overcome –

- It is not possible under European law to require self-employed people to register and therefore a large number of workers are excluded from the data. The definition of self-employed has tended to stretch over the years and probably includes many people working in the informal economy and perhaps also some of those who properly should be regarded as employed.
- Workers do not need to register until they worked for a month with an employer. Casual workers, in particular those working in a holiday period, may never work for a month with a single employer.
- The data records only people coming into the country. There is no mechanism for recording people who leave, and accordingly the figures do not give a stock position. Other survey evidence suggests that many workers work in Britain for a comparatively short period before going home, and some simply come to Britain on an occasional basis to earn some more money.

These problems are compounded by two others. The first is that many workers choose not to register. There are good reasons for this. The cost of registration is £70, equivalent to about three days after tax pay for somebody on the minimum wage, and a worker is required to complete a detailed application form and send it off with his passport and a cheque. Workers recently arrived in the country are naturally reluctant to part with their passports, and they are unable to write cheques as they will not be able to open a bank account. Secondly, there is no advantage to workers from registering. Officially, if workers have registered then after a year they are entitled to certain means tested benefits. Only a tiny fraction of workers are interested in means tested benefits, and there is also some question as to whether this could be upheld in practice, as a better test is whether workers have paid National Insurance contributions for a specified time. (In practice the main benefit of registering is that workers obtain a copy of a useful TUC guide to their employment rights. However, this is an expensive way to deliver this leaflet; there are more effective ways in which this could be done, for example through the Nino system.) Also, there is no penalty for failing to register. Workers do not commit an offence if they fail to register and there has been no enforcement action against either workers or businesses for failing to comply with the scheme.

The actual data is highly questionable as a result of these factors. There is a general view, which cannot be proved, that the number of workers from the Accession States who have come to Britain to work is very much higher than the number of registrations. This was admitted by Ministers when the most recent monitoring report was published in August. There is more specific information which casts doubt on the validity of the figures –

- There are significant discrepancies between the Nino data and the WRS data, as illustrated subsequently.
- The sectoral information is flawed for reasons explained subsequently.
- The data is recorded soon after entry, and can therefore be misleading. Many workers change jobs and location soon after arriving in the UK. While there is a requirement to re-

register many workers do not do so, and most of the data that is captured is at the initial registration stage. A specific question on the number of dependants is particularly misleading as a migrant worker is unlikely to bring his dependants with him immediately.

Ninos

All workers, including self-employed workers, are required to obtain a Nino, and the normal practice is for one to be obtained as soon as possible after entering the labour force. Workers have a number of incentives to obtain a Nino. Often, having a Nino is required in order to obtain or to keep the job. Having a clear record of national insurance contributions also demonstrate an entitlement to benefits in later years. Finally, there is no cost incurred in obtaining a Nino in monetary terms, although the procedure is somewhat daunting and may well deter some people from applying.

It is worth noting that is a classic example of unjoined-up government workers are required to send their passports to the Home Office to register for the WRS and then have to take their passports to the DWP and prove their identity again in order to obtain a Nino.

Unlike the WRS, very little information is recorded in the Nino process. The only relevant data in respect of this paper is nationality and area. There is no record of the job undertaken or the sector.

Generally, Nino data is published annually, substantially in arrears. The data for 2004/05 was published on 21 July 2006. However, some data for workers from the Accession States has been made available more frequently, to be used in the quarterly analysis of the WRS figures.

Although DWP is responsible for the Nino system, data is handed over to HMRC whose cooperation is needed to produce any analysis.

Comparability of data

The following table compares the aggregate WRS and Nino numbers for Accession States workers.

Quarter	WRS Registrations	Ninos Issued	Ninos/ Registrations %
2004 Q2	38,830	7,906	20
2004 Q3	46,440	22,532	49
2004 Q4	40,605	32,201	79
2005 Q1	41,495	45,833	110
2005 Q2	55,100	54,812	99

2005 Q£	58,860	59,743	102
2005 Q4	49,450	58,133	118
2006 Q1	46,445	60,830	131
2006 Q2	49,850	55,855	112
Total	427,095	397,745	93

Note: The WRS figure for 2004 Q2 was for two months only.

One would expect the NINO figures to be higher than the WRS figures for two reasons –

- Self-employed workers do not need to register for the WRS but do need NINOs.
- Workers do not need to register for the WRS until they have been employed for a month; many workers, particularly those working in the summer holidays, do not work for a month with any employer or if they work a bit longer may choose not to register.

The pattern in 2004 looks inexplicable but can probably be explained by a combination of two factors –

- Many of those registering for the WRS initially had previously been working in Britain unlawfully. The Home Office estimates that one third of those registering for the WRS in the first year (about 40,000 people) were previously in the UK. Many of those would have had Ninos.
- A passport has to be produced for both WRS and Ninos. Most workers do the WRS first then the Nino. In 2004 there were huge delays in processing WRS registrations - up to 12 weeks. Workers therefore did not have their passports and could not obtain a Nino.

The pattern in the final three quarters is probably best explained by two related factors –

- The cost of WRS registration went up 40% to £70 from 1 October. This seems to have tilted the balance against registering for some workers.
- Employers and workers have increasingly realised that the scheme is in effect voluntary. The price increase caused employers in particular to weigh the pros and cons of requiring their workers to register. More recently, the ALP has advised its members how they can lawfully avoid the effects of the scheme (basically ask the worker to complete the registration form, photocopy it and suggest to the worker that there is no benefit in submitting it). This is likely to lead to a further reduction in registrations, particular where workers are employed for a short period – say the summer holidays.

It may be argued that the table above does not support the contention that many workers avoid registering for the WRS, given that self-employed workers do not need to register. However, there is probably a significant group of workers who do not have Ninos and have not registered for the WRS.

It is worth noting here the substantial discrepancies in the regional data. Unfortunately the WRS regions and Nino regions are not the same. The following table shows the data where the regions are the same (although they may not be exactly the same).

Region	WRS Registrations	NINOs issued	NINOS/ WRS
	Q2 2004 Q2 2006	Q2 2004 – Q2 2006	Registrations %
London	58,580	107,792	184
North East	40,765	5,744	14
South West	37,220	27,253	73
North West	36,555	34,773	95
South East	30,680	54,198	176
Scotland	32,135	34,931	109
Wales	10,770	11,574	107
Rest of GB	180,390	133,586	74

It is difficult to explain the discrepancy between London and the South East on the one hand and the North East on the other. However, at the least the discrepancy calls into question the validity of one or both sets of data.

The general conclusion seems to be that the Nino data is the more accurate measure of the number of new Accession State workers entering the labour market.

Stock data

The WRS does not give any stock information. There are two possible sources of stock data. The first is the number of “live” Ninos, ie those for which contributions are being paid. This data can be extracted from the Nino database managed by HMRC but at present no attempt is made to do so. This seems a fundamental weakness given the interest in the impact of Accession State workers.

The second source is the Labour Force Survey. The data here is subject to substantial qualification. The data is based on a sample, there is a long time lag as the data is calculated on a rolling basis, workers employed for less than six months are excluded and workers living in communal housing are excluded. The data can therefore really only be used to support Nino data, at least in the short term. Data is not published as a matter of course (again puzzling given the government’s interest in the impact of Accession State workers). The available data are set out below.

Period	AccessionStateWorkers	Quarterly increase
Summer 2003	110,000	
End 2003	145,000	17,500
Summer 2004	165,000	10,000
End 2004	205,000	20,000
Summer 2005	245,000	20,000
End 2005		

[ONS has been asked to provide to provide a run of figures]

Clearly WRS data is useless for measuring the stock; the Nino data can do so but is not used, and can be supported by LFS data.

Sectoral data

Nino data provides no sectoral information; the WRS purports to give comprehensive information; indeed this is probably the last remaining defence for the WRS. The following table gives the WRS sectoral data in total, and for selected quarters.

<i>Sector</i>	<i>Q2 2004</i>	<i>%</i>	<i>Q1 2005</i>	<i>%</i>	<i>Q2 2006</i>	<i>%</i>	<i>Q2 2004 - % Q2006</i>	<i>%</i>
Administration, business & management	6,590	17	14,160	34	19,295	39	143,805	34
Hospitality & Catering	12,000	31	8,085	19	8,890	18	89,790	21
Agriculture	8,240	21	4,000	10	6,885	14	50,235	12
Manufacturing	2,360	6	3,550	9	3,075	6	31,645	7
Food processing	1,590	4	2,215	5	2,090	4	21,400	5

Health & medical	1,170	3	2,305	6	2,115	4	21,385	5
Retail	1,545	4	1,815	4	2,000	4	18,075	4
Construction	1,710	4	1,610	4	2,090	4	16,670	4
Transport	600	2	1,505	4	1,305	3	12,135	3
Total	38,825	100	41,490	100	49,850	100	427,095	100

There are two observations that can be made about the data –

- The sector described as “administration, business and management” does not exist and is meaningless. Either workers have simply described their sector as “business” or those analysing the statistics have used faulty coding. The proportion in this non-existent sector has risen from 17% to 39%. The latest press release recognises this and redefines the heading as “occupation groups”; however, this is equally meaningless.
- The percentages have very relatively stable over the last year.

However, all this assumes that the data is accurate. Information is available from some other sectors showing that the data is not accurate.

As part of the work to implement the Gangmasters (Licensing) Act, the Department for Environment, Food and Rural Affairs (Defra), in conjunction with Work Permits UK commissioned three research reports. The fieldwork was done in late 2004 and early 2005.

The first report is “A study of employment practices in the agriculture and horticulture industry and co-located packhouse and primary food processing sectors”. The text is available at - <http://www.defra.gov.uk/farm/gangmasters/pdf/research-study1.pdf>.

The key numbers and conclusions in the study are –

- “The estimated total range of temporary workers in the sector is between 420,000 and 611,000. The estimated range for directly recruited temporary workers onto farm enterprises is 120,000 to 160,000, and for temporary workers supplied by labour providers the estimated range is 300,000 to 450,000.”
- 29% of workers provided by labour providers and 9% of directly recruited workers are EU (non-UK) nationals (23.5% of temporary workers in total).
- “There has been an increase across the board in the use of foreign nationals, often employed legally through the SAWS scheme, or since 1 May 2004 as EU citizens with the right to work.....The EU citizens were mainly accession country nationalsmost of these workers had Polish or Lithuanian nationality.”
- “Any labour user who hired accession nationals outside the SAWS scheme had strong criticisms for the new registration system. This was said to cause inconvenience to the workers through passport retention by the Home Office, or the difficulties of raising the £50, or opening a bank account in order to send a cheque.”

In respect of the statistics, the bottom line was that say 20% (the figure of 23.5% less a generous allowance for EU nationals other than from the accession States) of temporary workers in the sector were A8 nationals, that is between 84,000 and 122,000. This compares with the WRS figures (at the end of 2004) of 30,000 workers in agriculture and 11,385 in food processing. Most of the workers in food processing would not have been in the sector covered by the study. The research therefore implies that the WRS was catching a relatively small fraction of workers.

Studies of other sectors may well show similar results. The transport company FirstGroup has reported that it employs nearly 1,000 Polish drivers. The WRS figures record just 2,900 registrations from bus drivers and PSV drivers. It is implausible that a single company has a stock of Polish drivers equal to one third of all Accession State national who have registered.

There is an inherent problem in trying to collect sectoral data using the WRS. Many migrant workers find it easiest to obtain work initially by registering with one or more employment businesses. They are employed by the employment business not by the business in which they physically work. This factor may well be the main explanation for the discrepancies noted above, and it also applies in other sectors. Even if all workers registered and completed the form accurately the results would still be misleading.

Other data

The WRS gives a wide range of demographic data. However, some of this data is also available from the Nino statistics; it is just not extracted. The point has already been made that there are significant discrepancies between the Nino and WRS regional data.

In respect of other data the Q1 WRS monitoring report makes the point that the breakdown has been stable over time –

- On nationality “these proportions have remained roughly constant throughout the period”.
- On age “this percentage (82% of workers were between 18 and 34) has been fairly consistent across the period”.
- On dependants “the number of dependants as a proportion of the number of registered workers has remained roughly consistent throughout the period”.
- On occupations “the top 20 occupations have remained largely consistent over the period”.

The general conclusion here is that given the stability in the percentages little value is obtained by continuing to seek the information.

It is worth noting here another deficiency of the data. The government has pointed to the WRS statistics as indicating that few workers are bringing their families with them. Workers are unlikely to bring dependants with them when they arrive; any dependants are likely to arrive when the workers have settled. This means that asking for details of dependants on the WRS is pointless. This is actually proved within the quarterly monitoring report. The WRS figures show that registered workers had 19,270 dependants. However, the monitoring report shows that 44,955 applications for child benefit had been received of which 27,280 have been approved.

The WRS as a benefit filter

A second official purpose of the WRS is to act as a benefit filter, that is to prevent people coming from the Accession States simply to claim benefits. In practice the benefit filter may have been put in to give the WRS some legitimacy and to provide an encouragement to register. The

government's leaflet on the WRS states that "once you have been legally working for more than 12 months without a break then you have full rights of free movement. You can then get an EEA residence permit confirming your status." However, this is meaningless. The workers have the right of free movement anyway and it is not a requirement to have a residence permit. The WRS cannot be used to indicate continuous employment; it is only evidence of registration at a point of time. To prove twelve months continuous working requires other evidence, of which national insurance contributions is the most obvious.

There is also a question about the legality of using WRS as a filter. It is understood that within government there is some concern on this point and that there might be a challenge in the courts.

Between them the WRS regulations and the Social Security (Habitual Residence) Amendment Regulations 2004 exclude A8 nationals from income related benefits during the 12 months period unless they were working in registered employment or self employment. The government's Social Security Advisory Committee concluded that "the adoption of such far reaching changes at very short notice was inappropriate without evidence that the benefits system was either under substantial threat of exploitation by A8 nationals or the habitual residence test was ineffective". The government went ahead anyway.

A number of relevant organisations have been consulted about how in practice the WRS is used as a benefit filter. There is considerable uncertainty about this, itself a source of concern. The Joint Council for the Welfare of Immigrants shares the concern about the motivations and operation of the WRS and believes that the continuation of the scheme should be urgently reviewed with a view to it being dismantled. The main concern of the Council is that the scheme acts as an impediment to non-exempt EU nationals enjoying the same rights to social protection as other EU nationals.

The way forward

The analysis so far leads to the following conclusions –

- Nino data is more reliable than the WRS in respect of aggregate figures.
- Nino data can be used to provide stock information; WRS data cannot.
- WRS data alone can provide sectoral information. However, the data is manifestly faulty and not fit for purpose.
- The various breakdowns of WRS data have been consistent over time, suggesting little value in continuing to request the information.

There is a more general conclusion. The WRS data has been useful to policymakers in demonstrating the type of people coming in (basically young people with few dependants who do not claim benefits) and giving some information about them and the work that they are doing. However, no further useful information can be derived from the breakdowns given their stability over time and questions over the quality of the sectoral data in particular. Going forward, the Nino data will give a better indication of new entrants into the labour market as the WRS increasingly is ignored by workers and employers.

However, it is useful to have stock figures. These can be derived from the Nino data and should be.

The Nino data could be supplemented by a range of information from other sources. There has already been one specific industry study in respect of food packing and processing that has been

referred to in this paper. Similar studies could be commissioned where it was felt important to understand the impact of the Accession States on the labour market.

Some local authorities may also have analysed the impact of accession state workers on their own communities in particular housing and against such studies should be drawn on.

A side issue - registration or monitoring

The WRS is designed as a registration scheme but is actually a monitoring scheme. This confusion has been the cause of much of the problem with the scheme. If it was just the data that was required then the requirement to send a passport is unnecessary. Currently workers have to send their passport to the Home Office to register. They then have to take their passport to DWP to get a Nino, an appalling example of lack of joined-up government. The recent changes to DWP practices in respect of verifying identity before issuing Ninos removes any remaining need for submission of passports to be part of the WRS.

The policy context

Gathering of statistics can be justified only if it serves a policy purpose, that is if something can be changed as a result of the statistics. At first sight, it is difficult to see what can happen as a result of the comprehensive statistics, misleading as though they may be, that are now available. The logical purpose of the scheme would be to provide data which would justify imposing controls. However, far from thinking about this the government has made it clear that workers from the Accession States are welcome and indeed it is the intention that the Accession States are the source of cheap imported labour for the foreseeable future. "Controlling our borders: making migration work for Britain", the five year strategy for asylum and immigration, published in February 2005, specifically states that "We will admit European Union (EU) and other European Economic Area (EEA) nationals" and that "labour from the new member states will over time enable us to phase out our current low skill migration schemes for people from other parts of the world".

The publication of the Q2 figures at the end of August led to substantial media comment – largely because there was no other news. The main source of public concern now seems to be in relation to local government issues, such as housing, education and health services. The WRS gives no data on these. There is also the issue of the decision that has to be taken on Bulgaria and Romania. While it is understood that reliable aggregate figures for the number of Accession State workers is relevant to this decision it is difficult to see that having anything more than quarterly Nino data and preferably stock Nino data will help inform the policy decision.

Home Office priorities

The Immigration and Nationality Division of the Home Office faces a huge task. It should properly be concentrating on dealing with the more important issue of ensuring that only those entitled to live and work in Britain are doing so. Workers from the Accession States are entitled to live and work in Britain, they have to prove their identity in order to obtain employment and they are required to have NINOs. Scarce resources should not be devoted to a complex, costly and ineffective monitoring scheme of this group of people when there are much more important issues to deal with.

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