

House of Commons Home Affairs Select Committee inquiry into immigration control - Evidence by the Association of Labour providers

Introduction

1. The Home Affairs Select Committee is holding an inquiry into immigration control. Among other things the inquiry is considering the lessons to be learnt from the operation of the current system that might inform the implementation of the new government policy.
2. This paper comprises evidence by the Association of Labour Providers. The Association was founded early in 2004 to provide a voice for labour providers in the development of policy in relation to "gangmasters" and the provision of labour to the agriculture and food industry generally. The Association has rapidly expanded and now has around 130 members. It has played a major part in the work to implement the Gangmasters (Licensing) Act 2004 and has also been involved in a range of work relevant to the informal economy and to the use of migrant labour.
3. This evidence is largely confined to employment-related migration issues, the area where the Association has competence.

Summary

4. Stated government policy is to encourage immigration by highly skilled people. The evidence is that there is as great a need for migrant workers to do low skilled work.
5. There is a plentiful supply of labour willing to do low skilled work in the UK from the Accession States of the European Union and further afield.
6. Immigration controls are ineffective. White people can obtain forged documents and it is relatively easy to stay in the UK after a visa expires.
7. Workers in the UK illegally have to work in the flourishing informal economy. Without the informal economy there would be few illegal workers.
8. Government policy is not only ineffective in dealing with the informal economy but actually encourages it. The Accession States Worker Registration Scheme has no benefits but discourages workers from working in the formal economy. It is difficult for many workers to obtain National Insurance numbers. The government is ineffective in tackling both tax evasion and illegal immigration.
9. Migrant workers are generally migrants not immigrants. There is a risk that tightening border controls will deter workers from returning home because they fear they may find it difficult to come back to the UK.

Government policy

10. On 7 March 2006 the government published its proposals for amending migration policy *A points based system: making migration work from Britain* (Home Office, 2006).
11. The key feature of the policy is that the more skilled the worker the easier it will be to live and work in the UK. This does not apply to nationals of the EU countries who are entitled to live and work in the UK.

12. The paper confirms that the government sees the Accession States of the European Union as the source of low paid workers for the foreseeable future –

“With an expanded European Union there is an accessible and mobile workforce already contributing to our growing economy, closing many gaps experienced by employers. In a changing environment where our European commitments provide many opportunities for the UK to benefit from this new source of labour, it is right that we look again at migration to the UK as a whole. Our starting point is that employers should look first to recruit from the UK and the expanded EU before recruiting migrants from outside the EU.”

13. The proposed new arrangements provide for five tiers. Tier 3 comprises: “Limited numbers of low skilled workers needed to fill specific temporary labour shortages”. Workers in Tier 3 will be expected to return home after their period of work and will require a sponsor who will have to be approved by the Home Office.

The labour market

14. A major strength of the UK economy is that it is one of the most open in the world, thereby bringing the benefits of competition. Foreign businesses are attracted to operate in the UK because of the favourable environment. The UK is an attractive place to work for enterprising people, partly because it is comparatively easy to get jobs.

15. Many UK industries rely heavily on foreign labour. This applies all the way from the major financial institutions in the City of London many of which are both foreign-owned and employ large numbers of highly-paid non-UK workers, right down to the catering and hospitality industries which rely heavily on migrant labour. Up to 90% of low paid jobs in London are filled by migrant workers (Evans et al, 2005).

16. Employers use migrant workers for reasons spelt out in a study commissioned by the Home Office (Dench et al, 2006) -

“Employers cited advantages of migrant workers in terms of their general attitude and work ethic. They tended to be more motivated, reliable and committed than domestic workers. For example, migrants were said to be more likely to: demonstrate lower turnover and absenteeism; be prepared to work longer and flexible hours; be satisfied with their duties and hours of work; and work harder in terms of productivity and speed. In the view of some employers, the more favourable work ethic of migrant workers encouraged domestic workers to work harder. Migrants had also widened the horizons of domestic workers by helping them understand more about other cultures. Migrant workers’ greater commitment was a result of their motivations: they wanted to learn English or send money to families at home. Employers also suggested that migrant labour assisted in economic growth and an overall *increase* in job vacancies.”

17. This study called into question the central feature of the points-based system -

“It is generally accepted that the UK economy relies on a significant number of skilled migrant workers who enter the UK largely through the general work permit would. However, this study shows the UK employers also place considerable reliance on low skilled migrants. Many employers in both high- and low-skilled sectors did not explicitly set out to recruit migrant workers; rather they employed from the pool of labour available to them. If domestic workers were not available to them, then they employed migrant workers. Employers were however keen to employ those most highly qualified and experienced, regardless of nationality.”

Immigration controls

18. The UK now devotes substantial resources to policing its frontiers. Foreigners arriving in the UK may take a considerable time to clear through immigration controls, and there are substantial penalties for living and working in the UK when this is not permitted.

19. However, the controls are ineffective. This is hardly surprising. The UK is an open economy and an open country in which people can come and go more or less as they please. It is virtually impossible to have a robust system of restricting people from entering the country or requiring them to leave.

20. The UK is part of the European Union and all European Union nationals have the right to live and work in the UK. It follows that the UK controls are only as effective as the weakest controls in other European Union countries. It is comparatively easy to obtain forged (or even real) passports or identity cards from a number of European Union countries. Certainly, there appear to be quite a number of workers from Russia, Belarus and the Ukraine working in the UK. According to official UK statistics, an implausibly high 5% of young Lithuanian men have registered to work in the UK. This route is open in practice only to white people.

21. Other people are able to enter the UK on tourist or student visas and then not leave when they are required to. An IPPR study has suggested that irregular migrants overstay their visa rather than enter the UK clandestinely (IPPR, 2006). There is in effect no mechanism to force them to leave. They are not allowed to work, which means in practice that they are not allowed to pay tax or to obtain National Insurance numbers. Instead, they are free to work in the informal economy.

22. The existence of the informal economy is a key factor in explaining irregular migration. If workers who are not supposed to be in the UK are not able to obtain work then the flow of irregular migrants would reduce. As it is the informal economy is flourishing, and family and personal networks makes it relatively easy for new migrants to find a job and accommodation.

23. Any measures which strengthen border controls are inclined to worsen rather than ameliorate the problem. Most of the irregular workers in the UK have no wish to be long-term immigrants. They are here to earn money and wish to go back to their home countries. Many go back on a regular basis. If they know that it will be difficult to get back into the UK they will be less inclined to leave. There is a similar debate taking place in the USA in respect of irregular migration from Mexico.

The extent of irregular working and the informal economy

24. There is a large number of people living and working in Britain who are not entitled to be here. A Home Office study (Home Office, 2005) estimated that there were between 310,000 and 570,000 irregular migrants in the UK. This does not count people who are entitled to be in the UK but are working contrary to the terms of their visas.

25. There is no exact overlap between the informal economy and irregular migrants. There is a flourishing informal economy involving native workers, for example in respect of building work. And the vast majority of migrant workers are employed in the formal economy. Indeed, some irregular migrant workers are probably also employed in the informal economy. However irregular migrants and the informal economy go together. If a person is not supposed to be in the UK he is unlikely to want to register for tax or National Insurance.

26. There is a view that the informal economy is not actually a bad thing and usefully "oils the wheels" of the economy. This is a dangerous point of view. Those who operate in the cash economy have a price advantage of anything between 30% and 50% over those operating in the formal economy. Members of the Association of Labour Providers generally provide workers on long-term contracts to food businesses. In order to pay the legal minimum wage and essential add-ons, the minimum wage of £5.05 requires a labour provider to charge a labour user around £6.70. However, there are labour users that are unwilling to pay anywhere near that amount. If

labour providers protest that they cannot operate at this level and comply with the law they are simply told there are other labour providers who will, and sadly this is the case. This means that it is difficult for legitimate labour providers to operate in some parts of the country because of the strength of the competition from those evading tax. Once this activity is anything more than a marginal level it has a major effect on the whole market.

27. The informal economy also causes a substantial loss of tax revenue. The IPPR study estimated the loss of tax revenue as a result of migrant workers in the informal economy at over £1 billion a year.

Government policy

28. The point has already been made that government policy is ineffective in preventing people working in the UK who are not entitled to. Ample evidence is available to anyone who cares to look. Some food factories in East Anglia are staffed to a large extent by illegal workers who will run out of the factory if people thought to be tax or immigration inspectors arrive. Of the streets of London there are hundreds of hand car wash facilities staffed to a significant extent by illegal immigrants.

29. HMRC is not equipped to deal with tax evasion through the informal economy. It is at its best going through detailed records with a view to finding unrecorded income or disallowing expenditure. ALP members report virtually no enforcement activity by the tax authorities even where there is blatant tax evasion which is reported to them. If businesses are aware that they can evade tax and obtain a 40% price advantage with little risk of being caught it is hardly surprising that many choose to do so. Even if they are caught any penalty is likely to be payment of the tax that was due.

30. Enforcement activity is also ineffective by the Immigration and Nationality Division of the Home Office. One understands the difficult environment in which they are working, in particular the difficulty of returning workers home. This was sadly demonstrated in the Morecambe Bay tragedy.

31. There are other aspects of government policy which demonstrate a lack of joined up government and which serve both to encourage the informal economy and irregular migration.

32. Even though the date on which 10 new countries joined the European Union was known some years in advance the government decided just one month before the date to introduce the Accession States Worker Registration Scheme. It did this without any consultation and no regulatory impact assessment. The scheme was a political device designed to placate those MPs and the media who wanted evidence that the government had some control over what was happening. Workers from the Accession States have to register within one month of arriving in the UK and to pay £70 for doing so. They have to send their passport to the Home Office at a time when it is most needed. The scheme has been beset with administrative difficulties with some workers not having access to their passport for 12 weeks or more. The scheme does nothing other than count workers. It has no policy use as the government is already committed to allowing workers from the Accession States to work in the UK without restriction. The statistics are of limited value. They count workers who register but do not record those who subsequently leave the country. The figures are not compatible with other government statistics; it is clear that many workers have not registered because they do not wish to pay £70 and indeed have practical difficulties in doing so.

33. Workers who choose not to register may well believe that they are illegally in the country and therefore seek to work in the informal economy. This is based on a misguided belief that the Home Office and HMRC communicate with each other. The scheme therefore encourages workers who are here legally to behave as if they were here illegally with all the problems that that entails. The scheme should be abolished at the earliest opportunity. The Association has made formal

representations to this effect, including an analysis of why the statistics are of little value (ALP, 2005).

34. A related point is that in practice it is difficult for many workers to obtain National Insurance numbers. This should be a simple task with the government working in a way that is friendly to business and workers. In practice, ALP members report that their workers may have to devote a whole day simply to go to an office to get a National Insurance number without any certainty that they will succeed. It is hardly surprising that some workers decide not to bother. At the margin this gives a further boost to the attractiveness of the informal economy.

References

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