

**House of Commons Trade and Industry Committee (October 2007) *Europe moves East: The impact of the new EU Member States on UK business.***  
**Eleventh Report of Session 2006-07 HC592**  
[www.publications.parliament.uk/pa/cm200607/cmselect/cmtrdind/592/592.pdf](http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtrdind/592/592.pdf).

### Summary

Migration into the UK is the most significant and visible impact of EU accession; particularly from Poland, but also from Lithuania and Slovakia. UK business has benefited by filling skills and labour shortages, in addition to a positive work ethic demonstrated by new employees. However, in the longer-term, this migration may abate and no longer fill the skills gaps required by UK employers.

### Context of the report

This committee of MPs examines policy of the Department of Trade and Industry. The report focuses upon the impact upon UK business and the economy of EU accession from 2004 (A8 countries) and 2007 (A2 countries). It is a follow up to previous inquiries held by the preceding committee in the 1997-2001 Parliament<sup>1</sup>.

While a large number of studies have investigated EU migration, this report differs in respect of its focus upon UK industry and the sourcing of evidence from this sector. This summary focuses upon the first section 'Migration' (pp7-16).

### Highlights of interest

- The impact upon accession states themselves is greater than the existing EU members (while A8 migration accounts for around 1.24% of the UK workforce, up to 15% of the Lithuanian pre-accession population, for example, now lives in the UK and Republic of Ireland).
- The flaws in Worker Registration Scheme (WRS) data include that a significant number of migrants may choose not to register<sup>2</sup>.
- While WRS applications have increased annually, they could reduce in future due to continued wage increases and economic growth in accession states, unemployment falling and other EU states reducing their restrictions. WRS statistics for 2007 are already indicating this trend reversal.
- While accession migrants tend to be underemployed initially, they are now moving into higher skilled jobs, causing some labour shortages in agriculture.
- The impact upon UK wage levels is debatable - five different assessments were given to the committee - which suggests a minimal overall impact.
- Accession migrants do not earn significantly less than British nationals; a survey indicated only 6% of businesses cited lower wage levels as the principal reason for employing migrants.
- The states with the most open approach to migrants (from the A8, Malta and Cyprus) - the UK, Ireland and Sweden – have had the best employment performance since accession, although a causal link has not been proven<sup>3</sup>.
- EU expansion may have encouraged workers to move from illegal to legal employment; employment rates of A8 nationals in the UK have risen dramatically from a pre-accession rate of 57% to 81% by 2005.

<sup>1</sup> Trade and Industry Committee, *Industrial and Trade Relations with Central Europe*, Twelfth Report of Session 1997-1998, HC893 and *Industrial and Trade Relations with the Baltic States*, Twelfth Report of Session 1999-2000, HC835.

<sup>2</sup> The University of Surrey found that only 64% of a sample of 505 Polish nationals interviewed had registered on the WRS

[www.surrey.ac.uk/Arts/CRONEM/CRONEM\\_BBC\\_Polish\\_survey%20results.pdf](http://www.surrey.ac.uk/Arts/CRONEM/CRONEM_BBC_Polish_survey%20results.pdf).

<sup>3</sup> European Commission Communication (2006) *Enlargement, two years after: an economic evaluation*. Occasional Paper No.24, May 2006. Paragraph 19 p6.

[http://ec.europa.eu/economy\\_finance/publications/occasional\\_papers/2006/ocp24en.pdf](http://ec.europa.eu/economy_finance/publications/occasional_papers/2006/ocp24en.pdf)

## Conclusions and Recommendations

### Data

- The WRS is not a net measure of A8 migration, nor a measure of the number of A8 nationals living in the UK
- The next census should ascertain accurate data on accession nationals, but information needs to be improved before then.

### Effects

- Accession migration has filled some skills gaps and labour shortages, but overqualified migrants are reducing the economic efficiency of the EU as a whole
- The impact of EU migration upon wage growth in the UK is relatively small; however this may vary between sectors (see forthcoming enquiry into the construction industry)
- Employers seem to favour migrant workers over the long-term unemployed, although migration does not appear to have increased unemployment in the UK.

### Policy

- Migrants are starting to move into higher skilled jobs; the flexibility of the labour market has caused labour shortages in agriculture and it is therefore surprising that the government proposes to only permit A2 nationals to apply to work through SAWS (Seasonal Agricultural Workers Scheme)
- It is too soon to comment upon the introduction of restrictions upon A2 nationals, although it should be noted that A8 countries are using A2 nationals to fill their own labour shortages
- Accession migrants need to be aware of their employment rights (minimum wages, employment conditions, union membership and health and safety). Potential arrivals should be aware of their rights as early as possible.
- The Gangmaster Licensing Authority's duty should be extended to other sectors, given success in addressing exploitative employment in agriculture.

### Future trends

- Insufficient data prevents accurate predictions of medium/long term settlement of accession migrants.
- We cannot assume migrant workers will provide labour in the long term; business and government should ensure that no skills/labour shortages will occur. The Office for National Statistics should research return rates among migrants.
- Goodwill generated by generous UK policy towards accession states could be maximised by increasing business links between these countries, particularly if migrants start to return to their country of origin.

### Possible local and regional implications

- It may be more difficult to encourage the long-term unemployed back to work due to employers favouring migrant workers. This will impact on local authorities worklessness targets.
- There may be a shortage of agricultural workers in some regions depending on policy changes to the Seasonal Agricultural Workers Scheme (SAWS) since migrants are moving into higher skilled jobs
- Migrant awareness of employment rights needs to be improved. Many seem to be unaware of their entitlement to 'in-work' benefits.
- Sole reliance upon migrant workers may be a risky long-term strategy for filling skills and labour shortages.