

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, and 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.

About the authors

- This brief was authored for ReWAGE by Madeleine Sumption (University of Oxford), Chris Forde (University of Leeds), Gabriella Alberti (University of Leeds) and Peter Walsh (University of Oxford). It draws on the inputs of Zachary Strain-Fajth, Chris Warhurst, David Owen, Jonathan Portes and the team at the RAMP Project.
- 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](#).
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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/>