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# REGULATING EU MIGRANT LABOUR

## LESSONS FROM THE CONSTRUCTION INDUSTRY

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### About this briefing

The construction industry is one of a number of UK industries that relies on EU migrant labour. The government plans to control EU migration after Brexit, but migration controls may prevent businesses from being able to respond flexibly to unavoidable fluctuations in the construction market. Targeted regulations of migrant labour could reduce labour market uncertainty and job competition between UK and migrant workers more effectively. This briefing considers evidence from UK construction employers, non-UK workers, recruitment agencies and other stakeholders and analyses the impact of migrant labour regulations in the construction industries in Canada, Switzerland and Norway. It sets out recommendations for how migrant labour regulations might be implemented in the UK.

### Context

Evidence on the direct quantitative effects of immigration on UK jobs and wages suggests limited negative impacts. However, there is a perception that EU migrant labour has caused deterioration in the wages, employment and working conditions of UK workers. Any migration policy which aims to allay these concerns must also avoid sudden

### Policy Recommendations

- Employer demand for migrant labour will remain after Brexit, as skill and labour shortages can only be overcome in the medium to long term. Any policy seeking to reduce reliance on migrant labour must protect the industry from sudden labour shortages in the short term.
- Sector level permits and quotas as a means of controlling migration are too bureaucratic to provide the rapid recruitment needed by the industry and risk increasing the vulnerability of employees.
- A system of free movement with the option of an 'emergency brake' used alongside labour market regulations can satisfactorily control migration, and also minimise tensions about the perceived negative effects of immigration on wages and employment opportunities for UK workers.
- To ensure the stability of the labour market in the medium to long term, and maintain satisfaction regarding migration policy, investment must be made to train, and offer attractive opportunities to, UK workers.

disruptions that would damage the industry, including UK workers, in the short term.

Construction is one of the sectors with the highest share of low-to-medium skilled EEA migrants. This sector is also one in which access to migrant labour has increased uncertainty and job competition for UK workers. EU workers are more commonly self-employed, and therefore more easily fit into the flexible labour model required in the construction industry. Because of their skills, flexibility, availability and willingness to do extra work, employers often prefer them to UK-workers. While only 1 in 6 construction employers across the UK have a medium or high dependence on EU migrants, this rises to 23% among medium-large companies and to 50% in London. Restricting the numbers of EU migrants allowed to work in

the UK would therefore have a significant impact in London and the South East, and on large projects. Firms could experience knock-on skills shortages in other parts of the country, as the South East draws workers from around the UK to fill roles currently occupied by EU migrants.

## Lessons from Norway, Switzerland and Canada

Norway, Switzerland and Canada offer 'models' for UK immigration policy. Warwick researchers analysed the effect of these models on the construction industry.

**Canada** uses selective migration policies including numerical controls and temporary foreign workers programmes, which tie workers to their employers. However, these have restricted the rapid recruitment needed by the industry and increased the vulnerability of employees. In some provinces, controls on labour providers, employer co-ordination of working conditions and more avenues to permanent residency were introduced to ease these labour market tensions.

**Norway** respects freedom of movement with the EU (with the option for an 'emergency brake' if immigration levels get too high) but has introduced strict labour market controls. These include the extension of legally binding collective agreements to all employers in the sector, supply chain liability for subcontractors, extended competences for Labour Inspectorates and compulsory worker ID cards. As a result, self-employment in construction is only 11% (41% in the UK), wage competition is mitigated, and, despite larger inflows of immigrants than the UK, opposition to freedom of movement remains low (6-7%). The 'emergency brake' has never been used.

**Switzerland** also respects free movement with the EU. The market is regulated with policies including extended

collective agreements, extensive inspection of employment conditions (for 7-10% of all employees every year, as against 0.2% in UK), and 'resident priority rules'. These regulations satisfy 57% of the population and are preferred by both industry and trade unions to the reintroduction of work permits which added bureaucracy and fostered segregation and exploitation of immigrants.

## Options for the UK

All three exemplar countries have larger percentages of foreign-born workers than in the UK, including in construction. Lessons from these countries show that even with freedom of movement in place, labour market regulations can minimise tensions surrounding the perceived negative effects of immigration, whilst meeting employers' genuine recruitment needs. Options for the UK include:

- The use of collective agreements to regulate the terms and conditions of employees in the workplace in parts of the industry where multi-employer collective bargaining is strong.
- Setting detailed binding minimum core conditions in parts of the industry where collective bargaining is weak.
- Joint liability across the subcontracting chain to improve enforcement of employment regulations.
- Compulsory construction certification scheme cards for workers on construction sites to reduce scope for undeclared work.
- More extensive controls of employment conditions.
- Resident labour market tests to prioritise UK workers in areas of higher-than-average unemployment.

If combined with the availability of an 'emergency brake' on free movement, these measures can go some way to providing the effective control of migration that people demand without damaging the industry and increasing exploitation.

## Contact the researchers

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## Further information

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