

What impact might Brexit have on low paid and low skilled workers?

Ten-minute read

With a Brexit of some description fast approaching, this briefing explores what impact it might have on work, particularly low paid and low skilled jobs and workers.

Impact on wages

The government's own analysis of the impact of Brexit suggests that all Brexit scenarios would result in a drop in wages, with no-deal averaging a 10% reduction¹. For the lowest paid, a 10% drop in earned income would represent a significant blow to households' ability to make ends meet. This reduced income may also be a long term problem, with one analysis suggesting that even in 2030, low skilled jobs will be paid 1% less than if Brexit did not happen².

Of course there are a range of policy responses which could mitigate the risk and impact of wage reductions, however these might be constrained by wider economic circumstances. For example, reports suggest that an economic downturn following Brexit could result in delays to the planned increases in the national living wage, meaning that the uplift to 60% of the national median wage could be delayed beyond 2020³.

It may not all be doom and gloom however. High numbers of non-UK workers are often cited as one of the causes of low wages: a ready supply of labour allows employers to pay less because they don't need to offer higher wages to attract applicants. So in theory, if Brexit results in less EU workers in the UK, the labour force shrinks and wages would be forced to rise as employers compete for workers. In fact, evidence suggests that lower wages in the period from 2008 onwards are due more to the financial crisis than migration, with little correlation between low wages for lower skilled UK workers and EU migration⁴.

Coupled with the risk of economic downturn, with a resulting reduction in tax income for government, constrained spending by the public, and the potential closure of businesses, could counteract any

¹ HM Government, (2018), EU Exit: Long-term economic analysis

² Cambridge Econometrics, (2018), The Impact of Brexit on Poverty in the UK

³ Financial Times, (2019), Disruptive Brexit could force delays to rise in minimum wage, available online: <https://www.ft.com/content/b848bdf2-f26c-11e8-9623-d7f9881e729f>

⁴ London School of Economics, (2016), Brexit and the Impact of Immigration on the UK

theoretical wage increases. If a recession leads to a rise in unemployment any need for higher wages to attract applicants would quickly disappear⁵.

Job availability

As with wages, in theory a cap or other reduction in numbers of EU migrants coming to the UK to work should 'free up' jobs for unemployed UK workers and those wishing to change jobs/ careers. In places like London, where there is a high proportion of EU workers in the workforce, this should be particularly evident. But again, as with wages, if Brexit results in an economic downturn, there is likely to be a reduction in the number of jobs available⁶.

In addition, high rates of migration into the UK by foreign-born workers have been shown not to have a significant impact on UK unemployment rates, so it is reasonable to think that a future reduction in inward migration might not provide more opportunities for unemployed or low paid workers⁷. Overall unemployment rates are actually historically low, and vacancy rates have been climbing since 2012⁸. But youth unemployment is around 3 times higher than the rate in the general population, and people with disabilities are around twice as likely to be unemployed⁹. Clearly there is more to the UK's employment challenges than simply the number of EU workers.

The extent to which unemployed people, or those working in low-paid roles, would benefit from theoretical vacancies created by a lack of EU workers depends on how well matched the vacancies are with the individuals seeking work, and those individuals' ability to successfully find work. Many business sectors report skills shortages and difficulty hiring suitable staff, so there is already a demand for more skilled labour, and jobs that could be filled by UK workers, but aren't¹⁰. There has already been a significant decrease in EU migration, with a 95% fall in the number of EU workers coming to the UK between 2016 and 2018, but employers still report difficulties in recruiting, and hard-to-fill vacancies continue to increase¹¹. There simply hasn't been a surge in UK applicants for jobs left empty by a lack of EU applicants¹².

⁵ The UK in a Changing Europe, (2019), London has a low pay crisis: is Brexit the answer? Available online: <https://ukandeu.ac.uk/london-has-a-low-pay-crisis-is-brexit-the-answer/>

⁶ [Ibid](#)

⁷ Cambridge Econometrics, (2018)

⁸ Office for National Statistics, (2019), Labour market overview, UK: August 2019, available online: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/august2019>

⁹ House of Commons Library (2019), Youth Unemployment Statistics, Briefing Paper number 5871; House of Commons Library (2019), People with disabilities in employment, Briefing Paper number 7540

¹⁰ Cambridge Econometrics, (2018)

¹¹ Chartered Institute of Personnel and Development, (2018), Labour Market Outlook: Views from Employers

¹² Chartered Institute of Personnel and Development, (2019), Brexit impact on workforce trends, available online: <https://www.cipd.co.uk/news-views/brexit-hub/workforce-trends>

There has been an increase in low paid work and in-work poverty over the same period, which at first glance could appear counterintuitive: surely with less EU workers around, UK workers in low paid and poor quality jobs have much more choice to move on? But evidence shows that many people in low paid or low skilled jobs are stuck for years, unable to take advantage of opportunities to increase their incomes: the mere existence of job vacancies is not sufficient to allow the low paid to progress¹³.

This can be partly attributed to a mismatch in the skills that workers possess and those required by employers: FE and adult learning provision, careers advice and guidance and employers' investment in skilling and retaining staff all need significant attention to start to address this mismatch. There may also be a mismatch in the types of roles available, the salaries on offer, and their location and what jobseekers and the low paid are looking for. These are bigger, structural issues that will not be resolved solely by a reduction in EU workers coming to the UK.

Coupled with the potential for price increases, which would disproportionately affect low income households¹⁴, and the potential for employment rights to be eroded when laws underpinned by EU law can be changed unilaterally by the UK¹⁵, the outlook for low paid, low income or unemployed households looks uncertain at best.

¹³ Social Mobility Commission, (2017), The Great Escape? Low pay and progression in the UK's labour market

¹⁴ Cambridge Econometrics, (2018)

¹⁵ University of Plymouth, (2019), The potential impact of Brexit on employment rights and fairness at work, available online: <https://www.plymouth.ac.uk/news/pr-opinion/opinion-the-potential-impact-of-brex-it-on-employment-rights-and-fairness-at-work>