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From: The Chair

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20 June 2016

Frances O'Grady
TUC General Secretary
Trades Union Congress
Congress House, Great Russell Street
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CC: Sajid Javid, Secretary of State for Business, Innovation and Skills
Carolyn Fairbairn, Director General, CBI

Dear Frances,

You asked in your email to me of 17 June if I could let you know whether the Low Pay Commission has undertaken any research and analysis on the impact of EU migration on low pay. You said you would also welcome any information I may have on the impact that a Brexit would have on low paid workers. My response is necessarily a factual statement.

Older research funded by the Low Pay Commission and more recent research reach the same broad conclusion, that the effect of immigration on pay is limited. Nickell and Salaheen in a Bank of England working paper summarise that 'the balance of the research ... suggests that the share of immigrants in the workforce has had little or no impact on the pay rates of the indigenous population.'

They go on to investigate in more detail the experience of low skilled and semi skilled workers in the service sector, who constitute the great majority of the low paid. Their

results mean 'that the impact of migration on the wages of the UK-born in this sector since 2004 has been about 1 percent, over a period of 8 years. With average wages in this sector of about £8 an hour, that amounts to a reduction in annual pay rises of about a penny an hour.' (Portes, NIESR)

Successive Low Pay Commission reports have set out that slower economic growth is associated with slower growth in pay, including low pay. The impact of Brexit on low paid workers would therefore depend on the performance of the wider economy. The strong consensus among national and international institutions is that economic growth would be slower in both the shorter and longer terms. The analysis above, if correct, implies that economic performance would influence low pay more strongly than migration.

I am copying this letter to Carolyn Fairbairn (CBI) and to the Secretary of State for Business, Innovation and Skills.

Kind regards,

A handwritten signature in blue ink, consisting of a stylized 'D' followed by a cursive 'N' and 'O', representing P.P. Sir David Norgrove.

P.P. Sir David Norgrove