

Employers of Migrants

Introduction

We commissioned HMRC to use their administrative tax return data to carry out analysis of the characteristics of UK employers who employ migrants. This analysis only covers employees who are payrolled by their employers. This research paper describes recent trends of employers of migrants in the UK, before analysing how migrant employment varies by employer size and sector. Following this, we analyse the proportion of payrolled migrants that earn above the general salary threshold of £25,600 in employers of different sizes and sectors. A summary of this research paper is included in our main Annual Report.

Throughout this report, the nationality of employees is based on what has been reported by individuals when they register for a National Insurance Number (NINo) through the adult NINo registration process. If an individual has subsequently naturalised or changed nationality that is not reflected in these statistics. Based on analysis from [other sources](#), this is most prevalent in the non-EEA grouping, where a higher proportion of those who have non-EEA nationality when they come to the UK eventually get UK nationality. In these cases, HMRC data will list the individual as having a non-UK nationality.

Methodology

The main analysis uses Pay As You Earn (PAYE) Real Time Information (RTI) data from 1 April 2018 to 31 March 2019, to focus on employers who had active employments during this period. Employers are defined by payroll schemes and only include people paid through PAYE reported via the RTI system. It is possible for a single employer to have multiple payroll schemes, but we do not expect this to have a large impact on the results.

There is some additional time-series analysis of employers of migrants which uses PAYE RTI data from 1 April 2015 to 31 March 2019.

The methodology has five steps as set out below:

Step (1) – Identification of nationality and other characteristics

- The first step obtains the nationality information at the point of NINo registration and reported date of arrival into the UK from the Migrant Worker Scan (MWS) dataset.
- From this, EEA and non-EEA nationalities can be determined for all individuals who reported their nationality at the time they registered for a NINo as part of the adult registration process.

Step (2) – Merging with PAYE RTI

- This step merges the data derived at step 1 to the PAYE RTI dataset from which employee and employer information is determined. This includes PAYE scheme, sector (using Standard Industry Classification 2007 codes (SIC codes)), the number of employees in each scheme and their salary information.
- An individual's salary per employment is calculated as follows:

Gross Pay = Taxable Pay + Pre-Tax Pension Contributions + Items Subject to Class 1 NICs – Payrolled Benefits-In-Kind

Step (3) – Identification of employments in PAYE RTI

- This step obtains a list of all employments held within PAYE RTI with at least a part of the employment occurring between 1 April 2018 and 31 March 2019.

Step (4) – Determining the employer characteristics

- The number of employments is summed per PAYE scheme to give the total number of employees for each employer. This is split by nationality recorded at the time the individual registers for a NINo: consisting of UK and Ireland, EEA and non-EEA nationals respectively.

The size of employer (defined by PAYE scheme) is based on the total number of employments in the year, categorisation of size is as follows:

Employer size	Number of Employments
Micro	0-9
Small	10-49
Medium	50-249
Large	250+

Step (5) – Determining Annualised Wages

- a) Annualised wages are calculated by looking at the pay amounts and job weights. Pay amounts indicate the total pay for any particular month. Job weights take into account the length of the work period and will reflect when an employment begins or ends part way through a month.
- b) The pay amount is divided by the job weight for each month which calculates the equivalent pay if an employee had worked for the full month.
- c) The average is then taken for all the months where a payment was made and grossed up to represent an annualised salary.
- d) The analysis shows the proportion of employees within an employer that meet the general salary threshold of £25,600 and the lower salary threshold of £20,480 for at least one employee.
- e) The calculation of annualised wages does not distinguish between part-time and full-time employments. The methodology takes the pay amount in a given month and calculates what the annual equivalent would be. If their pay reflects part-time hours, then the annual equivalent would be based on these part-time hours.

Key assumptions

Nationality is reported by individuals when they register for a NINo through the adult NINo registration process. If an individual has subsequently naturalised or changed nationality that is not reflected in these statistics. This is most prevalent in the non-EEA grouping, where a higher proportion of those who have non-EEA nationality when they come to the UK eventually get UK nationality. In these cases, our data will list the individual as having a non-UK nationality.

The EEA grouping contains those with nationalities in all the member states of the EU plus the three EEA non-EU member states Iceland, Liechtenstein and Norway plus Switzerland. Switzerland is in neither the EU nor the EEA but is part of the single market which means Swiss nationals have the same rights to live and work in the UK as other EEA nationals. The UK and Republic of Ireland (RoI) has been omitted from this grouping.

This analysis focuses on migrants already in the UK and who have come to the UK over a long time period. EEA migrants who are living in the UK by 31 December 2021 are eligible for the EU settlement scheme (EUSS). Therefore, this does not represent the potential future “flow” of migrants. These are important limitations of the analysis and should be kept in mind when interpreting the findings. It is not an assessment of the impact of the future immigration system in which migrant workers can come through the main work visa route but may also come through other visa routes including as family or dependents.

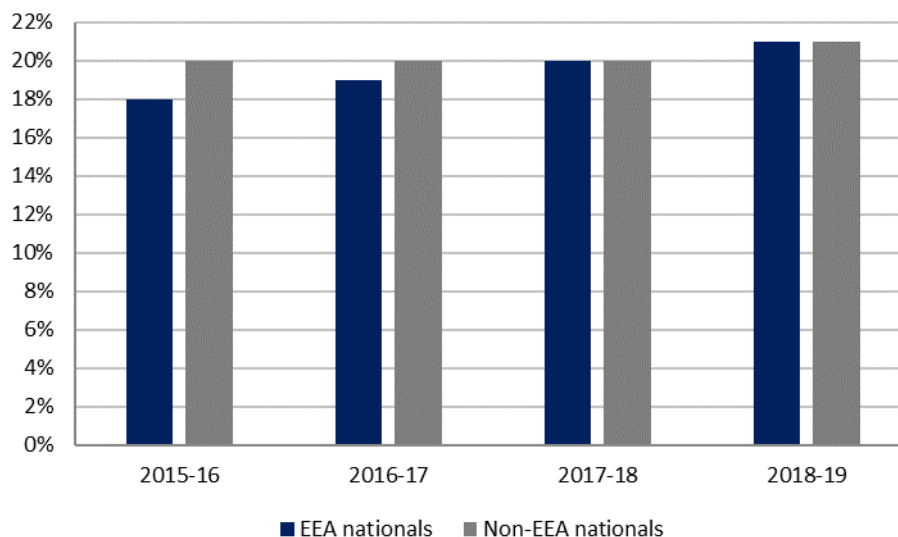
Only employers with active employees (an individual that was on the payroll of their employer using the PAYE RTI system) during the period between 1 April 2018 and 31 March 2019 have been included. An active employee is someone who has been economically active in that employment at some point during the period and is included as an employee of a PAYE scheme.

We define ‘employers of migrants’ as those employers that had at least one non-UK national employee (with nationality defined at the point of NINo registration as above). We define ‘employers of EEA migrants’ as those employers that had at least one EEA national employee. We define ‘employers of non-EEA migrants’ as those employers that had at least one non-EEA national employee. We define an ‘employee’ as an individual employment that was on the payroll of their employer using the PAYE RTI system during the period between 1 April 2018 and 31 March 2019.

Recent trends

Overall, two thirds of employers in the UK did not employ any migrants (non-UK nationals at the time of NINo registration) in 2018/19. 21% of employers had at least one EEA employee in 2018/19. The same proportion of employers (21%) had at least one non-EEA employee in 2018/19.

Figure 1: Proportion of employers that employ at least one EEA/non-EEA migrant



Source: HMRC analysis

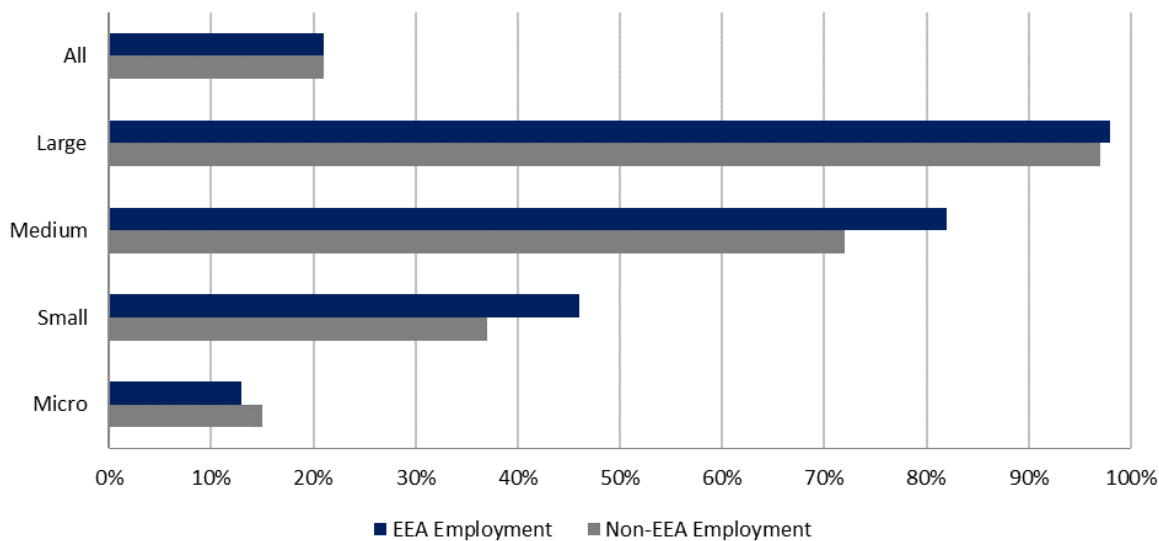
The proportion of employers with at least one EEA employee has grown faster than the proportion of employers with at least one non-EEA employee in the last few years. Figure 1 shows that the proportion of employers who employed at least one EEA migrant from 2015/16 to 2018/19 increased from 18% to 21%, whereas for non-EEA employees it increased from 20% to 21% over the same period.

Furthermore, 26% of employers that employed at least one EEA migrant in 2018/19 have an EEA employee that arrived in the UK from April 2017 (i.e. an employee who arrived in the UK in the previous year). This compares to 14% for employers of non-EEA migrants. We might expect to see a reversal in this trend once the new immigration system is operational in January 2021, as migration restrictions increase for EEA workers and decrease for some non-EEA workers.

Employer trends by size

Figure 2 below shows that the larger the employer, the more likely they are to employ an EEA or non-EEA migrant, as would be expected. Almost all large employers had at least one migrant employee. Specifically, 99% of large employers, 90% of medium employers, 57% of small employers and 26% of micro employers employed either an EEA or non-EEA migrant. Large, medium and small employers are more likely to employ an EEA migrant than a non-EEA migrant, whilst micro businesses are more likely to employ a non-EEA migrant. It is important to note that some non-EEA migrants will come through the main work route (currently Tier 2) but that others may come through other visa routes or as dependants. As this analysis is based on nationality at the point of NINo registration, many of those defined as non-EEA nationals may have indefinite leave to remain or UK citizenship now.

Figure 2: The proportion of employers with at least one non-EEA or EEA employee in 2018/19, by employer size



Source: HMRC analysis

Table 1 shows that the average proportion of migrant employees within employers of migrants (those with at least one non-UK migrant employee) is high. On average, migrants account for 57% of employees within employers of migrants. This figure is high because the proportion of migrants within micro employers of migrants is 75%, and micro employers make up the largest share of employers; in the UK, 82% of all employers have less than 10 employees and fall into the micro employer size. Indeed, many of these will be one-person businesses. 27% of employees within small employers of migrants are migrants, whilst 18% of employees in both medium and large employers of migrants are migrants.

Table 1: The proportion of the employees that are migrants, within employers that employ at least one migrant, by employer size.

Size	Average proportion of employees reporting their nationality as non-UK ¹
Micro	75%
Small	27%
Medium	18%
Large	18%
All	57%

Source: HMRC analysis

¹: Within employers of non-UK nationals

The proportion of migrants within micro employers of migrants is high in part because of the methodology. This statistic only includes employers with at least one migrant. The majority of micro employers (74%) do not employ any migrants at all. Table 2 shows the proportion of employers that employ zero migrants, by employer size. It shows that smaller businesses are more likely to employ zero migrants, as would be expected. Given that many micro employers have only one or two employees, for example director-only employers are included, the proportion of migrants within them when at least one migrant is employed is very high.

Table 2: The proportion of employers that employ zero migrants, by employer size

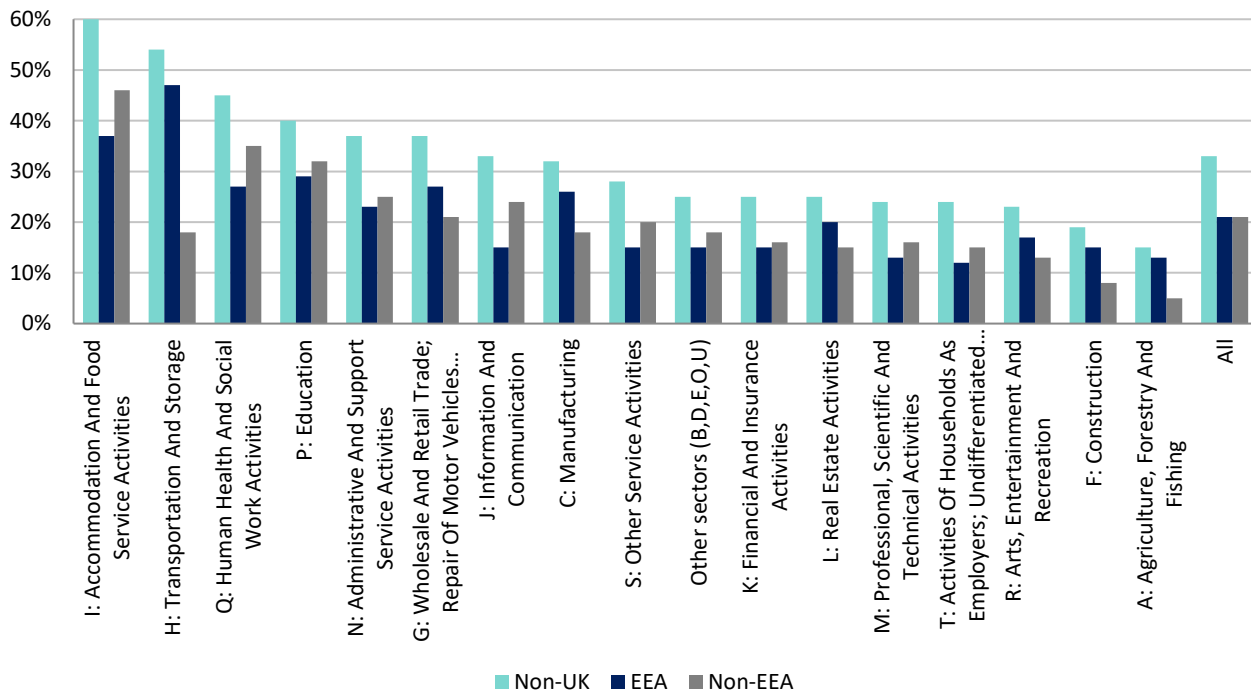
Size	Proportion of employers with zero migrants
Micro	74%
Small	43%
Medium	10%
Large	1%
All	67%

Source: HMRC analysis

Employer trends by sector

Figure 3 below shows the proportion of employers with at least one non-UK/EEA/non-EEA employee by sector. These figures reflect, in part, average employer size. This is illustrated in Figure 2, which showed that the larger the employer, the higher the probability that a migrant is employed. The accommodation and food service activities sector has the highest proportion of employers with at least one migrant (60%). The proportion of employers with at least one EEA migrant is similar to the proportion of employers with at least one non-EEA migrant in most industries. There are some notable exceptions however. 47% of employers in the transportation and storage sector employ an EEA migrant, but only 18% employ a non-EEA migrant. In addition, twice as many employers in construction employ an EEA migrant (15%) than a non-EEA migrant (8%). On the other hand, 24% of employers in the information and communication sector employ a non-EEA migrant, but only 15% of employers in that sector employ an EEA migrant.

Figure 3 The proportion of employers with at least one non-UK/EEA/non-EEA employee, by sector



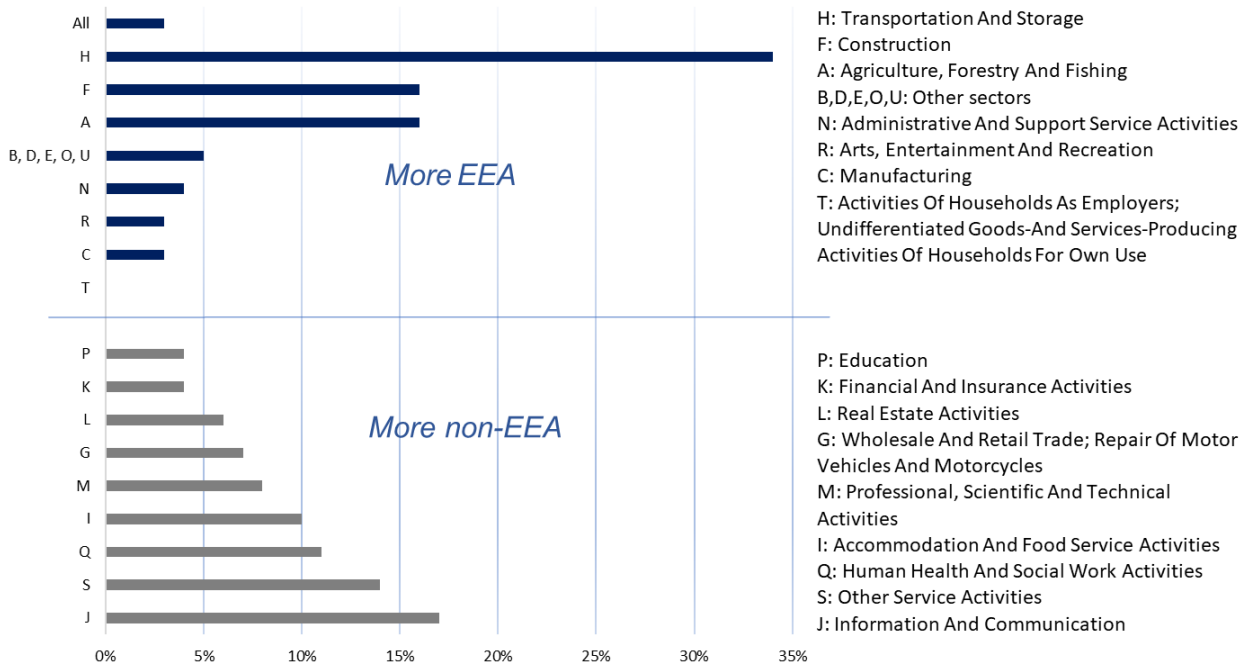
Source: HMRC analysis

Note: Other sectors; B: Mining and quarrying; D: Electricity, gas, steam and air conditioning supply; E: Water supply; sewerage, waste management and remediation activities; O: Public administration and defence; compulsory social security; U: Activities of extraterritorial organisations and bodies

It is also worth noting that the human health and social work activities sector has the third highest share of employers that employ at least one migrant (45%). 27% of employers in this sector employ an EEA migrant, whilst 35% employ a non-EEA migrant. We might expect this gap to increase when immigration restrictions increase for EEA workers and ease for non-EEA workers. See Figures 1.13 and 1.14 in the main Annual Report for the overall share of EEA and non-EEA migrants in the above sectors.

Figure 4 below shows the difference between the average proportion of EEA and non-EEA migrants within employers of EEA and non-EEA migrants respectively, by sector. Note that employers who employ no migrants are excluded. The transportation and storage sector shows the biggest difference in the proportion of EEA (68%) and non-EEA (34%) employees within employers of EEA migrants and non-EEA migrants respectively. There was also a much higher share of EEA migrants than non-EEA migrants (within employers of EEA and non-EEA migrants respectively) in the construction (66% vs 50%) and agriculture (37% vs 21%) sectors. We expect these gaps to narrow in future as immigration restrictions tighten for EEA workers, and ease for non-EEA workers.

Figure 4: The difference between the average proportion of EEA and non-EEA migrants within employers of EEA and non-EEA migrants respectively, by sector



Source: HMRC analysis

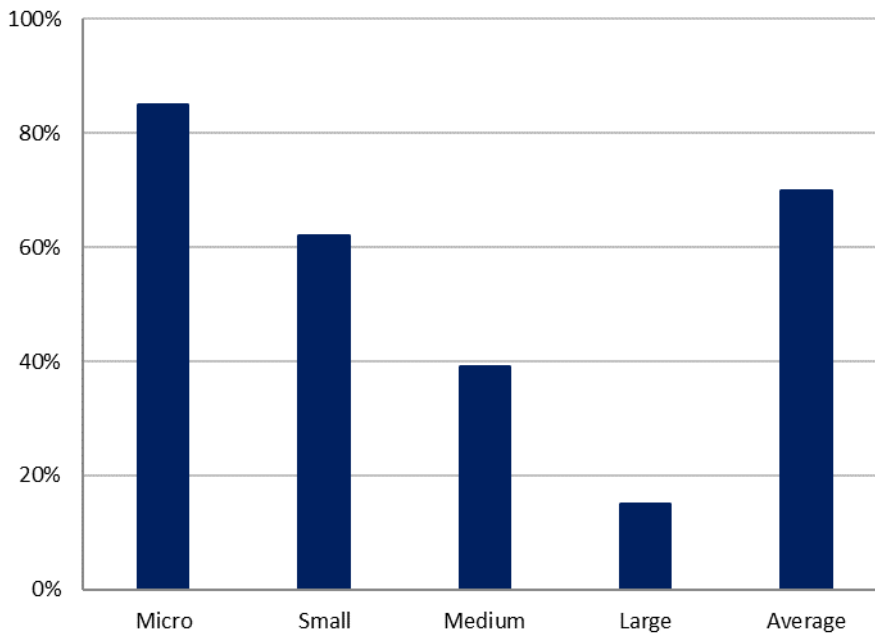
There was a significantly higher share of non-EEA migrants than EEA migrants (within employers of non-EEA and EEA migrants respectively) in the information and communication (68% vs 51%) and other service activities (54% vs 40%) sectors. We expect these gaps to increase in future as immigration restrictions tighten for EEA workers, and ease for some non-EEA workers.

Salary thresholds

This section analyses the proportion of migrants that meet the general annual salary threshold of £25,600 (general threshold or threshold hereafter). This threshold comes in to effect for migrants applying through the Skilled Worker Route from January 2021. We use this threshold for simplicity, but in practice, there are sometimes also occupation specific thresholds and discounts for new entrants. Furthermore, the salary threshold is reduced by 20% (subject to an absolute minimum of £20,480) for occupations on the SOL. [The UK's points-based immigration system: policy statement](#) provides further details of the entry requirements for migrant workers. In addition, not all migrants need to meet these thresholds to work in the UK as some may come through other visa routes or as dependents.

Figure 5 shows the proportion of employers of EEA migrants that pay all EEA employees less than the general salary threshold, by employer size. The chart focuses only on those employers who employ at least one EEA worker i.e. we ignore all employers who do not have any EEA workers. On average, 70% of employers of EEA migrants pay all EEA employees less than the general threshold. This is largely because most micro employers (85%) pay all EEA employees less than the general threshold, and micro employers make up the largest share (82%) of all employers.

Figure 5: The proportion of employers of EEA migrants that pay all EEA employees less than the general salary threshold, by employer size



Source: HMRC analysis

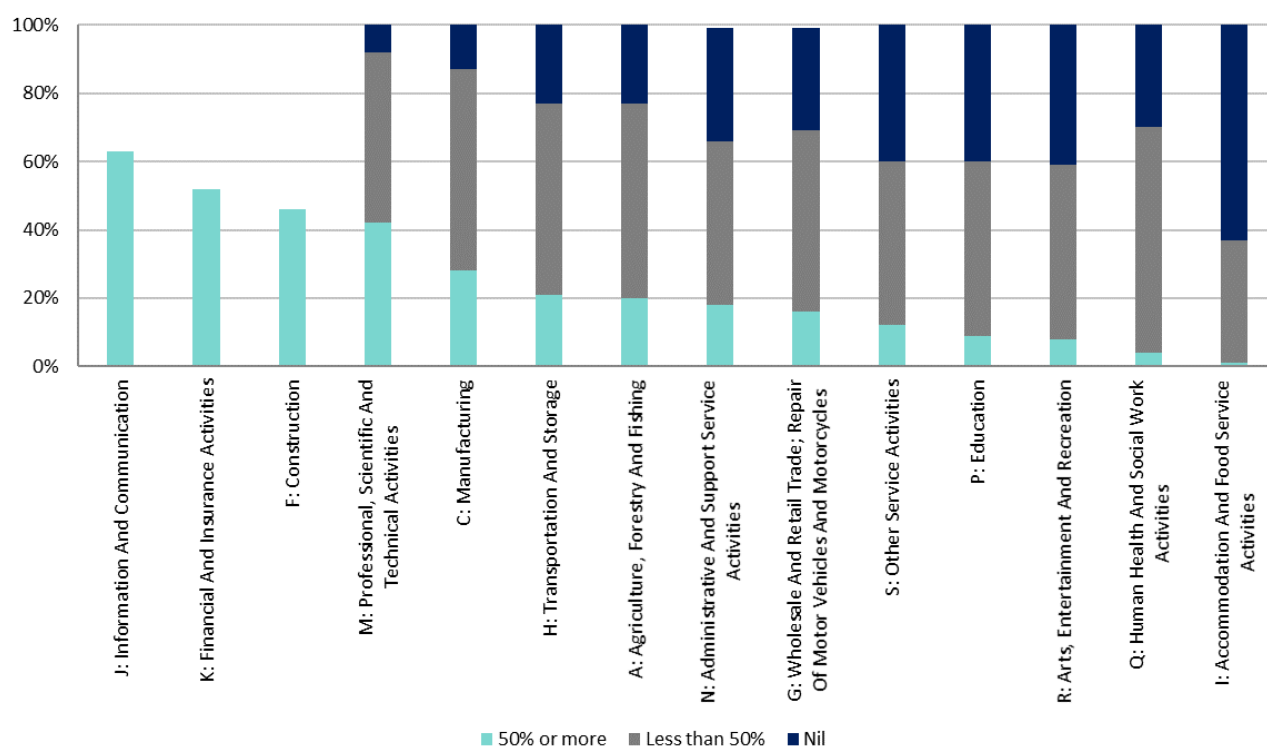
It must be noted that the skills threshold in the future immigration system will be for RQF3 level roles and above for the Skilled Worker Route. This is a restriction for EEA workers compared to freedom of movement. We do not take into account the impact of the skills threshold in this analysis, as the HMRC dataset does not include information on occupation.

Without taking into account the skills threshold, the introduction of salary thresholds for EEA migrants in the future immigration system is likely to have the greatest impact on small and micro employers of EEA migrants. This is because the majority of micro (85%) and small (62%) employers of EEA migrants do not hit the salary threshold for any of their EEA employees. Consequently, the majority of small and micro employers are not paying enough to meet the general salary threshold in the Skilled Worker Route based on the pay of existing EEA nationals. It is important to remember that this analysis only looks at the general salary threshold for simplicity and there will be lower salary threshold for some migrants coming through the Skilled Worker Route, such as new entrants and for those working in occupations on the Shortage Occupation List.

Although a smaller share of large employers do not hit the salary threshold for all EEA employees, almost all large employers (98%) employ at least one EEA migrant, compared to only 13% for micro employers. Furthermore, the average share of EEA employees within large employers of EEA migrants (12%) is lower than the average share of EEA employees within micro employers of EEA migrants (66%). Consequently, a greater proportion of large employers of EEA migrants will be affected by the January changes to the visa system, although in many cases their reliance on EEA workers is relatively low. That said, in 5% of large employers of EEA migrants, over half of their employees are EEA migrants. These employers will be affected significantly by the January changes to the immigration system. Small and micro employers are less likely to employ EEA migrants at all, but where they do it is often the case that they are heavily reliant on them and thus may have to change their recruitment of EEA migrants more significantly.

Figure X.6 below shows the proportion of small employers that meet the general salary threshold for: 50% or more employees, less than 50% of employees, and no employees, by sector. This chart focuses on small employers only (10 – 49 employees) to control for the effect of different proportions of each business size within each sector (for example, Figure 5 above showed that micro employers were more likely to pay all employees under the general salary threshold).

Figure 6: The proportion of small employers that meet the general salary threshold for: 50% or more employees, less than 50% of employees, and no employees, by sector.



Source: HMRC data

Note that the small employers in sectors J, K and F that meet the salary threshold for less than 50% and no employees respectively are not included due to disclosure issues.

The information and communication (63%) and financial and insurance activities (52%) sectors have the highest proportion of small employers where at least 50% of employees meet the general salary threshold. These sectors are therefore less likely to be affected by the tighter rules on EEA migration from January, as the majority of small employers meet the salary threshold for over 50% of their employees. In the lower-paid jobs within these sectors, we still might expect to see a substitution of EEA nationals for UK nationals and migrants on routes that are not subject to skill and salary thresholds.

The accommodation and food services sector has the highest proportion of small employers where no employees meet the general threshold (63%). Furthermore, the human health and social work sector has the second lowest proportion of small employers (4%) where over 50% of employees meet the general salary threshold. It should be noted that salary thresholds in public sector occupations within this sector are based on national pay scales and are exempt from the general threshold. However, there are still some occupations in this sector which do not have nationally pay scales, such as social care, that are subject to the general threshold of £25,600. Employers of EEA migrants in these sectors may be more affected by the changes in the future immigration system. This is because the majority of small employers meet the salary threshold for less than half of their employees or none of their employees. The impact will depend on the

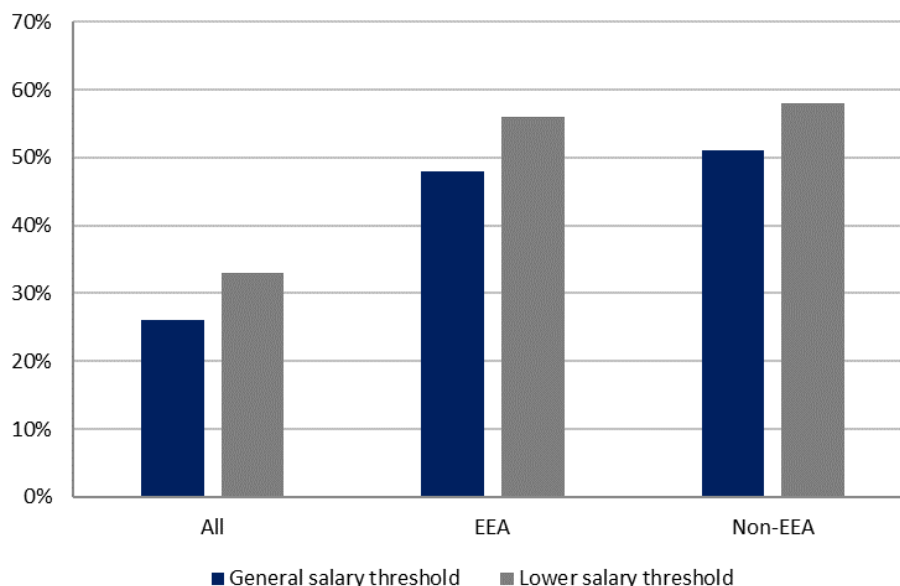
turnover of workers in this sector and how employers adapt (e.g. through automation, offering different products or services).

Human health and social work activities sector

In the sections above, we have shown that a high proportion of employers in the Human health and social work activities sector employ migrants. Furthermore, we have shown that many employees in the sector do not meet the general salary threshold. Importantly, the majority of employers of EEA migrants in this sector do not meet the salary threshold for any of their employees. This section shows additional analysis of the proportion of workers that meet the lower salary threshold of £20,480.

Figure 7 shows the proportion of employees that meet the general and lower salary thresholds by nationality group in the Human health and social work activities sector. The share of EEA migrants that meet the lower salary threshold (within employers that meet the salary threshold for at least one EEA migrant) rises to 56% compared to 48% for the general threshold. Similarly, the share of non-EEA migrants that meet the lower salary threshold (within employers that meet the salary threshold for at least one non-EEA migrant) rises to 58% compared to 51% for the general threshold. An important caveat of this analysis for the Health and social work sector is that many of the occupations in this sector will not be subject to the general threshold and the public sector occupations with national pay scales must instead meet that lower threshold.

Figure 7: The proportion of employees that meet the general and lower salary thresholds, within employers that meet the salary thresholds for at least one employee, by nationality (health and social care sector)



Source: HMRC analysis

Conclusion

This analysis gives an insight into the characteristics of employers of migrants. We showed that in recent years, the number of employers that employ an EEA worker has grown faster than the number of employers that employ a non-EEA worker. From January 2021, we might expect a reversal of this trend.

This is in line with a tightening of immigration restrictions for EEA workers and loosening of restrictions for some non-EEA workers.

This analysis has also shown that small and micro employers of EEA migrants are likely to be most intensely affected by the January changes to the immigration system. This is for two reasons; firstly; the share of EEA migrants within these employers is quite high, and secondly; the majority of small and micro employers of EEA migrants do not hit the general salary threshold for any of their EEA employees.

Finally, this analysis revealed that the share of both EEA and non-EEA migrants that meet the general salary threshold in most sectors is low. However, as we discussed in our [report on the Points-Based System \(2020\)](#), many EEA migrants would not be eligible for the Skilled Worker Route due to the skills threshold anyway. This suggests that existing employers of EEA migrants will have to change the way they hire EEA migrants in future; either by employing fewer staff or by hiring workers already in the UK to avoid having to meet the general salary threshold. As covered in our Points-Based System report, it is still unclear to what extent the increase in immigration restrictions for EEA migrants will be offset by the lowering of immigration restrictions for non-EEA migrants.

Datasets

Data on volumes of employers, nationality of their employees and annualised wages is taken from the HMRC Pay As You Earn Real Time Information (PAYE RTI) system, and the Migrant Worker Scan.

Her Majesty's Revenue and Customs Pay As You Earn Real Time Information (HMRC PAYE RTI) data

As Pay As You Earn (PAYE RTI) data covers the whole employer population (for those who operate PAYE scheme), rather than a sample, they can be used to produce more precise and detailed statistics on pay and employment than other survey-based statistics. Conversely, the statistics that can be produced from PAYE data are limited by the data that the PAYE system collects.

Employers on the PAYE RTI dataset are those who have a live employment open on a PAYE Scheme. Employers must operate PAYE as part of their payroll to collect Income Tax and National Insurance from employment.

PAYE RTI data include a record of payments employers make to their employees and can be used to construct statistics on the salary of these employees and characteristics of their employer.

Migrant Worker Scan data

The MWS data is used to identify the nationality of individuals in the RTI data and Self-Assessment data. The nationality of individuals is taken from National Insurance records and is only available for those who were allocated a NINO via the adult registration process. NINO's are automatically issued to residents in the UK (including foreign nationals) when they turn 15 years and 9 months old. Any individual who isn't allocated a NINO automatically (for example, those who migrated to the UK after the age of 16) must apply for one through the Department for Work and Pensions' (DWP) adult NINO registration process.

This process records nationality at the point of registration. Changes to nationality, naturalisation (UK citizenship) and multiple nationalities are not included. The information is logged with HMRC's National Insurance and PAYE service. The MWS contains information on NINOs, nationality recorded at registration, UK arrival date and NINO registration date.

Limitations

PAYE RTI data

This analysis is produced using HMRC administrative data. The quality of administrative data will depend on factors such as the topics covered, and the quality of the information submitted by the people providing it. For example, the quality of the statistics on the number of employers in this publication depends on information submitted by employers.

The analysis undertaken covers employments in year 2018/2019 (the year defined as 1st April to 31st March). These employments may not have all been active for the entire year, or all at the same time. Employments are defined by payroll schemes set up by the employer and only includes people paid through PAYE reported via the RTI system. Micro employers (with fewer than 10 employments) can include director-only companies. These have not been identified for the purpose of this analysis, so care should be taken when considering the results in this category.

Where an employee is awaiting their NINo, employers are still required to make PAYE RTI submissions when payments are made to those individuals. These employments are assigned a Temporary Reference Number (TRN) by HMRC. Where these employments have not been linked to an individual in our statistical analysis, they have been included as UK nationals. This may lead to an underrepresentation of the non-UK employees due to the prevalence of TRNs for new applicants in the labour market.

The analysis in this paper does not cover self-employment or self-employment income or income from other sources such as pensions, property rental and investments.

MWS data

The MWS records migrants' nationality at the time of registration. It does not typically hold information on any changes in nationality after the allocation of the NINo. It does not record whether an individual holds more than one nationality, only one of these is recorded.