Economics 101: Immigrants Suppress Wages

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> "It isn't rocket science. Just as a surplus of anything reduces its cost, so most reputable economists, from Karl Marx[a] to Milton Friedman, have agreed that an over-supply of labour depresses wages."
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> Paul Embery, Executive Committee member of the Fire Brigades Union, *Labour's conspiracy of silence on immigration*
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> [a] "Their ignorance and complete misunderstanding of the facts are worthily paralleled by the economists, who interpret the above phenomena of accumulation by saying that in one case there are too few, and in the other, too many wage-labourers in existence." (Karl Marx, *Capital*, Volume 1, Chapter 25, p.771)

> "Immigration, overall, has made the UK a more productive economy and a more prosperous country – and can do so in the future."
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> Jonathan Portes, Professor of Economics and Public Policy, Kings College London, *Immigration has made the UK more productive and prosperous - and will again in the future*

The "sober" immigration debate is characterised by two opposing viewpoints that have more in common than they like to admit. On the one hand, there are those who appeal to a heady common sense cocktail of nationalism and economics. Immigrants are stealing *our* jobs, and driving down *our* wages. It's simple supply and demand. Too many people chasing too few jobs leads to lower wages. Jobs that should have gone to British people are taken by immigrants.

On the other hand, the counter arguments tend to play on the same terrain. Migration helps *our* economy. For some proponents "our economy" is enough to rest their case, others claim that a prosperous economy also leads to more jobs for British people. A greater supply of workers increases consumer demand, which in turn leads to more jobs or so the argument goes.

These two viewpoints share the mistake of declaring ownership of something which isn't theirs: *our* jobs, *our* wages and *our* economy. They also misidentify what is being demanded and supplied on the labour market. As a result, they consider migrants to be the driving force for wage levels, economic growth and unemployment instead of the capitalist firms that make hiring, firing and investment decisions.

Let's start with what is *ours*. When you land a job this is the result of successfully competing against other candidates for that job. If you don't get that job, well, you lost out in the same struggle of all against all. The decision about whether someone is offered a job is not made according to the needs of those seeking a job or whether they deserve it, but by an employer who has their own criteria. These criteria include a cost-benefit analysis of how much it costs to hire someone vs how much they expect to make from the work that someone does. It is a little strange to talk about something being "yours" if you first have to compete for it and then have to continously fear that you may lose it as a result of someone else's calculations.

When a firm fires its employees because it can find cheaper labour elsewhere, this somehow gets translated into a discussion about those people who are the objects of the same calculation. This way, the subjects of hiring, firing and wage levels – the employers – are exempt from criticism of their calculations. Arse about face.

This switcheroo is put forward in the form of an appeal to a force-of-nature like phenomenon: supply and demand. Economics 101.

Yet, this fails to account for what is being demanded for which purpose.

First, companies are not interested in hiring workers as such but they are interested in getting work out of these workers. For example, when a firm wants to get more work done (say to increase output), this does not necessarily mean they will hire more workers. Instead, it can demand that workers take less breaks, as Amazon does in their warehouses by controlling bathroom times. Another common tactic is to extend the working day (with or without overtime pay). Indeed, companies are so eager to and successful in deploying this tactic that the State feels compelled to intervene and regulate the maximum amount of hours companies can demand from their workers, lest they work them into the ground and deprive the economy of this precious resource.

The reason why companies need to be prevented by force from pursuing this strategy is that capitalist firms do not demand labour but profitable labour. Workers are hired only on the calculation that they will contribute to the creation of profit, they make stuff worth more money than has been paid out to hire them. Investors judge industries by how much profit they promise compared to the rest of the economy: if an industry only provides below average profits it becomes less interesting compared to other branches of industry and vice versa. In this calculation, the wage is a cost factor to be minimised relative to output. Here, cutting bathroom times increases output relative to the same wage and overtime (even paid) is often a better deal than hiring a new person. This is also why the experience of being asked to do more work for the same wage is so common.

Companies extending production is what the pro-immigration side of the debate appeals to when it points out that increased migration produces economic growth which then translates to more demand for labour and thus more jobs and/or higher wages. What this extension of production presupposes is successful profit making. For a company to increase production it needs to have accumulated additional money that can now be turned into new machines, buildings and wages. This money is the result of earning more from sales than was paid on raw materials, tools and wages.[1] In other words, the premise of the promised job wonder is that companies successfully managed to extract the money equivalent of more work out of their workers than is needed for their wages. The promise of high wages is off the back of comfortably low wages, allowing companies to make and invest profits.

If firms simply increase their production – buying more of the same machines, hiring more workers – this may lead to an increase in wages due to increased demand. Now, either these higher wages are

[1] With credit the situation changes somewhat: a company does not need to invest money that it earned already. Yet, a bank will still judge the company's creditworthiness based on its previous ability to turn a profit.

compatible with further economic growth, i.e. those wages are still low enough for the purpose for which they are paid, or they are not. In the latter case, economic growth slows down and wages fall. The same might happen in the event of new anti-immigration legislation: either wage levels increase and stay high because they are low enough for economic growth or they fall as it slackens. Either which way, the reason why wages are high or low is the dynamic of accumulation of capital: profit making on the backs of workers and re-investment of those profits.

However, not all else is equal. Capitalist economic growth does not simply take the form of more of the same. Rather, companies deploy labour saving technologies, e.g. better, more productive machines, to produce cheaper, beating the competition on price. When a more productive technology allows to get £1000 per-worker out of 4 workers, instead of £600 per-worker out of 6 workers, then it overcomes the limitations of the number of available workers, perhaps imposed by stricter migration controls. This way, some workers might also be made redundant, leading to increased competition on the labour market, suppressing wages. Once again, we find that whether the accumulation of capital leads to rising or falling wages depends on itself: does it expand by hiring more workers in the ratio as it grows or does it deploy labour-saving techniques relatively diminishing the demand for labour.

The demand for work can therefore go up even as people flood through the borders, or go down even though not a single new soul enters the labour market. What determines demand is the rate of capital's expansion, and the availability of workers at profitable rates. Workers are mere dependants in this relationship. Moreover, capital is playing both sides: its own accumulation creates the demand for labour and slackens it. Its own low demand (low wages) creates the conditions for high demand (rapid expansion, high wages) which then again creates the conditions for low demand. Capitals' own techniques of increasing productivity modulate the supply of labour made redundant. The fundamental determination of wage levels is by the accumulation of capital, not by some poor suckers looking for a job like everybody else.