

EEA workers in the UK labour market

Submission to the Migration Advisory Committee

CIPD

**Chartered Institute of Personnel and Development (CIPD)
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Background

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has over 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

Introduction

In June 2017, the CIPD and NIESR published a report on EU immigration policy to make policy recommendations on how the UK's immigration system could be aligned with the existing points-based system for non-EU nationals.¹ The recommendations and conclusions contained in the report were supported by a substantial evidence base, consisting of 27 employer interviews, 6 focus groups across the UK, a survey of more than 1, 000 employers and analysis of Office for National Statistics (ONS) data. The CIPD's submission draws heavily on the report, which looked to answer many of the questions set out in subsequent Migration Advisory Committee (MAC) call for evidence.²

¹ CIPD/NIESR. (2017). *Facing the future: tackling post-Brexit labour and skills shortages*.

² Migration Advisory Committee. (2017) 'Call For Evidence'. Available at: <https://www.cipd.co.uk/knowledge/fundamentals/emp-law/recruitment/post-brexit-skills-shortages> [Accessed 20/10/17].
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/635638/2017_08_04_MAC_Call_for_Evidence.pdf [Accessed 20/10/17].

Executive summary

Why employers hire workers from the EU

- Employers do not proactively seek to recruit EU nationals, instead it appears they make rational decisions based on the supply of applicants available to them
- Employers value the contribution that EU nationals make to their organisations, with the main reason for filling roles with EU workers being that they are unable to fill roles with local applicants for low-skilled or unskilled roles
- Other reasons for employing EU workers include their work ethic, commitment to the organisation's values and their job-specific or technical skills
- Some employers say that EU applicants are often better than the pool of British workers they have available, despite efforts to attract local workers
- At the same time, a number of employers are not doing all they can to attract local workers in terms of maximising all sources of domestic labour supply, skills investment and incentivising applicants through higher pay and better employment conditions. For instance, around one in seven employers say they hire EU nationals because they have lower pay and employment conditions expectations
- However, CIPD research finds no evidence that employers hire EU nationals in order to avoid training spend. In fact, CIPD evidence suggests that employers that employ EU migrants are more likely to invest in training initiatives than those that don't

How employers would respond to migration restrictions

- It seems that the primary response to migration restrictions by employers would be to broaden the pool of applicants by targeting young people and under-utilised groups from the domestic workforce
- Targeting young people in particular would be through means such as raising pay and employment conditions, improving the organisation's brand and placing a greater emphasis on in-work progression, where possible
- However, there is scepticism amongst some employers about the potential to meet labour demand purely through the supply of local applicants
- Relocating a part, or all, of the organisation's operations is a viable response for a minority of employers
- There is little evidence that organisations are turning to automation as a substitute for migrant labour

Employer views on a future immigration policy

- It seems a majority of employers would favour an immigration policy that gives preferential treatment to EU nationals. This is especially true among low-skilled employers, who say that they often need workers at short notice to meet short-term fluctuations in demand
- Employers would warmly welcome any move to expand the current skills shortage occupation list; especially among sectors such as social care who report recruitment difficulties for roles that require qualifications that cannot be matched by higher salaries

Taking all the evidence together, we believe that the government should put in place a government policy that recognises both the contribution that EU nationals make across all skills levels and the responsibilities of employers. The current points-based system could be adapted to include all non-UK nationals and made quicker, easier and more affordable for users, but made favourable for EU nationals. In addition, the system should include a labour shortage occupation list. This would help ensure that employers that have genuine need of low-skilled EU migrant labour are not penalised; and require those that do not fall into this category to make adequate steps to recruit UK nationals from the domestic workforce.

EEA Migration Trends

Please provide evidence on the characteristics (e.g. types of jobs migrants perform; skill levels, etc) of EEA migrants in your particular sector/local area/region. How do these differ from UK workers? And from non-EEA workers?

1.1 Consistent with CIPD/NIESR research, the official data finds that the characteristics and labour market status of EU nationals in the UK vary significantly between EU national groups (Table 1). According to the most recent official data, almost two-in-five (37%) EU14 nationals were employed in high-skill jobs compared with almost one in ten (estimated 8%) EU8 nationals.³ At the same time, more than two thirds (69%) of EU8 nationals and 61% of EU2 nationals were employed in low or lower-middle-skilled jobs, compared with less than half of nationals from the UK, outside the EU and from EU14 countries (38%). The figures bear striking resemblance to the pattern observed in 2014, when it was reported that the same proportion (69%) of EU8 migrants were employed in low to middle-skilled roles,

³ ONS. (2017) *International immigration and the labour market, UK: 2016*. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/migrationandthelabourmarketuk/2016> [Accessed 20/10/17].

compared with around a third (34%) of EU14 migrants.⁴ Consistent with the migration literature, this indicates that EU8 nationals face significant challenges with in-work progression, due in part to the poor transferability of their qualifications and the limited progression opportunities that often exist for elementary occupations where they are disproportionately employed.⁵

Table 1: Distribution of workers in each nationality group, by skill level of occupation in 2016(%)

Skill level	High (%)	Upper middle (%)	Lower Middle (%)	Low (%)
UK	28.23	28.08	33.73	9.64
EU 14	37.49	24.19	25.46	12.68
EU8	8.37	22.12	38.44	30.7
EU2	11.22	27.28	30.49	30.83
Non-EU	32.15	22.95	31.32	13.15
National average	27.83	27.56	33.52	10.77

Source: Annual Population Survey, Office for National Statistics

1.2 Indeed, the occupational profile of EU nationals shows that around a third (31%) of EU8 migrants and EU2 migrants are employed in elementary occupations such as cleaners, labourers or food preparation assistants. This, again, bears a remarkable resemblance to the proportion of EU8 migrants who were employed in

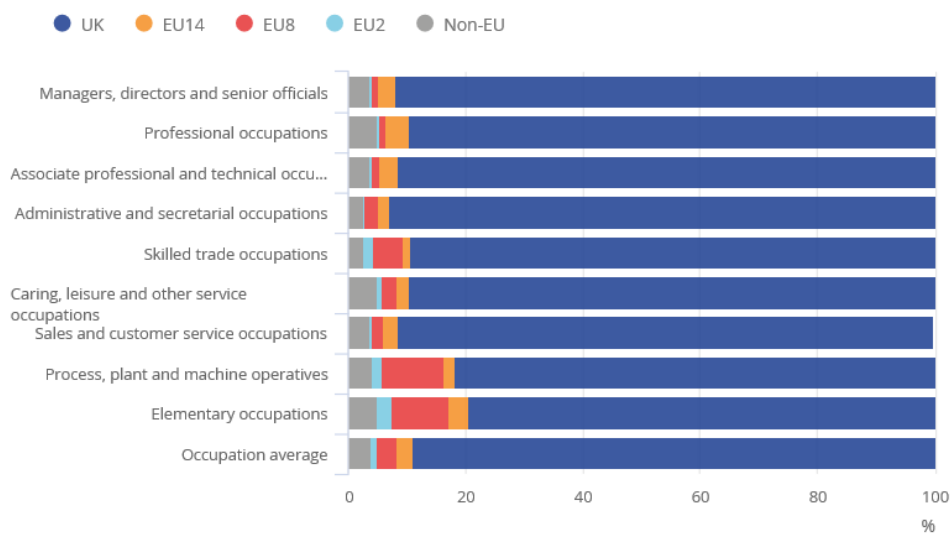
⁴ CIPD. (2014) *The growth of EU labour: assessing the impact on the UK labour market*. Available at: https://www.cipd.co.uk/Images/the-growth-of-eu-labour-assessing-impact-uk-labour-market_2014_tcm18-10242.pdf [Accessed 20/10/17].

⁵ Rosso, A. (2013) *Skill premia and immigrant-native wage gaps*. Available at: <http://www.llakes.org/wp-content/uploads/2013/10/45> [Accessed 20/10/17].

elementary occupations in 2014, where a third of EU8 nationals were reported to be employed in elementary occupations. By contrast, three-in-ten (30%) EU14 migrants are employed as professionals, compared with around a quarter of UK-born workers and less than a tenth (7%) of EU8 migrants, around a fifth (21%) of UK nationals and just over a quarter (26%) of non-UK nationals from outside the EU. Overall, almost two in five (37%) EU14 nationals were employed in high-skilled jobs (Figure 3). Many employers thus hire EU14 migrants to fill vacancies that require a high level of education and training.

Figure 2: Distribution of workers in each nationality group, by occupation (%)

UK, 2016



Source: Annual Population Survey, Office for National Statistics

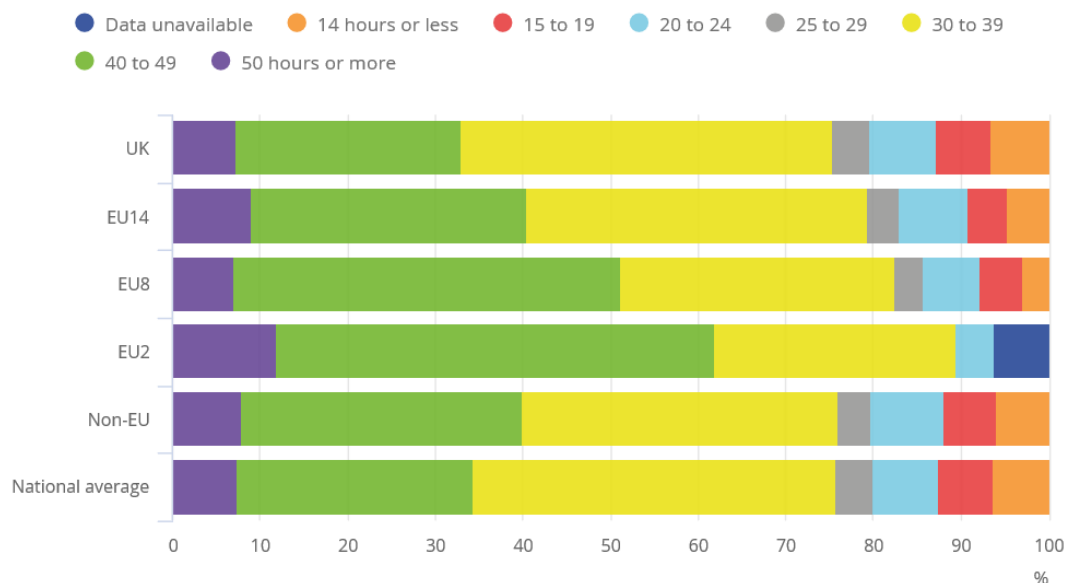
Age profile

1.3 Finally, there are significant differences between the age profile of UK-born workers and those of different groups of migrant workers. Working EU migrants tend to be younger than UK workers. More than half (estimated 53%) of EU nationals aged 16–64 years old were between 25 and 39 years old, which suggests they are likely to have gained significant work experience in their home country or other EU countries.

EU nationals' working pattern and hours worked

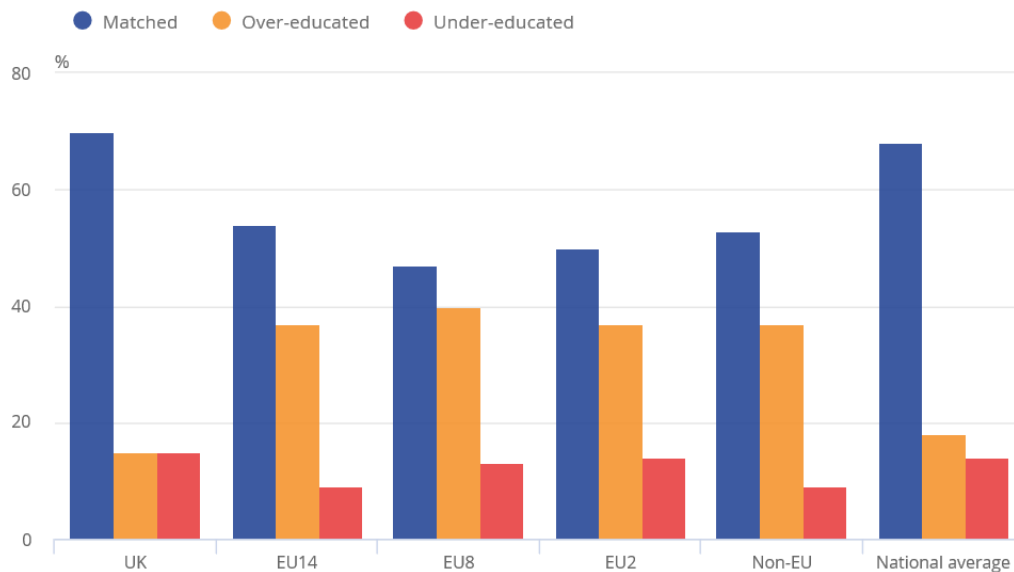
1.4 According to the most recent official data, three-quarters (75%) of the UK workforce are full-time workers, compared with more than four-fifths of EU8 and EU2 nationals (estimated 82% and 88%, respectively). In addition, at least half of EU8 and EU2 workers (estimated 50% and 61%, respectively) worked more than 40 hours per week compared with around a third of UK nationals (estimated 32%). By comparison, just over two-fifths (41%) of EU14 nationals and a third (33%) of UK nationals work more than 40 hours per week (Figure 3). As discussed in later questions, further insights into this phenomenon, alongside observations about the benefits of having better-educated, more experienced EU nationals applying for roles compared with the British workers they have at their disposal, are provided by employers. According to official data, about one-in-seven (15%) UK nationals are overqualified for the role they do, compared with 37% of EU14 and EU2 nationals and 40% of EU14 nationals (Figure 4).

Figure 3: Distribution of workers in each nationality group, by hours worked (%)



Source: Annual Population Survey (ONS)

Figure 4: Distribution of workers in each nationality group, by whether they are matched, overeducated or undereducated for their job (%) UK, 2016

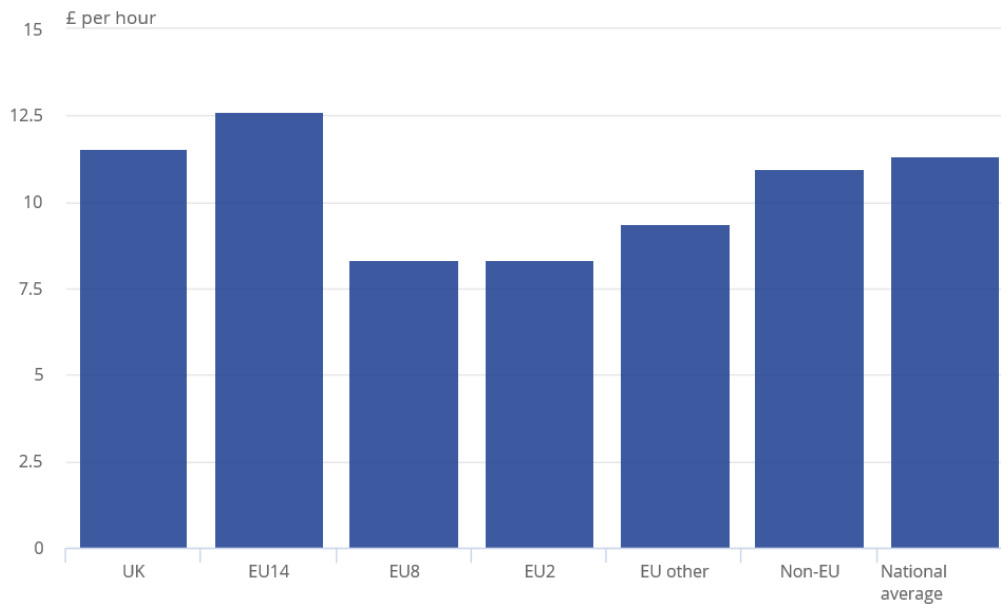


Source: Annual Population Survey, Office for National Statistics

Pay rates

1.5 The wide differences in the type of work that EU migrants undertake depending on their nationality and skill levels, and the extent to which EU nationals are overqualified for the job they do, also help explain the considerable variation in pay between different EU migrant workers. For example, EU14 migrants' median hourly rate of pay (£12.59) is higher than the rate of UK-born workers (£11.30), non-EU nationals (£10.97) and considerably higher than EU8 migrants (£8.33). The typically high educational attainment levels of EU14 migrants also partly explain why they have the highest median hourly rate of pay.

Figure 5: Median gross hourly pay of workers, by nationality group UK, 2016



Source: Annual Population Survey, Office for National Statistics

Have the patterns of EEA migration changed over time? What evidence do you have showing your employment of EEA migrants since 2000? And after the Brexit referendum? Are these trends different for UK workers and non-EEA workers?

EEA migration patterns following enlargement

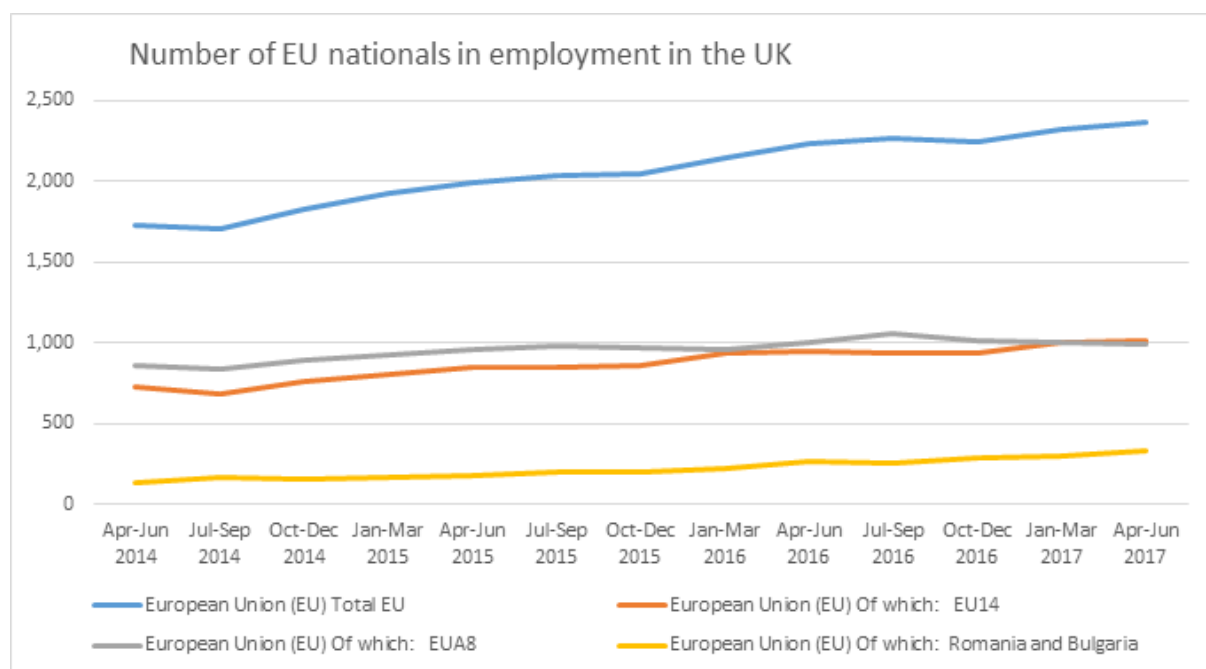
2.1 As might be expected following its enlargement, the composition and growth of the inflow from the European Union has changed substantially. Between 2006 and 2016, the annual inflow from the EU increased from 170,000 to 268,000, a rise of 58%. However, it has surprised many that it has been increased inflows from the EU15 in recent years which, have contributed the most to the rise in EU migrants; up from 104,000 in 2006 to 165,000 in 2016, followed by a sharp rise in migrants from the A2 (Bulgaria and Romania) to 74,000 in 2016. In contrast, migrant flows from the EU8 have been slowing, and by 2016 were significantly lower than in 2006, at 93,000 and 58,000 respectively, a fall of 38%.

EEA migration patterns since Brexit

2.2 In a continuation of this trend, the number of EU15 and EU2 nationals in employment has continued to increase in the first half of 2017 (Figure 6), while the number of EU2 nationals in employment continues to plateau. The net impact OF THIS is that the number of EU nationals in employment has recently hit a record high, which indicates that fears that Brexit would have an immediate impact on employers' ability to fill vacancies with EU migrant labour have thus been overstated (Figure 6).

2.21 This is consistent with CIPD research which suggests that employer efforts to reassure and offer guidance to EU nationals has been rewarded with lower turnover rates among EU nationals than was initially feared. However, consistent with official data, EU8 nationals are leaving organisations in greater numbers according to a small minority of employers that participated in our research. Employers report that the depreciation of sterling and anti-migrant sentiment are the two most significant factors behind the higher outflows. However, a more critical analysis reveals that the a relatively high proportion of EU8 nationals (Figure 5), whose average hourly rate is £8.33 (Figure 5) have benefitted from the relatively sharp increase in the National Living Wage (NLW) over the past 18 months. Looking ahead, it seems likely that the impact of the depreciation in sterling will become less of a factor if the Government meets its 60% of median earnings NLW target.

Figure 6:



Source: Office for National Statistics, Labour Force Survey

Labour market performance of UK nationals since Brexit

2.3 In terms of UK nationals, there are early signs that some employers are turning to other sources of labour supply from the domestic workforce. According to official data, the number of short-term unemployed fell by 116,000 in the 12 months to August 2017, while the number of long-term unemployed fell by 66,000 during the same period. At the same time, the number of 55-64 year olds in employment has increased by 200,000. The net result of this is that the labour supply has actually exceeded the high number of additional jobs that have been created during the past year. This is reflected in recent CIPD research which suggests that 24 applicants are chasing every low-skilled job vacancy on average, compared with 19 applicants for the last medium-skilled role and six applicants for the last high-skilled role they tried to fill.⁶ Further insights into how some employers are using Brexit as a catalyst to review their resourcing strategies in order to expand labour supply are provided in the section below.

What impact would a reduction in EEA migration have on your sector/local area/region? How will your business/sector/area/region cope? Would the impacts be different if reductions in migration took place amongst non-EEA migrants? Have you made any contingency plans?

3.1 CIPD evidence suggests that many are seriously concerned about how they would keep their organisations running if Brexit places severe restrictions on EU workers. Many organisations say that employing EU nationals is essential because they cannot find local applicants to fill the role due to the unattractiveness of the role or the tightness of the labour market. Meanwhile, others say that their organisation performance would suffer because the suitability of applicants from EU nationals is often better than the British applicants they have at their disposal. However, at the same time, it should be noted that some employers acknowledge that they could be doing more in terms of their reward, workforce development and recruitment strategies to improve recruitment and retention rates at their organisation, especially among low-wage employers.

Employer response to migration restrictions

3.2 According to some employers, the first response would be to increase efforts to encourage local people to consider careers in their sector while seeking a broader recruitment base. However, at the same time, many employers express some scepticism about the potential to meet labour demand purely through the local supply

⁶ CIPD/The Adecco Group. (2017) *Labour Market Outlook*. Available at: <https://www.cipd.co.uk/knowledge/work/trends/labour-market-outlook> [Accessed 20/10/17].

of applicants. Case study and focus group employers report challenges with attracting applicants from the domestic workforce, due in part to the tightness of the local labour market and a long-standing lack of interest from local workers in the jobs they offer, as well as the historic use of migrants from a variety of origins.

Improving career paths and young people

3.3 According to our research, the preferred alternative to EU migrants is often young British people, including school-leavers. It was commonly stated by participants in the research that young people and those who advise them do not appreciate the career opportunities that these sectors such as hospitality, food and drink and social care have to offer which exacerbates the image problem many say they suffer from. At the same time, there are indications from some employers that the barriers to recruitment in these sectors are not simply attitudinal and that improvements can be made to career paths and development opportunities. Some employers have increased their efforts recently to attract these recruits, including working with schools through industry bodies, and improving career paths. For example, some employers are talking to further and higher education providers about potential links to, or tailoring of, courses. Meanwhile a restaurant chain is looking at launching a graduate scheme to attract more young recruits, purposefully to attract more British applicants in response to concerns about Brexit.

3.31 In addition, students are seen to have some potential to work during busy periods, including Christmas, but other seasonal peaks are not seen to match well with their availability. Some employers, therefore, seem reluctant to seriously consider their potential to fill in gaps left by a reduction in EU migrants. However, others recognised that employers should look to structure their working hours' arrangements to fit the educational commitments of young people. As one HR consultant from south Wales put it:

“A lot of companies want you to work on a Saturday and a Sunday, not just one or the other ... But that's something that companies need to look at, being more flexible with the youngsters.”

Other groups

3.4 Some employers, especially in hospitality and food manufacturing, report that the potential for older workers is limited by the anti-social hours and the physical nature of the work. Some employers also refer to the potential to recruit more women returners, but also say they have been doing so for some time.

For example a café chain has started to work closely with Jobcentre Plus and local councils to encourage applications from unemployed people, including through

emphasising career opportunities using success stories. Indeed, there is a recognition among some employers that the strong labour supply from the EU in recent years has substituted efforts to recruit from a wider range of recruitment channels, especially for low-skilled roles:

“We have become lazy at recruitment. As a result, we are now going to explore targeting other groups, such as ex-offenders, older workers and women returners. The only problem is that other organisations are thinking along these lines.” (major food retailer)

3.41 Additionally, a number of employers we spoke to in the hospitality and food processing sectors currently work with organisations supporting ex-offenders and disadvantaged young people with a view to offering job opportunities. They report mixed experiences, taking on some but also finding some recruits from such a background unreliable. For instance, one Scottish employer has targeted people in deprived communities, with some success, but feels that it is not a group they would want to form a substantial part of the workforce. At the same time, consistent with the views of many employers in the report, EU nationals employed at the organisation are more highly-qualified and experienced.

3.42 Overall, many employers thus see EU nationals as more suitable applicants compared with the UK applicants **they have at their disposal**. It seems, therefore, that many employers do not see these groups as compensating fully for any potential reduction in EU workers

Pay and employment conditions

3.5 On the question of pay, case study and focus group employers agree that the rates they offer do not appeal to British workers. However, many feel that they would have to increase rates quite substantially to make a difference and that this would be damaging to the business. A number made the point that raising wages at the lower end would need to be matched by increases higher up the scale to retain differentials, and that the costs would be substantial. Meanwhile, others are sceptical that offering higher wage rates would attract British applicants, partly because other competitors would match any increases they make. As a result, many see alternative sources of labour supply, rather than raising pay and employment conditions, as the solution to any resourcing difficulties at their organisation.

Automation

3.6 CIPD research finds that a small share of employers see technology as a substitute for labour. This is perhaps no surprise given that the UK has not adopted

technology as pervasively as our OECD counterparts.⁷ In addition, those employers that see an enhanced role for technology at their organisation do not attribute this to Brexit. Employers in food processing have been automating processes for some time, but see further scope for the use of automation in various operations, including grading of produce, sorting and packing. Similarly, in hospitality, some employers see further scope to extend self-service, for example through automatic hotel check-in. However, both in hospitality and in social care this is seen as limited because of the value placed on the personal touch. For example, as the manager of a luxury hotel chain explained:

“We are in the five-star deluxe market, so people don’t want [automation]. It’s all about the people.”

Another contributor added:

“Of course we can look to make the business more productive and efficient, but in the end we’re a people business. We’re in hospitality tourism. You can’t automate a smile and you can’t automate communication, the language, the relationship.” (small tourist operator)

Relocation/contingency planning

3.7 The CIPD’s quarterly *Labour Market Outlook* survey has asked whether and where employers plan to relocate some or all of their operations as a result of the UK’s decision to leave the EU for the previous three survey reports. Combining all three surveys, the data indicates that just over one-in-ten (11%) employers are considering, or have decided, to transfer part or all of their operations outside the UK as a result of Brexit. In addition, almost one-in-ten (9%) say they are likely to concentrate any future expansion of the business outside the UK. This is consistent with the focus group discussions on the issue, where relocation contingency plans were particularly prevalent in organisations in the East Midlands region, especially among manufacturing firms. As one said:

“Yes, because, putting it really bluntly, we have a service centre in the UK, it’s populated by about 40 people. It delivers a service to Europe, and Europe business entities, do we really need to have it in Peterborough? No.” (large construction firm)

⁷ http://www.oecd-ilibrary.org/economics/the-best-versus-the-rest_63629cc9-en [Accessed 20/10/17].

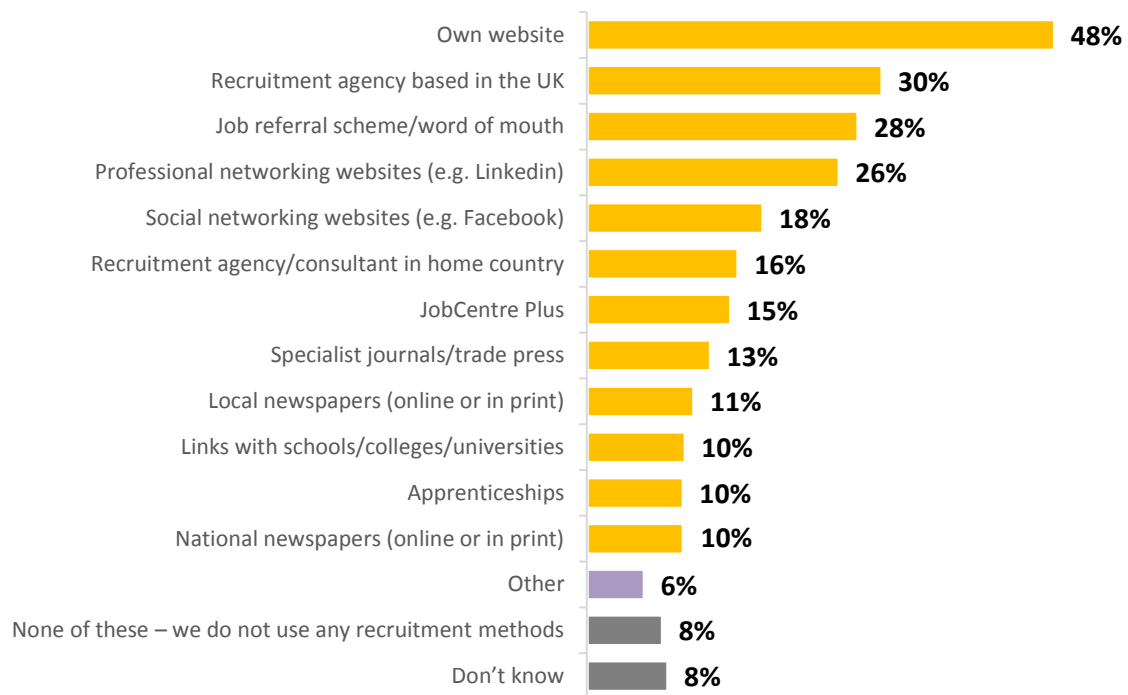
Recruitment Practices, Training & Skills

Please provide evidence on the methods of recruitment used to employ EEA migrants. Do these methods differ from those used to employ UK and non-EEA workers? What impact does this have on UK workers? Have these methods changed following the Brexit referendum? Do recruitment practices differ by skill-type and occupation?

Recruitment channels used by employers

4.1 According to CIPD research, employers do not proactively seek to recruit EU nationals. Rather, it seems that employers are making rational recruitment decisions based on the supply of applicants. This is broadly reflected in the recruitment methods that employers use for recruiting EU migrants, which varies across sectors (Figure 7). According to CIPD survey data, the most common methods for hiring EU nationals include using the organisation's own website (48%), recruitment agencies based in the UK (30%), job referral schemes or word of mouth (28%), or professional networking websites such as LinkedIn (26%). The most proactive step that employers are taking to hire EU nationals is to use an agency in the home country of the EU national they are recruiting, a step being used by around one in six employers (16%).

Figure 7: Methods used to employ EU nationals (%)



Base: CIPD/The Adecco Group *Labour Market Outlook spring 2017* report, all employers of EU nationals (n=575)

4.2 There are key differences in the use of certain methods across sectors when recruiting EU nationals. Public sector employers are significantly more likely to use certain methods compared with other sectors, including specialist journals or trade publications (26%) and national newspapers (22%). Meanwhile, almost a quarter (24%) of manufacturing or production organisations report that they use recruitment agencies in EU nationals' own countries to hire them.

Figure 8: Methods of recruiting EU nationals, by industry (%)

Methods	Total (575)	Manufacturing and production (95)	Education (49)	Private sector services (293)	Public administration and defence (41)	Healthcare (44)
Own website	48%	42%	65%	49%	55%	39%
Recruitment agency based in the UK	30%	42%	23%	29%	23%	35%
Job referral scheme/word of mouth	28%	39%	19%	29%	8%	29%
Professional networking websites (e.g. LinkedIn)	26%	33%	23%	27%	23%	16%
Social networking websites (e.g. Facebook)	18%	12%	17%	20%	17%	20%
Recruitment agency/consultant in home country	16%	24%	22%	12%	-	31%
JobCentre Plus	15%	13%	5%	18%	13%	14%
Specialist journals/trade press	13%	5%	38%	8%	10%	23%
Local newspapers (online or in print)	11%	14%	8%	10%	10%	13%
Links with schools/colleges/universities	10%	13%	21%	8%	7%	11%
Apprenticeships	10%	21%	4%	10%	12%	2%
National newspapers (online or in print)	10%	8%	25%	4%	23%	15%
Other	6%	4%	11%	5%	7%	8%
None of these – we do not use any recruitment methods	8%	3%	3%	10%	7%	2%
Don't know	8%	3%	5%	10%	14%	11%

Base: CIPD/The Adecco Group *Labour Market Outlook spring 2017* report, all employers of EU nationals (bases above)

Use of agencies

4.3 In terms of the qualitative research, many case study employers use agencies to a greater or lesser extent. In health and social care, agencies are used continuously because of chronic labour and skills shortages in the sector. Most case study employers using agencies do so from within the UK, but a small number use agencies located in Eastern Europe. However, the preference among case study organisations is to recruit people living locally, either British workers or migrants.

4.31 Meanwhile, focus group employers reported adopting a more passive attitude to using recruitment agencies for their operations. The use of agencies, and of temporary work, seems to be most prevalent in warehouses, where EU nationals often make up the majority of the workforce for elementary roles such as packers. The prevalence of recruitment agencies for low-skilled work is especially high in

some of the regions, particularly in the East Midlands and Wales. These patterns are explained by the requirement for high volumes of workers, fluctuating demand, high levels of turnover in addition to the local shortages of labour supply.

Word of mouth/job referrals

4.4 It is apparent that many employers rely on the relatively informal recruitment practices of word of mouth and, to a lesser degree, speculative applications. They are aware that these methods tend to favour migrants but, since they are very satisfied with the results, have little incentive to change. Many are, however, making greater use of online methods and social media to recruit, with good results.

4.41 When asked if they might change their recruitment methods if Brexit leads to restrictions on the supply of EU migrants, case study employers said that, depending on the nature of restrictions, they would need to be more proactive in attracting more British workers and would also need to find ways of recruiting from outside the UK. As one employer explained:

“There’ll probably be a need to invest more in recruitment processes so that the business is much more on the front foot. Basically that we, in a sense, tend to be quite lazy on this because it’s been a very available pool of labour.”
(medium-sized agricultural employer)

Employment contracts

4.5 Case study employers offer a range of contracts, including permanent salaried posts and a range of flexible arrangements. Flexible, or zero-hour, contracts are common in hospitality and usual in food and drink processing. These are explained with reference to swings in demand for goods and services, some of which cannot be predicted and others of which are seasonal. Zero-hours and flexible contracts are particularly common in production and service jobs, where migrants predominate, while office jobs are more likely to be permanent and on fixed hours. Aware of the lack of appeal of flexible contracts, some employers have tried to create more permanent posts, including by changing production processes, for example freezing of chocolate to cope with fluctuations in demand. However, many feel that the nature of their processes and the business model make flexible working a necessity. In the focus groups, some employers felt that more could be done to encourage a shift from part-time to full-time, or temporary to permanent roles in order to stimulate more interest from local, British workers.

What are the advantages and disadvantages of employing EEA workers? Have these changed following the Brexit referendum result?

Labour shortages

5.1 According to CIPD survey data, the most commonly mentioned reason for employing EU migrant workers is an inadequate supply of UK-born labour, especially for low-skilled roles. Around a quarter of employers (25%) cite a ‘difficulty in attracting UK-born candidates to fill unskilled or semi-skilled jobs’ as the reason for recruiting EU nationals (see Figure 9). It is perhaps no surprise that as many as one-in-three (35%) low-wage industry employers say they recruit EU nationals because they cannot fill the positions with UK-born applicants.

5.11 The case study interviews and focus group discussions provided more evidence that employers typically recruit EU migrants because of a shortage of UK-born applicants. When asked why they recruit EU migrants, the overwhelming response of case study employers was that they do not seek to do so, but that these are the workers they manage to attract. Many low-skilled employers said that they have difficulties filling vacancies with local people, in particular UK nationals.

The following comments are typical:

“[Recruiting EU migrants] is not a deliberate policy. We will recruit, hopefully, the best person for the job, at the right time. It just so happens that, in many cases, that’s what’s come up. It’s just what’s happened.” (large food manufacturer)

“It’s just who is out there searching for a job in hospitality. We haven’t targeted any particular nationalities.” (luxury hotel chain)

“The main reason is labour shortages. If there’s a stronger candidate and they happen to be a French national that is living in the UK, you recruit them if they are better.” (social care provider)

“We don’t have a policy of seeking any particular nationality, but what comes through the door comes through the door and we’ll take the best candidate no matter where they’re from” (insurance company)

5.12 As we explain below, employers said that their recruitment problems are less about quality than numbers: they simply attract too few applications from British workers to meet production or service needs. This is a situation that many employers regret. As the HR manager of a restaurant chain with 70% migrants, mostly from the EU, explained:

“Would I employ more British people? Absolutely, but we don’t get the applications to be honest. The majority of the applications come from people within the EU. I suppose it’s the easiest industry for them to get a foothold in.” (A large restaurant chain)

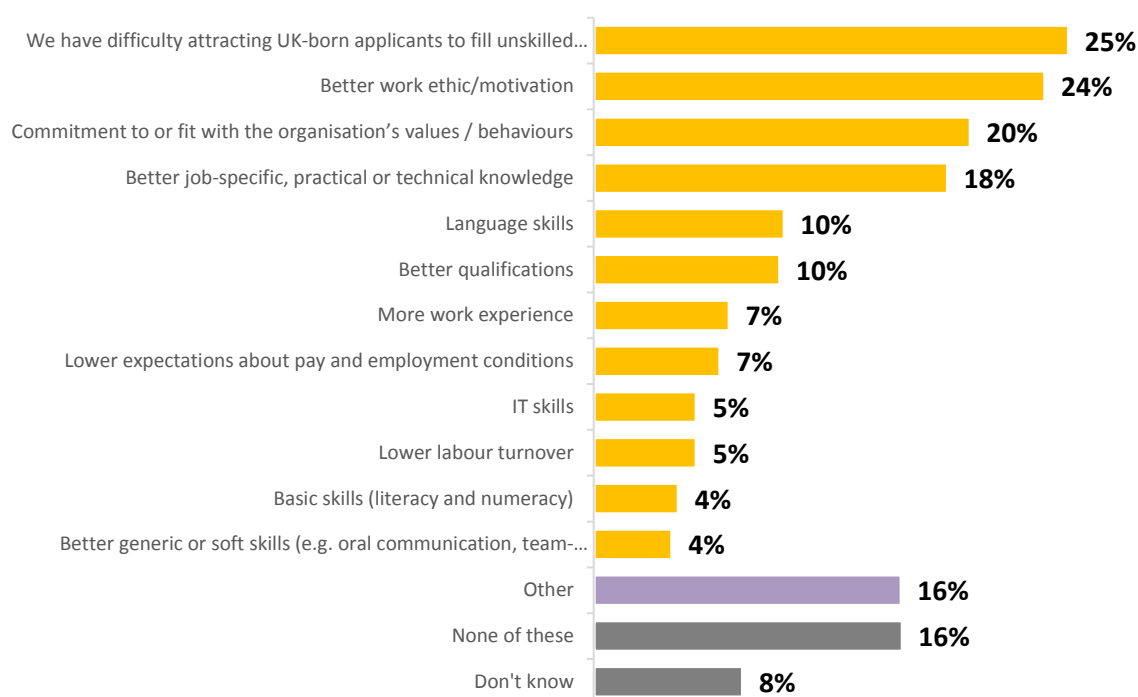
5.13 Some employers cited low levels of unemployment currently, but most talked of longer-term and chronic barriers to recruitment of British nationals. Employers in most of the sectors covered feel the work they offer lacks appeal to British people. They explain this partly with reference to pay, but mostly in relation to the nature of the work: in food processing, they referred to the factory environment, its heat or cold, noise and smells; and in manufacturing, hospitality and social care, they referred to the physical demands of working with equipment or at a fast pace. In addition, many of the focus group participants cited anti-social hours and geographical immobility as significant barriers to attracting local applicants against the backdrop of a human capital model that benefits from relatively high-skilled EU nationals in lower-skilled roles. Remarks to illustrate this point include:

“They’re what’s called, and you’ve all heard this, overtime jockeys. They will work all hours God sends, and totally ignore the Working Time Regulations if they are allowed to. It’s also the demand for money to send home.” (HR consultant representing agricultural employers in East Anglia)

“Certainly in automotive, if you go to where the projects are, they could be anywhere in the world, and what tends to happen, certainly in our industry, is that the UK people don’t tend to want to travel away and a lot of the Europeans are quite happy to go and spend six months here, six months in Germany, Spain and so on.” (automotive firm in the East Midlands)

“It’s not the most desirable area [sector] to be in, but we tend to find that we have real difficulties recruiting locals for that site because we operate a shift pattern. We tend to find that our EU nationals actually are very willing to work shift patterns and they’re actually willing to live in perhaps the less attractive areas in order to get that employment and get stability. We call them low-skilled because it is low-skilled jobs, it’s not because they’re low-skilled. Therefore when you interview these people their work ethic is often far greater. Their skillset and the language can be a barrier.” (large drinks manufacturer)

Figure 9: Reasons for employing EU nationals (%)



Base: CIPD/The Adecco Group *Labour Market Outlook* spring 2017, all employers of EU nationals (n=574)

Work ethic

5.2 Apart from difficulties finding candidates for low-skilled jobs, the next most frequently cited reasons given by surveyed employers for employing migrant workers are because of their better work ethic or higher levels of motivation (24%) or fit with the organisation's values (21%).

5.21 Although the survey findings indicate that employers value EU migrants for their work ethic, many employers in the focus groups and case study interviews were reluctant to make generalised statements about their EU and UK workers. When asked about their experiences, most employers report little difference between the migrants and the UK workers they employ, though some feel there are problems with work motivation among potential British recruits. Where differences are reported, it is in diligence in very routine work, for example processing vegetables, or in the use of personal, interaction skills, for example in social care, where EU migrants are found to be of higher quality. Some employers also commented negatively on the reliability of British workers in low-paid jobs, particularly in agriculture, sometimes citing the different frame of reference that EU nationals have:

“EU nationals are better workers and are striving for it because they really want to do it and they need to do it.” (large agricultural employer)

5.22 Employers frequently state that the quality of applications from EU workers is considerably higher than they would typically receive from the pool of British workers available locally. Where differences are reported between the work ethic of EU and British workers, it is most often in relation to their superior flexibility, especially their willingness to work additional hours. Flexibility is a highly valued quality for most of our case study employers, and many of the case study organisations explain their use of migrant workers with reference to fluctuations in the demand for labour and the need for flexibility. Frequent change in the demand for products and services is particularly marked in hotels and in food and drink manufacturing, especially in the processing of meat and fresh foods. These fluctuations either mean that additional workers are recruited to cover predictable seasonal peaks, or the workforce is relied upon to increase or reduce hours in line with changes in demand. In either case, migrant workers are found to meet employers' needs more readily than local British workers. Importantly, their availability reduces the need to use agencies, and the associated cost.

“Seventy-five per cent of the people in the production area are EU migrants. Even though it's not in an area where the labour market is particularly tight, we can't get British workers. The reason often given is that they don't want to do shift work.” (food manufacturer in the north-west of England)

5.23 Employers explained this with reference to a strategy to maximise earnings, in some cases for remittances, but also to their younger age and fewer family responsibilities. Welfare benefits are thought to be a further factor limiting British workers' flexibility, with in-work tax and benefit thresholds making overtime less worthwhile.

Job-specific/technical skills

5.3 In addition, reflecting the number of EU nationals that are in highly skilled positions in the UK workforce, almost one-in-five (18%) employers surveyed said that they employ EU nationals because they have job-specific, practical or technical knowledge. A further 5% of organisations employ EU migrants because they have better digital skills than UK nationals.

5.31 Some employers, especially among the high-wage employers that took part in one of the two London focus groups, stress the importance of having EU nationals as a safety net to address skills shortages in the UK. In particular, some IT and engineering firms said they value the flexibility they currently enjoy through free movement in terms of being able to recruit an EU national if they cannot find professionals in the domestic workforce. One interviewee reflected:

“Our consultancy is very project-driven. So really it reflects what you were saying. So, some of the skills that we need, some of the projects that we have, we don’t really have the right people in our universities. So, we’re reliant on people from Italy and Belgium for very specific courses, and very specific work. So that flexibility is really important, again, because we don’t know what projects we’re going to win, and how we’re going to man those.” (engineering consultancy based in London)

While another was blunter:

“...[we] don’t look in the UK because we don’t have the skills.” (SME based in south Wales)”

Expectations about pay and employment conditions

5.4 Challenging common assumptions, the survey finds that a relatively low proportion (7%) of employers employ EU nationals because they have lower expectations towards pay and employment conditions. However, around one-in-seven (15%) **low-wage employers** say that this is a key reason why they employ EU nationals.

5.41 Care should be taken not to over-extrapolate from the figures relating to pay and employment conditions, because the share of employers who acknowledge that they recruit EU migrants because they are more willing to accept lower pay and employment conditions may be under-represented – either because these sorts of employers don’t respond to these surveys or won’t openly admit it as an important reason. Another caveat to consider, and one which arose during focus group discussions, is that some employers may feel that British workers have unrealistic pay expectations. While the research did not find evidence of employers recruiting EU migrants so they could offer lower pay and employment conditions, it did show that some organisations find it harder to recruit UK-born young people for low-skilled or entry-level roles because they are not attracted to such jobs. A number of employers commented that young British recruits expect their level of education to allow them to bypass routine work and to be placed into more senior posts. As a contract catering company manager remarked:

“There is that whole expectation of, ‘I should start work at this level, not that level,’ where actually, why should you because there are people with more work experience? Maybe not as educated but you all start pretty much on the same level.” (large hospitality firm)

To what extent has EEA and non-EEA migration affected the skills and training of the UK workers?

Skills and training

6.1 There is also no evidence that employers are recruiting EU migrants to avoid investing in training. This is consistent with previous CIPD evidence, which shows that employers who employ EU nationals are more likely to invest in training than those employers who don't.⁸ Additionally, recent CIPD/NIESR found no evidence of employers hiring EU nationals to avoid their skills investment responsibilities.

How involved are universities and training providers in ensuring that the UK workforce has the skills needed to fill key roles/roles in high demand in your sector? Do you have plans to increase this involvement in the future?

Careers information, advice and guidance

7.1 Employers across all sectors explain their recruitment difficulties partly with reference to the poor quality or lack of careers advice and guidance. This was cited as highly detrimental by some of the focus group participants, especially in Wales:

“One of the biggest tragedies was the lack of funding for Careers Wales. They used to run it all, completely and utterly, and now it's down to the child, the parents of the children, to get that work experience. If you're a child whose parents haven't got contacts, that's a nightmare.” (medium-sized law firm in south Wales)

7.2 These observations are no surprise given the series of critical reports about careers advice and guidance. For instance, the National Careers Strategy, which has received £380 million in government funding since it was launched in 2012, *'could not identify a positive impact of the NCS on employment or benefit-dependency outcomes,'* according to a recent evaluation report.⁹ Any hopes, therefore, that employers might have of the career system steering more people towards their organisation or sector to help offset the loss of EU nationals appear quite slim without wholesale reform of the current system. As a result, the CIPD recommends

⁸ CIPD. (2014). *The growth of EU labour: assessing the impact on the UK labour market*. Available at: <https://www.cipd.co.uk/knowledge/work/trends/eu-labour-impact> [Accessed 20/10/17].

⁹ Department for Education. (2017) *An economic evaluation of the National Careers Service*. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/603929/National_Careers_Service_economic_evaluation.pdf [Accessed 20/10/17].

amending the Ofsted inspection framework so that those schools with inadequate careers provision cannot be judged as 'outstanding'.

What are UK employers doing to improve their talent pipeline?

7.3 CIPD survey data also indicates that employers are seeking ways to meet their skills' requirements and increasing labour supply, especially in relation to younger applicants. Over half (53%) of employers say their organisation is upskilling their existing workforce in order to improve their future talent pipeline. At the same time, almost two-in-five (38%) employers are offering apprenticeships, while around one-in-five (21%) employers report that they are investing in the organisation's brand to attract a broader or younger set of applicants. Other popular workforce development activities employed by organisations include work experience schemes (21%), work placements (19%) and developing a closer relationship with the local school or college (18%).

7.31 On the downside, closer analysis of the data suggests that some SMEs lack the knowledge, capability or support to think more strategically about the future needs of their workforce. Around a fifth (21%) of smaller establishments offer apprenticeships compared with half (50%) of larger organisations. This is broadly consistent with a pilot project that provided HR support to SMEs, which shows that over 90% of the HR support provided by the project to SMEs was of a 'transactional' nature. It finds that most SMEs lack basic skills and processes around HR and don't know where to turn for help and guidance. Overall, the report underlines the significant challenges SMEs face in raising their ambition to upskill their workforce.¹⁰

¹⁰ CIPD. (2017) *People Skills: Building ambition and HR capability in small UK firms*. Available at: <https://www.cipd.co.uk/knowledge/strategy/hr/hr-capability-small-firms> [Accessed 20/10/17].

How well aware are you of current UK migration policies for non-EEA migrants? If new immigration policies restrict the numbers of low-skilled migrants who can come to work in the UK, which forms of migration into low-skilled work should be prioritised? For example, the current shortage occupation list applies to high skilled occupations; do you think this should be expanded to cover lower skill levels?

7.1 The employers we spoke to in our research express different opinions on whether new policy should give priority to EU migrants, rather than those from outside the EEA. Some employers say they are happy to recruit from any country, including potentially those with whom the UK signs trade deals post-Brexit. Many have recruited from Commonwealth countries and say they would welcome the re-introduction of greater freedom of movement from those countries. However, European migration is seen to have the advantage of proximity. As the manager of a hotel chain pointed out:

“They get on a train or they drive; six of them get in a car and they drive. They can’t do that from China or India. It’s a lot more challenging for people to come to work from further away.” (small hotel chain)

7.11 Overall, it seems that a majority of employers favour an immigration policy that gives preferential treatment to EU nationals. This is especially true among low-skilled employers, who say that they often need workers at short notice to meet short-term fluctuations in demand. At the same time, CIPD research suggests that employers would warmly welcome any move to expand the current shortage occupation list, especially in sectors such as social care where there are recruitment difficulties for roles that require qualifications.

Section 4: Economic, Social and Fiscal Impacts

What are the economic, social and fiscal costs and benefits of EEA migration to the UK economy? What are the impacts of EEA migrants on the labour market, prices, public services, net fiscal impacts (e.g. taxes paid by migrants; benefits they receive), productivity, investment, innovation and general competitiveness of UK industry?

8.1 Most of the rise in EU migration in more recent years has been accounted for by less skilled labour. We might, therefore, expect the positive association to have weakened, but it remains the case that on average EU migrants are better educated than native workers. Since 2008 productivity growth has been close to zero, while migration from the EU has increased from 3.5% to 7% of the workforce, leading some to make a spurious connection between the two trends. However, the fall in productivity is driven by broader changes in the economy, not by marginal changes in the composition of the migrant workforce since 2008.

8.11 It now looks as if a significant part of the productivity slowdown across the OECD, including the UK, is due to a decline in the rate of technological diffusion in new digital technologies, with a large and persistent gap opening up between a relatively small group of productivity 'leaders' and the rest. In principle a rapid decline in labour supply might stimulate some UK companies to invest more heavily in new technologies. We think this is unlikely. First, some of the barriers that prevent the laggards from catching up, such as managerial competencies, are structural in nature and cannot be addressed quickly, and, second, there is little evidence in the report that new technology is seen by many as a realistic solution to a decline in low-skill migrant labour, either because it is impractical or because of cost.¹¹

8.12 Recent CIPD research points to marginal productivity benefits of employing EU nationals. According to the CIPD survey data, one-in-ten employers report they recruit migrants because they have better qualifications while almost one-in-five say that they employ EU nationals because they have better job-specific or technical skills (Figure 9). This factor is also reflected in some of the feedback from employers in interviews and focus group discussions, where many argued that EU migrants typically have higher levels of education than the UK workers that employers are able to attract. Previous research has found examples of EU migrants with professional qualifications, for example in law, working in low-skilled work.¹² We also

¹¹ http://www.oecd-ilibrary.org/economics/the-best-versus-the-rest_63629cc9-en [Accessed 20/10/17].

¹² Metcalf, H., Rolfe, H. and Dhudwar, A. (2008) *Employment of migrant workers: case studies of selected employers in Wales and Scotland*. Available at: <http://gov.wales/statistics-and-research/employment-migrant-workers-case-studies-selected-employers-wales-scotland/?lang=en> [Accessed 20/10/17].

came across such examples, which may also perhaps reflect different reasons for undertaking low-skilled work among EU nationals in comparison with British workers. For example, a vegetable processing manager found he was employing graduates in engineering and astrophysics. Some employers regard this as a waste of talent and have often only discovered the educational backgrounds of their workers by accident. Clearly, employers in low-skilled sectors are not able to use this expertise directly, but they generally find the presence of educated migrants is very positive, providing a pool of capable individuals who could be promoted to supervisory and management-level posts.

8.13 The same research suggest that the main advantage to employers of recruiting more highly educated workers is in their ability to learn job tasks more quickly and work more effectively than available UK workers. Employers are inclined to explain this difference with reference to a selection effect, with more motivated individuals making the decision to work abroad.

As the HR manager of a restaurant chain employing a high proportion of EU and non-EU migrants explained:

“[The stronger work ethic] comes back to the fact that they’ve moved country. They’re starting new lives. They’re up for a challenge.” (large restaurant chain)

8.14 Some employers were also benefiting quite directly from over-qualification. For example, an employer in social care who compared UK staff unfavourably with EU workers explained that some EU staff had graduated in relevant subjects such as psychology. In comparison, UK workers are reported to be under-qualified educationally for the work, including in lacking literacy and IT skills. They are also reported to be less mature, reflected in poor reliability and work motivation. It should be reiterated and stressed that the employers we spoke to in this research were drawn from low-skilled industries, which limits greatly the productivity impacts.

8.15 Looking further ahead, it seems likely that the UK Government will introduce future migration restrictions that will hit low-skilled sectors hardest. The negative impact on employers’ ability to fill vacancies will, therefore, not be felt evenly, especially in those sectors in which migrants form an above-average share of the workforce, such as hospitality. As migrants tend to be drawn to expanding industries and localities, any significant constraints on future growth in these sectors and areas will hamper the effective operation of the UK economy and labour market, which could in the worst cases, lead to a relocation of some or all of the organisation’s operations. Given the evidence that positive productivity impacts from migration are more significant for higher-skill labour in service industries, any fall in the supply of higher-skill migrant labour, especially EU15 migrant labour, could have bigger adverse consequences than we have allowed for up to now.