

Destination North East?

Harnessing the regional potential of migration

Rachel Pillai

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30-32 Southampton Street, London WC2E 7RA
Tel: 020 7470 6100 Fax: 020 7470 6111 www.ippr.org
Registered Charity No. 800065

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About the author

Rachel Pillai is a Research Fellow at ippr and leads the Migration, Equalities and Citizenship Team's work on integration and equalities. She holds MPhil and PhD degrees from the University of Cambridge and a First Class Honours degree from the University of Sussex.

Previously, Rachel worked for the Commission for Racial Equality and assisted them with evidence-based policy relating to the Good Race Relations Guide.

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List of abbreviations

A8	The eight Central and Eastern European countries that joined the European Union in May 2004 (Poland, Czech Republic, Hungary, Latvia, Lithuania, Estonia, Slovakia and Slovenia)
A10	The ten countries that joined the European Union in May 2004 (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, Slovenia)
APEL	Accreditation of Prior and Experiential Learning
ASC	Association of Scottish Colleges
BME	Black and minority ethnic
CBI	Confederation of British Industry
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
ESOL	English for speakers of other languages
EU15	The European Union in 2003: France, Belgium, Germany, Italy, Netherlands, Luxemburg, UK, Denmark, Ireland, Spain, Portugal, Greece, Sweden, Finland and Austria
EU25	The European Union in 2004: the EU15 plus Poland, Czech Republic, Hungary, Latvia, Lithuania, Estonia, Malta, Cyprus, Slovakia and Slovenia
EURES	European Employment Services
GCSE	General Certificate of Secondary Education (British)
GEM	Global Enterprise Monitor
GVA	Gross value added
HESA	Higher Education Statistics Agency
HSE	Health and Safety Executive
IES	Institute for Employment Studies
ippr	Institute for Public Policy Research
ippr north	ippr office in Newcastle upon Tyne
LFS	Labour Force Survey
LSC	Learning and Skills Council
MORI	Market & Opinion Research International
NASS	National Asylum Support Service
NECARS	North East Consortium for Asylum and Refugees
NHS	National Health Service
NIACE	National Institute of Adult Continuing Education
NS-SEC	National Statistics Socio-economic Classification
NVQ3	National Vocational Qualification Level 3
ONS	Office for National Statistics
PSA	Public Service Agreement (of the UK government)
RETAS	Refugee Education Training and Advisory Service
RCO	refugee community organisation
RDA	Regional Development Agency
RES	Regional Economic Strategy
SAB	Skills Advisory Board
SC	social class
SEG	social economic group
SINE	Skills Intelligence North East
TUC	Trades Union Congress
UA	urban area
WRS	Worker Registration Scheme

Executive summary

In the national context of large-scale net immigration and wider geographical dispersal of new immigrants, regional authorities are increasingly turning their attention to matters of migration. While migration will almost certainly remain an issue of national consideration, it is increasingly clear that addressing the opportunities and challenges it poses is likely to require regional action.

This report examines the experience of migration in the North East of England and how policy interventions might help the region better harness its potential to facilitate economic growth. While the economic challenges of the North East have been well identified and addressed in regional planning, comparatively little attention has been paid to the interface between economic policy and migration policy.

The scale of immigration into the North East has been increasing, but the evidence base on its nature and impacts remains sparse. This report aims to bolster the evidence base, at least for the North East, by providing fresh data on the scale of migration and initial observations on its impacts in the region.

According to the 2001 census, there were 67,259 non-British Isles-born people living in the North East, representing one of the lowest foreign-born populations of all UK regions but a 42 per cent increase since 1991. There has also been a diversification among the region's migrant groups, with the 2001 census showing Germany, India, Pakistan, USA and Hong Kong featuring in the top 10 countries of origin. These migrants have been joined by nationals of states that joined the European Union (EU) in 2004, with the North East attracting 4,722 new registrants to work from these countries in the first 22 months from May 2004.

The findings of this report indicate a mixed and complex picture of the role of migrants in the North East economy. It is clear that some groups are doing better than others when it comes to integration into the regional labour market. Only 60 per cent of non-EU born migrants are in employment, while EU-born migrants have an employment rate that matches that of the British Isles-born population (69 per cent). On the other hand, of those who are in employment, 24 per cent of non-EU born migrants work in higher managerial/professional jobs compared to only nine per cent of British Isles-born and 11 per cent of EU-born. While this suggests that at least some migrant groups will need further assistance to boost economic participation, migrants also stand to make a considerable contribution to raising productivity in the region.

Because migrants in the region are young and relatively more geographically mobile than the UK-born, they may be able to fill job vacancies in the short term across the skills spectrum, help counter a decline in population growth, and possibly buck the long-term trend of outward migration from the region. Migrants in the North East are also relatively well educated. Indeed, the non-EU born population in the North East is more likely to be highly educated than its counterparts in the rest of the UK. It is also clear that migrants in the North East are working in sectors such as health and social care, hotels and catering, and manufacturing, in which vacancies have been relatively hard to fill in recent years.

The evidence shows that more could be done to harness the benefits of migration in order to address some of the economic challenges that the region faces. The region has already started to realise some of these opportunities, in terms of addressing both its declining population and skill gaps.

Recommendations

This report suggests that policymakers should focus their attention on the following four areas:

1. Attracting highly-skilled migrants and retaining students

In the context of a declining industrial base, the region should target and attract highly skilled migrants to complement the existing skills profile. If the North East workforce is to avoid falling further behind the rest of the UK in terms of its skill levels, more concerted effort and targeted interventions will be needed to attract highly skilled migrants. Improving graduate retention, especially of international students in the region's tertiary institutions, will be vital.

2. Getting the future skills mix right in economic planning

Given that hard-to-fill vacancies exist and are likely to continue to do so at *both* ends of the skills spectrum, the North East will need to attract highly skilled migrants, and to recognise that migrants fill jobs that domestic workers are either unable or unwilling to do. This means that regional policymakers will need to be prepared for migrant workers meeting some of the demand for low-skilled workers in sectors such as personal services and sales. The challenge will be to ensure that low-skilled migration complements efforts to support the existing unemployed population of the North East into work.

3. Minimising 'brain waste'

The North East has a significant pool of migrants whose skills and qualifications, across a range of key sectors, are not being utilised fully. It is important that regional policymakers make efforts to tap into this potential. This can be done through better recognition of skills, qualifications and experience gained abroad, as well as through the provision of better support for the entrepreneurial and business activities of migrants.

4. Promoting integration

Efforts to promote integration need to go hand in hand with economic development. Greater investment in English language-training provision and more concerted attempts to address social exclusion and discrimination will help to promote better economic outcomes and social inclusion.

This report also suggests that regional policymakers need to be more aware of the current realities of migration patterns in the North East and how they are likely to change in the future. For example, the current emphasis on diversity as a catalyst for the creation of a highly skilled workforce may need to be recast in light of the spatial and occupational distribution of current migration in the region. Looking ahead, regional policymakers and employers will need to anticipate where future migration flows are likely to come from, especially if flows from accession countries slow down, as expected.

Designing effective policy interventions in these areas will require a more concerted and co-ordinated effort by regional policymakers and other stakeholders to address migration-related issues. In particular, the region will need to ensure that its institutional infrastructure is well placed to deal with the diversity within migrant groups, improve economic participation, tap into the potential of migration and ensure positive outcomes from integration. This report points to a need for greater co-ordination between the public, private and voluntary sectors at a regional level in order to pursue these ends, as well as considerable scope for greater regional leadership on the issue of migration in the North East.

1. Introduction

In recent decades, the United Kingdom has gone from being a country of net emigration to one of net immigration. At the same time as receiving more immigrants, there have also been important changes in the spatial distribution of immigrants. While in the past newcomers tended to settle in London and a few other key urban areas, new immigrants have been dispersed more widely across the country. This has meant that areas of the country that have been unaccustomed to large-scale immigration have recently seen discernible increases in their immigrant population. These increases and changing patterns have had important economic, demographic, social and even political implications at the national and regional levels. There is also a growing realisation that immigration is set to continue and that policymakers need to ensure that the UK makes the most of the benefits that immigration brings, while also tackling related challenges.

These tasks have largely been seen as being the responsibility of central government, given that the control of borders lies firmly within the realm of sovereign national control. Yet, while migration will almost certainly remain an issue of national consideration, it is increasingly clear that addressing the opportunities and challenges posed by migration is also likely to require regional action. It is within this context that this report examines the experience of migration in the North East of England and the potential for policy interventions that might help the region better harness the potential of migration.

Why look at migration in the North East?

Examining migration in the North East is interesting for several reasons. The most obvious is that the North East experienced one of the most dramatic proportional increases in its foreign-born population between 1991 and 2001. According to the 1991 census, there were 47,527 people living in the North East who had been born outside the British Isles (the UK, Ireland and the Channel Islands). By the time of the 2001 census, this number had increased to 67,259. While this figure remains a small proportion of the total North East population (foreign-born people went from being 1.87 per cent of the population to 2.67 per cent of the population) and small compared to other regions of the UK (only Wales had a smaller proportion of foreign-born in 2001), the *relative increase* has been dramatic. Indeed, this 42 per cent increase was the second highest in the UK for the period (behind London) (Kyambi 2005). As discussed later in this report, the increases since 2001, especially after the latest round of European Union (EU) enlargement in 2004, are likely to have contributed further to these increases.

While the scale of immigration into the North East may have been increasing, the evidence base on its nature and impacts remains sparse. While regions that have traditionally received larger numbers of immigrants, such as Greater London, have been the focus of much research, the empirical picture of a region such as the North East is limited. There is also a need to look beyond the numbers and consider the qualitative impacts of migration to the North East.

The importance of the regional overview

Thinking about migration policy on the regional scale makes sense for several reasons. First, as ippr research has shown, it is clear that UK regional dynamics are distinct and varied (Adams *et al* 2003). Second, as ippr research has again shown, the spatial and socio-economic profiles of migrants also vary across regions (Kyambi 2005). Third, such a focus is in keeping with international experience that suggests that many of the most successful managed migration systems around the world have an important regional dimension to them. For example, the Australian system awards extra points when an applicant has sponsorship from a particular state and in Canada, provincial sponsorship can expedite an application.

Finally, there seems to be growing interest from the UK's own regional policymakers in thinking about how to shape migration flows. Without doubt the most prominent example of this has been the Fresh Talent initiative of the Scottish Executive, which seeks to encourage skilled people to migrate (or return) to Scotland.¹ However, beyond this, regional assemblies and the Regional Development Agencies (RDAs) around England have only begun to consider some of the regional impacts of migration. A recent review of regional planning documents found very little mention of migration, except with reference to housing needs (in the South East and London). Where it was more fully mentioned, it was with reference to economic growth and employment – for example, with regards to stemming population decline in parts of the North West, or to economic growth in the East of England (McKay and Winkelmann-Gleed 2005). The London Plan includes calculations of migration in terms of housing needs and employment growth (Greater London Authority 2004, Table 5A.1); The South West Regional Development Agency offers businesses advice on immigration issues²; and Liverpool has attempted to halt population decline with initiatives such as the 'Liverpool Needs You' campaign.³

The fact that many UK regions have been slow to consider the impacts of migration at a local level is out of sync with the current realities of migration, which increasingly shape and contribute to regional dynamics. The North East is no exception. Regional policy there has paid little attention to the regional impacts of migration. The only notable example of migration being discussed explicitly has been at the sub-regional level, in the form of supporting evidence to the Tyne and Wear City Development Programme highlighting the importance of attracting diverse international talent in order to create a fast growing metropolitan area by 2024 (similar to the idea of a 'global city') (Comedia 2005).

Thinking about the regional aspects of migration policy is also timely given the planned changes to the UK Government's managed migration system. For example, the introduction of a new points-based assessment system is aimed at harnessing the skills of migrants in a way that enables the UK to remain competitive in a globalised economy. This system will have to account for, and respond to, regional variations in labour market shortages, economic performance and demographic profile. Indeed, the Skills Advisory Body (SAB) that will be created as part of the policy overhaul is likely to include regional representation to cover specifically regional issues, such as labour and skill shortages. Yet the analyses required to meet the needs of bodies such as the SAB will require both knowledge of regional economics and knowledge of the role and impacts of migration within regional economies. While a great deal is known about the former, extremely little is known about the latter.

This report aims to bolster the evidence base, at least for the North East, by providing fresh data on the scale of migration and initial observations on its impacts in the region. This sort of evidence base is critical both for regional policymakers in the North East and also for those in Westminster.

The following section explains the methodology used to conduct the research discussed in this report. A subsequent section presents some of the evidence on the scale and nature of migration in the North East, drawing on both census data and data on workers from the new EU member states. The following two sections deal with the role of migration in the North East economy: the first covers the main ways in which migrants might boost the regional economy, paying particular attention to how they can help fuel improvements in economic participation and productivity in the North East. The second covers four areas in which policy interventions can help optimise those economic impacts. The concluding section reflects on some of the broader policy implications of the issues covered in the report.

¹ See www.scotlandistheplace.com/

² See www.southwestrda.org.uk/what-we-do/business-growth/great/leading-the-way.shtm

³ See www.liverpoolneedsyou.com

2. Methodology

This report draws on data from several sources. Data from the 2001 census of population is used to map the volumes of the foreign-born population resident in the local authority districts of the North East. This was also compared to 1991 census data to measure the extent of change, and analysed to generate gender gaps and age distributions for selected country of birth groups. It should be noted that the latest census data is now five years old. Given the growth rate of the foreign-born population in the North East, figures are likely to have increased significantly. Also, census data is not very useful when it comes to identifying the socio-economic characteristics such as employment rates and wages of the foreign-born population.

Data from the Labour Force Survey (LFS) has been used in order to provide a more up-to-date and detailed picture of the economic, educational, family and residential characteristics of the North East's foreign-born population. Similar analysis was undertaken for the foreign-born population of Scotland and the UK for comparative purposes.

Analysis was undertaken using STATA, a data-processing programme. In order to generate sample sizes that were large enough for robust analysis, larger datasets were created by appending spring-quarter LFS data from 2000 to 2005⁴. However, sample sizes for individual countries of birth were still not large enough to allow individual analysis, and had to be grouped into the following regional categories: British Isles-born, EU-born (EU-25 countries excluding the British Isles and Ireland), non-EU born (all countries outside EU-25). Where sample sizes were small (below thirty), data has been excluded from the analysis.

It is important to note that country of birth data from both the census and the LFS presents only a snapshot of migration in the North East. Neither distinguishes between temporary and permanent migration, a distinction made important by the fact that many migrants will only be in the UK for relatively short periods (Kyambi 2005). Equally, the data is only representative of those who have completed the LFS or census forms. It is likely that people with irregular migration status are less likely to have completed either form. However, census data is adjusted to account for people who are unlikely to have completed the census forms, and LFS data is 'boosted' to include larger numbers of black and minority ethnic (BME) groups.

The report also draws on data from the Workers Registration Scheme (WRS). Nationals from the eight central and eastern European states that joined the EU in 2004 (the A8 countries) are allowed to come and work in the UK provided that they register with the UK Government's Worker Registration Scheme (WRS). Data from this scheme appears in a quarterly Accession Monitoring Report and demonstrates the volumes of people registered, their nationalities, ages and regions and sectors of work in the UK. It is important to note that WRS data only shows the inflow of A8 nationals into the UK, as de-registration is not required upon leaving the UK (something that is important given the temporary nature of migration from the A8 countries). Additionally, registration is not required for A8 nationals working for periods of less than one month, or if resident in the UK for more than a year, or if in self-employment.

In some figures in the report, data on the North East is compared to data on Scotland. Of course, it would have been ideal to compare North East with all the other regions and nations but the scope and remit of this report prevented this. Scotland, which neighbours the North East and has some important parallels, has been chosen as a point of reference.

⁴ The datasets included the following variables: country of birth (cryo), economic activity (reported) (ilodefr), industry section (main job) (inds92m), length of time at address (restme), ns-sec category (main job) (nsecm), highest qualification (hiqual), age when completed full-time education (edage).

Moving beyond the numerical data, to understand the experiences of migrants in the North East, qualitative research with migrants and key stakeholders was undertaken. This included four focus groups and five in-depth interviews in Newcastle upon Tyne and Berwick upon Tweed with foreign-born participants of different countries of birth/origin, age and length of residence in the UK. Each focus group was made up of between six and eight participants from similar backgrounds and lasted for around an hour-and-a-half. The groups consisted of:

- Settled Iranian-born, mixed gender and ages
- Settled Bangladeshi-origin males, aged 15-22
- Refugees, mixed nationalities, mixed gender, aged 20-45
- Latvian-, Slovakian-, Polish- and Portuguese-born, mixed gender, aged 20-45

The in-depth interviews were conducted with one or two participants for around an hour, and like the focus groups, took the form of standardised and semi-structured discussion. They were held with:

- Recently arrived Russian bio-informatics engineer, female, aged between 25 and 40
- Settled Chinese nurse, female, aged between 25 and 40
- Settled Lesotho nurse, female, aged between 25 and 40
- Settled Iranian doctor, male, aged between 25 and 50
- Two settled Bangladeshi males, retired

Due to the difficulty in reaching people from these groups through accredited recruiters, the support of local community organisations was enlisted to identify participants for the research. It must be noted, therefore, that the focus groups participants are not representative of the migrant groups as a whole and consisted of migrants who had accessed community and/or support groups. However, given the relatively small numbers of migrant groups in the North East - particularly in rural areas – recruiting participants through community and/or support groups quickly emerged as the only practical method available.

Personal contacts, snowballing and the help of a community researcher were used to recruit participants for some of the in-depth interviews, enabling us to speak to those with little community organisation involvement. In addition, due to the sensitive nature of some of the research questions, and the often traumatic experiences of arrival, settlement and discrimination for some migrant groups, some participants insisted on being told the discussion topic in advance. This was crucial in gaining the trust of the participants and encouraging open and frank discussion about their experiences of the North East. Each participant was paid a small amount as an incentive to attend.

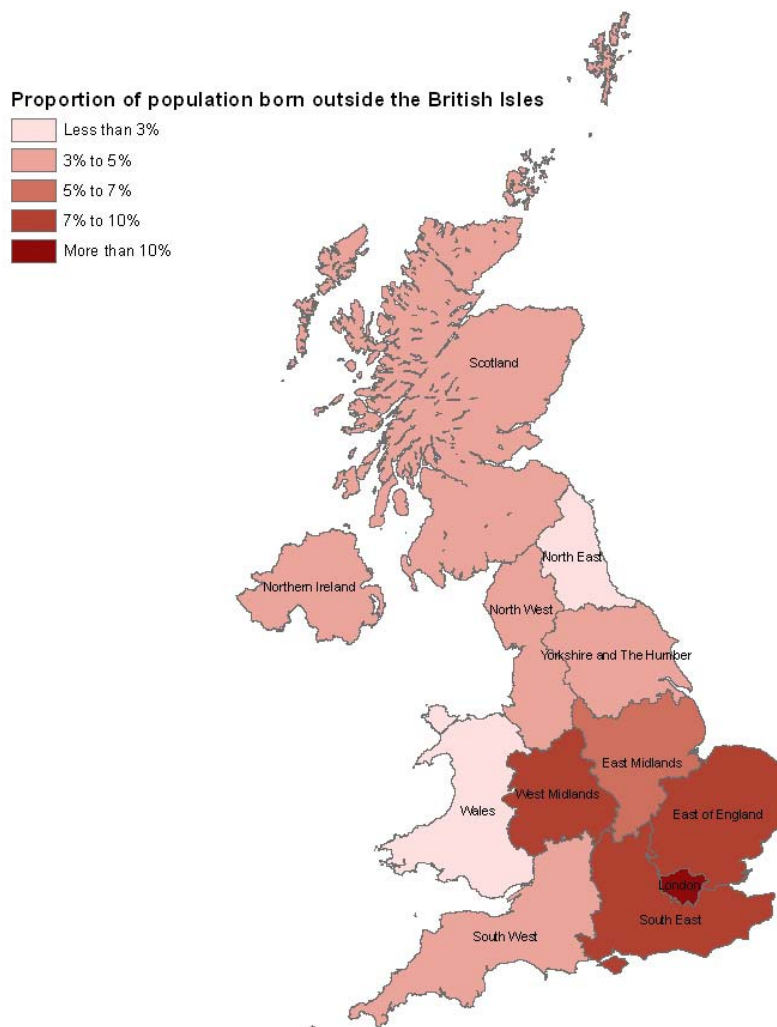
An expert roundtable was held after analysis of the quantitative and qualitative data to discuss the initial findings of the research. Key stakeholders in attendance were invited to comment on the preliminary findings and discuss possible ways forward.

3. Mapping migration in the North East

This section contributes to an important evidence gap in the existing literature and provides an empirical basis for the subsequent analysis in this study. The following analysis of the North East draws on data from the census and the Workers Registration Scheme (WRS) to map the population of those born outside the British Isles, and the extent of change in the growth of this population.

It is worth noting at the outset that, at 2.7 per cent, the North East has one of the lowest proportions of people born outside the British Isles according to the 2001 census (Figure 3.1).

Figure 3.1: Proportion of population born outside the British Isles



Source: UK census data, 2001

Figure 3.2: Local Authority districts in the North East

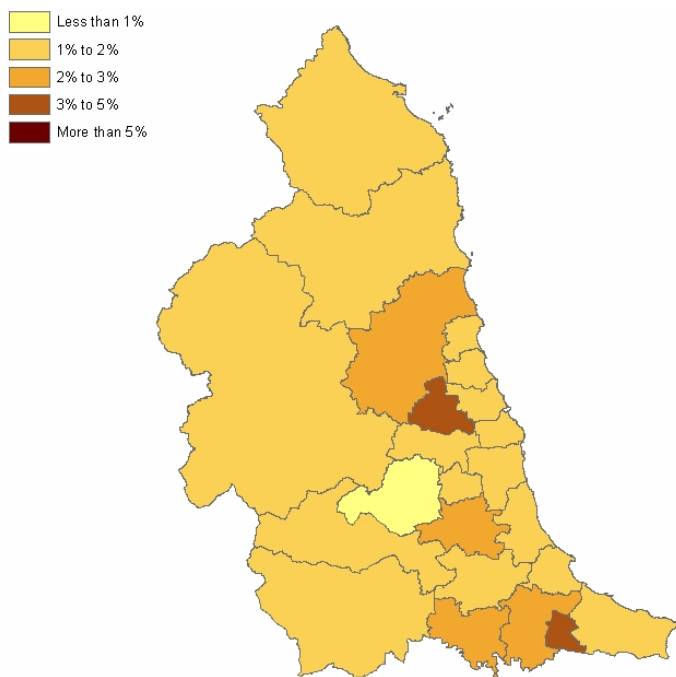


Source: UK census data, 2001
Note: UA stands for urban area

Figure 3.2 provides a key to the local authority districts in the North East to guide analysis of the subsequent figures.

Although the North East has one of the lowest proportions of people born outside the British Isles according to the 2001 census, it experienced a huge increase in the non-British Isles-born population between 1991 and 2001 (Figures 3.3 and 3.4). With the exception of London, this scale of change was not seen in other UK regions over the same period.

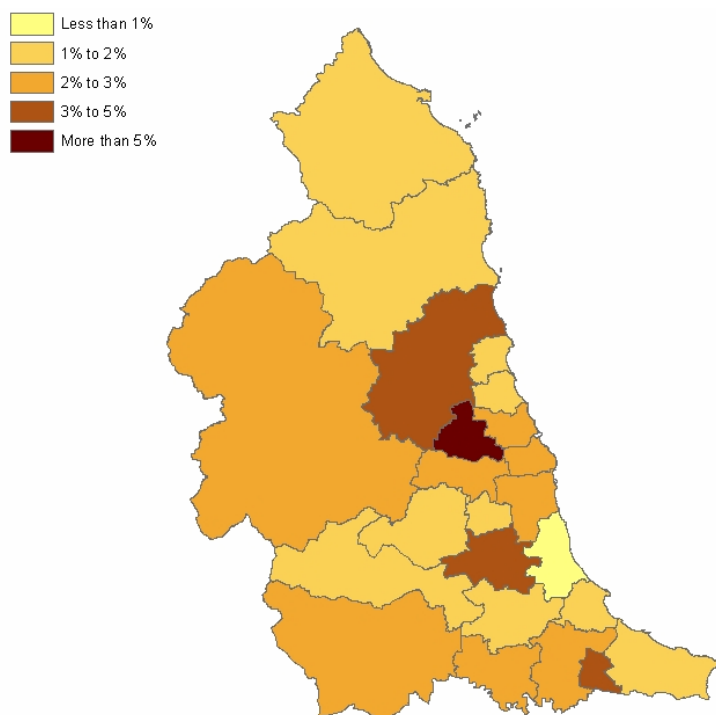
Figure 3.3: Proportion of non-British Isles-born by district, 1991



Source: UK census data, 1999

As Figure 3.4 shows, the distribution of the non-British Isles-born population is disparate, with the lowest proportions in Easington (1 per cent), Derwentshire (1.2 per cent) and the Wear Valley (1.3 per cent) – a southern band stretching across the region – and the largest proportions around the city region of Newcastle upon Tyne, where 6.4 per cent of the population were born outside the British Isles.

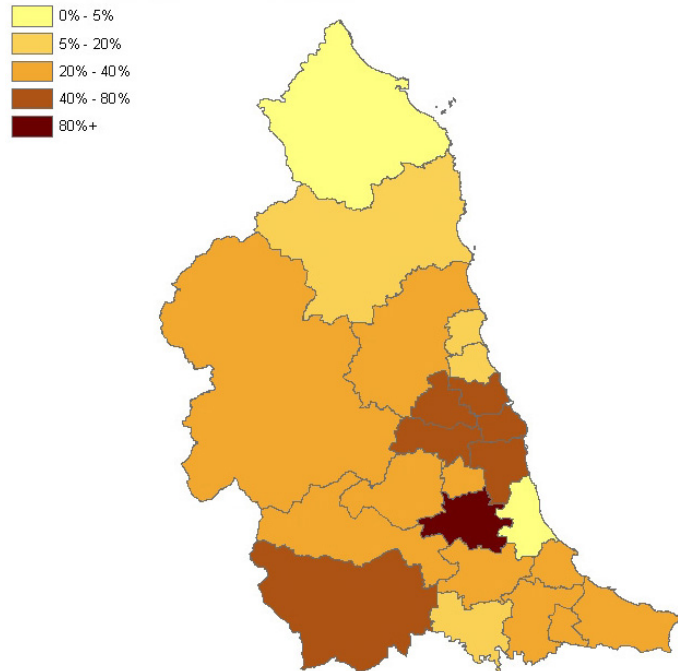
Figure 3.4: Proportion of non-British Isles-born by district, 2001



Source: UK census data, 2001

As Figure 3.5 shows, the North East did not experience change in a uniform way. Durham (91 per cent), Gateshead (71 per cent), and Newcastle upon Tyne (62 per cent) experienced the greatest change in the proportion of migrants, and Berwick upon Tweed and Easington experienced the least change (0 to 3 per cent).

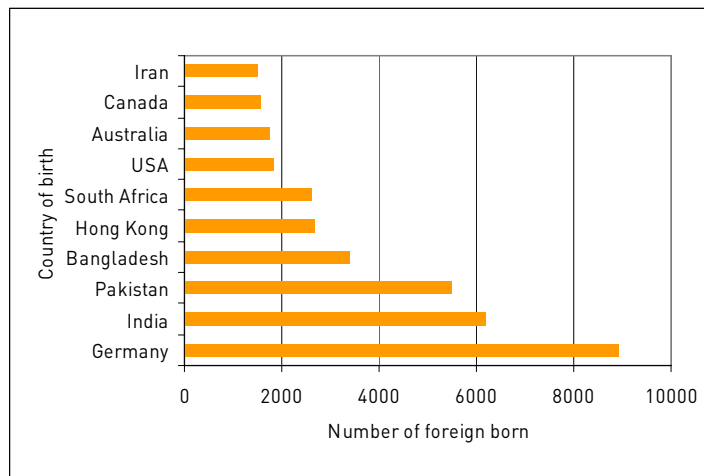
Figure 3.5: Change in the proportion of non-British Isles-born by district, 1991 to 2001



Source: UK census data, 1999 and 2001

Figure 3.6 shows the top 10 non-British Isles-born countries of birth in the North East, largely dominated by Germany, India and Pakistan. Like many other UK regions, the North East has not only seen an increase in the number of migrants in recent years, but also an increase in the diversity of migrants. As figure 3.6 shows, the North East has a mix of more settled communities, mostly from South Asian countries, but also has significant numbers of migrants from countries such as Hong Kong, the United States and Iran.

Figure 3.6: Top ten countries of birth for the migrant population in the North East

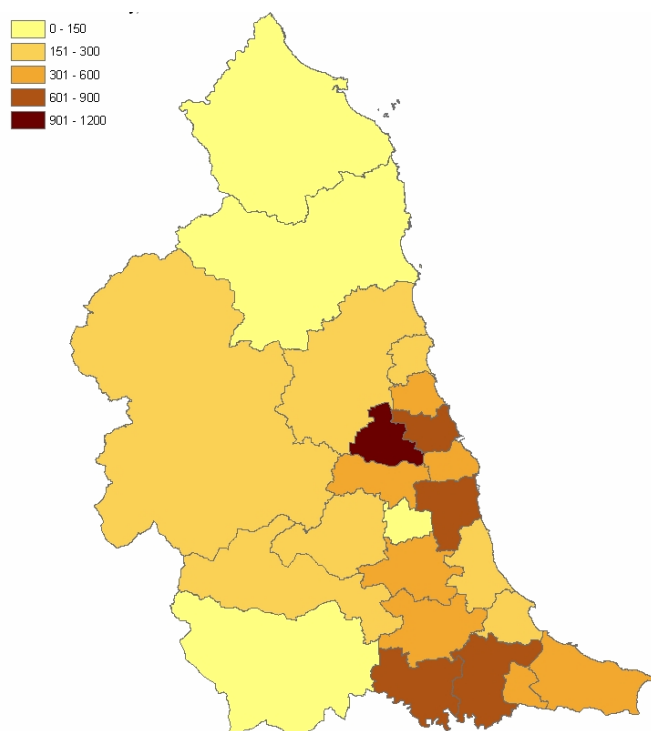


Source: UK census data, 2001

For most Local Authorities, the largest proportion of migrant residents are from EU-15 countries, with the exception of Middlesbrough, Newcastle upon Tyne, South Tyneside and Stockton on Tees, where the largest percentage group is born in South Asia. The regional distribution of three of the top foreign countries of birth in the North East is mapped below (Figures 3.7-3.9).

In 2001, 13 per cent of the total non-British Isles-born population were born in Germany (Figure 3.7). This is likely to be due largely to the sons and daughters of British army personnel who were born in Germany, where their parents were stationed, and now live in the North East. The German-born population is spread throughout the region, with larger-than-average communities in Durham, Redcar and Cleveland, and the Blyth Valley.

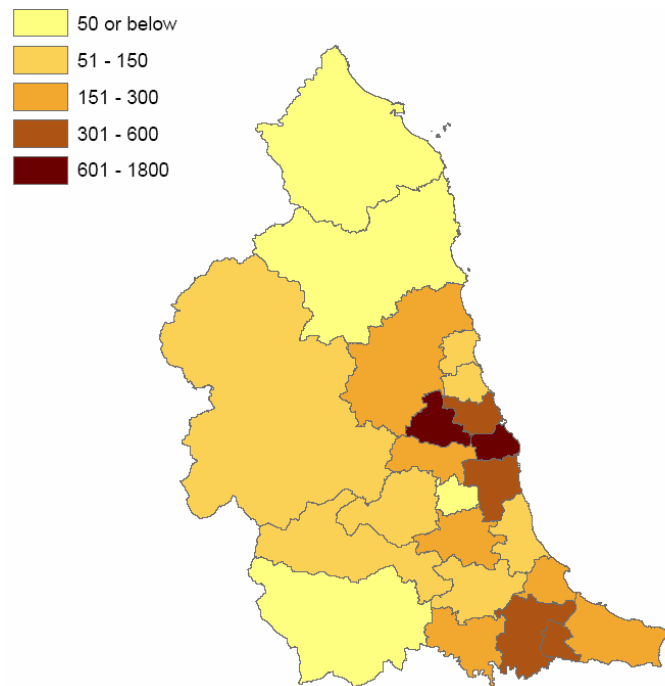
Figure 3.7: Distribution of the German-born population in the North East



Source: UK census data, 2001

The country of birth for the second largest foreign-born group, India, is more evenly distributed than the Pakistani-born group (Figures 3.8 and 3.9). Twenty-seven per cent are situated in Newcastle upon Tyne, but there are significant communities of around 180 to 300 in Durham, Darlington, Redcar and Cleveland, Hartlepool and Gateshead.

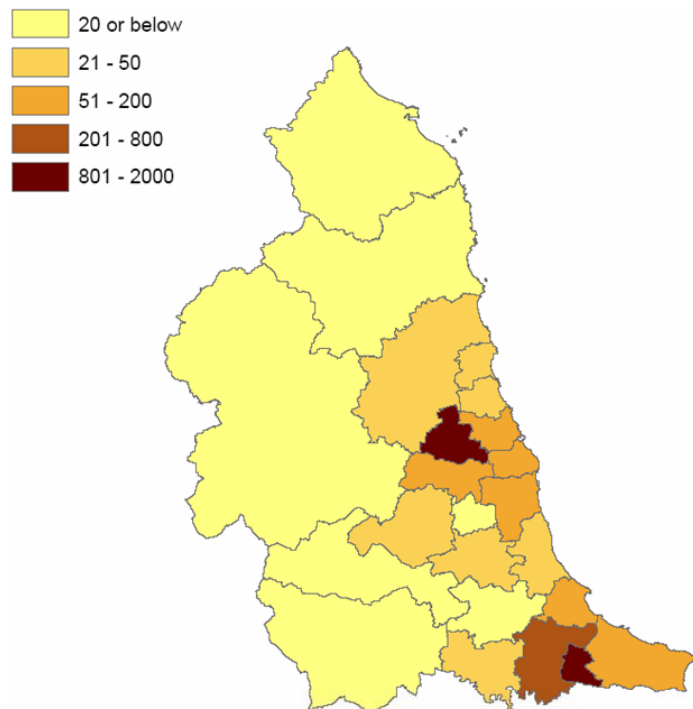
Figure 3.8: Distribution of the Indian-born population in the North East



Source: UK census data, 2001

Just over one third of those born in Pakistan (1,866 of 5,518) live in Newcastle upon Tyne (Figure 3.9). There is a population of a similar size (1,832) living in Middlesbrough, making this another significant Pakistani community in the North East.

Figure 3.9: Distribution of the Pakistani-born population in the North East

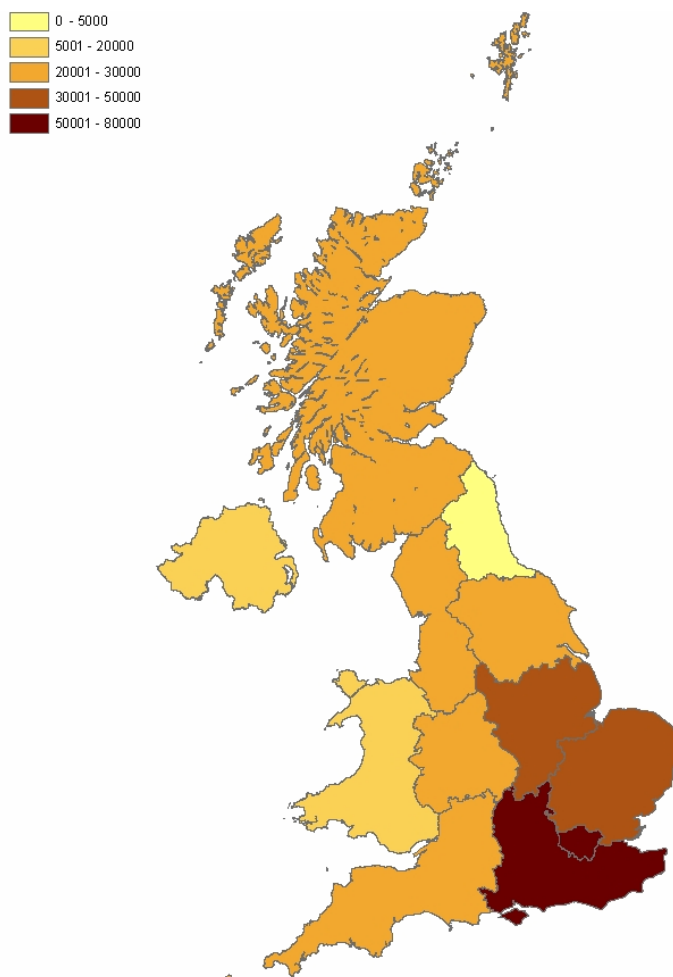


Source: UK census data, 2001

Earlier migration flows of predominantly black and Asian migrants from Commonwealth countries, who settled in the North East during the second half of the twentieth century, were largely characterised by long-distance and long-term movements in which existing communities and family networks played a key role (Findlay 1988). However, since the turn of the twenty-first century, there has been increasing evidence to suggest that migrant flows are likely to be shorter term and shorter distance, and not as integrated into the existing communities of former migrants. These new flows are qualitatively different from earlier flows and have accompanied changes in global labour markets and the restructuring of Europe.

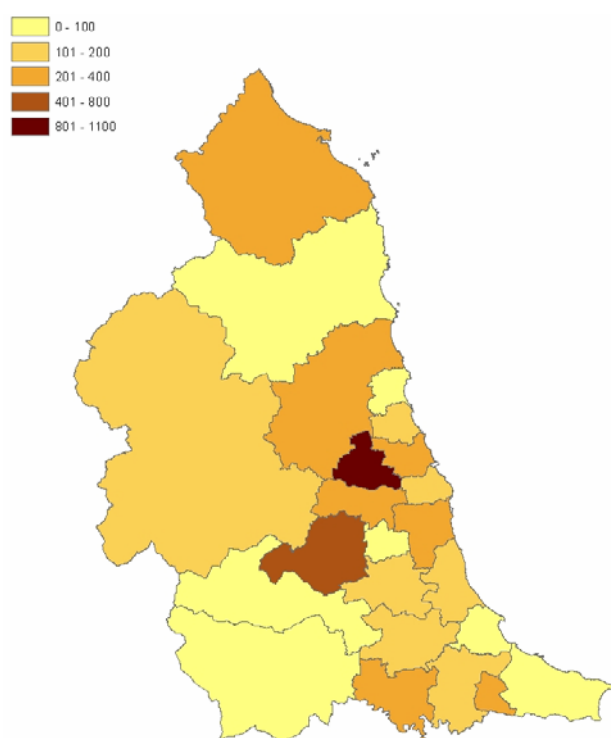
Newer flows of migrants have come to the UK in increasing numbers from the ten accession states that joined the EU in May 2004. Britain, along with Sweden and Ireland, opened up its labour market to migrants from these countries seeking to work in the UK. As most of these migrants arrived after May 2004, the census data does not capture their location or impacts within the North East. However, by using data from the Worker Registration Scheme, it is possible to map their geographic distribution in the North East and their breakdown by country of birth. The proportion of A8 migrants registered to work in the North East is smaller than in any other UK region (Figure 3.10).

Figure 3.10: Distribution of Worker Registration Scheme (WRS) registrations by government region, May 2004 to December 2005



Source: DWP unpublished, 2006

Figure 3.11: Distribution of WRS registrations by district, May 2004 to February 2006



Source: DWP unpublished, 2006

Table 3.4: Number of WRS registrations by district, May 2004 to February 2006

North East district	WRS registrations, May 2004 to Feb 2006
Alnwick	62
Berwick upon Tweed	248
Blyth Valley	120
Castle Morpeth	313
Chester-le-Street	28
Darlington UA	328
Derwentside	511
Durham	106
Easington	137
Gateshead	338
Hartlepool UA	28
Middlesbrough UA	232
Newcastle upon Tyne	1080
North Tyneside	207
Redcar and Cleveland UA	66
Sedgefield	111
South Tyneside	110
Stockton-on-Tees UA	113
Sunderland	316
Teesdale	38
Tynedale	107
Wansbeck	28

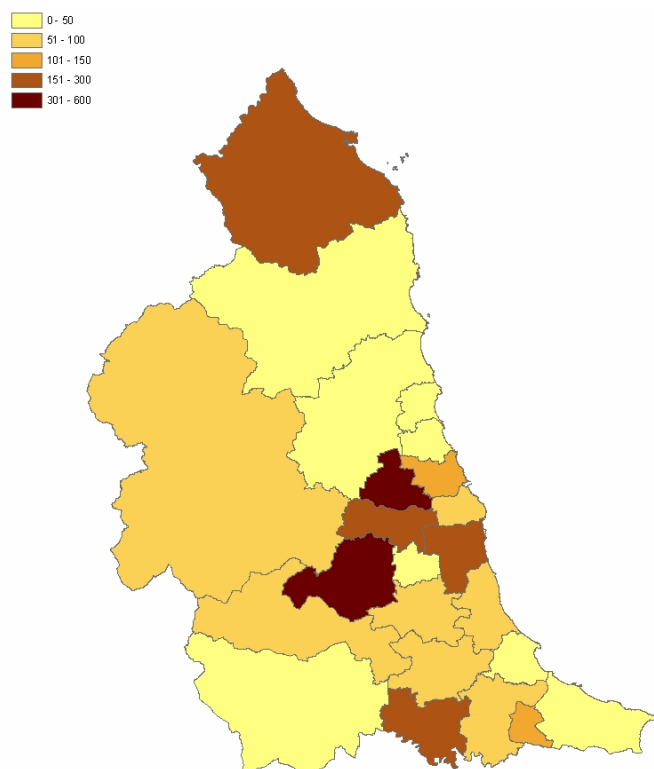
Wear Valley	95
Total	4722

Source: DWP unpublished, 2006

A total of 4,722 A8 nationals registered to work in the North East region from May 2004 to February 2006, according to WRS data (DWP unpublished). Small compared to regions like London and the South East, this figure is likely to be an underestimation of the true numbers because of limitations of WRS data. A8 migrants are spread across the North East region, with an unsurprising concentration in the Newcastle city region. The WRS data mapped here can be largely explained by the local distribution of sectoral recruitment patterns. Tyne and Wear attracts the largest proportions of migrants working in service-related activities such as hospitality, leisure, retail, wholesale, personal services and domestic work. In contrast to this, the majority of the work undertaken in Northumberland and County Durham is in the manufacturing, process and other low-skilled sectors (Stenning et al forthcoming).

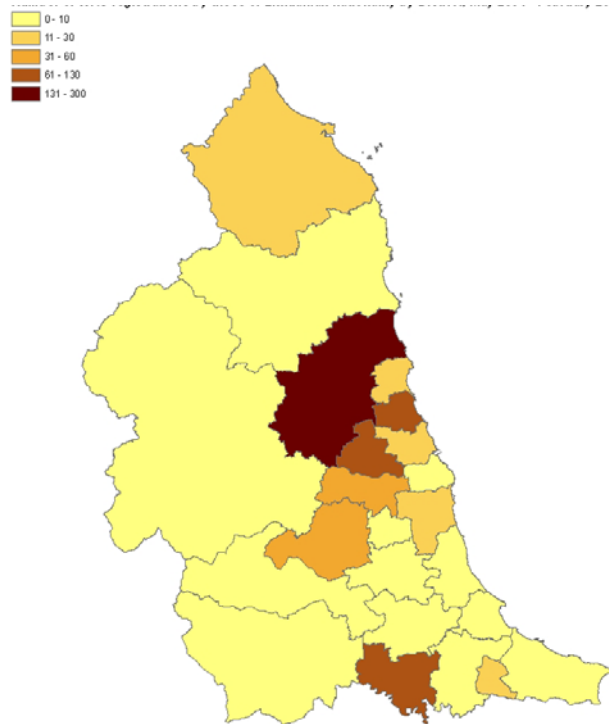
According to WRS data, the largest A8 group in the North East is Polish, followed by Lithuanian and Czech.

Figure 3.12: Distribution of WRS registrations made by those of Polish nationality by district, May 2004 to February 2006



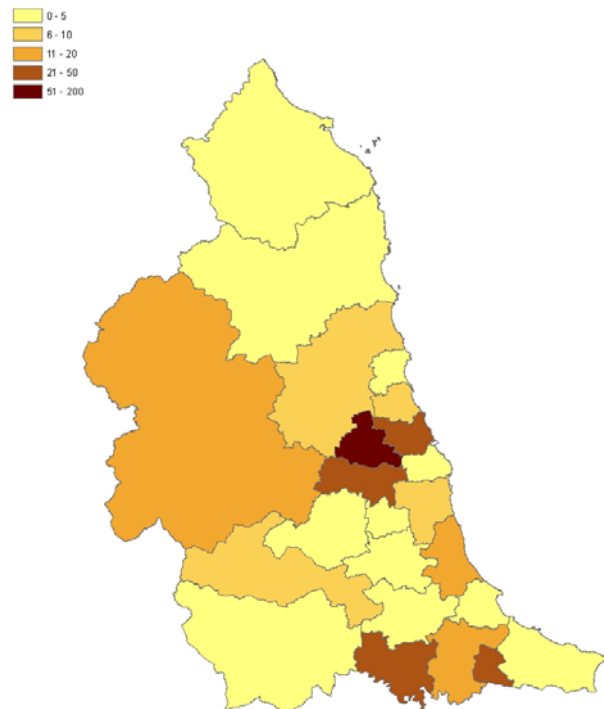
Source: DWP unpublished, 2006

Figure 3.13: Distribution of WRS registrations made by those of Lithuanian nationality by district, May 2004 to February 2006



Source: DWP unpublished, 2006

Figure 3.14: Distribution of WRS registrations made by those of Czech nationality by district, May 2004 to February 2006



Source: DWP unpublished, 2006

As accession was granted only in 2004, it is difficult to identify patterns in A8 migration flows and the impacts that they have had. Recent analysis of their impacts at a national level suggests that, much like the other migrant communities, they make a positive contribution to the economy - particularly in terms of filling skills shortages in some sectors of the economy (Gilpin et al 2006, European Commission 2006). Again, however, there is little analysis of the specific impacts of these new migration patterns at a regional or local level although recent research has explored some of the related issues in more detail (Stenning *et al*, forthcoming).

It is clear even from this brief analysis of available data that the North East's foreign-born population is not just increasing but is more diverse than ever. While this is by no means an exhaustive empirical picture, it does highlight the need to look at the economic and social characteristics of immigrants, and their impacts on the North East economy. It is this task that is taken up in the following section.

4. The role of migration in the North East economy

The economic performance of the North East has been marked by relative decline in recent decades, caused largely by factors such as the decline of heavy industry and the lack of capacity in the region to respond to globalisation (Beatty et al 2005, Rowthorn 2004). However, progress has been made over the past decade: recent evidence indicates better business survival rates (DTI and ONS 2005), more jobs (One NorthEast 2006) and even the growth of the region's 'knowledge economy'. Despite this, the North East economy still lags behind that of the rest of the UK.

This lag is something that regional economic planning agencies such as One NorthEast are seeking to address, with an aim to achieve the Government's Public Service Agreement (PSA) target for the North East (One NorthEast 2006).⁵ However, the role of migration as a potential lever by which to help achieve this target has not been considered in detail at a regional level. (Although, as noted earlier, this has happened to a degree at the sub-regional level (Comedia 2005)).

The aim of this section is to shed light on this under-explored area. By presenting new analyses of the socio-economic situation of migrants in the North East, it aims to assess their potential contribution to the regional economy, and gauge the extent to which this potential remains untapped. (Unless specified, 'contribution' in this report refers not only to economic activity but also to skill levels, enterprise and cultural dynamics – all of which play an important role in economic growth and development.)

The role of migration is assessed in specific relation to two factors that are widely known to be the most significant in determining economic performance in the North East region: participation and productivity.⁶ Both participation and productivity serve as a useful prism through which to examine the role of migration. They also ground the analysis within the specific economic realities of the North East, and within the framework of regional economic development.

Participation

Increasing the levels of economic participation in the North East is the biggest economic challenge facing the region (One NorthEast 2006, Adams 2005). The region has lower participation rates than other UK regions, constituting a significant proportion of the gap in gross value added (GVA) between the North East and the UK average. This problem is compounded by the fact that the North East has a rapidly ageing population: according to some estimates, if current trends continue, 40 per cent of the North East population will be aged over 50 by 2013.

Where attempts have been made to measure levels of economic participation among the migrant population of the North East, this has - almost without exception - been by ethnic grouping.⁷ While this is useful for gauging the performance of some groups (mostly settled immigrants from the Commonwealth nations who migrated in the 1960s and '70s), BME categories do not present the whole picture. They do not, for example, account for newer waves of migrant groups from Central and Eastern Europe who have been arriving in relatively small but increasing numbers to the North East.

⁵ The PSA target is 'to make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006.' (One NorthEast 2006)

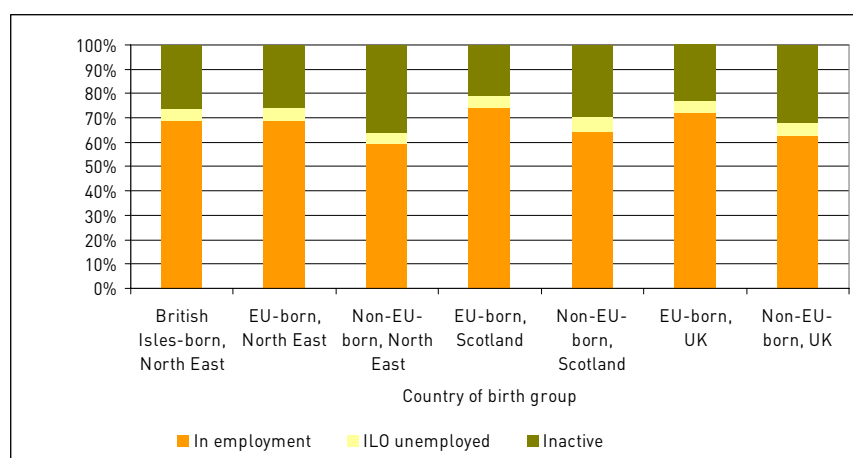
⁶ See, for example, the Regional Economic Strategy (RES), *Leading the Way*, the Northern Way Steering Group (2005), Skills Intelligent North East (2005), and the North East Assembly (2004).

⁷ For example, see RES (2005) and Comedia (2005).

To measure the wider levels of economic participation among the migrant population of the North East, this analysis presents aggregated Labour Force Survey (LFS) data from 2000 to 2005, grouping countries of birth into EU-born, non-EU born, and British Isles-born.⁸ In doing so, it is possible to gauge the degree to which migrants participate in the region's economy and the ways in which they participate.

ippr analysis of LFS data indicates a complex and nuanced picture of migrant participation in the North East labour market. Figure 4.1 shows that greater proportions of the British Isles-born and EU-born groups (69 per cent for both groups) are in employment than the non-EU born. Indeed, lower proportions of the non-EU born in the North East are in employment than their counterparts in the rest of the UK and Scotland, perhaps reflecting the more general trend of lower employment levels in the North East when compared to other UK regions.

Figure 4.1: Economic activity for the working age population of different country of birth groups in the North East, Scotland and the UK



Source: LFS 2000-2005

Notes: Working age population denotes women aged between 16 and 60 and men aged between 16 and 65. 'ILO unemployed' is a measure of unemployment based on international standards recommended by the International Labour Organisation (ILO)

Relatively strong levels of employment among EU-born migrants are perhaps not surprising, given that increased flows of economic migrants since 2004 from A8 countries may have pushed up employment rates within the EU-born group (Gilpin *et al* 2006). Nationally, the post-2004 accession working age migrants have boosted the employment rate of total A8 migrants from 57 per cent in 2003 to 80 per cent in 2005. The North East context has been no exception to this national trend, with EU-born migrants having both strong employment levels and low inactivity levels.

However, it is a different story for the non-EU born in the North East, who have both higher levels of inactivity than the British Isles-born and EU-born groups (36 per cent, compared to 26 per cent), and lower levels of employment than those groups (60 per cent, compared to 69 per cent).

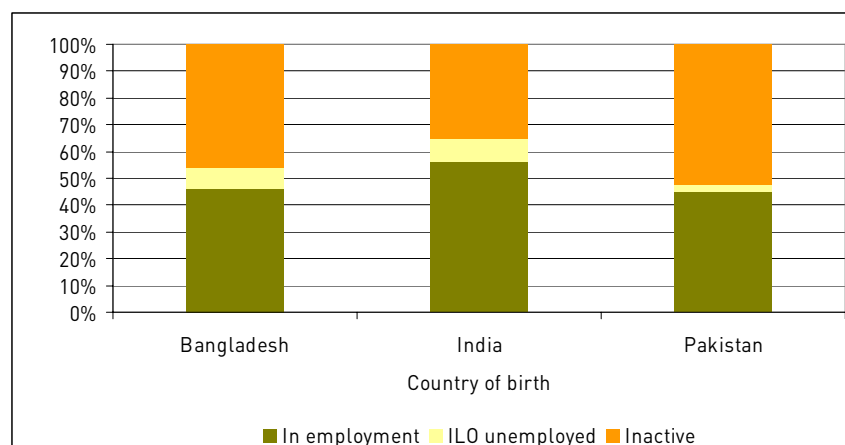
It is important to note that these figures do not account for the nuances in socio-economic outcomes within the non-EU born migrant communities. From Figure 4.2, it is evident that within the non-EU born migrant group, there exist different outcomes in employment levels. A greater proportion of Indian-born are in employment than either the Bangladeshi-born or Pakistani-born groups (56 per cent, compared to 46 per cent and 45 per cent respectively).

⁸ It is not possible to break down these groupings according to individual countries of birth using LFS data because the North East has much smaller migrant communities relative to other UK regions, making LFS sample sizes too small to provide robust analysis.

Similarly, lower proportions of Indian-born in the North East are economically inactive when compared to the Bangladeshi-born and Pakistani-born groups (35 per cent, compared to 46 per cent and 53 per cent respectively).

This data reflects a wider national trend of Indian-born faring much better than the Bangladeshi-born and Pakistani-born communities on a range of socio-economic indicators. Regional policy would need to take into account such nuances within the non-EU born community if action to raise levels of economic participation is to target and deliver better outcomes for more economically excluded communities.

Figure 4.2: Economic activity among the working age population of the top non-EU groups in the North East



Source: LFS 2000-2005

However, it is important to note that for a significant proportion of migrants in the North East, levels of economic inactivity are not an appropriate or reliable indicator of economic contribution because a significant number face restrictions on taking up employment. Asylum seekers, for example, are not permitted to work because of their legal status, even though many bring skills, qualifications and experience to the region. And foreign students' contribution to the regional economy cannot be captured through employment statistics. In 2001, for example, there were an estimated 6,973 foreign students⁹ and 4,830 asylum seekers in the region (Home Office 2001)¹⁰, which together is equivalent to almost 23 per cent of the total non-EU born population. From this, it is possible to see that any attempt to assess the role of migration in the North East economy should rely on more than indicators of economic participation alone.

Productivity

Improving productivity in the North East is seen as a key driver of economic growth. A large percentage of the shortfall in GVA in the region is related to productivity (One NorthEast 2006). The main reasons behind the region's low productivity levels are a low rate of business formation and a specialisation in lower growth sectors that tend to produce lower value goods and services.

It is not possible to quantify the GVA output of any one group, but there are some key indicators from the data to show that migrants play an important role in sustaining regional productivity levels.

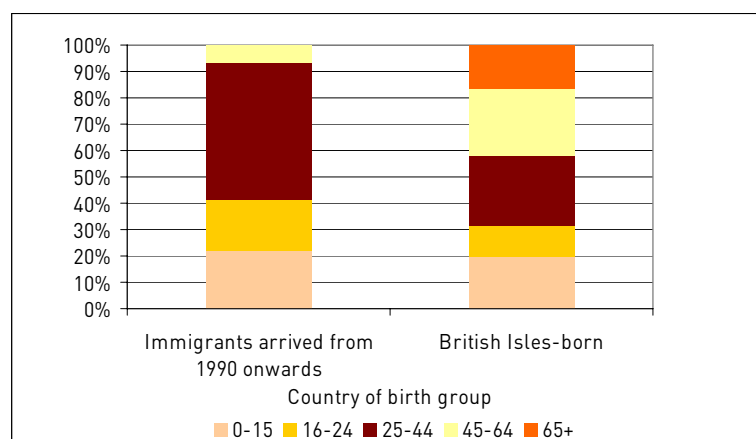
⁹ ippr calculations based on 2001 admission figures for overseas students provided by the region's five main universities: University of Newcastle, University of Teeside, Northumbria University, University of Sunderland, and University of Durham. This is likely to be an underestimate because of the numbers of foreign students studying at other educational institutions elsewhere in the region. Figures for 2002/2003, for example, show a total of 8,000 incoming international students to the region (Nixon et al 2005).

¹⁰ It should be noted that this figure has dropped since 2001, partly because many asylum-seekers would have gained refugee status and because of falling numbers of new asylum applicants.

Migrants are younger and more mobile

Migrants in the North East have a significantly younger age profile than the British Isles-born population, reflecting a UK-wide trend in the age profiles of migrants (Kyambi 2005). From Figure 4.3, it is possible to see that in 2004, far greater proportions of new migrants were of working age than the British Isles-born.

Figure 4.3: Age distribution of country of birth groups in the North East, 2004



Source: Kyambi (2005)

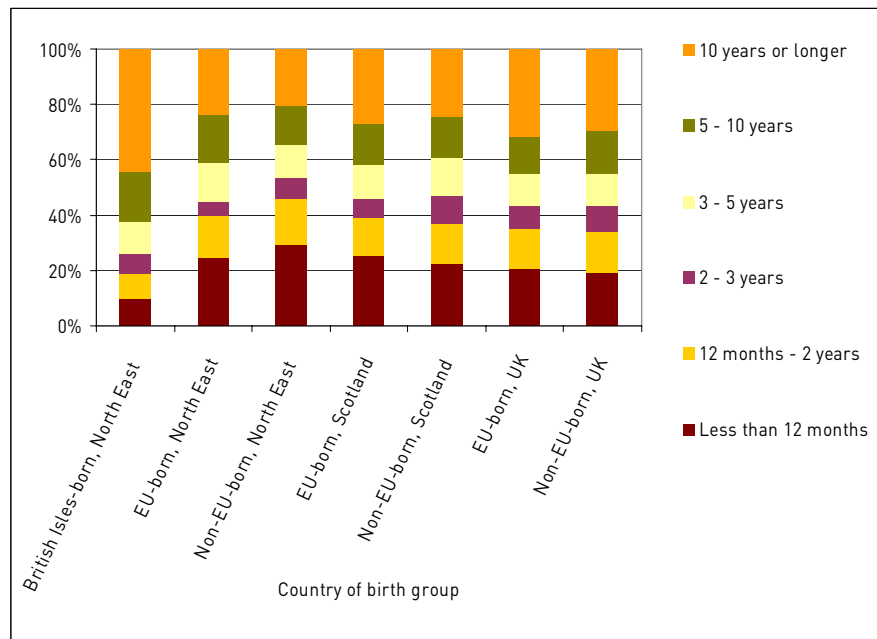
Figure 4.3 indicates the potential for migrants to offset the pressures of a declining working-age population by raising participation levels. A declining working-age population in the North East has been brought about by declining fertility, an ageing population and outward migration from the region (which has only reversed in the last two years). The fact that the region already has one of the largest proportions of working-age migrants of all UK regions presents a strong case for attracting more working-age migrants to the region to secure future economic growth, which would not otherwise be achieved with a declining population. One recent report even suggests that the impacts of young migrant workers could help sustain the UK pensions system in the light of an ageing population and declining fertility (Ernst and Young ITEM Club 2006, Blake and Mayhew 2006).

Migrants in the North East are also more mobile than the British Isles-born, and slightly more mobile than their counterparts in Scotland and the rest of the UK (Figure 4.4). More than half (53 per cent) of non-EU born and 45 per cent of EU-born in the region have resided at their address for less than three years, compared to just 23 per cent of British Isles-born. Significant numbers of these have resided at their address for less than 12 months.

In many ways, this is to be expected as economic migrants are often not resident in the country for more than three years; others are on temporary contracts and many students are only resident for the duration of their course. Moreover, UK-wide analyses of new migrant workers shows that new migrants are to be found in increasing numbers in smaller towns and rural areas, as opposed to urban areas (Trade Union Congress 2004, Gilpin et al 2006), suggesting that migrants are more likely to fill vacancies across a wider geographical area. Indeed, available evidence on new migration patterns, both nationally and in the North East, shows that there is little evidence to suggest that A8 migrants have gone to areas with particularly strong or weak buoyant labour market conditions (Gilpin et al 2006, Stenning et al forthcoming), again suggesting that there are fewer factors restricting the mobility of migrants than for the British Isles-born population.

However, greater mobility would also seem to confirm other evidence that many newer migrants are coming to the region to work, but not necessarily settle (Garnier 2001, Travis 2005, Portes and French 2005).

Figure 4.4: Length of time at address for different country of birth groups in the North East, Scotland and the UK

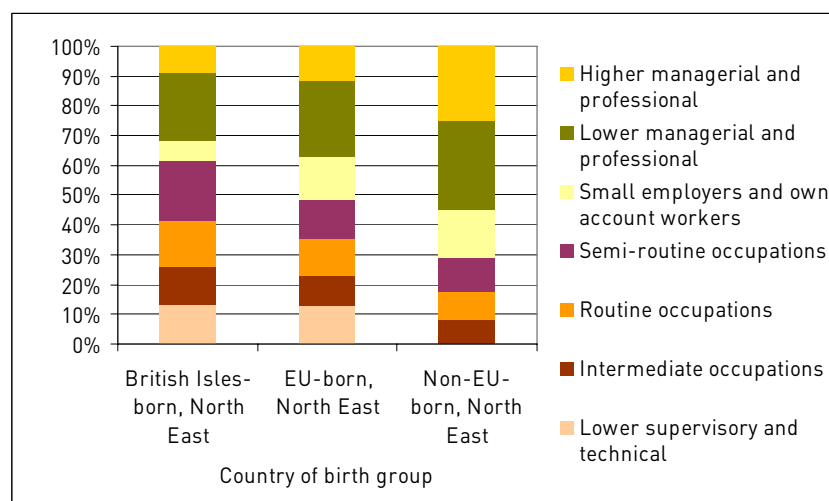


Source: LFS 2000-2005

Migrants fill higher level occupations

While there are large proportions of those who are economically inactive or have never worked across all groups (Figure 4.1), a very high number of non-EU born (24 per cent) fall into the highest category of higher managerial/professional jobs, compared to only nine per cent of British Isles-born and 11 per cent of EU-born (Figure 4.5). This characteristic of the non-EU born population runs counter to the occupational structure of the North East workforce, which is biased towards the lower level occupations, with those in higher occupational groups under-represented.

Figure 4.5: NS SEC* of main job for different country of birth groups in employment in the North East



Source: LFS 2000-2004

Note: NS-SEC stands for National Statistics Socio-economic Classification. This new classification has been developed to combine social class (SC), which was based on occupation, and socio-economic group (SEG), which was based on occupational unit group, employment status and size of establishment.

Indeed, the significantly higher numbers of non-EU born migrants in managerial/professional jobs relative to the other groups would indicate that this group is playing a key role as the region continues to shift from its traditional manufacturing base to a service-based economy. 'Business and other professional services' was one of the service sector industry categories that experienced job growth above the national average between 2000 and 2003 (Skills Intelligence North East 2005); the data indicates that non-EU born migrants are filling key jobs in this sector as it continues to grow. (This is consistent with a trend in the UK labour market over the past few decades that has seen a large increase in managerial, professional and technical jobs (Robinson 2005)). The high numbers are particularly significant in the context of the North East, where 'business and other services' are predicted to grow by an extra 22,000 jobs, in contrast to the manufacturing industry which is predicted to lose a further 17,000 jobs by 2014 (Green *et al* 2006).

It is questionable whether these extra jobs will be filled in the short to medium term; occupational group employment projections to 2014 suggest that the under-representation of higher occupational groups is likely to continue (Green *et al* 2006). It is likely that any effective, sustainable measures to counter the problem, such as up-skilling the existing workforce, will be time- and resource-intensive. In the short to medium term, however, the growing need for professional workers could be met by non-EU born migrants, which would cushion some of the transitional impacts of an economy that has a declining manufacturing base. As Figure 4.5 shows, non-EU born migrants display the potential to fulfil this role.

Migrants are highly educated

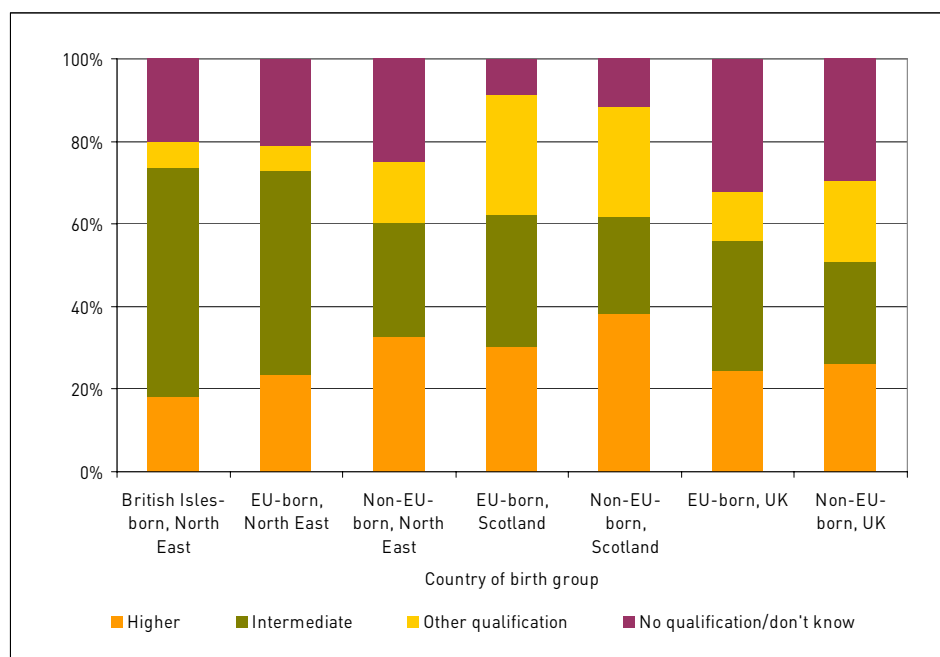
A large proportion of migrants in the North East are educated to a higher level than both the British Isles-born in the region and their migrant counterparts in the UK (Figure 4.6). Compared to the rest of the UK, 33 per cent of migrants in the North East are educated to a higher level compared to just 26 per cent of non-EU-born in the rest of the UK. This regional advantage is also apparent when comparing the proportions of migrants with no qualifications in the North East with their counterparts in the rest of the UK.

Although this comparison with the rest of the UK does not break down by individual regions, previous analysis at a regional level has shown that even when the North East is compared to individual regions, it still had one of the highest proportions of highly skilled migrants of all UK regions in 2004 (Kyambi 2005).

Interestingly, Scotland seems to outperform all other regions in this regard, having both greater proportions of migrants educated to a higher level and the smallest proportion of migrants with no qualification. Again, this is consistent with other evidence that showed that in 2004, Scotland had the highest proportion of migrants educated to a higher level of all UK regions (Kyambi 2005).

Within the North East region, almost double the proportions (33 per cent) of non-EU born migrants are educated to a higher level than the British Isles-born population of the North East (18 per cent), although these migrants are slightly over-represented in the category of those with no qualifications.

Figure 4.6: Highest qualification held by different country of birth groups in the North East, Scotland and the UK



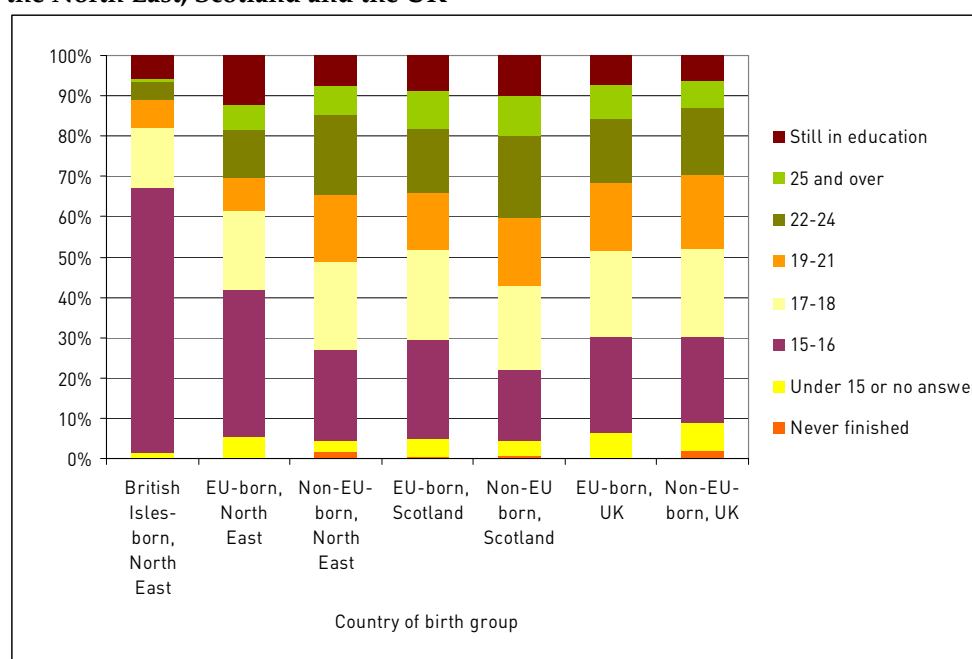
Source: LFS 2000-2005

The apparent advantage the North East has with regard to education levels among migrant groups is underpinned in part by the fact that proportionally more migrants in the North East are still in education compared to those in other UK regions, with 12 per cent of EU-born in the North East still in education compared to less than 10 per cent for all other regions (Figure 4.7).

The EU-born in the North East are also over-represented at the other end of the scale, with far greater proportions having finished education between the ages of 15 and 16 when compared to their counterparts in other regions. From the data alone, it is not clear why this is.

What this data on the education levels of migrants in the North East does show is that migration to the region could act as an important lever in raising the overall qualification levels of the North East population. The North East workforce is relatively under-qualified in comparison with the UK in general and has not managed to close this gap in recent years, although there have been slight improvements (Skills Intelligence North East 2005). Closing this gap has been identified as a priority in all of the regional planning documents; the findings here strongly suggest that migration should be seen as an important part of achieving this goal.

Figure 4.7: Age when finished full time education for different country of birth groups in the North East, Scotland and the UK



Source: LFS 2000-2005

Migrants occupy hard-to-fill vacancies at both ends of the skills spectrum

Newer flows of EU-born migrants to the UK – those who have arrived since 2004 – predominantly take hard-to-fill vacancies (HtFVs) within the labour market (Gilpin *et al* 2006, Stenning *et al*, forthcoming), particularly within the hotel and restaurant sector, the manufacturing sector and in the health and social sector.¹¹

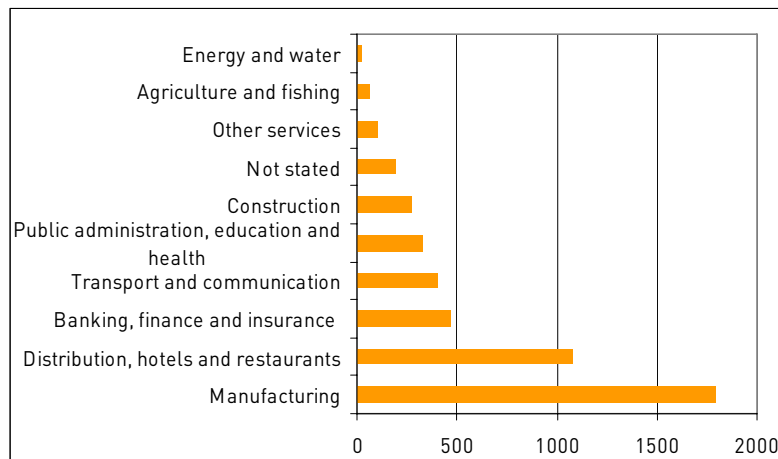
Although the North East's share of A8 migrants is the lowest of all UK regions, evidence shows that A8 migrants tend to be concentrated in specific sectoral and occupational pockets of the labour market. As Figure 4.8 shows, A8 migrants are concentrated in the manufacturing sector and the distribution, hotel and restaurant sector, reflecting the UK-wide trend in which the vast majority of A8 migrants fill a number of low-skilled vacancies that the local workforce do not want to, or cannot take.¹² In view of their relatively high levels of education, their concentration in low-skilled sectors would indicate that there is a degree of underemployment among A8 migrants.¹³

¹¹ Hard-to-fill vacancies (HtFVs) in the National Employer Skills Survey are the vacancies identified by the respondent as hard to fill. Skill-shortage vacancies (SSVs) are those HtFVs resulting from one or more of the following: a low number of applicants with the required skills; a lack of candidates with the required work experience; or a lack of candidates with the required qualifications (LSC 2004).

¹² UK-wide data from WRS shows that A8 migrants are concentrated in distribution, hotels and restaurants, followed by manufacturing, agriculture and fishing (DWP, unpublished).

¹³ 'Underemployment' as it is defined here refers to employment which does not utilise an employee's skills to its full potential.

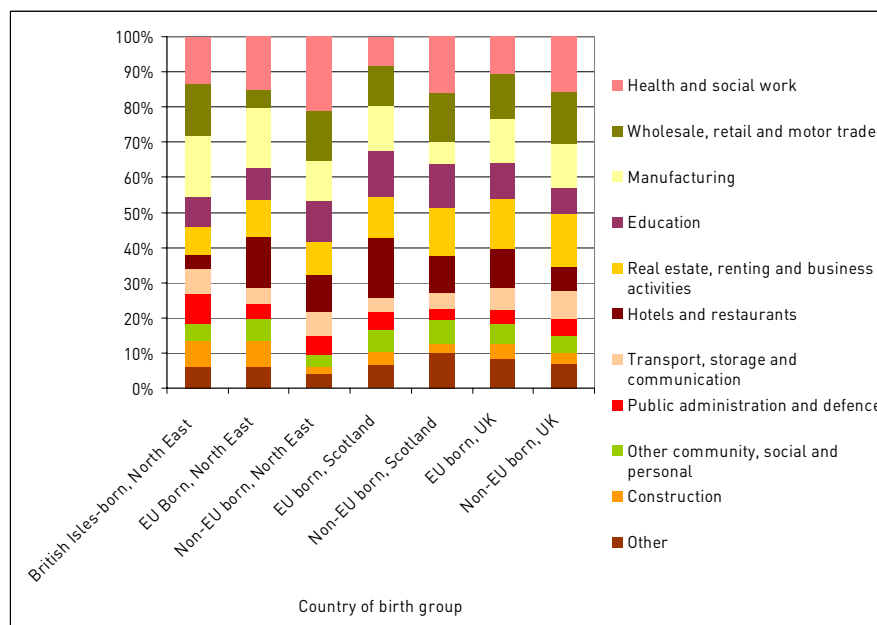
Figure 4.8: WRS registrations by sector in the North East, May 2004 to June 2006



Source: DWP, unpublished

Among the non-EU-born population (Figure 4.9), the largest concentration of migrants are in health and social work (21 per cent), followed by wholesale, retail and motor trade (14 per cent); and around 11 per cent in the sectors of manufacturing, education, real estate and hotels and restaurants. It is noticeable that a significantly greater proportion of non-EU born (as well as EU-born) work in hotels and restaurants, when compared to the British Isles-born (Figure 4.9).

Figure 4.9: Main job industry sector for different country of birth groups in the North East, Scotland and the UK



Source: LFS 2000-2005

The preponderance of work in jobs in hospitality, catering and the NHS, for example, reflects skill-based shortages within the region. In particular sectors, such as construction, a lack of local skills have triggered employers to recruit A8 workers either through a recruitment

agency, or through European Employment Services (EURES)¹⁴ (Fitzgerald 2006). In 2003, 12 per cent of all jobs in health and social care had skill gaps (Table 4.2) and 21 per cent of non-EU born migrants in health and social care had been employed in these key sectors. Skill shortages are particularly pronounced in sectors such as health and social care, hotels and catering, and food, drink and tobacco – all areas in which concentrations of EU-born and non-EU born migrants work (Figures 4.8 and 4.9).

The fact that migrants take hard-to-fill jobs in the North East - whether because of skill-shortages or otherwise - indicates that they play a key role in some sectors of the economy, many of which have been identified as 'key strategic sectors' because of their contribution to GVA and employment, future growth opportunities, and/or their ability to increase participation in the labour market (One NorthEast 2006). These sectors include manufacturing, textiles and clothing, construction, and wholesale distribution – again, all areas in which migrants play a key role (Table 4.2).

Table 4.2: Job vacancies and skills shortages among employers in the North East

	Vacancy rate (vacant jobs as a % of total jobs)	Hard-to-fill vacancy rate (HtFV jobs as a % of vacant jobs)	Skill shortage vacancy rate (% of vacant jobs attributed to skill shortages)	Jobs where there are skills gaps (%)
Selected sectors				
Computing and related services	5.5	69	0	7
Hotels and catering	5.0	34	15	12
Health and social care	4.2	55	19	12
Agriculture	3.0	100	48	10
Construction	2.5	64	37	7
Wholesale distribution	1.9	53	6	7
Textiles and clothing	1.6	67	11	10
Metal manufacturing	1.5	39	21	16
Other manufacturing	1.4	68	68	9
Food, drink and tobacco	0.7	36	26	18
Total for all sectors	2.7	41	21	10
<i>Source: LSC 2004</i>				
<i>Note: The LSC data provides the best regional picture of skills shortages as there is a general lack of available data at a regional level in this area.</i>				

In short, migrants may be relatively small in number in the North East compared to other UK regions, but large proportions of them occupy hard-to-fill vacancies in key sectors – both at the skilled and low-skilled ends of the occupational structure. This was confirmed by the findings of qualitative work with some of the region's biggest employers of A8 migrants.

The employers of A8 migrants interviewed for this research all expressed strong views that their business would be seriously damaged if not for A8 migrants, that they were heavily and increasingly reliant on migrants workers because they have found it impossible to recruit from the local workforce, that they considered migrant employees an advantage with regards to their general attitude, work ethic, motivation, reliability and commitment to the job, and that migrant workers were more prepared to accept certain jobs.

¹⁴ EURES is a co-operation network designed to facilitate the free movement of workers within the European Economic Area.

The following are quotes from our research:

'We recruit around 300 to 400 temporary production operatives. We started recruiting mainly Polish workers last season ... and if I'm honest, we were more or less forced into it because if we didn't go down that route, we weren't going to get the labour' (Employer of migrant seasonal labour in the manufacturing sector, North East).

'In this industry, you have a high rate of turnover. Whoever you recruit within this type of industry, you're always taking a bit of a gamble, really, because of the environment that people are working in. I mean, you've got the hot and cold environment, working with food, and the shift work. We don't take it for granted that everybody's going to stay with you all the time so we're constantly looking ahead to what you can do next. So, we created the [Polish] links ourselves, and a pretty good network that we can fall back on if we feel that people are going to leave. A lot of Polish workers will actually tell their friends and families and we now have a lot of potential employees on hold to fill vacancies in case people leave' (Employer of migrants in the food processing sector, North East).

This suggests that A8 migrants respond to demand in low-waged, low-skilled and flexible work that exists because of the unattractiveness of the vacancies to domestic workers. The Institute for Employment Studies has highlighted the importance of migrant labour in filling labour shortages in low-skilled positions of work that are largely deemed unattractive to domestic workers (Dench *et al* 2006). Such views were confirmed by a wide recognition among regional policymakers and recruitment agencies that newer flows of economic migrants were taking hard-to-fill positions.

'One of the key things for us is the availability of temporary labour. It's essential for a seasonal business like this one. We can't bring in a large number of temporary workers and unfortunately, the temporary labour we can bring in aren't necessarily interested in coming to work ... and that was one of the reasons we started to take in migrant workers' (Employer of migrants in the textile sector, North East).

5. Harnessing migration's potential for the North East economy

Migrants in the North East bring a great deal to the regional economy. They constitute a young and mobile workforce, are more likely to be in higher level occupations, have higher level qualifications than the British Isles-born, and occupy hard-to-fill vacancies. The data in this report has provided a regional picture that complements some of the UK-wide analysis that highlights the positive economic contribution of migrants to the UK (Sriskandarajah *et al* 2005, Gilpin *et al* 2006, Ernst and Young ITEM Club 2006). The data also highlights the potential for migration to buck some of the region's long-term problems of a declining working-age population and out-migration.

This section assesses what the region could be doing to harness this potential to maximise the benefits of migrants to the regional economy, discussing four areas that policymakers should pay particular attention to.

Attracting and retaining highly skilled migrants

The attraction of highly skilled migrants has been identified by the Regional Development Agency One NorthEast as critical to raising productivity levels in the North East (One NorthEast 2006: 30). The emphasis on the need for highly skilled migrants, such as IT specialists and doctors, is in line with the view that a move towards an increasingly knowledge-based and high-skilled economy creates greater demand for skilled and experienced workers. This is also in keeping with the UK Government's emphasis on skilled migration in its proposed new managed migration policies (Home Office 2005).

As the empirical section of this report has highlighted, the North East has high proportions of migrants concentrated in managerial and professional occupations. It is therefore clear that migration is already playing a key role in the regional economy as the region shifts from being industrially-based to more business- and services-based. The role of migration is likely to become increasingly important as forecasts suggest that the demand for high-skilled employment will grow much faster than overall employment demand in the North East (Green *et al* 2006).

More importantly, although forecasts suggest that demand for high-skilled employment is likely to grow within the region, forecasts also suggest that the national growth rate for high-skilled employment will still be higher than for the North East. Therefore, if the North East is to avoid widening the gap between the skills profile of its workforce and that of the rest of the UK, more concerted efforts and targeted interventions will be needed to attract highly skilled migrants. Alongside existing priorities to improve the skill levels in the region (One NorthEast 2006: 87), measures to attract highly skilled migrants to the region would go further to address the under-representation of those in more skilled occupations which has been projected to continue from 2004 to 2014 (Green *et al* 2006).

Highly qualified migrants also play a key role in regional economies (ODPM 2006). At a national level, such migrants have tended to balance out regional disparities. While people with higher qualifications tend to live in London and Southern England (Dixon 2003), new immigrants with higher qualifications are found in greater proportions in Scotland, the North West and the North East (Kyambi 2005). As discussed above, the North East region already attracts high levels of those migrants educated to a higher level – almost double the proportions of their British Isles-born counterparts in the region who are educated to a higher level.

It is particularly important for the North East region that regional policy tries to build on this relatively strong position. Although the North East is a net importer of students, only a low proportion of those are retained in the region after graduating; a region-wide strategic

framework for tackling graduate retention is still lacking (Allinson et al 2003). Indeed, while graduate retention is an issue of concern to universities and economic development agencies in the North East, very little is known about the behaviour of overseas students once they graduate from the region's tertiary institutions. The Higher Education Statistics Agency (HESA) does not collect data on overseas students.

Following the Scottish Executive's example of actively encouraging overseas students to remain in Scotland by granting leave to enter or remain in Scotland for two years after graduation (the 'Working in Scotland Scheme'), the North East should consider similar action to provide a greater incentive for overseas students to stay in the region and utilise their qualifications. A progress report released by the Scottish Executive in March 2006 found that more than 1,500 foreign students had taken up the Working in Scotland scheme in the first seven months of operation (Scottish Executive 2006). This is a high figure considering that between 2003 and 2004 there were fewer than 2,000 international student enrolments in Scottish higher education (Association of Scottish Colleges 2005).

A necessary part of improving graduate retention in the North East is through stimulating demand for the kinds of skills and enterprise they would provide. This is particularly important in the North East context as the knowledge intensity – that is, the proportions of jobs in an industry that would normally be occupied by graduates – of jobs in the region is low. Estimates place only 13 per cent of jobs in the North East within the highest knowledge intensity category, compared to the national average of 29 per cent. In contrast, 42 per cent of jobs in the North East are in the lowest knowledge intensity category, compared to 32 per cent nationally (Skills Intelligence North East 2005). As the graduate labour market is national, if not international, there is the possibility that dramatically increasing the numbers of highly qualified graduates in the North East without stimulating the demand for knowledge-intensive employment could mean that many graduates leave the region to find work.

Getting the future skills mix right

It is vital that regional policy recognises the continuing role that low-skilled jobs are likely to play in the North East economy alongside the existing emphasis on high-skilled jobs. The current regional planning around the impacts of migration in the North East almost exclusively stresses the contributions of highly-skilled migrants to the growing 'knowledge economy'¹⁵ of the region (Comedia 2005). This reflects a widespread belief that the move towards an increasingly high-skilled economy will diminish the need for low-skilled workers. This belief would seem to be particularly prevalent in the North East, where there is an underlying assumption that low-skilled jobs, such as those that A8 migrants are predominantly doing, sustain and perpetuate low demand for higher-level skills in the North East:

...it is difficult to envisage how the current patterns of A8 labour migration to the region will lead to a progressive advancement of the demand side of the labour market (Stenning et al, forthcoming).

Reflecting this emphasis on the importance of high-skilled work to the regional economy, the Comedia report expresses disappointment at the fact that the North East has largely attracted migrants into low-skilled and low-paid jobs and a lower proportion of A8 migrants to jobs in administration, business and management work than other regions (Comedia 2005: 42).

While it is true that the demand side of the high skilled labour market in the North East is structurally weak and underperforming, hard-to-fill vacancies exist at *both* ends of the skills spectrum, as highlighted in the empirical section above. There is little doubt that a greater number of highly skilled migrants would boost the regional economy, but there is a danger

¹⁵ A 'knowledge economy' can be defined as an economy directly based on the production, distribution and use of knowledge and information.

that a preoccupation with the need for highly skilled, highly qualified migrants assumes a diminishing demand and role for low-skilled jobs.

There are important indications to suggest that this diminishing demand will not play out in the future. Looking at past trends in the UK economy over the past few decades, there has been net growth at both the high- and low-skilled end of the labour market with significant increases in managerial, professional and technical jobs, but also an increasing share of lower-paid personal services and sales occupations (Robinson 2005, Green and Owen 2006). This increased polarisation of the labour market can be explained by the fact that certain lower-skilled and lower-paid jobs can neither be displaced by technology nor exported to places where labour is cheap.

There is also a growing need for workers in so-called non-routine and non-tradeable service sectors, such as healthcare and personal services (Goos and Manning 2005). Current economic forecasts would seem to back this up. Over the period from 2004 to 2014, employment in personal services occupations in the North East is projected to grow by 0.9 per cent per annum, with around 8,000 additional jobs expected, nearly all of which are caring and personal service occupations. Sales occupations are expected to account for 15,000 of the extra jobs in sales and customer services occupations from 2004 to 2014. Some 5,000 additional jobs are projected to be generated over the period from 2004 to 2014 from health, social work and education. (Green *et al* 2006).

Hence, it is important for regional policy to recognise that expanding employment in highly skilled occupations and addressing the implications of an ageing population are not disconnected from growth in low-skilled service occupations, such as cleaners and sales assistants. If anything, rapidly expanding employment in high-skilled occupations and an ageing population will most likely be accompanied by further growth in low-skilled service occupations (Goos and Manning 2005). For example, it makes little sense to acknowledge the demographic challenges posed by an ageing population (Comedia 2005, 29), but at the same time consider it disappointing that migrants are more typically in low-skilled jobs such as care assistant than in more skilled jobs (Comedia 2005, 41) – the two are not mutually exclusive. As the population of the North East ages, the region is likely to see more, not less, demand for people such as care assistants.¹⁶ And as the UK-born workforce continues to become more educated, it is less likely that the demand for low-skilled workers will be met domestically (RSA Migration Commission 2005). The new points-based migration system, which emphasises skilled migration, is likely to further accentuate shortages in these sectors.

While the growth in personal service and sales occupations has skills implications for the local workforce, this does not necessarily mean that low-skilled immigration presents an extra source of competition in the low-skilled sectors of the economy. This so-called ‘lump of labour’ argument, which implies that there is a fixed number of jobs in the economy and that migrants displace locals in the labour market, is widely discredited by economists as being too simplistic. Despite this, there is much concern around the perception that migrants reduce wages or cause unemployment, particularly for the low-skilled.

However, suggestions that employers are bypassing Jobcentre Plus for recruitment and that wages have been depressed are not backed up by the available evidence. Most analyses of the empirical effects of immigration on labour markets in the UK have demonstrated that the impact of immigration on wages and employment prospects is minimal, although there may be some short-term effects (Glover *et al* 2001, Portes and French 2005, Gilpin *et al* 2006). Some of these effects might include wage deflation and a degree of job displacement, but this is far from clear and more work needs to be done in this area.

¹⁶ The region is already struggling to fill vacancies in social care. Jobcentre Plus and Skills for Care North East are in discussions about bringing social workers over from Germany (where there is a surplus of social workers), to fill some of the North East shortages.

Reflecting other work from around the UK (Dench *et al* 2006), evidence from our interviews with employers in the North East suggests that a strong ‘work ethic’ – not low costs – was one of the chief reasons for employing migrant workers.

‘We’re looking for people who’ll work well, who’ll work hard, who’ll have low levels of absence et cetera, et cetera. Unfortunately, a lot of the temporary labour you can bring in aren’t necessarily interested in going to work and that’s the difficulty with some of the local staff, and one of the reasons we started to take in migrant workers’ (Employer of migrants, textiles sector, North East).

Even without a migrant workforce, it is questionable whether a local workforce would fill many low-skilled vacancies. This is the case for several reasons. The first is that the shift in the types of jobs at the bottom end of the labour market, from less skilled manual jobs to the personal services sector, will require a change in the skill sets of the local workforce, which is unlikely to be achieved in time to meet short-term demand. Second, the relative unattractiveness of these jobs¹⁷ in terms of working conditions and hours makes it less likely that the local workforce would fill many of the low-skilled vacancies on offer. Third, because of the strong correlation between skill levels and mobility (Dixon 2003), it will be harder to get low-skilled people, particularly in deprived areas, into available employment over a wider geographical area, or a wider travel-to-work area.

There are several likely barriers to mobility for low-skilled workers: there is often limited information on low-skilled vacancies as they tend to only be advertised locally (Gibbons *et al* 2005); the inflexible provision of social housing means that long-distance migration rates are lower for those in the social rented sector (ODPM 2005); and there are often significant transport costs associated with moving long distances.¹⁸

As a result, the quantity and quality of jobs available locally will continue to be of particular importance for low-skilled people who typically travel shorter than average distances to and from work (Green and Owen 2006, One NorthEast 2006: 16). This is in stark contrast to the high mobility of migrants in the North East, who are more able to fill vacancies across a much wider geographical area, and would appear to be more willing to accept low-quality jobs.

Hence, the fact that migrants fill low-skilled jobs does not mean that these jobs would necessarily have been filled by the local workforce if the migrants had not arrived. To draw such a causal relationship between the two developments is too simplistic and discounts the many complex reasons why British Isles-born people might be economically inactive. (For example, Stanley and Maxwell (2004) highlight how incapacity benefit can act as a barrier to work.)

It is important that this ‘lump of labour’ argument does not overshadow migrants’ contribution to these low-skilled sectors, especially because migrants are increasingly likely to continue to fill low-skilled vacancies in the short to medium term, meeting the growth in the low-skilled personal service and sales sectors. This contribution should be reflected in regional economic planning alongside the existing emphasis on attracting highly skilled migrants.

However, it is also important that any recognition of the role of low-skilled migration in the North East economy is accompanied by sustained efforts to support the unemployed population of the North East into work. As section four of this report highlighted, the North East lags behind the rest of the UK in terms of employment levels, with low levels for all groups, and particularly low levels for the non-EU-born migrant groups.

¹⁷ For more on the low attractiveness of particular sectors in the North East and the reasons behind such perceptions, see Skills Intelligence North East (2005: 54).

¹⁸ Although these three points relate to interregional mobility, it is reasonable to assume that low-skilled workers moving within the North East region would face similar barriers.

Importantly, these two parallel objectives are not incompatible: there is no reason why regional policy cannot recognise the role that low-skilled migration has to play in the regional economy while also continuing to support the local unemployed to access employment. Both objectives can be pursued at the same time, and even be complementary. For example, while the New Deal and other active labour market policies have been successful in reconnecting many long-term unemployed people with the labour market, building on progress in this area is necessarily slow, particularly in targeting the hard-to-reach groups. In the meantime, however, migrant workers can usefully fill short-term gaps in labour shortages, especially as these groups are characterised by greater mobility and more short-term settlement.

Minimising 'brain waste'

As highlighted in the empirical section above, the North East has a significant pool of migrant talent, skills and qualifications and these are found across a range of key sectors. However, this study has found that a great deal of this potential is untapped. For example, data showing the relatively high qualification levels of the EU-born population in the North East is in contrast to the high concentrations of EU-born in low-skilled sectors of the economy. Although this is not a trend that is unique to the region¹⁹, it has more serious implications for the North East because its productivity level lags behind that of the rest of the UK.

This kind of 'brain waste' will have costly implications for the North East if the region fails to effectively tap into and recognise the additional skills of its migrant population. This study identifies two areas in which the region could be doing more to better harness the existing pool of migrant skills and qualifications, and thus limit 'brain waste':

- Better recognition and use of skills, qualifications and experience gained abroad
- Development of better support for the entrepreneurial and business activities of migrants.

Recognition of qualifications and skills gained abroad

Many migrants who come to the UK have high-level qualifications from overseas, which are not recognised or utilised in their job. This often results in high levels of underemployment among migrants. For example, research into refugee employment in the UK over the last ten years suggests that, despite having higher than average levels of education, skills and qualifications, asylum seekers and refugees face major obstacles to finding appropriate employment.

This underutilisation of migrants' skills undermines the North East's relative advantage in terms of having greater proportions of migrants educated to a higher level and greater proportions still in education. From the findings of the qualitative work, it is evident that despite these high levels of education among the migrant population in the region, there were also significant levels of brain waste – particularly among refugees and A8 migrants.

All refugees interviewed as part of the qualitative work had high level qualifications or the equivalent level of skills and experience in their relevant fields, yet none had had these recognised in their current employment activities in the region. This was raised as a common problem in interviews with refugee support organisations. Many refugees with qualifications in regulated professions faced financial and time-related costs if they wanted to re-qualify – a luxury that many could not afford given the more immediate financial pressures associated with settlement and trying to start a new life in the UK. This often proved highly demoralising as well as frustrating for refugees, particularly as access to training and employment is one of the main factors influencing the decision of refugees to settle in the

¹⁹ At a national level, a higher proportion of A10 migrants than the EU15 national averages have medium-level qualifications and there are similar proportions of highly qualified people from the A10 (European Commission 2006).

North East (Refugee Housing Project North East 2002, Angier *et al* 2004, Underwood and Baxter 2003).

The following quotes were made to ippr researchers by two refugees from Newcastle upon Tyne:

'Regarding our qualification, yes, it is really painful, when looking back at the years I spent at university and to come and they say "you know your qualification, you have to re-do it." I am not getting younger... I don't want to spend all my life studying' (Refugee, Newcastle upon Tyne).

'Your qualifications are never going to be over-rated but under-rated! They said a diploma in education is equivalent to NVQ3... A levels! In order to do that diploma in the first place I had to have Cambridge A levels' (Refugee, Newcastle upon Tyne).

Along with a lack of language skills and government rules that prevented many asylum seekers from working, the lack of recognition of education and qualifications was a key barrier facing refugees and asylum seekers who wanted to settle in the region and take up employment. However, because of the region's relatively limited experience of migration, it was unclear to what extent local service providers were equipped to understand the training and employment needs of refugees. A coordinator at a refugee support organisation told our research:

'The North East has had very little familiarity with diversity, and so the level of awareness of those whose job it is to provide services (for example employment) is less than other more cosmopolitan areas of the UK' (Coordinator, refugee support organisation, North East).

This type of brain waste is not a problem that is specific to the North East. A recent study that looked at employability initiatives for refugees across Europe found that the UK had the lowest level of qualification recognition provision and that much-needed progress towards a national accreditation of prior and experiential learning (APEL) system was likely to need substantial funds and an organisation to take on the responsibility (Phillimore *et al* 2006). Arguably, however, it has more costly implications for the North East than for other areas, given the productivity and participation gap that it is trying to close with other UK regions.

It is essential for regional policy to consider the development and pilot of new and innovative approaches to APEL and of work-based learning for those whose initial education and training was undertaken outside of the UK, including the provision of literacy, language, numeracy and IT training. The North East Consortium for Asylum and Refugees (NECARS), a partnership of 25 local authorities and other statutory and voluntary agencies, is already working in partnership with the National Institute of Adult Continuing Education (NIACE) to test and develop a guidance tool used in the Netherlands ('distance to the labour market'²⁰) and plans to work with transport sector employers to pilot a training programme to enable refugees and migrants to gain employment.

Similar, region-wide, initiatives would speed up the transfer of refugees into training and employment on a scale that best utilises the resources of skilled refugees to benefit the wider regional economy. Initially, this could involve partnership between the Learning and Skills Council (LSC), the regional Business Link network and NECARS to start to develop a regional model of work-based skills assessment. The use of testing of skills within the workplace while a refugee demonstrates their competence by actually undertaking a job is commonly used in France, Germany and Holland. The system is used to both accredit

²⁰ 'Distance to the labour market' refers to a tool used in the Netherlands to assess the prospects for integrating the unemployed into the labour market. In the Netherlands, there is a number of work-orientated programmes for unemployed people with a large 'distance to the labour market'. One is an integrated programme of work (-experience), education, and social care (including child care for mothers with young children).

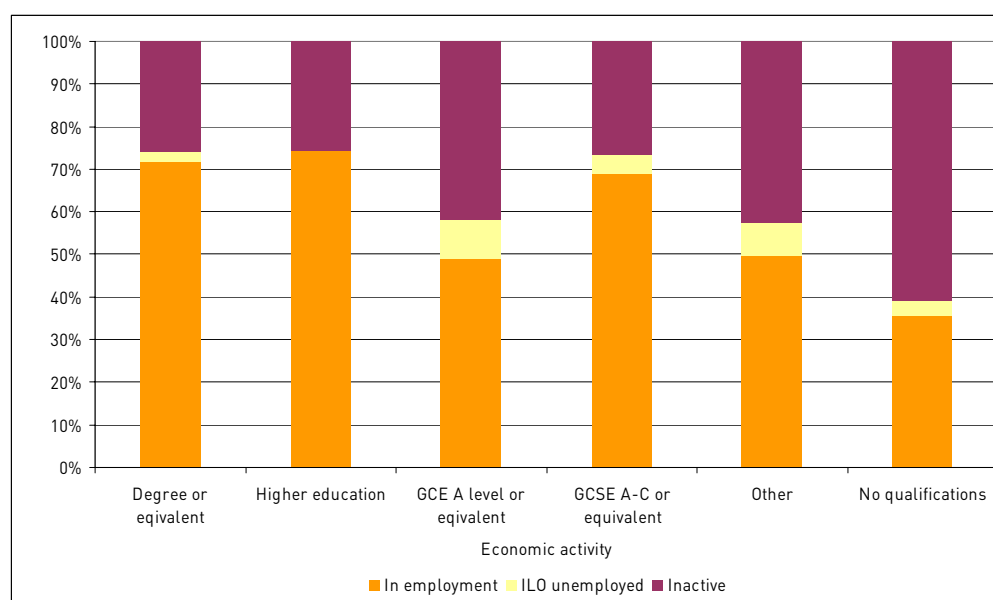
refugees' skills and as a diagnostic tool to enable assessors to identify gaps and weaknesses and recommend courses to fill those gaps.

Although little has been written about the use of work experience in enhancing employability, it can increase levels of confidence, especially for those who have been out of work for a long period of time (McQuaid et al 2005). A Refugee Education and Advisory Service (RETAS) survey into employment pathways for refugees found that while work experience in the country of origin provided potential employers with background information, what they really wanted was work experience in the UK (Monti 2005).

A partnership that includes Business Link and NECARS makes sense, not least because refugee organisations have a wealth of experience in dealing with barriers to employment – for example, many currently assist refugees to better understand British ways of learning and applying for jobs. Such a partnership would also ensure that any system of work-based skills assessment would appeal to both parties – refugees and employers.

Resources and funding to support such a partnership would need to be identified, but would be offset by both an increase in the levels of economic participation among migrants with overseas qualifications and an increase in productivity levels, brought about by better matches between jobs and skill levels. In short, brain waste would be kept to a minimum given the close correlation between economic activity and qualification levels. As seen in Figure 5.1, non-EU-born people with higher education or a degree or equivalent have the highest employment rates and lowest inactivity rates, while those with lower or no qualifications have relatively high inactivity rates and/or high unemployment rates. Minimising brain waste would have particularly rewarding pay-offs for the North East, given that it is the non-EU-born groups in the region that have lower levels of employment, compared to the British Isles-born and EU-born groups (Figure 4.2).

Figure 5.1: Economic activity of working age population of non-EU-born in the North East by qualification



Source: LFS 2000-2005

Note: Sample sizes were too small to analyse the EU-born in the North East

Our qualitative research also suggests that there was a degree of underemployment among A8 migrants. A significant finding from interviews with employers of A8 migrants was that all of them had extremely little awareness of the qualifications, skills and experience that their migrant workforce had gained prior to coming to the North East. This was not just among

seasonal or temporary employers, who only employed migrants on a short term contract, but was also a consistent feature of other employers of migrant workers in the region.

This is likely to be because employers of low-skilled and low-paid migrant workers who were interviewed were only looking for very basic skills to fill the job requirements. It is also likely to be because some employers went through recruitment agencies to fill labour shortages. However, alongside the earlier data, which indicated relatively high levels of qualifications among the EU-born, the findings of the qualitative research do indicate a degree of brain waste and underemployment among this group. This raises important questions around the role these migrants could play should their skills be better utilised, or were they to settle more permanently in the region.

Better support for migrant entrepreneurs

Studies carried out at national level indicate that more could be done to tap into the latent entrepreneurial potential of migrant communities. For example, non-white ethnic groups have been found to be more entrepreneurial than their white counterparts across the UK regions (Harding et al 2005) and there is evidence to show that migrants, and asylum-seekers and refugees in particular, show strong levels of self-sufficiency (Bloch 2002). At a regional level, one study in the North West found that if the number of 'assimilated entrepreneur'²¹ businesses were to be increased by 10 per cent, this could generate over £235 million additional profit in the region (Sustainability North West 2005).

The work that already exists in the North East confirms that refugees in that region are no exception when it comes to possessing strong levels of self-sufficiency, but that there are barriers to business start-ups, including difficulty of navigation within a new business culture, lack of access to advice and support, shortage of money and discrimination (Angier *et al* 2004). This was confirmed by ippr's qualitative work with refugees, all of whom identified barriers to support, advice and appropriate funds in discussions around entrepreneurial opportunities for refugees.

From our research, it was clear that the barriers that refugees faced were often heightened by the additional pressures of settlement and integration:

'Some of the businesses we know never got any support other than from their own resources or the community' (Coordinator, refugee support organisation, North East).

Such barriers have detrimental effects for the North East, which lags behind the UK average in terms of the number of businesses relative to the population size. It is estimated that the region would have to have between 18,500 and 22,500 more VAT-registered businesses to achieve its target of 90 per cent of national average GVA per head (One NorthEast 2006: 29). To move towards this target, the Regional Economic Strategy (RES) intends to tap into the latent potential of migrant groups by targeting migrants and refugees in the promotion of business start-up. It plans to do this, both within and outside of the North East, through a Regional Image Campaign and an Attracting Entrepreneurs programme (One NorthEast 2006: 49).

It is too early to gauge how effective such a targeted policy is likely to be, particularly as recent evidence shows that promoting business start-ups is not the answer for all sub-regions of the North East (Troni and Kornblatt 2006).²² It is also questionable whether increasing the

²¹ 'Assimilated entrepreneurs' are defined in this study as those who have established businesses in the Northwest region of England, and who have origins in other countries – both first and second generation.

²² For example, this study shows that boosting business activity in places like Sunderland would prove more promising than promoting business start-ups in places such as Easington, Wansbeck and Redcar and Cleveland. All of these face much bigger problems as a result of de-industrialisation and would therefore benefit more from structural changes to be reconnected to their regional economies than by attempts to promote business activity.

number of VAT registrations actually helps because small business enterprises do not generate great numbers of jobs (ibid).

From the findings of this research project, it is evident that the current emphasis on promoting business start-ups among migrant groups needs to include an explicit focus on the barriers that migrants face if it is to be successful. It is unclear how this specific focus will be achieved within current plans to promote start-ups because these policies are not just targeted at migrants, but at a number of diverse groups, including young people, women and disadvantaged communities. The challenge, therefore, will be for policy in this area to deliver results for migrant communities, who face specific barriers that are not necessarily shared by other groups, such as language difficulties and the lack of recognition of skills and qualifications gained overseas.

Promoting integration

Efforts to achieve economic development need to go hand in hand with efforts to promote broader integration of newcomers. Positive integration outcomes can be seen as the social glue that holds together a community and a local economy, promoting both social inclusion and labour market participation. As such, efforts towards integration should be seen as an important part of any regional attempt to attract and retain migrants and to improve equality of opportunity. The Government's approach to the integration of migrants is dominated by work with refugees and is set out in two key policy documents (DWP 2005, Home Office 2005). However, there is little policy at either the national or regional level to elaborate on this, particularly in relation to the integration of newer economic migrants from A8 countries.

This study identifies four ways through which the region could promote better integration outcomes for its migrant community:

- Greater investment in English language-training provision
- Greater co-ordination with the private sector to improve integration outcomes
- Greater efforts to address social exclusion and discrimination
- Better provision of services and support for migrants upon arrival

Greater investment in English language-training provision

The vast majority of migrants are keen to develop and adapt their skills for settlement in the UK and integration into the labour market, particularly with regard to English language skills. Both refugees and new economic migrants in the North East engaged in this study expressed a strong desire to develop their English language skills. In the case of A8 migrants, the development of English language skills proved to be one of their main motivations for coming to the UK.

Language skills are equally important for refugees in the North East (Underwood and Baxter 2003). The provision of language training for refugees emerged in ippr's qualitative research as a key to work, integration and self esteem:

'How can people be integrated if you don't facilitate them to learn the language? We learn culture through language' (Refugee, Newcastle upon Tyne).

'It's really important for your mind: you've achieved something and then you value yourself. If you have your certificate you can do another course. At least you have that: something to wake yourself up in the morning' (Refugee, Newcastle upon Tyne).

Many employers also rate English language skills as one of the most important skill sets that they look for when recruiting migrant workers. This was backed up by this study: all the employers interviewed rated English language skills as a critical requirement.

But despite the significant demand, English language skills and training for migrants have received little attention at the regional level, which is indicative of the low-skilled functions of many sectors of the economy in which migrants are concentrated, such as manufacturing and hospitality. Yet, English language skills are vital for both the social integration of all migrants and their full, effective and safe participation in the workplace.

Although there are examples of some regional employers proactively providing access to English language training courses (Stenning *et al*, forthcoming), none of the employers engaged in this study had undertaken such activities and had no plans to do so in the future. Instead, many preferred to recruit migrant workers who already had some basic grasp of English, or rely on other migrant workers to be ad-hoc interpreters when language difficulties did arise.

The inflexible nature of current provision emerged as a major barrier to the provision of English language training. For example, many migrant workers would have to attend such training outside their shifts and many employers can only allow this time off if the classes are free:

'They [the employers] don't have the financial capacity to bring training into the workplace, which would provide better results, especially with tailor-made courses. And we're not able to provide these courses for free' (English for speakers of other languages (ESOL) provider, Newcastle upon Tyne).

This had led to low attendance for some language training courses because working hours often clashed with the hours for attending training courses:

'Learning proper English is vital to having a more decent life.... But of course people have got to live, so the priority of having an income is always over learning the language' (ESOL provider, Newcastle upon Tyne).

For refugees, too, what clearly emerged as a major barrier was the inflexible provision of language training and ESOL in particular. Problems associated with accessing ESOL courses included a lack of available spaces due to inadequate funding; inflexible weekly hours of the courses; difficulty in travelling to courses; long waiting lists; and inappropriate identification of starting levels.

Another barrier to language training proved to be the sub-regional differences in provision. Many migrant workers in the rural areas of the North East who wanted to improve their language skills expressed disappointment at the lack of ESOL provision in their local area. This reflects the fact that the most experienced ESOL providers have always been located in the cities, and it is likely to be an increasing problem as it confirms evidence elsewhere that A8 migrants appear to be flowing to parts of the country not traditionally associated with large concentrations of migrants (Gilpin *et al* 2006). Refugees also spoke of differing sub-regional experiences of ESOL provision, reflecting the fact that they had been dispersed to a number of different areas of the North East upon arrival.

For many migrants, better knowledge of the English language would greatly reduce their vulnerability – both in health and safety terms²³ (for example, for those in the construction sector) and in relation to the potential exploitation of migrants by less-than-scrupulous employers and agencies. For employers, too, there are clear benefits: providing support for ESOL training or providing language training in-house may offset the cost of potential labour

²³ Concern that migrant workers could be missing out on crucial health and safety training because of their employers were not providing safety material in any language other than English has prompted the Health and Safety Executive (HSE) and the TUC to publish a new safety leaflet translated into 19 different languages (HSE 2004).

shortages in the future²⁴; migrants in some frontline sectors are likely to be better equipped to handle customer queries or understand health and safety information in sectors such as personal services or construction; and employers would be better placed to realise the potential of workforce development.

Boosting language provision would also provide much needed support for many service providers, particularly in rural areas. Local providers in rural areas are finding that newer flows of migrants present a new area of work for them. Shortages of interpreters have already been reported in Northamptonshire and Lincolnshire and this is likely to become increasingly apparent in rural parts of the North East too. It is important to note that migrants are themselves providing much of this support in some areas. This seems to be on an ad-hoc, necessity-driven basis where migrants will get involved to act as unofficial interpreters for their hospitals and other local services.

For example, this study was told:

'We have one migrant worker who brings in other migrants who need advice. He translates for us and explains things to them. So, they provide a lot of support for each other which is useful to us because we can't speak the language' (Manager, support and advice charity, rural area of the North East).

There may be an interest for migrants to gain appropriate qualifications in interpreting, especially in parts of the country where there has not historically been a history of immigration. In such areas, local agencies such as the Citizens Advice Bureau have not previously had need for interpreters but find themselves in increasing demand for them. This may offer alternative employment for some migrants in the short to medium term, enabling them to make better use of their language skills.

It is not clear to what extent the flows of A8 nationals represent low-skilled workers, or just workers who take more low-skilled jobs, perhaps because of initial language difficulties. (Some migrants have very poor English language skills, particularly at the lower end of the labour market.) Data showing the qualification levels of migrants would seem to confirm that many migrants in low-paid and low-skilled jobs are significantly underemployed. Better provision of language training would be one very important way to minimise this kind of brain waste and maximise workforce development.

Several institutional responses have recently emerged from trade unions and some employers to meet some of the demand for language skills and workforce development, but there is no evidence of regional co-ordination. The region needs to integrate ESOL provision more fully into its Basic Skills Agenda and, importantly, facilitate the more flexible provision of ESOL. This kind of investment – whether it be by employers, regional authorities or more local institutions – is vital if the region is to minimise brain waste and make the most of a highly motivated, young and well-qualified migrant workforce that is willing to pick up the skills necessary to work in the UK labour market and to settle and integrate into the North East. This should be seen as an integral part of improving the skills profile of the region (One NorthEast 2006: 87).

Working with private sector recruiters to improve integration outcomes

Our research strongly suggests that there should be greater co-ordination between the agency-led recruiters of migrant workers and regional policymakers/practitioners. This is important for three reasons. First, the findings of our research confirmed evidence elsewhere that the private sector was playing an increasing role in managing flows of A8 migrants.

²⁴ For example, Bus Co. in the South East of England found the one-off costs of relocation, recruitment and induction to work readiness (including coordinated support for ESOL provision) were insignificant relative to the vacancies being filled at a time of chronic shortages (Stenning *et al* forthcoming).

Second, our research found inconsistent standards and practices in the recruitment and treatment of migrants by recruitment agencies. Greater engagement between regional policymakers, trade unions, employers and agencies could serve as one important check on such activities. Third, regional policy is likely to remain out of sync with the scale and nature of A8 migration in the North East if it does not engage more with the increasing role of private sector agencies in managing these migrant flows.

If regional policy does not take steps to address any of the above, then it is unlikely that policy will succeed in improving the integration outcomes of A8 migrants, who are likely to consequently leave the region and/or search for work elsewhere.

Employment agencies and intermediary recruiters in both the UK and A8 states occupy a crucial role in the recruitment of A8 migrants. This was evident from all our stakeholder interviews and qualitative work with migrant workers. It also concurs with evidence elsewhere (Stenning *et al*, forthcoming), which showed that the role of recruitment agencies both within the UK and abroad has grown rapidly since accession of these states to the EU, in order to facilitate and profit from new flows of labour migration to the region.²⁵ Therefore, more consideration needs to be given to the interface between regional policy aimed at making the most of migration and the private sector recruitment of migrant labour.

Our research also indicated a mixed picture with regard to the regulation and exploitation of migrant workers. On the one hand, our stakeholder interviews clearly indicated that many recruitment and employment agencies in the region offered services that were of good quality and high standard.

A recruiter from an employment agency told this study:

'Some agencies are very good. I can think of one that gives a superb service. First of all, they interview [migrant workers] personally. They have a licence to operate in Poland; they bring them over; provide them with furnished accommodation ...; put food in the fridge; and place them in accommodation that's near a bus stop. That's a great service' (Recruiter, employment agency, North East).

However, from our stakeholder interviews, there was also ample evidence of agencies that were exploiting particular issues and vulnerabilities of migrant workers. This evidence came not just from a number of the migrant workers in focus groups, but also from a number of the employers who were interviewed, who had been unhappy with some of their previous agencies because they had not fulfilled their contractual obligations towards migrant workers or an aspect of their recruitment.

'They make you work so hard. And if you work for an agency, forget about it, you are badly treated here. They make people pay £80, pay for accommodation, and pay for transport. So, they make your life a misery. I work for an agency, doing administration, so I know they treat the people very badly' (Migrant worker, rural area of the North East).

'We dealt with the agency for four, five months but we didn't end up having a very good relationship with the agency and now we recruit ourselves. It was a matter of trust. We didn't really trust the agency that they were doing all that they said they would. They were making deductions on the wages on top of what we were paying them. Some of the stories that came back to us got us worried that the agency were taking migrant workers for a bit of a ride, like charging them too much for rent. So, we wanted to get out of that arrangement as soon as we could' (Employer of migrants, textiles sector, North East).

Although it is unclear how widespread such exploitation is across the North East, it was clear that the role of agencies would continue to play an important part in managing migration

²⁵ It is estimated that only around two per cent of A8 migrants entering work in the North East would have used the more formal European Employment Services (EURES) process.

flows to the region. From our interviews with employers, it was clear that the appeal of recruitment agencies was that they could take on some of the bureaucratic load of recruitment and often provide worker accommodation.

'We did not have a great knowledge of what had to be done. The agency was very good and it worked very well. They did all the paperwork and dealt with all the welfare issues. As a result of that, we decided to use the same agency again this year' (Employer of migrants, manufacturing sector, North East).

Efforts to join up regional policy with agency-led activities and employers could involve sharing and identifying best practice, or developing standards and benchmarks for the employment of migrant workers. The Trade Union Congress and the Engineering Employers Federation are beginning to do this, as is the Northern Ireland Code of Practice with its *Voluntary Code of Practice on Employing Migrant/Overseas staff in Northern Ireland*, one of the few practical guides available to employers (Business in the Community Northern Ireland 2005). The North West Workers' Institute, driven by T&G North West, plans to promote best practice in the employment of migrant workers in the North West region, including specific health and safety, the promotion of positive recruitment practices, support for flexible ESOL courses and partnerships with employment agencies. Similar action in the North East could be beneficial and could lead to action such as stronger enforcement of existing minimum wage legislation. From this, regional policy would be well placed to monitor recruitment practices in the region, plug gaps in current practices, and identify who is best placed to facilitate integration outcomes in both the workplace and wider society.

Lastly, our research points to the need for regional policy to engage those recruitment agencies increasingly shaping the flows of A8 migration to the region. If regional policy is serious about making the most of migration, it has to engage more with agency-led activities in this area. This would provide regional policymakers with a clearer picture of the scale and nature of migration – for example, whether it is short- or longer term, or whether exploitation is widespread or confined to certain sectors. This kind of engagement and cross-sector dialogue would ensure that regional policy on migration that is not disconnected from employer needs and private-sector activities.

Greater efforts to address social exclusion and discrimination

Addressing the social exclusion and discrimination that many migrant groups face is key to improving integration outcomes and retaining skilled migrants. Our qualitative work indicated that refugees and asylum seekers were one of the most socially excluded groups in the North East, not helped by the fact that asylum seekers were not allowed to work and refugees often faced barriers to work, which ranged from difficulty in understanding the components of the application process (for example, putting together a curriculum vitae) to not having their overseas qualifications recognised by regional employers.

'People don't get to know asylum seekers and refugees because it takes them a long time to get into the workplace, and the workplace is often where you get to know people. Also on £38 per week, you don't have the money to go to the leisure facilities, you can't go out to the clubs, you're not out where people socialise' (Coordinator, refugee support organisation, North East).

'They informed me about how things work here. For example, you don't just produce your qualifications from home and expect to be employed straight away. You need to supplement that with some experience you get through volunteering' (Refugee, Newcastle upon Tyne).

Discrimination and social exclusion were also evident among the skilled migrants that were engaged as part of this study. It was evident from our interviews in this area that discrimination and prejudice had profoundly shaped their impressions of the North East and their subsequent expectations.

'Sometimes they just ignore you. They work with you and they can't tell you to your face that they don't like you because of your colour because they know it's against the law. Through the way that they treat you, you can just tell that if they had a choice, they wouldn't have me here. You don't feel welcome and you don't feel like you're part of the team. When I'm in London, I don't feel so isolated. People don't see my colour. People don't even see me there' (Nurse from Lesotho, Gateshead).

It is not clear to what extent such discrimination is typical of migrant experiences. A recent survey by MORI found that 23 per cent of people from the North East disagreed with the statement that 'it is a good thing that Britain is a multi-racial society', which was the highest of any UK region and in stark contrast to London, where only five per cent disagreed (MORI 2004).

As a result of all the migrants engaged during the course of this study, a very mixed picture emerged of both negative and positive experiences, and there were both those who had experienced discrimination by individuals and those who had experienced what they perceived to be more institutional forms of discrimination. However, what emerged as a more consistent trend among our findings was that these experiences of discrimination were more pronounced among the younger, second-generation, British Isles-born groups.

'There's lots of jobs out there. There's lots of jobs you could go for. But the thing about Newcastle, I think, is that there's too much racism, wherever you go: jobs or hospitals. If you go for a job, the person... the way he talks to you, the way he approaches you, blatantly you can tell this guy's racist. They don't tell it to your face but it's happened every time I've been looking for a job' (Young Bangladeshi male, North East).

'It's easy to live here. I mean there's nothing difficult about it. The only thing is discrimination. One of the main things is appearance. If you're westernised it's not a problem, but if you're Muslim and are covered, then they look at you differently' (Young Bangladeshi male, North East).

'I have been stopped many, many times by the police, at some random time, for no reason. I cannot count how many times I have been stopped by the police for no reason, and have never been arrested. I've found them racist. If I ever have any problem, I never call them' (Young Iranian male, North East).

Tackling social exclusion and discrimination is not just central to improving integration and migrant retention in the region; it is fundamentally a social justice issue that the region has to take a harder and more sustained look at as part of its wider plans to extend equality of opportunity to disadvantaged groups and deprived areas.

Better provision of services and support for migrants upon arrival

Provision of services and support for new migrants upon arrival is poor in the North East, as is the case in other UK regions. This is particularly the case for A8 migrants. Understanding and provision of services and support for A8 migrants is weak. Where it is available, it tends to be piecemeal, with a small number of agencies plugging gaps in service provision and support. Anecdotal evidence indicates that a number of recruitment agencies provide accommodation that is tied to a job, as well as other ad hoc support that migrants require upon arrival and settlement. Alongside this, however, were also anecdotal reports of 'hot bedding' – where when one worker sleeps in the bed while others are out at work, and then swaps when they return – and homelessness among A8 migrants. Anecdotal evidence from the North East also highlights some frustration among migrants in registering with doctors, finding accommodation and opening bank accounts, and this seems to be accentuated for those in more vulnerable positions.

A manager of a rural support and advice charity told this study:

'In terms of providing support for workers when they arrive, no – there's nothing like that which exists here. Only now are the local council waking up to their presence here and at a meeting today, they all wanted to know who was going to take leadership on this' (Manager, support and advice charity, rural area, North East).

Qualitative work undertaken as part of this study indicated that migrant workers had very mixed experiences of services, including hospitals, schools and police. Perhaps as a result of poor levels of provision, social, family and community networks appeared strong among migrant groups, particularly in rural areas where service provision was often exceptionally limited. Although initial employment was usually found by agencies, recommendations were then passed on to other migrants through word of mouth on housing, recruitment agencies and services.

From stakeholder interviews, it emerged that migrants often had no prior knowledge of the region or the UK before arriving, and that this impeded their integration prospects. One strong and consistent message that emerged from the interviews was that 'preparation is everything' (Recruiter, employment agency), particularly when 'virtual' recruitment processes were involved (via internet agencies). Some of the employers and recruitment agencies interviewed through our work claimed to provide information packs, literature and other related information about the work and the social environment to prospective workers prior to arrival in the North East. However, this practice was not widespread, and there was no way of gauging its effectiveness.²⁶

The Department of Trade and Industry (DTI) currently has literature available online²⁷ to make migrants aware of their employment 'rights and responsibilities' and is currently co-operating with the Polish, Lithuanian and Portuguese governments on information leaflets for their nationals. The TUC produces a leaflet for migrant workers, *Working in the UK: Your rights* (TUC 2004), which has been translated into 10 languages and the Transport and General Workers' Union (T&G) launched the North West Migrant Workers' Institute in 2005 to provide a regional reference point for support and services available to migrant workers. Similar provision at a regional level in the North East could prove beneficial as the first step towards an independent 'one-stop-shop' of advice and support for migrant workers to access, prior to and post arrival.

²⁶ For example, one employer described a brochure for migrants that was mainly filled with pictures of the production line (the work environment, in this case) and the local area. The rationale for this was the assumption that many migrants would not be able to read English, but it is questionable how far this constitutes 'preparation' for living and working in the North East.

²⁷ www.dti.gov.uk/employment/migrant-workers/index.html

6. Conclusion

Summary of findings and recommendations

This report has sought to present fresh evidence and analysis of the scale and nature of recent international migration to the North East. It is clear that migrants in the North East:

- come from a diverse range of countries
- tend to be younger and more mobile than the British Isles-born population
- have diverse employment rates, with some groups doing relatively well with others doing less well
- are more likely to be found in higher level occupations than the British Isles-born population
- are likely to be more educated than the British Isles-born population
- tend to work in sectors that have many hard-to-fill vacancies.

From the findings of our research, it is evident that migrants play an important role in the North East economy – a role that could be further harnessed to address some of the economic challenges that the region faces. The region has already started to realise the opportunities that migration could bring, in terms of addressing both the region’s declining population and skill gaps. A range of agencies and actors in Newcastle, for example, are already positively and proactively engaging with the impacts of A8 worker migration, including Newcastle City Council and the Northern Trade Union Congress. However, as our research shows, there is a great deal more that the region could be doing to harness the potential benefits of migration more effectively.

As discussed in the previous section, the following four main areas are likely to be the most fruitful for intervention:

1. Attracting more highly-skilled migrants and retaining more overseas students.
2. Getting the future skills mix right to ensure that migrants fill critical vacancies at *both* ends of the skills spectrum, while also improving access to employment for unemployed groups, particularly the most hard-to-reach and non-EU born groups.
3. Minimising ‘brain waste’ among migrant groups, especially among A8 migrant workers and refugees.
4. Greater integration efforts to facilitate economic growth and migrant retention.

Implications of findings

Taken together, the findings and recommendations of this report strike at the heart of two assumptions that seem to underpin current thinking about the type and scale of migration in the North East.

First, current policy to attract and retain migrants seems to take as its starting point the centrality of diversity in the creation of a highly skilled workforce (Florida 2003, 2005; see One NorthEast 2006: 111). This analysis is based on the theory that more diverse cities will outperform other places by attracting more high-skilled professionals. While this emphasis is useful in highlighting the positive link between cultural diversity and economic performance, its relevance and priority in the North East context is more questionable.²⁸

For example, the occupational and spatial patterns of migration to the North East show that recent migrants have spread beyond the city regions. Although many A8 migrants remain

²⁸ Indeed, a review of Florida’s ideas in relation to UK cities, found little evidence that ‘creative’ cities do better and concluded that UK cities should not rely on creativity and diversity as regeneration tools or as predictors of city performance (Nathan 2005).

concentrated in the Newcastle city region, their distribution across the North East is relatively widespread compared to earlier flows of migrants because they have taken jobs in rural areas and suburban areas, as well as city regions (see Figure 3.11).²⁹

Also, while cultural vibrancy does play a part in economic growth, the North East economy faces far more fundamental challenges around improving skill levels, reducing worklessness and growing its economic base. It is far more likely that highly skilled professionals are attracted to the North East because of employment opportunities than because of cultural vibrancy; our qualitative work with highly skilled migrants concurred with this.³⁰

Because of these factors, regional policymakers should rely more on the regional evidence of current immigration realities and likely employer demands, and less on popular theories imported from different contexts, when considering future economic growth.

A second assumption is about the likelihood of sustained migration, especially from A8 countries to the region. From our stakeholder interviews, particularly with employers and other recruiters of migrant workers, there emerged an overwhelming assumption that flows of A8 migrants would continue to come to the region in similar numbers to those already seen to fill labour shortages. Indeed, the UK Government's new points-based system for managing migration also assumes that the high level of demand for low-skilled workers will be met by A8 accession nationals, rather than migrants from elsewhere in the world (Home Office 2005).

Despite the imminent enlargement of the EU to Romania and Bulgaria, the assumption that flows of accession workers will remain strong over the long term needs to be qualified by the possibility that growth in the sending economies following accession to the EU will lead to a decrease in the numbers of migrants leaving those countries. Research has shown a correlation between the economic strength of a country and the propensity of its residents to migrate (ippr 2005). As such, it is reasonable to expect that the improvement in the economic position of some of the Central and Eastern European countries will weaken the rationale for out-migration. Taken alongside the fact that many EU countries are expected to open up their labour markets to A8 nationals, it is increasingly unlikely that size of future flows of A8 migrants to the UK will be remain completely unaffected.

Taking these considerations into account would enable regional employers, recruitment agencies and policymakers to consider the ways in which wider European developments could potentially impact upon local labour market conditions. For example, increasing awareness of the possibility that future numbers of Central and Eastern European migrants to the UK could decrease might help counter any dependence on, or complacency about, the availability of migrants to address certain labour shortages. Alternatively, this greater awareness could encourage employers to tackle wider problems, such as the attractiveness of low-skilled work to the local population.

Next steps: regional intervention on migration

Designing effective policy interventions in these areas will certainly require a more concerted and co-ordinated effort by regional policymakers and other stakeholders to address issues around migration. For example, when it comes to the goal of attracting highly skilled migrants, it may be necessary for regional policymakers to be more proactive. This may mean going beyond facilitating the arrival of newcomers to promoting the region actively overseas to potential migrants. Similarly, promoting the integration of a diverse set of newcomers (for

²⁹ Wider evidence suggests that there is no simple relationship between the size of A8 migration flows and the strength of the destination market (Stenning *et al*, forthcoming) and A8 migrant flows to UK regions have reached those areas with little or no experience of migration (Gilpin *et al* 2006).

³⁰ Indeed, Turok suggests that in this regard Florida's argument that more culturally diverse cities will outperform others by attracting more highly-skilled 'contradicts the overwhelming evidence that employment is the main determinant of migration patterns', particularly in the UK (Turok 2004).

example, asylum seekers, refugees, dependents, migrant workers) will require considerable co-ordination. In addition to coordinating policies aimed at migrants, there will also need to be better communication strategies about the scale and impacts of migration aimed at the wider population of the North East.

The question remains as to whether current institutional structures within the North East are well placed to cope with the challenges of migration. It is evident that a number of regional institutions currently play an important role in monitoring migrant rights in the workplace (the TUC, for example) or in attempting to attract more overseas students (Newcastle University, for example). At present, however, the evidence suggests that current institutional structures will not be able to support future flows of migration to the region as effectively as they could. For example, service provision for A8 migrants in the region, as in other UK regions, is fragmented and weak, with a notable lack of connection between labour market actors, such as employers, and providers of services such as housing and language provision. Also, if regional policy is to focus on growing its overseas student base, universities will have to ensure that they have additional infrastructure and facilities in order to support this growth.

It is important that the North East region considers carefully how its current institutional infrastructure might cater for the needs of different migrant groups in order to facilitate economic growth and ensure positive outcomes from integration. In doing so, there is a need, as indicated by the findings of this report, for greater co-ordination between the public, private and voluntary sectors, and for greater regional leadership on matters of migration.

It is evident that some employers and voluntary and community sector organisations are already contributing to the socio-economic integration of migrants in the North East. As this report has highlighted, recruiters of migrant workers (employers and recruitment agencies) play a huge part in managing regional flows of migrants to the region and to particular sectors of the regional economy. Trade unions have played a key role in supporting migrants and promoting best practice. The voluntary sector, because of its inherent flexibility and unique position in dealing with many 'frontline' issues, has proven to be responsive and effective in addressing the needs of many asylum seekers and refugees. These actions have been prompted by evident need at the local level rather than developing within a national policy framework. However, with the exception of work relating to asylum seekers and refugees, the contributions of such organisations in the North East is taking place with limited co-ordination and shared learning.

In September 2005, the Government agreed a joint statement with the Confederation of British Industry (CBI) and the TUC, *Managed Migration: Working for Britain* (Home Office *et al* 2005), brokered by the Employability Forum. This set out the respective responsibilities for the Government, employers and trade unions with respect to migrant workers. In a similar way, regional co-ordination of different sectors and activities would help better identify the needs of migrants, the gaps in service provision and which organisations are best placed to plug such gaps. Although the voluntary sector is well placed to respond in a flexible way to the needs of some migrant groups, it faces significant challenges in securing resources. Relying on voluntary organisations to plug gaps in the provision of services and support for new migrant communities could overstretch the limited capacity and resources of the sector.

Regional co-ordination also makes sense for sharing best practice, coordinating efforts and resources, monitoring migrants' rights and integration outcomes, and ensuring that regional policy is formed in parallel to both developments 'on the ground' and wider migration flows.

Like other UK regions, there has been relatively little by way of regional institutions or leaders taking the lead on developing or communicating migration policies. Although the scope and remit of such a role would be constrained by central government's control over UK immigration, there are a number of strategic reasons for more action at the regional level. These include the need for better analysis of regional skill and labour shortages; the scope for

facilitating certain kinds of migrant workers to fill particular labour shortages at a regional level; and the necessity to improve the regional evidence base on migration flows to the region. Our research with stakeholders identified a clear need and desire for leadership on migration within the region, although it is unclear whether such a role could be accommodated within existing regional structures and agencies.

Finally, this report highlights the need for better quality, more nuanced research into the scale, nature and impacts of migration into the UK's regions and nations. This report is, of course, limited by the lack of good quality, up-to-date data that can be analysed across small spatial scales and small populations. Nevertheless, analysis of this sort will be critical to the success of both regional economic policy and national migration policy. Regional economic policy will need to take into account the potential opportunities and challenges of migrants in fuelling regional economic growth and dynamism. National migration policy will need to recognise – as countries such as Australia and Canada have – that regional impacts are important when designing national migration policies and that regional policy levers may be needed to manage some of these impacts.

Appendix: List of interviews

Please note that because of the relatively small size of the immigrant population in the North East and the small pool of stakeholders dealing with the population, the names of the individuals interviewed cannot be disclosed, except where organisations have specifically requested acknowledgement. Thus, the list below provides some of the basic details about who was interviewed for this project.

Recruitment agencies

- Recruitment agency recruiting A8 migrants for employers
- Public sector recruitment and support agency for A8 migrants and employers

Employers

- Employer of A8 migrants, food processing sector
- Employer of A8 migrants, hotel chain
- Employer of A8 migrants, textiles sector
- Employer of A8 migrants, manufacturing sector

Community organisations

- Coordinator, Bangladeshi community organisation
- Coordinator, Iranian community organisation
- The Regional Refugee Forum North East, Expert Group on Economic Exclusion

Public service providers

- Support and advice charity, rural area
- Coordinator of a public service refugee and asylum seeker support group
- Representatives from local authorities

Other key stakeholders

- English for speakers of other languages (ESOL) provider, North East
- Employer support organisation
- Trade union representatives
- Independent consultancy working in the field of social issues in the North East
- Representatives from One NorthEast, the Regional Development Agency

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