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Migrant Worker Availability in the East of England:

An economic risk assessment

by Jill Rutter, Maria Latorre and Sarah Mulley, Institute for Public Policy Research

March 2009

This research was commissioned by the East of England Development Agency and part funded by the European Social Fund.

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This report was first published in March 2009.

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Acknowledgements

Staff at the East of England Development Agency (EEDA) provided us with a great deal of support while we undertook this research and we would like to express particular thanks to Mark Allison and Chris Allen, as well as members of the advisory group for this project, especially those who took part in workshops. We would also like to thank the many individuals and organisations across our research locations who willingly gave up their time to assist us with our research, in particular staff at New Link in Peterborough and Michal Garapich and colleages at the Centre for Research on Nationalism, Ethnicity and Multiculturalism, University of Surrey.

We are grateful to our ippr colleagues for their feedback and advice during the project, in particular Laura Chappell, Dhananjayan Sriskandarajah and Tim Finch, to our external peer reviewers, and to Georgina Kyriacou at ippr for editing the final report.

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Executive summary

ippr was commissioned by the East of England Development Agency (EEDA) to conduct research into the role of migration in the economy of the East of England, to analyse associated economic risks and suggest ways to manage them. The research was part funded by the European Social Fund (ESF). This report is based on research undertaken by ippr in 2008. The research was led by Jill Rutter, with inputs from Maria Latorre and Sarah Mulley.

The East of England economy

The economy of the East of England is highly diverse: public services, hospitality, financial services and manufacturing are significant employers; agriculture is strategically important, and the region is also a centre for high technology investment and innovation in the UK. The East of England economy faces a number of challenges, particularly related to the labour force and skills. The UK-born population is ageing, putting the region at risk of labour shortages in the long term, and some sectors already face significant labour shortages. In some local areas there are high proportions of young people who do not possess Level 2 qualifications or above.

Migration to the East of England

The East of England has seen a rapid increase in migration in recent years, with a 124 per cent increase in the foreign-born population in the last decade, to around 9 per cent of the region's total population. This increase has been driven in large part by new arrivals from Eastern and Central Europe, but migrants in the region are highly diverse in terms of both their countries of origin and their employment.

The main 'pull factors' bringing migrants to the UK and to the East of England are employment opportunities, but personal factors play a larger part in a migrant workers' decisions to move elsewhere in the UK, to return home or to migrate to another country. Most migrants have positive experiences of life in the East of England, but many still feel insecure, and some have been unable to integrate into wider society.

Migrants' economic impact on the region

Migrants make up 12 per cent of the region's labour force, but are more important for some sectors than for others. In agriculture, for example, migrants account for up to 50 per cent of the labour force. Foreign-born workers in the region have higher levels of education than British-born workers on average, but they are not always employed to their full potential. There is no evidence that migration is leading to unemployment among the UK-born population of the region or pushing down wages, and there is evidence that migrants are working in sectors with high or rising vacancy rates.

Impacts of recession on migration, and economic risk

It is too soon to predict with any degree of certainty the effect of recession on migration flows and migrant populations in the East of England, although the arrival of new migrants from Europe has already started to decline. The East of England will still need migrants during the current recession, particularly in some sectors that are likely to see persistent skills gaps or hard-to-fill vacancies. Overall, demand for migrant labour in the region and in the UK as a whole will decline but there are strong reasons to believe that the underlying demand for migrant workers in the East of England will continue in the medium to long term. The key migration-related risk to the East of England economy is that too few migrants (or too few migrants with the right skills) come to the region in the future. We identify specific risks related to policy, the economy and politics in Section 8.

Recommendations

UK migration policy will need to be flexible to respond to changing economic conditions. It is important that the regional picture reaches national government, and that national migration policy is responsive to the particular needs of individual regions and sectors.

Measures to ensure that migrants make the maximum economic and social contribution to the UK and to the regions where they live can have significant impacts on outcomes. More could be done to better utilise the skills of migrants already in the UK, alongside improved training for UK-born workers in the region. Policymakers, employers and trades unions in the East of England need to work together to manage migration during the recession, and ensure that tensions around migration do not damage the region's economy. Policymakers should also consider how they can work with employers, trades unions and employment agencies to improve the quality of work and working conditions for both UK-born workers and migrants in the East of England.

Abbreviations

A8	The eight Central and Eastern European countries that joined the European Union in May 2004 (Poland, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia and Slovenia)
A2	Bulgaria and Romania, which joined the European Union in January 2007
CLG	Communities and Local Government
DEFRA	Department for Environment, Food and Rural Affairs
EEDA	East of England Development Agency
ESOL	English for speakers of other languages
GVA	Gross Value Added
HESA	Higher Education Statistics Agency
IPS	International Passenger Survey
LFS	Labour Force Survey
LSP	Local Strategic Partnership
NINo	National Insurance Number
NOMIS	Official Labour Market Statistics
ONS	Office for National Statistics
RSMP	Regional Strategic Migration Partnership
SAWS	Seasonal Agricultural Workers Scheme
SBS	Sector Based Scheme
UKBA	UK Border Agency (formerly the Border and Immigration Agency)
VAT	Value Added Tax
WRS	Worker Registration Scheme

Introduction

The paper has three broad aims:

- To examine the economic impact of international migration in the East of England Government Office Region[1]
- To outline future migration flow scenarios and predict the future impact on businesses and public sector employers of changes to migration
- To discuss how central, regional and local government, businesses and public sector employers might intervene to minimise risk caused by changing migration flows, both now and in the future.

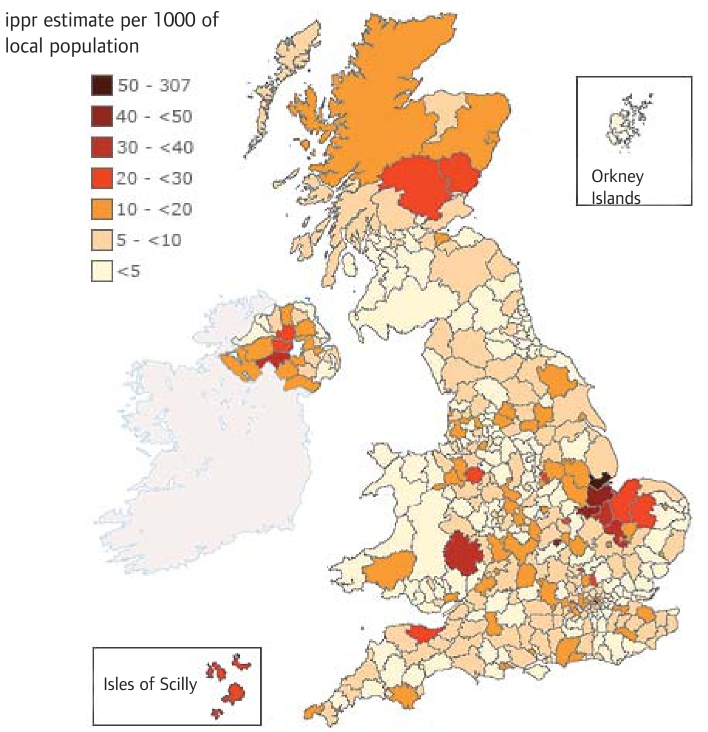
Before addressing these aims, we introduce below some of the main points about migration in the East of England: who has come, when they arrived, and why dependence on migrant workers can pose economic risks.

Although migration has always been a feature of life in the East of England, the pattern of migratory flows and their volume have changed significantly in the last decade or so. Data suggests that today nearly 10 per cent of the region's population were born abroad – a growth of 124 per cent since 1997.

The aspect of inward migration that has received the most attention is 'East to East' migration, with Eastern Europeans coming to the East of England to work. Figures show that migrants from the 'A8' and 'A2' states[2] that joined the European Union in 2004 and 2007 now make up around 13 per cent of the region's foreign-born population, compared with a national average of 10 per cent.

While every town and city in the East of England hosts migrants from the new member states of the EU, Figure 1.1 shows that the Fens, which span the East of England and

Figure 1.1. Migrants from new EU member states, per 1,000 of the population, by local authority district, 2007



Source: Home Office 2008d and ippr calculations

1. The East of England region covers Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk.
2. The A8 states comprise the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, which joined the EU in May 2004 and the A2 states comprise Bulgaria and Romania, which joined in January 2007.

the East Midlands Government Office Regions, have seen a particularly high level of settlement of East European migrants. Many are employed in agriculture, food processing and food distribution.

32 per cent of the foreign-born population of the East of England arrived in the last five years, compared with 29 per cent of the foreign-born population arriving in the UK as a whole. It is likely that more than 90 per cent of Polish migrants now living and working in the East of England have arrived in the last decade.

The influx of East Europeans has perhaps overshadowed the scale and diversity of migration from elsewhere in the world. Although the numbers are smaller, the region now also hosts communities of Chinese and Zimbabwean migrants, for example, most of whom have settled in recent years.

There are significant numbers of overseas students in the ten universities located in the region, as well as many overseas students studying in further education and private colleges. Highly-skilled work permit holders in small numbers but from all over the world are employed in the IT and manufacturing sectors in cities such as Cambridge and Norwich. There has been a significant migration of Anglophone African migrants into Essex, a large proportion of them employed in the public sector. The region also has a small refugee population – almost all of whom have arrived in recent years. In addition, southern Hertfordshire and Essex are experiencing population change as migrants move from London to the suburbs.

Economic risk

The arrival of migrant workers, often driven by employment opportunities in the region, has helped fuel economic growth and dynamism there. However, a dependence on migrant workers, who are by definition mobile, in some sectors has created economic risks and some employers have become concerned about the future availability of migrant labour. These concerns have also been raised by public service organisations, particularly those that provide health and social care services. These employers and others have raised concerns that ongoing changes to work visa schemes and changing economic conditions could have a negative impact on their ability to source and retain migrant workers.

The paucity of empirical analysis of the economic risk to businesses and public services caused by changing migration patterns was one of the main reasons the East of England Development Agency commissioned ippr to carry out this research.

This is a particularly important time to be considering economic risks, as the economy enters recession. Although it is too soon to know with any degree of certainty how migration in the East of England will be affected by the current recession, we have drawn on the available evidence to take this into account in our risk analysis.

Policy context

This research is also timely as the Government is currently making major changes to work visa migration to the UK. From more than 80 types of work visa, the Home Office is in the process of simplifying the ways that labour migrants from outside the EU can enter and work in the UK. By the end of 2009, the UK will have a five-tiered work visa system, comprising:

- Tier One – a points-based scheme for highly-skilled migrants launched in 2008
- Tier Two – a points-based scheme for skilled workers with a UK job offer who will get extra points if employed in shortage occupations, the latter as defined by the independent Migration Advisory Committee. This tier was launched in late 2008.
- Tier Three – low-skilled temporary workers, replacing the Seasonal Agricultural Workers Scheme and the Sector Based Scheme inter alia. The Government has announced that it does not intend to open up this tier to non-EU migrants in the near future.

- Tier Four – students, replacing existing student visa schemes, requiring sponsorship from an accredited institution and a demonstration of funds available for fees, maintenance and dependents.
- Tier Five – youth mobility and other schemes, for those whose aim of working in the UK is not primarily for economic reasons.

At the time of our research the operation of Tier Two was still new and many of the occupations that comprise it still subject to review. There was also much lobbying by organisations representing farmers to allow the migration of unskilled agricultural workers from outside the EU. Additionally, politicians from both major political parties, various pressure groups, as well as sections of the media, have argued for a cap on migrant numbers, a policy that would impact on migrant worker recruitment (Migrationwatch UK 2008). Fuel was added to this already volatile debate with wildcat strikes in early 2009 by British workers alleging that EU migrants were unfairly taking 'British jobs'.

In this context, this research has the potential to influence the operation of work visa regimes, as well as wider debates about managing migration in the UK.

Structure of the report

Section 2 describes our research methodology. We then present the qualitative and quantitative data that we used in our analysis of the economic impact of migration in the East of England, as well as our futures scenario-building.

Section 3 provides an outline of the geographical, demographic and economic features of the East of England, looking at industry sectors and skills profiles of workers in the region among other factors.

Section 4 analyses the scale and nature of immigration and emigration in the East of England.

Section 5 presents qualitative data on migrant workers' experiences inside and outside the workplace. We examine issues such as migrants' long-term aspirations and emigration intentions, as these will determine future migrant worker availability.

Section 6 takes this data and analyses the economic impact of migrant workers in the East of England. It is important to note here that the research was commissioned before the start of the credit crunch and bank crisis in 2008, which led to a dramatic slowing of global economic growth

Section 7 provides a brief analysis of the potential impacts of recession on migration and the economy in the East of England.

Section 8 uses the quantitative and qualitative data from Sections 3 to 7 to provide future scenarios analysis.

Section 9 concludes and makes recommendations for policy interventions that could be made to minimise economic risk caused by changing migration flows.

2. Research methodology

In order to fulfil the broad aims of the research, which involved looking at the economic risk to business caused by changing migration flows, we posed five research questions:

- What is the scale and nature of international migration to and from the East of England?
- In what sectors and jobs are migrant workers presently employed in the East of England?
- What role have migrant workers played in the East of England in the recent past, and what impact has that had on the economy?
- How might migration flows to and from the East of England change in the coming years, and what risks might this generate?
- How might central, regional and local government, businesses and public sector employers intervene to minimise risk caused by changing migration patterns in the East of England?

We answered these questions using the following combination of quantitative and qualitative research methodologies:

- An analysis of **quantitative datasets** such as the Labour Force Survey (LFS), the International Passenger Survey, Annual Population Survey, National Insurance Number datasets, the Worker Registration Scheme datasets, as well as administrative data such as school language censuses. This analysis enabled the mapping of migration flows to the UK and the East of England.
- Three **focus groups** with migrant workers in the East of England. These focus groups comprised health and social care personnel, those working in the hospitality sector, and high-skilled migrants. All of the focus groups comprised migrants from different countries of origin, both inside and outside the EU. This enabled us to understand better how migrants themselves had experienced the process of migration to the UK, as well as their long-term aspirations in relation to work and remaining in the UK. (See below for more details.)
- A **poll of 100 Polish migrants** in the Stansted and Great Dunmow areas of Essex and in Grays, which is in the Thurrock unitary authority area (also in Essex). The poll enabled us to map the employment patterns of Polish migrants and to find out about their long-term intentions about remaining in or leaving the UK. (See below for more details.)
- **Interviews** with a diverse sample of stakeholders, including employers, business organisations, regional government, local economic partnerships, local authorities and migrant communities. These interviews enabled us to analyse employers' experiences of recruiting migrants and their perceptions about difficulties in recruiting and retaining migrant workers.
- Three **field visits** to Bedford, Norwich and Tilbury where short interviews with migrant workers were undertaken, using similar questions to those used in the Polish questionnaire described above. This questionnaire, however, was conducted in English.

Focus groups

We held three focus groups at different locations in the East of England, as shown in Table 2.1, next page. We were also able to draw on some additional ippr research data, from three focus groups of agricultural and food processing workers conducted in Spalding, Lincolnshire, which were undertaken for a previous research project (ippr 2007). These data were used because many of those interviewed were living or had previously lived in Peterborough and elsewhere. Agriculture, food processing and food distribution are also important sectors of the economy in this area, which straddles the East of England and the East Midlands Government Office Regions.

Table 2.1. Location of focus groups

Employment sector of group	Location	Method of recruitment	National origin of participants	Language used in group
Highly-skilled migrants employed in IT, biotechnology, research, business and teaching	Cambridge	Local agent	Brazil, Germany, Israel, Spain	English
Hospitality sector	Peterborough	Migrant support service	India, Poland, Portugal	Polish and Portuguese interpreters present
Health and social care	Held in London, but recruited in Essex, Thurrock and Herts	Research student	Ghana, Kenya, Nigeria, Philippines	English
Agriculture and food processing	Spalding	Local agent	Brazil, Latvia, Lithuania, Poland, Portugal	English
Agriculture and food processing	Spalding	Local agent	Brazil, Iraq, Latvia, Lithuania, Poland, Portugal	Portuguese interpreter present
Mixed low-skilled	Spalding	Local agent	Brazil, Poland, Portugal	

The focus groups were mostly recruited using a local agent. We were also able to use New Link, a migrant support service, to assist us recruit participants in Peterborough, Cambridgeshire. New Link has provided advice and support to many migrants who live in the city and its environs and it has maintained a database that includes details of migrants' employment. Using this database, potential participants were approached by bilingual advice workers.

An interview guide was used to ensure data was consistent across all the focus groups. Most of the groups took place in English, although we used a Polish and a Portuguese interpreter for the focus group held with hospitality sector workers. This enabled us to collect rich data from populations not fluent in English and to gain some additional insights about the Polish and Portuguese community in Peterborough. Each interview lasted for about 90 minutes. All focus groups were audio recorded.

Interview summaries were written up immediately after the research, including a commentary on particular issues that arose during the interview. We also transcribed vignettes of text, to illustrate each of the key findings of the interview. The summaries and vignettes were then coded thematically. A manual analysis of narrative and content was then undertaken by the lead researcher.

All the interviewees were guaranteed anonymity and are referenced only according to their community of origin or type of organisation.

Polling data

We conducted 100 polling interviews with Polish migrants in Stansted, Great Dunmow and Thurrock, Essex. We used a questionnaire that we had piloted in some previous research on Polish remigration intentions. The interviews were conducted in Polish by a team of field researchers managed by the Centre for Research on Nationalism, Ethnicity and Multiculturalism at the University of Surrey. We were also able to compare the Essex dataset with an additional 400 interviews of Polish migrants who had returned to Poland and polling data on Polish migrants who were resident in London, West Berkshire, Kent, Worcestershire, Newcastle upon Tyne and Cumbria. This brought the total number of Polish respondents to 900. The polling dataset from Poland yielded some important findings in relation to the emigration intentions of Polish migrants.

Futures analysis

Our research had a futures component; we wanted to investigate how migration flows and migrant worker availability in the East of England might change over the next 10 years. Our qualitative and quantitative research data were used to build up some futures scenarios, using the questions below to structure the scenarios (see Local Government Analysis and Research 2006 for details of the methodology).

- Where are you now?
- What will influence the future?
- What alternative futures exist?
- What are the implications and impacts?

These questions helped us identify the factors that might change migration flows to the East of England. We then used a 'STEEPO' analysis to group those factors that had the potential to change migrant worker availability in the East of England (STEEPO is a summary scanning technique that helps capture social, technological, economic, environmental, political and organisational change). This process ensured that a robust foundation had been established through which a wide range of drivers of change – for migration flows – were identified.

The next stage of the methodology sought to place these drivers in the context of our research findings, thus allowing for a more considered exploration of the way the future may unfold (Shell International 2003, Searce and Fulton 2004). From this we developed a number of futures scenarios about migrant worker availability in the East of England over the next five and 10 years.

These scenarios allowed for and recognised uncertainty – as they were hypotheses rather than definitive predictions; as such the methodology used was in line with the Shell Methodology, which allows for uncertainty (Shell International 2003). Basic principles of scenario thinking include consideration and analysis of 'the long view' – looking beyond the immediate context and concerns; 'outside-in thinking' – considering externalities and their potential impact; and 'multiple perspectives' – employing a spectrum of opinions and perspectives (Searce and Fulton 2004).

Using our scenarios and our research data we analysed the economic impact of each scenario. We then considered the policy interventions needed to counter economic risk to businesses and public sector employers caused by changing migration flows.

Reflections on the research methodology

The project highlighted many of the difficulties in sampling and recruiting migrants for qualitative research – issues that have been examined in an extensive literature on research methodologies (see for example Bloch 1999, Temple and Moran 2006).

Many migrants are hard to reach or 'hidden', or may not trust the people who approach them for research purposes. Commercial focus group recruiters approached for this research would not take on the work because they lacked the networks and knowledge to recruit migrants. Instead we turned to bodies and individuals who already had established contacts with migrants in the region, and had developed relationships of mutual trust. The health and social care focus group was recruited through a trade union organiser; the hospitality focus group through the New Link project for migrant workers in Peterborough; and the highly-skilled focus group through a part-time IT worker living in Cambridge who is a migrant himself.

Another feature of the research was the fact that many employers, including major companies, were very reticent about discussing their employment of migrant workers. This is perhaps not surprising given the controversial nature of the public debate over the use of migrant labour; it made engagement with these stakeholders, and the eliciting of information from them, quite difficult.

Finally, it is worth mentioning again that as the research project progressed the credit crunch began to bite and the UK started slipping into recession. To take account of this changing economic landscape, we amended our research questions to migrants and key stakeholders in order to collect some early additional data about the effects of an economic recession on migrants' future intentions.

3. Geographic, demographic and economic features of the East of England

Land area

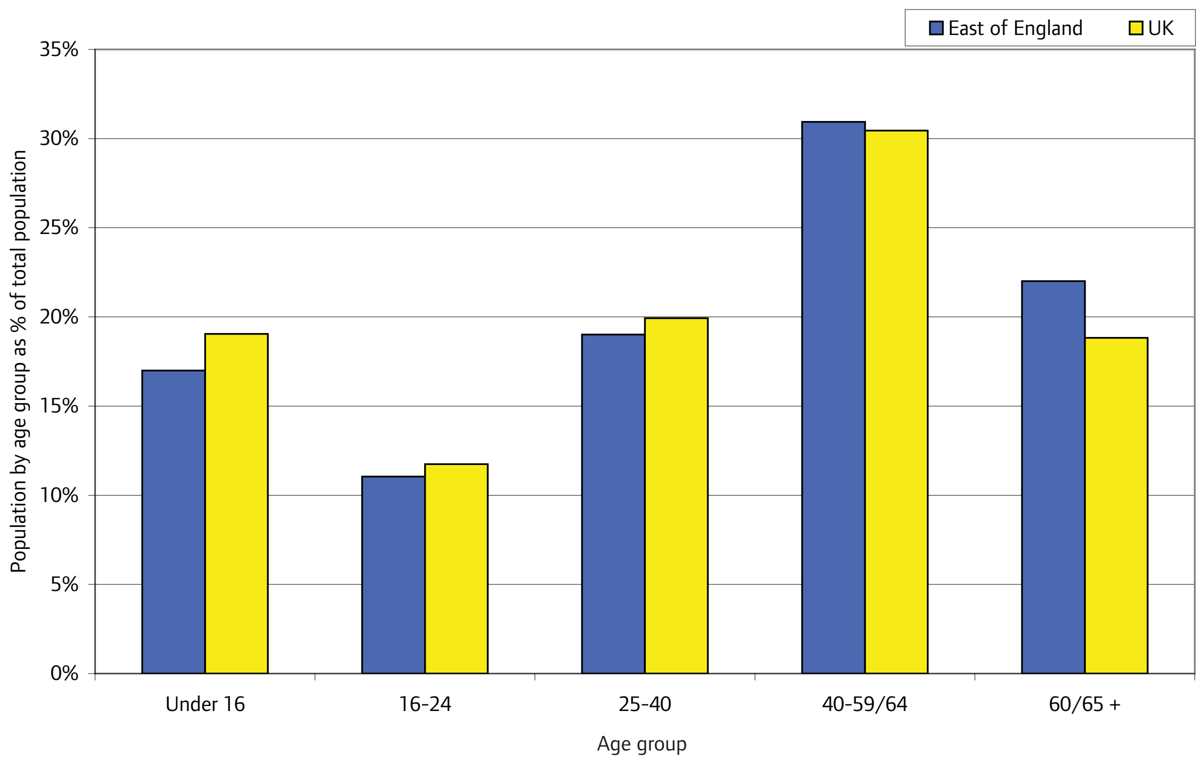
The East of England Government Office region covers an area of 19,110 square km. It stretches from the outskirts of London and the Thames Estuary in the South, to the rural fens and the Wash in the North. In the West, it borders the East Midlands and in the East its boundary is a long stretch of the North Sea coastline. In 2008 it comprised six shire counties – Bedfordshire[3], Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk, and four unitary authorities – Luton, Peterborough, Southend-on-Sea and Thurrock. Migrants to the UK have traditionally clustered in urban areas, particularly bigger cities with existing migrant populations, so outside the conurbations and major towns in the East of England the growth of migrant communities is a new phenomenon.

Population

The East of England population of some 5.5 million makes up around 8 per cent of the total UK population, but only 4 per cent of the working-age population. This is partly explained by the fact that more people in the region are of pensionable age, but at the same time, the number of under-16s is lower than the national average (Figure 3.1).

3. Bedfordshire will be reorganised into two unitary authorities in 2009.

Figure 3.1. Percentage of population by age group in the East of England and the UK, 2007



Source: Labour Force Survey and ippr calculations

Recent figures suggest that the population in the East of England is growing at a faster rate than the rest of the country's. Most of this growth has occurred among the over-40s. Therefore, if this trend continues the East of England will face a disproportionately ageing population and could face long-term shortages of labour. Reliance on migrant labour could increase as a result.

Settlement and population density

The East of England has a diverse range of settlement types and density, including Outer London suburbs in the South, sparsely populated rural and coastal areas in the North and East, around a fifth of all of England's market towns scattered across the region, and a number of major conurbations including Cambridge, Luton, Norwich, Peterborough, Haven Gateway (the ports of Felixstowe, Harwich, Ipswich, Mistley and hinterlands), and the Thames Gateway.

Table 3.1 shows the population distribution by Defra-Local Authority classification. Residents in urban areas make up 58 per cent of the total population, but the majority of the urban population resides in market towns, not traditionally places that have attracted many migrants.

In addition, the East of England has significantly higher concentration of residents in rural areas than England as whole[4] (42 per cent and 27 per cent respectively).

Table 3.1. Population in urban and rural areas in the East of England, 2008

Type of settlement	Percentage of population	
	East of England	England
Urban	58	73
Major urban	8	32
Large urban	5	14
Other urban	45	27
Rural	42	27
Large market town	11	8
Rural town	14	9
Village	13	7
Dispersed	4	3

Source: Higher Geographies dataset, Defra

Transport links

There are relatively good road and rail links between many parts of the East of England and London. These links make commuting into London for work a viable option and government figures show that 290,000 East of England residents do commute in this way (HM Treasury *et al* 2008). It is not possible to say if there are many migrants among that figure but these transport links do enable migrants in the region to maintain contact with compatriot communities in London. For example, new African migrants who live in the Thurrock and South Essex region use the fast road and rail links to travel into London to attend churches and visit friends and family.

The region also has well developed international transport links. There are a number of major sea ports and four growing international airports: Luton, Stansted, Southend-on-Sea and Norwich. These serve as points of entry for migrants (though not on the scale of the major London airports and the Channel ports). The growing availability of low-cost flights to Europe has been cited as a factor that might help maintain a migrant population in the region, as those who wish to maintain family links in the home country are able to do so relatively cheaply and easily (Schneider and Holman forthcoming).

4. No figures were found to make the comparison with the UK. The data was obtained from the Higher Geographies dataset published by the Department for Environment, Food and Rural Affairs, whose dataset includes Government Office Regions in England only.

Housing

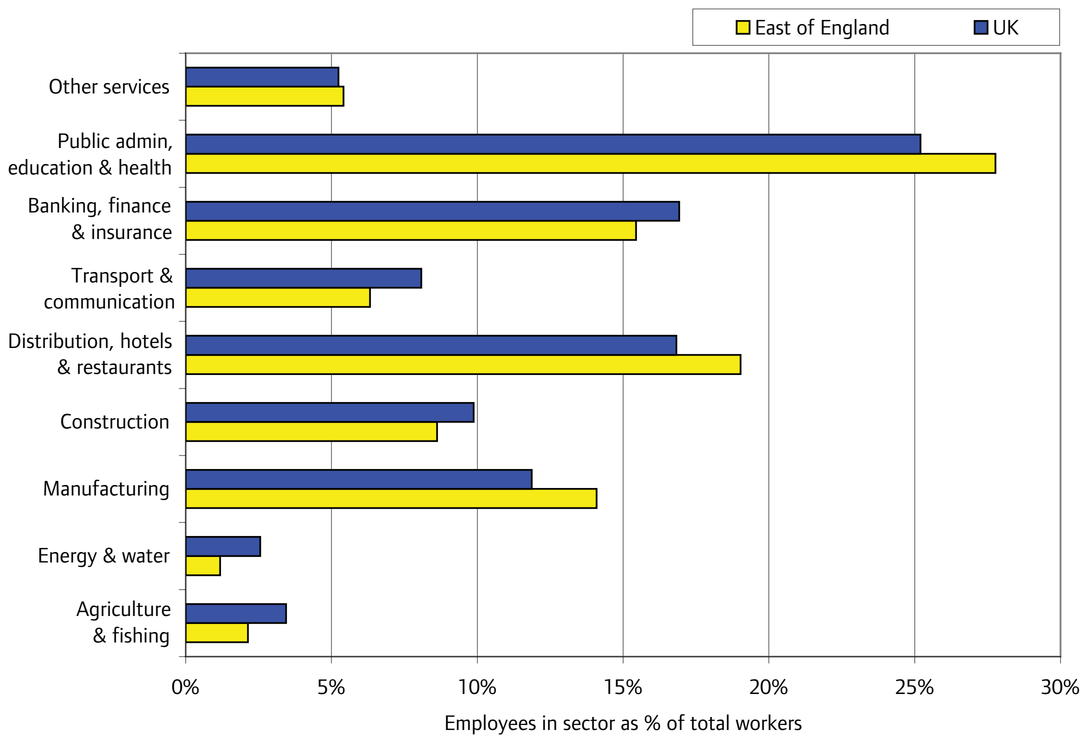
In the period 2000 to 2008, average house prices in the East of England rose substantially, along with those in the rest of the UK (Communities and Local Government 2007). However, a house in the region remained 30 per cent cheaper than a comparable one in outer London and 50 per cent cheaper then one in inner London – a possible factor in attracting migrants to the region. House prices are lowest in the cities of Luton and Peterborough. However, in most parts of the region, particularly in the Fens, there is a shortage of decent and affordable private rented housing.

Key industries

Public services (public administration, education and health), hospitality (distribution, hotels and restaurants), financial services (banking, finance and insurance) and the manufacturing industry are key sectors of the economy of the East of England.

As Figure 3.2 shows, workers in public administration, education and health make up more than 25 per cent of the total workforce in the East of England, and the hospitality sector (distribution, hotels and restaurants) is the region's second largest employer, accounting for more than 15 per cent of total workers. Both these sectors are big employers of migrants across the UK.

Figure 3.2. Workers in the East of England and the UK, by industry sector, 2007



Source: Labour Force Survey and ippr calculations

The share of workers in public services has increased since 2000 in the East of England, while the labour force in other sectors has remained constant. However, the evidence analysed in this report suggests that manufacturing in the East of England is shrinking, although the proportion of workers employed in food processing has increased.

The financial services sector is proportionally the largest sector in the East of England with 32 per cent of the total number of businesses. Given the origins of the current recession, this sector may be particularly vulnerable in the next few years. It is followed by the hospitality, public services and construction sectors, which account for 24, 15 and 12 per cent of total businesses respectively.

Box 1: Migrants in the East of England's health and social care sector

Both health and social care comprise many different occupational groups working at different skills levels. For example, the social care sector includes over 80,000 social workers who have statutory responsibilities and are required to have professional qualifications. There are over 300,000 childcare workers employed in the UK. But by far the largest sub-sector are care assistants and home carers, of whom over 520,000 are employed across the UK (Simon *et al* 2007). This group works in day centres and residential care homes providing services to the elderly or those with long-term mental or physical illness. UK care workers are now required to have a Level 2 qualification in health and social care.

'We have to employ migrants, because we can't get Brits. If we could get good locals to do the work we would, but we just can't. We mainly rely on getting people through word of mouth now, but before we had to advertise abroad… Most of those we take are from Africa and Asia, much less from Eastern Europe.' (Social care recruitment agency supplying private and NHS sector in East of England)

There are a number of reasons why the social care sector has become dependent on migrants. Crucially, an ageing population and the increasing use of residential care for the very old have created greater demand for care workers. This profession has traditionally been poorly paid and dominated by women; improvement in career opportunities elsewhere for women has meant that social care is a less attractive option for them now and it has been difficult to attract UK-born men to the sector.

Migrant workers in the social care sector tend to come from a larger range of countries and have more diverse means of entering the UK. Some enter as students and work part-time, while others enter as spouses or through Tier Two. Care work has also proved attractive to refugees. As well as EU countries, many care workers have come from Nigeria, Ghana, Zimbabwe, the Philippines, India and China. Employment agencies, located in the country of origin or the UK, may mediate the process of migration.

At present social work is a Tier Two shortage profession. EU states as well as the United States, South Africa, Australia, New Zealand and Zimbabwe have provided many social workers (Moriaty *et al* 2008) and a number of local authorities have held recruitment campaigns in those countries. Many of these migrant social workers return home or travel after a period of time working overseas, leaving vacancies in their wake.

The health sector comprises a large and complex workforce with many different professional groups. About 75 per cent of healthcare staff are employed within the NHS but the private sector employs proportionally greater numbers of migrant workers (Bach 2008).

Many healthcare professionals will have been recruited overseas by employment agencies or directly by employers. Employment agencies based in the UK also play a significant role in deploying migrant health workers, particularly in the private sector. In the period 2000–2007, the numbers of overseas nurses and doctors increased in the UK. While UK hospitals have been criticised for recruiting staff from developing countries, a number of countries, including the Philippines, recognise the economic importance of remittances and now train a surplus of healthcare staff (Winkelmann-Gleed 2006).

'My long-term ambitions? To get into the NHS…We, all of us want to leave these agencies who take so much money.' (Filipina nurse working in UK private sector)

Most migrant doctors now enter the UK with Tier One or Tier Two visas, although the shortage occupation list for Tier Two is very restrictive. In the past, migrant nurses have tended to enter the UK with work permits, but the Tier Two shortage occupation list restricts nursing visas to a small number of specialisms such as theatre nurses. Any large-scale return or onward migration among healthcare staff is likely to lead to unfilled vacancies in some health sectors.

Box 2: Migrants in the East of England's hospitality sector

The hospitality sector is an important employer in the East of England, particularly around Cambridge, in Norfolk, and in the coastal resorts. Overall, 306,700 persons were employed in distribution, hotels and restaurants in the East of England, of which 10.6 per cent were overseas-born, according to the Labour Force Survey, Q1 2008.

The hospitality sector is dominated by small to medium sized firms, with 75 per cent of businesses employing fewer than 10 workers, although such firms have come under increasing competition from the arrival of international chains. Many firms are owned by migrants themselves. Although a large number of recruitment agencies operate within the sector – currently more than 500 serve the sector in London and the East of England – it also uses informal approaches to recruitment (Lucas 2004).

The sector is historically characterised by cultural diversity, with at least 60 per cent of workers describing themselves as members of migrant and minority ethnic communities. In 2005, 52 per cent of Bangladesh-born males were employed in restaurants (Wright and Pollert 2006). This cultural diversity has been maintained by informal recruitment practices and preferences shown by employers in recruiting staff from particular communities.

'We had a Polish chef, but he was a disaster. He could not understand the other workers in the kitchen and to be honest Poles cannot cook Indian food.' (Bangladeshi restaurant owner, Norwich)

Migrants are not working in all occupations across the sector but tend to be concentrated in particular categories, in particular as chefs/cooks, waiters, bar staff, room service and hotel reception personnel. Irregular migrants tend to have jobs that involve fewer contacts with customers, as stock workers, kitchen staff and cleaners (People 1st 2006).

Experiences of our interviewees

We interviewed migrant workers in the hospitality sector in both Peterborough and Norwich. They worked in a range of establishments, from the large such as the Holiday Inn chain to the small restaurants run by the Portuguese community. Many of them had worked in other industrial sectors in the UK, for example, food processing and light engineering. Almost all had worked for a large number of employers.

Two members of the group had higher level qualifications (level 3 vocational qualification in catering from Portugal and an accountancy qualification from India). Most of those we interviewed spoke little or no English and had limited employment opportunities outside the sector.

Most had been recruited to their positions informally, although some migrant workers had been recruited by overseas agencies. There was a high degree of dissatisfaction with agencies.

'My first contact with England was a job advert in a newspaper in Portugal. The job advertised was in Peterborough. It was with an agency. I've got my other jobs through people I've met here in England.' (Portuguese migrant worker, Peterborough)

Although a significant proportion of the population live in rural areas, less than 5 per cent of the total workforce works in agriculture, although the agricultural workforce may be undercounted in the Labour Force Survey. This sector, however, is strategically important for both the East of England and the UK economy as Table 3.2 shows.

Table 3.2. East of England agricultural contribution to England total, 2007

Area on agricultural holdings	15%
Crops by value	26%
Livestock by value	18%
Workforce in agriculture	13%

Source: Defra 2007

Furthermore, the agriculture sector has enabled a large food processing sector to develop in the East of England, accounting for a significant proportion of manufacturing industry in the region. Both agriculture itself and associated industries have required and attracted migrant labour.

The East of England is an important centre for high technology (high-tech) investment and innovation in the UK, particularly the Cambridge area and to a lesser extent, Norwich. Biotechnology, IT and communications dominate the high-tech sector in Cambridge, and all draw on the human and knowledge resources of the university. The high-tech sector is highly dependent on a supply of skilled labour, which cannot be met from within the region. Investors in the region interviewed for this research see the shortage of skilled labour as a factor that is limiting industrial expansion in the Cambridge area.

Box 3: Migrants in the East of England's high-tech sector

The high-tech sector comprises a diverse range of jobs in many different sectors. This diversity is reflected in the migrant workers that we interviewed, who included those working for biotechnology and pharmaceutical firms, IT specialists working for a university and in the public sector, and one person who had started a technology firm producing computer programs.

In the East of England the high-tech sector is closely linked to the region's universities. Employers recruit from these universities and there are many research links between university and industry. Cambridge is one of the largest high-tech clusters in Europe, although small in comparison with Silicon Valley or the Cambridge, Massachusetts area in the United States. Its expansion is dependent on recruiting greater numbers of highly skilled workers to the area, as well an expansion in the university sector.

All employers that we interviewed believed that they would have to look abroad for new staff, as there were insufficient numbers of UK-born staff with the desired skills. Employers had pooled their resources to encourage recruitment through the Cambridge Network which represents about 1,300 companies in IT, high-tech and life sciences. It organises coordinated recruitment campaigns at UK universities and through the internet.

'During the last year there was a real take-off in recruitment in Eastern Europe, but now Eastern Europe has cooled off a bit, because of the value of sterling and because people have made their pot and gone home. The next wave we are really interested in are India and China.' (Employer, Cambridge)

The process of finding work in the East of England is varied. Some migrants do so after arrival in the UK. Some employers recruit overseas, particularly in universities. In some cases, employment agencies located overseas recruit staff. In China and India there is a complex network of small employment agencies who feed IT staff to larger employment agencies for visa clearance (Xiang 2007).

'International recruitment really does need to be coordinated. You could have one company going off to the University of Gdansk to recruit graduates one day, and a company from down the road doing this the next day. That is crazy behaviour.' (Employer, Cambridge)

Employers that we interviewed were very conscious that they were competing with other parts of the UK, as well as other parts of the world, to attract highly-skilled migrants. They were conscious that employers and the UK had to present an attractive 'package' in order to attract the best international staff. In addition to salaries, this package has to include visa clearance. Costly visas, cumbersome application processes as well as limitations on spouses' rights to work may act as a deterrent.

'We thought of Canada, but came here because my wife had the right to work here.' (Overseas student, Cambridge University)

Finally, the level of self-employment in the East of England is slightly higher compared with the UK as a whole. The rate rose steadily from 2004 to 2006 but dropped again in 2007. The region also has a vibrant small business sector. Figures on VAT and PAYE (pay as you earn) based enterprises indicate that the region made up 10 per cent of UK businesses and 10 per cent of new businesses in the first quarter of 2008. As Table 3.3 shows, the majority (84 per cent) of businesses in the East of England have fewer than 10 workers, a similar proportion to the UK (83 per cent).

Table 3.3. Percentage of business in the East of England and the UK by number of workers, 2008

Number of workers	0-9	10-99	100-499	500+
Businesses in the East of England	84%	15%	1%	0.1%
Businesses in the UK	83%	16%	1%	0.2%
Businesses in the East of England as % of businesses in the UK	10%	9%	9%	7.%

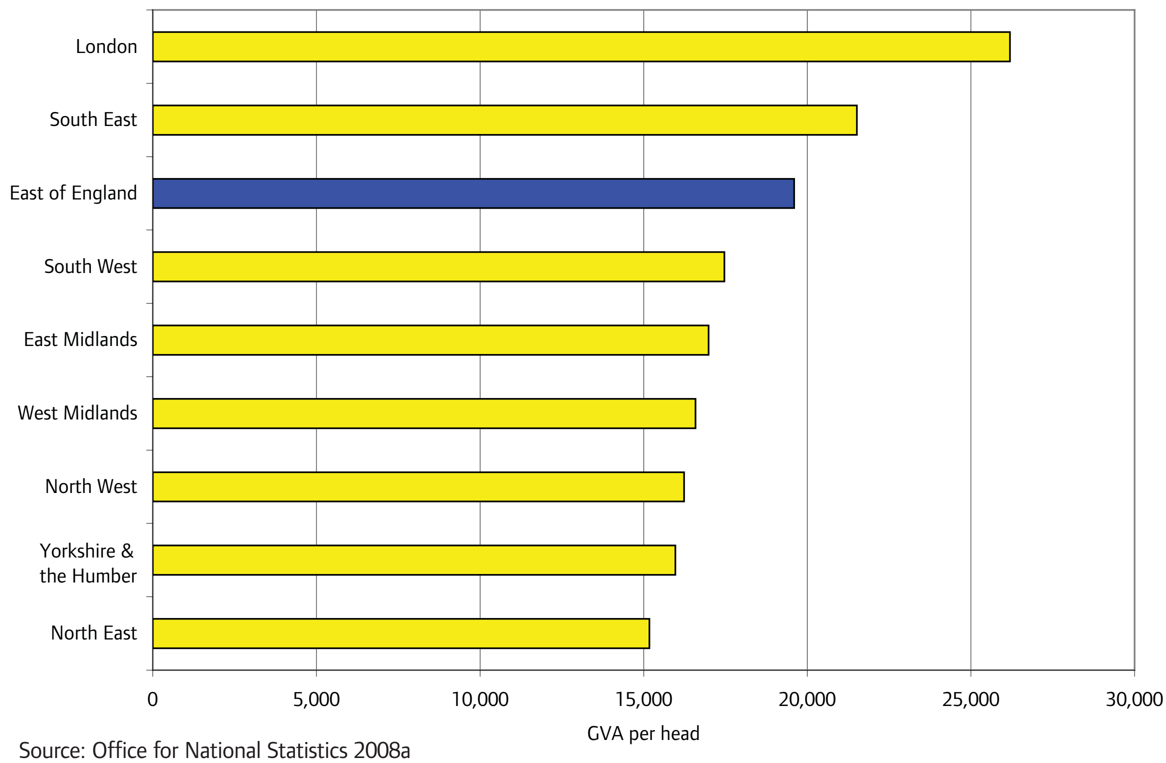
Source: UK business: Activity, size and location, 2008, Office for National Statistics 2008b

Economic performance

A key indicator of economic performance in the East of England is the Gross Value Added (GVA) per head. The GVA measures the contribution to the economy of each individual producer, industry or sector in the region.

The East of England had the third largest GVA per head in England in 2006 (Figure 3.3). The GVA per head in the region has remained slightly higher than the GVA per head in the UK since 1990. Despite these figures, there is concern about the state of the economy in the region. The East of England Development Agency (2007) reports that

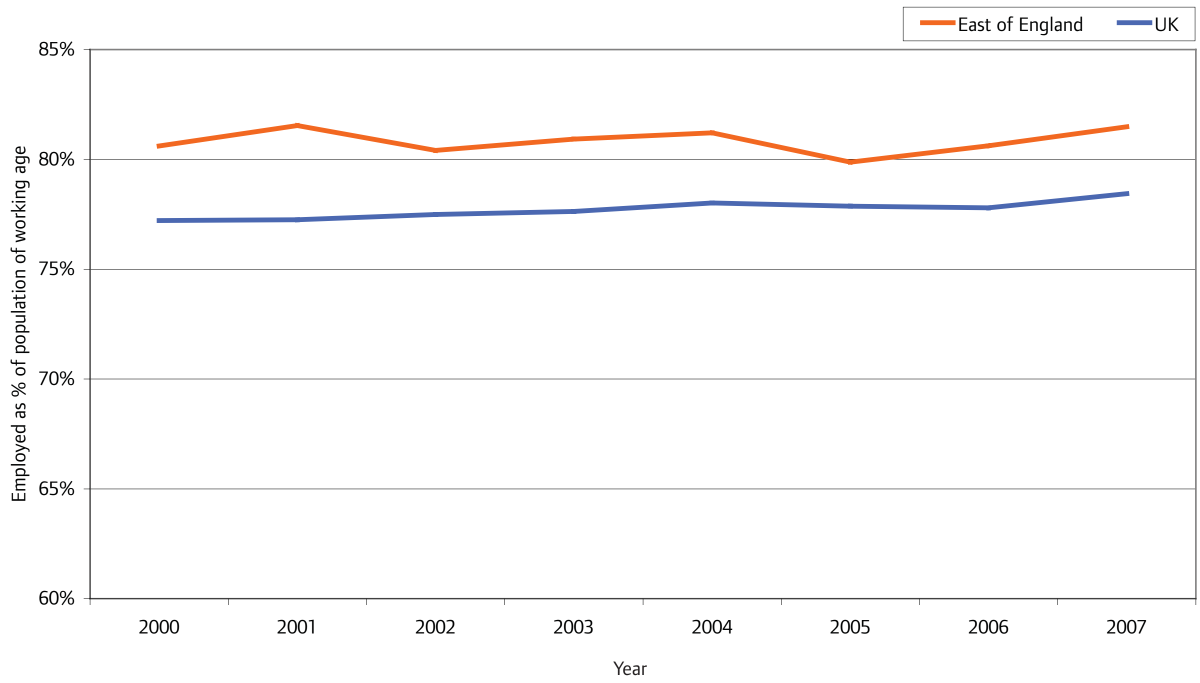
Figure 3.3. Gross Value Added per head in England by Government Office Region, 2006



Source: Office for National Statistics 2008a the economic growth rate of the East of England has fallen below the average UK rate since 2002. The risks and implications of this economic slowdown are discussed in more detail in Section 7 below.

The second indicator of the state of the economy in the East of England is labour market conditions. In 2007 the employment rate in the region was higher than the employment rate in the UK (Figure 3.4). However, there are sharp disparities within the region. As Table 3.4 indicates, Luton, Peterborough and Southend-on-Sea have unemployment rates above the UK average (5.2 per cent). There is some potential, therefore, for retraining unemployed UK-born workers and using them to fill vacancies in some parts of the East of England.

Figure 3.4. Employment rate* in the East of England and the UK, 2000–2007



*Excludes full time students
Source: Labour Force Survey and ippr calculations

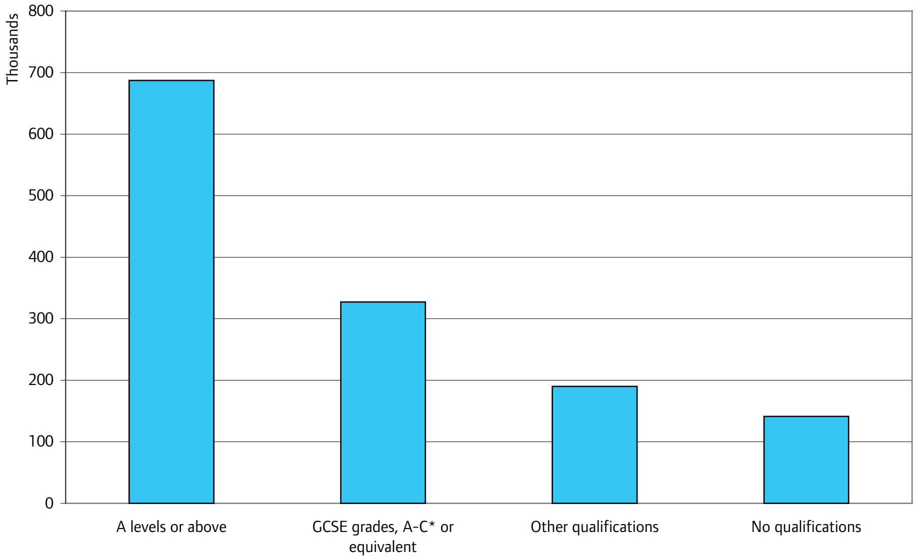
Table 3.4. Unemployment rate by local authority in the East of England, December 2007 (%)

Luton	8.8
Peterborough	6.5
Southend-on-Sea	5.5
Essex	4.5
Hertfordshire	4.4
Norfolk	3.9
Bedfordshire	3.9
Cambridgeshire	3.6
Suffolk	3.6
Thurrock	3.3

Source: Labour Market Statistics, Office for National Statistics 2008a

One concern raised about the economy in the East of England is the level of qualifications held by the UK-born workforce. As shown in Figure 3.5, the proportion of the population with Level 3 qualifications (A-levels) or above makes up over 50 per cent of workers in the region – but this is not telling the whole story.

Figure 3.5. Workers in the East of England by level of qualifications, 2007



Source: Labour Force Survey and ippr calculations

The Department for Environment, Food and Rural Affairs (2005) estimates that 30 per cent of people with no qualifications are located in rural areas. Figures on education attainment by local authority indicate that levels of qualifications in the workforce are substantially different across the region (see Table 3.5). The percentage of students gaining five grade A*-C at GCSE or equivalent, varies from 55 per cent in Luton to 67 per cent in Hertfordshire. The proportions of young people currently not in employment,

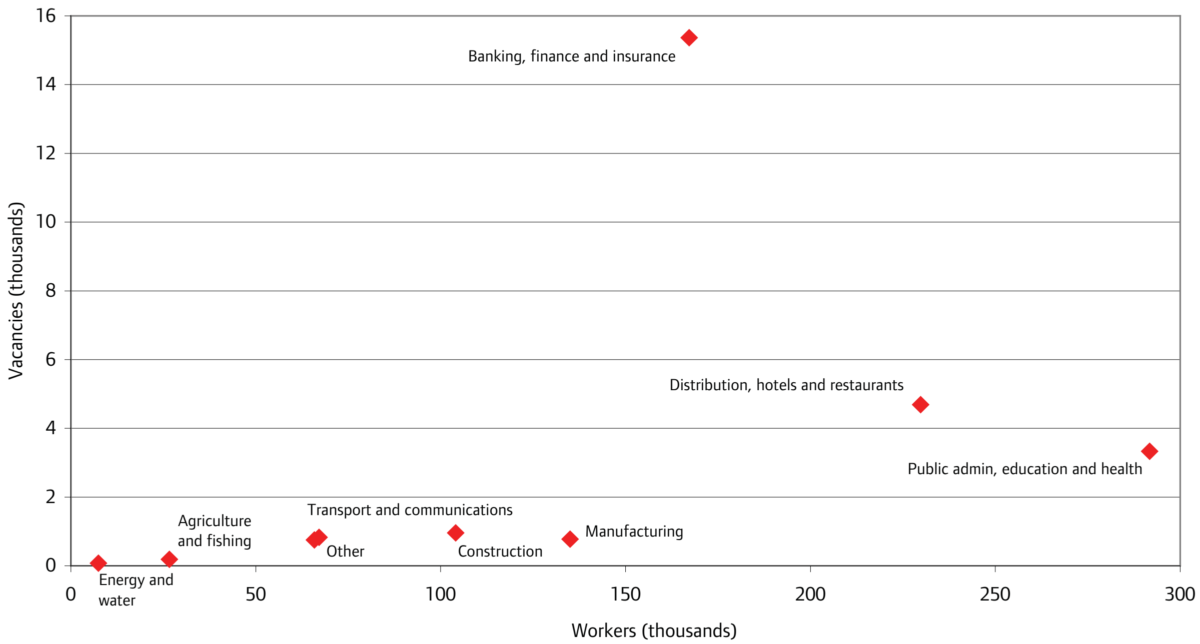
Table 3.5. Education performance in the East of England by district, 2007

Local authority	% students gaining 5 grade A*-C at GCSE or equivalent	% Free school meal entitlement	% Participation in education, training and WBL[1] at 17	% NEETs or unknown among all 16- to 18-year-olds
Bedfordshire	58	8	81	11
Cambridgeshire	61	7	81	9
Essex	61	8	73	10
Hertfordshire	67	6	83	7
Luton	55	21	80	13
Norfolk	56	10	71	11
Peterborough	56	14	71	10
Southend-on-Sea	66	11	71	12
Suffolk	61	8	75	12
Thurrock	61	14	65	14
East of England	61	9	76	n/a
England mean	62	13	74	21

Source: Department for Children, Schools and Families Live Data. [1] WBL = work-based learning education or training ('NEETs') among all 16- to 18-year-olds is less than the England average although the figure is rising. The figures show clear disparities across the region, with Hertfordshire and Cambridgeshire outperforming the rest of the districts.

Job vacancies also provide some measure of the sort of skills and qualifications that are in short supply among the working population in the region. Figure 3.6 shows that the financial services sector has more vacancies than any other in the East of England, a condition that cannot alone be explained by the large size of this sector.

Figure 3.6. Vacancies by industry sector against workers in sector in the East of England, 2008



Source: Official Labour Market statistics (NOMIS)-ONS, Labour Force Survey and ippr calculations

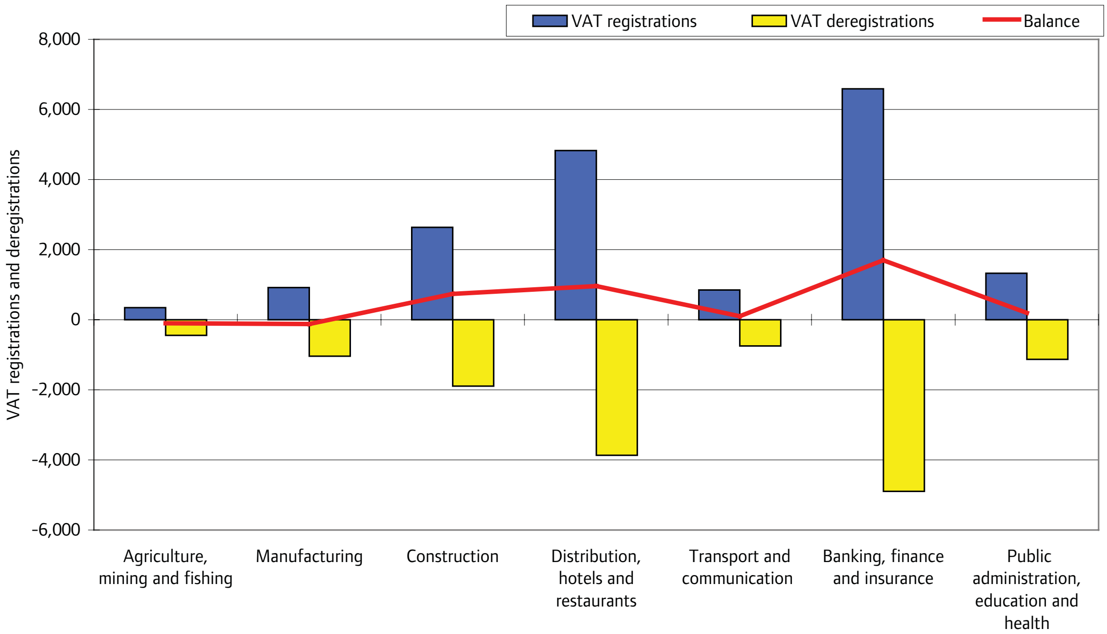
Figure 3.6 shows that the East of England is already facing a shortage of appropriately skilled and qualified workers in some sectors, and this trend may increase. Although migration from elsewhere in the UK and international migration contribute to offsetting gaps in the labour market, education and training for the UK-born population of the East of England are also necessary for dealing with this problem.

Sectoral performance

There are disparities in economic growth across sectors in the region. The balance of VAT registrations and de-registrations is a rough indicator of growth in sectors. Figure 3.7 shows that construction, financial services and hospitality presented a positive balance in 2006 with more businesses starting up or moving to the region than closing down or leaving. Manufacturing and agriculture have a negative balance of VAT registrations. Both sectors have seen considerable structural changes over the last 40 years. For example, from the Second World War until 1970, farming enjoyed a boom period in the UK. Since then, agriculture has experienced falling commodity prices, very tight profit margins, and as a consequence falling farm incomes.

Financial services and public services play a major role in terms of size and source of employment. However, their expansion rate has decreased in recent years and the financial sector in particular appears highly vulnerable in the light of the credit crunch and the banking crisis.

Figure 3.7. VAT registrations and de-registrations in the East of England by industry sector, 2006



Source: Official Labour Market statistics (NOMIS), ONS

Summary of key points

- The UK-born population of this region is ageing, putting the East of England at risk of labour shortages in the long term.
- In some local authorities there are high proportions of young people who do not possess Level 2 qualifications or above.
- Relatively affordable housing has the potential to attract immigrants to the region, from elsewhere in the UK and from abroad. However, in the Fens, there are shortages of decent and affordable private rented accommodation that could be used by lower paid migrant workers. This housing shortage also prevents UK-born workers from moving to work in the Fens.
- Good road, rail and air transport links enable migrants to maintain links with their compatriots at home or in London.
- Public services, hospitality, financial services and manufacturing are key sectors of the economy of the East of England. Agriculture is also strategically important for both the East of England and the UK economy. Furthermore, the agriculture sector has enabled a large food processing sector to develop in the region, accounting for a large proportion of its manufacturing industry.
- The East of England is an important centre for high-tech investment and innovation in the UK. This sector is highly dependent on a supply of skilled labour, which cannot be met from within the region.
- At the time of writing there was a high level of vacancies across the East of England, although that level decreased in 2008.

4. The scale and nature of migration to the East of England

This section examines in some detail the scale and nature of international migration into the East of England. We profile migrant communities by their country of birth, length of settlement in the UK, residency status, place of residence and patterns of mobility in the UK, qualifications, employment and emigration experiences. We also analyse the emigration intentions of migrants as these will affect the potential sources of labour in the East of England.

Our sources of data comprise Home Office immigration statistics, Census 2001, the Labour Force Survey (LFS), the International Passenger Survey (IPS), Office for National Statistics (ONS) population estimates and, where relevant, ippr polling data.

As already noted, we define migrants as those born outside the UK and qualify this descriptor by terms such as 'newly-arrived'. Many other migrants have British citizenship and have been resident in the UK for many years and might be more generally described as members of minority ethnic communities.

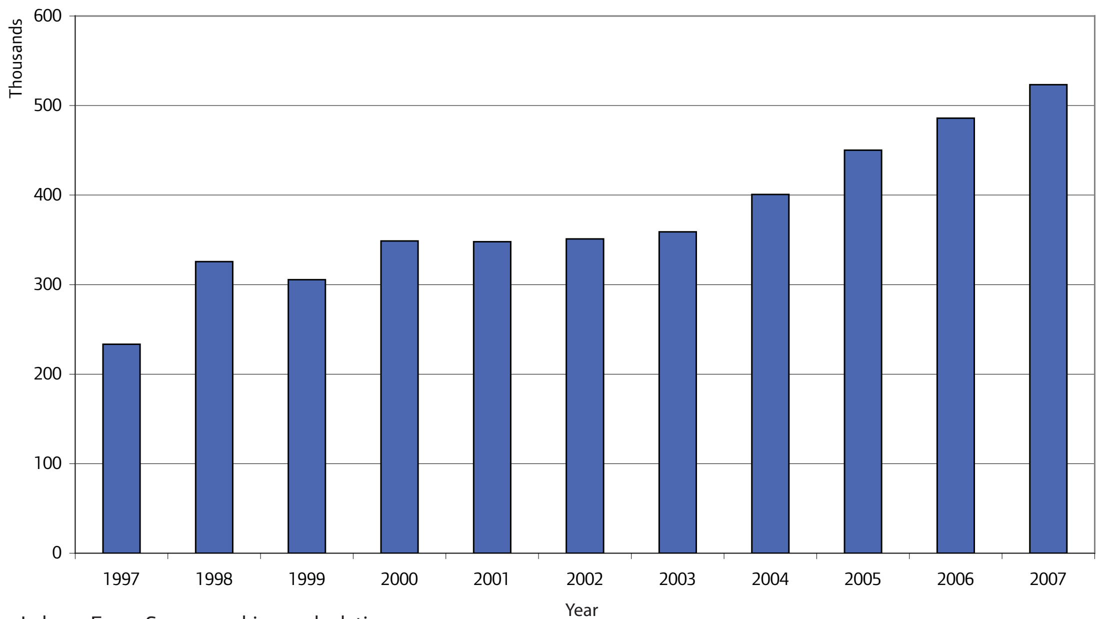
The data we present in this chapter forms a background for our futures analysis further on in the report.

The foreign-born population in the East of England

Labour Force Survey estimates for the fourth quarter of 2007 suggest that the foreign-born population in the East of England Government Office Region was 523,000 – 9 per cent – out of a total population of 5,607,000; this is slightly less than the UK mean of people born abroad (11 per cent), but a much higher proportion than in regions such as the South West and North East.

In fact, the actual foreign-born population in the East of England is likely to be higher than 523,000, since the LFS does not sample those living in business addresses, such as hotels or farms. The LFS also screens out migrants who state that they intend to remain in the UK for less than a year. (Among Polish migrants, this group may comprise about 20 per cent of the total.) Taking these factors into account, we estimate that the actual foreign-born population in the East of England was closer to 620,000 at the end of 2007.

Figure 4.1. Total foreign-born population in the East of England Government Office Region, 1997 to 2007



Source: Labour Force Survey and ippr calculations

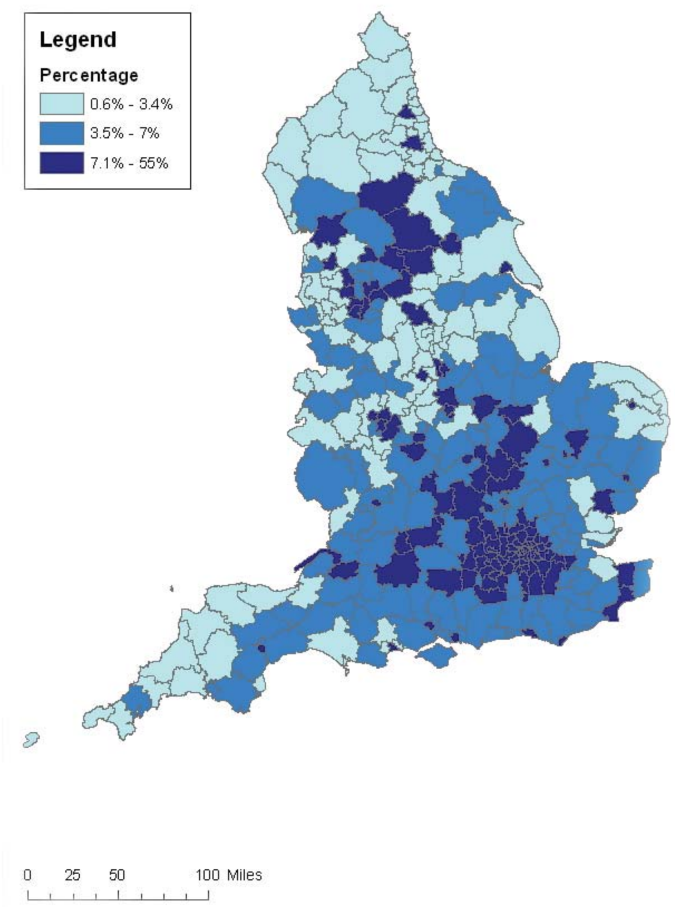
Despite this population under-enumeration, the LFS shows that there has been a considerable increase in the foreign-born population in the East of England, with this population growing by 124 per cent over the 10-year period 1997 to 2007. Figure 4.1 shows this population growth. In contrast, the UK-born population in the East of England increased by just 11 per cent over this period.

This increase in the number of migrants has been largely brought about by three large-scale population movements:

1. A movement of mainly East Europeans into the region since the accession to the EU of their home states in 2004, with the highest concentration being in the Fens (Pollard *et al* 2008)
2. A smaller movement of other migrant groups, particularly Portuguese, mostly to work in agriculture, food processing and food distribution sectors in the Fens
3. 'Suburbanisation' – the movement of migrants outwards from London into parts of Hertfordshire, South Essex and Thurrock (Kyambi 2005). Many of these migrants are English-speaking Africans, a large proportion of whom are employed in the public sector.

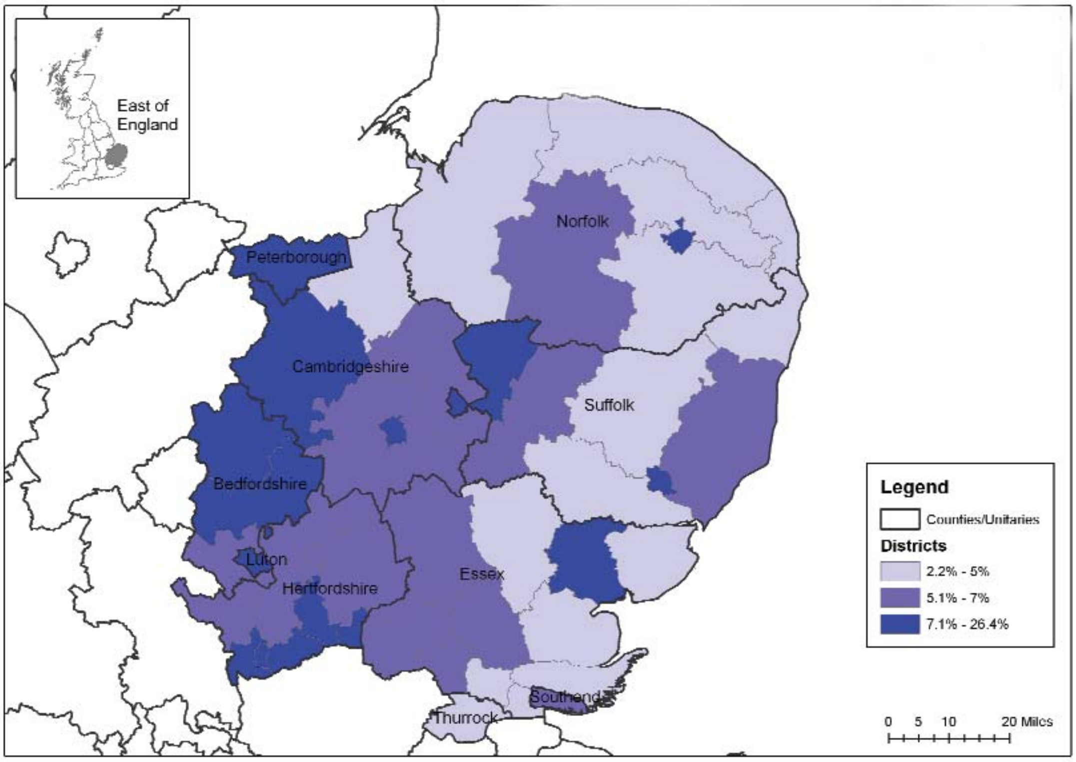
The impact of these population movements can be seen from Figures 4.2 to 4.4, which show the total overseas-born population by local authority in 2006 as well as the proportion of migrants from the EU's new member states. The figures show high proportions of migrants in Peterborough and Cambridge, as well in many of the local authority districts that border London.

Figure 4.2. Percentage of foreign-born by local authority, 2006



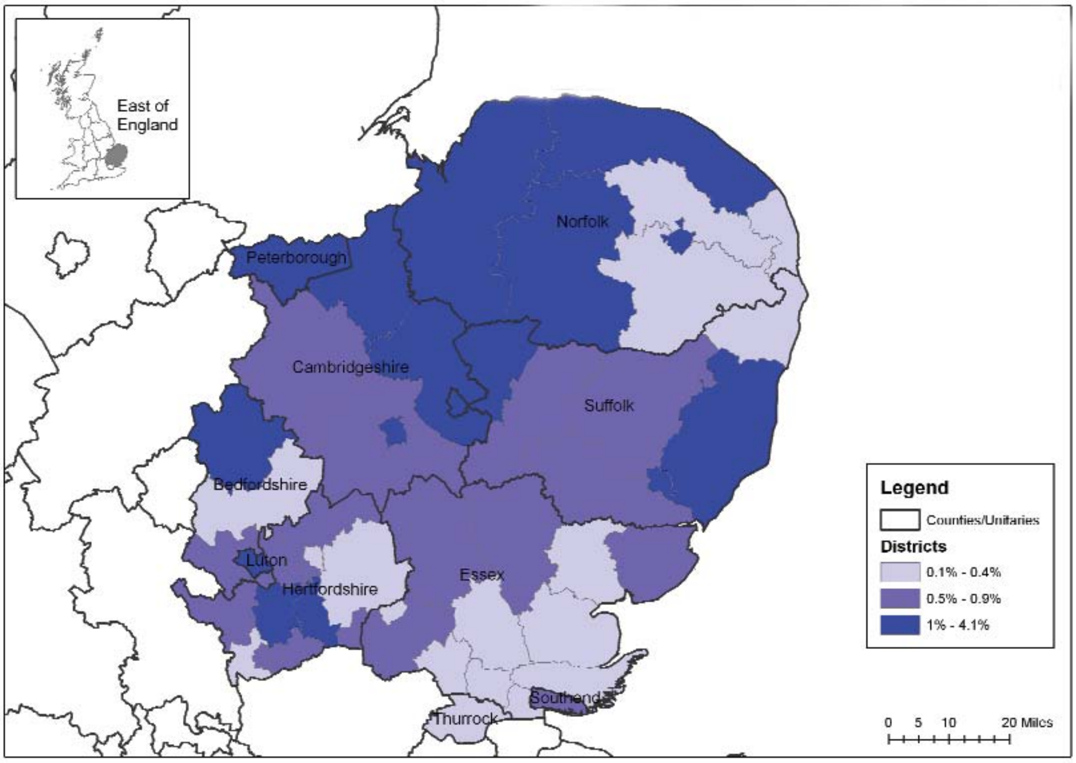
Source: ONS mid-year population estimates and ippr calculations

Figure 4.3. Percentage of population born abroad by local authority district in the East of England, 2006



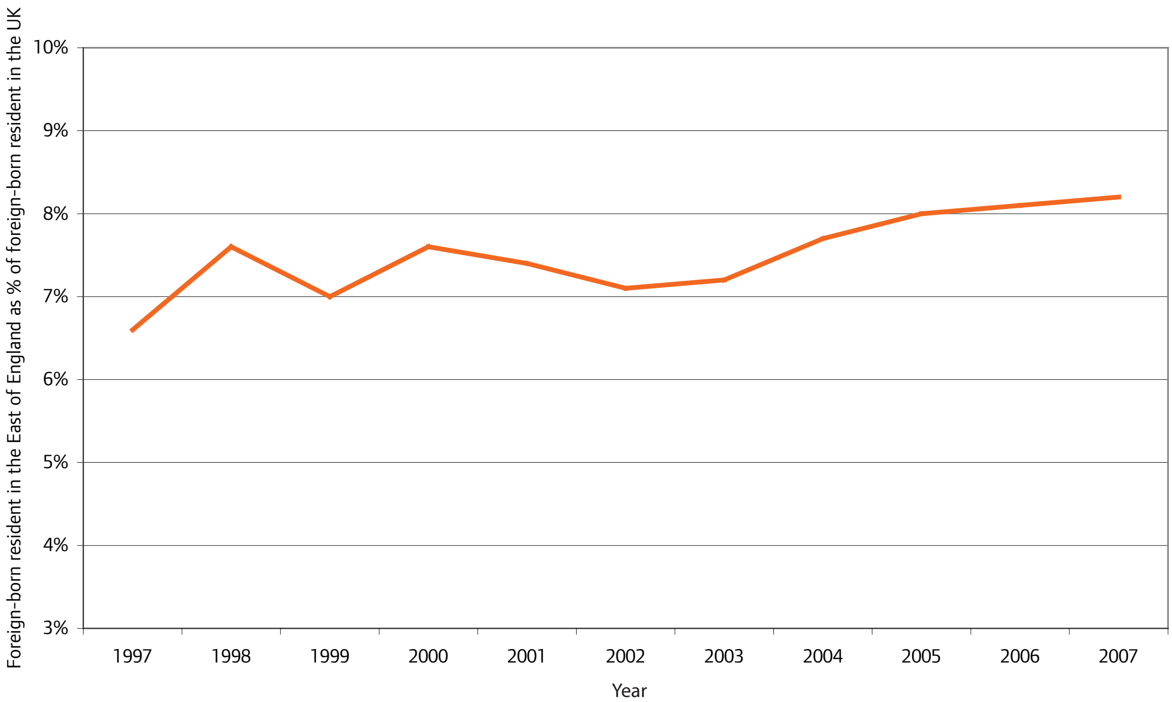
Source: ONS Mid-year population estimates and ippr calculations

Figure 4.4. Migrants from the EU's new member states, as a percentage of total population by local authority district, 2006



Source: Home Office 2008d and ippr calculations

Figure 4.5. The percentage of the UK's foreign-born population resident in the East of England 1997–2007



Source: Labour Force Survey and ippr calculations

As a consequence of these three population movements, the East of England's share of the UK's total migrant population has seen a slight increase in the period 1997 to 2007 from 7 to 8 per cent (Figure 4.5).

Countries of origin and length of residence of migrants in the East of England

There are migrants from almost all of the world's countries resident in the East of England. Table 4.1 on the next page presents a national/regional breakdown of origins of the foreign-born population of the East of England, in order of population size. Of course, these populations include long-settled migrant communities, as well as more recently arrived cohorts.

The above population diversity is not reflected in employers' perceptions of migrants, with some tending to see the migration as very largely involving East Europeans, perhaps as a result of media focus on more recent migratory flows. There is a risk that the potential economic contribution of non-EU migrants is under-valued and that sources of labour are not fully utilised.

Table 4.1 also shows that there is a higher proportion of some migrant groups resident in the East of England than in the UK as a whole, namely migrants from:

- The EU's new accession countries, particularly Poland and Slovakia
- Italy, with long established communities in Bedford, Cambridge and Peterborough
- South Africa
- Zimbabwe
- The United States, many of whom are military personnel stationed at the Alconbury/Molesworth/Upwood site and Feltwell, Mildenhall and Lakenheath
- Nigeria
- Australia

Table 4.1. Main populations as defined by their country of birth, resident in the East of England, quarter 4, 2007

Country	Q4 2007 LFS pop'n estimate UK	% of country of birth group arrived since 1997	Q4 2007 LFS pop'n estimate, East of England	% of country of birth pop'n resident in East of England out of UK total, where applicable, Q4 2007	Notes
India	591,000	43%	41,000	7	
Poland	458,000	91%	46,000	10	
Ireland	410,000	10%	33,000	8	
Pakistan	393,000	33%	29,000	7	Includes long-settled communities
Germany	268,000	23%	25,000	9	Includes UK military personnel and their families born in Germany
South Africa	205,000	60%	24,000	12	
China and HK	193,000	74%	<10,000		
Bangladesh	177,000	28%	<10,000		
United States	177,000	59%	27,000	15	Includes military personnel
Jamaica	175,000	20%	<10,000		
Nigeria	146,000	50%	14,000	9	
Kenya	142,000	11%	<10,000		
Australia	125,000	56%	16,000	13	
Sri Lanka	120,000	47%	<10,000		
Italy	99,000	36%	16,000	17	Long-settled pop'n in Bedford, Peterborough and Cambridge
France	97,000	61%	<10,000		
Zimbabwe	96,000	75%	16,000	17	A growing population in London fringe area
Somalia	93,000	72%	<10,000		
Philippines	90,000	74%	<10,000		
Ghana	81,000	49%	<10,000		
Turkey	71,000	50%	<10,000		
Cyprus	70,000	13%	<10,000		
Malaysia	64,000	45%	<10,000		
Portugal	63,000	59%	<10,000		
Iran	63,000	48%	<10,000		
Spain	63,000	50%	<10,000		
Netherlands	59,000	51%	<10,000		
Canada	59,000	28%	<10,000		
Slovakia	54,000	n/a	11,000	21	
Iraq	53,000	67%	<10,000		

Source: Labour Force Survey and ippr calculations

Note: Quarter 4 data used instead of new data because the 2008 LFS has been re-weighted, but new figures for years prior to 2007 have not been published. Figures are rounded to the nearest thousand.

Apart from migrants from South Africa, Zimbabwe and Nigeria, data from both the Labour Force Survey and the 2001 Census suggests that there are lower proportions of persons from many of the other Commonwealth countries resident in the East of England than the UK as a whole. There are also lower proportions of migrants from refugee-producing countries.

Overall, employers in the East of England are more dependent on EU migrant workers than those in many other parts of the UK so factors that decrease the flow of migrants from the EU into the UK, as well as factors that increase the return of EU migrants, will have a greater relative impact in the East of England.

Some country-of-birth groups such as the Poland-born community emerged as highly dispersed across the East of England, excluding the Fens (Pollard *et al* 2008). Other migrant communities, for example, the Portuguese and West Africans, are less dispersed. Four sets of factors influence migrant settlement patterns:

- Migrants' places of entry to the UK and prior places of residency in the UK
- Economic opportunities in particular neighbourhoods
- Migrants' preferences for particular areas or for living near compatriots
- Migrants' economic and educational cultural capital.
  (Robinson and Hale 1989, Phillips 1998, Robinson *et al* 2003)

Migrant populations that cluster together are those that tend to depend on each other for work or housing, for example the Portuguese. Thus residential clustering might be seen as indicative of poor economic integration. If government wishes to maintain the mobility of migrants so that they can move for work, measures to decrease their dependence on compatriots – for example English-language teaching – will be a sound investment. Public policy interventions should also focus on improving the skills base and employment experiences of groups that are highly dependent on each other for work.

The residency status of migrants in the East of England

Migrants who are resident in the East of England are also a diverse group in relation to their residency – immigration – status. An understanding of residency status is important when considering the economic impact of migration on businesses, as residency status affects a person's permission to work as well as their personal aspirations about whether to remain in the UK or re-migrate. A person whose residency is temporary may make different decisions about remaining in the UK than a migrant who has unlimited residency.

EU and EEA migrants

Migrants from the European Economic Area (the EU states, Iceland, Lichtenstein and Norway) plus Switzerland are the largest migrant group by residency status in the UK, as well as being the largest migrant group in the East of England. They comprise migrants from pre-2004 EU states such as Ireland, France and Portugal, as well as migrants from the new member states that joined the EU in 2004 and 2007.

Those born in Ireland and Germany are the largest migrant groups from the 'old' EU. It should be noted that many of the Germany-born population are in fact British Armed Forces personnel and their families and their presence on one of the military bases that are a feature of the East of England can substantially inflate the foreign-born population of a local authority area.

Portuguese migrant workers are also a substantial and growing group in the East of England, with communities growing up in Peterborough, Thetford and other towns in the Fens, as well as in Bedford. While there was a wave of Portuguese migration to the UK in the mid-1970s, most Portuguese in the East of England migrated in the period after 1995. Many Portuguese labour migrants are unskilled or semi-skilled workers, employed in agriculture, food processing or the hospitality sector (deAbreu and Lambert 2003, Zaronaite and Tirzite 2006).

By far the largest national group from new member states of the EU is the Polish: there were an estimated 458,000 Poles resident in the UK in the fourth quarter of 2007. Slovaks have also migrated in large numbers to the UK since accession to the EU in 2004. Data from local education authorities suggests that a significant proportion of Slovak migrants are Roma, an ethnic group that has experienced discrimination and high levels of unemployment in Slovakia (Refugee Council 1999). The high unemployment experienced by Roma in Slovakia may mean that their return intentions may be different from those of the ethnic Slovak majority.

For nationals of the European Economic Area (EEA) and Switzerland, the rights of residency in the UK are given in EC Directive 2004/38/EC. All EEA nationals and their family members, plus Swiss nationals and their families, have the right to reside in another EEA country or Switzerland for an initial three-month period. Article 7 of this directive gives these nationals and their family members further rights of residence dependent on them fulfilling conditions as a qualifying person, granting them EEA worker status. Once EEA worker status has been granted, a person has the right to apply for social housing. Once an EEA worker is judged to be habitually resident in the UK, he or she is also entitled to apply for Jobseeker's Allowance and income support. Benefit entitlement appears to be a significant factor in determining whether a migrant remains in the UK after becoming unemployed – and this has obvious implications during a recession.

The British Government, in common with many other pre-2004 EU member states, has decided to impose some restrictions on access to the UK labour market for migrants from the EU's new members. Nationals from eight of the 10 states that joined the EU in May 2004 have to enrol on the Worker Registration Scheme, unless they are registered as self-employed. Nationals of Romania and Bulgaria, both of which joined the EU in January 2007, have more restricted rights to work in the UK and need to be self-employed, a work permit holder, a student or be admitted on the Seasonal Agricultural Workers Scheme (SAWS) or the Sector Based Scheme (SBS) in order to work legally (Institute for Public Policy Research 2006a, London Councils 2007). If not admitted through SAWS or SBS, Bulgarian and Romanian nationals need an accession worker card or a registration certificate in order to work. However, all Bulgarian and Romanian nationals who have worked legally in the UK for 12 months gain European Economic Area (EEA) Worker Status and have full access to the UK labour market.

The Romanians (as well as smaller numbers of Bulgarian nationals) who have migrated to the East of England have generally been admitted to the UK through SAWS or the SBS for meat, fish and mushroom processing. Indeed, SAWS and the SBS have been reserved solely for Bulgarian and Romanian nationals since January 2008. (In 2007, there was a quota of 40 per cent of places for non-EU nationals.) Table 4.2 shows the number of migrants admitted to the UK though SAWS since 2007. The schemes allow a single person, without dependents, to come to the UK for a period of three months. No extension of this period is allowed in the UK, though a person could apply to the scheme again from their home country. Labour suppliers or individual employers are also obliged to provide accommodation for SAWS and SBS workers.

Table 4.2. Numbers admitted to UK on the Seasonal Agricultural Workers Scheme (SAWS), 2000–2007

Year	Numbers admitted to UK through SAWS
2000	10,100
2001	8,390
2002	16,900
2003	20,700
2004	15,000
2005	13,000
2006	14,200
2007	7,310

Source: Home Office Live Data

EU onward migrants

In the last five years there has also been a significant onward migration of migrant communities from other EU countries to the UK, often involving those who have secured citizenship in another EU member state. Although the numbers of such migrants in the East of England is small in comparison with cities such as London and Manchester, some Nigerians and Ghanaians living in Thurrock and Essex have moved to the UK from Germany and Austria. Many of these onward migrants cited positive reasons for moving to the UK, particularly better employment prospects (Van Hear and Lindley 2007). However, the UK may not be the final destination of a group who have already indicated a willingness to move within Europe.

Work permit holders

Labour migrants also come from outside the EU. In 2007, some 82,300 people with work permits and other work visas came to the UK from outside the Union, a substantial drop from the numbers admitted in the early 2000s. In 2007, the main countries of origin of work permit holders were the USA, Canada, South Africa, India, Pakistan, China, Japan, the Philippines and Australia (Home Office 2008b). As noted in the introduction, the work visa scheme is undergoing simplification and change and now comprises a five-tiered system:

- Tier One is a points-based scheme for highly-skilled migrants
- Tier Two is a points-based scheme for skilled workers with a job offer who will be employed to fill gaps in the UK labour market
- Tier Three is presently closed
- Tier Four comprises students
- Tier Five comprises youth mobility and other schemes.

Work permit holders are usually granted a time-limited stay in the UK and are prevented from claiming unemployment benefit or social housing. They are not required to leave the country if they lose their jobs, but clearly there is greater pressure on this group to return to their home countries if they are not employed.

At the time of research, there was considerable debate about the operation of the Tier Two scheme, for example the types of occupation listed in what comprises a shortage occupation. There were also concerns that the operation of Tier Two would prove to be too cumbersome for employers, although it is too early to produce robust research evidence on this issue. There was also much lobbying by organisations representing farmers to allow the migration of unskilled agricultural workers from outside the EU, through an extension of SAWS (the quota was increased from 16,500 to 21,250 in December 2008), or the opening up of a Tier Three Scheme. Our research also revealed some concerns about Tier One, in particular the manner in which the allocation of points weighs against older migrants.

> *'Some people say the Tier One system is good, but some people say there are problems. It is not good if you are just a bit older, it's not great for the older team leaders of software teams. We need to look more to an older skilled workforce, to get high fliers who have also got managerial skills.'* (Employer, IT sector)

Overseas students

Home Office statistics suggest that in 2007 some 358,000 overseas students entered the UK from outside the EU (Home Office 2008b). In that year their main countries of origin were China, Russia, Japan and the United States. Overseas students admitted for courses that last more than six months generally have the right to work for up to 20 hours per week during term time and full time during vacations. Their dependents may also work. In some parts of the UK, overseas students and their dependents comprise a significant and valued source of labour.

Many overseas students come to study in universities, but significant numbers are also studying in private English language colleges and as self-funded students in further education colleges. There are significant numbers of overseas students in the 10 universities that have campuses in the East of England, as well as overseas students studying in the further education and private college sector. The countries of origin of overseas students differ across universities, with higher proportions of African students in the region's new universities (Anglia Ruskin and Hertfordshire).

The overseas recruitment practices of universities are very varied – some have many overseas offices and agents, while others do not. It should also be noted that the overseas student population of a number of universities in the East of England has not grown at the rates seen in many universities elsewhere in the UK. There is only one university from the East of England in the top 20 recruiters of overseas students (Higher Education Statistics Agency data 2006/07). A number of employers felt that a greater push on overseas student recruitment would assist in the economic development of Cambridge. However, the planned changes to the student visa regime for non-EU students and their dependents, including a requirement to demonstrate sufficient funds for fees and maintenance, may hit the recruitment of some overseas students, particularly potential students from poorer countries, as it will require students to demonstrate the availability of nearly £10,000 plus fees and £535 per month per dependent upfront.

Many overseas students return home after completing their studies, though there has been a number of initiatives to encourage them to stay. The Fresh Talent scheme gives overseas students the right to remain in the UK for a period of time – usually two years – after their studies end. A significant proportion of highly-skilled migrants in Cambridge are former students who have taken advantage of the scheme and we interviewed employers who had used it to recruit valued members of staff and wished to see it continue. The scheme is presently under government review.

Asylum-seekers and refugees

This group comprises another migratory movement to the UK. In 2007, 23,430 asylum applications were lodged, down significantly on the 2002 peak of 84,130 (Home Office 2008a). Since 2002, the main countries of origin of asylum-seekers have been the Democratic Republic of Congo, Eritrea, Somalia, Zimbabwe, Turkey, Afghanistan, China, Iran, Iraq and Sri Lanka.

The number of refugees living in the East of England is much lower than many parts of the UK, as most local authorities in the region are not involved in the UK Borders Agency dispersal scheme through which newly arrived asylum seekers are dispersed into specially commissioned accommodation outside the South East. Refugee populations in the region tend to be focused on places such as Peterborough, Ipswich, Luton and towns in Essex. Norwich City Council has been a pioneer local authority in offering resettlement to a small number of the most vulnerable refugees who have come to the UK through the Government's Gateway Protection Programme.

Of those who received an initial decision on their asylum applications in 2007, some 16 per cent were granted refugee status, another 11 per cent were granted humanitarian protection or discretionary leave to remain in the UK and some 73 per cent of asylum applicants were refused after an initial decision (Home Office 2008a). While some of those refused asylum leave the UK or are removed, the vast majority remain and make up a significant component of the UK's irregular migrant population. During the research we interviewed irregular migrants who had been asylum-seekers. All of them had found work in the East of England.

Research shows that many refugees experience high levels of unemployment or under-employment, where their qualifications are not utilised by employers (Bloch 2002, 2004, Rutter *et al* 2008). There are a number of schemes in the East of England and the London suburbs that assist highly qualified refugees to find work, for example a scheme for refugee medical professionals operated by MENTER in Cambridge. While refugee numbers are small in the East of England, such employment and training schemes for refugees are highly beneficial for the individuals involved and help the region's economy.

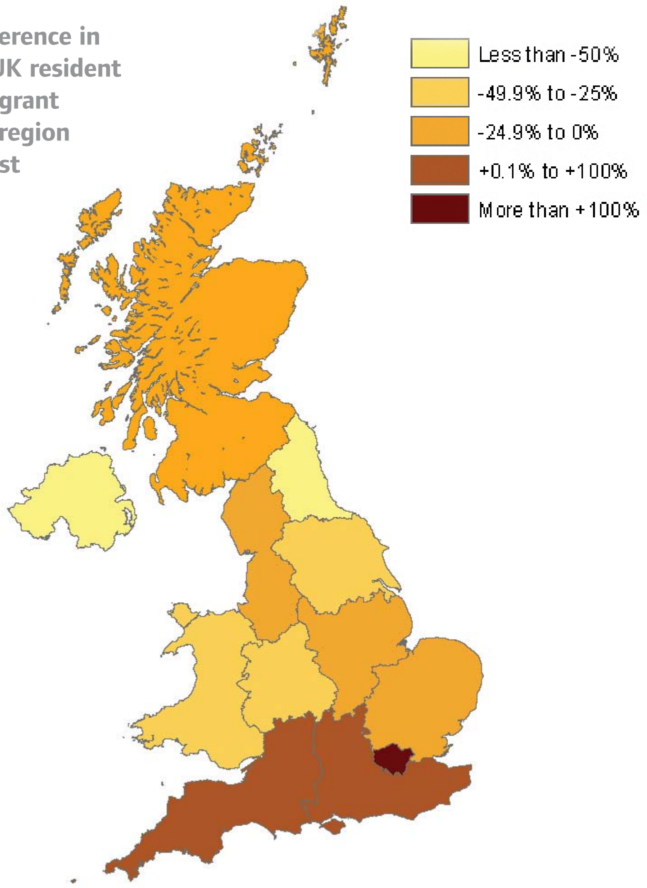
Those admitted for the purposes of family reunion or family formation
Some 42,200 spouses, fiancé(e)s and civil partners were admitted to the UK in 2007 (Home Office 2008b). In 2006, the top five countries of origin of spouses were Pakistan, India, Bangladesh, the USA and Thailand. Those admitted as spouses or civil partners have the right to work in the UK, although they are prevented from accessing non-work-related benefits and social housing until they have permanent residency in the UK. As with refugees, some spouses find it hard to enter the labour market (Rutter *et al* 2008).

Irregular migrants
This group of people mostly comprise visa over-stayers and refused asylum seekers, as well as smaller numbers of clandestine entrants (Institute for Public Policy Research 2006b). Research commissioned by the Home Office estimated the irregular migrant population as being between 310,000 and 530,000 persons in 2001 (Pinkerton *et al* 2004). Irregular migrants have no entitlement to social housing or housing benefit.

During this research, we interviewed a number of irregular migrants who were working in the East of England, mostly as agricultural workers but sometimes in food processing or other manufacturing industries. Many were 'migrant commuters' who reside for part of the week in a town or city, but who are transported to rural areas, often by labour providers. Overall numbers of irregular migrants have probably decreased in the East of England as a result of the substitution of irregular migrants by migrants from the EU's new member states, as well as greater enforcement activity by the UKBA. Certainly the large numbers of Chinese who lived in parts of Norfolk and Suffolk in the early 2000s are no longer there.

Returning British nationals
In addition to people migrating into the East of England, people are also emigrating. Research suggested that in 2005 there were 5.5 million British nationals living abroad (Sriskandarajah and Drew 2006). As Figure 4.6 shows, the percentage of the population of the region living abroad was less than in London, the South East and South West, broadly similar to the East Midlands, the North West and Scotland, and higher than other regions.

Figure 4.6. Difference in proportion of UK resident and British emigrant population, by region of current or last residence



Source: ONS 2006 and 2001 Census

British nationals who live abroad are a diverse population and include military personnel, overseas retirees, British-born people who are working abroad for short and long periods, as well as British-passport-holders from minority ethnic communities who have left the UK. Some among this diverse group have skills which could be useful to the UK economy and so their decision to move overseas results in a loss. The Scottish Executive is currently running a campaign to encourage the Scottish diaspora to return to fill labour shortages and some English regions are also considering similar campaigns. Whether the East of England needs to undertake such a campaign is outside the scope of this research. However, avoiding brain drain is essential in a region that has a flourishing high-tech sector.

Qualifications profile of migrants in the East of England

An analysis of Census 2001[5] and LFS data suggests that the qualifications profile of the foreign-born population in the East of England is diverse and shows many of the similar trends to the overall UK migrant population. Nationally, the qualifications profiles of migrant populations are much more polarised than for the UK-born population (see Table 4.3). The overseas-born population is much more likely to possess a higher level qualification than the UK-born population. But the proportions of overseas-born groups that possess no qualifications and that have never attended school are higher than for the UK-born.

There are a number of large foreign-born groups that have high proportions of members who have no qualifications, including communities such as the Pakistanis, Portuguese and Italians who are present in significant numbers in the East of England. As a result, these groups experience lower levels of employment and lower average earnings than the UK-born population. It is also important to note that there are migrant groups whose educational participation, as well as ability to find work, is impeded by poor English language ability. Poor English does not entirely prevent migrants from finding work, but it does restrict their options.

5. Census data on qualifications is more reliable than the LFS data as the LFS classifies overseas qualifications, including those at a higher level, as 'other qualifications' (Manacorda *et al* 2006). For this reason, we use the Census, amended by our Polish polling data. Census 2001 is used in the analysis of qualifications.

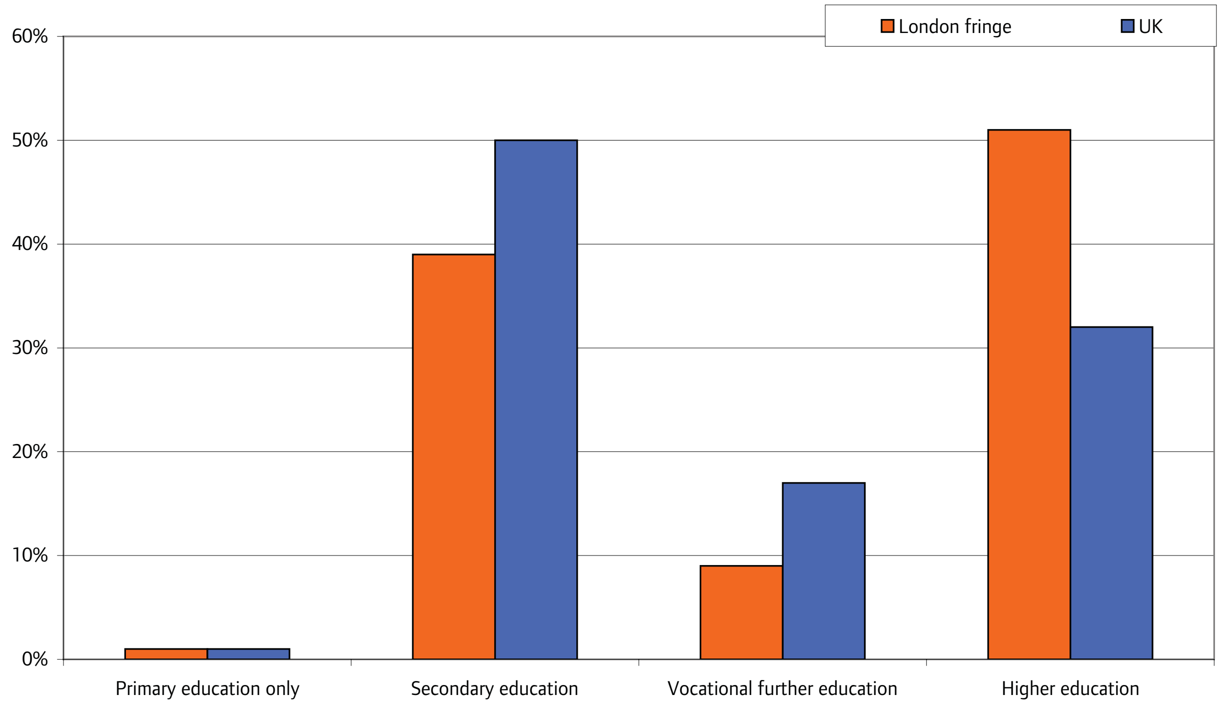
Table 4.3. Qualifications and basic skills profiles of selected foreign-born groups, 2007

Country of birth	Aged 16–74 with higher level of qualifications (%)	Aged 16–74 with lower level of qualifications (%)	Aged 16–74 with no qualifications or quals unknown (%)	Aged over 16 with difficulties, related to language or literacy, in keeping or finding job (%)
UK	18.2	45.6	36.2	2.28
India	31.1	23.6	45.3	11.13
Poland	34.9	30.7	34.5	24.19
Ireland	20.5	26.4	53.1	31.03
Pakistan	17.6	23.8	58.5	17.52
Germany	28.6	49.1	22.3	3.48
South Africa	44.7	41.4	13.8	3.35
Bangladesh	13.0	28.0	59.0	21.28
United States	58.8	29.4	11.8	0.00
Jamaica	16.6	29.0	54.4	0.00
Nigeria	53.5	35.8	10.7	0.00
Kenya	30.3	45.9	23.8	4.20
Australia	51.7	35.6	12.7	0.00
Sri Lanka	33.1	54.7	12.2	21.18
Italy	24.8	25.8	49.4	10.21
France	56.1	29.2	14.8	13.68
Zimbabwe	37.0	54.0	9.0	1.77
Somalia	11.8	37.0	51.2	30.36
Philippines	47.5	22.7	29.8	10.7
Ghana	35.9	46.1	18.0	5.67

Source: ippr calculations, Census 2001 and Labour Force Survey

Figure 4.7 gives polling data from the Polish population who are resident in the UK. The evidence suggests that Poles are among the group of migrants with high-level qualifications. 50 per cent of Poles resident in Essex, for example, had Level 4 qualifications or above.

Figure 4.7. Level of education among 500 Polish migrants in UK, 2007



Source: ippr polling data, 2007

The above data highlights the diversity of qualifications profiles of migrants. Apart from in the case of unskilled work, one migrant country-of-birth group often cannot substitute for another group, as their qualifications profiles are very different. For example, the Portuguese cannot substitute for Fillipinos employed in the care sector.

The above data also suggests that the qualifications of some groups, particularly the Poles, are rather under-utilised and that employers could make much better use of this group.

Finally, the contribution of migrants in the East of England economy could be increased if measures were put in place to increase their English language fluency.

Evidence of decreased migrant stock in the East of England

As migrants from member states that joined the EU in 2004 are required to register on the Worker Registration Scheme (WRS) if they are not self-employed or students, WRS registrations are a proxy measure of immigration trends from these new member states. They show a marked seasonality in applications with peaks in the March to September period, caused by a migration of students and seasonal workers.

Initial applications to the WRS in the Anglia region[6] slowed in 2008, from peaks in 2006. Re-registrations to the WRS have, however, increased. Additionally, new National Insurance Number applications from overseas nationals have not slowed in the East of England, although we do not have regional data from 2008. Given the seasonality of WRS applications, a longer run of data is needed to see if immigrant numbers are decreasing (see Section 7).

6. Note that in the WRS regions are defined according to the Post Office's postal Address Book regions, not Government Office Regions as in the LFS.

Table 4.4. New National Insurance number registrations in the East of England by overseas nationals, by region of origin (thousands), 2002–2007

East of England	Total	Area of origin							
		EU	EU acc'n states	Other European	Africa	Asia and Middle East	Americas	Australasia & Oceania	Unknown
2002	22.46	5.7	0.9	0.99	4.27	7.65	1.62	1.3	0.04
2003	26.61	6.91	1.26	0.98	5.54	8.49	2.01	1.29	0.12
2004	29.3	6.53	7.28	0.96	4.69	7.2	1.56	1.05	0.03
2005	48.83	6.71	23.62	1.13	5.25	8.88	1.9	1.31	0.04
2006	51.03	6.21	27.99	1.05	4.06	8.66	1.81	1.22	0.03
2007	56.92	7.21	31.1	1.42	3.96	9.91	1.97	1.33	0.02

Source: Department for Work and Pensions 2007

Qualitative interview data suggested that the pace of new arrivals had slowed in 2008, if not hugely. This, taken with the return of those migrants who always intended to go back, will lead to an overall decrease in migrant stock in the East of England.

Internal migration of international migrants also has the potential to lessen migration stock in the East of England. For example, over the last 20 years there has been a movement from other parts of the UK to Greater London of longer-settled and often highly qualified migrant groups.

Our examination of evidence suggests that non-EU and EU migrants are continuing to arrive in the East of England. Public perceptions that there is a very large-scale exodus from the UK are not born out by evidence from our fieldwork.

Summary of key points

- There are higher proportions of migrants from the EU's new member states resident in the East of England than in the UK as a whole. Employers in the East of England, therefore, are more dependent on EU migrant workers than are many other parts of the UK.
- Overseas students are a source of skilled labour, but the overseas student population of a number of universities in the East of England has not grown at the rates seen in universities elsewhere in the UK.
- The qualifications profile of the foreign-born population in the East of England is diverse and is much more polarised than that of the UK-born population. This means that one migrant country-of-birth group cannot often substitute for another group, as their qualifications profiles are very different.
- The numbers of newly-arrived migrants coming to the East of England slowed somewhat in 2008. This, plus the return of those migrants who always intended to go back, will lead to an overall decrease in the migrant population in the East of England. However, no large-scale exodus of migrants from the East of England is yet evident.

5. Migrants' experiences of migration, life and work in the East of England

We interviewed migrants employed in the East of England in order to explore the reasons behind their migration decisions, and to understand more about migrants' experiences in the region. We also examined polling data from a separate sample of 900 Polish migrants of whom 100 were resident in the East of England.

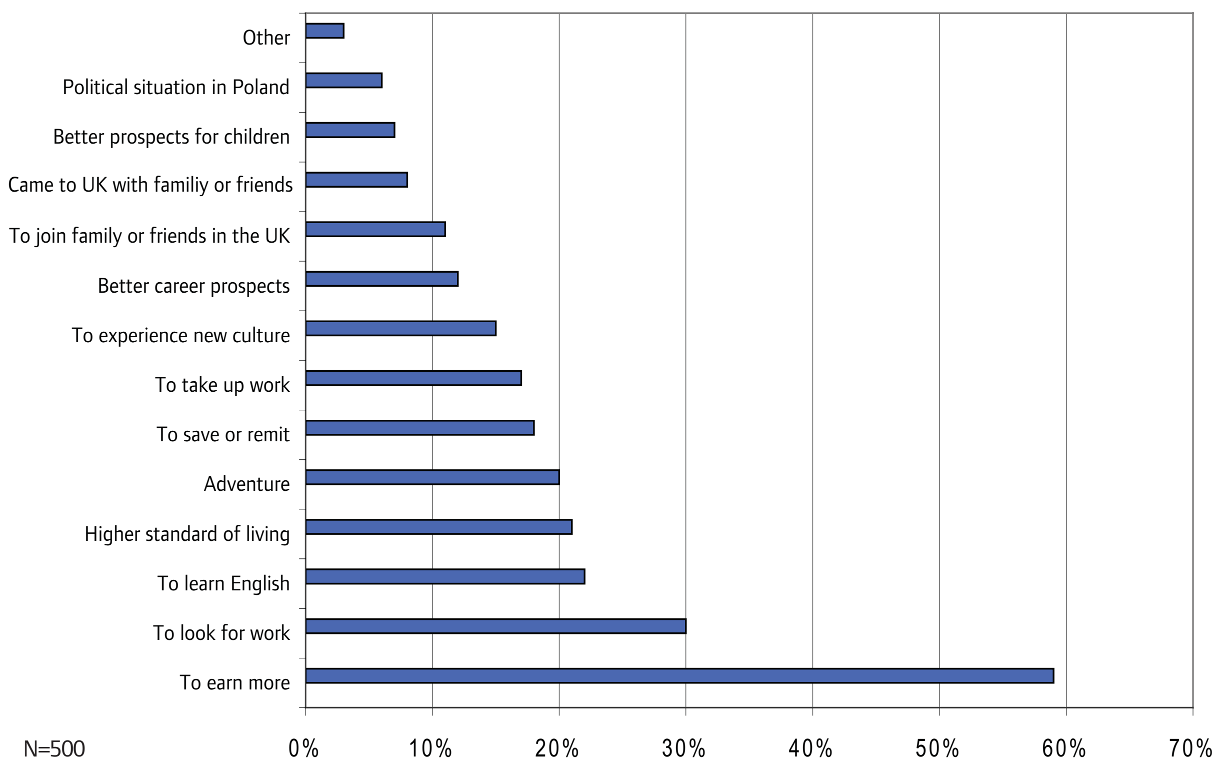
The migrants interviewed for this research came from a range of different countries – Brazil, Germany, Ghana, India, Israel, Kenya, Latvia, Lithuania, Nigeria, Philippines, Poland, Portugal and Spain – and had a range of different immigration statuses. They were also a highly diverse group in terms of their qualifications and skills.

Reasons for migration to the UK

Employment opportunities and greater earnings potential were the key pull factors that had brought almost all of those we interviewed to the UK. However, other factors also play a role. Figure 5.1 shows the reasons cited by 500 Polish migrants.

Aside from economic factors, the opportunity to learn English was given as a major reason for coming to the UK. For highly-skilled migrants, their pre-existing English language fluency attracted them to the UK rather than to another EU country. Many of the highly-skilled migrants we interviewed had also considered migration to the USA or Canada, but they chose the UK because of the favourable immigration regime or ease of travel to and from their home countries. For example, the spouses of students are permitted to work in the UK, but not in the USA.

Figure 5.1. Reasons for migration to UK given by Polish migrants, 2008



N=500
Source: ippr polling data, 2007

Migration to the East of England

Some migrants we interviewed had moved directly to the East of England on arrival in the UK. For others, the East of England was a region of onward migration, after a period of residence elsewhere in the UK, often London. This was particularly true for those working in health and social care, and for those who lived in the southern parts of the region, who had often moved there northwards from London.

For this group of secondary migrants, the pull factors that attracted them to the East of England were similar to the factors that had attracted them to the UK in the first place – employment opportunities and earnings potential. Cheaper housing in some parts of the East of England, such as parts of South Essex including Thurrock and Southend-on-Sea and parts of Hertfordshire also acted as a draw for this group, particularly those moving from London.

For migrants from EU countries in particular, the availability of cheap flights from Stansted and Luton airports was a major attraction as this enabled them to make frequent visits home.

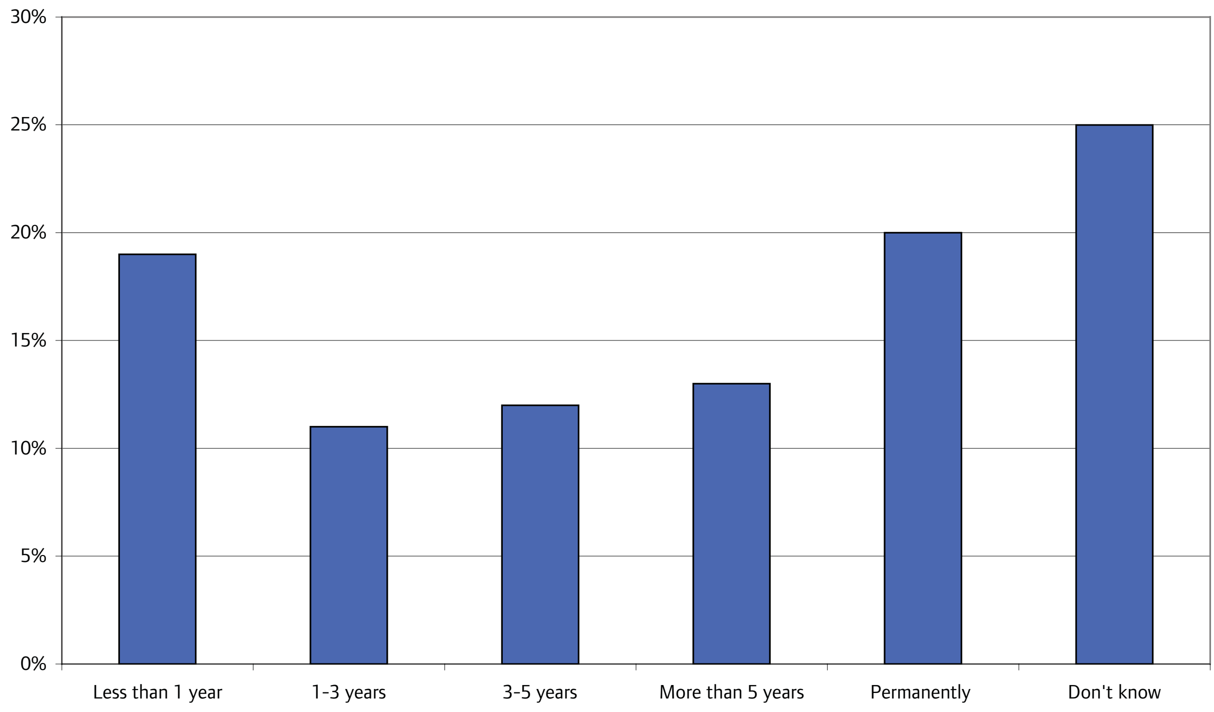
Some migrants living in the East of England choose to work elsewhere in the UK. In particular, we found that there were significant numbers of migrants in Cambridge, Hertfordshire, Thurrock and South Essex who had initially worked locally to where they lived but were now commuting into London, attracted by higher salaries in the capital.

Those working in the health and social care sector appeared to be particularly mobile within the UK. This reflects greater employment opportunities in this sector, as well as dissatisfaction with employment conditions as agency workers or in private care homes (see below).

Intentions to return

Most migrants intend to return home in the future, although some are remaining in the UK longer than they expected when they set out. Among the Polish migrants interviewed, about 25 per cent expressed a desire to return home in the next three years, but another 25 per cent stated an intention to remain in the UK permanently. Figure 5.2 gives the

Figure 5.2. Intended length of stay among 500 Polish migrants in the UK, 2008



Source: ippr polling data

intended length of stay among 500 Polish migrants in the UK. However, there are some marked differences when the intended length of stay is broken down by occupation, with 74 per cent of those working in agriculture saying that they intended to stay in the UK less than one year, reflecting the seasonal nature of much agricultural work.

The high population churn in the horticultural sector, with migrants working in the UK for short periods of time, often in the summer months, may have fuelled perceptions in the East of England that large numbers of Poles are 'going home' – in fact this is normal turnover in this industry.

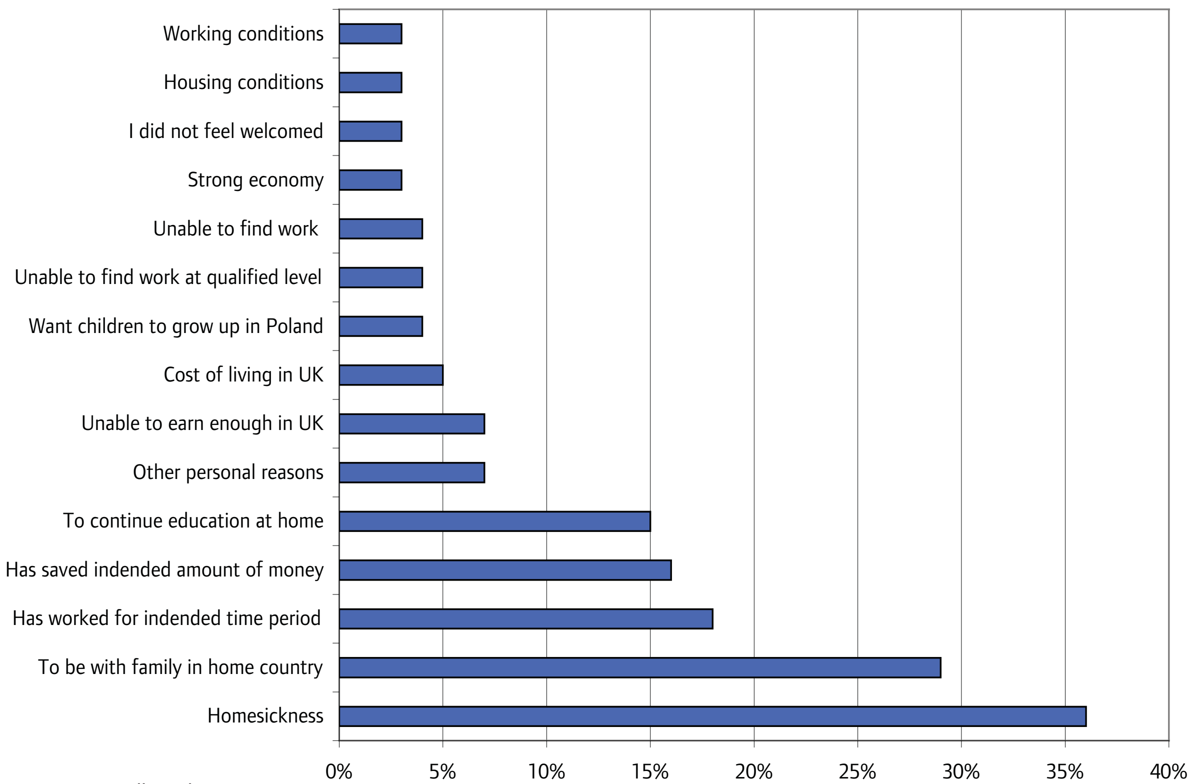
We found some differences in re-migration intentions between EU and non-EU nationals. Those from the EU seemed much more likely to consider a return home, because free movement within the EU means they can come back to the UK in the future if they wish.

The time taken to secure British citizenship was a key factor in determining how long many non-EU nationals planned to stay. Many migrants from outside the EU stated that they would make a decision about whether to stay permanently after they had secured a British passport. (For work visa holders this takes a minimum of five years and may become a more lengthy process under proposals for 'earned citizenship' in the 2009 Borders, Citizenship and Immigration Bill.)

Although many migrants came to the UK for economic reasons, our interview and polling data suggests that personal factors play a bigger part in determining migrant worker flows out of the East of England. These include homesickness and the desire to live near to family and friends. Some of the Portuguese migrants interviewed had left children behind in Portugal or had divided families, and wanted to return to join them. The continuity of their children's education also played a part in their decision-making.

We asked migrants who had already moved back to Poland from the UK the reasons for their return. Overwhelmingly, it was personal reasons such as homesickness or desire to be reunited with family members that prompted their return (Figure 5.3). This finding is supported in almost all research about return migration.

Figure 5.3. Reasons given by 400 Poles for their return to Poland, 2008



Source: ippr polling data

Interviewees were asked if they felt that their compatriots were returning home in greater numbers, or were ceasing to migrate to the UK. Overall, most felt that the numbers of new arrivals had slowed a little, although migrants were still coming to the UK. Our focus groups also suggested that most people felt that the numbers returning had not increased. This held across all employment sectors.

> *'Well of all the people I know, only two have returned and they always intended to come, work and go back anyway.'* (Care worker, Nigeria)

Re-migration to other countries

Among all migrants, their country of origin was the most favoured destination for re-migration. Few migrants wanted to go through the process of re-establishing themselves in another country.

However, this may be changing, particularly within the EU. Many European migrants articulated concerns about the falling value of sterling in relation to the Euro and various Eastern European currencies, with this potentially affecting their migration decisions.

> *'It's a waste of money to send money to Portugal. The pound is so weak now that I prefer to keep my money here in my savings account.'* (Portuguese migrant, Peterborough)

A number of Polish migrants questioned whether compatriots would continue to migrate to the UK if Poland joined the Euro. (Poland is aiming to join the Euro in 2012; Slovakia joined in January 2009.) It was difficult, however, to gauge fully how much currency variations might influence a decision to return or migrate elsewhere in the EU.

Among Polish migrants resident in the UK as well as those who had returned to Poland, 60 per cent stated that they would consider returning to the UK in the future. In terms of other destinations, only 6 per cent would consider migrating to the USA but Eurozone countries, particularly Ireland, Germany, the Netherlands and Sweden, were slightly more popular. (More than 10 per cent of respondents who had returned to Poland stated that they would consider migrating to Ireland.) For the Portuguese migrants interviewed for this research, opportunities within other Portuguese diaspora in the Eurozone might influence future plans, for example to go to Hamburg or Luxembourg.

If sterling continues to fall against the Euro, we think there is some potential for a diversion of migrants from new member states away from the UK in favour of Eurozone countries, particularly after 2011 when all member states have to lift labour market restrictions to those countries that joined the EU in 2004. Polish accession to the single currency might also affect migration flows.

Applying for visas

Most migrants who entered on work or student visas found the process of applying for visas straightforward enough, although a little slow and cumbersome. However, all migrants and many employees in the IT and care sectors in particular expressed concerns about changes to the Tier One and Tier Two visa schemes. Those in the IT sector felt that the changes to the work visa scheme would bar potential staff in the future, particularly older staff with project management skills.

Although most non-EU migrants had found applying for visas straightforward, many of them expressed concerns about 'being kicked out'. Some non-EU migrants planned to return home because they had a time-limited visa that would need to be renewed. This group often associated non-renewal of a visa and return. Many of them felt insecure in the UK, even though the likelihood of being refused visa extension was small. This suggests that current media debates and anti-migrant sentiments expressed by some groups in the UK are having an effect on migrants, who feel more insecure and are more likely to plan for return home as a result.

Experiences of life in the East of England

Almost all the migrants we interviewed were generally happy in the UK and in the East of England. They liked the place where they were living and saw their experiences in the UK as being better or at least as good as they expected. Among Poles who had left the UK just 18 per cent said they felt their experiences in the UK had been worse than expected, with 70 per cent of respondents saying that their experiences had been better or as good as expected. Some migrants, particularly high-skilled migrants, welcomed the opportunity to live in a multicultural environment in the East of England.

> *'I like that it's a multicultural city. My daughter goes to a school where being a foreigner is not a problem but something to encourage.'* (High-tech worker, Cambridge)

However, some African migrants resident in Thurrock, elsewhere in South Essex and Hertfordshire reported racial harassment. Although they were satisfied with their accommodation, they stated that they often dissuaded their compatriots from moving to the area.

Although affordable housing had attracted some migrants to the East of England, it is in limited supply, and this scarcity could have long-term implications for migration patterns into the region. No one we interviewed who was employed in agriculture, manufacturing or in the hospitality sector owned their homes. Unless they had families, these migrants were housed in tied accommodation or in the private rental sector. That this group were simply too poor to buy housing in the UK may make it more likely that they will return home, as many did own property in their home countries.

Experiences of work in the East of England

Some migrant workers had found work before coming to the UK, through an overseas agency or through contacts already in the East of England. Others had found work after arrival. Even for highly-skilled migrants, their first job was often unskilled or temporary work.

The experiences of highly-skilled migrants were very different from those working in the agriculture, manufacturing, health and social care and hospitality sectors. For the highly-skilled, a job was part of a career plan, but for the latter groups, the aim was to earn money and to send some home, and jobs were often more temporary. Job turnover was very high in agriculture, hospitality and manufacturing.

For those working in the agriculture, manufacturing, health and social care and hospitality sectors their first job was usually found through an agency – a labour provider who in some cases also provided housing. All those we interviewed who had been employed by agencies expressed strong opinions about the way they worked, and particularly that the agency cut was excessive. Dissatisfaction with work conditions took many forms, but was particularly associated with these agencies.

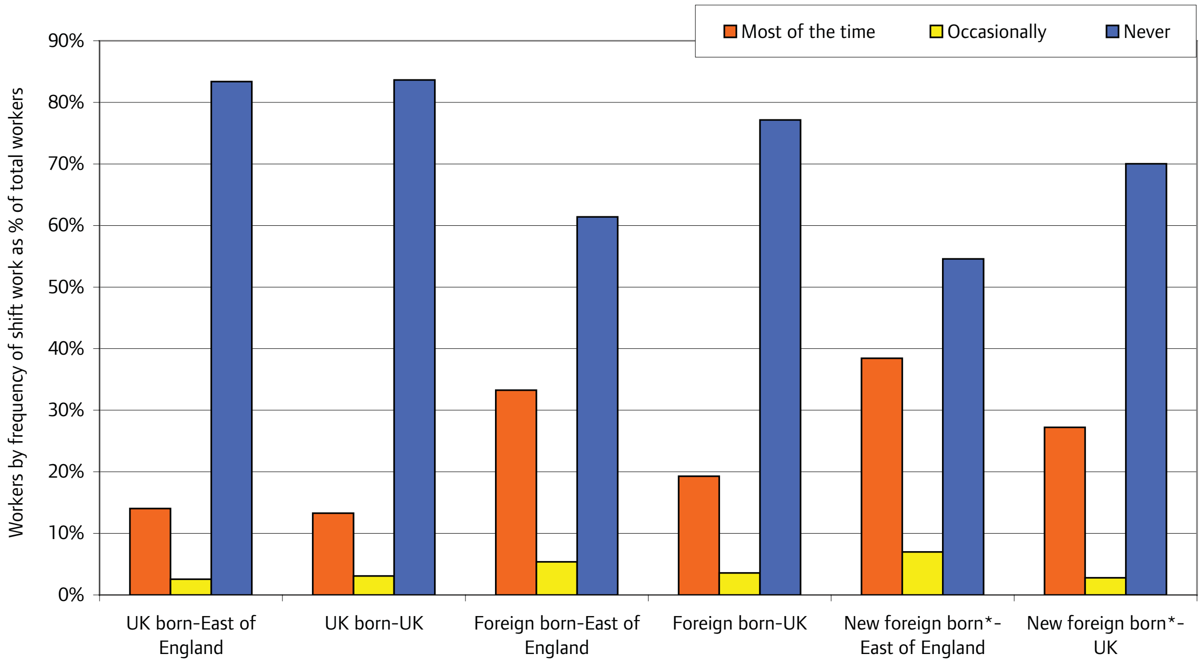
> *'I'd like to work directly for a company. The agency charges are too high.'* (Portuguese hotel worker, Peterborough)

While not a major factor in residential mobility for those employed in sectors other than health and social care, many migrants did change their jobs in order to work as a directly employed worker. Indeed direct employment was an ambition of most workers. Those who had a permanent contract felt more settled in the region and were more likely to remain there.

Migrants from the new member states of the EU are more likely to be employed as shift workers than UK-born workers in the East of England (see Figure 5.4). They are also more likely to work longer hours and have insecure contracts.

> *'If you are hard worker and ask for a pay rise your employer tells you: "if you don't want it fine, there are more people waiting to get this job." I don't understand why they prefer agencies than employing workers directly.'* (Polish catering worker, Peterborough)

Figure 5.4. UK-born and foreign-born workers in the East of England, by frequency of shift work, 2007



Source: Labour Force Survey and ippr calculations

We were struck by the high proportions of migrants we interviewed who had little or no English language ability, often despite many years of residency in the UK. Those with the fewest qualifications were the least likely to speak good or fluent English. Many of the Portuguese migrants employed in agriculture, food processing and hospitality had received little education – six years' schooling was the norm. Perhaps inevitably, they were employed in unskilled work, particularly in kitchens or on farms and were dependent on co-workers to translate for them.

Most unskilled migrants were working with a high proportion of other migrants. This limited their interaction with local UK-born people and meant they were not 'integrated' into broader society in the East of England.

Very few migrants had received any on-the-job training, even those migrants for whom it was a statutory obligation (for example in food hygiene and construction safety).

There was also a strong perception that it was getting harder to find work, apart from in the agricultural sector. This applied to those with higher level qualifications as well as lower skilled workers. They felt that the recession was making employers more wary of hiring those with overseas qualifications or those who were felt to be 'different'. More generally, highly-skilled workers identified problems with getting their qualifications and experience recognised by employers in the UK.

> *'Even though I had experience in the health sector, that wasn't relevant here because I didn't have any experience in the NHS. Employers' inflexibility was very frustrating for me. I'm still in contact with the person who gave me my first job because I feel he gave me the chance of my life.'* (Israeli NHS IT specialist, Cambridge)

Summary of key points

- Among almost all of those we interviewed the main pull factors that brought them to the UK and to the East of England were better opportunities for employment and greater earnings than in their countries of origin.
- Personal factors play a larger part in a migrant worker's decision to move elsewhere in the UK, to return home or to migrate to another country.
- The main factors that might limit migration flows into the East of England are changes in employment opportunities and the value of sterling against other currencies.
- Most migrants have positive experiences of life in the East of England, but many still feel insecure, and some have been unable to integrate into wider society.
- Although employment is a major driver of migration to the UK and to the East of England, many migrants are dissatisfied with their working conditions, and have particular concerns about employment agencies.

6. The economic impact of migration in the East of England

In the current economic slowdown it is even more important that the East of England identifies any barriers to growth which might be limiting its economic success. We have examined the experiences of the regional migrant labour force and their contribution particularly in sectors such as manufacturing and public services, but how do migrants contribute to the East of England economy? In this section we look at the role migrants play in the East of England labour market, attempt to provide some insights on their economic impact in the region, and discuss related economic risks and opportunities.

The role of migrant workers in the East of England labour market

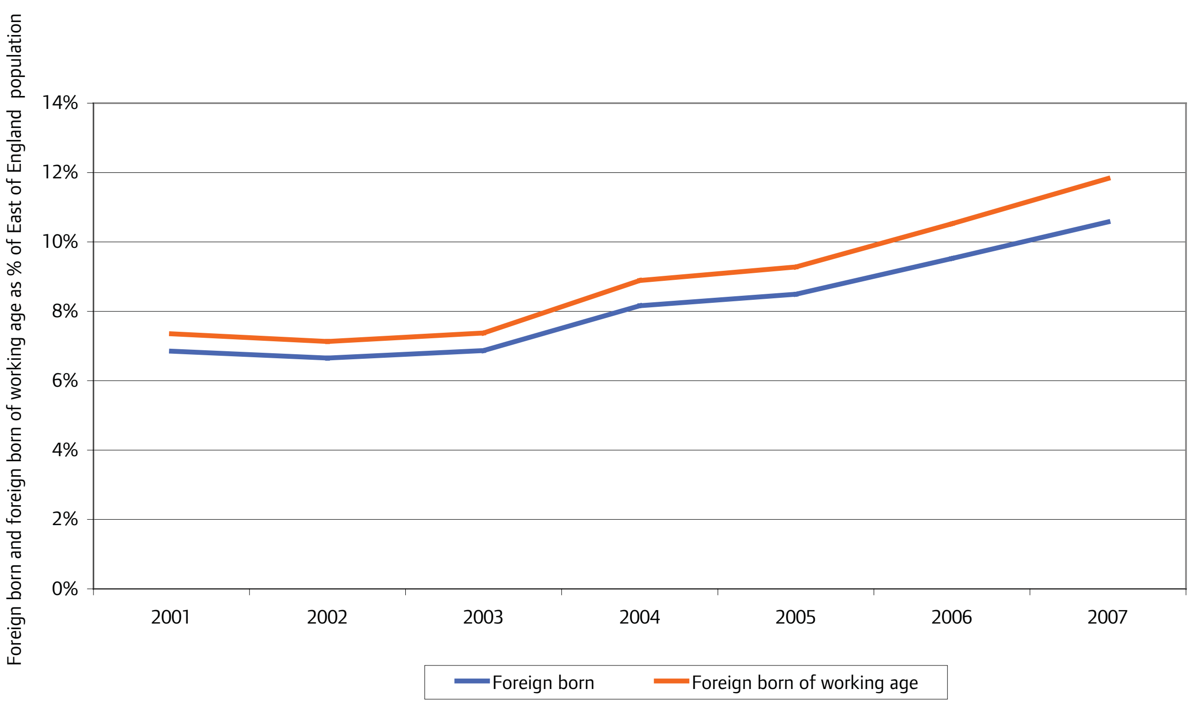
Based on the mapping of the East of England economy and the characteristics of migrant workers in the region described in previous sections, we suggest three main ways in which migrant workers contribute to the East of England labour market:

1. Migrant workers are a key source of labour in the region, and have helped the labour force expand.
2. Migrant workers offset skill gaps found in the region's labour market.
3. Migrant workers perform hard-to-fill jobs that UK-born workers are not willing to perform, and reduce vacancy numbers.

Our findings suggest that some sections of the East of England economy are highly reliant on migrant workers and so if the inflow of migrants decreased, the region's economic performance could be put at significant risk.

Migrants are particularly important to the East of England's workforce given the ageing population of the region. The influx of migrants during the last decade has been mostly

Figure 6.1. Proportion of foreign-born in the East of England population, 2001–2007

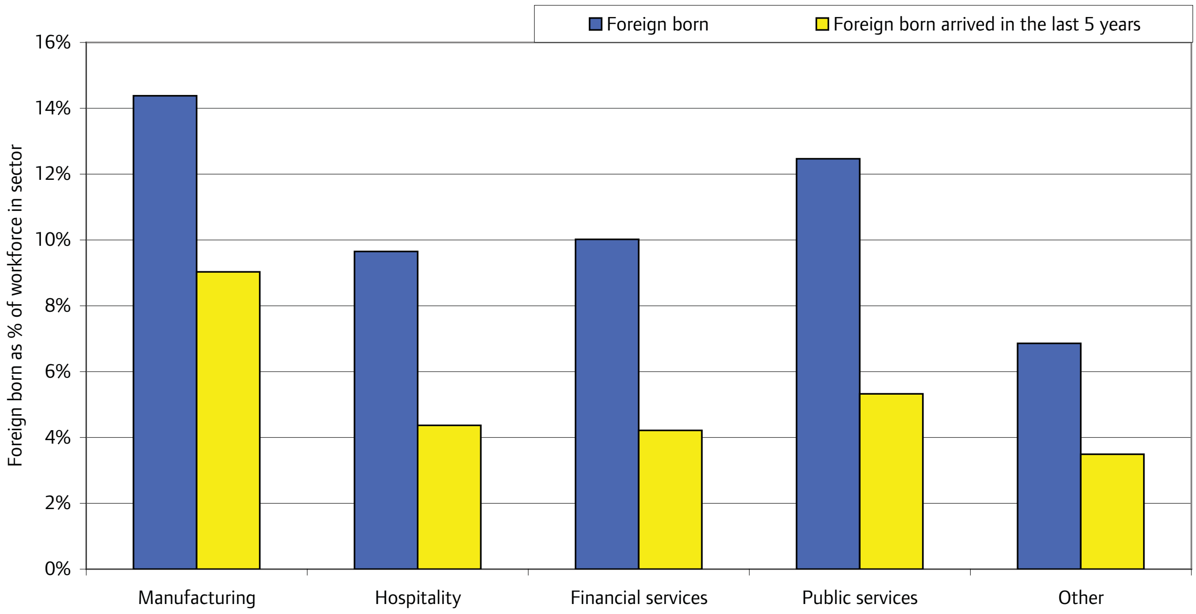


Source: Labour Force Survey and ippr calculations

of migrants of working age. Figure 6.1 shows that migrants have consistently accounted for a higher percentage of the working age population than of the overall population. The high percentage of migrants who are of working age also reduces their impact on public spending, and means that they are often net contributors to the public purse. Recent studies suggest that these migrants are likely to spend money on education and claim few benefits (Legrain 2008). Young migrants are mostly healthy, without dependents, and not entitled to most welfare benefits during their first 12 months in the country.

Migrant workers make up a significant proportion of the workforce in all the main economic sectors in the East of England. According to the Labour Force Survey, foreign-born workers represent over 12 per cent of the total workforce in the region. They are particularly important for sectors such as manufacturing and public services (Figure 6.2). Note that newly arrived migrants represent a significant proportion of manufacturing workers in particular (over 8 per cent). This could indicate that manufacturing is a route of entry into the labour marker for migrants without work experience from the UK.

Figure 6.2. Proportion of foreign-born workers by industry sector in the East of England, 2007



Source: Labour Force Survey and ippr calculations

Migrant workers are particularly important for the agriculture sector in the East of England. Taylor and Rogaly (2004) suggest that the demand for migrant workers in the region has been driven by the upturn in agriculture in the past decade. Migrants are also an important source of temporary and seasonal workers in agriculture. Since employers often cannot afford to keep workers across the year, foreign workers who may be more willing than the UK-born to work on a more temporary basis constitute a valuable source of labour (Anderson *et al* 2006).

The total number of migrant workers in agriculture is hard to estimate, since they are underrepresented in national surveys (see Section 2). However, an approximate figure can be estimated using administrative data such as Worker Registration Scheme (WRS) registrations, which records new EU member state nationals coming to work as employees in the UK after 2004, and National Insurance Number (NiNo) allocations to overseas nationals.

WRS data suggest that newly-arrived migrants in particular play a key role in the East of England agriculture sector. Table 6.1 shows that agriculture is the second largest sector of WRS registrations in the region with 17 per cent of registrations. The East of England seems to be one of the main destinations of newly-arrived new EU member state nationals working in agriculture. As Pollard *et al* (2008) indicate, the region has the second largest number of total WRS registrations in agriculture among all UK regions.

Table 6.1. Worker Registration Scheme registrations in top 10 sectors in Anglia, cumulative May 2004–June 2008

	Total	Percentage
Administration, business and management	57,530	46
Agriculture	21,835	17
Hospitality & catering	13,860	11
Manufacturing	7,020	6
Retail	5,730	5
Health & medical	5,005	4
Transport	3,755	3
Food/fish/meat processing	3,570	3
Construction & land	2,960	2
Entertainment & leisure	1,370	1
Other	3,280	3

Source: Home Office 2008c

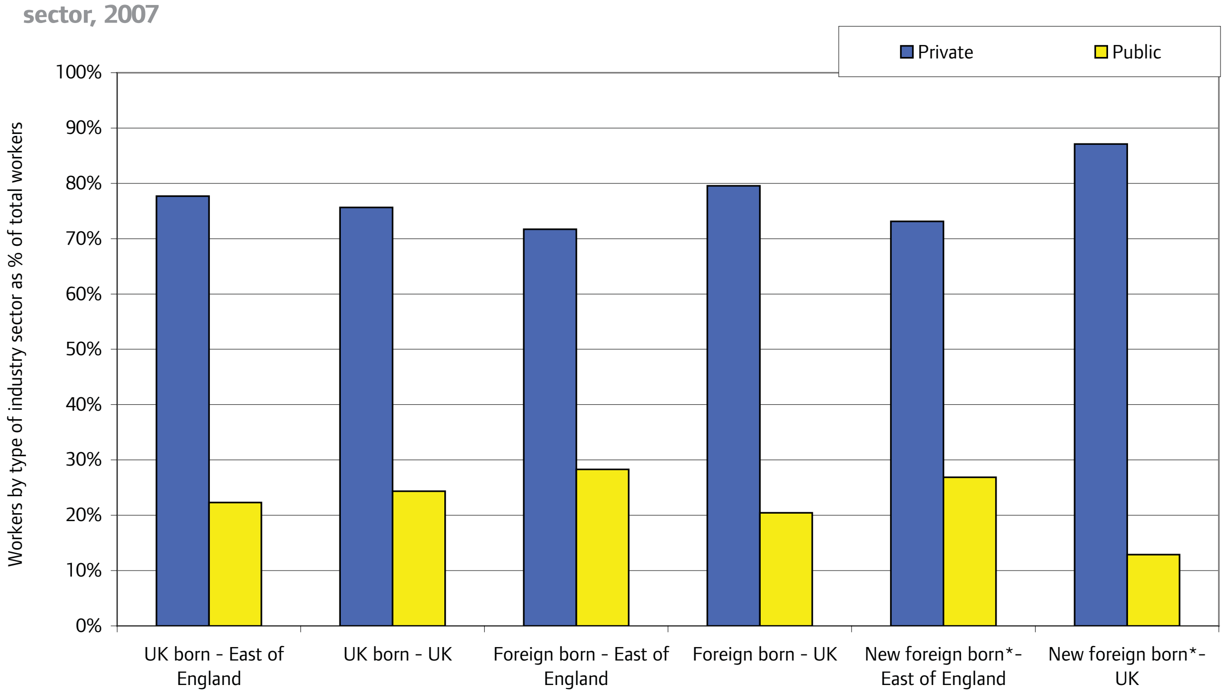
Data on NINo allocations enable us to make a rough estimation of the proportion of migrants in the agriculture workforce in the East of England. The Office for National Statistics (2008) estimates that in 2007 there were about 21,000 agriculture jobs in the East of England. According to the Department for Work and Pensions (2007), there were 12,300 NiNo allocations in the same year in the region for agriculture. This suggests that foreign nationals are filling as many as 50 per cent of agriculture jobs in the East of England.

It is important, though, to note that this figure is only an estimate and should not be taken as an accurate measurement. Figures can misrepresent the actual numbers of migrant workers in the region, since the place where a person registers for a NiNo is not necessarily the place where they end up working. However, it is apparent that migrants account for a very significant proportion of the workforce in agriculture, which makes this sector particularly vulnerable to any reduction in the availability of migrant labour and therefore has implications for the UK’s food security.

The importance of migrant workers in the East of England labour force is also evident in the public sector, where more than 12 per cent of workers are foreign-born. Of the total migrant population in the region, nearly 30 per cent are working in this sector (Figure 6.3, opposite). Interestingly, the proportion is higher than for the rest of the UK, particularly for newly arrived migrants. This finding backs up previous findings on the high level of demand for migrants with specific qualifications in the public services sector, particularly in rural areas.

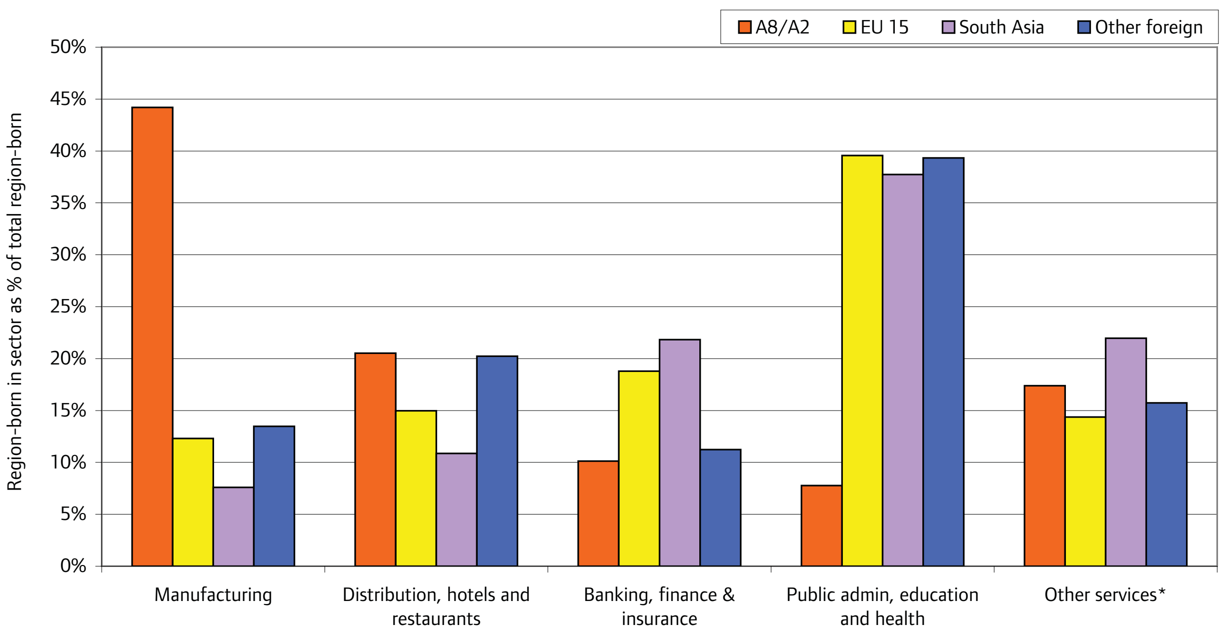
In the East of England, the largest numbers of migrants from the new EU member states are employed in the manufacturing sector (which includes food processing). These Eastern Europeans are also overwhelmingly employed in elementary occupations (Figure 6.4). Migrants from South Asia and Africa are more likely than those from the EU to be employed in the public sector, particularly health and social care (Figure 6.5), and are more likely to be in managerial or professional occupations. This reflects in part the restrictions placed on the migration of low-skilled workers to the UK from outside the EU. It means that any changes in EU migration flows will have the largest impact on the manufacturing industry and employers of low-skilled migrants, while changes in work visa regimes, affecting those from outside the EU, have the potential to impact more on the health and social care sector and on professional/managerial occupations.

Figure 6.3. UK-born and foreign-born workers in the East of England and the UK by type of industry sector, 2007



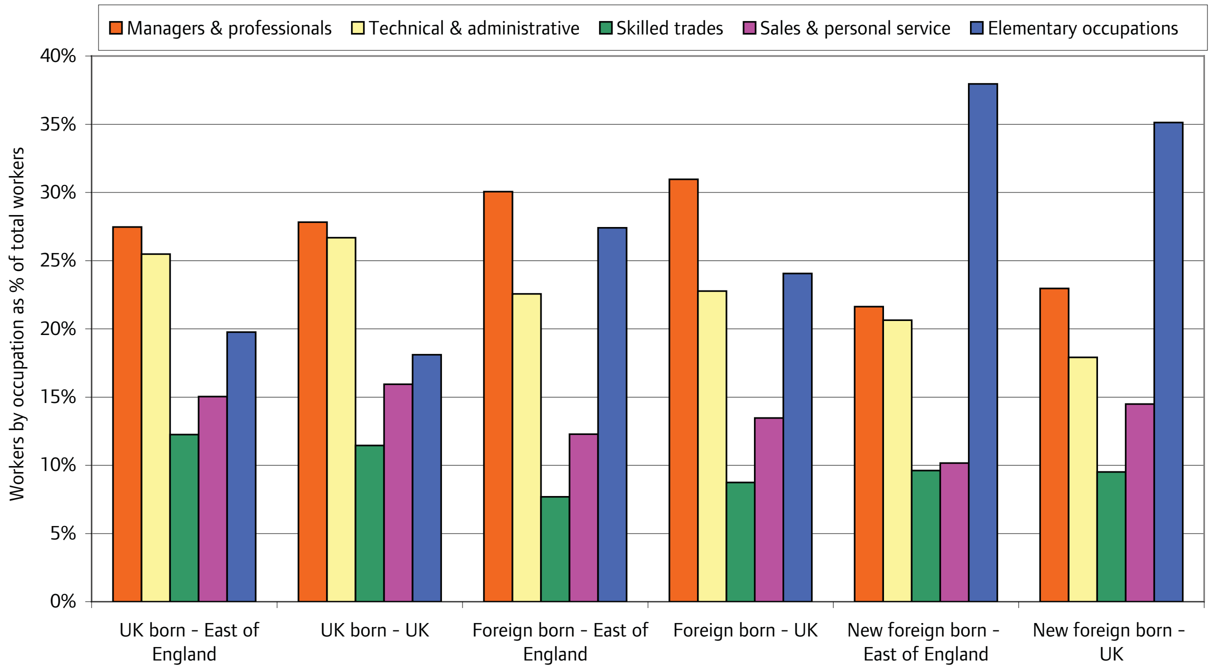
Source: Labour Force Survey and ippr calculations
*Refers to foreign-born arrived in the last five years

Figure 6.4. Foreign-born in the East of England by industry sector and region of origin, 2007



Source: Labour Force Survey and ippr calculations
*Refers to foreign-born arrived in the last five years

Figure 6.5. Migrant population in the East of England by occupation and region of origin, 2007

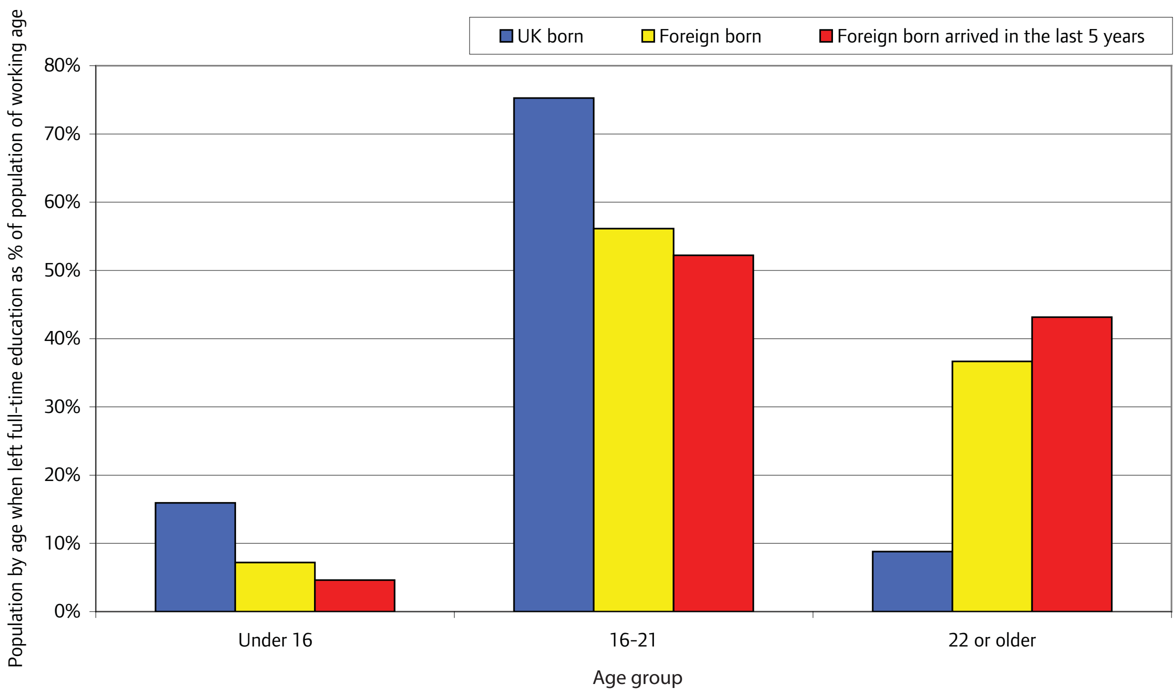


Source: Labour Force Survey

Skills

The lack of skills and qualifications in the East of England labour force has been raised as one of the main factors that could hinder economic growth. As described in Section 3, there are significant skill gaps in the labour force, with clear disparities between districts. The level of education of migrant workers in the East of England suggests that foreign-born workers may be able to fill some of these gaps. As shown in Figure 6.6, migrants have, on average, more years of education than UK-born workers.

Figure 6.6. Population of working age in the East of England by age when left full-time education*, 2007



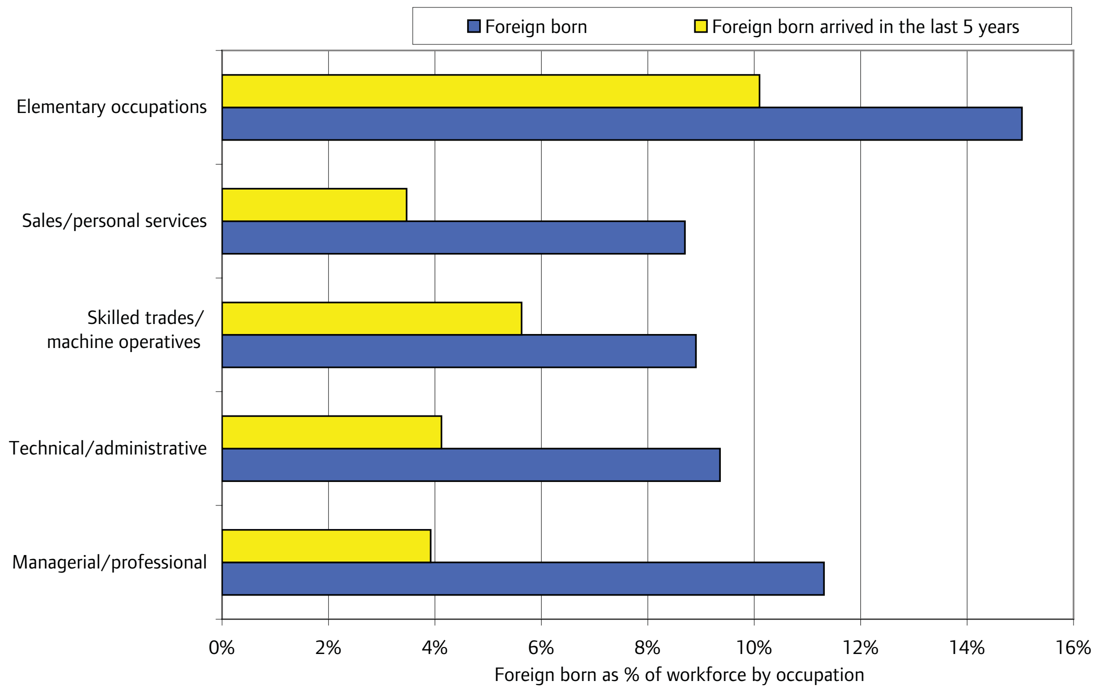
Source: Labour Force Survey and ippr calculations
*Excludes population still in education

Note that it is among newly-arrived migrants that there is the highest proportion of workers who were 22 years or older when they left full-time education. Age is the main factor determining migrants' educational attainment, with younger (and more recent) migrants in general being more highly qualified than older migrants. Schneider and Holman (2005) find that there are clear differences in qualifications and level of English language fluency between older and new migrants, particularly with respect to EU nationals.

Despite the higher level of education of migrants compared with UK-born workers in the East of England, the foreign-born labour force is more important in elementary occupations than other occupational groups. Figure 6.7 shows that migrant workers make up about 15 per cent of workers in these occupations. Newly arrived migrants make up 10 per cent of the elementary occupation workforce and nearly 6 per cent of skilled trades and machine operatives, which is consistent with the high proportion of newly arrived migrants working in manufacturing (see above).

The proportion of migrant workers in managerial and professional occupations is also significant. However, there is evidence of a particular demand for migrants to perform relatively low-skilled jobs within these occupations (Dench *et al* 2006). There is some evidence that migrants are often working below their level of qualification/skills, particularly soon after they arrive in the UK. The potential mismatch between the jobs migrants perform and their level of education could be a limitation for attracting and retaining foreign labour in the region. In particular, elementary occupations might see an increase in hard-to-fill vacancies if the flow of new migrants were to diminish, even if the overall stock of migrant workers remains constant.

Figure 6.7. Proportion of foreign-born by occupation in the East of England, 2007



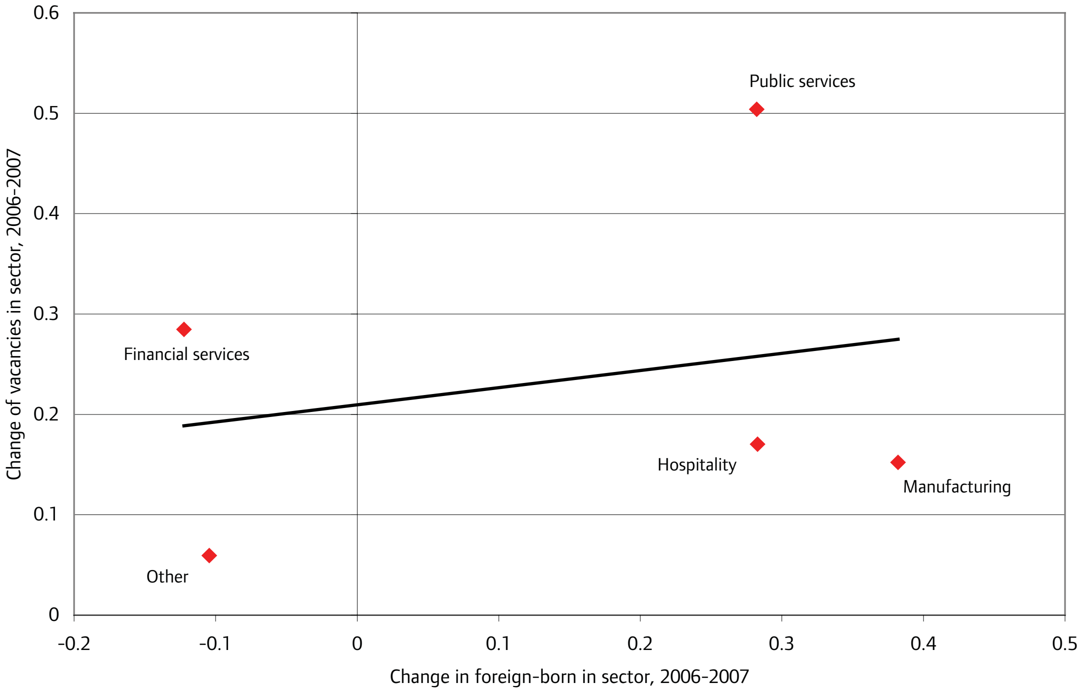
Source: Labour Force Survey and ippr calculations

Migrant workers are also an essential source of labour for construction projects in the East of England, particularly those requiring skilled labour not available in the region. According to Wiles *et al* (2008), there are several current planned construction projects in the area that will lead to considerable demand for additional migrant workers. It is worth noting that the availability of foreign workers in construction in particular may be threatened by external factors such as construction projects in Poland and Ukraine for the UEFA 2012 European football championship, which could tempt Poles and other EU nationals with construction skills to return home.

Vacancies

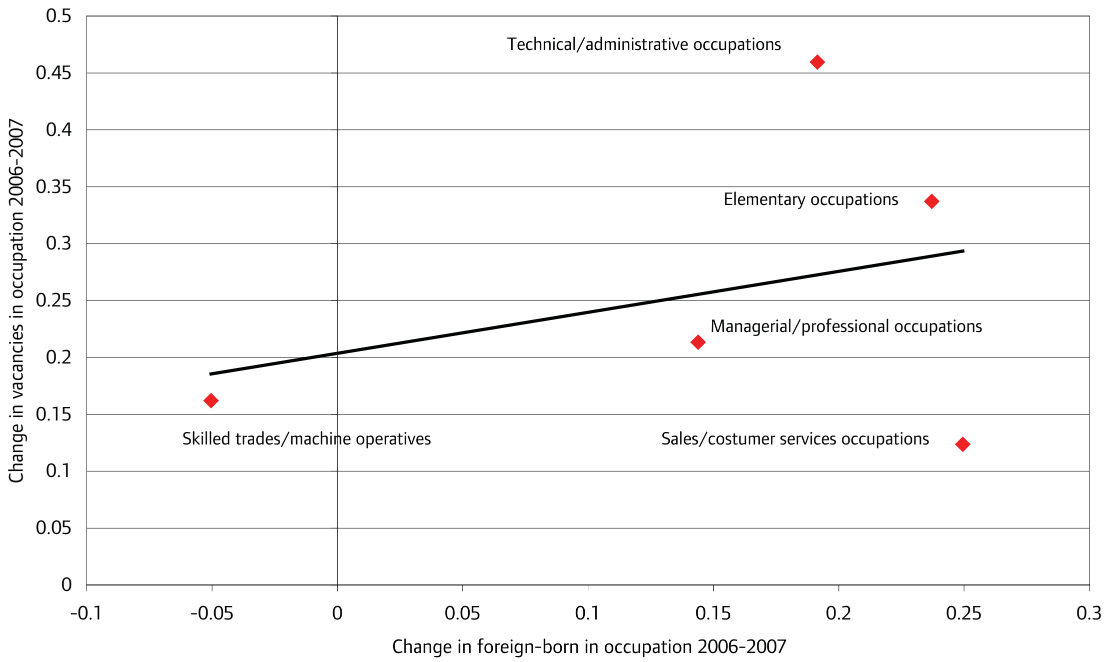
The distribution of migrant workers across industry sectors in the East of England seems to be linked to a particular demand for labour in those sectors. Figure 6.8 shows that there is a positive correlation between annual change in the proportion of foreign-born people in the population and the change in vacancies in sectors. This is particularly true of the public sector, which has seen the highest annual change in vacancies and a significant increase in foreign workers.

Figure 6.8. Vacancies against foreign-born in industry sector in the East of England, 2006–2007 change



Source: Official Labour Market Statistics (NOMIS), Labour Force Survey and ippr calculations

Figure 6.9. Vacancies against foreign-born in occupations in the East of England, 2006–2007 change



Source: Official Labour Market Statistics (NOMIS), Labour Force Survey and ippr calculations

The same positive correlation is found between migrant workers and vacancies in different occupational groups (Figure 6.9). The increase in the proportion of foreign workers in certain occupations has happened alongside rising numbers of vacancies. This is particularly important for occupational groups such as 'technical and administrative' and 'elementary'.

Table 6.2 shows employers give a lack of skills, work experience and motivation among the UK-born workforce as the main reasons why they cannot fill certain jobs. The fact that migrants have higher levels of education means they can fill some of these gaps. Some research also stresses that migrants take jobs that had been historically hard to fill in the region because UK-born workers are not willing to perform them (Lanz and Holland 2007).

Interestingly, transport problems come up as the second reason why some jobs are hard to fill in elementary occupations. In the East of England, many such jobs are in agriculture, often in remote rural areas. If accommodation in these jobs is provided, temporary migrant workers (who seem to be more willing to live at their place of work) can fill this gap.

Table 6.2. Top ten reasons for hard-to-fill vacancies in the East of England, 2008

	Total	Sales/customer services	Technical/ administrative	Elementary occupations
Low no. of applicants with required skills	21%	20%	23%	10%
Lack of work experience company demands	13%	15%	12%	7%
Not enough people interested in doing type of job	12%	9%	11%	10%
Low no. of applicants with required attitude, motivation or personality	9%	10%	12%	10%
Low no. of applicants generally	8%	8%	9%	7%
Lack of qualifications company demands	6%	5%	4%	4%
Remote location/ poor public transport	5%	4%	6%	13%
Poor terms and conditions (e.g. pay) offered	5%	9%	1%	2%
Job entails shift work/ unsociable hours	4%	6%	4%	9%
Other	15%	14%	18%	28%

Source: Learning and Skills Council 2008

Although it is likely that there will be fewer hard-to-fill vacancies in the region during a recession, it is not the case that all these vacancies will be filled by UK-born workers. Even as unemployment rises, some barriers to filling certain vacancies will remain (for example, poor public transport).

Impacts of migration on employment and wages in the East of England

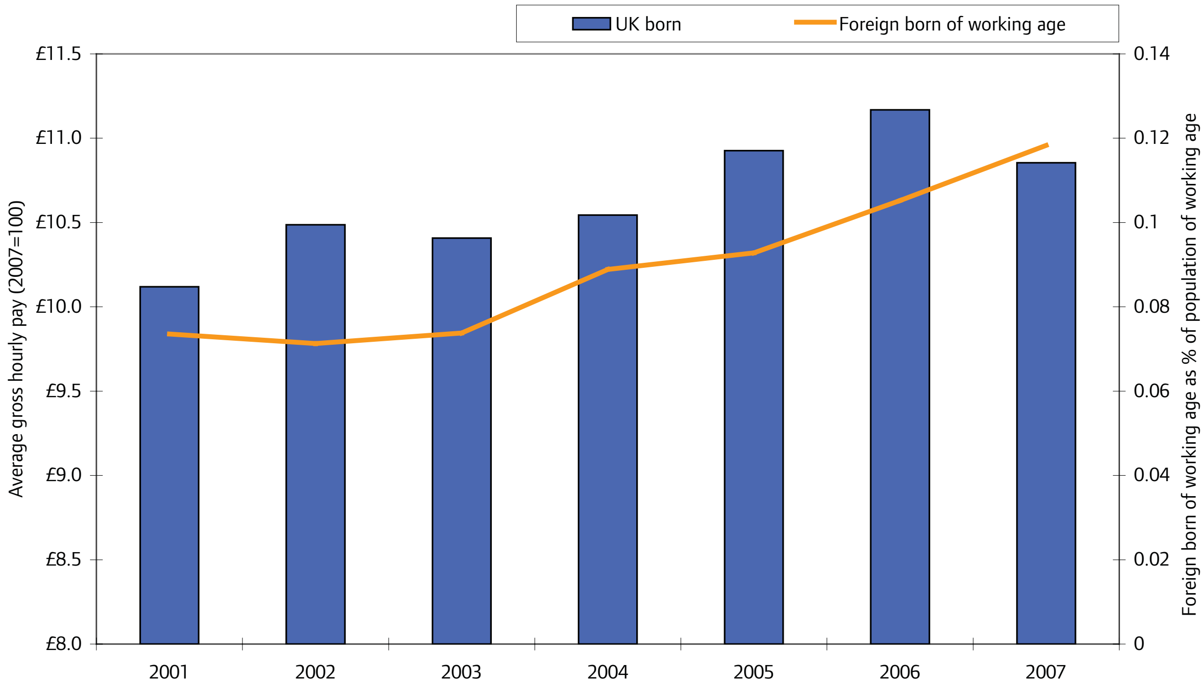
There has often been a negative public discourse on the impact of migrants on the UK labour market, with claims that migrants take jobs from UK-born workers and push down wages. Recent studies of the UK labour market challenge these myths, demonstrating that there is no evidence to suggest that migration has any substantial negative impact on either wages or employment in the UK (see for example Reed and Latorre 2009). In this section we look at the impact of migration on the East of England labour market and productivity.

Wages

Looking at wage levels alongside the proportion of migrant workers in the East of England over time provides a rough estimation of the impact of migration on the regional labour market. Figure 6.10 shows that hourly pay in the East of England for UK-born workers (in real terms) steadily increased from 2003 to 2006 (with a minor decrease in 2007) and this increase occurred during a period when the proportion of foreign-born workers in the labour force increased substantially. In fact, the highest increase in hourly pay took place from 2004 to 2006, when migration flows into the region peaked, particularly East European workers from new accession countries.

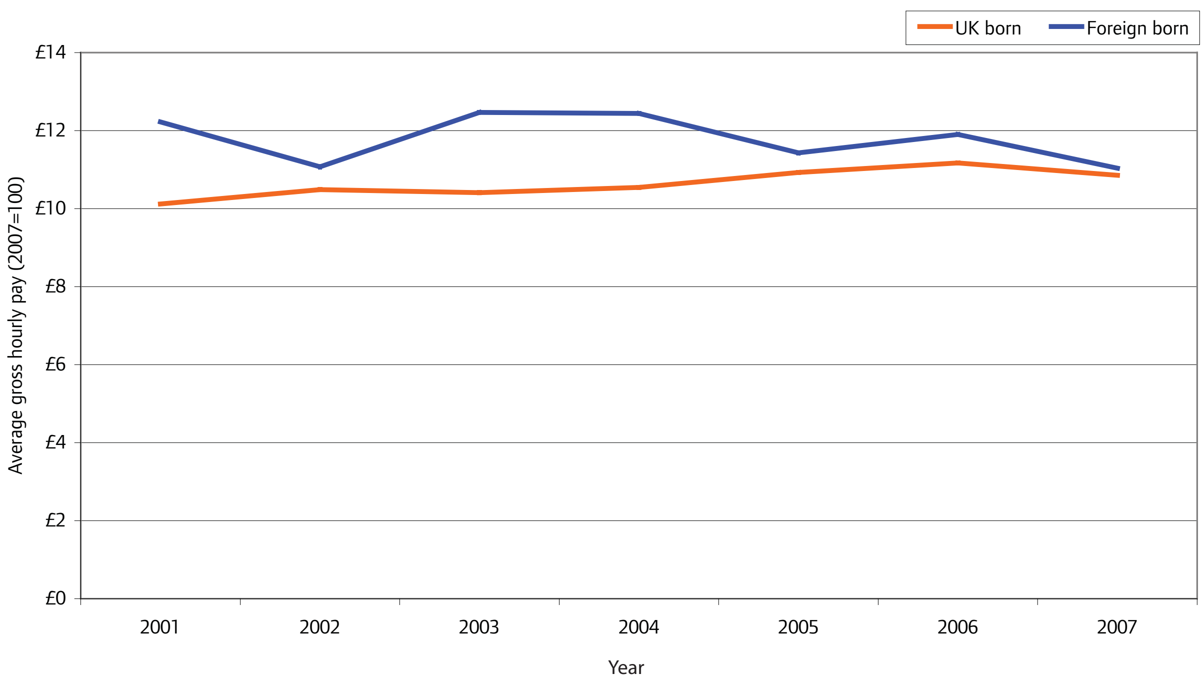
Figure 6.11 shows the hourly pay rates of UK-born workers compared with rates for foreign-born workers since 2001. While wages for the former group have risen steadily,

Figure 6.10. UK-born average gross hourly pay versus percentage of foreign-born in the workforce in the East of England, 2001–2007



Source: Labour Force Survey and ippr calculations

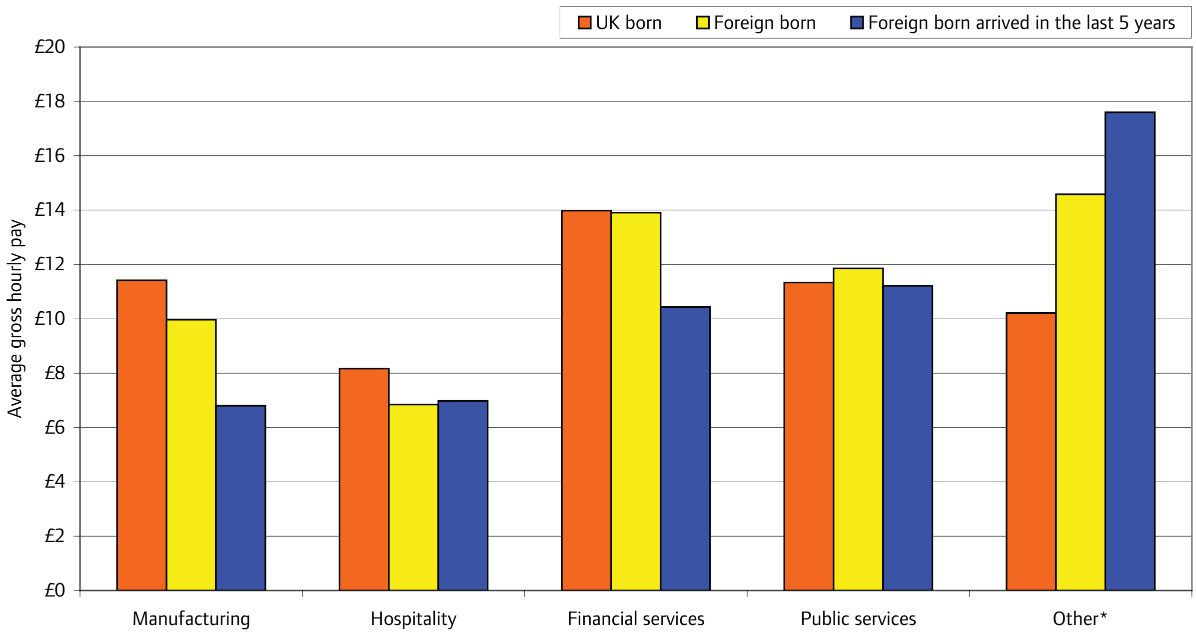
Figure 6.11. Average gross hourly pay in the East of England for UK-born and foreign-born, 2001–2007



Source: Labour Force Survey, Bank of England and ippr calculations pay for the latter has been more volatile. This might suggest that increased migration (particularly from the new EU member states) had some impact on the wages of previous migrants to the region.

It is important to note that foreign-born workers earn on average more than UK-born workers in the East of England. This gap is driven by differences in wages across sectors, and by the higher proportion of migrants with high-level skills, rather than by migrants being paid more within particular sectors or occupations. As shown in Figure 6.12, UK-born workers earn significantly more in low-skilled sectors such as manufacturing and hospitality. In contrast, foreign-born workers earn more or nearly the same in financial services and public services. The sharpest difference between workers is in 'other sectors', which includes transport and communication, construction, energy and mining and other categories. This may suggest that there is a particular demand for highly-skilled migrants in some sectors, probably areas related to high-tech industries. It also supports the idea that migrants may be filling skills gaps in sectors such as construction.

Figure 6.12. Average gross hourly pay in the East of England by industry sector, 2007



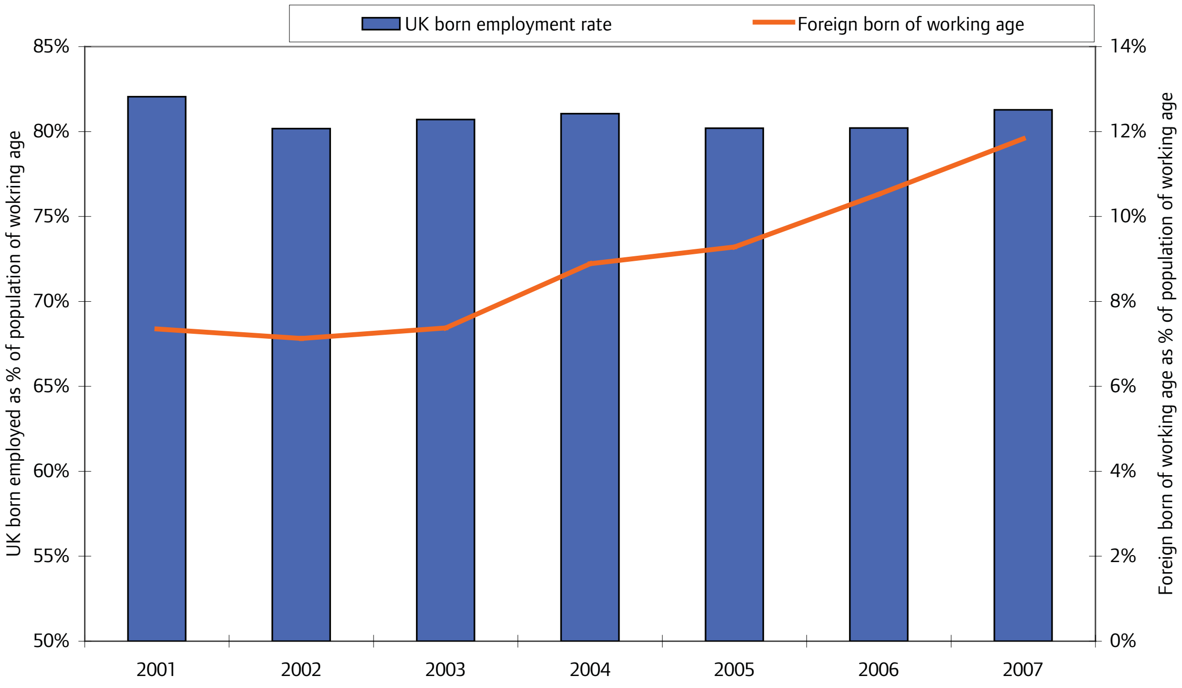
Source: Labour Force Survey and ippr calculations

*Includes construction, transport and communication and other services

Impact of migration on employment levels

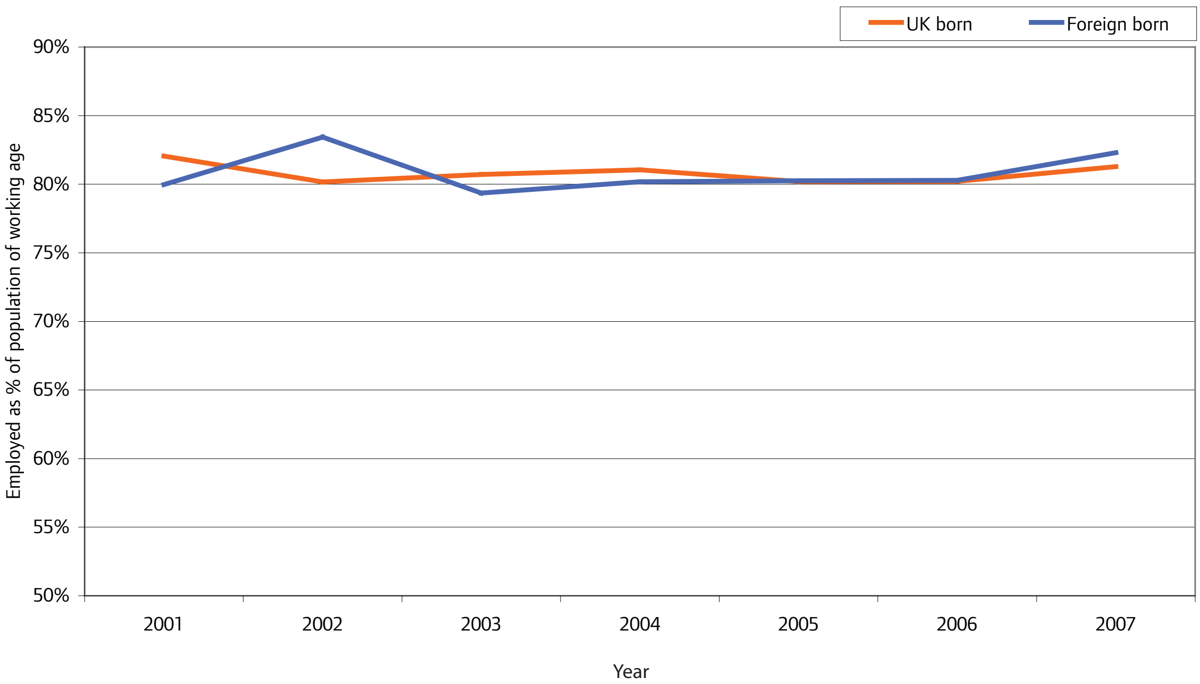
Following the previous analysis on wages, we use the same approach to consider the effect of migration on the level of employment in the region. Figure 6.13, next page, shows that the UK-born employment rate in the East of England has remained constant at around 80 per cent since 2001, despite the proportion of migrant workers in the region's workforce increasing. Furthermore, employment rates of UK-born and migrant workers have remained similar and barely fluctuated during the period (Figure 6.14). This bears out findings at the national level that migration has not led to an increase in unemployment.

Figure 6.13. UK-born employment rate versus percentage of foreign-born in the workforce in the East of England, 2001–2007



Source: Labour Force Survey and ippr calculations

Figure 6.14. Employment rate in the East of England for UK-born and foreign-born workers, 2001–2007



Source: Labour Force Survey and ippr calculations

Wider economic impacts: migration and productivity in the East of England

So far, we have focused on the role and impacts of migrants in the East of England labour market. However, migrants have a much wider impact on the regional economy, because as well as being workers, they are consumers, investors, entrepreneurs and innovators. They have contributed to population growth and helped the regional economy expand. They have also had an impact on the productivity of the East of England.

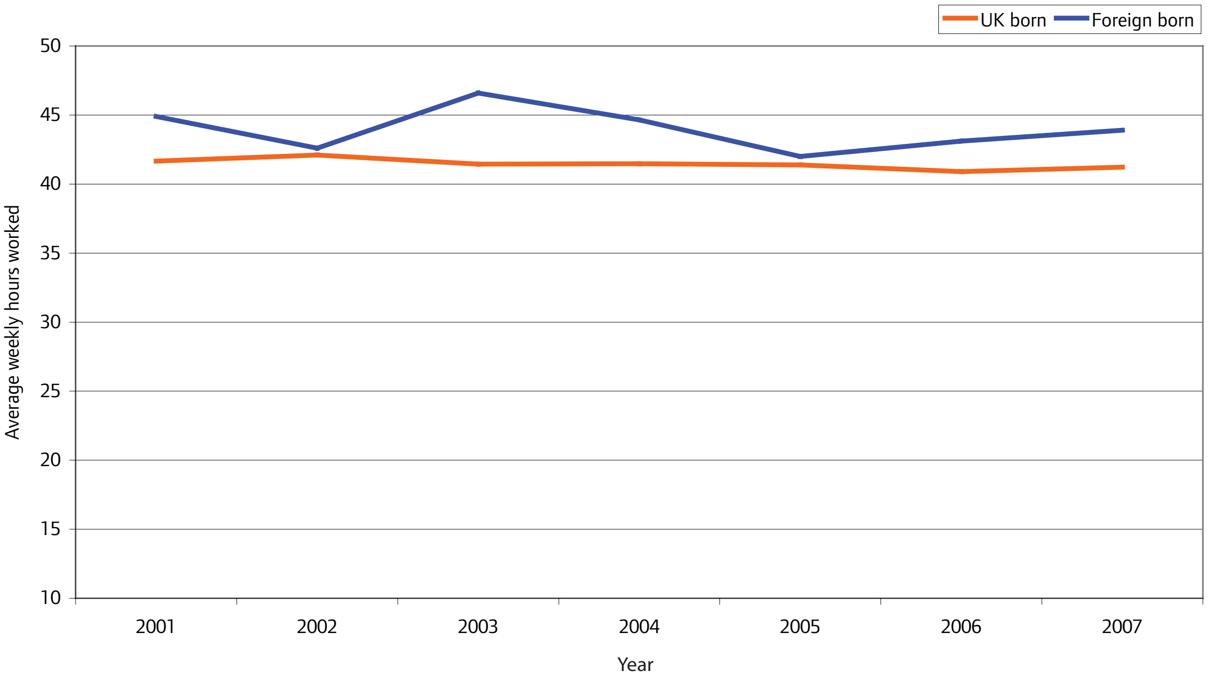
The Government's model of productivity identifies five key drivers of productivity:

- Skills
- Investment
- Entrepreneurship and enterprise
- Competition
- Innovation.
  (HM Treasury and Department of Trade and Industry 2001)

We have already seen that migrants tend to be more highly qualified than UK-born workers in the East of England, and may fill specific skills gaps. In general, we would expect more qualified and skilled workers to have higher productivity and wages, which would suggest that foreign-born workers are increasing the productivity of the region. Foreign-born workers also work more hours per week on average than UK-born workers (Figure 6.15).

Migration has impacts on investment, although this area is relatively under-researched and hard to quantify. Migrants may be investors themselves if they bring capital with them into the economy. Migration can also affect investment by changing the balance of labour available in the economy. This is one area where it is sometimes suggested that migrants may have a negative economic impact in the long term. If migration makes available a ready supply of low-cost labour, firms may continue to use low-capital, low-productivity models of production which would otherwise be abandoned, the so-called

Figure 6.15. Average weekly hours worked in the East of England for UK-born and foreign-born workers, 2001–2007



Source: Labour Force Survey and ippr calculations

'low-skill equilibrium'. This may limit investment and productivity in the economy in the medium to long term – labour shortages can drive innovation and investment. There is some evidence that this may occur in the UK (Nathan 2008).

However, other research suggests that economic theory probably overstates the extent to which technology can replace people (for example, Rowthorne 1999). In the short term at least, many businesses do not face a choice between labour and investment. Firms may not have access to capital for investment (particularly in the current economic climate), and may also face competition from overseas that makes alternative production models uncompetitive.

Innovation and entrepreneurship are two of the main priorities identified by the East of England Development Agency (2007) to promote economic growth in the region. Migrants play an important role in innovation in the region. For example, migrant science and engineering PhD students support the region's high-tech businesses and the capacity to generate new and innovation-based companies (Library House 2007). Migrants are also often entrepreneurial. Seven per cent of the self-employed in the East of England are foreign-born and 9 per cent of the region's foreign workers are self-employed (compared with 14 per cent of UK-born workers in the region). Entrepreneurialism among migrants increases competition in the regional economy, which should also help to increase productivity.

Summary of key points

- Migrants to the East of England are largely of working age and make up 12 per cent of the region's labour force.
- In agriculture, up to 50 per cent of the labour force are migrants, particularly East Europeans, doing seasonal work, often in remote locations and occupying hard-to-fill vacancies.
- EU migrants are also an important part of the manufacturing sector, particularly in elementary occupations in industries such as food production.
- Asian- and African-born migrants are employed in large numbers in the public sector, particularly in health and social care.
- Foreign-born people in the region have higher levels of educational attainment than British-born workers, but they are not always employed to their full potential. This offers the possibility of migrants moving up into more highly skilled professions if vacancies need to be filled.
- There is a strong link between sectors with high levels of vacancies and increases in migrant employment.
- Wage levels and employment have increased in the East of England in recent years, at the same time as migration has increased. There is no evidence that migrants are causing unemployment for UK-born workers or pushing down wages.

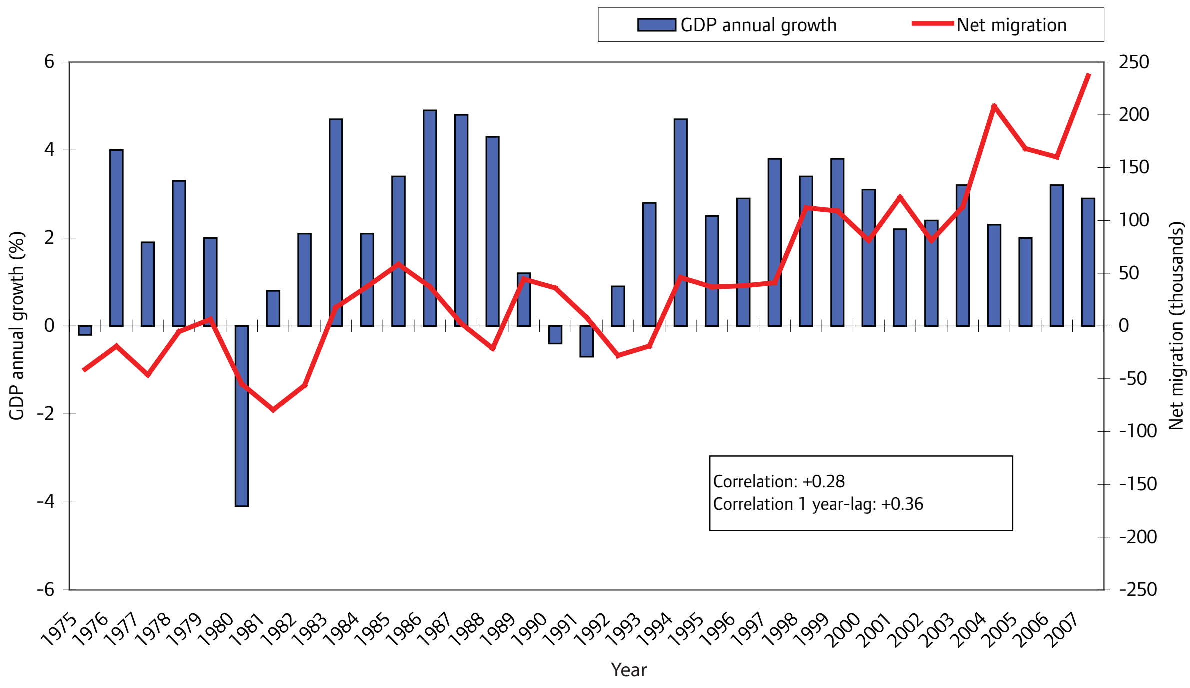
7. The impact of recession on migration and the East of England

With the UK now in recession, it is possible that net migration flows will slow, or even reverse, with implications for the East of England. It is too soon to say yet whether this is happening, but below we analyse data from late 2008 and draw lessons from previous recessions.

The impact of recession on migration flows

Historically, migration to the UK has decreased during economic downturns, and the UK has seen net emigration over the last two recessions. A simple correlation between rates of economic growth and net migration suggests that the two are strongly positively correlated. When economic growth slows, emigration tends to increase and immigration tends to decrease (Figure 7.1).

Figure 7.1. Economic growth and net migration to the UK, 1975–2007



Source: Bank of England, International Passenger Survey and ippr calculations

However, we should be cautious about drawing lessons from previous recessions. Migration patterns in the UK have changed significantly since the last recession in the early nineties and the current economic crisis is also of a different, more global nature, affecting migrants' countries of origin as well as the UK. To the extent that migrants' decisions are based on relative economic opportunity, the global nature of the downturn might be expected to reduce the impact of recession on migration patterns, as the recession impacts on migrants' home countries and other possible destinations.

The most recent data available for migration to the UK is from the third quarter of 2008, when the economy was starting to weaken, but before the full impact of the financial crisis tipped the country into recession. However, even this early data suggest a decline in the number of immigrants arriving in the UK. Nationally, new registrations with the Worker Registration Scheme (WRS) declined by almost 40 per cent between the third quarter of 2007 and the third quarter of 2008, and by more than 20 per cent between the second and third quarters of 2008. Migration from the new EU member states to the East of England declined at about the same rate – by 36 per cent and 22 per cent respectively over the same periods, although re-registrations (by those changing jobs, or returning to the UK) with the WRS did not decrease. Although WRS data provides an incomplete picture of the impact of the current recession on migration to the East of England, a reduction in migration from Eastern Europe seems likely.

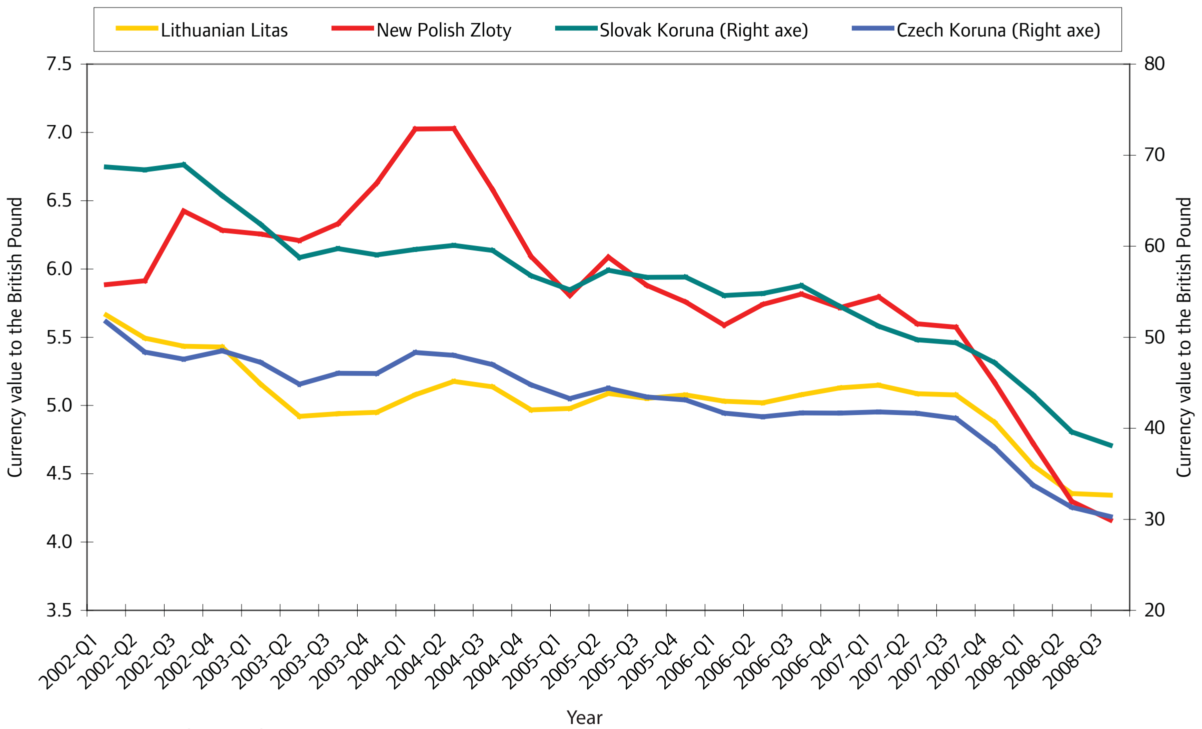
There are reasons to believe that net migration to the UK may respond more quickly to economic conditions than it has in the past. The East of England might also experience a faster 'migration response' to recession than other parts of the UK due to the characteristics of migrants in the region (many of whom are recently arrived and/or from the EU).

The numbers of new arrivals from EU countries might decline more quickly than from other countries. First, wage differentials between the UK and the new member states are less than the differentials between the UK and countries such as China and India. Second, EU nationals do not risk losing a hard-won work visa if they return to their home country, so may chose to return home in a recession knowing that the option of re-migration to the UK remains. Visits home to test the water are easy and cheap for European migrants. This has implications for the East of England, which relies more heavily on migrants from new EU member states than do other UK regions.

Among all migrant groups, recent arrivals are also more likely to return home (or move somewhere else) than migrants who have been settled in the UK for longer. Many migrants in the UK have arrived in the last five years, something which is particularly true in the East of England. It seems likely that new arrivals (from Eastern Europe and from other countries) will be more responsive to the economic climate than migrants who are longer settled.

Migration to the UK during the recession may also be affected by the weakening of the pound. As Figure 7.2 shows, sterling has declined against key currencies in the new EU

Figure 7.2. Sterling exchange rate with key new EU currencies, 2001–2008



Source: Eurostat and ippr calcuations

member states since 2001 (with a sharp decline in 2008), which has reduced the value of migrants' remittances. This may reduce incentives to migrate to the UK, and/or increase incentives to return home.

Whether a downward trend in new arrivals will be accentuated by increased rates of return by migrants (or onward migration) remains to be seen. Our qualitative research suggested that the recession was unlikely to have a major impact on emigration flows from the East of England among migrants who were entitled to UK welfare benefits in the UK. They saw their home countries, as well as the currencies in their home countries, as being more vulnerable at the time of a recession. Many people also stated that migrants who returned home at the time of a global recession – unless they were returning to a job – were more likely to find themselves unemployed than those who had stayed. For those migrants who were eligible to claim benefits, the fact that benefits are higher in the UK than in most Eastern European countries, as well as middle income states, was a significant consideration in decisions over returning (along with possible ineligibility for benefits at home due to absence from the labour market).

> *'I feel much more comfortable to be here in the case of a bad economic situation, rather than Israel, because in Israel it will be much harder because the recession will be global.'* (Highly skilled migrant, Cambridge)
>
> *'Recession is everywhere. It's still much better to stay here rather than going back to Portugal because recession is happening there too.'* (Hospitality sector worker, Peterborough)

Although we do not expect to see a 'mass exodus' of migrants from the East of England, the normal 'turnover' of migrants, especially from the EU, will mean that a reduced number of arrivals translates into a decline in the stock of foreign-born workers fairly rapidly. That said, we suggest that migrant populations in the East of England are likely to be maintained at levels required for most businesses. Given that many migrants from the EU's new member states (a group more likely than most to diminish in size) are employed in elementary occupations, there is also scope for substituting unemployed UK-born workers into their jobs. However, some jobs in the region, such as seasonal agricultural jobs, are likely to remain unattractive to UK-born workers even during a recession.

Some sectors, including intensive agriculture and the high-tech sector, are at higher risk and might face more labour or skill shortages in the future if migration flows to the UK and/or to the East of England decline during a recession.

Impacts of recession on migrants

Although we might expect the number of migrants coming to the UK and to the East of England to decline during a recession, many migrants will remain, as indicated above, so it is important to consider the impacts of recession on them. Evidence from previous recessions and from other countries suggests that migrants' employment prospects may be more seriously affected by recession than those of native workers, as their employment rates are more strongly cyclical (Dustmann *et al* 2005). This problem is exacerbated by the fact that students and work visa migrants are not eligible for state unemployment benefits, and migrants may also lack the family and community support structures available to UK-born workers. Lack of access to benefits makes finding work more urgent for migrants than for other workers, which may make them vulnerable to exploitative working conditions, or lead them to accept lower wages than native workers, a finding borne out in our field research.

On the other hand, migrants may be more flexible (in terms of location and type of work) than UK-born workers, which may help them to avoid unemployment during a recession. The very vulnerability of migrants may also mean that they have more incentives than UK-born workers to look for and retain work during a recession (migrant employment rates tend to be higher than for the UK-born population in any case).

As already noted, many migrants in the East of England are employed in elementary occupations with low wages. This group may be particularly vulnerable during a recession, and have fewer resources available to deal with unemployment than other workers.

More optimistically, migrants in the East of England have tended to work in sectors with high vacancy rates, and have often filled specific skills gaps. This may make them less vulnerable to unemployment during a recession (depending on the relative impact of recession on different sectors).

Economic impacts of migration during recession

The underlying economic arguments for migration do not change during a recession – both migrants and host regions/countries can continue to benefit. By making the supply of labour more flexible, migration could help to counter the negative impacts of recession, particularly in the short term.

Although the demand for net inward migration may decline, it should not be assumed that policies aimed at reducing migration during a recession would be a good thing for the host country or region. An analogy with trade is useful here – protectionist measures to reduce imports during recessions tend to worsen economic conditions, as demonstrated by the impact of 'beggar thy neighbour' policies during the 1930s. In fact, migration may be essential to lessening the impacts of recession and speeding up recovery.

First, skills gaps are likely to persist during recession. Although total employment may decline, this will not be true in all sectors, and the time lags associated with re-training mean that skills gaps can exist even alongside increasing unemployment. We might expect some of the skills gaps that exist in the East of England – for example, for highly-skilled high-tech workers – to persist even during recession. The East of England will need to continue to compete for these highly skilled workers. In fact, the region may need to redouble its efforts to attract such migrants during a recession when people may be more reluctant to move.

Second, some hard-to-fill vacancies may remain hard to fill during a recession. Even low-skilled jobs may remain vacant if they are in inaccessible locations, or if they are otherwise unsuitable for those who become unemployed during a recession. Many seasonal agricultural jobs in the East of England, for example, might be unsuited to the needs of UK-born workers who are unemployed (for reasons of accessibility, for instance) – migrant workers with more flexibility about where they live and the hours they work may continue to be an essential part of the regional economy.

In recession, firms will face many challenges. In some respects, in difficult economic times it is even more important that they be able to access the skills and the labour they need in a flexible and timely way if they are to succeed. It is worth noting that the current economic conditions have significantly restricted firms' access to capital for investment. This makes the argument that the availability of cheap labour creates a 'low-skill equilibrium' less credible – many firms do not have the option to invest in capital.

Summary of key points

- It is too soon to predict with any degree of certainty the effect of recession on migration flows and migrant stock in the East of England, although the arrival of new migrants from Europe has already started to decline.
- Migrants may be particularly vulnerable to unemployment or low wages during a recession.
- Migrants will continue to be an important part of the regional economy during a recession, even if the rate of arrival slows down and the migrant population decreases in size.
- The East of England will need to continue to attract migrants, in particular to fill skills gaps and hard-to-fill vacancies in order to lessen the impact of recession and speed economic recovery.

8. Future scenarios: changing migration flows and economic risk

The proportion of migrant workers employed in the East of England has increased over the last 10 years, particularly since 2004 when 10 new states joined the EU. Some sectors (for example, intensive agriculture) have become particularly dependent on migrant labour, but all sectors in the region employ migrants. Changing migration patterns will therefore have significant implications (and possible risks) for the East of England economy.

Underlying drivers of migration to the East of England

The main drivers of recent international migration to the East of England comprise:

- A diminishing UK-born workforce, as a result of demographic change and alternative employment opportunities elsewhere in the UK.
- A strong economy and an expansion in some key sectors in the region – including intensive agriculture, social care and the high-tech sector – leading to a greater demand for particular types of labour and skills.
- The continued demand for migrant workers in London alongside the high cost of housing in the capital, which has led to a 'suburbanisation' of migrants into regions including the East of England.
- The expansion of the EU, and the decision of the UK to provide open access to its labour markets for migrants from new EU member states before other EU countries.
- The high value of sterling in relation to other currencies.

Although it seems likely that both the demand for and supply of migrant labour in the UK, including the East of England, will decline during the current recession, there are also reasons to believe that the underlying demand for migrant workers in the East of England will be maintained in the medium to long term. Key sectors of the regional economy have become dependent on migrant workers, and although measures to train UK workers and bring the unemployed or inactive back into work have some potential to fill labour and skills gaps, migrant workers will remain important in these sectors in the future.

The key migration-related risk to the East of England economy is therefore that too few migrants (or too few migrants with the right skills) come to the region in the future. As suggested in Section 7 above, migration to the UK and to the East of England looks likely to decline during the current recession. UK migration policy has also tightened in recent years and the full impact of that may not have yet been felt.

However, we expect the 'stock' of migrants in the region to be maintained at the levels needed for most businesses, at least in the short term. This said, there are real risks even in the short term for some sectors, and in the medium to long term there are risks that could affect the wider regional economy. This section explores these risks and analyses which should be of most concern to policymakers and businesses.

Policy-related risk and uncertainty

The closing of the Seasonal Agricultural Workers Scheme (SAWS) to non-EU nationals has already caused some disruptive change in the UK's intensive agriculture sector. There is a **high** likelihood this will continue, as the political climate means that government is unlikely to take the decision to open up SAWS to non-EU nationals. There is a high likelihood that further expansion in this sector will be limited by the unavailability of labour. It is unlikely that unemployed UK-born workers will be able to substitute for migrant workers, as the UK-born unemployed may be less willing to take low-paid seasonal work or to move long distances across the UK to work in the remote Fens.

There is a **medium** risk that the city of Cambridge will continue to struggle to recruit sufficient numbers of highly skilled migrants to guarantee its place as Europe's leading high-tech centre. Overseas students have filled a proportion of vacancies in the high-tech sectors, but the new student visa regime may put off some potential recruits who will have to show the availability of nearly £10,000 up front, plus fees and £535 per month per dependent. There are also significant concerns from the high-tech sector that the new Tier One and Tier Two schemes for high-skilled workers will prove insufficiently flexible to meet the needs of this rapidly changing sector, particularly in times of economic uncertainty.

There is a **low to medium** risk that the care sector will face increasing problems recruiting care workers in the future if senior care workers are removed from the Tier Two work permit system in March 2009. This risk may be increased if growing UK unemployment causes the Government to feel it needs to take action on immigration, although labour shortages and skills gaps in the care sector are likely to persist even as UK unemployment grows.

In the medium term, there is a **medium** risk that the East of England will suffer a generalised shortage of migrants from new EU member states as other EU countries (in particular Germany) remove restrictions that currently limit the access of workers from accession countries to their labour markets. This would be particularly damaging to sectors that employ a large number of migrants in elementary occupations, such as manufacturing, since many of these roles are currently filled by workers from new EU member states. This risk will be higher if sterling continues to be weak relative to the Euro.

Economic risk and uncertainty

As discussed in Section 7 above, it is likely that there will be a decline in the number of new arrivals coming to the UK and to the East of England during the recession, particularly if sterling remains relatively weak. This reduction in migration may persist even as the economy recovers.

In the short term there is a **low** risk that sectors such as food processing, construction and hospitality will experience labour shortages due to decreasing flows of migrant workers, as the economic downturn will result in an overall decrease in demand for workers in these sectors. Unemployed UK workers may substitute for migrant workers, and many migrants already in the region will stay. This said, there is a **medium** risk of specific skills shortages in some sectors (such as construction) as the stock of migrants in the region declines during a recession and UK-born workers are unable to be trained in time.

An economic upturn is likely to change this situation, and in the medium to long term there is a **medium to high** risk of increased unmet demand for migrant workers in sectors such as food processing, construction and hospitality. This demand will be more acute and will have greater potential to be disruptive if the up-skilling of UK workers is not sustained.

Political risk and uncertainty

There remains a risk, which may be increased in the run-up to a general election and during the recession, that negative public attitudes to migration will further convince politicians of the need to tighten migration policy. Our research shows that negative perceptions of migrants among the host population are feeding through to migrants themselves. Increasing the hurdles faced by migrants in obtaining visas, moving towards settlement and citizenship, and obtaining full rights (including family reunion) plays into this negative narrative. There is a low to medium risk that this will deter migrants from coming to the UK, particularly high-skilled migrants who have other destination options.

9. Conclusions and recommendations

Our research has shown that migrants play an important role in the labour market of the East of England, and have had a positive impact on the regional economy. Some sectors and occupations are particularly dependent on migrant workers. Demand for migrant workers is likely to decline during a recession, and the inflow of new migrants is also expected to diminish. However, the East of England will still need migrants during a recession, particularly in some sectors that are likely to see persistent skills gaps or hard-to-fill vacancies. Migration policy needs to be flexible to respond to changing economic conditions. In particular, programmes like the points-based system need to be *anticipating* potentially negative changes to migratory patterns, not just responding to them. It is important that the regional picture reaches national government, in order for this to happen.

The expansion of the high-tech sector located around Cambridge and Norwich may be compromised through a lack of skilled workers. Intensive agriculture, although it employs a small proportion of the total workforce in the East of England, is key to the prosperity of the Fens and is heavily reliant on migrant workers. The region's agriculture sector is also crucial to the UK's food security. The health and social care sector may also be vulnerable if insufficient numbers of workers are available to meet the long-term growth in needs.

Section 8 above has set out a range of migration-related risks to the economy of the East of England, driven by policy, economic change and the political climate. It may appear that these risks are outside the control of regional and local policymakers, but our research suggests a range of measures that could help to counter these risks.

Recommendations for maximising the benefits of migration in the East of England

Responding to regional economic needs

Regional partners in the East of England should continue to work with other regions and central government in order that policies like the points-based system can adapt in response to the changing economic needs of different sectors and regions.

- The regional migrant worker steering group should ensure that regional evidence is submitted to the Migration Advisory Committee (MAC), and the MAC and the Government should explore ways of ensuring that the varied economic needs of different regions can be met as the points-based migration system develops.
- In particular, the East of England should ensure that evidence on the needs of the high-tech sector are submitted to the MAC, and work with the Government to ensure that they are reflected in future decisions about Tier One, Tier Two and Tier Four.
- In addition, the strategic importance of the Fens in producing the UK's food supplies should inform future decisions about the Seasonal Agricultural Workers Scheme (SAWS) and Tier Three.
- There will likely be an ongoing need for entry routes open to low-skilled workers. Tier Three should be opened (including to non-EU workers), and the specific needs of the agriculture sector that are currently recognised through SAWS should be reflected in any shortage list.
- The Government could consider setting up bilateral agreements with developing countries to create a managed supply of agricultural labour while also providing economic benefits for sending nations as a means of addressing global poverty.

Measures to ensure that migrants make the maximum economic and social contribution to the UK and to the regions where they live can have significant impacts on outcomes. Our research has also shown that, while economic factors are key in driving migrants' initial decisions to come to the UK, a range of other factors influence where in the UK they settle, and how long they stay. Policy at the regional and local level can be very important in influencing these decisions.

Maximising the use of migrants' skills

More could be done to better utilise the skills of migrants already in the UK. Our research shows that the skills of many migrants are under-utilised, and some migrant groups (such as refugees), despite qualifications, experience high levels of unemployment.

- More widespread recognition of non-UK qualifications and better provision of ESOL (English for Speakers of Other Languages) would help migrants make the most of their skills to contribute to the East of England economy.
- This must happen alongside improved training for UK-born workers in the region, to ensure that they can access high-quality employment both during and after the current recession.

Working together in the East of England

- Policymakers, employers and trades unions in the East of England need to work together to manage migration during the recession, and ensure that tensions around migration do not damage the region's economy.
- Regional actors should work with migrant organisations to tackle prejudice about the employability of refugees (and other migrants) and provide more opportunities for work for vulnerable groups, particularly during a recession.
- The region could draw on best practice around the country to utilise the qualifications, skills and personal motivation of these groups in order to increase their economic contribution.
- Policymakers should also consider how they can work with employers, trades unions and employment agencies to improve the quality of work and working conditions for both UK-born workers and migrants in the East of England.

Access to housing

- Policymakers need to ensure that migrants can access adequate and affordable rental accommodation. Relative affordability in the region has helped to draw in migrants but housing remains a problem (for migrants and for UK-born workers) in some, particularly rural, areas.

Addressing the rhetoric

Finally, there is a need to tell a more positive migration story. Any negative messages about migration have real impacts on migrants themselves, and may make them less likely to stay in the East of England, or in the UK. Negative public perceptions about migration might also make employers unwilling to employ certain groups of migrants, such as refugees. EEDA and partners in the region, as well as central government, should look for opportunities to disseminate a more positive message about migration that will promote economic and social integration for the benefit of all residents.

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In 2008 ippr was commissioned by the East of England Development Agency (EEDA) to conduct research into the **role of migration in the economy of the East of England**, to analyse associated economic risks and suggest ways to manage them.

The East of England has seen a rapid increase in migration in recent years. Migrants make up 12 per cent of the region's total labour force, but in agriculture they account for up to 50 per cent of workers. It is clear that migrants are very important to the region's economy – filling skills gaps and hard-to-fill vacancies.

Crucially, the report demonstrates that the East of England will still need migrants during the current recession, particularly in some sectors that are likely to see persistent skills gaps or hard-to-fill vacancies.

The result of original research and analysis using quantitative datasets, focus groups, polls, interviews and field visits, this report addresses:

- The scale and nature of migration to the East of England
- Migrants' experiences of migration, life and work in the East of England
- The economic impact of migration in the East of England
- The impact of recession on migration and the East of England
- Future scenarios: changing migration flows and economic risk
- Conclusions and recommendations for policymakers, businesses and public sector employers.

This research was part funded by the European Social Fund (ESF).

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