



Migrant Worker Availability in the East of England: An economic risk assessment

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Note

The opinions in this report are those of the authors only and do not necessarily represent those of the East of England Development Agency or of ippr.

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.

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.

Introduction

This report has three broad aims:

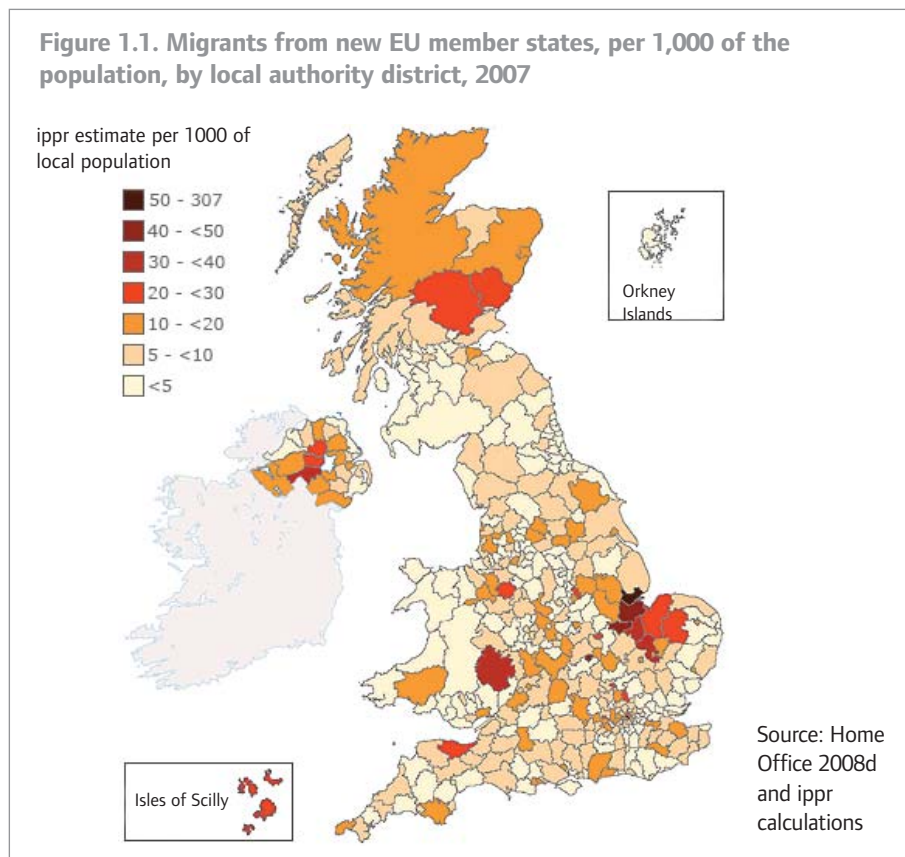
- To examine the economic impact of international migration in the East of England Government Office Region¹
- To outline future migration flow scenarios and predict the future impact on businesses and public sector employers of changes to migration
- To discuss how central, regional and local government, 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' states² 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



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 full 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.

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.

We have 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.