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Migration and Rural Economies:

Assessing and addressing risks

Economics of Migration Working Paper 6

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Challenging ideas – Changing policy

Contents

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Foreword: The Economics of Migration project

This working paper forms part of ippr's Economics of Migration project. The project aims to shape thinking around how we conceptualise the economic impacts of migration, provide new evidence about the extent and nature of those impacts in the UK, and provide new insights as to how policy might best address migration to maximise economic benefit. We hope that the project will contribute to a better-informed public debate and a more prepared policy community, better able to evaluate migration's economic contributions, and manage them to the benefit of all.

This working paper examines the role of migration in rural economies. This subject is important for two main reasons. First, migration is often thought of as an urban phenomenon – and indeed, for most of the United Kingdom's recent history migrants have been concentrated in urban areas. However, more recent migrants from Central and Eastern Europe have moved much more widely across the country – a trend illustrated by the fact that the East of England (a region with a significant rural economy) has received more migrants from new European Union member states than London since May 2004. To understand these new patterns of migration we need new analysis. We cannot simply assume the effects will be the same as those arising from previous, more predominantly urban, migration.

Second, the UK's rural economies are a vital part of our national economy. Indeed, promoting rural economic success and tackling rural disadvantage has been made a government priority, promoted by the Commission for Rural Communities. However, while it is becoming increasingly clear that migration is affecting rural economies, details of the inter-relationship are much less clear.

A number of questions arise. What roles do migrants play in rural economies? What contributions do they make? What problems might arise as a result of migration? And what risks might there be if migration patterns were to change?

With migration to rural areas increasing, it is vital that these questions are addressed to ensure rural, and therefore national, economic success.

This paper cannot and does not aim to provide a full picture of all the ways in which migration is affecting the UK's rural economies. However, we believe it makes an important contribution by reviewing and analysing migration-related risks to rural economies, as well as policies that could minimise those risks. As such, it should offer new insights to help understand and manage migration to rural areas in order to maximise benefits for all.

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The views expressed here are those of the authors and do not necessarily represent those of the project funders.

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Glossary and list of 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
CRC	Commission for Rural Communities
DCLG	Department for Communities and Local Government
DEFRA	Department for Environment, Food and Rural Affairs
EEA	European Economic Area
GLA	Gangmasters' Licencing Authority
IDeA	Improvement and Development Agency
LFS	Labour Force Survey
NINO	National Insurance Number
ONS	Office for National Statistics
SAWS	Seasonal Agricultural Workers Scheme
SBS	Sector Based Scheme
TUC	Trades Union Congress
WRS	Worker Registration Scheme

Executive summary

Migration to and from the UK has changed distinctively over the last decade, with increased immigration and emigration. Migratory movements have also become more diverse. Migrants have been coming from more places than ever before, and are found across a similarly diverse variety of locations and sectors within the UK. Importantly, this includes more migration to rural areas, particularly since the expansion of the European Union in 2004.

The expansion of migration to rural areas has had a range of impacts on rural economies. Migrants have made significant economic contributions: filling vacancies and skills gaps and promoting job creation and productivity. Migrants have been particularly important in supporting some key sectors including agriculture, food processing and hospitality.

Future trends

The current global recession appears to have the potential to radically reshape both the UK's economic structure and performance, and patterns of migration. Although most of the research for this paper was carried out before the impacts of the current recession had been widely felt, we have been able to consider the likely impacts of recession on migration and rural economies as part of our futures analysis, as well as considering longer-term trends and risks.

Our work suggests that in the short term (the next one to two years – so, during the current recession) supplies of migrant labour to rural areas look likely to fall. However, demand for this labour is also expected to drop during the recession so any shortages are not likely to be chronic (though there will be sectoral and geographic variations within this picture). Further, because migration responds to economic conditions it can help businesses expand during periods of growth, but it provides flexibility during a downturn.

In the medium term (next two to five years) as the UK and rural economies recover, demand for migrant labour is expected to rise in rural areas, while at the same there is a risk that migrant labour availability will fall. This disjunction seems likely for two reasons. First, migration is not only driven by economic factors. Other factors that are important to migrants, such as the availability of affordable housing, could make rural areas less attractive. Second, immigration policies that are not flexible enough to respond to the needs of the economy, including rural areas, may prevent migrant labour supply from meeting demand. If migrants are to continue to make the important contribution to rural economies that we have identified, policies must be pursued to reduce the likelihood of this kind of mismatch.

Recommendations

Our key recommendations for policy measures that could help rural economies maximise the benefits of migration are as follows:

- Continue to facilitate the movement of agricultural workers

Migrant workers are crucial to some parts of the agricultural sector. The UK's new managed migration system must incorporate a route for those migrants to continue to come to work in the UK. We recommend this take the form of a new version of the Seasonal Agricultural Workers Scheme (SAWS), which should be incorporated under Tier 3 of the points-based system, and opened to non-EU migrants.

The agricultural sector has suffered from labour shortages, particularly for seasonal work, for some years. There appears to be relatively little scope for increasing the numbers of UK- (and even EU-) born workers coming into the sector. The potential for raising pay and improving conditions to make the work more attractive is also limited. Bringing in migrant workers from outside the EU on a temporary basis to undertake these tasks has worked well in the past and we see no justification for abolishing the scheme without replacing it with an alternative entry route for low-skilled labour for the sector. It is likely that certain parts of the agricultural sector (in particular intensive horticulture) would be very hard hit were this labour not available in the future, and uncertainty about this is limiting the success of the sector even now.

- **Make a more concerted effort to develop affordable and high quality housing in rural areas**

The availability of affordable rural housing, both for local people and for migrant workers, is critical to ensuring a sustainable supply of workers for rural economies. The relatively high cost of accommodation was highlighted as a key factor that might drive migrant workers out of rural areas. This is a particular issue for seasonal, temporary and low-paid migrants.

Government, housing associations, employers and the National Housing Federation should work together to develop more affordable and better quality housing (and in particular rented housing) for people, including migrant workers, in rural areas, and improve provision for transient migrant workers.

- **Review the role of recruitment agencies**

While migrant workers are generally happy to work through an agency in order to enter the labour market, in the longer term they want direct employment, and they highlight this as a key priority in their decisions around where to live and work.

We recommend that the Government take a close look at the role that recruitment agencies play through a high-level, comprehensive review that examines both the costs and benefits that are associated with this approach. The effects on migrant worker availability in rural areas (and associated risks) should be an important part of the remit of this review.

- **Extend the remit of the Gangmasters Licensing Authority (GLA) to cover all sectors characterised by vulnerable employment**

A different set of risks arise in relation to the small group of agencies that are operating outside the law. Partly in response to the tragedy of the Chinese cockle-pickers in Morecambe Bay, the Government set up the Gangmasters Licensing Authority (GLA) but at present the GLA only regulates labour providers in agriculture, forestry, horticulture, shellfish gathering and food processing and packaging. We recommend that its remit be extended to cover all sectors characterised by vulnerable employment – as investigated and set out by the Trades Union Congress Commission on Vulnerable Employment.

As well as safeguarding the rights of migrant workers, and protecting legitimate agencies from unfair competition based on exploitation, this would also reduce the risks facing rural economies by improving the supply and long-term sustainability of migrant labour. Bringing more sectors under the remit of the GLA also reduces the risk that rural economies will come to depend on labour provided by agencies or gangmasters who break the law.

- **Ensure migration issues are on the agenda at high-profile rural events**

There is much to be gained from further thought and examination of these issues. The impacts of migration on rural economies and the risks associated with changing migrant worker availability should be on the agenda at high-profile events such as the ongoing 'rural summits' on unlocking the potential of rural economies.

- **Embed migration considerations in ongoing planning and policymaking processes**

We recommend that local and regional governments ensure that issues around migration, risk and rural economic performance are incorporated into Local Authority Economic Assessments and Integrated Regional Strategies. In many cases this will need to be preceded by an assessment of the extent to which risks associated with migrant worker availability are an issue for the performance of particular rural (and indeed urban) economies and sectors. Doing so would help to develop the thinking presented here, generate more nuanced analyses at local and sectoral levels, and ensure that specific and appropriate regional and local strategies and responses can be developed.

1. Introduction

Migration is changing the face of the UK. While historically the UK has often been a country of net emigration, in recent years a strong economy and the expansion of the European Union has led to a substantial rise in the numbers of migrants coming here to live, whether permanently or temporarily (Chappell *et al* 2008).

An increase in the numbers of migrants arriving is not the only change that is taking place, however. Migrants are arriving from a wider range of countries, and settling in a greater diversity of places across the UK than they were before (Kyambi 2005) – in particular, the numbers settling and working in rural areas have increased substantially in recent years.

Rural economies are an important part of the national economy already, and unlocking their potential further by ensuring that they can maximise the benefits of migration would be positive for people in both urban and rural communities.

Research aims

This paper examines the implications of increasing migration to rural areas, looking in particular at the economics of this phenomenon. We explore the roles migrants are playing, the economic impacts of migration on existing populations and businesses, and what future migratory trends might be. In particular, we consider whether recent migration to rural Britain has led to any risks for rural economies; and if so, how these risks can be managed.

The paper addresses the following four research questions:

- What is the scale and nature of migration to rural areas of the UK?
- What economic impacts is migration currently having on rural economies?
- How is migration to rural areas likely to change in the future and what benefits and risks might this bring?
- What measures are needed to respond to likely future trends, to ensure the best possible outcomes?

What defines rural economies, and why do they merit specific analysis?

Since 2004, rural areas in England and Wales have been officially defined according to a classification based on population density (Commission for Rural Communities 2007b). Sparse population is a defining feature of rural areas, and also has significant implications for rural economies. It is also important to note that rural economies are highly varied – we should think of 'rural economies' not 'the rural economy'.

Rural economies are often based on different sectors and industries than urban economies. But although rural economies have some particular features, many of the challenges they face are shared with Britain's urban economies.

Rural economies also face particular challenges that spring directly from their rural characteristics, and they have specific needs that require consideration by policymakers. Sparse population can mean that employers face a less flexible labour force, particularly if travel costs are high – this can mean that vacancies are hard to fill, and may inhibit enterprise and innovation. Problems with access to public services including education and training have implications for the skills and qualifications of the rural workforce, and can lead to skills gaps. And firms may suffer directly from limited access to infrastructure, which may influence their choice of production models.

It is important to consider rural economies as part of any study of the economics of migration in the UK. In recent years migration has increased more rapidly in rural areas than in urban areas – this change is worthy of study, and has brought with it particular benefits and challenges in rural areas. Also, the particular characteristics and challenges of rural economies mean that the impacts of migration are different from urban areas.

Methodology

This paper uses a mixed methodology of quantitative and qualitative tools, including:

- Literature review
- Analysis of national population and economic datasets
- Survey of Polish migrants living in rural areas
- Two focus group interviews with rural migrants
- Key informant interviews with employers, industry spokespersons and policymakers.

Datasets

To map the scale and nature of rural migration we used data from the Census, the Labour Force Survey (LFS), the Workers Registration Scheme (WRS) dataset and the National Insurance Number (NINO) dataset. These represent the best quantitative data currently available on rural migrants, but there are a number of inherent problems with this data, an issue we examine later in this report. Importantly, the LFS does not include some groups of people, including those living in business addresses such as farms and hotels and non-private communal accommodation.

Survey

We commissioned the Centre for Research on Nationalism, Ethnicity and Multiculturalism, based at the University of Surrey and Roehampton University, to undertake a survey of 500 Polish migrants, of whom 300 were living in rural areas. The survey collected data about:

- Household composition and other demographic data
- Educational and employment profiles
- Reasons for migration to the UK and intentions for return and remigration
- Contact with public services in the UK.

The survey was conducted in Polish. After an initial pilot, 300 face-to-face interviews were conducted at five different rural locations in England (an additional 200 interviews were conducted in urban locations to act as a comparison), starting in May 2008. Interviewees were recruited in locations frequented by Polish migrant workers: workplaces, Polish groceries, bars and Roman Catholic churches. The selection of interviewees was purposive and designed to reflect the 60:40 male to female gender balance of Polish migrant in the UK that is indicated in WRS data (Pollard *et al* 2008).

Focus groups and key informants

Two focus group interviews were carried out in October to November 2008 with migrants working in the agriculture and food processing sector and the hospitality sector (both of which are important to rural economies). The interviewees comprised a balance of men and women and different countries of origin, including Portugal, Poland, Latvia, Lithuania, Brazil and Iraq. The agriculture focus group was conducted in English, and two interpreters (Polish and Portuguese speaking) were used for the hospitality sector focus group.

Although most of the research for this paper was carried out before the impacts of the current recession had been widely felt, we have been able to consider the likely impacts of recession on migration and rural economies as part of our futures analysis (see Section 5).

The focus of the research is on the UK as a whole, as most of the data is available at a UK-wide level. However, some of the policy recommendations are specific to England, as a number of key actors in this area (such as the Commission for Rural Communities [CRC]) have mandates that cover England only. We did not come across any significant reasons for thinking trends in Scotland, Wales and Northern Ireland were substantially different to those affecting England. However, there are obviously geographical differences between different areas, which we try to address by providing sectorally and geographically specific analysis where relevant.

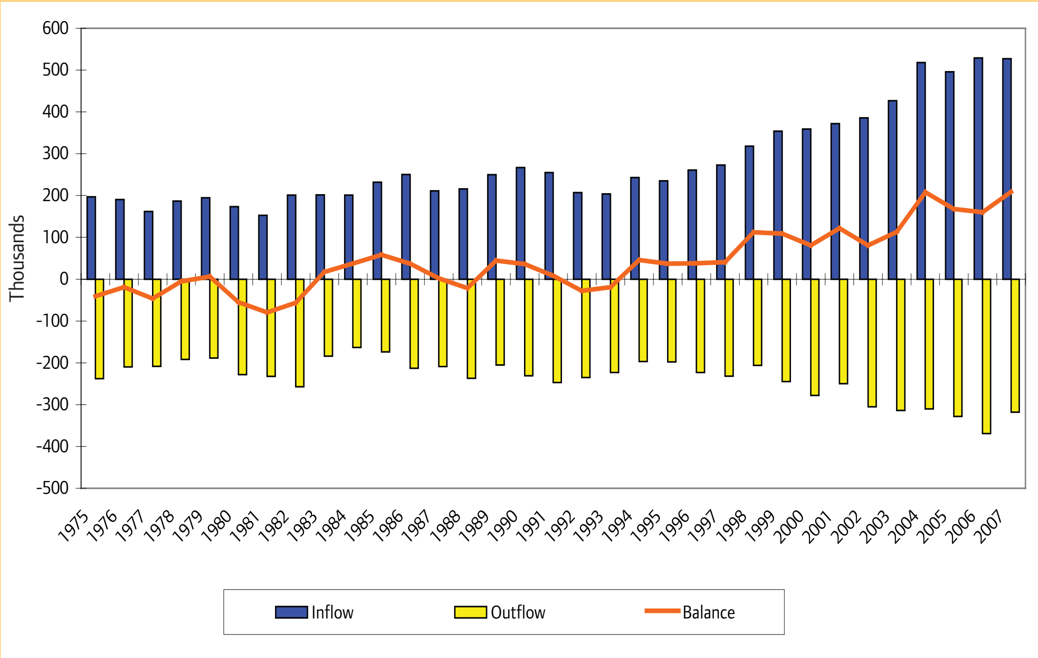
2. Patterns of migration to rural areas

Changing migration to and from the UK

Migration in the UK is highly complex, with a long and varied history. While the UK has recently experienced high levels of net immigration, until the 1980s the UK was often a country of net emigration, and in both periods substantial numbers of people have moved in both directions across our borders. These overall migration trends are shown in Figure 1.

Figure 1. Total migration to and from the UK, 1975–2007

Source: International Passenger Survey, Office for National Statistics



In the last decade or so, migration has increased in scale significantly right across the world (International Organisation for Migration 2008). This has resulted in an increase in both immigration to and emigration from Britain, with the recent rise in immigration taking place against the backdrop of (until recently) a strong UK economy. The expansion of the EU, with 12 new member states since 2004, has also played a part. With some restrictions, the UK opened its borders and labour markets to citizens of these countries.

As well as increasing the numbers of migrants, this 'global market' for labour, and the UK's place at the heart of it, has led to an increasing diversity of migrants – both in terms of the countries they come from and the locations they move to (Kyambi 2005). Migration now affects the whole of the UK in a way that it has not before.

Changing migration patterns in rural areas

These changing trends in UK-wide migration have had important implications for rural areas. In particular, the numbers of migrants living and working in rural areas have been rising, in some cases quite dramatically. This is not to say that rural Britain had not experienced migration before the last decade – international migrants have always had a presence in the British countryside, with some long settled foreign-born communities in rural areas – but in many cases they have not been very visible. During the last 10 years, however, the UK has seen substantially increased international migration to rural areas.

Table 1 shows the foreign-born populations of rural and urban local authorities. While rural areas still have a lower foreign-born population share than other parts of the UK, it is not much lower. While the most urbanised areas of the UK ('major urban') have significantly

Table 1. Foreign-born populations by rural/urban local authority classification

DEFRA Rural/urban local authority classification	Foreign-born population as % of total population, 2006	New EU member state migrants as % of total population, 2007
Major urban	18.2	1.1
Large urban	6.9	0.6
Other urban	8.1	1.0
Significant rural	5.9	0.8
Rural 50	4.3	0.7
Rural 80	4.2	0.9

The categories are listed in order, from the most densely populated ('major urban') to the least ('rural 80')
Sources: ippr calculations, ONS mid-year population estimates by local authority 2006 and Pollard *et al* (2008)

higher numbers of foreign-born residents, the difference between the other two urban categories and the rural categories is not substantial.

Table 1 also shows the proportions of migrants from new EU member states in each type of area, providing some idea of how the trend has been changing since 2004, when the citizens of these countries gained free access to UK labour markets. What is striking is how similar the proportions of new EU migrants are across each type of area. 'Large urban' areas actually have the lowest proportions of new EU migrants, with greater proportions in each kind of rural area. Table 1 demonstrates that new EU migrants are just as much a feature of rural life and rural economies as they are of urban ones.

Figure 2 shows graphically that, although many migrants are concentrated in urban areas, many rural local authorities also have a significant percentage of foreign-born residents.

Figure 2: Place of residence of England's foreign-born population, by local authority

Source: ONS mid-year population estimates and ippr calculations

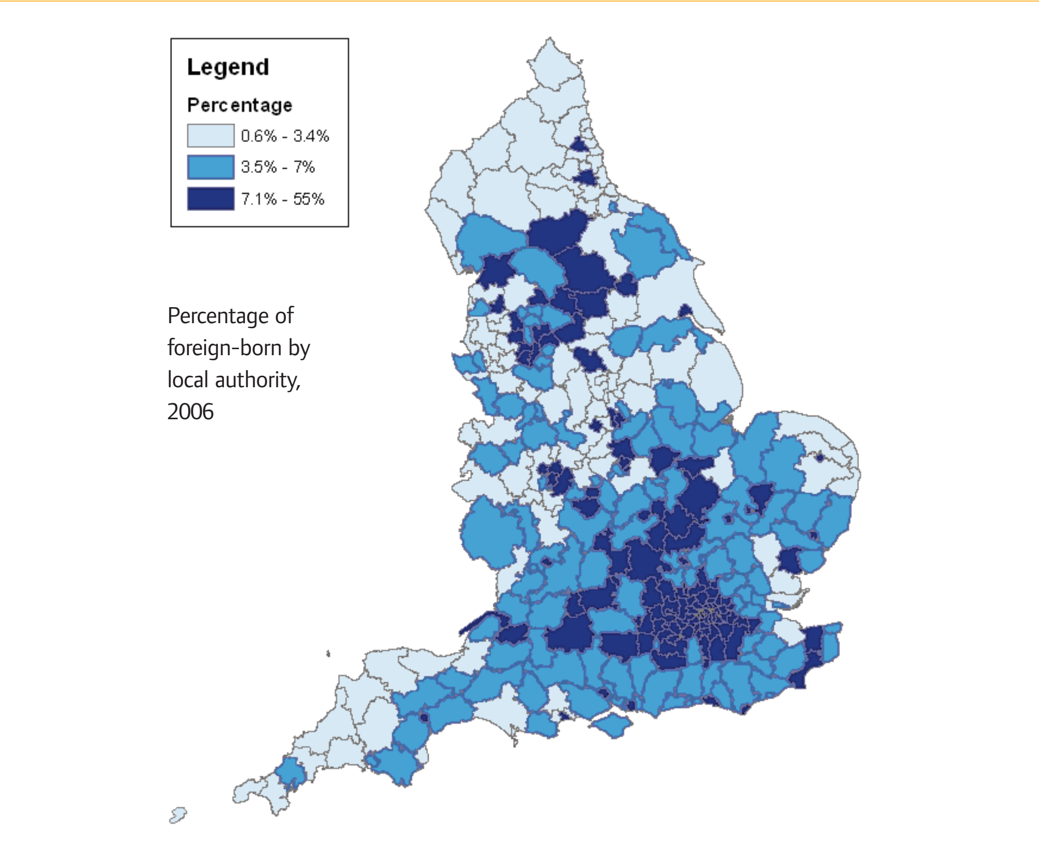


Figure 3. Population estimates of migrants from the EU's new members states, by local authority district, 2007

Source: Pollard *et al* 2008

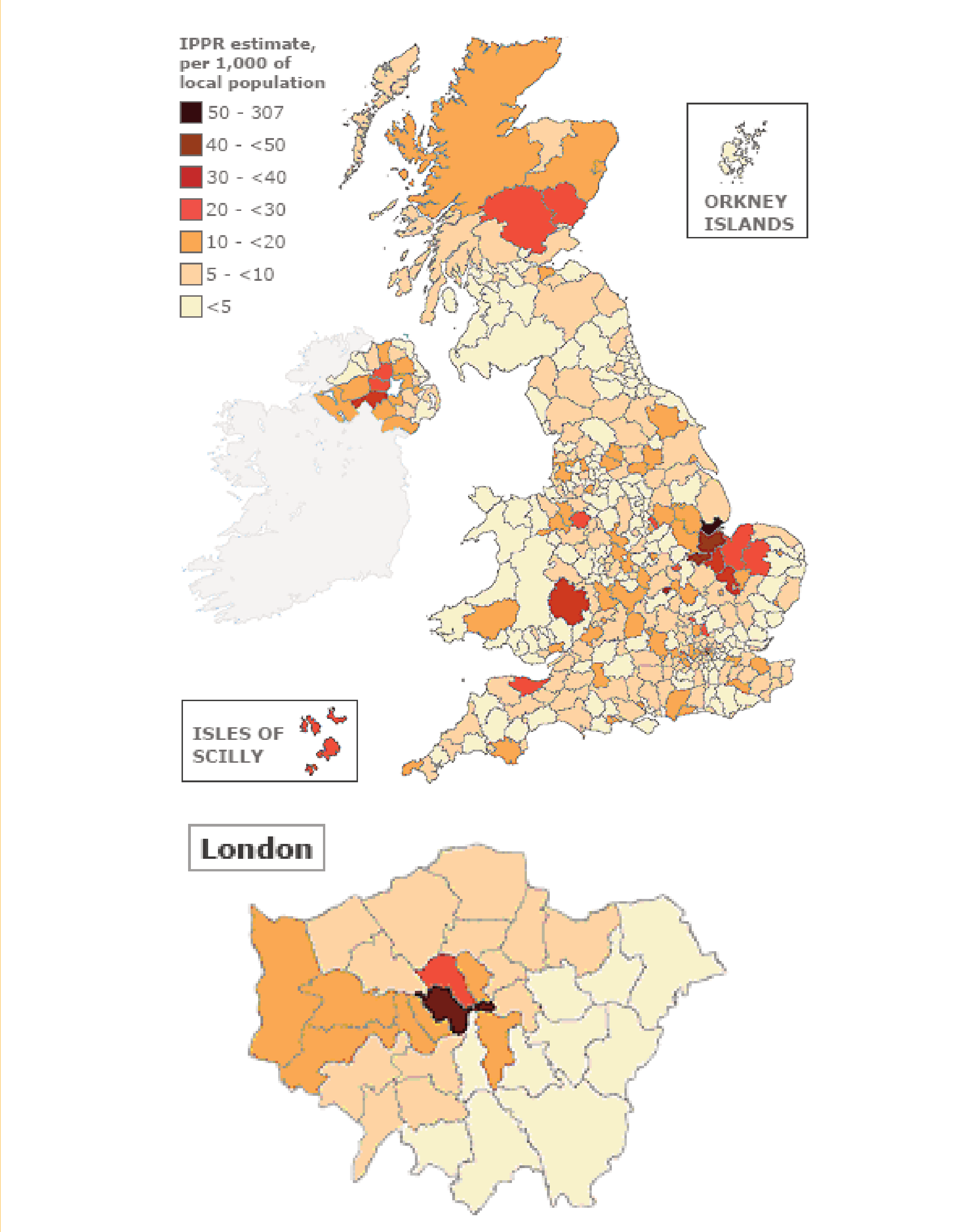


Figure 3 shows the settlement patterns of migrants from the EU's new member states by local authority district. This shows the concentrations of new EU migrants across the UK, notably in some rural areas, and highlights the different geographical spread of this group of (mostly recent) migrants. Areas where intensive horticulture and food processing are located – the East of Scotland, Herefordshire and the Fens – have high populations of migrants from the EU's new member states. This gives a sense of the impacts that these migrants may be having on particular sectors – a topic we return to in Section 4.

Countries of origin

As well as being increasingly spread across the UK, the UK's foreign-born population is also increasingly diverse in terms of their national origin (Sriskandarajah *et al* 2007). Table 2 presents data on the size and growth of the 10 largest foreign-born groups resident in the UK in 2007.

Table 3 shows the same information for the 10 largest migrant groups in the UK's rural areas.

Table 2. The 10 largest groups of foreign-born residents in the UK, by country of birth, 2007

Rank*	Country	% of the UK's total foreign-born population	% growth in country-of-birth group in 10 years**
1	India	9.8%	46%
2	Ireland	6.8%	-23%
3	Poland	6.3%	575%
4	Pakistan	6.1%	77%
5	Germany	4.2%	7%
6	South Africa	3.1%	119%
7	Bangladesh	3.1%	26%
8	United States	3.0%	39%
9	China and Hong Kong	2.7%	123%
10	Jamaica	2.7%	25%

Source: Labour Force Survey and ippr calculations
*Using data from all quarters, 2007. **Between Q4 1997 and Q4 2007

Table 3. The 10 largest groups of foreign-born residents in UK rural areas, by country of birth, 2007

Rank*	Country	% of rural areas' total foreign-born population	% growth in country-of-birth group in 10 years**
1	Ireland	8.5%	-14.8%
2	India	8.3%	48.5%
3	Poland	8.1%	983.1%
4	Pakistan	5.4%	39.6%
5	South Africa	4.9%	48.1%
6	Germany	3.8%	16.3%
7	United States	3.5%	83.0%
8	Australia	3.0%	24.1%
9	Zimbabwe	2.8%	278.1%
10	Philippines	2.8%	508.1%

Source: Labour Force Survey and ippr calculations
*Using data from all quarters, 2007; ** Between Q4 1997 and Q4 2007

We can see from these tables that very similar countries are represented among migrants in the UK as a whole and those living in rural areas. The increase in Polish migrants living in rural areas, however, has been much more substantial than in urban areas, and as a result Poles now constitute a larger proportion of migrants in rural areas than across the UK as a whole.

In order to give a fuller sense of rural migrants' regions of origin beyond the top 10 countries, which represent only about half of all migrants residing in rural Britain, Table 4 shows the regions of origin of all migrants in rural areas. This shows that by some substantial margin the largest group of migrants in rural areas comes from the the 15 countries that were members of the EU before the 2004 expansion (the 'EU15'), but the fastest growing group is migrants from the new EU member states.

Routes of entry of rural migrants

Table 4: The UK's rural migrants by region of birth, 2007

Rank*	World region	% of rural areas' total foreign-born population	% growth in region of birth group in 10 years**
1	EU 15	27%	-3%
2	Indian sub-continent	16%	57%
3	Sub-Saharan Africa	15%	66%
4	Other Asia	12%	109%
5	New EU member states	10%	370%
6	America	8%	20%
7	Other Europe	5%	129%
=8	Australia and the Pacific	4%	23%
=8	Middle East	4%	130%

Source: Labour Force Survey and ippr calculations
*Using data from all quarters, 2007; **between Q4 1997 and Q4 2007

It is important to also analyse the terms of entry of migrants – the grounds under which they are permitted to enter the UK and therefore the route they take. Residency status can affect a person's aspirations and entitlements (for example, asylum seekers are not entitled to work), and therefore their impacts on the local economy. Migrants' residency status also affects their ability to access benefits, housing and other public services.

There are seven main routes of entry into the UK, which are outlined below with estimates of the extent to which migrants in rural areas fall under each group. Note that we cannot tell definitively how many of each type live in rural areas because the main data sources that collect data on terms of entry do not collect place of residence, and vice versa for those that collect data on place of residence.

1. As EU and EEA migrants

Citizens of the majority of countries in the European Economic Area (EEA)[1] and Switzerland are permitted to live and work in the UK freely. The exception are those from the EU's new member states, most of whom face some restriction: nationals from most of the countries that joined the EU in May 2004[2] have to enrol on the Workers Registration Scheme (WRS), 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[3]. Migrants who enter via their status as being from the EEA or Switzerland are the largest migrant group in the UK, and are also the largest migrant group in rural areas.

2. Via the points-based system

1. The EEA consists of the EU states, Iceland, Liechtenstein and Norway
2. The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia
3. Romanians and Bulgarians can work legally in the UK if they are self-employed or are on the Seasonal Agricultural Workers Scheme or the Sector-Based Scheme, which have been exclusively reserved for Romanian and Bulgarian nationals since January 2008. They can also work in the UK if they have a work permit or are a student (these latter two routes are open to nationals of other countries outside the EU as well and are discussed in greater detail later in this section). All Bulgarian and Romanian nationals who have worked legally in the UK for 12 months, however, gain European Economic Area (EEA) Worker Status and have full access to the UK labour market.

Entry to the UK via the points-based system is for labour-related migration from outside the EU. This system is based around five tiers:

- Tier One – for highly-skilled migrants. This group can come as they wish, without requiring a prior job offer. They are seen as having important skills (and sometimes financial resources) that will boost productivity and the UK economy.
- Tier Two – for skilled workers with a job offer. This group are expected to fill gaps in the UK labour market.
- Tier Three – low-skilled temporary workers. The Government has announced that it does not intend to open up this tier in the near future, on the grounds that there are no unskilled gaps that cannot be filled with UK and EEA nationals.
- Tier Four – students.
- Tier Five – youth mobility and other schemes where the aim of working in the UK is not primarily economic (for example, working holiday-makers).

The number of entrants via the points-based system is substantial. In 2007, some 82,300 people with work permits and other work visa holders (the precursors to the points-based system) came to the UK from outside the EU, with major countries of origin including the US, Canada, South Africa, India and Pakistan (Home Office 2008c). Most were relatively highly skilled, given that the Government has kept Tier 3 (which manages temporary migration into lower skilled jobs) closed.

Skilled migrants who have come to rural areas via the points-based system have jobs in a wide variety of areas including the NHS, the social care sector and specialist sectors such as engineering in Cumbria (Rutter forthcoming). New migrants are particularly being sought in a number of roles important to rural economies, including veterinaries, engineers, chefs and sheep shearers (Home Office 2008d).

3. Asylum seekers and refugees

This group includes those moving to the UK in search of refuge from persecution. 23,430 asylum applications were lodged in the UK in 2007. Of those asylum seekers who received an initial decision on their asylum applications in 2007, 16 per cent were granted refugee status, with another 11 per cent granted humanitarian protection or discretionary leave to remain in the UK, meaning that some 73 per cent were refused (Home Office 2008b). While some of those refused asylum leave the UK or are removed, many remain and make up a significant component of the UK's irregular migrant population. Since 2002, the main countries of origin of asylum-seekers have included the Democratic Republic of Congo, Eritrea, Somalia, Zimbabwe, Turkey and Afghanistan.

Prior to 1997 most asylum seekers were housed in London. Since then, however, increasing proportions have been 'dispersed' to accommodation elsewhere in the UK. On the whole this has not been movement to rural areas, as the focus has been on 'cluster areas,' whereby new arrivals are sent to places that already have a significant population of asylum-seekers. However, ippr has encountered refugees who had successfully settled in rural areas, for example, Kosovars in rural Cumbria (Rutter and Latorre forthcoming).

4. Family reunion

Some 42,200 spouses, fiancé(e)s and civil partners were admitted to the UK in 2007 (Home Office 2008c), to live with family members. The top countries of origin include Pakistan, India, Bangladesh, US and Thailand. These migrants settle with their families in different parts of the UK. However, there is likely to be a tendency towards urban settlement, given that many marriages are to members of the UK's existing ethnic minority groups, who have tended to settle predominantly in urban areas.

5. Overseas students

Home Office statistics suggest that in 2007 some 358,000 overseas students entered the UK from outside the EU (Home Office 2008c) to study in universities, private English language colleges and further education colleges. They are potentially important to rural economies because 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 2007 the main countries of origin of overseas students were China, Russia, Japan and the United States.

Overseas student numbers have increased slowly over the last 10 years, as have the numbers of overseas students who have settled in the environs of rural university campuses. Although the proportion of overseas students varies from university to university, there appear to be sufficient numbers of foreign students in rural areas to be affecting the composition of those areas. For example, the overseas-born population of local authorities with university campuses and classified as 'significant rural' by DEFRA was 7.3 per cent in 2006, and for those without campuses it was 5 per cent.

6. Irregular migrants

Relatively little is known about irregular migrants, but we do know that this group comprises mostly visa and asylum over-stayers, as well as smaller numbers of 'clandestine entrants' – people who cross the UK border illegally (Institute for Public Policy Research 2006). Research commissioned by the Home Office estimated the irregular migrant population as being 310,000–530,000 persons in 2001 (Pinkerton *et al* 2004), and recent work from the London School of Economics suggests that there might now be around 725,000 (Gordon *et al* 2009). In other research ippr encountered a number of irregular migrants who were working in rural areas, mostly as agricultural workers but sometimes in food processing or other manufacturing industries (Rutter and Latorre forthcoming). However, the irregular migrants we met were not living in rural areas. They based themselves in a town or city, but were transported to rural areas for work, often by labour providers[4].

7. Returning British nationals

The last group of migrants coming to the UK is returning British nationals (Sriskandarajah and Drew 2006), some of whom move to rural areas. For example, a substantial proportion of German-born people in both rural and urban areas are likely to be children of British military personnel, who though born in Germany have been British citizens from birth.

4. This is not to say that there are not irregular migrants living in rural areas, simply that we did not come across them in the course of our qualitative research. It may be that this was simply chance, or that these workers are particularly marginalised and unlikely to be picked up in research.

3. Migrants' experiences of life and work in rural areas

Reasons for migration to rural areas

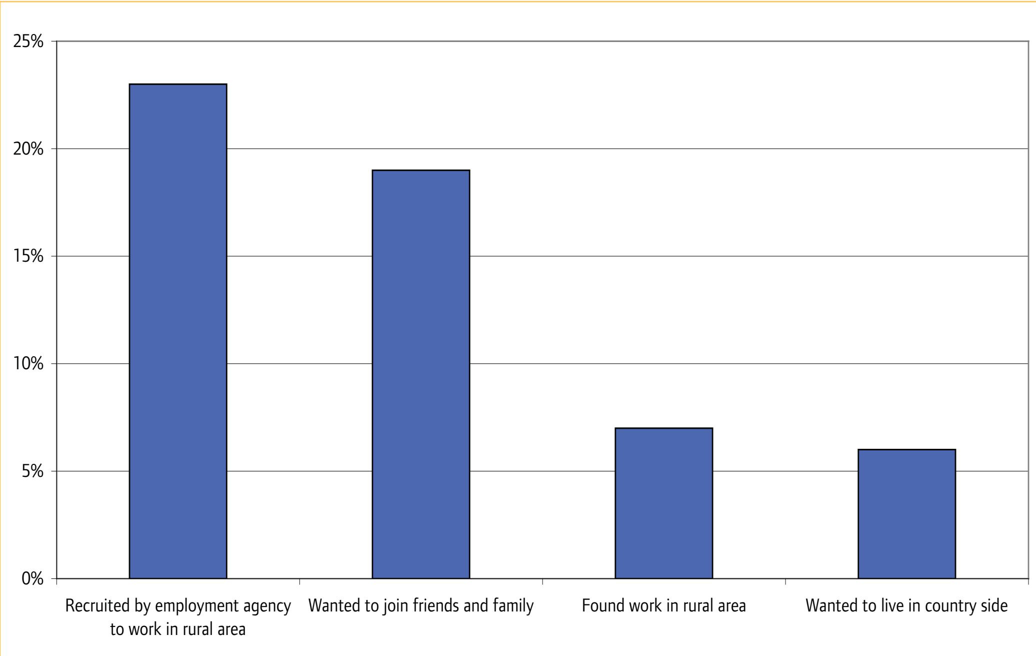
Employment opportunities and greater earnings potential were the key pull factors that had brought almost all of those we interviewed to the UK.

> 'I came to get a better life and work conditions. In Portugal we work very hard but don't earn the same money.' (Hospitality sector worker)

Migration has often been seen as an urban issue, but some migrants we interviewed had moved directly to rural areas on arrival in the UK or after a few days. Less often, rural areas were places of onward migration after a period of residence elsewhere in the UK. Some migrants from Poland for example were making specific decisions to live in the countryside. Figure 4 shows that some 19 per cent moved to the countryside to be near friends and family and 6 per cent because they specifically wanted to live in a rural area.

Figure 4: Reasons given by 300 Polish migrants for migration to a rural area, 2008

Source: ippr polling data



There were also pull factors that were specific to particular places. A keen sailor from Portugal made the decision to move to the Isle of Wight to continue his hobby. For migrants living in the East of England, the proximity of Stansted and Luton was a major attraction as cheap flights from these airports enabled them to make frequent visits home.

Life in rural areas

Almost all migrants we interviewed were generally happy with where they were living, with those in rural areas highlighting a number of aspects of rural life as being attractive, such as the natural beauty, and peace and quiet. More generally, our interviews with Poles who lived across the UK and who had now returned to Poland revealed that they saw their experiences in the UK as being better or at least as good as they expected. 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.

Our interviewees had very diverse experiences of their initial housing. Those who had family or friends in the UK tended to stay with them, until they could secure more permanent accommodation, either through employment or via word of mouth. Very few migrants received any advice about their housing entitlements or about how to search for accommodation. There is a raft of housing legislation designed to protect tenants but reduced staffing levels, budget cuts and skills shortages among environmental health officers and staff responsible for regulation of the private rental sector impact on the ability to enforce minimum standards in relation to rental accommodation (Cook and Roney 2008).

Our research highlighted many instances of poor housing conditions. Some of the accommodation migrants live in is not properly covered by housing legislation and migrants are not always aware of their rights in this area. Transient workers (those who remain in the UK for less than a year) and migrants working in seasonal jobs are particularly vulnerable groups. Short-term housing provision is often limited, or of poor quality. Transient migrants often also know little about their rights, and may have poor English, leaving them exposed to a greater chance of poor treatment, including in relation to housing.

Housing conditions are poor particularly among migrants living in accommodation tied to employment – many transient or seasonal workers live in such accommodation. The legislative protection of tenants who live in forms of accommodation other than a house is complex. There is some legislation to protect tenants in mobile home parks but many tenants have little protection from eviction, or the enforcement of minimum standards of decency. Those living on 'unprotected sites', comprising private land or sites registered for holiday home use, have much less protection, and if a person lives in accommodation that is not classified as a 'dwelling' they also have very little protection.

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 farm and hospitality sector workers 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. We see the limited availability of affordable housing as a key factor that limits worker availability (including migrant workers) in rural areas.

Experiences of work in rural areas

Some migrant workers found work before coming to the UK, through an overseas agency or through existing contacts. Others found work after arrival.

Many workers in the agriculture, food processing and hospitality sectors found their first job 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. Dissatisfaction with work conditions took many forms, but was particularly associated with these agencies.

Some unskilled migrants were working with a high proportion of other migrants. This limited their interaction with local British-born people and meant they were not 'integrated' into broader society. That said, migrants' social interactions with host communities were very varied: some migrants formed friendships outside their communities and others did not.

There was also a strong perception that in rural areas it was getting harder to find work (although not agricultural work). Agency workers were finding this most difficult.

> 'There are too many people looking for work now. We get two days a week, one, two days a week, another one, two days a week, another one. For people to pay the rent they need something [more], it is no good just two days a week.' (Brazilian migrant, food processing sector)

Being unable to find direct permanent employment is an important reason given by migrant workers for moving on from an area or job. While employment agencies are an accepted useful part of the economy – rural and urban – they also present some important problems. Migrant workers themselves find the precarious nature of employment offered unattractive, and while they are happy to work through agencies for a short period on entering the UK most prioritise moving out of agency work and into direct, permanent employment.

Agencies are unpopular not only for the forms of work they offer (work at short notice, with few associated rights and no guarantee of repeated employment), but also for the large differential between the amount the agency is paid to provide them and the wage they themselves receive, which many migrant workers perceive to be very unfair.

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

Some agencies also sit on the very edge of legal behaviour, for example docking wages for services provided by the agency, such as accommodation, which might not be wanted and/or is sub-standard. As one stakeholder emphasised:

> 'If our clients can get into work as an employee they're much better off. The main issue is to do with agencies and gangmasters… I know recruitment agencies aren't breaking the law, but they're using it to exploit migrants' situations.' Stakeholder, migrant association

4. Migrants' impacts on rural economies

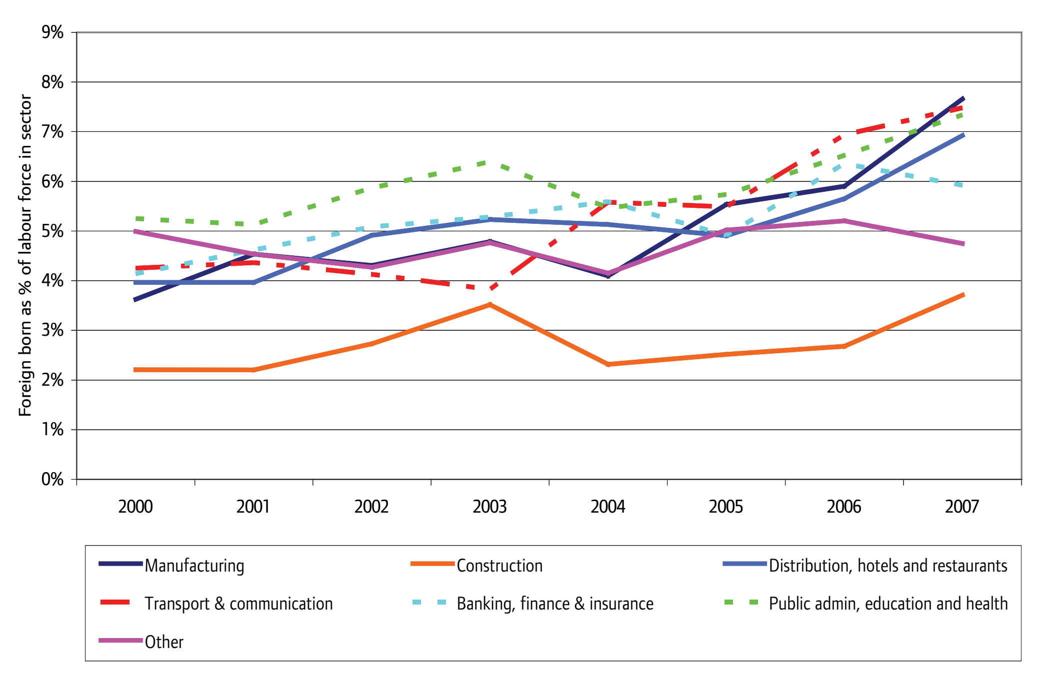
Here we examine the key impacts of migrant workers on rural economies. The impacts are many and varied; we look at wages, employment, skills shortages, job creation, productivity and specific sectoral impacts. Some of these issues are prominent national issues – for example, the effects of migration on wages and employment, and many rural communities are now, for the first time, feeling that these issues are relevant to them. We also focus on the intersection between migration and the key challenges facing rural economies – identified by the Commission for Rural Communities as wages, low skills and the loss of young people to urban areas (Commission for Rural Communities 2008a).

Sectors employing migrants in rural areas

A number of sectors in rural economies employ migrant workers to a significant extent. Figure 5 below shows the proportion of workers who were born outside the UK over time in each industry sector in rural areas – excluding agriculture, which is poorly sampled in the Labour Force Survey.[5]

Figure 5. The percentage of workers who are foreign born in each industry sector in rural areas, 2000–2007

Source: Labour Force Survey and ippr calculations



Numbers of foreign-born workers have been rising and they are found across rural industries, In fact, foreign-born workers have played an important role in many rural industries for some time – they made up more than 4 per cent of all industry sectors' workforces in rural areas since 2000, with the exception of construction.[6]

The proportion of foreign-born workers rose significantly in 2004, particularly in manufacturing, hospitality and transport and communications – all sectors where migrants now account for at least 7 per cent of the total workforce. This is likely to be a result in large part of immigration from the new EU member states.

5. The poor coverage of agriculture within the Labour Force Survey means that it is a relatively under-studied sector, which is one reason that we included specific sectoral analysis of agriculture in this paper (see below).
6. Foreign workers in construction are heavily concentrated in London (see Chappell *et al* 2008).

Migration and wages

Perhaps the most frequently voiced fear in relation to migration and the economy – rural and urban – is that migrants are taking Britons' jobs and pushing down wages. However, despite the frequency with which these concerns are expressed in the media, the best available evidence suggests that, at a national level, migration does neither of these things.

Turning first to the question of wages, the best and most recent research on migration's wage impacts in the UK suggests that migration has close to no impact on wages, even after the rapid increase of immigration since 2004 (Dustmann *et al* 2005, Reed and Latorre 2009).[7]

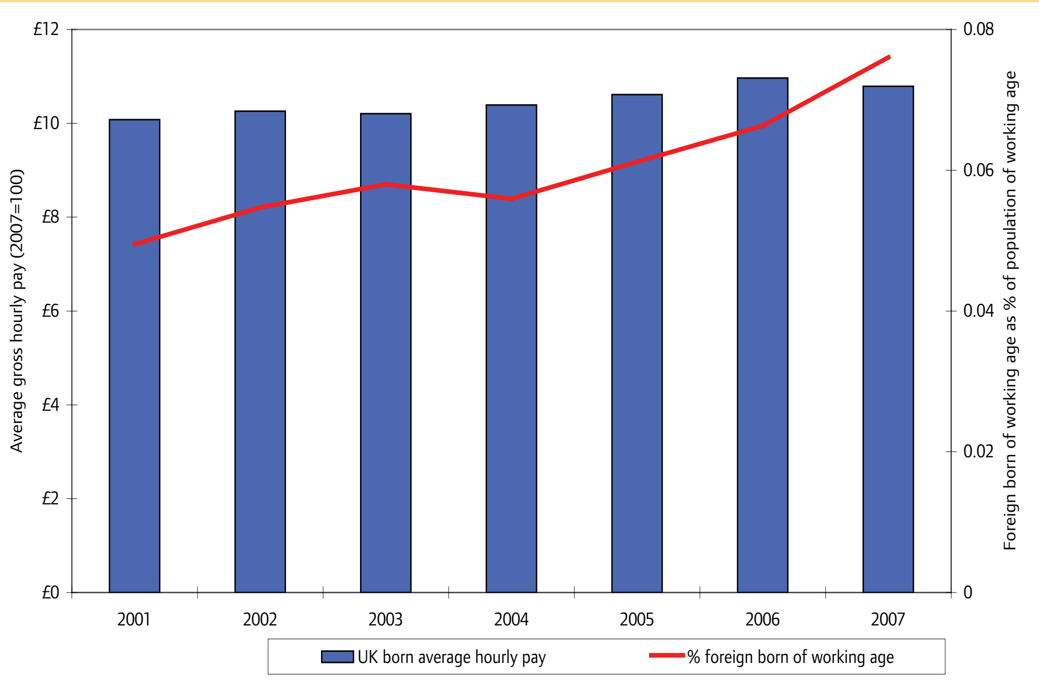
This national picture is important to discuss because it is not widely known to be the case, either by the public or by policymakers, and provides important context. However, it does not definitively answer the question as to whether migration has negative wage impacts in rural areas, or for particular groups. Wages are a very important issue for rural areas – the Commission for Rural Communities (2008a) identifies low wages as a push factor encouraging young British workers to leave rural areas. But it is not possible to undertake conclusive econometric analysis examining the impact of migration on rural areas alone because of the lack of data.

We can, however, look at some indicative data. Figure 6 below plots the average real wages (that is, adjusted for inflation) being earned by British-born residents in rural areas[8]. It shows a general trend of rising wages over time since 2001. Figure 5 also shows the proportion of foreign-born people of working age in the population, which again, rises fairly steadily over time. It does not appear that the rising proportion of migrants within rural workforces is driving down wages.

It does, however, remain possible that migration has had wage impacts in some rural areas or sectors – more data and research into local labour market impacts is needed.

Figure 6. UK-born average gross hourly pay vs. percentage of foreign born in the workforce in rural areas, 2001–2007

Source: Labour Force Survey and ippr calculations



7. At least in the short to medium term. We deal with the longer run situation in following sub-sections.
8. Note that this may not be an entirely accurate reflection of rural wages because some rural residents will work in urban areas. This data is, however, the best available.

Migration and unemployment

The best and most recent research on migration's employment impacts in the UK says that migration has not resulted in increased unemployment (Gilpin *et al* 2006, Reed and Latorre 2009). This may sound counterintuitive – how could new people arrive into an area and not take jobs from the existing workforce? One explanation is that, in the short run, migrants fill gaps in the labour force that cannot be filled from the UK-born population (this is supported by the fact that migrants tend to work in sectors with high vacancy rates). Another is that migrants also increase demand in the economy and thus cause the economy to expand, creating new jobs.

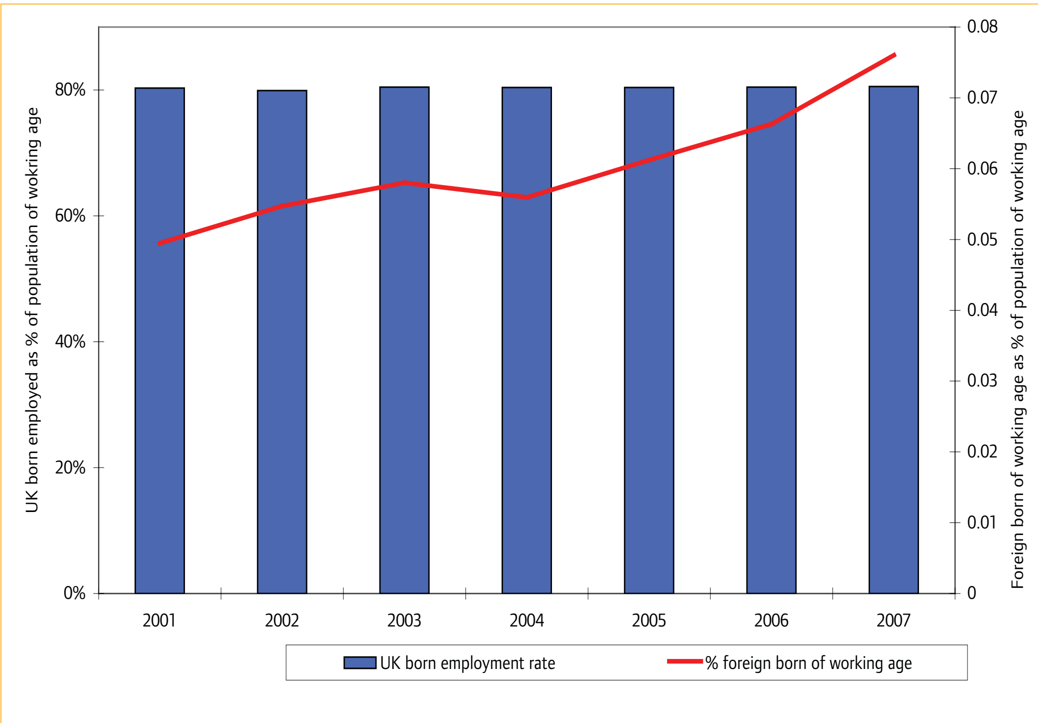
So how might rural economies vary from this national picture, if at all? There is evidence that vacancies in rural economies can be even harder to fill than in urban areas (Commission for Rural Communities 2008b), and that this is the case both for highly-skilled and low-skilled workers. This suggests that migrant workers may be more likely to take up hard-to-fill vacancies, and therefore even less likely to create unemployment in rural areas than in the wider economy. This view was supported by our stakeholder interviews:

> 'In lots of rural areas there is no local workforce to draw on… In rural Wales they [businesses] couldn't function without migrant workers; similarly in the South-West.' Stakeholder, hospitality

Figure 7 supports this conclusion – it shows the proportion of migrants of working age in rural populations over time, set against unemployment. It shows that unemployment in rural areas has remained steady over the period concerned (which does not cover the current recession), while the proportion of working age people born outside the UK has risen steadily. In other words, migration does not appear to have led to a rise in unemployment in rural areas. Instead, where they are employed they seem to be filling vacancies (and migrants are more likely to be employed than the average British-born person) (Cooley *et al* 2005). They may also be making a contribution such that they are expanding the rural economy and thus the total number of jobs will increase (discussed further later in this section).

Figure 7. UK-born employment rate vs. percentage of foreign-born in the workforce in rural areas, 2001–2007

Source: Labour Force Survey and ippr calculations



This employment picture is likely to change significantly during the current recession, with unemployment expected to rise across the UK, including in rural areas. The number of hard-to-fill vacancies in rural areas is likely to decline during the recession, but so too is the supply of migrants (see below). In fact, rural economies, which tend to have less flexible labour markets, may find that the recession has less impact on their vacancy rates than in urban areas, and they may see demand for migrant workers remaining higher than elsewhere in the UK.

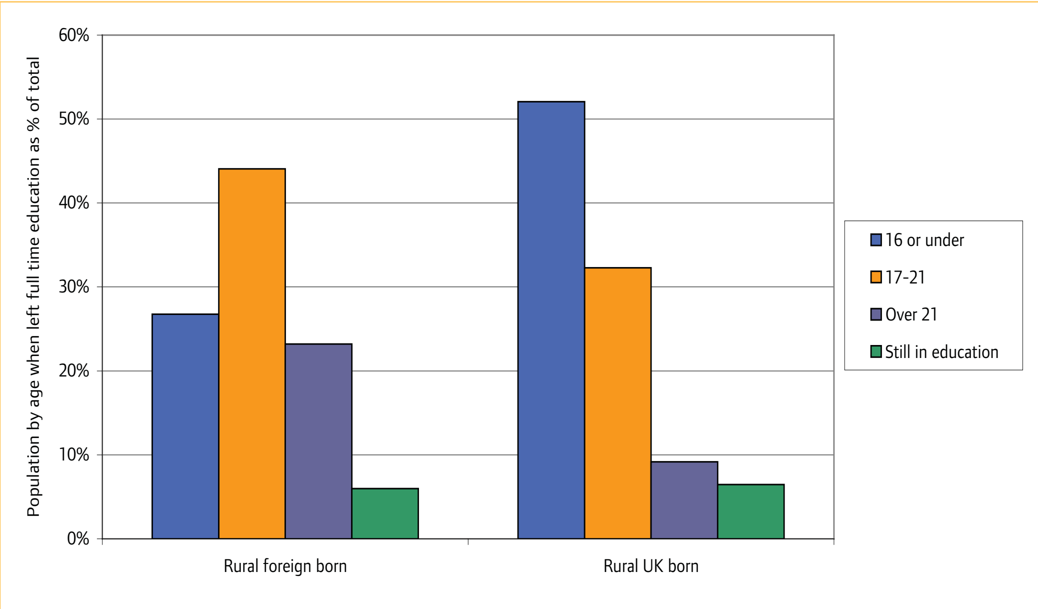
Migration and skill shortages

The sparseness of populations in rural areas can exacerbate the shortages of skills that might be felt anyway in some sectors. Rural employers are concerned about the greater difficulties they face in recruiting than their urban counterparts, particularly of skilled managers and professionals (Commission for Rural Communities 2008a). In the medium to long term there need to be measures to ensure there is education and training for people in rural areas but migration also has a role to play, particularly in the short to medium term.

There are significant differences in the level of qualifications between foreign-born and UK-born workers in rural areas.[9] Figure 8 shows that more than 50 per cent of UK-born people in rural areas left full-time education at age 16 or before, whereas this was the case for less than 30 per cent of foreign-born workers.

Figure 8. Age at which left full-time education, foreign-born and UK-born rural residents, 2007

Source: Labour Force Survey and ippr calculations

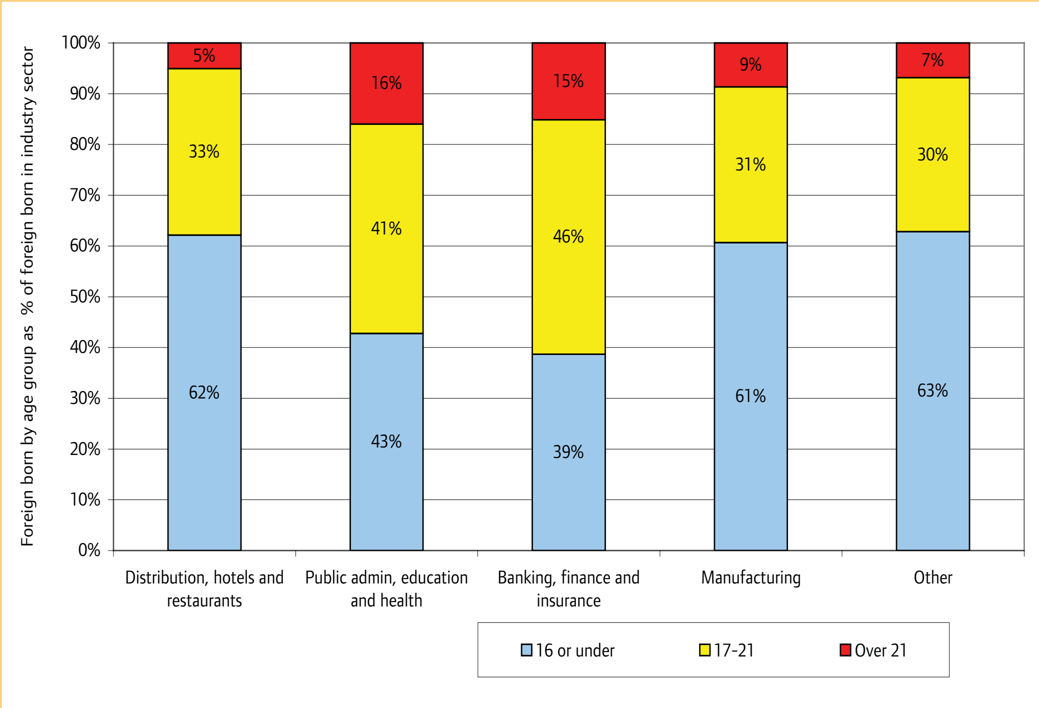


Shortages of skilled local workers caused by highly educated UK-born workers moving from the countryside to more urban areas appear to afflict all sectors in rural economies (Figure 9). In some sectors such as hospitality and manufacturing more than 60 per cent of the UK-born workforce left education at age 16 or under. Financial services and public administration, education and health boast the highest proportion of highly-educated UK-born workers in rural areas.

9. The variable used in this analysis to estimate workers' level of qualifications is age when left full-time education, since foreign qualifications are under-represented in the Labour Force Survey. Although this estimate provides only a partial picture of workers' skills, it is a good approximation to compare the level of qualifications between foreign-born and UK-born workers.

Figure 9. Age of UK-born workers in rural areas when left full-time education, by industry sector, 2007

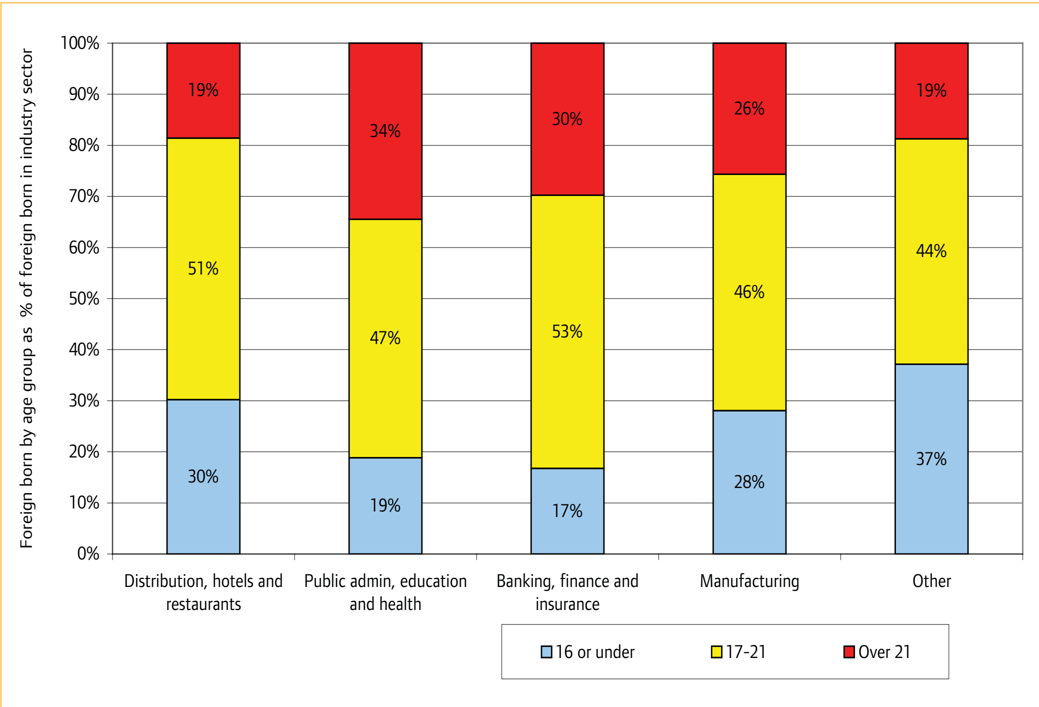
Source: Labour Force Survey and ippr calculations



In contrast, foreign-born workers across all sectors in rural areas are much more likely to be highly educated (Figure 10). The share of workers who left education aged 16 or under is significantly lower than for the UK-born population, representing less than 30 per cent in most sectors.

Figure 10. Age of foreign-born workers in rural areas when left full-time education, by industry sector, 2007

Source: Labour Force Survey and ippr calculations



Migrants coming to work in the UK are often underemployed, performing jobs that require skills below their level of qualifications (Dustmann *et al* 2007). In particular, a substantial proportion of those that have been in the UK for only a short period of time are likely to be doing low-skilled work. Over time, however, migrants tend to move into jobs that better suit their educational background and skills. Therefore, this injection of highly-skilled workers into rural economies has stronger likelihood of meeting some skills shortages if workers remain in the medium to long term.

Migration and job creation

As well as being workers, migrants are consumers – those who live in rural areas can increase demand in rural economies, which can increase the market for local firms. When businesses succeed and expand they further increase demand within the economy. This means that even businesses and industries that do not employ migrants themselves can benefit from migration, leading to job creation throughout rural economies in the longer term.

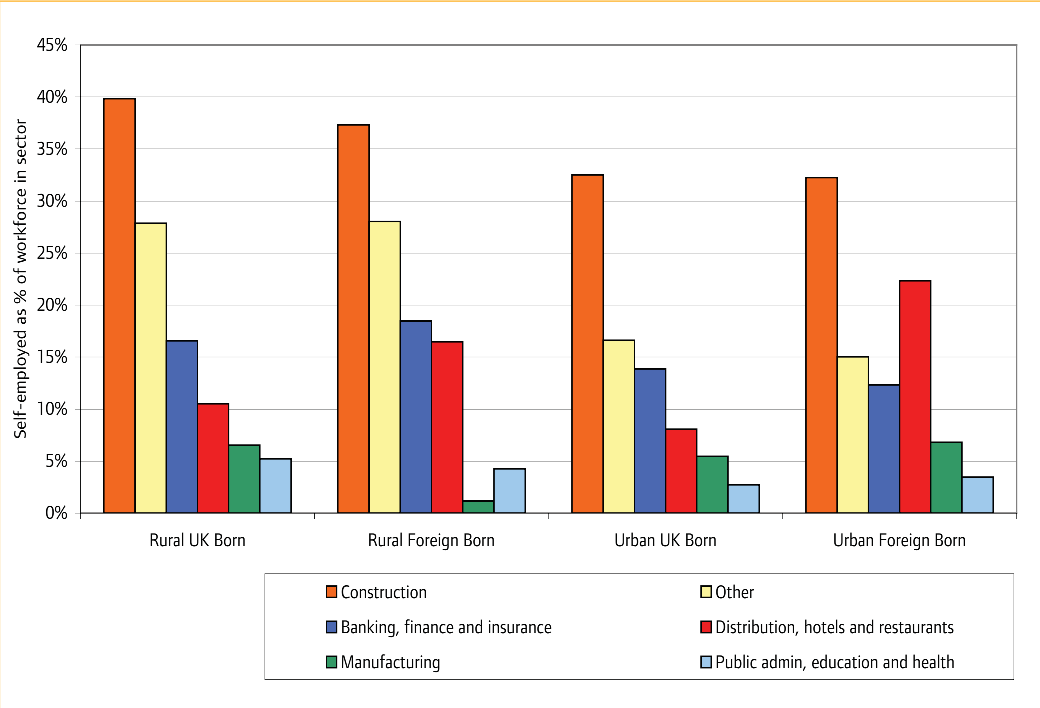
A number of stakeholders in our research strongly emphasised this point about job creation:

> 'Migrants are critical not just to those industries that employ them, but also to inter-linked industries.' Stakeholder, rural business

This is not the only way in which migrants appear to support rural businesses and job creation. A number of studies have stressed that migrants can be more entrepreneurial than non-migrants (Nathan 2008) – and entrepreneurialism is a vital factor in creating thriving businesses, economies and job opportunities. One measure of entrepreneurialism is self-employment. Figure 11 shows the proportions of self-employed foreign-born and UK-born

Figure 11. Self-employed, foreign-born and UK-born, in urban and rural areas, 2007

Source: Labour Force Survey and ippr calculations



On average, people living in rural areas are more likely to be self-employed than those in urban areas. Comparing those born abroad with those born in the UK suggests that the foreign-born are more likely to be self-employed in some sectors in rural areas – such as distribution, hotels and restaurants and banking, finance and insurance, whereas the UK-born are more likely to be self-employed in others such as manufacturing. Migrants in rural areas are more likely to be self-employed than the average person in the UK, though not more so than the average person in rural areas.

Table 5 shows the percentages of migrants who are self-employed, breaking down the data by their length of stay. The data shows that migrants are much more likely to be self-employed if they arrived in the UK recently.

Table 5. Self-employed foreign-born, by length of stay in the UK, 2007

Length of stay	% migrants in the UK for that period who are self-employed
Less than 5 years	19%
5–10 years	12%
More than 10 years	3%

Source: Labour Force Survey and ippr calculations

There are a number of explanations for this. Some of the self-employment may be a function of visa restrictions – Romanians and Bulgarians, for example, are not usually permitted access to the UK labour market as 'workers', though they are able to work as self-employed people. These self-employed people may not be any more 'entrepreneurial' than the average worker. In some sectors such as construction and the media self-employment has become a 'normal' way of working and again, in these cases self-employment is probably not significantly linked to entrepreneurialism (Chappell *et al* 2008).

However, some of the reasons for which new migrants are more likely to be self-employed than other workers may suggest higher levels of entrepreneurialism. For example, some migrants come from cultures where self-employment and business creation are common, bringing these cultural attitudes and ways of working with them, which may create new jobs in the UK. Some migrants may be forced into self-employment if they are excluded from employment, but may nonetheless subsequently drive job creation in the local area.

Migration and productivity

We have already seen that migrants to rural areas are often more skilled than UK-born workers in rural areas. We would expect this to increase the productivity of rural economies. Similarly, migrant entrepreneurs may increase productivity. But migration may also have wider productivity effects via changes in technology or business practices.

The availability of (cheap) migrant labour might stop firms from innovating technologically and investing in capital in order to deliver their products. Economic theory suggests that to produce a given good, firms have a choice using labour or capital (crudely, people or machines) as inputs. If there are shortages of labour, businesses will need to consider other methods of production, meaning that they either invest in capital, if the right technologies already exist, or in research and investment to develop the required technology. It has been suggested that by providing supplies of labour, migration might prevent technological innovation. This could lead to a 'low skill equilibrium' where low-skilled, low-paid jobs persist in the economy for longer than they might otherwise have done. There is some evidence that this may occur in the UK, including in rural areas (Nathan 2008).

However, other research suggests that economic theory probably overstates the extent to which technology can replace people (Rowthorne 1999). Moreover, in the short term at least, many businesses do not face a straight trade-off between labour and technology. In cases where the scope to increase productivity through more capital-intensive methods is limited, or where new technologies need to be developed, or where UK businesses face competition from overseas, then the choice may not be between labour and new technology: it may be between labour and bankruptcy – either for some firms or the entire sector or subsector of the economy. This may be the case for some rural sectors, particularly agriculture, an industry where in places the potential for mechanisation has been exhausted, and strong competition from other countries puts downward pressure on prices.

Secondly, migrants are often thought to be particularly productive workers. This is for similar reasons as for their entrepreneurialism – either because they are coming from a culture where there is a strong focus on hard work and productivity; or because the act of migrating, being willing to cross borders and enter new cultures in search of opportunity, shows inherent drive and ambition in itself. There is some strong evidence for the high productivity of migrant workers in the UK (Dench *et al* 2006, Eaglesham 2007, Chappell *et al* 2008). The productivity of migrant workers also came through clearly in our discussions with employers and business groups:

> 'The classic marker of a migrant worker is that they want to improve themselves in some way.' Stakeholder, hospitality
>
> 'Migrants are efficient, hard workers and responsible.' Stakeholder, agriculture
>
> 'The migrant worker on my staff is now the best paid member of the workforce, because he's invaluable. It's a different work ethic.' Stakeholder, agriculture

Sectoral impacts of migration in rural areas

Having analysed the relationship between migration and unemployment, wages, job creation and productivity, we now turn to examine three key rural economic sectors as case studies – agriculture, food processing and hospitality. This enables us to build a more detailed picture of *how* migration interacts with a sector, bringing to life the role that migrants play.

These sectors have been chosen for two main reasons. First, each has seen the proportion of migrants in their workforce rise significantly, and thus migration plays an important role in the economic prospects of these sectors. Between May 2004 and September 2006 more than 75 per cent of new EU migrants arriving in rural areas registered to work in these sectors – 33 per cent in manufacturing (which includes food processing), 25 per cent in agriculture and fishing, and 20 per cent in distribution, hotels and retail. This is particularly striking as between them the sectors only account for 36 per cent of rural output (Commission for Rural Communities 2007a).[10]

Second, each of these sectors is important to rural economies, although they account for only around a third of rural output. Hospitality is a major employer in rural areas which has grown strongly and steadily in recent years, and has been identified as a sector with strong future growth potential (People 1st 2006c). Agriculture and manufacturing, conversely, are industries that have historically made large contributions to the UK economy, particularly in rural areas, but which have been struggling to maintain their position in recent years. This decline is of concern to the wider rural and national economy. The advantages of retaining strong businesses and industries in the UK near the base of the 'production chain' have increasingly been emphasised over the past year as some service industries, such as finance, have struggled. Some of the recent gains made by these sectors have arguably been facilitated by the availability of migrant labour.

10. The data refers to the sectors that migrants say they will be working in when they register. After some time in the UK they may move to other sectors; evidence suggests many migrants do this. Therefore these statistics only accurately represent the sectoral allocation of migrants when they initially enter the UK.

These sectors also contribute to UK food security, an issue that is rising up the policy agenda (for example with the recent establishment of the Council of Food Policy Advisers, which will look at UK food security) (Department for Environment Food and Rural Affairs 2008). In addition, agriculture has a special role in its stewardship of the land. Further, food processing has been identified as a potential growth sector for rural areas, bucking the general manufacturing trend. For example, it has been identified as a priority growth sector by the North West Development Agency (2007). Nonetheless, it is important not to overstate the importance of agriculture – in 2004 it only employed approximately 6 per cent of the rural workforce (Department for Environment, Food and Rural Affairs 2004).

Case study 1: Agriculture

All data in this section, unless specified, come from DEFRA's Annual Agricultural Statistics for England and Wales, 2008, which are drawn from the annual June Agricultural Census.

Sector overview

Employment in agriculture has been falling for some time. Agriculture (including horticulture) employed 480,000 people in the UK in 2007, a 31 per cent decrease on 1984. The fall in agricultural employment over the past 70 years has been fairly constant year-on-year. From the Second World War until 1970, most sectors of agriculture enjoyed a boom, but employment still declined as productivity increased significantly. Since 1970, however, agriculture has experienced falling commodity prices, very tight profit margins, and as a consequence falling farm incomes. The increased power of the supermarkets and agribusiness as the prime purchasers of agricultural produce has produced most of this squeeze on profits (for example, Tesco now controls 27 per cent of the food retail market in the UK [Lawrence 2008]), as well as supermarkets' willingness to source products from overseas.

In order to maintain their viability, farmers have responded in three main ways, through:

- Intensification – using technical and non-technical innovation to increase yields, speed up agricultural production, or reduce risk. Most focused in East Anglia, the East Midlands and the Fens.
- Diversification and valorisation within agricultural production – growing new crops such as triticale (a cross between wheat and rye), by converting to organic production or specialist animal breeds. These new initiatives are often labour intensive, creating potential demands for migrant labour.
- Farm income diversification outside agricultural production, including movement into farm holidays and the rental of farm buildings as offices.

The historical use of migrant labour in agriculture

There is a long history of using foreign migrants as agricultural workers, dating back many centuries (Winder 2004). Protestant refugees from France and the Spanish Netherlands drained and first cultivated the Fens. During the First World War, Belgian refugees settled in Peterborough and its environs in Cambridgeshire, many of them finding agricultural work. After the Second World War, Polish ex-servicemen who settled in the UK were billeted to work as agricultural labourers at a time of acute labour shortage.

Agriculture has relied on seasonal labour for many centuries. Different crops require different amounts of labour input at different times of the year, as do different types of animal production. Horticultural production, including packing, is a particularly labour intensive sector, characterised by peaks and troughs in labour demand. Strawberry production under glass, for example, requires three times as much labour in August and September as it does in February.

Scott *et al* (2008) distinguish between the primary agricultural labour market, comprising permanent employees, and the secondary agricultural labour market which comprises seasonal workers. This seasonal labour has, and continues to be, provided by family members and others in rural communities (the long school holidays were scheduled to coincide with the harvest). Gypsies and other travellers have also been a source of seasonal labour and there is a long history of using the urban working class as seasonal labour in some parts of the UK. For example, hop picking in Kent was undertaken by Londoners until well after the Second World War. Until the late 1990s, unemployed UK-born workers also sometimes worked on farms during times of peak labour demand. For example, workers moved from Nottingham and Hull to work on holdings in the Fens, staying in caravans for part of the week then travelling home. However, today this seasonal labour need is increasingly met by the employment of migrant workers.

Migrants in agriculture today

Since 1997, the size of the UK-born agricultural labour force has decreased at the same time as increased agrarian intensification and income diversification, which has in some cases increased the demand for labour. People willing to undertake unskilled labour in rural areas are simply not available in the quantity that is required by agriculture. Moreover, agricultural wages are low in comparison with other unskilled work, despite the work being hard and there being fewer career prospects than in other jobs.

In particular, there has been an increased demand for secondary, seasonal agricultural labour (Scott *et al* 2008). As a result, employers have looked to international migrants to fill the gaps, and migrant workers now play a significant role in the primary agricultural labour market and the seasonal labour market.

Labour Force Survey estimates (which capture only those employed in the primary agricultural labour market, and exclude those living in accommodation tied to employment) suggest that there were 25,200 foreign-born workers employed in the agricultural and fishery sector in the first quarter of 2007, compared with 11,500 in Q2 1998. It is very difficult to estimate the numbers of seasonal migrant workers in the sector, but we know how many have come to the UK through the Seasonal Agricultural Workers Scheme: 7,310 workers entered the UK in 2007 through SAWS, down from 20,700 when the scheme was at its peak in 2003. Many more workers are employed seasonally in the sector, but they are not captured in these datasets.

Learning more about the migrants involved is not easy as the small sample size of the Labour Force Survey prevents a detailed analysis. However, other, qualitative research provides some insights. Migrants are occasionally employed in the dairy sector but are more likely to work with pigs and poultry (teams work together to empty and clean sheds) and the ‘other crops’ sector (soft fruits, vegetables, flowers and bulbs) – where their contribution is essential during the harvesting season.

Research suggests that most migrant agricultural workers in the UK come from within the EU, mostly from the new member states, particularly Poland and Romania, with many Romanians admitted through SAWS. This is partly a reflection of immigration rules. SAWS, for example, has been reserved solely for Bulgarian and Romanian nationals since January 2008 (whereas in 2007 there was a quota of 40 per cent of places for non-EU nationals). One 2007 study found that 58 per cent of horticultural workers were nationals of the A8 accession countries, 19 per cent were Romanians and Bulgarians admitted through SAWS, 19 per cent were nationals of other countries admitted through SAWS and 2 per cent were nationals of other countries arriving by other routes (National Farmers Union 2008). In other sub-sectors and parts of the UK, however, there are significant groups of migrants from countries outside the EU.

Bringing this information together with research on why migrants come to work in British agriculture, we can group migrant agricultural workers into a number of categories:

- *A8 and A2 migrants for whom agricultural work is a first job on arrival in the UK before moving to better paid work:* ippr polling data and other research suggests that about half of A8 workers leave agricultural work within three months of arrival in the UK. Those who leave are almost always better educated than the average and cite poor pay and low status of the work as the main reasons for moving on.
- *A8 migrants who remain for a period of time in the UK, save money, then return to their country of origin:* Seasonal agricultural work is often an attractive option for those who migrate to the UK for just a short period of time (perhaps on more than one occasion).
- *A8 workers who remain in agriculture:* This group is relatively small. They generally appear to be less well-educated, speak less fluent English, be dependent on compatriots for translation and have fewer career options in the UK or their countries of origin than workers in the other categories here. In some cases they are progressing to more responsible work within the sector.
- *SAWS migrants:* Before 2008, when SAWS was open to a wider range of national groups, SAWS attracted students from countries such as Ukraine. Today, SAWS workers appear to be older and less educated. High proportions are Roma, as the seasonal nature of the work is often compatible with the lifestyles of some Roma who want to spend time with family in Romania.
- *Pre-2004 EU migrants: vast majority from Portugal:* Poor employment prospects in Portugal among this group, many of whom have few qualifications, have brought them to the UK (de Abreu and Lambert 2003).
- *EU and overseas students with the right to work in the UK:* A small group, though numbers may be growing.
- *Irregular migrants:* Although it is difficult to estimate numbers of irregular migrants, in 2000 they comprised a significant part of the horticultural labour force in parts of the UK. Their countries of origin included China, Brazil, Iraq, Afghanistan, India, Pakistan and Bangladesh (Rogaly and Taylor 2004). Employers' sanctions and the work of the Gangmasters Licensing Authority appear to have decreased the numbers of irregular migrants employed on farms, but they are still present.
- *Long-settled foreign-born populations from South Asia who live in urban areas:* This group tends to be bussed out of cities by gangmasters to work in horticulture and field vegetable production and packing. For example, there are significant populations of British Pakistanis working in the horticulture sector in Herefordshire and Worcestershire (Lanz and Gullen 2006). This group often possesses few qualifications. Limited job prospects in urban areas, plus a growing number of South Asian gangmasters, have led to an increase in seasonal workers from this group.

Future trends

Agriculture will play an important role in the future of rural economies, even if it remains a relatively small employer. Increased emphasis on food security and land stewardship will reinforce this economic role. It seems likely that agriculture will continue to experience labour shortages, particularly for low-skilled and seasonal work. Although technological innovation, capital investment and changed working practices may reduce the demand for labour to some extent in the future, many low-skilled and seasonal jobs will remain. Some will be filled by UK-born workers, particularly during the current recession, but their location and nature are likely to render them hard to fill in the medium to long term. Migrant workers will therefore have an important and ongoing role in the sector.

Case study 2: Food processing

Sector overview

Food processing is a diverse sector, including small-scale artisan businesses, medium-sized enterprises as well as large transnational companies that make many products. The Food and Drink Federation (2007) suggests that 411,000 people were employed in the food processing sector in 2007. This is almost certainly an underestimate, undercounting those employed in artisan businesses and food processing operations within the retail sector. It is likely that about 15 per cent of the total UK workforce is directly employed in food processing. Additionally, many thousands of jobs in agriculture and retailing depend on the food processing sector, which purchases 75 per cent of the UK's agricultural output.

The total turnover in the food processing sector was estimated to be £74 million in 2007. The sector is the largest component of the UK's manufacturing industry and contributes 14.2 per cent of the manufacturing sector's Gross Value Added (Food and Drink Federation 2007). In some parts of the UK – Northern Ireland, Eastern Scotland, the East Midlands and the Fens, including many rural areas – the food processing sector is particularly important to local economies.

Although most food processing businesses are medium sized, employing 100 to 250 people, there has also been a growth in the number of very large enterprises (Food and Drink Federation 2007). And there has been a consolidation of businesses as large transnational corporations have bought up factories and brands.

Migrants in rural food processing

Although the total turnover of the food processing sector has grown over the last 10 years, the size of its workforce has decreased, as a consequence of greater automation. At the same time, analysis of the Labour Force Survey shows that there has been a steady growth in the numbers of migrant workers employed in the food processing sector, particularly since 2004 and the arrival of migrants from the EU's new member states. The food processing sector is characterised by tight profit margins for producers and low wages for employees. In economic boom times, the food processing sector has not been seen as an attractive career option by UK-born workers, although this may change during recession.

Despite agricultural intensification, the food processing sector has seasonal peaks in demand for labour. These peaks are caused by agricultural production patterns as well as seasonal consumption patterns. New innovations such as 'just-in-time production' where food is not produced to stock, rather to meet the exact amount demanded by a customer, require a very flexible workforce. If demand is high in one area of the business, additional temporary workers may be required. Temporary work, sometimes on 'zero-hours contracts' (under which the employer does not guarantee to provide work and pays only for work actually done), has proved unattractive to many British workers, so much of this labour has been provided by migrants. Many of the temporary workers for just-in-time processes get the work through labour providers, often gangmasters, some of whom are themselves migrants (Geddes 2008).

Migrants are not employed in equal numbers across the sector. They are most likely to be employed in food packing, for example the initial processing and packing of salad vegetables, as well as the production line processing of foods (see Table 6 below and Geddes 2008). These roles are more likely than others to be located in rural areas.

Table 6: Migrant workers in food processing, 2006–2007 (mean quarterly percentage)

	UK-born	EU15 plus Norway, Iceland, Switzerland, Liechtenstein	EU accession states of 2004	Bulgaria and Romania	Non-EEA
Butchers, meat cutters	91.4	1.8	2.2	0.6	4.0
Bakers, flour, confectioners	84.2	4.0	2.2	0.3	9.3
Fishmongers, poultry dressers	82.8	0	5.1	3.0	9.1
Food, drink and tobacco process operatives	72.4	2.3	10.0	2.1	13.2
Packers, bottlers, canners and fillers	60.3	3.0	16.6	4.0	16.1

Source: Labour Force Survey as cited in Geddes (2008)

Scott *et al* (2008) distinguish between the primary agricultural labour market of permanent employees, and the secondary labour market of seasonal and temporary workers. This same division occurs in food processing. Qualitative research suggests that migrant workers are more likely to be employed in the secondary labour force, with many of these seasonal and temporary workers provided by gangmasters (Geddes 2008, Rutter forthcoming). Again, this secondary labour force is more likely to be a rural one.

Future trends

In the short term, the proportion of migrant workers employed in the food processing sector may decrease. (There is already evidence of this happening in data gathered from the Workers Registration Scheme for migrants from the new member states of the EU.) During the recession, unemployed UK-born workers will fill vacancies in larger numbers – employment in the food processing sector is perceived as more attractive than in agriculture.

Demand for processed food is likely to hold up better than for other products during recession, as it is often cheaper than fresh food, and while some firms may be affected by the recession, it is unlikely that there will be large-scale job losses. Additionally, the credit crunch may halt greater automation in food processing, as that is capital intensive.

Case study 3: Hospitality

Sector overview

The UK's hospitality industry broadly falls into three main categories of business: restaurants, bars/clubs and pubs, and hotels/motels (People 1st 2006c). The UK's hospitality sector is a significant employer, currently employing approximately 2 million people, around 7 per cent of the total labour force in 2005 (Low Pay Commission 2006). It is also growing fast. In 2007 'distribution, hotels and restaurants' (of which hospitality is a part) grew by 5.1 per cent, second fastest after 'public administration, education and health'. Looking ahead, the sector's expansion seems likely to slow or reverse during the recession, but in the medium to long term we expect the sector to be of growing importance to rural economies.

Key characteristics of the sector's workforce include:

- Youth: A third of the workers in the sector are under the age of 25, with a greater proportion of students than other sectors.
- A female workforce: Around 60 per cent of the sector's workforce is female.
- Part time: A greater proportion of part time workers than other sectors.
- Dominated by small to medium sized firms: three quarters of businesses employ fewer than 10 workers.
- Low pay: 17.2 per cent of the sector's workforce are working in minimum-wage paying jobs, which is the third highest proportion after hairdressing (22.2 per cent) and security (19.3 per cent) (Low Pay Commission 2008). There is also concern that some hospitality workers are not being paid the minimum wage – enough to trigger a programme of minimum wage enforcement.
- A low-skilled workforce: One fifth of the workforce has no qualifications. However, migrant workers in the sector tend to have higher qualifications (People 1st 2006c).
- Informal approaches to recruitment, training, rules and procedures: In particular, the sector is noted for obtaining labour through recruitment agencies, as well as a low density of trade union membership (Lucas 2004).

The hospitality sector often has high levels of job vacancies, and faces specific skills shortages, particularly within certain positions such as chefs and restaurant/bar managers. In the past year, for example, the British hospitality sector and People 1st (the industry's skills council) jointly warned the Government that the UK faces a massive shortage of highly-skilled chefs and that urgent action is required if the problem is to be mitigated.

Vacancies and skill shortages are the result of a combination of factors:

- The expansion of the sector has meant that the rate of job creation has exceeded the available labour supply (People 1st 2006a, 2006c, Matthews and Ruhs 2007).
- Failures in the UK's vocational education and training systems have hit the sector hard (Income Data Services 2003).
- British workers perceive the sector as offering difficult and low-paid work, so it is hard to attract them to the sector (Matthews and Ruhs 2007).
- There seems to be a structural relationship between job vacancies and high levels of turnover in the industry, which has been estimated at 30 per cent – equivalent to losing 590,640 people a year (People 1st 2006b). While employers are keen to fill job vacancies, the often fluctuating and seasonal nature of the sector's employment means that employers also want flexibility to hire and lay off workers according to demand, making jobs less permanent and stable in comparison to work in other sectors.
- A lack of training and clear paths for career progression within the sector also makes attracting staff difficult.

Migrants in rural hospitality

The hospitality sector has long been a major employer of migrants in the UK, for example employing Southern Europeans through much of the 19th and 20th centuries (Baum 2006 cited in Devine *et al* 2007). However, it was not until recently that the sector became as diverse in terms of its employees' nationalities as it is today. Between 2003 and 2008 the proportion of foreign-born workers in the sector increased from 10.2 per cent to 13.2 per cent (and the real figure may be a little higher, as undocumented migrants working in the sector might not be fully counted in these figures). This trend appears to be principally due to the arrival of workers from the new member states of the EU since 2004, since which more than 150,000 people from Eastern Europe have registered to work in the UK's hospitality sector (Home Office 2008a).

The composition of the sector's workforce is highly diverse. In 2008, Poles were the largest individual foreign group working in the sector (1.4 per cent of the total labour force), followed by Indian nationals (1.1 per cent). While migrant workers from Central and Eastern Europe are the fastest growing group of the sector, their numbers remain small relative to the total labour force, at approximately 2 per cent in total. Migrants from Asian and Middle Eastern countries are together the largest foreign group within the sector (approximately 5 per cent).

Migrants are not working in all occupations across the sector but tend to be concentrated in particular categories: in food and beverage occupations, working as chefs/cooks, waiters, bar staff and room service as well as in 'front of house' operations such as reception and concierge personnel (Wright and Pollert 2006).

The geographical spread of migrants working in the sector has traditionally moved hand in hand with more general settlement patterns of newly arrived migrants. During the 1990s, new migrants in the hospitality sector were clustered in areas where longer-established migrant networks have settled. For example, in the 2001 Census, ethnic minorities working in the sector were concentrated in London and the West Midlands (Wright and Pollert 2005). However, in the last decade, there has been a greater dispersal towards more rural areas (People 1st 2006b, Devine *et al* 2007). For example, in the East, the recruitment of international workers within the hospitality sector is widespread especially for low-skilled and front of house occupations. 12 per cent of the region's workers in the hospitality, leisure, travel and tourism sectors are foreign-born – almost equivalent to national rates of migrant employment in the sector (People 1st 2006b).

The South West, particularly Somerset and Cornwall, is another region that has an increasingly large migrant population working in its hospitality sector. Jobcentre Plus records in Cornwall show that 33 per cent of jobs in the hospitality sector went to migrants between April and July 2004 (South West Enterprise and Skills Alliance 2005).

Future trends

The advent of the points-based system has reduced the eligibility of migrants to find legitimate work in the hospitality sector. This has led to labour shortages in some restaurants, particularly those cooking Indian and other global food. Prior to the accession of the new EU member states in 2004, the Government created the Sector-Based Scheme (SBS) in response to employer concerns about worker shortages. The SBS facilitated the employment of a limited number of non EU-workers in selected low-skilled jobs, with the hospitality sector being one of only three sectors where such jobs could be filled. In 2003, the quota of non-EU nationals stood at 20,000. With the A8 accession, this quota was reduced to 15,000 in 2004, and phasing out begun in 2005, with the expectation that new EU nationals would be able to fill any job vacancies.

Although the Government correctly assumed that many new EU nationals would be available to work in the sector, industry and employers' representatives have reported that job vacancies and skills shortages still remain high. It is also not clear to what extent the British hospitality sector is likely to be able to rely on new EU nationals as a source for labour in the future – recent evidence suggests that migration from these countries is declining, and many of those who have come already will return home (Pollard *et al* 2008).

5. Future trends and implications for rural economies

Having looked in some detail at the role that migrants currently play in rural areas and their impacts on rural industries this section considers possible future trends and their implications for rural economies.

How will demand for migrant labour in rural Britain change?

The key variables in determining the future demand for migrant labour in rural areas are:

- Growth rates in rural economies
- The extent to which labour is substitutable by technology
- Availability of UK labour to fill vacancies and address skills shortages.

The short term

It is important for the short term (next one to two years) to examine the impact of the recession on migrant labour demand in rural areas. The expectation would be that output in rural Britain would fall, translating into reduced demand for labour and quite probably reduced demand for migrant workers. The particular challenges faced by rural economies (for example, relatively inflexible labour forces) may also have particularly damaging impacts during a recession.

Recent statistics show a more complex picture, however. While unemployment is rising across the UK, this has so far been more marked in urban areas where it rose substantially in 2008 but held steady in rural England (Commission for Rural Communities 2008b). Over the same period, however, economic inactivity in rural areas increased[11] – faster there than in urban ones. This suggests that labour demand falling in rural communities, but that is reflected in people dropping out of the labour market, rather than considering themselves unemployed. Although ongoing processes of welfare reform may increase labour force participation in the future, the rising rate of economic inactivity in rural areas may make future vacancies harder to fill from the UK-born population, since the economically inactive tend to be harder to reintegrate into the workforce than the unemployed; in turn this could increase demand for migrant labour.

It has been suggested that migrant labour is the first to be cut in a recession (which would suggest that the demand for migrant labour would fall faster than the demand for labour in general), but it is not clear that this is the case. On the one hand, temporary labour is more likely to be cut in a downturn than permanent labour – and migrants are more likely to be on temporary contracts than are UK-born workers. For example, 53 per cent of migrants from new European Union countries registering with the Worker Registration Scheme in the year to March 2009 are in temporary work, a figure which rises to 78 per cent for those working in agriculture (UK Border Agency 2008). On these grounds we would expect migrant workers to be disproportionately affected by recession.

11. Economic inactivity is a measure of people of working age who are out of work and not actively seeking it, whereas the 'unemployed' are actively looking for work. Some economically inactive people may choose this, for example in order to care for children, but some may not have been able to find work and have stopped trying. This may mean they are less 'work-ready' than the unemployed, making getting them into work particularly difficult.

Also relevant is the fact that 'last in, first out' is a fairly common approach taken by employers to decide which employment to terminate, at least in the case of formal redundancies (Smith *et al* 1999). Given that many rural migrants have arrived in the country (and therefore their workplace) fairly recently, it could be expected that they would lose out for this reason too. Lastly, racism and xenophobia may rise in a recession as people fear losing their jobs, and may blame migrants, which might affect their employment situation.

On the other hand, if immigrant workers bring particular benefits to employers that are not available in the local population (such as filling skills gaps or providing flexibility) the demand for migrant labour in rural areas might remain steady even in a downturn. In fact, one study of the US found that migrant workers were less likely to lose their jobs than American-born workers in the recession of 2001 (Lowell *et al* 2006), suggesting that in that case at least, factors such as temporary contracts were outweighed by the positive reasons for employing migrants in the first place.

It may also be the case that the scope to substitute migrant workers with unemployed UK-born workers during a recession is more limited in rural areas than elsewhere – for example if transport problems prevent many unemployed people living in urban areas from accessing rural jobs.

However, while existing migrant workers might not lose their jobs, demand for new workers of any type is likely to slacken, and therefore it seems likely that demand for migrants will slow substantially. What this means for the evolution of migrant flows and the rural economy will of course depend on how supply evolves. We address this below.

The medium term

When the recession ends (whether in 2010 as predicted by the Government or somewhat later as others suggest) demand for migrant labour will be determined to a greater extent by underlying dynamics of rural growth potential, technological development and UK labour availability. In the medium to long run, therefore, the following trends look likely to determine demand for labour in rural areas.

First, the general economic prospects for the UK's rural areas look strong. The Commission for Rural Communities recently projected that the output of rural firms could be doubled if the right facilitating policy measures are put in place (CRC 2008a). This is a hugely positive finding for rural areas and indicates the potential for significant growth in rural economies in the medium term.

Our sectoral analysis suggests similar conclusions. There is clearly significant potential for further growth in hospitality and food processing in rural areas. Moreover, we believe there is also potential, with the right facilitating policy measures in place, for improved performance in agriculture. While the sector has been struggling in recent years, an increased focus on food security and land management by government may boost support for agricultural production. There appears to be an increasing recognition that, as one of our stakeholders suggested:

> 'It isn't just that "these are a few industries which have got some problems and isn't it interesting". These are an important part of our food supply.'
> Stakeholder, rural business

Second, we must turn to the question of whether future economic growth in rural areas will generate demand for larger numbers of workers or whether demand will be met through investment in capital and technology. Looking across rural economies, it seems unlikely that under any plausible scenario investment in capital and technological development alone would be able to support the CRC's goal of a doubling of rural output, even in the medium term. To achieve anything near that would almost inevitably require additional labour to some degree. And indeed, government is planning for an increasing population in rural areas in order to support future growth (Department for Communities and Local Government 2007).

Looking at the same question sectorally gives a similar but more nuanced picture. It is clear that the very nature of the hospitality industry limits the possibilities of increasing the use of technology (Baum 2006). Restaurants, bars and hotels are based around person-to-person services, and while there might be room to mechanise some back-of-house operations, on the whole labour is a key constituent part of the industry.

In contrast, there may be room to further reduce the labour component of food processing (ElAmin 2006). There will always be some labour requirements in the sector, even at its most mechanised, for highly skilled supervisors and machine technicians and usually a small number of less skilled workers on the production line. However, the sector is one where mechanisation has potential, and it may be that increasing production in food processing would not necessarily drastically increase labour requirements over the medium term.

In agriculture, the balance of evidence appears to suggest that in many sub-sectors the potential for replacing labour with technology has been exhausted. This message came through strongly in our research:

> 'In horticulture, any way of replacing picking by technological innovation is simply beyond our understanding. [Without labour] farmers and growers would have to contract rather than expand their production, diversify or take their business abroad.' Stakeholder, rural business

Thus there appears to be potential in some parts of the UK's rural economies to pursue future growth through greater investment in capital and technology but larger numbers of workers will also be required to promote growth.

Third we turn to the question of whether future, potentially very significant, rural economic growth can be achieved with a UK-born workforce. England and Wales has an ageing population. There are relatively fewer people in the 20–45 age group than in older age groups, a trend that is even more marked in rural areas where basic fertility trends have been accentuated by internal migration within the UK. Young people tend to leave rural areas to seek work or for higher education, and few return.

Some sectors of rural economies face skills shortages that are currently partially addressed by the employment of migrant workers. These shortages could be reduced in the medium term by improving access to education and training in rural areas.

Finally, it seems unlikely that increased employment rates or significant movement of UK workers from urban to rural areas will meet the demand for labour implied by the ambitions for future rural economic growth. Although welfare reform processes may encourage some British workers to take up rural employment, the barriers keeping UK workers out of some rural employment, such as low pay, temporary contracts and the low status of work in some agricultural jobs, look unlikely to change.

In sum, it seems likely that demand for migrant labour in rural Britain will remain significant, and may even increase in the medium to long term, particularly if the ambitious vision of doubling rural output is to be achieved. This has some important implication for the risks facing rural economies. An increasing demand for migrant workers suggests an increasing reliance on their supply. Should this supply not be dependable this could expose rural Britain to serious economic risks. We turn now to consider how the supply of labour to rural areas is likely evolve, examining how serious these risks might be.

How will the supply of migrant labour to rural Britain change?

The supply of migrant labour to rural Britain will depend in large part on the supply of migrant labour to the wider economy as many of the factors that determine migrant flows are national (not least immigration policy). However, regional and local factors will also play a role, and the relative success of rural economies in the future will be an important determinant of flows.

The short term

It is difficult to predict the supply of migrants in the short term, in part because of rapidly changing economic conditions. Qualitative evidence on current trends in rural areas appears divided. On the one hand, the migrant workers we spoke to in Spalding, Lincolnshire, said that the pace of new arrivals to the area was not slowing and they did not like that fact:

> 'I think they need to stop. Stop letting more migrants come to the UK. Because I think they are always coming, coming, coming, coming, coming, coming.' Migrant worker in food processing, Spalding

Most of the migrants we spoke to expressed their intention to stay, at least for the next few years.

Some stakeholders concurred with this picture of a strong supply of labour too:

> 'We certainly aren't seeing any signs of [labour supply] lessening at all…. [Moreover] the labour market within the EU is enormous… and those workforces are available for employers here.' Stakeholder, hospitality sector

In contrast, in the focus group we undertook in Peterborough, the migrants we spoke to said that new arrivals had slowed, and elsewhere others said that many were returning[12]:

> 'The Polish are not coming here. They'd rather go to other countries like Norway.' Migrant worker in hospitality, Peterborough

> 'There aren't many Portugese here. Four years ago there were more. I think everyone has gone now.' Migrant worker in food processing, Spalding

> 'Young people from Latvia are going back. People like me, our age, have more opportunities here [in the UK]. But young people are going back.' Migrant worker in food processing, Spalding

Other stakeholders had had a similar experience:

> 'My Polish employee knew other Poles in the area, and he's the only one who's still remaining. They all went back three to four months ago. It seems to be a trend and if it is a trend then I think we will have problems.' Stakeholder, agriculture

Moreover, the majority of migrants we spoke to in all locations said that they would not encourage others to come to the UK:

> 'If some friend asked me if England is all right, for me it is all right because I have a good job and everything, I'm good. But to say to friends come? [No, I wouldn't]...' Migrant worker in food processing, Spalding

12. Of course, some migrants always leave, whether for their country of origin or to go elsewhere. What we think we are observing here, however, is a higher level of return than usual.

This is important because social networks are critical in terms of transmitting information and opinions to others in a migrant's origin country. Many of the migrants we spoke to had come to the UK because they had been advised to by friends and relatives. That they would not recommend this to others is likely to be important in determining future flows. This may be an early warning of lower levels of movement in the short term.

This qualitative evidence of slowing arrivals and significant returns in rural Britain is supported by national evidence of the same trend: arrivals from Central and Eastern Europe appear to be slowing, and returns are substantial. So while on the whole the supply of labour at the moment seems sufficient, it may dwindle over the coming months and years. To some extent, it appears migration may in the short term be self-regulating, so that it rises when there are plenty of opportunities available, but can also provide flexibility in the labour force in more difficult times (Chappell *et al* 2009).

The medium term

Drawing on a recent systematic analysis of why migrants chose particular destinations (Economist Intelligence Unit 2008) as well as ippr's past research and the rural-specific research we have conducted for this paper, we can isolate some of the medium-term factors that determine migration flows.

We look at two groups of factors. First are those that determine the relative attractiveness of the UK compared with other potential countries (whether the migrant's home country or another destination). The evolution of these factors both affects both the relative attractiveness of the UK for potential new migrants to the country, and its attractiveness to those who are already here but are considering leaving (either to go home or to a third country). Second are the factors that affect how likely migrants are to be attracted to (or stay in) specific rural areas.

National factors

At the national level, migration policies that may affect future flows of migrants to rural areas include first, putting Tier 2 of the points-based system into operation. It remains to be seen how flexible Tier 2, and in particular the shortage list system, will be to economic demands – particularly at the regional or local level.

The second factor is the evolution of SAWS and Tier 3. SAWS has been an important source of seasonal labour for the agriculture sector but the Government seems intent on abolishing SAWS in 2010 with no apparent plans in place to replace it by opening Tier 3 of the points-based system. The Government's assumption is that any SAWS-type vacancies can be filled by migrants from within the EU. However, it is not at all clear that this will be the case – it is likely that EU workers will seek more stable and long-term employment once they have full access to the UK labour market. Already, the restriction of SAWS to Romanian and Bulgarian nationals has led to quotas going unfilled and this has had an impact on some agricultural businesses, which looks set to worsen if the current restrictions are continued.

Those in the UK agriculture sector, especially horticulture, feel very strongly that SAWS is vital to its success:

> 'I can't tell you how important that scheme is to us. To lose it would be a disaster. If the Government decides they don't want a food production capacity in this country anymore that's up to them.' Stakeholder, rural business

Indeed, the uncertainty over the future of SAWS is causing major problems to employers, as one farm manager set out for us:

> 'We want to double the area of fruit grown on the farm in the next four to five years. To do that we need to know we can get the people to harvest those crops. Because we didn't know we had to put those plans on hold for 12 months, and we will probably put them on hold for 12-18 months again… We'd be mad to do anything before we have some certainty going forward…And if we can't get the people that we need we may have to think about stopping growing the fruit altogether.' Stakeholder, agriculture

The migration policies of other countries will also be important in determining the future flows of migrants to the UK's rural areas. Given the particular importance of Central and Eastern European migrants in recent flows to the UK's rural areas, policies that might attract those workers elsewhere deserve particular attention. Of these, the most likely to be significant is the planned opening of Germany's labour markets by 2011 (Euroactiv.com 2008). Germany is a rich country, closer geographically to key Central and Eastern European countries than the UK. Perhaps most important of all, it has a history of attracting migrants from the region, particularly Poland, to carry out work in the agriculture sector. More open regimes elsewhere in concert with more closed policies here in the UK could considerably undermine the UK's attractiveness to migrants.

The medium-term performance of the UK economy relative to other countries (particularly in the EU) will be an important factor in determining the supply of migrant labour. Although the full impacts of the current recession are as yet unclear, it is likely that membership of the EU will give new EU member states considerable economic benefits in the medium term. We might therefore expect the trend of falling unemployment to continue in the medium to long term, which is likely to reduce the relative attractiveness of the UK labour market to migrants from these countries in the future. This will be exacerbated if Sterling continues to be weak relative to the Euro.

Local and regional factors

The vast majority of migrants we spoke to liked living in rural areas and in their particular locality, apart from a few who said rural life was too quiet (although this was not such a concern that it would cause them to leave). People liked the natural beauty, viewed rural localities as good places for children to live, found it relatively easy to find work, found most things to be low cost (with housing a notable exception), and enjoyed the peace and quiet.

Housing was the one rural-specific problem raised by the migrants we spoke to and those that work with them. The lack of availability and the high cost, particularly of rented accommodation, in which migrant workers live disproportionately (Rutter and Latorre forthcoming), was a constant theme. The following comment was typical:

> 'When people want to stay there's no housing for them. They tend to move to urban areas then, when they want to stay and work in rural areas.'
> Stakeholder, migrant association

The high cost and limited availability of housing in some rural areas is an issue for all those who live or work in the countryside. Many young people in rural areas, for example, are priced out of the market in the areas where they have grown up. The particular challenges of housing in rural areas, as elaborated in the Taylor review (Taylor 2008), may exacerbate the challenge of continuing to attract sufficient migrants to rural areas to meet labour demand.

There are a number of more local and individual reasons that might influence people's decisions on where they want to live. Our research in rural areas also highlighted a number of issues that while not 'rural specific' or only relevant to rural areas, were felt to be important in most rural contexts. These were:

- *Direct, permanent employment:* This was the most important factor the migrant workers we spoke to gave for staying in a job or locality (and in some cases, the UK). Agency work was very unpopular, and while most saw it as an acceptable way to enter the UK labour market, after some time as agency staff they wanted to be directly employed on a permanent contract.
- *Hours:* A number of the migrant workers and employers we spoke to emphasised the importance of being able to work a reasonable number of hours – neither too few (for example, one or two days agency work a week) nor too many (regularly more than five full days a week.)
- *Promotion:* A number of people mentioned the possibility of promotion as a key factor that would attract them to live and work in a particular location.
- *Exploitation and workplace discrimination:* Migrants often lack awareness of their rights and entitlements, which can lead to exploitation and discrimination, for example, not being paid overtime, being refused sick or holiday pay and having their passports retained (see Matthews and Ruhs 2007).[13] As an example of discrimination, a study of the hospitality sector found employers preferred white staff over non-white staff for frontline work (Wright 2007). If a migrant is aware of exploitation and discrimination, a particular business, and possibly locality and industry, will become less attractive to them.
- *Work beyond factories and fields:* Some of the migrants we spoke to wanted to move out of work in factories and fields, preferring hospitality, retail and construction work. A single overarching rural strategy to ensure migrants are able to access work in rural economies may not be sufficient, therefore. One way to address this is to use temporary schemes (such as SAWS), so that rather than attempting to attract one group of migrants to remain in the sectors permanently, businesses instead draw on a rolling supply of short-term migrants who are the in the UK temporarily to undertake this specific work.
- *Integration and community cohesion:* Problems in this area – particularly a lack of opportunities for learning English and frictions between locals and new arrivals – might also lead migrants to leave a place.

Risk analysis

The evidence presented above suggests that rural economies will have ongoing need for migrants for the foreseeable future, but that the supply of migrant labour is not necessarily assured. We therefore assess the risks associated with a lack of migrant worker availability.

Table 7 takes some of the key factors determining the availability of migrant workers identified above, and then sets out how likely any risk is to materialise in the medium term and secondly, what the impact on migrant worker availability in rural areas would be.

13. Of course, if migrants are working illegally, their situation is even more grave, with there being the danger that they do not get paid at all by the employer.

Table 7. Summary of risk factors for the availability of migrant workers in rural areas of the UK

Risk factor	Likelihood of occurrence (medium term)	Severity of impact on UK
UK migration policy limits the availability of migrant workers below levels of demand	Medium	High
Other (EU) countries adjust their migration policies making it easier to move there	High	Medium
The value of Sterling continues to decline against currencies in alternative destinations	Medium	Medium
Employment prospects in the UK deteriorate relative to alternative destinations and/or source countries	Medium	High
Housing availability in rural areas worsens and costs rise	High	High
It becomes harder to obtain direct, permanent employment	Medium	High
Migrants find it harder to get a job involving reasonable numbers of hours of work per week	Medium	Medium
Migrants find it harder to advance in their jobs and get promoted	Low	Low
Exploitation of migrant workers gets worse, as does discrimination	Medium	Medium
Migrants are less able to find work beyond the factory and the field	Low	Medium
Community cohesion worsens, and in particular access to English language learning falls and tensions between communities increase	Medium	Medium

6. Conclusions and recommendations

Actions at a variety of levels could be taken to reduce the risks rural economies are exposed to by their use of migrant labour. Some key risk factors, such as currency exchange rates, cannot be addressed here but there are some recommendations for changes to policy that we can make. It is important to highlight these for urgent attention, as many stakeholders in rural areas currently feel that their needs are poorly reflected by policymakers.

Responding to these risks does not warrant a whole new policy agenda. In most cases the key levers and policy processes are already in place. Reducing the risks related to migrant worker availability requires being aware of how rural issues are linked to existing policy levers and processes, and then adjusting or prioritising them accordingly.

Three main types of actions need to be taken to reduce risk:

- Changes to UK-wide policy to encourage migrants to come, so that employers can access the labour they require
- Action to improve the attractiveness of rural economies so that they get the migrant workforce they need
- Encouragement to stakeholders to work to improve understanding and communication of these issues.

We highlight the most important recommendations below with a star.

*Recommendation 1 : Incorporate a new version of SAWS into the points-based system, under Tier 3

Those in the UK agriculture sector, especially horticulture, feel very strongly that SAWS is vital to its success. Although the Government increased SAWS places by several thousand between 2008 and 2009 it is still scheduled to be phased out in 2010, and remains restricted to workers from Bulgaria and Romania.

We believe that this is the wrong decision given that farmers need additional workers, and it seems unlikely that a UK-based supply, and possibly an EU-based supply, will be available in the medium term. The uncertainty over the future of SAWS is causing major problems to employers.

We recommend that the Government continue with a SAWS-type scheme under Tier 3 of the points-based system, which regulates the movement into the UK of low-skilled workers from outside the EU. At present the Government has kept this tier closed, but evidence from the agriculture sector shows that it is important that it be opened. The Government should allow workers from outside the EU to enter the UK on similar terms as it used to under SAWS before it was restricted to workers from Romania and Bulgaria.

This is essential for ensuring that the potential of the UK's agricultural sector is fully realised. If the Government does not replace SAWS with another similar arrangement in 2010, it is likely that the only possible alternative for some parts of the sector will be to move production outside the UK. This would have knock-on effects on other parts of the UK's rural economies, as well as on wider goals such as food security and land management.

The Government should consider incorporating a criterion related to the development of sending countries in deciding which workers should be able to take up places under a new scheme. This would follow the lead of countries such as New Zealand, which has made arrangements with some of the Pacific Island countries to provide the agricultural labour they require. This addresses New Zealand's shortages of agricultural labour and provides opportunities for people from some of world's poorest countries to earn good wages, which can have a significant impact on their families' and communities' circumstances (Pacific Islands Forum Secretariat 2008).

Recommendation 2: Open up Tier 3 more widely, to ensure businesses across all sectors are able to access low-skilled migrant workers from outside the EU if required

The Government should consider opening up Tier 3 more widely alongside specific provision for agriculture given the fact that there are vacancies in low-skilled jobs across a number of industries in rural economies, for example in the care sector. Unemployment has risen since our research was conducted but it is likely that a number of low-skilled vacancies are likely to remain in rural economies and elsewhere in the medium term.

We believe it is important that the Government put in place monitoring mechanisms to examine labour shortages in low-skilled jobs and consider where gaps might sensibly be filled by migration, as is done for skilled labour. This will help to develop a more nuanced understanding of where gaps exist and where migrants might fill them.

As for Recommendation 1 above, the Government should embed development criteria in its decisions about who can come to fill low-skilled vacancies, should jobs be identified that can be suitably filled by migrants. This will help ensure that the migrants and their families and communities gain as much from their time in the UK as rural employers and the economy.

***Recommendation 3: Government, housing associations, employers and the National Housing Federation should work together to develop more affordable and better quality housing in rural areas**

Housing availability is not a new issue for rural areas, and has already been touched upon by a number of government commissions and policies (Department for Communities and Local Government 2007, Rugg and Rhodes 2008). Increasing the availability of affordable housing is a priority for rural communities in general, and would encourage migrant workers to move to and stay in rural areas, which could have positive impacts on rural economies. Improving housing availability could also help to reduce difficulties between migrants and the existing community. Competition for housing can cause problems with community cohesion, as can the perceived problems resulting from homes of multiple occupancy; therefore improved housing availability could support increased community cohesion.

Rural migrants are overwhelmingly housed in private rental accommodation, a significant proportion of which is tied to employment. Local authority budgets for the regulation of rental accommodation should be increased and ring-fenced, and Regional Strategic Migration Partnerships (RSMPs) should audit housing advice services in their particular areas and facilitate the setting up of new services where there are gaps in provision. RSMPs might also consider working with homelessness non-governmental organisations to develop rent deposit guarantee schemes targeted at new migrants, to help those who have difficulty in finding a deposit to get housing.

***Recommendation 4: Improve housing provision for transient migrant workers and seasonal workers in rural areas and review legislation protecting tenants living in forms of accommodation not legally designated as a dwelling or in unprotected caravan sites**

There is a compelling need for the housing sector to pilot new ways of housing transient and seasonal migrant workers in rural areas. This may include the creation of workers' hostels – though these are far from ideal and only provide short-term solutions.

We recommend an urgent Government review of legislation in all parts of the UK given that a significant number of transient or seasonal migrants live in accommodation that is not classified as a dwelling (in other ippr research we interviewed a migrant who lived with two others in a shipping container [Rutter forthcoming]). The aim of this review must be to ensure that everyone within the UK is entitled to live in a decent standard of accommodation, no matter how short their stay here is.

***Recommendation 5: Review the role that recruitment agencies play in the economy and evaluate the costs and benefits of this approach of matching workers to jobs**

It is vital that Government closely examine the role that private employment agencies are playing in the UK economy given the importance that migrant workers place on this issue, and the role it appears to have in determining their decisions about where to live and work. The Government should conduct a high-level review to assess the costs and benefits of using employment agencies to match workers to jobs. One of the objectives should be to ensure that the nature of work on offer to migrant workers through agencies should not be so unattractive in the long run as to deter them from wanting to live and work in the UK, or in certain areas of the UK (including some rural sectors), where agency work is highly prevalent.

***Recommendation 6: Extend the remit of the Gangmasters Licensing Authority (GLA) to cover sectors characterised by vulnerable employment**

The Government should extend the remit of the Gangmasters Licensing Authority (GLA) to all sectors characterised by vulnerable employment, in line with the recommendations of the Trades Union Congress Commission on Vulnerable Employment (2008). Partially in response to the Morecambe Bay cocklepickers tragedy of 2004, the Government set up the GLA, whose mandate is to ensure the welfare and interests of workers in the sectors it covers by licensing labour providers and ensuring that they remain within the law. However, at present the GLA only regulates labour providers in agriculture, forestry, horticulture, shellfish gathering and food processing and packaging.

Extending the GLA's remit, as well as safeguarding the rights of migrant workers and protecting legitimate agencies from unfair competition based on exploitation, will reduce the risks facing rural economies. Cracking down on exploitative gangmasters will help improve the reputation of work not involving gangmasters, which should improve the supply of migrant labour and make it more sustainable in the long run. Bringing more sectors under the remit of the GLA also reduces the risk that rural economies come to depend on labour which is provided by agencies or gangmasters who break the law.

Recommendation 7: Step up coordinated working to address the needs of migrant workers and community cohesion/integration in rural areas

This would need to involve a variety of actors, including local authorities, the Gangmasters Licensing Authority, local migrant associations, the Citizens' Advice Bureau and Jobcentre Plus among others. This should involve expanding and learning from existing best practice, including that disseminated through the Improvement and Development Agency (IDeA).

Partnership working is now common but in many places there is still room to do more. Fortunately, there is plenty of potential to learn from those who are further ahead. In particular, IDeA runs a knowledge-sharing programme on migration (funded by DCLG) and its website contains many resources and toolkits that show the sorts of interventions that local authorities together with partners can make to improve the experiences of migrant workers and promote community cohesion. It has also established a 'community of practice', whereby those working on migration at a local level can share and discuss emerging best practice and issues of concern. We recommend that all players at a local level in rural areas who interact with or serve migrants access the IDeA resources.

Recommendation 8: Ensure the impact of migration on rural economies is on the agenda at high-profile events such as the ongoing rural summits on unlocking the potential of rural economies

In 2007 the Government's Rural Advocate was asked to produce a report for the Prime Minister on unlocking the potential of Britain's rural economies. Among the key recommendations in his report was the convening of a national summit and a short series of regional summits to focus attention and activity of central, regional, city and local government on releasing the potential of rural economies (CRC 2008a). We suggest that migration in rural areas should be on the agenda in forums such as this.

Continuing discussions of these issues would allow for the validity of our findings to be tested, policy recommendations appraised and progressed and the need for future work evaluated. It would also raise the profile of these issues with a wide variety of key stakeholders. In particular, it would allow for those with interests in different parts of the picture to work in a more joined-up way. We believe that it is vital that policymakers at different levels are reminded of the importance of rural economies and the contribution migrants make to their success.

Recommendation 9: Ensure issues around migration, risk and rural economic performance are incorporated into Local Authority Economic Assessments and the Integrated Regional Strategies

In many cases this will need to be preceded by an assessment of the extent to which risks associated with migrant worker availability are an issue for the performance of rural (and indeed urban) economies in each locality.

Taking a national perspective as we have done in this report has been helpful for a first examination of the issues concerned, and is also useful because many of the policy responses required to reduce risks must take place at a national level. But the next step must be for particular rural areas to assess the impacts and risks to their area, economy and community. As such, we recommend that local and regional government carries out assessments of the extent to which risks associated with migrant worker availability are an issue for their local economy. These assessments should enable them to incorporate these issues appropriately into their respective local authority economic assessments and regional integrated strategies.

Recommendation 10: Take care over the language used by all actors who work or commentate on migration

We found that tough talk scares employers and makes community relations harder. A number of stakeholders we spoke to referred to the Government's campaign of information about the points-based system, which warned them of the consequences of not complying. Universally they saw it as an indicator of the Government's intent to reduce migration, and punish those who break the rules. Those who were engaged in rural business concluded from this messaging that their access to foreign workers would be reduced in the future and in at least one case this had actively contributed to a business decision not to expand production in an otherwise successful business, for fear of not being able to get the workers to staff the extra production. Scaring employers can backfire in terms of restricting the potential of rural economies.

Tough talk can also make community cohesion more difficult by promoting the idea that migrants cause problems and migration needs to be restricted, and thereby make a place less appealing for migrant communities.

Taking a more considered view of the impacts of migration and speaking about it in a more nuanced and positive manner would help avoid scaring employers and local people about migration. It would help to create an environment in which the contributions that migrants make to rural areas (and indeed the whole of the UK) can be more readily appreciated.

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