

Policy report

June 2017

Facing the future:
tackling *post-Brexit*
labour and skills
shortages



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Facing the future: tackling post-Brexit labour and skills shortages

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Introduction

One of the main factors in the UK economy's ability to grow and compete is the country's flexible labour market, which has played a key role in equipping employers with the skills and diverse workforce they need.

A key element of this flexibility has been freedom of movement of people across the EU, which coupled with strong employment growth in the UK, has attracted a very large number of EU migrants to come and live and work in the UK in recent years.

However following the vote to leave the EU, it appears extremely likely that the UK Government will seek to control the number of migrant workers from the EU as it negotiates Brexit. This remains the case following the recent General Election, despite the absence of a clear parliamentary majority for one party, with both the Conservative and Labour parties pledging in their manifestos to manage migration from the EU as part of the UK's exit from the EU.

Much of the debate about future restrictions on EU migrants has focused on the need to allow high-skilled workers to come to the UK, for example, earlier this year the Government announced it was committed to designing an immigration system *'that allows us to control numbers and encourage the brightest and best to come to this country'*.

In contrast, comparatively little attention has been paid to the challenges facing employers in terms of entrenched labour shortages for low-skilled roles. As a result, this report places a particular emphasis on low-skilled sectors of the economy – such as social care, hospitality and food manufacturing – which employ relatively large numbers of EU migrants.

In order to inform this debate, and provide recommendations for policy development and employment practice, the research explores in detail how and why employers recruit EU nationals. It also sheds light on issues such as skills shortages and the availability of UK nationals. In addition, the report assesses whether the referendum decision has had any impact to-date on employers in terms of the recruitment and retention of EU nationals.

However, the report's main purpose is to explore solutions to the challenges employers are facing on the ground in filling vacancies and the role that EU nationals are playing in the workforce in order to make policy recommendations that work across all sectors. The report draws on 26 in-depth interviews with employers from key sectors including social care, retail, healthcare, restaurants and manufacturing. In addition, the evidence includes a survey of 1,060 employers and six focus groups that took place in London, Scotland, Manchester, the East

Midlands and Wales. Overall, the report's recommendations are designed to help maintain and improve the supply of labour and skills for all sectors and not just for those that can recruit the 'brightest and best'. While the UK's immigration policy has historically focused on the highly skilled, new policies will be needed to meet the UK's substantial needs for labour in some of our key industries and services. Our report is aimed at informing this process through suggesting policies and practices to help address this challenge.

Executive summary and policy recommendations

Alongside access to the single market, EU immigration policy is arguably the most important issue facing employers and policy-makers resulting from the UK's decision to leave the European Union. At the time of publication, shortly after the General Election result and with a hung parliament in place, the terms of the UK's exit from the EU are unclear. However, both the Labour and Conservative parties have committed to ending freedom of movement of people from the EU, so it is likely new immigration policies for EU workers will need to be developed. The UK has experienced a major increase in labour immigration from the EU over the past 15 years, so it is understandable that many employers are concerned about the Government's stated intention to end free movement of labour.

There are also macro-economic risks, given that much of the UK's strong labour market performance both pre- and post-Brexit has been driven by high employment rates among migrants. A central issue in the political debate is how to link the admission of migrant workers to the genuine skills needs of employers. The previous government stated, '*We will always want immigration, including from EU countries, and especially high-skilled immigration.*' But, as our research shows, employers also need lower-skilled workers, and this presents a particular policy challenge.

This report describes the potential impact that migration restrictions would have on employers and how employers would respond, explaining the context in which and the reasons why employers hire EU nationals. The study recommends a set of workable policies that could apply across economic sectors. As it also points out, any new policies also have to be workable for migrants themselves, or they will decide not to work in the UK.

What do employers want from new immigration policies?

Several clear conclusions emerge from the report. Of these, the two most important concern the need for a safety net for recruiting unskilled or low-skilled workers from overseas to ease labour shortages, and an immigration system that works for them. Without these two provisions, some of Britain's key industries and services, including food and drink manufacturing, hospitality and social care, are likely to sustain considerable damage.

Employers across all sectors are unanimous in their desire to have an immigration system that is quick, fair, inexpensive, simple and unbureaucratic. Many managers of businesses and services fear that a new immigration system, by restricting the supply of EU workers, will have a negative impact on their operations. Employers in the public sector and those with substantial needs for low-skilled workers are especially concerned. It is frequently commented that such employers should meet their needs by hiring more local,

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British workers, yet this presents a challenge. Many employers refer to the unattractiveness of work such as manufacturing and social care to British workers, as well as to low levels of unemployment in their localities. It is also frequently stated that such employers should raise levels of pay. While many employers wish to do so, employers in sectors such as social care and hospitality highlight their inability to raise pay and employment conditions to attract local applicants without passing costs on to customers and service users. At the same time, many low-skilled employers from sectors such as food manufacturing express some scepticism about their ability to attract applicants from the domestic workforce, even if they were to increase wage rates.

Employers are concerned about the potential complexity of new immigration policies, at the cost of checking workers’ status and of playing the role of policy enforcers. Many are fearful of making a mistake, losing the right to hire non-UK nationals from overseas and suffering reputational damage. At the same time, complex rules and procedures will not deter employers from recruiting EU migrants, since they largely do so out of necessity rather than preference or choice. Difficult processes will simply add cost to businesses and services in what may be a more generally challenging environment as Britain leaves the EU.

Employers and post-Brexit alternatives

Free movement has worked well for employers. However, many of the employers that took part in the research believe that the Leave vote, combined with the Government’s stance on both Brexit and immigration, will lead to restrictions. They recognise that the situation is complex and appreciate the administrative

difficulties facing government in terms of EU nationals already in employment and the management of future inflows of EU nationals.

It is understandable that low-skilled employers are fearful of migration restrictions given their reliance on migrants to fill vacancies. According to the survey data, difficulties filling semi-skilled or unskilled vacancies with local applicants is the most popular reason for recruiting EU nationals. More positively, some employers are aware that if they were to improve their job offer they might attract a wider pool of applicants. Indeed, one of the positive outcomes from Brexit and the prospect of migration restrictions is the recognition that employers may have to target under-represented groups in the UK labour market such as older workers, women returners and ex-offenders to offset the prospect of labour or skills shortages. This is evident in the retail sector, among others.

At the same time, it also seems clear that some employers of low-skilled labour are doubtful about the impact that improving pay and employment conditions, investing in skills and exploring all recruitment channels would have on stimulating interest among applicants from the domestic workforce. Poor image of their sector, a lack of progression opportunities and record low levels of unemployment in areas such as the south-west of England and the East Midlands, alongside other supply constraints – such as the suitability of some applicants for roles in many regions of the UK – indicate that employers may need an additional labour shortage safety net.

Many employers are also reporting high levels of anxiety among the EU nationals that they currently

employ in relation to their future employment status. In addition, employers who report hiring fewer EU nationals since the UK's decision to leave the European Union say that the depreciation in sterling and the current uncertainty about the employment status of EU nationals are the most important factors behind this. Alongside the following policy recommendations, employers tell us that they would like to see a more positive narrative from government about the valuable contributions that EU nationals can and do make, to prevent further loss of valuable workers.

Our policy recommendations

1 At the point where negotiations are completed, EU citizens already here, living and working in the UK, should be granted the permanent right to remain in the UK. There are currently more than 3 million such people, including more than 2 million employees, so the Government will need to devise a process that can be easily administered by applicants and officials. The current UK visas model, where over 3 million visas are issued each year, provides a useful template. However, it could be adapted to include a simple front-end digital process with relatively few documentary requirements to make this a fast and easy online process.

The current requirement to hold comprehensive health insurance (and the other requirements around tax receipts) should be withdrawn, not least because those applicants who have not held a certificate during their stay can normally retrospectively apply for one from their government. The burdensome requirement to prove a history of employment could be reduced by allowing Home Office officials measured access to HMRC

tax records. These measures will provide security both to EU citizens who are currently working legally within the UK and will give a reassuring boost to employers who are concerned about their ability to retain and recruit EU nationals to the UK, especially for skilled roles.

2 The new arrangements for immigration should be phased in gradually to allow robust systems to be set up and trialled and to allow employers to carry out more rigorous testing of local, regional and national labour markets where they have not already done so. It would also help the vast majority of employers who have yet to put in place any plans to prepare for migration restrictions. We recommend that new systems are made operational at the end of a three-year transitional period once EU negotiations are completed. This will also help employers whose future resourcing approaches are dependent on the terms of the UK's exit from the EU.

3 New policies for EU migration should be dove-tailed with those of the current points-based system which applies to migration from outside the EEA. This would help to ensure some degree of policy continuity and clarity. However, in recognition of the huge administrative cost and burden this could potentially create, and EU migrants' proximity and ability to meet shorter-term demands for labour, **this report suggests that government puts in place more favourable arrangements for employers that recruit EEA workers.** These include:

- Halving the sponsorship licence fee and introducing a reduced rate for public sector

employers, who have less scope to improve pay and employment conditions than large firms, alongside SMEs and charities.

- Enabling employers to recruit EU nationals simply by sponsoring an individual after the one-off licence fee has been paid. The one-off charge to register as a trusted sponsor would reflect the administration cost to the Home Office, and could be complemented by a nominal fee for every EEA worker, as is the case for non-EU nationals. The Certificate of Sponsorship assigned to an EU national would be a secure document containing biographical and employment information and could serve as verifiable proof of employment; removing the need for EU workers to apply for a visa and would bring forward the workers potential starting date by 1–3 weeks.² This would reduce processing times and paperwork, which is identified as a concern by employers.
- **Allowing third parties, who would have trusted sponsor status, to sponsor EEA workers on behalf of low-volume users of the system.** Trusted sponsor status would involve having to meet general requirements of following good practice in trying to fill vacancies with a non-migrant. This arrangement would appeal to smaller employers in particular, who may not want to take on the work of being a trusted sponsor. We propose that proxy organisations, such as law firms or trade and employer bodies, should be able to act as a trusted sponsor on their behalf and ensure compliance. The main advantage of this proposal is that it avoids the 4–6 month

‘Some employers in certain sectors and localities expect to have recruitment difficulties no matter how hard they try to recruit local applicants.’

period it takes for an employer to obtain a licence, secure a Certificate of Sponsorship and be awarded a visa.

4 The current system that applies to non-EEA migration should be reviewed, in particular to reduce its administrative and cost burden on employers. Currently, employers are subjected to a wide range of costs that include a sponsorship licence, a health surcharge, a skills levy and a fee for every non-EEA national they employ. At the very least, we believe that the Government should consider halving the sponsorship licence fee for public sector employers, in line with the reduced rate for employing EU nationals. Those costs are substantial and significantly higher than in most countries.

5 The current shortage occupation list compiled by the Migration Advisory Committee (MAC) should be extended to include jobs at lower levels of skill and salary for EEA workers only.³ Our view, based on discussions with a wide range of employers, is that this would be a better solution to addressing key labour shortages in the economy than introducing an array of formal sector-based schemes, which would inhibit labour mobility and add complexity to the system. Reflecting the specific needs of the Scottish labour market and the existing shortage occupation list for Scotland only, the report recommends that the existing separate arrangements for Scotland be extended to include roles at low levels of skill and salary. Under this system, employers would have to demonstrate that they have explored all recruitment channels, made efforts to make the job attractive to non-

migrants and demonstrate a commitment to investing in skills in order not to sit the Resident Labour Market Test (RLMT).

6 The RLMT should be reviewed to reflect employer concerns that many jobseekers apply for jobs that are often unmatched with their aptitude and experience. The requirement to advertise a post for 28 days is not practical for jobs with low levels of skill because of short notice periods and the need for flexibility. Therefore, we suggest reducing the period to 14 days, which would be more in line with employers’ usual advertising and recruitment practices. The existing RLMT route for non-EEA workers (Tier 2 General) could be brought into line at the same time.

For all lower-skilled roles, visas could be granted **on similar terms of the current Tier 2 in allowing for an initial stay of three years. Renewal might then be available for a period of a further two years**, which would also enable individuals to transfer to other work-related visas, in particular at Tier 2. To be attractive to migrants visas should also confer the right of dependents to live in the UK. Existing evidence suggests this would not place undue demand on public services.

7 The Government should extend the existing Youth Mobility Scheme in place for nationals of some non-EU countries to make the system more light-touch. This would effectively allow 18–30-year-old EU migrants to work in the UK for two years with no automatic right to remain in the UK. Transfer to other work-related visas should be possible at the end of this period, for example to Tier 2 or to shortage occupations, low-

wage employers are particularly interested in this idea. One way of ensuring that employers' needs are met would be to 'nudge' EEA youth mobility workers towards sectors with shortages, such as hospitality.

A post-study worker route should also be set up to allow EU students with a bachelor's degree or above to remain in the UK without requiring a job offer for two years, to protect the UK's status and reputation as a place to study and work, and offer employers another light-touch route for recruiting EU migrants in response to recruitment difficulties. As with the youth mobility visa, transfer to other work-related visas should be possible once the post-study visa expires.

8 To ensure that the immigration system is fair and meets the labour and skills' needs of UK employers, the report argues that there is a **strong case for abandoning the Government's policy objective to bring migration down to the tens of thousands per year**. Net migration has not been as low as this target for 20 years, during which time the UK has prospered. Some of our key industries and services would suffer severe harm should the target be reached.

Addressing the UK's labour and skills shortages needs

The prospect of migration restrictions will focus much needed attention on the Government's employment and skills policy. And as the CIPD has recently warned, the UK is currently sleepwalking into a low-value, low-skills economy, which is hindered by relatively low levels of employer investment, poor management skills and a relatively

long tail of workers without basic skills compared with our OECD competitors.⁴ This is the result of a failure of skills and training policy by successive governments, characterised by constant changes in direction. The various initiatives, structures, institutions and incentives have either been of insufficient scale and authority to do much good, proved flawed or ineffectual in practice, or have fallen victim to the constant chopping and changing of policy. Bombarded with a confusing array of initiatives, many employers have failed to take sufficient action. The area of intermediate skills has suffered particular neglect, with weak employer demand and investment, compared with higher- and lower-skilled labour. This is most likely linked to business models and competitive strategies which side-step intermediate skills and, in so doing, make sectors less attractive to British workers.

'Once in every generation, at least, the Government panics about a perceived skills shortage in the UK economy. It's a crisis. Everyone gets blamed. A report is commissioned. Reforms are proposed. A new quango is established. Deadlines are set. Not much seems to change. Then there is another panic ... And so it is once more.'

Kevin Donovan, Association for Learning Technology, 27 January 2007, quoted in <https://www.publications.parliament.uk/pa/cm200809/cmselect/cmduis/48/4804.htm>

It is tempting in reports of this kind to call for sweeping reforms, the commitment of large-scale public investment programmes and big policy about-turns. This is unrealistic, particularly in a

period of major adjustment for businesses and services in Britain. However, there is no doubt that there is potential to improve current practice in relation to training and development. This will be best achieved by focusing on making significant progress in a limited number of areas, building on current approaches and recognising that meaningful change will be gradual and requires a stable wider climate.

As a result, to address these weaknesses, the report calls for the Government to boost demand for skills by:

- ensuring industrial strategy has a stronger focus on boosting the quality of people management capability and identifying and matching skills across the economy, working in partnership with the UK Productivity Council, Investors in People, employers, professional bodies, unions and Growth Hubs and Local Enterprise Partnerships at a local and sector level
- broadening the apprenticeship levy into a wider training levy to help boost and optimise employer investment in skills
- improving the quality of business support, particularly HR support for SMEs delivered through Local Enterprise Partnerships and Business Growth Hubs to help them to build their people management and development capability
- allocating 5% of the Government's £23 billion National Productivity Investment Fund towards supporting skills development and lifelong learning
- asking the ONS to conduct an urgent review of training and skills statistics, which should be updated annually.

‘...retaining access to EU migrant labour is fundamental not just to organisational success but to the survival of many businesses and services.’

At the same time, the Government could help boost the supply of skills to the UK labour market by:

- introducing active labour market policies that target disadvantaged groups to help increase the supply of domestic applicants to employers
- asking the Migration Advisory Committee to produce a list of labour shortage occupations that includes a critical analysis of employer practice in relation to pay and employment conditions, recruitment and skills investment
- revisiting the potential for personal learning accounts along the lines of the Individual Learning Accounts to address the decline in adult skills funding, provision and take-up
- raise the quality of careers advice and guidance provided in schools by ensuring that schools that are judged by OFSTED to provide inadequate careers advice to pupils cannot be judged to be outstanding.

A number of these changes are well overdue and have the potential to make industries and services more effective and productive. However, they are unlikely to mean that Britain needs fewer migrants. Some of the sectors on which we focus are highly dependent on migrants now, but have been for many decades. It is highly unlikely that employers

in sectors such as social care, agriculture and hospitality will be able to meet their needs from the unemployed and economically inactive. EU migration has proved particularly beneficial for sectors that have long struggled to recruit the labour they need, through their relative proximity, availability and suitability.

Overall, the report highlights that retaining access to EU migrant labour is fundamental not just to organisational success but to the survival of many businesses and services. This makes it imperative that any new immigration system is fit for purpose, for both employers and for EU migrants themselves. It also highlights the significance of the interdependence of the immigration and skills systems, which, if tackled together, could make a significant and positive contribution to the Government’s principal objective of building a strong, fairer, global Britain.

1 Migration trends and impact on the UK labour market

Introduction

In 2013, the CIPD reviewed the evidence and conducted a survey on the employment of migrants in the UK.⁵ This section updates the trends in migration and looks at the evidence to date on the economic impact of migration on the UK labour market and the UK economy. Since the 2013 report there has, of course, been the Brexit vote in June 2016, and we consider some of the economic implications that lower inward flows of migrants might have on the UK economy. Throughout this section, we classify migrants by nationality rather than birth, as recommended by the ONS.

Migrants at work in the UK

Official figures show that in the final quarter of 2016, there were just over 3.5 million migrants, defined by nationality, or just under 11% of the employed workforce. This compares with just over 2 million in the same quarter in 2006, or just under 7% of the employed workforce. This is a substantial increase over the period of just over 1.5 million, or 72%. The number of people in work who were UK citizens also increased, by just over 1.1 million, or just over 4%. Of the total increase in employment of 2.6 million, just under 58% was accounted for by increasing migration. Employment rates also increased for both migrants and UK citizens: for migrants, from just over 68% to just over 73% of the working-age population, and for UK citizens, from just over 73% to 75%.

The origins of migration have changed – whereas before 2006 the main impetus was from non-

EU citizens, after 2006 almost all the growth has come from the EU. By the end of 2016 there were just over 2.2 million EU migrants in work, or 7% of the total in the UK, compared with just under 0.9 million, or just over 3% of the workforce, in the same quarter in 2006, a rise of 150%. In contrast, non-EU migrants in work increased by just over 100,000, or nearly 10%. The increase came initially from the ‘A8 accession states’, including Poland, the Czech and Slovak Republics, Hungary, Slovakia and the Baltic states. Since 2012 there have also been significant increases from the ‘core’ EU14, likely driven by continued high levels of unemployment in much of the EU compared with the UK, and from Bulgaria and Romania (A2 migrants) following lifting of restrictions on migration from those countries in January 2014.

Employment rates for EU migrants have also increased, and for those from the A8 are significantly higher than for UK citizens. In contrast, employment rates have fallen slightly for non-EU migrants, reflecting in part a higher proportion of students in non-EU inflows in recent years. Although employment rates appear to have fallen for A2 migrants, this is misleading. The rate declined between 2006 and 2012, reflecting the highly restrictive nature of migration from those countries in that year, but once migration started to gather pace after restrictions were lifted, employment rates have risen sharply. These high rates reflect the fact that migrants from the accession states are much

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more likely to come here for work rather than to study or as dependants compared with other migrant groups, according to the International Passenger Survey.

There are three broad conclusions that can be drawn from these trends. First, there is nothing to support the notion that increased migration has reduced employment for UK citizens – both employment levels and employment rates for the latter are significantly higher than in 1997, when the current statistical series first began. Second, EU migration has made a substantial contribution both to the overall increase in employment in the UK and the increase in the UK employment rate. Third, that contribution has increased over time, as employment rates for EU migrants have risen faster than for UK citizens and non-EU migrants.

Migrant flows

The International Passenger Survey for long-term migration (people who say they are likely to stay for more than one year) gives some information about the reason why people are coming to the UK. The latest figures at the time of writing – for the year to September 2016 – show that 525,000 non-British citizens entered the UK. Once non-British citizens who left over the same period are considered, the net inward flow was 273,000. These overall figures are very like those for 2006.

As might be expected, the composition of the flows has changed, with more people coming from the EU and fewer from outside the EU. Between 2006 and 2016, the annual inflow from the EU increased from 170,000 to 268,000, a rise of 58%. Over the same period, the annual inflow

from non-EU countries decreased from 343,000 to 257,000, a fall of 25%. The share of EU citizens in the annual inflow has consequently increased from 33% in 2006 to 51% in 2016.

Perhaps more surprisingly, it has been increased inflows from the EU14 in recent years which have contributed the most to the rise in EU migrants, up from 104,000 in 2006 to 165,000 in 2016, followed by a sharp rise in migrants from the A2 (Bulgaria and Romania) to 74,000 in 2016.

In contrast, migrant flows from the A8 have been slowing, and by 2016 were significantly lower than in 2006, at 93,000 and 58,000 respectively, a fall of 38%. This is partly the result of decreased inflows compared with high levels between 2006 and 2008, shortly after unrestricted migration from

Table 1: Total change in employment for non-UK and UK nationals, 2006–16

Total employment (Q4)	2006 Q4	2016 Q4	Change 000s	Change %
Total UK citizens	27,249	28,435	1,186	4.4
Total non-UK	2,024	3,478	1,454	71.8
Non-EU	1,128	1,236	108	9.6
EU	895	2,242	1,347	150.5
EU14	505	930	425	84.1
EU8	349	1,013	664	190.3
EU2	32	286	254	793.8

Employment rates (Q4)	2006 Q4	2016 Q4	Change (percentage points)
Total UK citizens	73.3	75.0	1.7
Total non-UK	68.1	73.1	5.0
Non-EU	62.6	62.3	-0.3
EU	76.5	80.7	4.2
EU14	72.8	76.7	3.8
EU8	81.6	83.8	2.2
EU2*	75.6*	84.0*	8.4*

Note: *2012–16: There was a marked fall in the employment rate for A2 migrants between 2006 and 2012, when migration was highly restricted.
Source: Labour Force Survey⁶

the A8 became possible. However, there has also been a much more recent fall in inflows to a new low in 2016 compared with the previous year. Similarly, there was also an increased outflow in the year to December 2016. Outflows for A8 migrants also increased between 2008 and 2010, but this was most likely a response to the economic downturn in the UK. The more recent increase in outflows has no obvious comparable economic driver.

It is possible that some of these more recent changes are attributable to the Brexit vote and the increase in anti-migrant

sentiment. It may also be a consequence of the fall in the value of the pound. Successive post-Brexit surveys of employers in the CIPD's *Labour Market Outlook* (LMO) show that a significant share of those who knew they employed migrants have reported that at least some of their workforce was considering leaving the UK as a result of Brexit. However, we cannot quantify the likely impact, and there is a big difference between considering and actually leaving. As we have only one post-Brexit statistical observation, we cannot yet be entirely confident that we are seeing an established trend rather than a temporary blip.

Moreover, the increase in outflows and decrease in inflows appears confined so far to the A8 migrant group. It is also possible therefore that other factors are at work, and as we show later in this section, migrant decisions may also be influenced by relative earnings and unemployment rates between the UK and migrants' home states as well as other potential destinations in the EU. The fall in the pound, for example, will have made some jobs in the eurozone more attractive compared with similar jobs in the UK.

Table 2: Inflows of migrants by nationality, 2006–16 (000s)

Nationality	2006	2016	Change 000s	Change %
All non-British	513	525	12	2.3
All non-EU	343	257	-86	-25.0
All EU	170	268	98	57.6
EU14	74	133	59	79.7
A8	93	58	-35	-37.6
A2	-	74	-	-

Table 3: Net balance between inflows and outflows by nationality, 2006–16 (000s)

Nationality	2006	2016	Change 000s	Change %
All non-British	322	329	7	2.2
All non-EU	218	164	-54	-24.8
All EU	104	165	61	58.7
EU14	30	81	51	170.0
A8	71	19	-52	-73.2
A2	-	64	-	-

Note: figures are for year to December in 2006, year to September in 2016

Source: ONS, Long Term Migration Statistics, Table 1b, published in February 2017⁷

Why migrants are coming to the UK

In 2015, most EU nationals entering the UK said they were coming for work (72%) or study (13%). Nationals from the EU14 were less likely to say they had come for work and more likely to say they had come to study than nationals from the accession states. In 2016, about 68% of EU nationals said they came for work compared with 82% of nationals from the A8 and 73% of those from the A2. In contrast, 18% of EU14 nationals had come to study compared with less than 10% of nationals from the accession countries.

Overall, the share of EU nationals coming to work or study has not greatly changed since 2005, but there have been some changes pushing in different directions for different groups of EU migrants. EU14 nationals were more likely to say they had come to work in 2016 than they did in 2006 and less likely to study, likely reflecting increased economic migration from

the eurozone following the 2008 crash. In contrast, A8 migrants were less likely to say they had come for work and more likely to say they were coming to study or were accompanying someone in 2015 than they were in 2005, most likely reflecting the greater maturity of A8 migration in 2015.

Non-EU nationals were much less likely to be coming for work-related reasons and much more likely to be coming to study, with just 32% entering for work-related reasons and over 41% coming to study in 2016. They were also significantly more likely than EU nationals to be accompanying or joining someone else (21%). Since 2006 the share coming to study has increased significantly, from 36% to 41%, with the shares of those coming for work-related reasons remaining stable.

Labour market push and pull factors – wages, unemployment and education
Migrants are likely to be attracted

to any country where the labour market offers a good supply of jobs with wages significantly higher than they can obtain in their home country, after allowing for differences in living costs, the financial and social costs, and barriers of moving to another country. As we noted earlier, migrant flows can be affected by other factors than the migration policy regime in both directions. In the past, some migration has been sensitive to the ups and downs of the economy, as we noted above for A8 migration, and it is likely that the recent increase in migration for the EU14 is linked to high unemployment in parts of the eurozone and may therefore reverse if conditions improve. In this section, however, we look at relative indicators for some of the accession states: Poland, Romania and Bulgaria.

Since 2010 unemployment has fallen significantly in Poland, Romania and Bulgaria, and in all three countries it is well below

Table 4: Main reasons why migrants come to the UK (%)

2015	Work related	Studying	Accompanying
EU nationals	72.2	13.3	8.8
EU14 nationals	68.2	17.9	6.5
A8 nationals	81.8	5.5	9.1
A2 nationals	73.5	8.8	13.2
Non-EU nationals	31.7	41.2	21.3

2016	Work related	Studying	Accompanying
EU nationals	61.0	16.9	6.6
EU14 nationals	40.4	30.8	9.6
A8 nationals	84.0	6.2	3.7
A2 nationals			
Non-EU nationals	31.7	36.2	23.5

Note: 2006 is year to December, 2016 is year to September. All figures long-term migrants who said they intended to stay for at least one year. Excludes other reasons. A8 is countries who joined the EU in 2004 (Poland, Hungary, Czech Republic, Slovakia, Slovenia, Baltic States); A2 is Romania and Bulgaria, who joined in 2008. EU national total includes Malta, Cyprus (2004) and Croatia (2010). Work-related includes those who had a job and those seeking work. Other reasons and those who gave no reason not shown.

Source: ONS, Long Term Migration Statistics, Table 3b, published February 2017⁸

the EU average. However, it is still higher than in the UK, especially for younger workers, and long-term unemployment is also a much bigger problem. The UK labour market has expanded significantly since 2010, as has that in Poland. The strong growth in UK employment attracts migrants, but the attraction of migrants has been one reason why employment has grown so strongly. However, there has been weaker employment growth in Romania and Bulgaria despite big falls in unemployment and an increase in the employment rate (the share of the working age population in a job). One possible explanation is large-scale migration to elsewhere in the EU, including the UK. So, incentives for some to move to low unemployment countries like the UK remains strong.

Differentials on wage rates are likely to be an even bigger draw. Statistical information on wage levels across the EU is often out of date, covers only some countries, and is not consistent. However, those estimates that do exist all suggest that wages have been growing much faster in Poland, Romania and Bulgaria. The latest ILO Global Wage report showed that in 2015 real wages increased by nearly 10% in Bulgaria, just over 6% in Romania, just over 4% in Poland, and just over 1%

in the UK.¹⁰ The gap with the UK nonetheless remains large. The OECD estimates that annual earnings for full-time equivalents in Poland were 60% of UK levels, expressed in US dollars at purchasing power parities¹¹ in 2015. More up-to-date but unofficial estimates for 2016 – looking just at monthly salaries in euros and not allowing for differences in living costs – give much bigger differences, even allowing for the depreciation in the pound.¹²

As shown above, a significant share of migration comes from students attending UK universities and higher education institutions. The UK has a good reputation internationally for the quality of education, especially in its universities. Most UK universities have been keen to attract foreign students from outside the EU as they can charge them higher fees, allowing a degree of cross-subsidy for UK students. Students from overseas have also been a source of high-skilled labour, especially as many study for higher degrees. However, we know relatively little about what happens to students from the EU once they graduate, including how long they stay.

There was a rapid increase in students coming to the UK before 2012, but the authorities suspected that some non-university institutions were offering an easy

way into the UK labour market for non-EU migrants rather than good qualifications and instituted tougher controls and criteria. The number of non-EU students entering non-university institutions declined substantially. The most recent figures suggest some drop-off in applications from EU students, but it is not yet conclusive that this is related to Brexit. In some areas domestic policy changes, such as the recent change in fees for student nurses, may be more significant.

UK higher education is likely to remain a significant draw to both EU and non-EU students. However, we do not know yet what future arrangements will be and future charging levels for EU students once the UK leaves the EU. An increase in price for EU students might act as a disincentive to study in the UK, especially if future access to the UK labour market becomes more expensive and restrictive. Some UK employers may also attempt to attract more UK students because they will be cheaper and easier to recruit than students from the EU.

Any shortfall in EU students could in principle be made up by attracting an even higher proportion of students from non-EU countries or encouraging an even higher proportion of UK young people to enter university.

Table 5: Unemployment in some EU countries compared with the UK (%)

Labour market indicators 2016 Q4	Bulgaria	Poland	Romania	UK
Unemployment rate	6.7	5.6	5.6	4.7
Unemployment rate (25–29 years)	10.1	7.3	7.7	5.0
Long-term unemployment (share)	57.7	33.8	47.5	26.1
Employment growth 2010 Q4–2016 Q4	-1.2	5.0	1.0	8.6

Source: Eurostat⁹

‘Most of the rise in EU migration in more recent years has been accounted for by less skilled labour.’

As the CIPD’s recent report on skills made clear, however, it is not apparent that the latter is an effective public policy response when the major challenges are around the vocational training system and the skills and progression agenda for the whole workforce.

The net impact is likely to be some reduction in the supply of high-skill labour via the education system from overseas, but at present we cannot say whether this will be marginal or more significant. Moreover, even if the overall impact remains modest, because the share of EU students at UK universities is relatively small, it could nonetheless be much more of a problem in some specialities.

The impact of migration on the labour market, productivity and innovation

Many studies have been conducted on the impact of migrants on the labour market. A recent review of the evidence for the UK by the London School of Economics (LSE) provides a fair summary of the consensus view of migration on employment, unemployment and wages:

‘We can confidently say that the empirical evidence shows that EU immigration has not had significantly negative effects on average employment, wages, inequality or public services at the local level for the UK-born. Nor, it should be said, are there large positive effects. Any adverse experiences of UK-born workers with regard to jobs and wages are more closely associated with the biggest economic crash for more than 80 years.’

The OECD has recently published a review of a large number of international studies on the impact at local level on wages, employment and unemployment on the domestic

workforce.¹³ This echoes the findings for the UK. Most show either no statistically significant impacts on the employment or wages of natives or very small positive or negative impacts.

A recent review of some of the literature by the NIESR identifies a number of channels by which migrants can plausibly contribute to both innovation and productivity growth.¹⁴ The results broadly reflect those for employment, with mildly positive impacts for the UK.^{15, 16} International evidence is a bit more mixed, with more significant negative impact on productivity in Spain but more positive evidence elsewhere. An important factor seems to be the skill mix of migration, with higher skills associated with greater benefits to the host economy.¹⁸

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

It now looks as if a significant part of the productivity slowdown across the OECD, including the UK, is due to a decline in the rate of technological diffusion in new digital technologies, with a large and persistent gap opening up between a relatively small group of productivity ‘leaders’ and the rest. In principle a rapid decline in labour

supply might stimulate some UK companies to invest more heavily in new technologies. We think this is unlikely. First, some of the barriers that prevent the laggards from catching up, such as managerial competencies,¹⁹ are structural in nature and cannot be addressed quickly, and, second, there is little evidence in the report that new technology is seen by many as a realistic solution to a decline in low-skill migrant labour, either because it is impractical or because of cost.

Future labour supply and the implications for growth

The November 2016 report by the Office for Budget Responsibility (OBR) set out some of the potential costs from Brexit. The OBR forecasts for future growth factor in the impact of net inward migration on overall population growth and on the participation rate – the share of people of working age in work or actively seeking work.

As the Government at the time had been unable to indicate what the post-Brexit migration policy might be, the OBR has continued to use the population projections from the Office for National Statistics (ONS). The ONS publishes three sets of projections – central, high and low – to reflect different assumptions about future levels of net inward migration and domestic demography. The OBR uses the central population projection for its own growth forecast.

However, the OBR says that without the Brexit vote, it would have switched to the ‘high’ projection because, at the time of the November forecast, the annual rate of net migration in 2016 had been over 300,000 with no sign of a decline. In the light of Brexit, the OBR decided to continue to use the ONS central population projections, which assume that net

migration would fall over the next few years, dropping to just over 230,000 in 2017 and to 185,000 by 2021. As the most recent official statistics indicate, this process has already begun.

So, the OBR has already factored in a significant fall in net migration in its own forecasts. The OBR estimates that growth will be 1 percentage point lower between 2017 and 2021 as a result. GDP per capita is expected to be 0.3 percentage points lower:

‘In the absence of the referendum result we would have revised up cumulative potential output growth by 1.0 percentage point due to higher net migration. On a per capita basis, cumulative growth would have been 0.3 percentage points higher because net migration adds proportionately more to the working-age population than to the total population, thereby boosting the employment rate too.’ (OBR, Economic and Fiscal Outlook, p45, November 2016²⁰)

The OBR might make further adjustments if evidence emerges that the slowdown in net migration is faster than anticipated in the ONS projections, or once it has a clearer view of the Government’s migration policy. However, in the short to medium term it is possible that there could be a surge in some groups of migrants entering the UK before any new restrictions take effect. It is likely that future policy will be most restrictive for migrants with low levels of skills, and so any surge is likely to be in low-skill inward migration.

It is also possible that some UK citizens already working across the EU might return to the UK in bigger numbers than before if employment opportunities for UK nationals in the EU become more restricted. The cost of employing UK nationals

‘It is likely that future policy will be most restrictive for migrants with low levels of skills, and so any surge is likely to be in low-skill inward migration.’

would likely increase, making them less competitive against nationals from EU countries. The same factors might reduce outflows of UK nationals seeking work in the EU. Both will tend to increase the domestic supply of labour in the UK. Although it is impossible to quantify these impacts at present, it is very unlikely to offset a significant decline in EU migrant labour.

As migrants have higher employment rates than UK citizens, a substantial reduction in migrants in the workforce would depress the overall employment rate unless further efforts can be made to increase the employment rate for UK citizens. Employment rates are already at high levels by both historical and international standards and, as we showed above, have increased significantly over the past decade. With unemployment in much of the UK at historically low levels – and with the potential to fall to even lower levels, according to the Bank of England – it will clearly be challenging to sustain further increases.

Successive governments have focused on the young and disadvantaged groups where employment rates are already well below the national average with some success over the past decade. These gains will have been factored into the OBR projections in terms of their impact on the overall labour supply, so it remains to be seen what additional measures might be brought into play to increase employment rates. Successive governments have also committed themselves to increasing employment opportunities for older workers, and a significant part of the growth in employment for UK citizens over the past decade has come from older workers. Successive governments have also sought to reduce regional disparities

in employment and unemployment rates, with mixed success, and again we have yet to see what additional measures and policies are being proposed that, over time, might achieve more.

Overview

It remains the case that any institution or commentator who pronounces confidently on the wider impact of Brexit on the labour market is probably going to be proved wrong. Indeed, until we know the shape of UK migration policy, have better insights into whether significant numbers of migrants are going to vote with their feet, and what additional or alternative public policy and employer responses might be forthcoming, we cannot say for certain what the economic impact will be. The balance of evidence so far is that it will be negative, but whether it is a marginal impact or something more significant is at present unknowable.

We know that migration has made a significant contribution in terms of employment levels and the employment rate, and that contribution has increased over the past decade. We also think that the UK is likely to remain an attractive destination for EU migrants given significant differences in unemployment rates and wage levels. Nonetheless, to the extent that the voluntary choices of migrants and the future shape of migration policy reduce labour supply, this will show up in economic growth and average living standards being somewhat lower than would otherwise be the case.

It is also likely that a reduced supply of migrants will further increase levels of unfilled vacancies, already at record highs, and skill shortages may become a more serious problem. It is possible that the future supply of high-skilled

labour via EU students attending UK universities will decline. As the negative impact of rising migration on the employment prospects and wages on UK citizens has been almost non-existent, we would equally expect any decline in migration to have little or no positive impact at the aggregate level. However, we also expect very little impact on aggregate productivity, as the overall impact of migration has been at best modest.

The impacts will not be felt evenly, and sectors and localities where migrants form an above-average share of the workforce may experience more severe consequences. As migrants tend to be drawn to expanding industries and localities, any significant constraints on future growth in these sectors and areas will hamper the effective operation of the UK economy and labour market. There is also evidence that positive productivity impacts from migration are more significant for higher-skill labour in service industries,²¹ so any fall in the supply of higher-skill migrant labour could have bigger adverse consequences than we have allowed for up to now.

In principle, many of these negative impacts could be offset by further increasing employment growth and the employment rate among UK citizens compared with the significant increases already achieved over the past decade. We will, however, need to see what additional or alternative policy measures will be forthcoming from the next government to achieve this. It will also depend on the effectiveness of the employer response in retaining migrant labour, developing alternative sources of supply when this becomes necessary, and investing in the remaining workforce. We discuss the employer response in more detail in this report.

2 The profile of EU nationals in the UK labour market

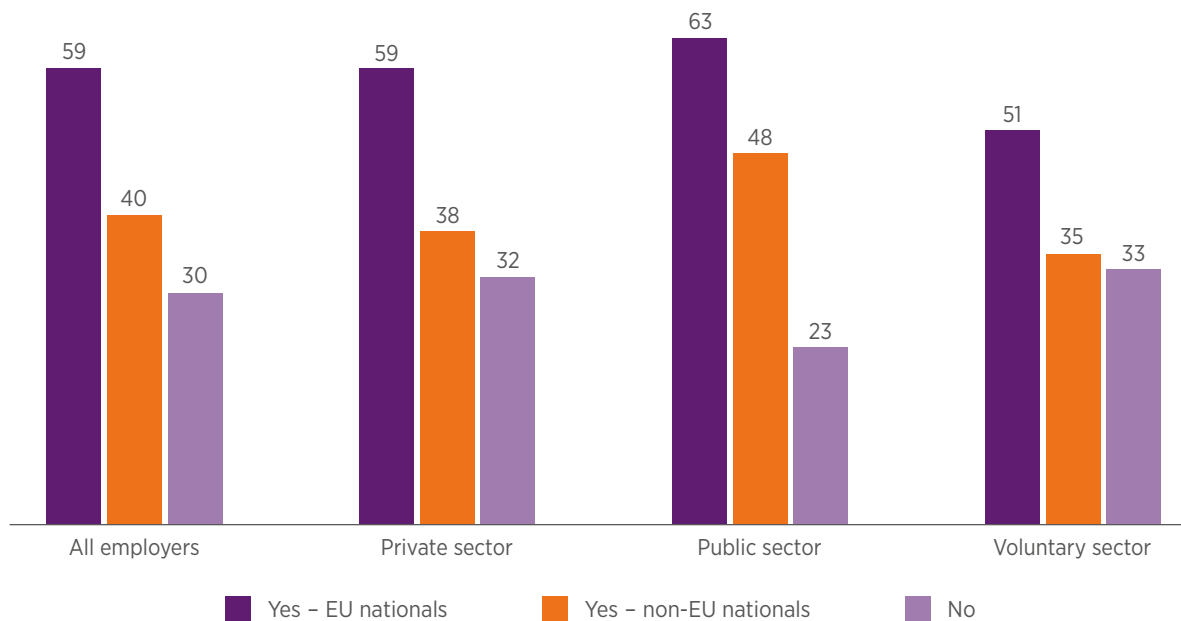
While the last section tells the story about EU migration so far in terms of overall trends, this section looks in more detail at the type of sectors, occupations and working patterns typically undertaken by the different groups that make up the EU workforce. This section of the report also draws on questions placed in the CIPD's spring 2017 *Labour Market Outlook* (LMO) survey, which was based on a representative sample of over 1,000 employers. The survey provides snapshot data on the prevalence of migrant employment, which employers recruit them, and the types of jobs migrant workers are most likely to fill. This section also considers the ONS's Labour Force Survey and Annual

Population Estimates survey to help complete the profile of EU nationals in employment in the UK.

The significant growth in migration into the UK from the EU in particular is reflected in the workforce profile of the 1,060 organisations surveyed for this report. Overall, around two-thirds (65%) of UK employers report that they employ non-UK nationals. This includes almost six in ten (59%) establishments that employ non-UK nationals from the EU and four in ten (40%) organisations that employ non-UK nationals from outside the EU. The share of organisations that employ non-UK nationals is especially high in the public

'Around two-thirds (65%) of UK employers report that they employ non-UK nationals.'

Figure 1: Profile of establishments that employ non-UK nationals (%)



Base: total: n=1,059; private: n=759; public: n=190; voluntary: n=110
Source: *Labour Market Outlook* spring 2017 (CIPD/The Adecco Group 2017)

‘The latest official labour market data shows that the highest number of EU nationals were employed in the wholesale and retail trade, hotels and restaurants sector.’

sector. Around two-thirds (63%) of public sector organisations employ non-UK nationals from the EU, while almost half (48%) of establishments employ non-UK nationals from outside the EU. By comparison, the share of private sector organisations that employ non-UK nationals from outside the EU is relatively low (38%). Additionally, largely owing to size effects, larger organisations (those employing 250 people or more) are almost twice as likely to include non-UK nationals in their workforce compared with small establishments (organisations that employ up to 249 workers).

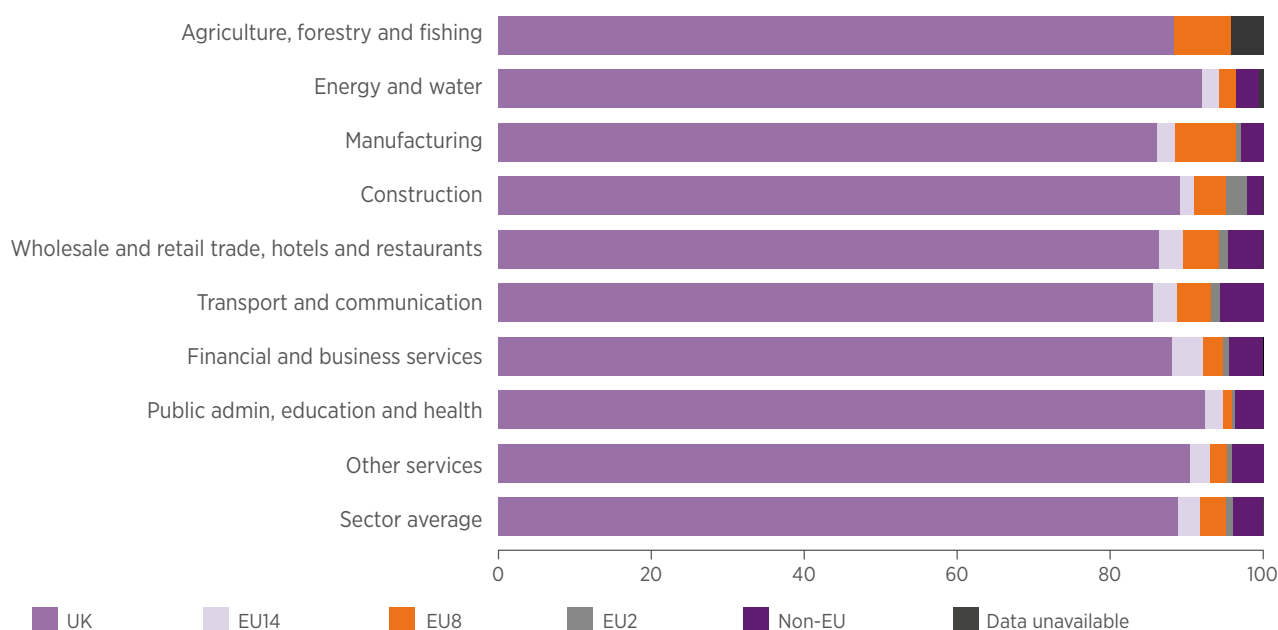
The latest official labour market data shows that the highest number of EU nationals were employed in the wholesale and retail trade, hotels and restaurants sector (estimated 508,000 +/-69,000), followed

by financial and business services (approximately 382,000 +/-59,000). However, there is some variation across sectors. For instance, EU8 nationals make up 7.9% of the workforce in manufacturing compared with EU14 nationals, who comprise 2.4%. In addition, EU14 nationals make up 4.8% of the workforce in wholesale and retail trade, hotels and restaurants compared with just 3% of EU14 nationals. At the same time, EU14 nationals comprise 4.1% of the workforce in the financial and business services sector compared with EU8 nationals, who make up 2.6% of the workforce (Figure 2).²²

What roles do EU nationals fill in organisations?

The characteristics and labour market status of EU nationals in the UK vary significantly between EU national groups. According

Figure 2: Distribution of workers in each nationality group, by industry sector in 2016 (%)



Source: Annual Population Survey, Office for National Statistics

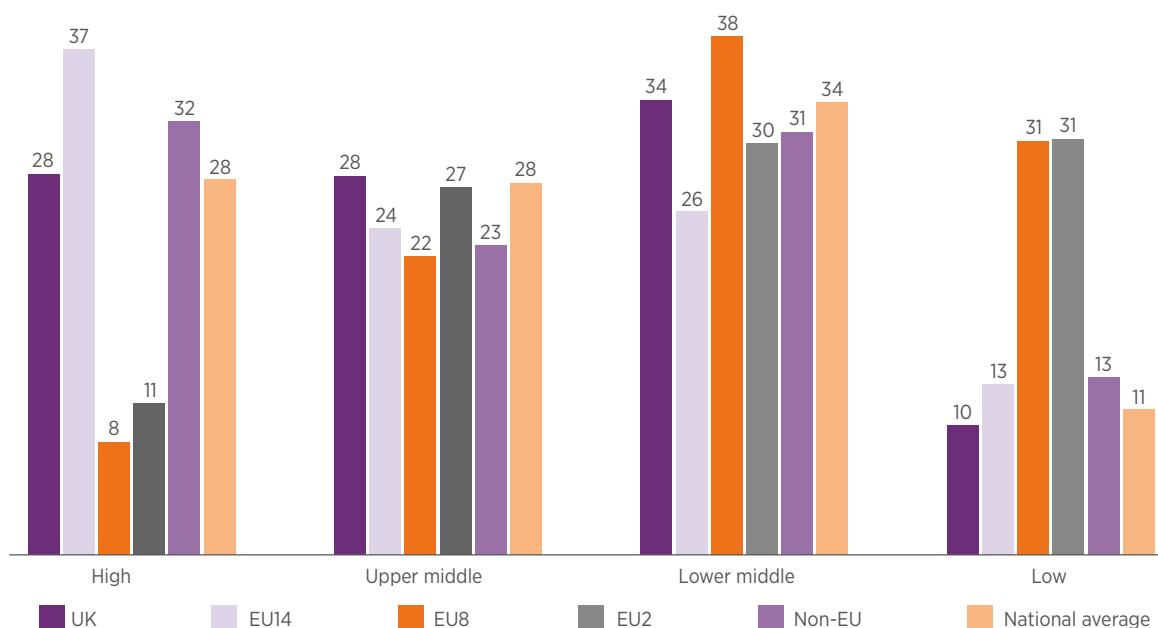
to the most recent official data (Figure 3), almost two in five (37%) EU14 nationals were employed in high-skill jobs compared with almost one in ten (estimated 8%) EU8 nationals.²³ At the same time, more than two-thirds (69%) of EU8 nationals and 61% of EU2 nationals were employed in low- or lower-middle-skilled jobs, compared with less than half of nationals from the UK, outside the EU and EU14 (38%). The figures bear striking resemblance to the pattern observed in 2014,²⁴ when it was reported that the same proportion (69%) of EU8 migrants were employed in low- to middle-skilled roles, compared with around a third (34%) of EU14 migrants. Consistent with the migration literature, this indicates that EU8 nationals face significant challenges with in-work progression, due in part to the poor transferability of their qualifications.²⁵

According to the official labour market data, around a third (31%) of EU8 migrants and EU2 migrants are employed in elementary occupations such as cleaners, labourers or food preparation assistants. This again bears a remarkable resemblance to the proportion of EU8 migrants who were employed in elementary occupations in 2014, where a third of EU8 nationals were reported to be employed in elementary occupations.

By contrast, almost one in three (30%) EU14 migrants are employed as professionals, compared with around a quarter of UK-born workers and less than a tenth (7%) of EU8 migrants. Overall, almost two in five (37%) EU14 nationals were employed in high-skilled jobs (Figure 3). Many employers thus hire EU14 migrants to fill vacancies that require a high level of education and training.

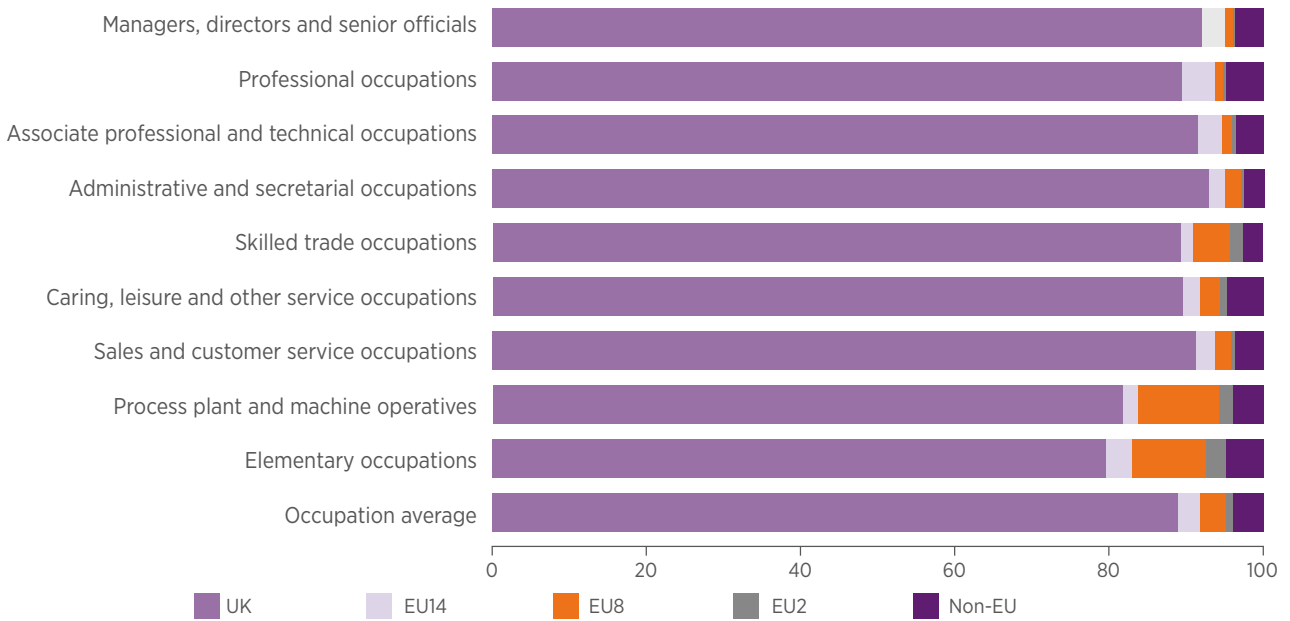
Finally, there are significant differences between the age profile of UK-born workers and those of different groups of migrant workers. Working EU migrants tend to be younger than UK workers. More than half (estimated 53%) of non-UK working nationals aged 16–64 years old were between 25 and 39 years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

Figure 3: Distribution of workers in each nationality group, by skill level of occupation in 2016 (%)



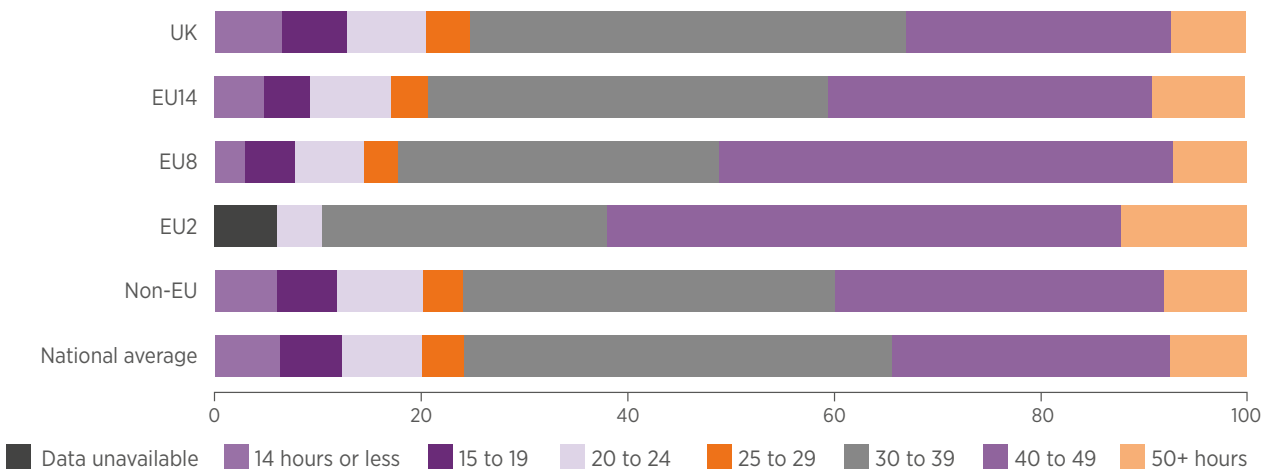
Source: Annual Population Survey, Office for National Statistics

Figure 4: Distribution of workers in each nationality group, by occupation (%)



Source: Annual Population Survey, Office for National Statistics

Figure 5: Distribution of workers in each nationality group, by hours worked (%)



Source: Annual Population Survey, Office for National Statistics

EU nationals’ working pattern and hours worked

According to the most recent official data, three-quarters (75%) of the UK workforce are full-time workers compared with more than four-fifths of EU8 and EU2 nationals (estimated 82% and 88%,

respectively). At least half of EU8 and EU2 workers (estimated 50% and 61%, respectively) worked more than 40 hours per week compared with around a third of UK nationals (estimated 32%). By comparison, just over two-fifths (41%) of EU14 nationals and around

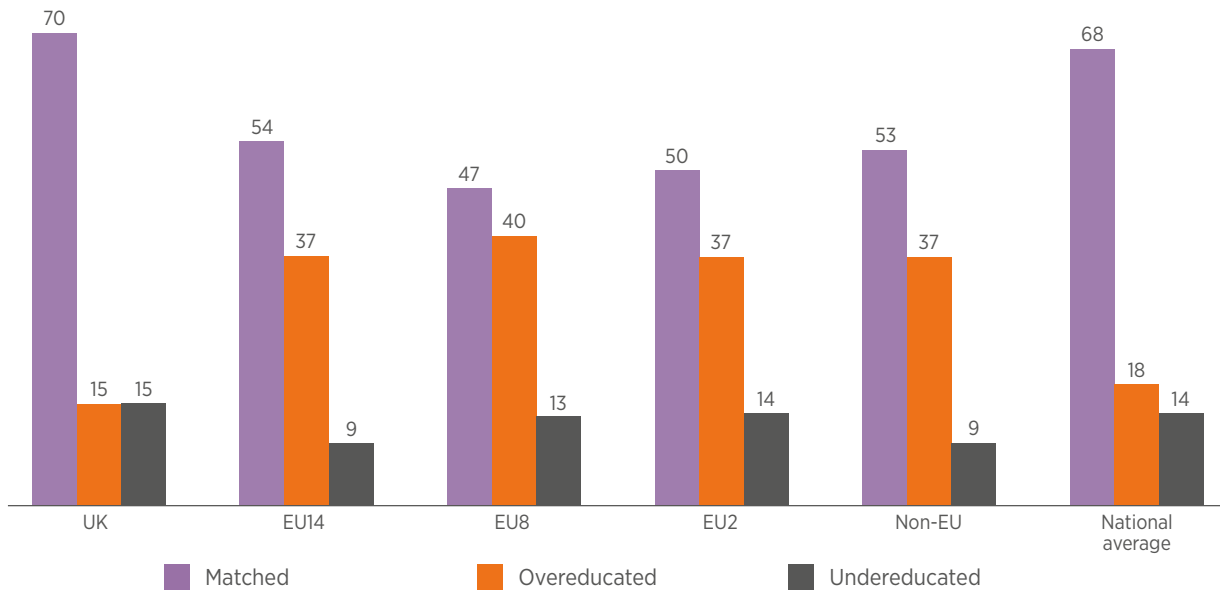
a third (33%) of UK nationals work more than 40 hours per week (Figure 5). As discussed on pages 24–25, further insights into this phenomenon are provided by employers (Section 3).

Qualifications

More than half of EU14 nationals (estimated 57%) have a degree or equivalent qualification, similar to non-EU nationals (estimated 52%), compared with a third (estimated 33%) of UK nationals who have a degree or equivalent. In comparison, almost a quarter (24%) of EU8 nationals have a degree or equivalent – the lowest proportion compared with all

other nationalities. The high level of overall qualification among EU nationals helps explain why EU nationals are more likely to be overeducated for their job role than UK nationals. According to the ONS, about one in seven (15%) UK nationals are overqualified for the role they do, compared with 37% of EU8 and EU2 nationals and 40% of EU14 nationals.

Figure 6: Distribution of workers in each nationality group, by whether they are matched, overeducated or undereducated for their job (%)



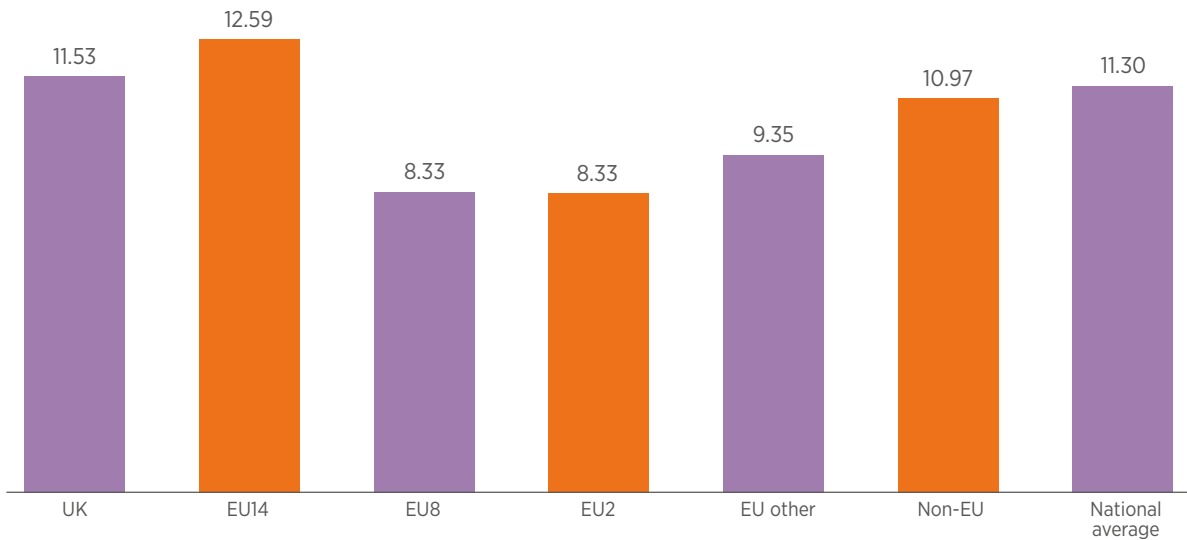
Source: Annual Population Survey, Office for National Statistics

How much are EU migrants paid?

The wide differences in the type of work that EU migrants undertake depending on their nationality and skill levels and the extent to which EU nationals are overqualified for the job they do also help explain the considerable variation in pay between different EU migrant workers.

For example, EU14 migrants' median hourly rate of pay (£12.59) is higher than the rate of UK-born workers (£11.30), non-EU nationals (£10.97) and considerably higher than EU8 migrants (£8.33). The typically high educational attainment levels of EU14 migrants also partly explain why they have the highest median hourly rate of pay. This point is explored in more detail below.

Figure 7: Median gross hourly pay of workers, by nationality group (£ per hour)



Source: Annual Population Survey, Office for National Statistics

3 Employer attitudes and behaviour towards the employment of migrant workers

This section of the report explores in depth the reasons why and how employers recruit EU migrants, drawing on our spring 2017 *Labour Market Outlook* survey of more than 1,000 employers, 26 in-depth case studies with organisations and six focus group discussions with employers in different parts of the UK.

Reasons for employing migrant workers

The spring 2017 *Labour Market Outlook* survey provides evidence that most employers do not base their recruitment practices and decisions on a conscious strategy to encourage or discourage the employment of migrants based on predetermined judgements or assumptions about the suitability of UK-born or EU migrant workers. This is endorsed by findings from the case study and focus group interviews.

Labour shortages

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

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

The following comments are typical:

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

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

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

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

'Many low-skilled employers said that they have difficulties filling vacancies with local people, in particular UK nationals.'

‘Almost all of the employers we interviewed had experienced recruitment problems, and more often of labour rather than of skills shortages.’

Almost all of the employers we interviewed had experienced recruitment problems, and more often of labour rather than of skills shortages. However, employers also reported specific shortages of engineers, software engineers, nurses and of people with foreign languages, which they explained with reference to shortcomings in the UK’s education and training system.

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

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

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

the backdrop of a human capital model that benefits from relatively high-skilled EU nationals in lower-skilled roles:

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

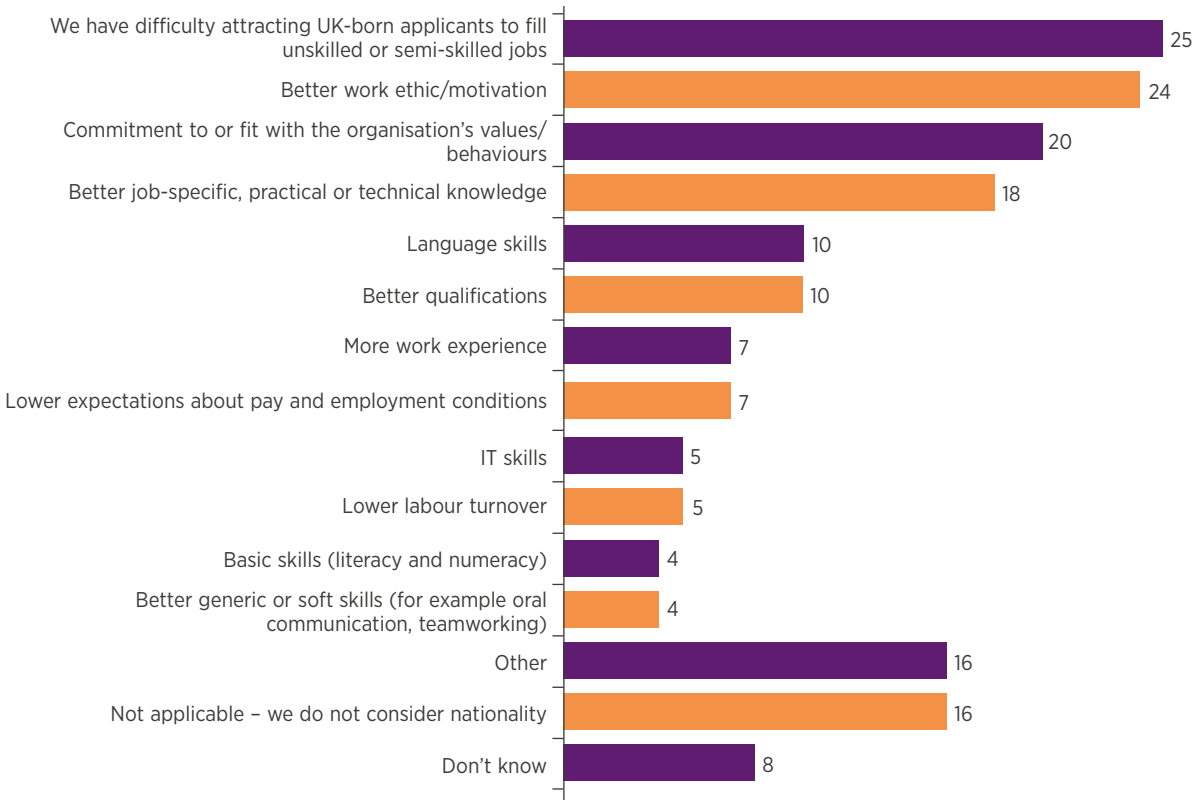
‘Certainly in automotive, if you go to where the projects are, they could be anywhere in the world, and what tends to happen, certainly in our industry, is that the UK people don’t tend to want to travel away and a lot of the Europeans are quite happy to go and spend six months here, six months in Germany,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

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

Work ethic/attitude

Apart from difficulties finding candidates for low-skilled jobs, the next most frequently cited reasons given by surveyed employers for employing migrant workers are because of their

Figure 8: Reasons for employing EU nationals (%)



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

better work ethic or higher levels of motivation (24%) or fit with the organisation's values (21%). Work ethic is more commonly mentioned by private sector employers (28%) than public sector employers (11%). Additionally, more than a third (35%) of low-wage industry employers cite work ethic.

Although the survey findings indicate that employers value EU migrants for their work ethic, many employers in the focus groups and case study interviews were reluctant to make generalised statements about their EU and UK workers. When asked about their experiences, most employers report little difference between the migrants and the UK workers they employ,

though some feel there are problems with work motivation among potential British recruits. Where differences are reported, it is in diligence in very routine work, for example processing vegetables, or in the use of personal, interaction skills, for example in social care, where EU migrants are found to be of higher quality. Some employers also commented negatively on the reliability of British workers in low-paid jobs, particularly in agriculture, sometimes citing the different frame of reference that EU nationals have:

'EU nationals are better workers and are striving for it because they really want to do it and they need to do it.'

Employers frequently state that the quality of applications from EU workers is considerably higher than they would typically receive from the pool of British workers available locally.

Where differences are reported between the work ethic of EU and British workers, it is most often in relation to their superior flexibility, and especially in relation to their willingness to work additional hours. Flexibility is a highly valued quality for most of our case study employers, and many of the case study organisations explain their use of migrant workers with reference to fluctuations in the demand for labour and the need for flexibility. Frequent change in the demand for products and services is particularly marked

in hotels and in food and drink manufacturing, especially in the processing of meat and fresh foods. These fluctuations either mean that additional workers are recruited to cover predictable seasonal peaks, or the workforce is relied upon to increase or reduce hours in line with changes in demand. In either case, migrant workers are found to meet employers' needs more readily than local British workers. Importantly, their availability reduces the need to use agencies, and the associated cost.

As found by other recent research, EU migrants are reported as willing to increase or decrease their hours of work in line with business needs in a way that British workers are often not (Rolfe and Hudson-Sharp 2016; Rolfe 2017):

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

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

Job-specific/technical skills

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

migrants because they have better digital skills than UK nationals.

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

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

Other reasons include reflecting the international profile of their client base, which is deemed particularly valuable for sectors such as tourism. Looking ahead, some respondents are pessimistic about the potential to find local applicants with the foreign language skills they require, which in some cases has led them to identify other potential locations across Europe.

'We struggle to recruit German speakers within Bristol, and certain roles, particularly with Eastern Europe, so we actively go and recruit within our market there, and perhaps don't look in the UK because we don't have the skills.' (SME based in south Wales)

Expectations about pay and employment conditions

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

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

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

Employers regard gaining experience working in routine and entry-level roles as an important way of young people learning the soft skills they need in the workplace, such as reliability, teamwork and communication, as well as a means of gaining industry-specific knowledge and understanding.

Among the case study and focus group employers there is very little evidence of organisations recruiting EU nationals to keep pay levels low and that pay levels were dependent on other factors, including minimum rates and local competition for labour. Some organisations report that there are very real limits in their ability to raise pay, especially in the social care sector; however, there are several examples of low-wage employers who offer higher wage rates for elementary roles in order to attract and retain staff regardless of their nationality:

'We just can't recruit; I think it's a case of Scottish people are not interested in that level of business. I don't know if it comes to that for benefits and what we pay. We've actually just started paying higher value than the Living Wage, I think it's £8.50 an hour within care, which is a quite substantial increase, in the hope that we can try and attract other people because it's just so difficult for us to recruit in that particular area. So for us it's important that we try and really attract in the local area.' (large firm in the care sector based in Glasgow)

There is also no evidence that employers are recruiting EU migrants to avoid investing in training. This is consistent with previous CIPD evidence, which shows that employers who employ EU nationals are more likely to invest in training than those employers who don't.²⁶

Careers information, advice and guidance

Employers across all sectors explain their recruitment difficulties partly with reference to objective features of the work, but also to the poor image of their sectors. The point is often made that young people, parents, careers advisers and teachers lack awareness of the opportunities available in their sectors. In addition, the poor quality or lack of careers advice is cited as highly detrimental by some of the focus group participants, especially in Wales:

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

These observations are no surprise given the series of critical reports about careers advice and guidance. For instance, the National Careers Strategy, which has received £380 million in government funding since it was launched in 2012, *'could not identify a positive impact of the NCS on employment or benefit-dependency outcomes,'* according to a recent evaluation report. In addition, the most recent Ofsted evaluation of careers advice in schools was extremely critical of existing career guidance for young people.²⁷ Any hopes, therefore, that employers might have of the career system steering more people towards their organisation or sector to help offset the loss of EU nationals appear quite slim without wholesale reform of the current system.

As a result, we recommend amending the Ofsted inspection framework so that those schools

'There is also no evidence that employers are recruiting EU migrants to avoid investing in training.'

‘One in ten employers report they recruit migrants because they have better qualifications.’

with careers provision that is judged as ‘inadequate’ or ‘requires improvement’ cannot be judged overall as ‘outstanding’. Meanwhile, as the House of Commons Select Committee on Education, Skills and the Economy has pointed out in a recent report,²⁸ charging the Careers and Enterprise Company to support Local Employment Partnerships could improve the patchy quality of labour market information to schools, colleges and career professionals documented in the report.

Welfare benefits

One issue raised during case study and focus group interviews but not in the survey is the UK welfare and benefits system, which is regarded as preventing some UK-born workers from accessing work and working longer or flexible hours.

Some focus group participants identify the benefits system as a barrier to higher participation rates, especially the working hours’ thresholds such as the ‘cliff edge’ per week threshold. Respondents feel that this system encourages rigid patterns of low-hours employment, which contrasts sharply with EU nationals who can offer much-valued flexibility. Looking ahead, the introduction and rolling out of Universal Credit (UC), scheduled to be fully operational by 2021, will, in theory, remove some of these barriers and should encourage a larger number of people to do more work than exactly 16 hours per week. This comment is typical of the Cardiff focus group in particular:

‘I’d say one other thing, and I don’t know how this affects everybody else, but a lot of UK workers are claiming in-work benefits, so as soon as you say, “Can you do overtime?” they don’t want to do overtime because that’s going to take them over their 16 hours, or

whatever it is, so they don’t want to do overtime. Whereas the EU workers just want to do as much work as they can. They’re here to work. They find that our minimum wage, or living wage, is generous compared with what they would’ve made at home.’

Our findings suggest further support is required to help jobseekers find employment that provides a better fit with their individual/family circumstances and to ensure that work really is a more attractive option than benefits in terms of its returns. Alongside the necessary improvements that are required to improve adult career advice provision, the Government may also wish to review the conditionality regime, which requires people to behave in a certain way to access benefits, and which the Government’s own Behavioural Insights Team recently concluded *‘is associated with feelings of anxiety and disempowerment’*. Research consistently shows that it is counterproductive in moving people from welfare into work. Crucially, the report also concludes that while conditionality may have encouraged some people to take jobs, it says that pressure to take any job may have negative implications for their long-term career path and earnings potential.²⁹

Education level

According to the CIPD’s spring 2017 *Labour Market Outlook* survey, one in ten employers report they recruit migrants because they have better qualifications. This factor is also reflected in some of the feedback from employers in interviews and focus group discussions, where many argued that EU migrants typically have higher levels of education than the UK workers that employers are able to attract. Previous research

has found examples of EU migrants with professional qualifications, for example in law, working in low-skilled work (Metcalf et al 2008). We also came across such examples, which may also perhaps reflect different reasons for undertaking low-skilled work among EU nationals in comparison with British workers. For example, a vegetable processing manager found he was employing graduates in engineering and astrophysics. Some employers regard this as a waste of talent and have often only discovered the educational backgrounds of their workers by accident. Clearly, employers in low-skilled sectors are not able to use this expertise directly, but they generally find the presence of educated migrants is very positive, providing a pool of capable individuals who could be promoted to supervisory and management-level posts.

The main advantage to employers of recruiting more highly educated workers is in their ability to learn job tasks more quickly and work more effectively than available UK workers. Employers are inclined to explain this difference with reference to a selection effect, with more motivated individuals making the decision to work abroad. As the HR manager of a restaurant chain employing a high proportion of EU and non-EU migrants explained:

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

Some employers were also benefiting quite directly from overqualification. For example, an employer in social care who compared UK staff unfavourably with EU workers explained that some EU staff had graduated in relevant subjects such as

psychology. In comparison, UK workers are reported to be under-qualified educationally for the work, including in lacking literacy and IT skills. They are also reported to be less mature, reflected in poor reliability and work motivation.

Levels of employee turnover

Levels of turnover are reported to be high in most of the case study companies, but among both EU migrants and UK workers. Some employers observe that EU migrants are more likely to leave for slightly higher-paid work with local competitor firms, while British workers leave for reasons of low intrinsic job satisfaction. Employers all say they look to promote EU workers, as well as British employees, from routine operations work to supervisory and management posts, and many could give examples of where they have done so. At the same time, it is apparent that EU migrants are considerably less represented in such roles than in routine work. Some employers say that their EU workers sometimes do not put themselves forward for development or promotion, interpreting this as either lack of confidence or unwillingness to settle down. It may also reflect lack of movement in such roles, since, as salaried and permanent, they are attractive to British workers. In any event, many employers said they wish to retain their EU workers and develop their skills. We return to this later in relation to the lack of appeal of short-term visas.

However, some low-wage employers in the focus group sessions report that labour turnover rates are lower among EU nationals, especially during the initial weeks in the job. The reasons include the arduous nature of some of the work in the sectors covered by the research:

'Some employers say that their EU workers sometimes do not put themselves forward for development or promotion, interpreting this as either lack of confidence or unwillingness to settle down.'

'They can't get the British nationals to stay in these roles; they don't seem to want to do those roles, even though there are some other cost benefits to them because it's not just about cleaning but there are other incentives within the companies.' (HR consultant with clients in cleaning and manufacturing in south Wales)

Recruitment channels used by employers

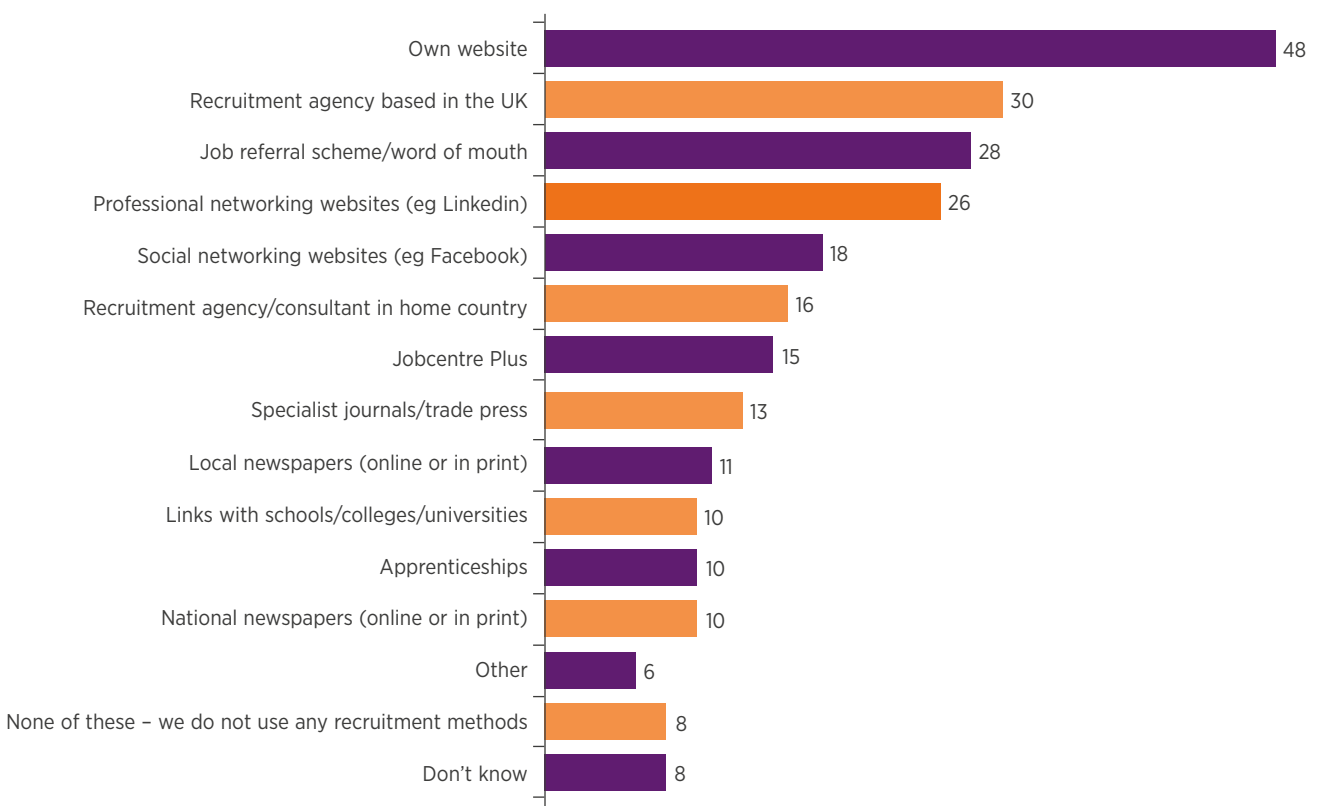
According to the survey data and qualitative research, employers do not proactively seek to recruit EU nationals. Rather, it seems that employers are making rational recruitment decisions based on the supply of applicants.

Methods used when recruiting EU migrants vary across sectors in the UK (Figure 10). The most common methods for hiring EU nationals include using the establishment's own website (48%), recruitment agencies based in the UK (30%), job referral schemes or word of mouth (28%), or professional networking websites such as LinkedIn (26%). The most proactive step that employers are taking to hire EU nationals is to use an agency in the home country of the EU national they are recruiting, used by around one in six employers (16%).

Recruiting EU nationals (by sub-sector)

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

Figure 9: Methods used to employ EU nationals (%)



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

Table 6: Methods of recruiting EU nationals, by industry (%)

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

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

There is also some considerable variation in terms of low- or high-wage industries, which may have significant implications for EU immigration policy, especially in relation to the current Jobcentre Plus requirement (see pages 45–46). More than a fifth (22%) of low-wage industries use Jobcentre Plus, much higher than the survey average. By contrast, the use of journals/trade press (5%), national newspapers (5%) and local newspapers (14%) is less prevalent among low-wage employers. Additionally, only 4% of low-wage industries have links with local schools or colleges.

The recruitment methods used by case study employers reflect the wide range cited by survey employers. They include advertising on their websites, local papers, online listings, trade press,

social media, Jobcentre Plus and recruitment agencies. They also use word of mouth, sometimes operating schemes to reward existing employees for successful referrals. They also recruit from speculative applications. Of these methods, employers find Jobcentre Plus the least satisfactory, frequently complaining that the individuals referred to them have little interest in accepting the job and are attending to meet the conditions of their Jobseekers Agreement.

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

however, making greater use of online methods and social media to recruit, with good results.

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

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

They see the options as including more use of online methods, including Skype for interviewing, and more use of agencies, including those based outside the UK. We discuss this later in the context of new immigration policies. Some case study employers have already started to change their recruitment methods in anticipation of the changes to come, in particular by making more use of social media, including using apps and working more closely with Jobcentre Plus. Some case study employers said they are also focusing more on retention than previously.

Use of agencies

Agencies are used by case study companies either to recruit people who are immediately taken on as employees, or as employees of the agency to meet short-term needs. Some employers also recruit permanent staff from their agency workers, typically after 12 weeks in post. Case study employers who experience high levels of fluctuation find it particularly difficult to meet their needs through their own efforts and make more use of agencies than other case study employers.

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

Meanwhile, the focus group employers adopt a more passive attitude to using recruitment agencies for a part of their

operations. The use of agencies, and of temporary work, seems to be most prevalent in warehouses, where EU nationals often make up the majority of the workforce for elementary roles such as packers. The prevalence of recruitment agencies for low-skilled work is especially high in some of the regions, especially in the East Midlands and Wales, according to some of the focus groups. These patterns are explained by the requirement of high volumes of workers, fluctuating demand, high levels of turnover and local shortages of labour supply. In contrast, workers are employed in back-office or highly skilled functions under permanent contracts in the rest of the organisation and were less likely to be EU migrants.

Contracts

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

could be done to encourage a shift from part-time to full-time, or temporary to permanent roles in order to stimulate more interest from local, British, workers.

4 Impact of the referendum result

At the time of the research, the referendum result had not had a substantial impact on employers' ability to recruit and retain workers, including EU nationals. Some employers did report emerging difficulties, both in terms of receiving fewer applications from EU nationals and a rejection of job offers that have been made. This is consistent with the most recent official migration data,³⁰ which indicates that net migration from the EU has fallen over the past quarter, driven both by an increase in emigration and a decrease in immigration. It is likely that the difficulties which some employers were starting to experience will have increased.

Employers in the focus groups and case studies believe that the main reason for the fall in applications is the depreciation in the pound and the ongoing uncertainty about employment status among EU nationals. Employers in London are more likely to report that they have been rejected by EU applicants, despite a job offer in many cases. High-wage employers are also likely to report less interest from potential applicants from overseas, such as university lecturers or medical roles. High-wage sectors are also most likely to say the current uncertainty about the long-term employment status of EU nationals is detracting from their ability to attract non-UK nationals from the EU, which is reflected in the following comments:

'Perhaps a project's come to an end, "What am I doing next?" and people are exiting already

because it's more exciting to go and work on a European project or something than it is to stay here. There are lots of stories of people already with that uncertainty, people are already starting to say, "I'm not going to get a clear answer but what do I do with my life and family?" and all the rest of it. So they're already choosing to take a job in Frankfurt, or whatever, there are lots of things like that going on. So there is already a drain going on, and that comes at a cost, which isn't really being factored in at the moment.' (university based in south Wales)

'If we add to that the fact that there was a little bit of a Brexit effect where some Eastern European workers did go home, and there was a bit more movement around that simply because the euro was more attractive for them at home and so instead of sending the money home they get to go home themselves.' (medium-sized hotel in Manchester)

As a result, a minority of employers in the focus groups have noticed a modest increase in labour shortages, which is also broadly mirrored among the case study employers, especially in the hospitality sector. For example, a restaurant chain tried to recruit from within Poland during the week following the Leave vote and attracted no applications at all. Employers do not report significant losses of existing staff, with some making the point that their EU migrant employees are settled in the UK and could not leave quickly and easily. As one employer said:

'At the time of the research, the referendum result had not had a substantial impact on employers' ability to recruit and retain workers, including EU nationals.'

'A lot of the people that work for us have been here a good number of years. They're established here. They've got families here. They've had their children here, so it's their complete way of life. It's not just they're here to do a job and then they go home.' (medium-sized food manufacturer)

Therefore, some employers said they expect that the impact of the Leave vote might take a while to affect individual future plans. A number of case study employers, across sectors, said that both their EU workers and they themselves have adopted a 'wait and see' attitude, waiting specifically for decisions on immigration policy.

However, other sectors are more likely to say that trading arrangements are a more significant factor than immigration policy changes – especially those in financial services and manufacturing in the focus group discussion. Some participants said that they would await the trading arrangements' outcome before making any operational or strategic decisions, especially in relation to relocating some or all of their operations overseas. These decisions would involve balancing costs and benefits, with the UK's flexible labour market reported as a pull factor to stay, according to a couple of firms.

The importance of retaining access to the single market and free movement of labour are reflected in recent CIPD research. Nearly two thirds (63%) of employers say that access to the single market or to EU migrants or both is important to the success of the organisation (Table 7). Overall, employers are as likely to report that maintaining free access to the single market is as important to them as access to EU migrant labour.

'I actually think one could be wagging the dog of the other... I think trade will be wagging the dog of employment. It will, won't it, because you've got to make money at the end of the day.'

'We have locations around Europe and we say, "It's horrendous from an employment legislation perspective, to do business in certain locations." So what do we do? We try and move to where it's easy to do business.' (equipment manufacturer)

In the short term, some employers report that the price of imported goods has had an immediate impact on their profitability. At the same time, there is some divergence between focus group employers and case study employers in terms of the impact of the depreciation of sterling.

According to the case studies, the impact on wages, compared with the euro and other European currencies, is also noted, but employers feel its real impact is yet to come.

Impact on the security and well-being of EU migrants

The biggest impact of the Leave vote has been felt on the security and well-being of EU migrants themselves. Almost all case study employers describe the impact of the result on their EU migrant workers as unsettling and upsetting. It generated high levels of concern and insecurity. Many employers described how in the days and weeks following the referendum, EU workers expressed worry for their jobs and their future lives in the UK. One employer explained:

'All our foreign staff came to speak to me and they said, "Oh my God, is our job safe? Are we going to be booted out the country?" And they were all very worried about it, as am I ... There is so much uncertainty. There are so many rumours going around.' (social care employer)

In addition, some of the focus group participants report that many EU nationals are still feeling insecure:

'No, for us it hasn't significantly changed [in terms of a direct

Table 7: Employer views on which of, access to the single market or easy access to skilled and unskilled EU migrant workers, is more important. (%)

	All	Private sector	Public sector	Voluntary sector
Free access to the single market is more important	19	21	14	12
Easy access to skilled and unskilled EU migrant workers is more important	19	16	31	22
They are both equally important	25	27	22	18
Neither is that important to the success of my organisation	31	30	30	47
Don't know	5	6	4	1

Base: autumn 2016, all employers (n=1,024; private sector: n=748; public sector: n=214; voluntary sector: n=61)

impact on recruitment and retention]. All I would say is their anxiety and frustration with the UK Government has heightened significantly. Some of them have already said they will start to reassess what the longer-term benefit is of potentially staying here, if they indeed can stay here.' (automotive parts manufacturer)

Many case study employers felt compelled to act quickly to reassure their EU workers of their value to the organisation and their own intentions to continue to employ them. Their response came mostly from good employment practice, but also from concern that EU migrants might leave. A few employers also took the opportunity to revisit their equality and diversity policy to discourage hostile behaviour from British workers towards their EU migrant colleagues. A small number are looking at ways to encourage retention of EU migrants, for example by transferring them from temporary to permanent contracts.

How the organisation is responding or planning to respond to the UK's decision to leave the EU

Case study employers are responding to the Leave vote in a number of ways, mainly in anticipation of change rather than any actual impacts, since these are largely unknown. Their plans include responding to potential changes in labour supply. They involve increased efforts to encourage local people to consider careers in their sector, and more generally considering a broader recruitment base. Some case study employers feel they might need to look at the career paths and prospects they offer. This response is found more commonly in the hospitality sector than elsewhere. Overall, there is less activity

among focus group employers, many of which report that they are in 'wait and see' mode.

A few employers have made a start with implementing these plans, for example a café chain has started to work closely with Jobcentre Plus and local councils to encourage applications from unemployed people, including through emphasising career opportunities using success stories. However, other employers who were expecting to make changes have put these on hold until they have clarification on the terms of the UK's exit from the EU, in particular whether free movement will in fact end and whether there might be a deal for their sector or for the labour shortages they experience.

On the question of pay, case study and focus group employers agree that the rates they offer do not appeal to British workers. However, many feel that they would have to increase rates quite substantially to make a difference and that this would be damaging to the business. A number made the point that raising wages at the lower end would need to be matched by increases higher up the scale to retain differentials, and that the costs would be substantial.

Alternatives to EU migrants

Interviews with case study employers explored in some depth whether EU migrants might in future be replaced by alternatives, and by British workers in particular. As we explained earlier, employers said they recruit EU workers not out of preference but through lack of choice. A number of case study employers said they are seriously concerned about how they would keep their businesses running if Brexit places severe restrictions on EU workers.

'Many case study employers felt compelled to act quickly to reassure their EU workers of their value to the organisation and their own intentions to continue to employ them.'

This is mirrored by the focus group employers, especially in retail, who are being forced to review their recruitment strategies and target underutilised groups. Indeed, there is a recognition among some employers that the strong labour supply from the EU in recent years has substituted efforts to recruit from a wider range of recruitment channels, especially for low-skilled roles:

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

At the same time, many employers express some scepticism about the potential to meet labour demand purely through the local supply of applicants. Given the underlying trend in employment and unemployment, it is perhaps no surprise that some employers have already turned to various underutilised groups of the labour market among both focus group and case study employers. A number of employers in the hospitality and food processing sectors work with organisations supporting ex-offenders and disadvantaged young people with a view to offering job opportunities. They report mixed experiences, taking on some but also finding some recruits from such a background unreliable. It seems therefore that many employers do not see these groups as potentially compensating for any reduction in EU workers. For instance, one Scottish employer has targeted people in deprived communities, with some success, but feels that it is not a group they would want to form a substantial part of the workforce. Case study and focus group employers also report challenges with low rates of unemployment locally, a long-standing lack of

interest from local workers in the jobs they offer and historic use of migrants from a variety of origins. As we explained earlier, they do not believe that offering higher wage rates would attract British applicants and that other competitors would match any increases they make:

'I can see it pushing wages up; also it can lead to more engagement with your local schools, colleges and stuff, and training from within. But my question is, are there enough people out there to actually fill the jobs we need filling? I don't think there are. That's a personal opinion rather than anything qualified.' (HR consultant with clients in higher education and food manufacturing)

However, some employers report that their targeted recruitment strategies around certain groups has paid off:

'We've gone down the other avenue then of doing some work with Help for Heroes, so people coming out of the forces have got the skill base that we need and then the armed forces will pay for them to have the language skills. So we're having to get to be more creative in what we do. ... It does make you a little bit more creative. So we've gone out to look at it from the language element and to go and talk to the 13-14-year-olds telling them "this could be your career path if you've got this language skill".' (small tourist operator)

A preference for young people

The preferred alternative to EU migrants is often young British people, including school-leavers. Employers have made varying degrees of effort to attract these recruits, including schools work through industry bodies. However, as discussed earlier, employers in hospitality, food and drink, and social care feel their sectors suffer an image problem. It is commonly stated that young people and those who advise them do not appreciate the career

opportunities that these sectors have to offer. At the same time, they recognise that factors such as pay, terms and conditions, and the nature of the work are deterrents. There are indications from some employers that the barriers to recruitment in these sectors are not simply attitudinal and that improvements can be made to career paths and development opportunities. Therefore, Brexit appears to be encouraging a closer look at how these sectors can offer their employees a career rather than just a job. For example, some employers are talking to further and higher education providers about potential links to or tailoring of courses. In response to concerns about Brexit, a restaurant chain is looking at launching a graduate scheme to attract more young recruits, purposefully to attract more British applicants.

Some focus group participants identify a need to change their working hours' arrangements to fit around young people's educational commitments. As one HR consultant from south Wales put it:

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

The potential for older workers is seen to be limited by the physical nature of the work in hospitality and in parts of the food processing sector. Some employers also refer to the potential to recruit more women returners, but also say they have been doing so for some time. Students are seen to have some potential to work during busy periods, including Christmas, but other seasonal peaks are not seen to match well with their availability. Employers therefore seem reluctant to seriously consider their potential to fill in gaps left by a reduction in EU migrants.

What are UK employers doing to improve their talent pipeline?

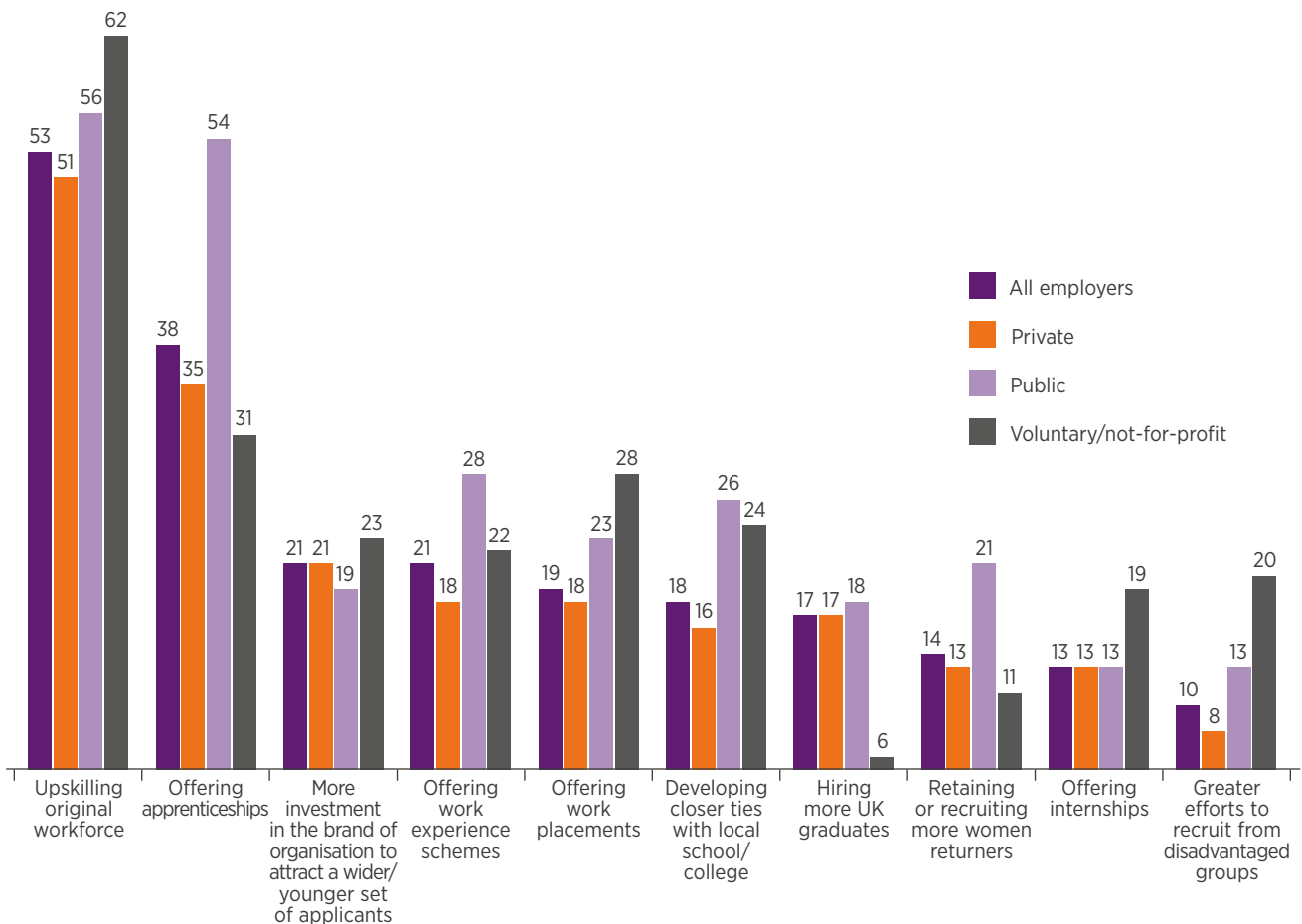
The survey data also indicates that employers are seeking ways to meet their skills' requirements and increasing labour supply, especially in relation to younger applicants. Over half (53%) of employers say their organisation is upskilling their existing workforce in order to improve their future talent pipeline. At the same time, almost two in five (38%) employers are offering apprenticeships, while around one in five (21%) employers report that they are investing in the organisation's brand to attract a broader or younger set of applicants. More than half (54%) of public sector employers offer apprenticeships compared with just over a third (35%) of private sector establishments and just under a third (31%) of voluntary sector organisations.

Other popular workforce development activities employed by organisations include work experience schemes (21%), work placements (19%) and developing a closer relationship with the local school or college (18%).

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

At the same time, large employers are twice as likely to offer work experience schemes (26%, compared with 13%). In addition, almost a fifth of large organisations are targeting women returners – a group where there is spare capacity in the labour force – in their workforce development plans compared with less than one in ten (8%) small organisations.

Figure 10: Top ten activities organisations are doing to improve future talent pipeline (%)



Base: CIPD/The Adecco Group Labour Market Outlook spring 2017 report, all employers of EU nationals (n=1,060)

‘Automation is seen to have some potential, particularly to reduce the number of low-skilled jobs, where employers anticipate most recruitment difficulties will be post-Brexit.’

Automation

The potential for increasing use of automation to boost workplace efficiency and compensate for lower levels of immigration has attracted significant attention in recent months.

Several employers participating in the research for this report feel that their staffing levels are as low as possible and see automation as the only feasible way to cut staff numbers. Automation is seen to have some potential, particularly to reduce the number of low-skilled jobs, where employers anticipate most recruitment difficulties will be post-Brexit. During the focus group discussion, automation was also mentioned in the context of the introduction and increase of the National Living Wage. This is perhaps no surprise given the relatively sharp increases anticipated in the next few years if the Government is going to hit its target of 60% of median earnings in 2020:

‘I was just saying that a lot of that, as being a driver in political comment, is that the Living Wage is going up as well. So people are actually looking at what it costs, and in most cases the investment for a typical robot with a gripper and Android will do the work of three people with no pensions, no holidays, no sick and no variation.’ (a large outsourcing firm)

Both case study and focus group employers see some scope for automation to reduce their use of low-skilled workers, but do not link this to Brexit. Employers in food processing have been automating processes for some time, but see further scope for the use of automation in various operations, including grading of produce, sorting and packing. Similarly, in hospitality, some employers see further scope to extend self-service, for example through automatic

hotel check-in. However, both in hospitality and in social care this is seen as limited because of the value placed on the personal touch. For example, as the manager of a luxury hotel chain explained:

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

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

Equally, in food and drink processing, some processes cannot be automated: for example, the Christmas food product pigs in blankets, which involves wrapping sausages in bacon, can only be performed manually. Equally, an employer explained that quality checks on appearance and taste of food products require human judgement. Some employers feel that the potential for automation to dispense with low-skilled jobs has been overstated, including by government. Ultimately, however, the biggest barrier to automation currently is a climate of uncertainty, exacerbated by Brexit, which discourages large-scale investment.

The interviews with employers and focus group discussions show that, overall, while technology is seen as a possible solution for the future by many employers, only a small minority of firms are already or are actively planning to increase investment in technology to increase productivity or reduce the need for people in certain roles. There remains a big question mark over the extent and speed with which increases in investment in automation will transform workplaces over the next few years.

Relocation/contingency planning

There has been widespread speculation about the prospect of firms relocating to other parts of Europe to retain access to EU workers or the EU single market. Recent CIPD surveys have asked whether and where employers plan to relocate some or all of their operations as a result of the UK's decision to leave the EU. Combining all three surveys, the data indicates that just over one in ten (11%) employers are considering or have decided to transfer part or all of their operations outside the UK as a result of Brexit. In addition, almost one in ten (9%) say they are likely to concentrate any future expansion of the business outside the UK. While a relatively small proportion, this potentially involves a very large number of jobs.

A few employers that participated in the focus group discussions for this

research say they are considering relocating work to elsewhere in Europe. For example, a college that supports international students in the UK to acquire language skills for entry to higher education says it is considering providing this service from outside the UK. A toy company is considering moving its call centre from the outskirts of London to Germany and its hub from London to Paris. Similarly, a meat processing company is considering relocating some of its processes to elsewhere in Europe:

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

There are a number of employers in the East Midlands that have put in place contingency plans to relocate

to other parts of Europe. Portugal, Romania and Italy were identified separately by three different employers as likely locations for their new operations. In addition, one establishment from the IT sector says that it is looking to move to India because it wants easy access to the EU market. Other firms in the same focus group cite concerns about the potential extra cost and bureaucracy of employing EU nationals. Another firm, based in Bristol, is hoping to be able to relocate some of its operations to mainland Europe and make extensive use of the intra-company transfer scheme.

Overall, the report suggests that relatively few employers have started planning for how they will respond to Brexit. Many employers say that their strategy is to simply wait and see the outcome of the EU negotiations and the forthcoming EU immigration consultation paper before they put in place any plans.

Table 8: Proportion of organisations that plan to move a part or all of their operations overseas (%)

Yes, we are considering or have decided to relocate all of our operations outside of the UK	3
Yes, we are considering or have decided to relocate some of our operations outside of the UK	8
No, we have no plans to relocate any of our current operations outside of the UK, but are likely to concentrate any future expansion of the business outside the UK	9
No, we have no plans to relocate any of our current or future operations outside of the UK	70
Don't know	10

Source: CIPD/The Adecco Group *Labour Market Outlook* survey (July 2016 pulse survey, autumn 2016 and spring 2017 reports).

Base =1,506 (private sector only)

Table 9: Location of countries where firms are considering/have decided to relocate or expand outside the UK (%)

Germany	19
Republic of Ireland	13
France	13
Spain	9
Italy	6
Poland	9
Another country in the EU	8
Another country outside the EU	15
Somewhere but have not decided on which country yet	8
Don't know/it's too soon to say	35

Source: CIPD/The Adecco Group *Labour Market Outlook* survey (autumn 2016, winter 2016-17 and spring 2017 reports).

Base = 1,506 (private sector only)

5 Employer views on post-Brexit immigration policy

‘Employers are dismayed that assurances had not been given to EU workers at an early stage following the Brexit vote.’

The Government’s White Paper on Brexit makes clear that the Government will seek to control numbers by encouraging the ‘brightest and the best’ to come and live and work in the UK. The implication is that the migration restrictions will affect low-skilled worker routes, which implies that the Government may adapt the existing points-based system for non-EU nationals for EU nationals. This section therefore considers some of the main policies from the Government’s non-EU immigration system alongside other policy options.

When asked about their priorities for new immigration policy, the overwhelming response of case study employers is that their existing EU workers would be allowed to stay. Employers are dismayed that assurances had not been given to EU workers at an early stage following the Brexit vote, and their feelings have strengthened as time has gone on. A number of employers commented on the damage that could result from the loss of their EU workers, both in the short and longer term. The following comment from a meat processing employer, with an EU migrant workforce of 60%, is typical of the concerns voiced in the case study interviews:

‘If we couldn’t [keep our existing EU workers], we might as well shut up and go, because you’ve seen the numbers. If they don’t stay, we’re stuffed. It’s that simple, I can’t put a finer point on it. That’s 1,556 workers.’ (large meat processing firm)

Employers in the social care sector remark that there would be a direct and detrimental impact on the care of their service users. Talking in more general terms, the manager of a construction company described the potential loss of existing EU workers as ‘another brain drain’.

Some employers also feel they would be letting their employees down if they have to ask them to leave and that this would be very poor practice as well as devastating for the individuals involved. As a confectionery manufacturer, with an EU workforce of 10%, explained:

‘It’s not about the numbers or the wages or the costs in terms of retaining our staff. It’s the relationship within the company with staff. The people who join [the company] trusted us and, if we then have to say, “Sorry, you’ve got to leave,” that’s the impact we don’t want to have and that worries us. It’s about the trust that people have placed in us.’ (large chocolate manufacturer)

As well as wanting assurance on the right of EU workers to remain in the UK, a number talked of the importance of granting the right to remain to family members since, without this, workers would leave the UK.

Employers’ undoubted preference for future immigration policy is to retain free movement. However, few expect this will happen and they anticipate some kind of controls. Some employers also made the point that the public

is expecting change and that schemes that, in practice, allow free movement might not be politically acceptable. At the same time, employers feel that to be workable, and to not damage production and services, new policies need to be relatively light-touch and pragmatic. Employers in hospitality and food and drink express the view that currently policies applying to migration from outside the EEA are not applicable to employers of low-skilled labour, who need to be able to recruit labour quickly and easily. The Tier 2 application process is seen to be too restrictive and insufficiently responsive to immediate labour needs.

Views on various features/ types of new policy

Sector-based schemes and temporary visas

Sector-based, temporary, immigration schemes have a history of use in the UK. The Seasonal Agricultural Workers Scheme (SAWS) was introduced immediately after the Second World War to meet labour shortages, while the food processing and hospitality schemes date from only 2003. All three schemes were targeted at young people from Europe and outside, granting a stay of up to a year and with no right to permanent settlement. The hospitality scheme was short-lived, with the Government deciding in 2005 to phase it out, in view of prospective migration from Eastern Europe but also accusations of abuse of its terms. SAWS remained until 2014 but was restricted from 2007 to Romanians and Bulgarians, while the food processing scheme operated also until that time but was very underused because of the availability of EU migrants.

Case study employers feel that sector-based schemes are attractive because they recognise that some industries are reliant on migrants and need to continue to access this source of labour. However, they have a number of concerns, which include the definition of the sector and where any lines would be drawn. They are concerned that the number allocated to their business would not be sufficient, particularly if their labour demands increase through expansion. They are also concerned about the bureaucracy that a sector-based scheme would involve, particularly on their own part.

Temporary arrangements might also include youth mobility schemes. Employers wish to recruit more young people, particularly in hospitality, where the profile of the workforce is younger than average. One concern about such schemes is that young people would find other destinations more appealing at certain times of year, for example the skiing season, and that these periods could coincide with peaks in demand for labour in the UK. Some case study employers have experience of using temporary visas, for example student chefs based in South Africa. Such arrangements are seen as workable if they involve only small numbers but not if they cover a significant proportion of the workforce.

Case study employers also question whether short-term visas would attract migrants, whether from within or outside the EU, in sufficient numbers. They refer to opportunities elsewhere in Europe. For example, an employer in the dairy industry commented that:

'If I can go to Germany and be paid better and treated better and be allowed to stay permanently, it

'Employers wish to recruit more young people, particularly in hospitality, where the profile of the workforce is younger than average.'

‘One of the policy options available to government is to require EU nationals to have a job offer before they come and live in the UK.’

would be less attractive to come here on a half-baked visa where I’m allowed to stay while I still have a job and then I can go home in six months when I cease to be useful.’ (large food manufacturer)

More generally, a number of case study employers make the point that new immigration policy would also have to be attractive to potential migrants.

Parity between EU and non-EEA migrants

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

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

A number of case study employers describe European countries as ‘neighbours’ from whom it makes sense to recruit where possible.

Job offer before entry

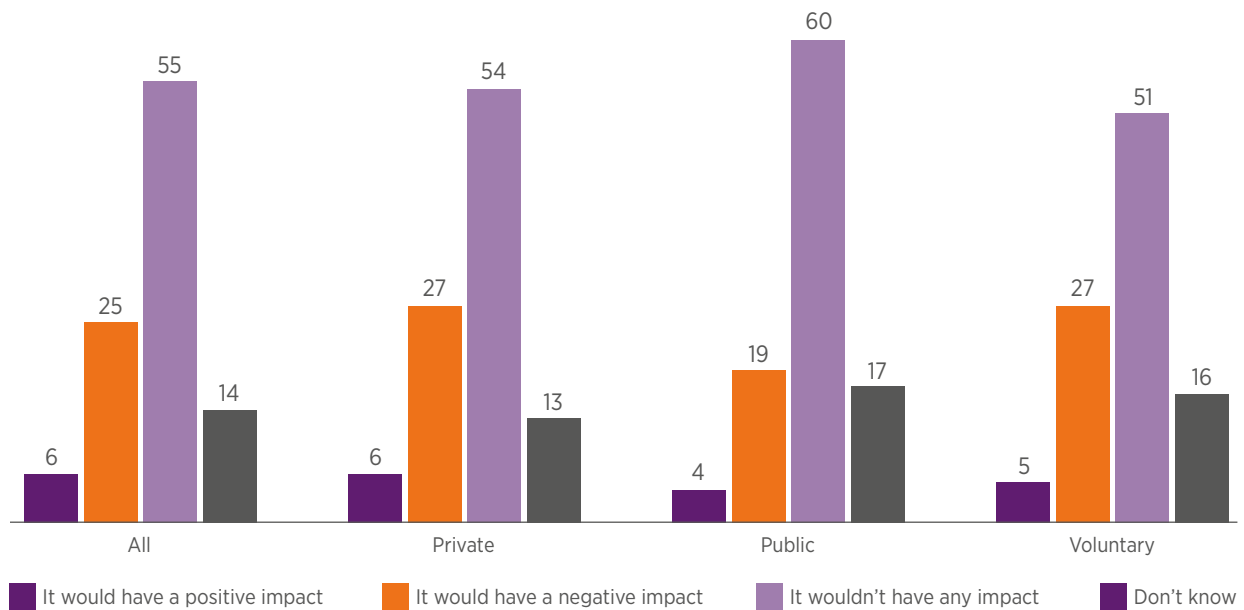
One of the policy options available to government is to require EU nationals to have a job offer before they come and live in the UK. When employers were asked if such a measure would have an impact on the operation of their organisation, just over half (55%) of those expecting to hire EU

nationals in the future say that it would not. A quarter (25%) say that it would have a negative impact upon the operations of their organisation, compared with just 6% who say it would have a positive impact. Fourteen per cent of establishments were unable to give an answer.

Overall, this appears to be the least worst option of the different policy options according to the survey respondents. However, it should be noted that around a third (33%) of low-wage industries report that requiring EU nationals to have a job offer before they come to the UK would have a negative impact on them, which is to be expected given the fluctuations they experience in demand and the need to fill posts quickly.

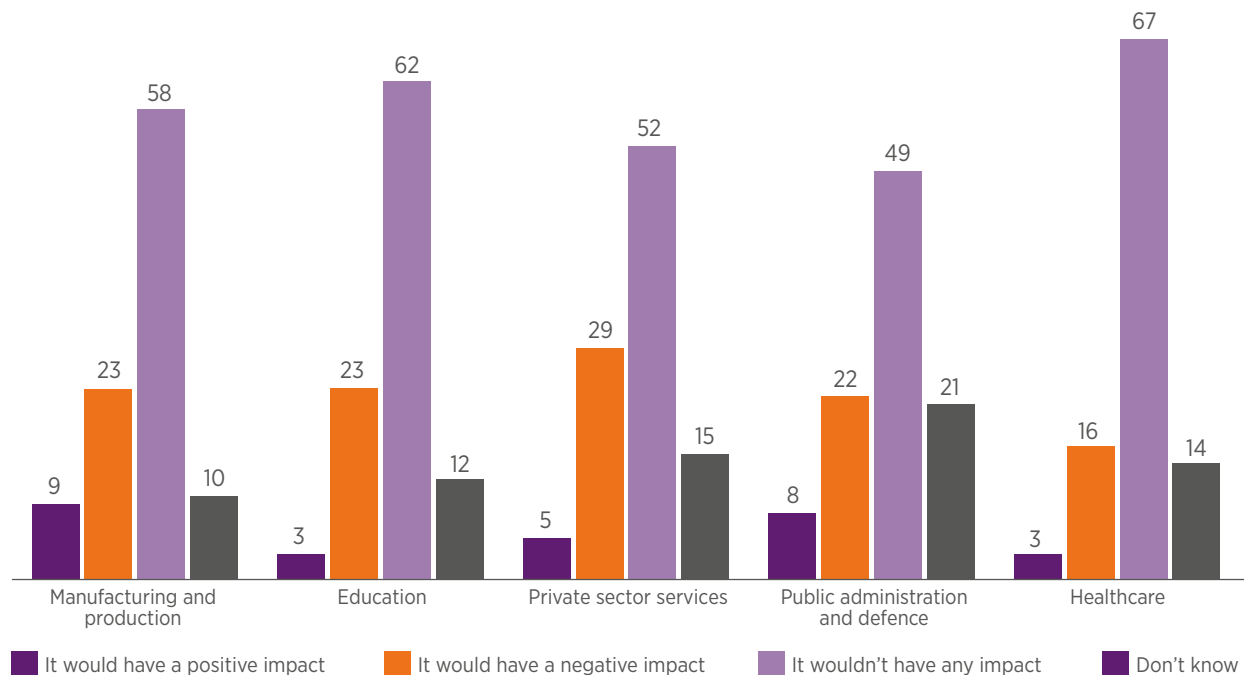
Perhaps reflecting the more formal recruitment processes and channels used by the public sector that lead to job offers, more than a quarter (27%) of private sector employers are more likely to say that the job offer requirement would have a negative impact upon the operations of their organisation compared with almost a fifth (19%) of public sector establishments. CIPD research has consistently shown that public sector employers are more likely to use national and local newspapers and specialist journals/trade press than the private sector. At the same time, firms are more likely to favour recruitment consultants (particularly manufacturing and production organisations) and professional networking sites.³¹ This may also partly explain the variation across sub-sectors (Figure 13). More than a quarter of private sector services’ firms (29%) report that the policy would have a damaging impact on them compared with less than one fifth of healthcare organisations (16%).

Figure 11: Perceived impact of requiring EU nationals to have a job offer before coming to live and work in the UK, by sector (%)



Base: all employers expecting to hire EU nationals in the future (total: n=951; private sector: n=677; public sector: n=177; voluntary: n=97)
 Source: *Labour Market Outlook*: spring 2017 (CIPD/The Adecco Group)

Figure 12: Perceived impact of a job offer prerequisite for EU nationals wishing to live and work in the UK, by sub-sector (%)



Base: all employers expecting to hire EU nationals in the future (manufacturing and production: n=161; education: n=77; private sector services: n=469; public administration and defence: n=77; healthcare: n=70)
 Source: *Labour Market Outlook*: spring 2017 (CIPD/The Adecco Group)

‘A number of case study employers also express concern that the individual they interview on Skype might not be the one who arrives to take up the job offer.’

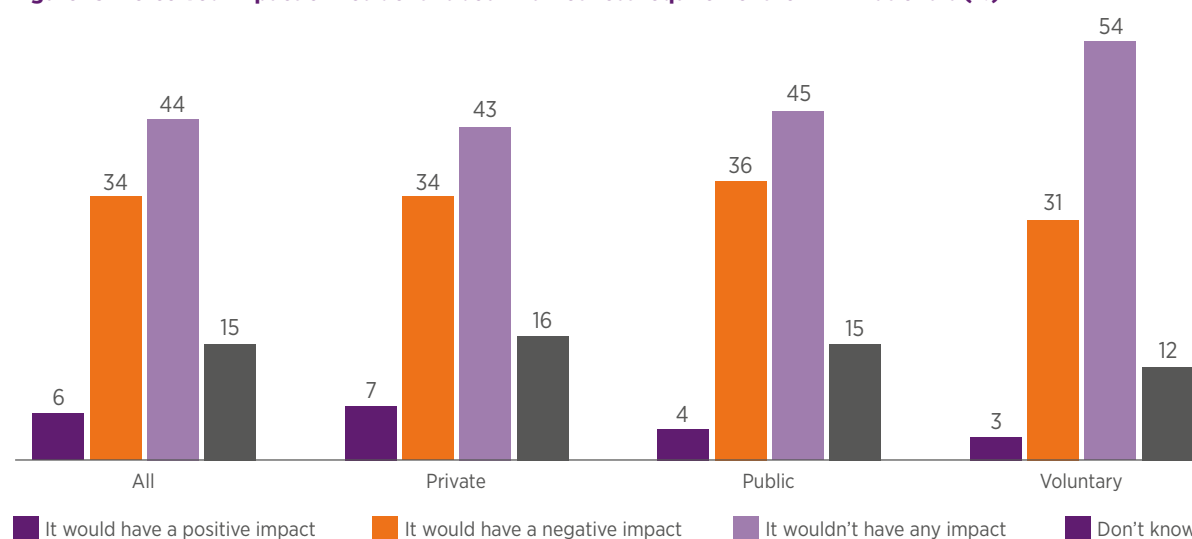
Case study employers express divergent views on whether new policy should require migrants to have a job offer before entering the UK. Their reasons shed some light on the survey findings. A number of employers say they would have to change their procedures and make more use of online methods, including Skype. This method is seen to have its limitations in not allowing for a trial of aptitude and suitability in the post. A number of case study employers also express concern that the individual they interview on Skype might not be the one who arrives to take up the job offer.

Employers also say that the requirement to issue a job offer prior to entry would encourage them to use agencies, and for agencies generally to develop a service in recruiting on employers’ behalf. Some employers also express concern that bogus employment offers would be generated and that the policy would generally open the door to poor practices.

‘They can see a market for third-party private recruiters going out to those countries and literally having a really good service contract with the employer. So the employer contracts out, not just the legal side, but the recruitment process so that they come employed and ready.’ (automotive parts manufacturer)

Resident Labour Market Test Survey respondents were also asked about the potential impact of the Resident Labour Market Test (RLMT) if it were applied to European Economic Area (EEA) nationals. The RLMT currently applies to British employers who want to recruit non-EEA nationals from their home countries, notwithstanding some exemptions that include the Government’s shortage occupation list. The test currently requires employers who want to recruit non-EEA workers from overseas to advertise vacancies for a period of 28 days in the national and trade press and Jobcentre Plus before being able to recruit a non-EEA national.

Figure 13: Perceived impact of Resident Labour Market Test requirement for EEA nationals (%)



Base: all employers expecting to hire EU nationals in the future (total: n=951; (private sector: n=677; public sector: n=177; voluntary: n=97)
 Source: *Labour Market Outlook*: spring 2017 (CIPD/The Adecco Group)

Employers were also asked to consider the potential impact if a UK government were to introduce the RLMT in the future. More than two-fifths (44%) of employers say this would have no impact on the operations of their organisation, compared with just over a third (34%) who say it would have a negative impact and a small proportion (6%) who report that it would be beneficial to their organisation. Among those employers who report that it would have a damaging effect, a substantial majority say that it will either have a negative impact to a large extent (43%) or some extent (43%).

There is little variation across sectors in terms of employer opposition attitudes towards the RLMT. However, whereas almost six in ten (57%) small and medium-sized organisations report that the policy would have no impact on their organisation compared with almost a third (30%) that say that it would have a negative impact, larger establishments are as likely to report a negative impact (37%) as no impact (37%).

Case study and focus group employers were also asked for their views on having to apply a Resident Labour Market Test before they could recruit an EU migrant. They do not object to having to show they have made every effort to recruit local workers. However, they feel that the requirements of the current test, applied to highly skilled migrants, are not appropriate for lower-level skills. This is principally because the requirement to advertise a post for 28 days is not feasible when labour needs are unpredictable and when labour turnover is high. Therefore, a number of case study employers make the point that, to work for them, any visa requirements for EU workers would need to involve a

fast response and the minimum of bureaucratic processes.

Case study employers feel a trusted sponsor scheme could work but are against high levies for recruiting unskilled migrants, since the costs would be hard to recoup.

Meanwhile, the focus group research reveals an antipathy towards using Jobcentre Plus among many of the employers we spoke to. In particular, some report that jobseekers are using the application form as a tick-box exercise to retain access to benefits:

'We've done quite a lot of recruitment over the last three or four years and we find that when we go through the Jobcentre Plus, one, they don't give proper application forms and most of the time people don't know how to sell themselves and they don't know how to fill in applications forms. Whereas with the European nationals they do, they're very hungry for it and they sell themselves.'

'The other issue with Jobcentre Plus is that to get the benefits they've got to apply and show that they're actively seeking work and therefore you get all these applications with the same names, over and over and over again, because they can then demonstrate that they're applying for a job. So you get that as well.'

Overall, the broadly negative findings are reflected in existing migration literature, which suggests that there is little evidence to support the theory that labour market tests are effective. The Migration Observatory points out that employers can simply 'go through the motions' of local recruitment and government officials lack industry knowledge to challenge an employer's case for having to recruit from overseas (Ruhs and Anderson 2013).

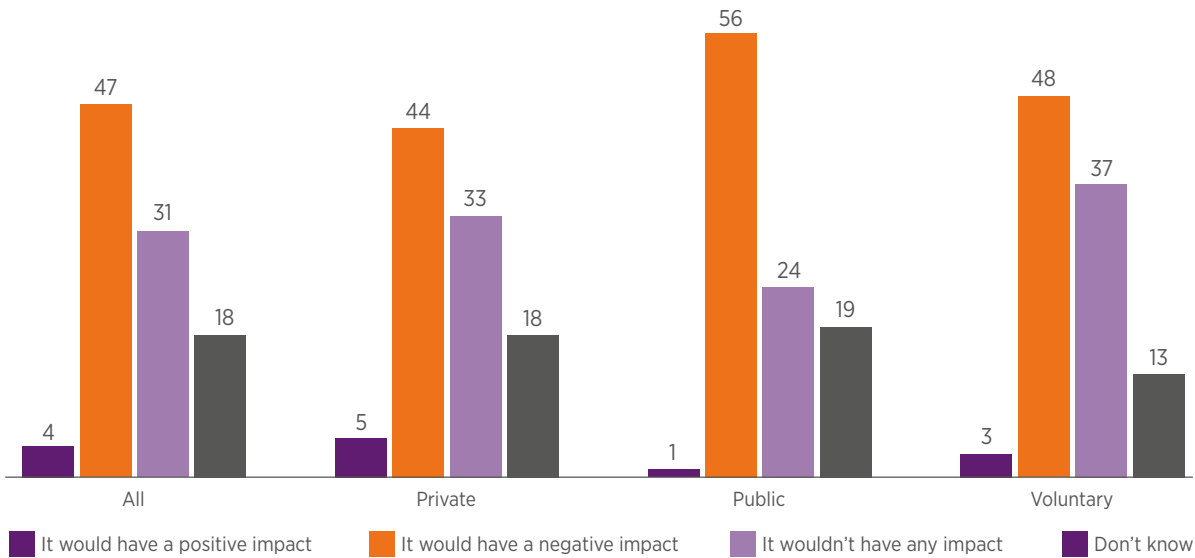
Administration and enforcement: requiring employers to obtain sponsorship licences for EEA nationals

Another policy option, which would involve adapting the existing non-EEA nationals points-based system policy for EEA nationals is to require organisations to obtain a sponsorship licence to hire EEA nationals from overseas. Currently, organisations that employ non-EU nationals require a sponsorship licence to employ someone from outside the EU. Under the system, employers have to pay a sponsorship licence fee³² and pay between £21 and £199 for each certificate of sponsorship.

Employers have some concerns about the idea of a sponsorship licence system. When employers are asked what the impact would be if future UK governments were to apply this system to EEA nationals, almost half (47%) say such a policy would have a negative impact. Additionally, more than four-fifths of employers say that it would either negatively impact on them to a large extent (39%) or some extent (44%). Meanwhile, almost a third (31%) say this would have no impact at all and just 4% say this would make a positive impact. Almost a fifth (18%) are unsure what the impact of such a policy would be to their operations.

Perhaps reflecting the amount of control public sector establishments have in relation to pay and training expenditure, a majority (56%) of public sector employers say that a sponsorship licence system for EU nationals would impact on them negatively. By comparison, just over two-fifths (44%) of private sector employers say the same. Just over three-fifths (62%) of healthcare organisations are concerned about the potential negative impact of administering a licence system.

Figure 14: Perceived impact of requirement for sponsorship licences for EU nationals, by sector (%)



Base: all employers expecting to hire EU nationals in the future (total: n=951; private sector: n=677; public sector: n=177; voluntary: n=97)
 Source: *Labour Market Outlook: spring 2017* (CIPD/The Adecco Group)

Additionally, large organisations employing 250+ people are more likely to say such a policy would have a negative impact on their operations compared with SMEs (53% versus 36%).

These findings are consistent with the focus group and case study responses which focused on concerns about the bureaucratic and costly nature of some immigration policy options. These concerns were voiced in response to questions to employers about the role they might have to play in enforcing immigration policy through checking visas and other documentation indicating an individual's rights to work in the UK.

They express divergent views on this issue. Some, particularly those who already employ people from outside the EU, including through Tier 2, feel that the requirements would not be fundamentally different and would involve the same checking of passports.

A number of employers have experienced spot checks by the Home Office and say that, to prepare for this, they ensure that their practices are robust and records are open to scrutiny.

However, many employers say that they currently carry out quite cursory checks on eligibility, simply by looking at passports, and that any restrictions and visa arrangements would require more allocation of administration time, with associated costs. There is considerable concern about making errors, incurring fines and the bad publicity that might follow. There is also worry that the employer might be responsible for ensuring that workers on visas without dependency rights are not breaching the terms of their stay.

We also asked case study employers about the costs of new visa arrangements, including a levy. Not surprisingly, they are not enthusiastic about the prospect

of paying a premium to employ EU migrants, especially those employed in low-skilled work and who are not likely to remain in the organisation for more than a few years. Employers also often refer to the range of other new cost pressures on their organisations, including the National Living Wage and the apprenticeship levy.

'I wonder about extending the sponsorship system and how much more we're going to expect of employers. There was kind of an outcry when it first came in and you were turning employers into the Border Police. But people have kind of accepted it now.' (major manufacturer)

However, it is noticeable that high-wage industries are equally concerned about cost according to the focus group employers, including some who express concern about other labour costs such as the apprenticeship levy and the National Living Wage. This

is typical of the views expressed at a focus group that featured high-wage employers:

'I think one of our concerns is cost, because obviously we've already got the skills charge [for non-EU nationals]. It might be that if there's going to be an additional cost to hire EU nationals, you know, there's only so much pressure that businesses can take. That are operating on quite tight margins already. So it is, yes. Is it going to be a money-making exercise to get EU nationals in?' (large oil and gas employer based in London)

One-year visa

Another policy option available to the Government is to introduce a one-year visa for low-skilled or unskilled roles. Almost a third of employers are opposed to this concept, the reasons for which

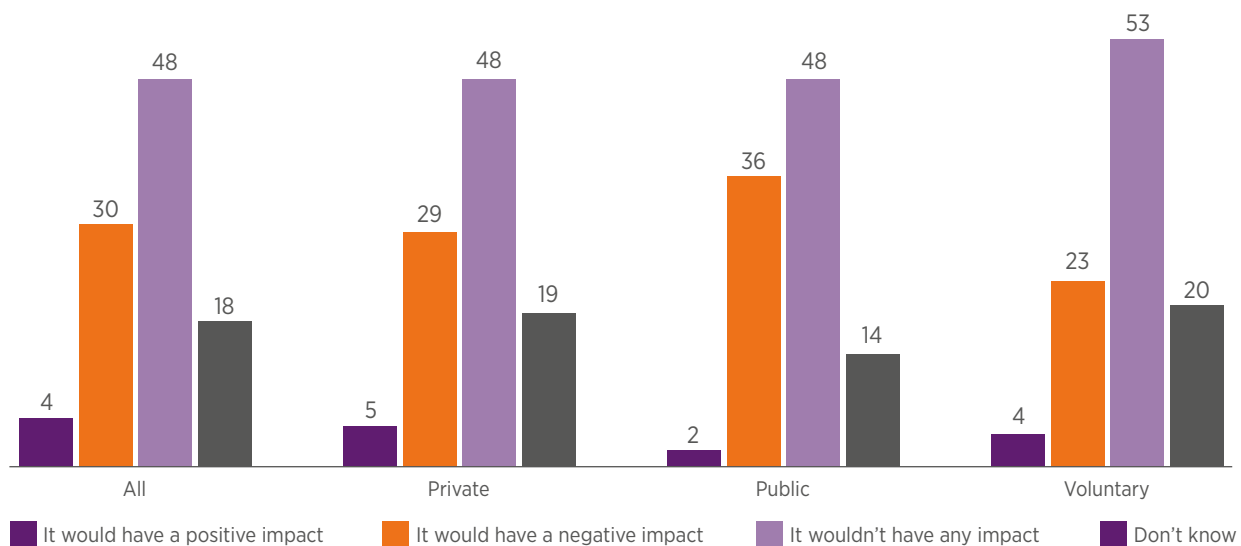
are outlined in the case study and focus group summaries below. Almost nine in ten employers say that it would either have a negative impact to some extent (46%) or large extent (43%).

Opinion is equally divided across sectors, although the degree of opposition is higher in the public sector (36%) compared with the private sector (29%) and voluntary sector (23%). Opposition to the policy is most prevalent among healthcare employers, where almost four in ten (39%) employers say that it would have a damaging impact on their operations (Figure 16). Meanwhile, almost a fifth (18%) are unsure of the policy's potential impact. Large organisations (employing 250 people or more) are also significantly more likely than small and medium-sized establishments to say that having

to recruit unskilled EU nationals on a one-year visa would have a negative impact on their operations (34% versus 23%), although care should be taken not to over-extrapolate because of size effects.

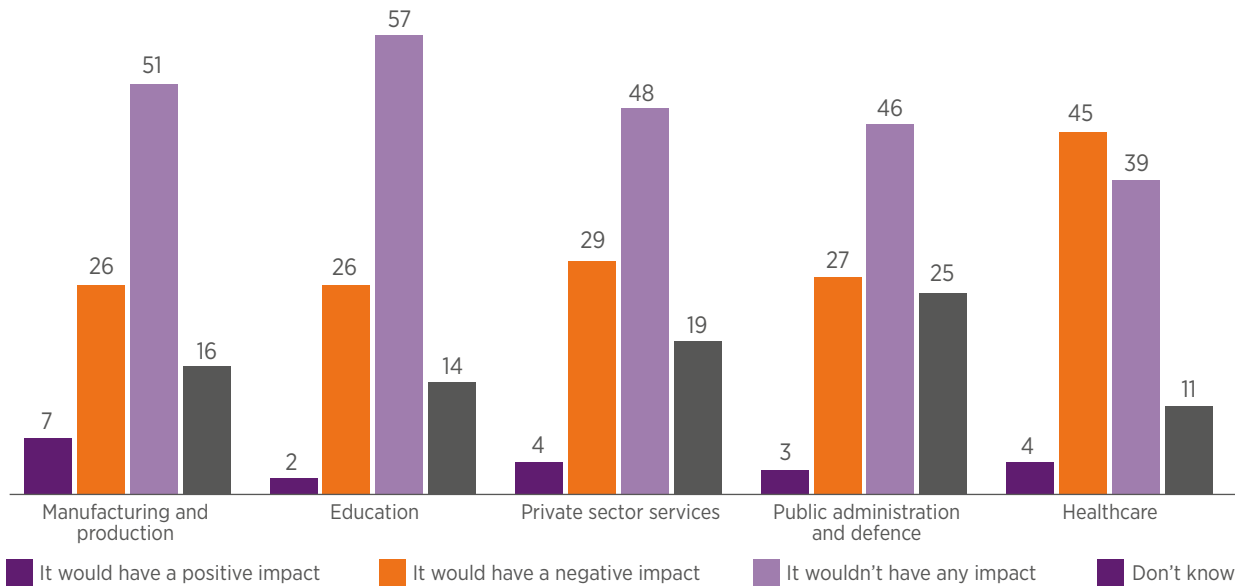
We asked employers for their views on a one-year visa option in the case study interviews and focus groups. Whether within or outside sector-based schemes, case study employers are largely not in favour of short-term visas of a year or less. This is mainly because of the time required for an individual to become fully proficient, which could be as long as six months even in an unskilled job. The costs of mandatory training, in all sectors but particularly in social care, are sustained in the early months of employment and short-term stays would mean these costs are not recouped.

Figure 15: Perceived impact of requirement to recruit unskilled EU workers on a one-year visa, by sector (%)



Base: all employers expecting to hire EU nationals in the future (total: n=951; private sector: n=677; public sector: n=177; voluntary: n=97)
 Source: *Labour Market Outlook*: spring 2017 (CIPD/The Adecco Group)

Figure 16: Perceived impact of requirement to recruit unskilled EU workers on a one-year visa, by industry (%)



Base: all employers expecting to hire EU nationals in the future (manufacturing and production: n=161; education: n=77; private sector services: n=469; public administration and defence: n=77; healthcare: n=70)
 Source: *Labour Market Outlook*: spring 2017 (CIPD/The Adecco Group)

Some employers, including in social care, say they would have to be continually advertising and recruiting to replace workers as temporary contracts expired. Such schemes would almost certainly require the help of agencies sourcing overseas. Just as important, case study employers say they want to keep the EU migrants they recruit and develop them within the organisation. As the representative of a café chain explained:

'[A year] is too short and really goes against our philosophy. We want people to join us and have a career with us and, if someone had a year visa, it would be very difficult for them to do that.' (large café chain)

However, not all employers agree:

'If you're just talking about an assembler on a production line that assembles engines ... who has a more simple job than an engineer, for example, then yes you could possibly use that situation, like we use the flexible labour force. But for more

technical and more specialist roles a year would be worthless, realistically.' (large manufacturer)

Some case study employers also express concerns about enforcement and whether they would be held responsible for individuals who left during the period of their temporary visa or who overstay their visa. Previous experience of temporary, sector-based schemes suggests their concerns have some foundation.

Five-year visas

Another potential option would be to allow employers to recruit skilled workers from the EEA on a five-year visa. Compared with other policy options, employers are modestly more favourable to this suggestion. More than two-fifths say that this would not have an impact upon their operations (43%), compared with just over a quarter (28%) who report that it would have a negative impact. However, as in other policy options, the extent of the negative impact is reflected in the substantial proportion of employers who say

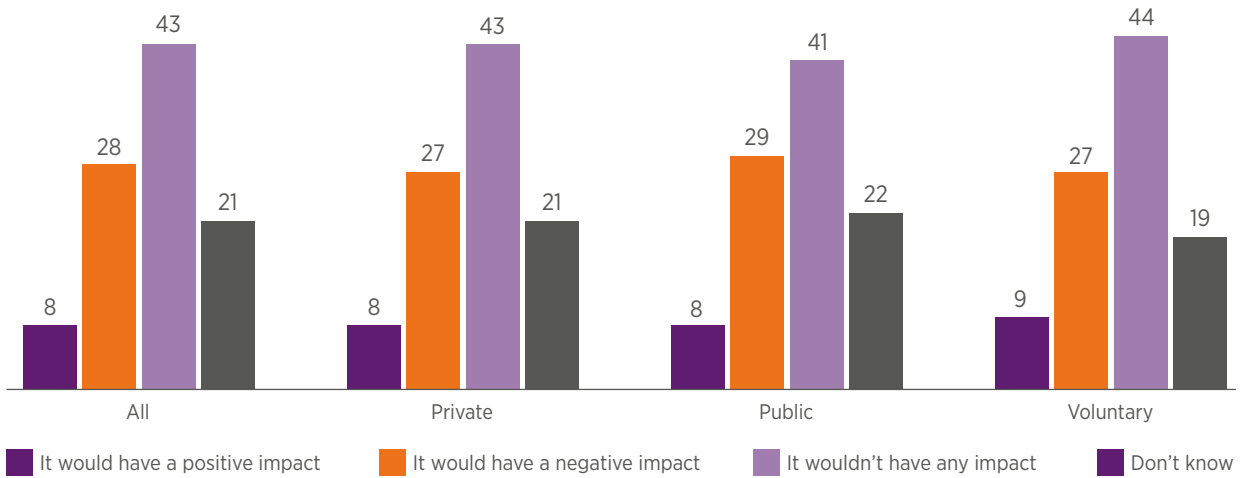
that it would either impact to some extent (49%) or a large extent (31%). Additionally, almost one in ten (8%) organisations say it would have a positive impact and just over a fifth (21%) are unsure of the policy's potential impact. Size effects also help explain why almost a third (30%) of large organisations with 250+ employees are significantly more likely to say such a policy would negatively impact them compared with SMEs (23%).

Additionally, it is no surprise that over a third (34%) of high-wage industries say that a five-year visa would have a negative impact on their organisation. This is likely to reflect their concerns to retain valuable, hard to recruit, individuals.

Regional schemes

Case study employers do not feel that regional schemes would either suit their needs or work well. They feel that it will introduce an unhelpful layer of complexity into the system and potentially favour areas such as London and Scotland over others:

Figure 17: Perceived impact of requirement to recruit skilled EU workers on a five-year visa, by sector (%)



Base: all employers expecting to hire EU nationals in the future (total: n=951; private sector: n=677; public sector: n=177; voluntary: n=97)
 Source: *Labour Market Outlook*: spring 2017 (CIPD/The Adecco Group)

'We in the north are already affected by the sucking effect of the south.... That's one of the things that came out of the all work done under the Northern Powerhouse, that already there are skilled people moving to the south. So I think the regional thing could be quite dangerous for us in the north of the country.' (HR consultant in Manchester)

The point was also made that migrants enable labour shortages to be met because of their flexibility and mobility and that regional policies would be likely to restrict this. Meanwhile, some focus group participants with multiple sites across the country say that it would be complex to administer a system with regional variations. As a result, there is broad agreement across all the focus groups that a national system would be the preferred option, with the exception of Scotland. This is to be expected given the degree of autonomy Scotland enjoys in relation to non-EEA immigration policy.

Conclusions

‘The research indicates that many employers are relying on EU migrant workers to help their businesses grow or deliver vital services, such as health and social care.’

This report is intended to inform the debate about the potential impact of migration restrictions on employers, especially those in key industries and services employing relatively low-skilled workers and who are dependent on migrants from the EU.

Employment of migrant workers has significant benefits for UK employers

The research indicates that many employers are relying on EU migrant workers to help their businesses grow or deliver vital services, such as health and social care. It is understandable that many employers are concerned about the Government’s stated intention to end free movement of labour. The growth of key industries and services has created employment opportunities for British workers, who still form the great majority of employees in most sectors of the economy.

Why UK organisations employ EU nationals

The survey evidence shows that the main reason UK organisations employ migrant labour is a ‘difficulty in attracting UK-born candidates to fill unskilled or semi-skilled jobs’. Some commentators argue that this is largely the responsibility of employers, who have failed to offer training or attractive pay and employment conditions. The research findings suggest that while some employers could undoubtedly improve their offer to potential recruits, others who do so still experience recruitment difficulties. The research finds little evidence to suggest that employers are

recruiting migrant workers because they are cheaper than UK-born workers or because they require less training. A relatively small proportion of employers appear to recruit EU migrants because they think this is a way of reducing labour costs or getting skilled EU migrants ‘off the shelf’. Very few employers (7%) say they recruit EU nationals because they have lower expectations about pay and employment, although this is higher (15%) among low-wage employers. Our findings suggest that this is in part at least because of perceived unrealistic expectations among some British workers, or at least difficulty meeting living costs on low wages. The research adds further weight to evidence, including from previous CIPD research, that employers who recruit EU migrants are more likely to train their staff. The data underlines the need for the Government to devise an immigration policy that strikes a balance between ensuring that employers uphold good practice in relation to training, recruitment and pay and not penalising those employers who do and yet still struggle to fill vacancies, especially low-skilled roles.

Other common reasons for recruiting EU nationals include ‘work ethic’ and a ‘fit’ with the organisation’s values. The research indicates that the majority of employers report little difference between the migrants and the UK workers they employ; where differences are reported it is in flexibility, diligence and reliability in low-paid work. In particular, some employers report that EU

nationals are more willing to work anti-social and extra hours. This is consistent with official data which shows that a much higher share of EU nationals work longer hours than UK nationals, especially EU8 and EU2 nationals, a majority of whom work in excess of 40 hours a week. Employer explanations for these differences include a desire among EU nationals to maximise earnings, in some cases for remittances, and their younger age and fewer family responsibilities. Additionally, welfare benefits are thought to be a further factor limiting British workers' flexibility, with tax and benefit thresholds making overtime less worthwhile according to some employers. These factors are deemed to be particularly important in some sectors, where fluctuations in demand require a high degree of flexibility, for example hotels and food processing. Importantly, their availability reduces the need to use agencies, and the associated cost.

Finally, some employers report that they cannot find the skills they need from the domestic workforce or resident migrants and have to recruit from overseas. Almost one in five (18%) employers say that they recruit EU nationals because they have better job-specific or technical skills, while around one in ten cite language skills (10%) and better qualifications (10%). Some employers see overseas recruitment as inevitable where specific skills are needed.

Alternatives to employ EU migrant labour

It is clear that many employers cannot be expected to substitute EU workers for UK nationals for skilled or unskilled positions. Furthermore, it seems that there is little appetite for exploring other alternatives, such as automation, partly because of uncertainty over trading arrangements and

the current economic climate, but also because of its limitations in some roles, for example social care and customer service. It is understandable therefore that many low-skilled employers in particular are concerned about the impact of migration restrictions on labour shortages at their organisations.

Employers express mixed opinions about the potential for filling vacancies with UK nationals. On the upside, it seems that some employers, especially in retail, are already reviewing their recruitment strategies and target under-utilised groups in anticipation of migration restrictions. Indeed, there is a recognition among some employers that the strong labour supply from the EU in recent years has undermined efforts to recruit from a wider range of recruitment channels, especially for low-skilled roles. As one large food retailer put it, *'We have become lazy at recruitment.'* A number of employers shared their experience of recruiting from under-utilised groups such as ex-offenders. On balance, they report mixed experiences, taking on some but also finding some recruits from such a background unreliable and would prefer not to recruit them in large numbers. Employers do not therefore see these groups as potentially compensating for the expected reduction in EU workers.

The preferred alternative to EU migrants is often young British people, including school-leavers, and employers have made varying degrees of effort to attract these recruits through relationships with local schools and colleges. Employers in sectors such as hospitality and manufacturing also feel the image of their sector needs improving, along with a greater understanding of the career opportunities that they

'Some employers report that they cannot find the skills they need from the domestic workforce or resident migrants and have to recruit from overseas.'

offer. In relation to this, some employers also identify the need to map clearer career paths, review pay and employment conditions, and change their working hours' arrangements to fit around young people's educational commitments. However, there is widespread scepticism about the extent to which these measures would make a positive difference to overall levels of labour supply.

The research also finds that very few employers are planning to accelerate automation at their organisation, and those that are cite other factors, such as the National Living Wage, as bigger drivers than Brexit. The current uncertain economic climate is also cited as a deterrent to investment in new technologies. This is broadly consistent with economic literature,³³ which indicates that a significant part of the productivity slowdown across the OECD, including the UK, is due to a decline in the rate of technological diffusion in new digital technologies, with a large and persistent gap opening up between a relatively small group of productivity 'leaders' and the rest. In principle a rapid decline in labour supply might stimulate some UK companies to invest more heavily in new technologies. We think this is unlikely. First, some of the barriers that prevent the laggards from catching up, such as managerial competencies,³⁴ are structural in nature and cannot be addressed quickly, and, second, there is little evidence in the report that new technology is seen by many as a realistic solution to a decline in low-skill migrant labour, either because it is impractical or because of cost.

Overall, the research underlines the importance of incorporating some form of safety net into the

future EU immigration system. This would be particularly beneficial to employers of low-skilled labour, who will find it very difficult to fill vacancies with local applicants.

What can government do?

Employers that took part in this research stress the need for a fair, simple and unbureaucratic EU immigration system.

To address levels of concern and anxiety among EU nationals, the Government's first response must be to grant EU citizens already living and working in the UK the permanent right to remain in the UK. There is also a need to gradually phase in any new arrangements for immigration to allow robust systems to be set up and trialled and to allow employers to carry out more rigorous testing of local, regional and national labour markets where they have not already done so. The appropriate length of time will depend on government resources to put new systems in place, which we anticipate could be around three years once the UK has completed negotiations on the terms of its exit from the EU.

To help with policy continuity, there is also a case for the new policies for EU migration to be dove-tailed with those of the current points-based system that currently applies to non-EEA migration. In recognition of the huge administrative cost and burden this would place on employers, the system will require key changes to become simpler, fairer and less costly for both government and employers. Importantly, our findings suggest that **employers see sense in a policy which gives priority to EU migrants** because of their proximity and ability to meet shorter-term demands for labour, as well as higher-level skill needs.

As a result, this report suggests that government puts in place more favourable arrangements for employers that recruit EEA workers, including a halving of the sponsorship licence fee and a reduced rate for public sector employers, who have less scope to improve pay and employment conditions than large firms, alongside SMEs and charities. To help with speed and fluctuations in demand, we also suggest that employers be trusted to recruit EU nationals simply by sponsoring an individual with this one-off licence fee payment. The one-off charge to register as a trusted sponsor would reflect the administration cost to the Home Office, and could be complemented by a nominal fee for every EEA worker. This would free up the visa processing times and paperwork, which is identified as a concern by those employers who employ skilled non-UK nationals from outside the EU. This assumes that the Government introduces some form of skills threshold for EU nationals. To be attractive to migrants, visas should also confer the rights of dependants to live in the UK. Existing evidence suggests that this would not place undue demand on public services (Rolfe et al 2013).

Migrants entering through such a new system would need to be registered. Rather than each employer being responsible for sponsoring their EEA migrant workers, the system might allow third parties, who would have trusted sponsor status, to sponsor non-EEA workers on behalf of low-volume users of the system. Trusted sponsor status would involve having to meet general requirements of following good practice in trying to fill vacancies with a non-migrant. The third party would then be responsible for ensuring that the sponsored worker

complies with the rules. That would mean reporting to the Home Office if there are any material changes in their employment or if the worker absconds, however unlikely. This will in turn reduce pressure on Home Office resources. Compliance could concentrate policing a small number of third party sponsors rather than a much higher number of sponsors potentially. This arrangement would appeal to smaller employers in particular, who may not want to take on the work of being a trusted sponsor. We propose that proxy organisations, such as law firms or trade and employer bodies, should be able to act as trusted sponsor on their behalf and ensure compliance.

Brexit also offers an opportunity to **review the current system that applies to non-EEA migration**, in particular to reduce its administrative and cost burden on employers. Currently, employers are subjected to a wide range of costs that include a sponsorship licence, a health surcharge, a skills levy and a fee for every non-EEA national they employ. At the very least, we believe that the Government should consider halving the sponsorship licence fee for public sector employers who want to recruit non-EEA workers.

It is clear both from current evidence and from the history of immigration to the UK that some employers from certain sectors will have recruitment difficulties no matter how hard they try to recruit from the domestic workforce. But sector-based schemes are complex to design and to enforce. Therefore, rather than introduce an array of formal sector-based schemes, **we suggest that the current shortage occupation list compiled by the Migration Advisory Committee (MAC) be extended to include**

jobs at lower levels of skill and salary for EEA workers only.

Reflecting the specific needs of the Scottish labour market and the existing shortage occupation list for Scotland only, the report recommends the existing separate arrangements for Scotland be extended to include roles at low levels of skills and salary. Our case studies and focus group research in Scotland underline the need for this measure.

Under the labour shortage occupation route, employers would have to demonstrate that they have explored all recruitment channels, made efforts to make the job attractive to non-migrants and demonstrate a commitment to investing in skills in order not to sit the Resident Labour Market Test (RLMT). We have found employers to be agreeable to providing such evidence.

There is also a case for a review of the RLMT to reflect employer concerns that many jobseekers apply for jobs that are often unmatched with their aptitude and experience. In addition, the requirement to advertise a post for 28 days is not practical for jobs with low levels of skill because of short notice periods and the need for flexibility. Therefore, we suggest reducing the period to 14 days, which would be more in line with employers' usual advertising and recruitment practices. The existing RLMT route for non-EEA workers via Tier 2 could be brought into line at the same time.

For all lower-skilled roles, visas could be granted **on similar terms of the current Tier 2 in allowing for an initial stay of three years. Renewal might then be available for a period of a further two years**, which would also enable individuals to transfer to other work-related visas, in particular at Tier 2.

'It is clear both from current evidence and from the history of immigration to the UK that some employers from certain sectors will have recruitment difficulties no matter how hard they try to recruit from the domestic workforce.'

Our findings suggest a degree of interest from employers in recruiting young people for periods of up to two years. The report therefore recommends that **the Government extend the existing Youth Mobility Scheme for non-UK nationals from outside the European Union to the EU**, which would effectively allow 18–30-year-old EU migrants to work in the UK for two years with no automatic right to remain in the UK. Transfer to other work-related visas should be possible at the end of this period, for example to Tier 2 or to shortage occupations. One way of ensuring that labour shortage occupations are filled with EEA migrants might be to nudge youth mobility workers towards sectors with shortages, such as hospitality. To protect the UK's status and reputation as a place to study and work, **a post-study worker route should be set up** to allow EU students with a bachelor's degree or above to remain in the UK without requiring a job offer for two years. As with the youth mobility visa, transfer to other work-related visas should be possible once the post-study visa expires.

One of the ways in which the Government can help high-wage industries in particular is to guarantee skilled workers indefinite leave to remain after five years.

To ensure that the immigration system is fair and meets the labour and skills' needs of UK employers, the report argues that there is a case for abandoning the Government's objective to bring migration down to the tens of thousands per year. This is not only unrealistic and potentially damaging to the economy and to service delivery; it sends out a negative message to potential migrants who may increasingly find the UK a less attractive place to live and work.

What don't employers want?

Our findings also indicate what employers don't want: they fear that requiring EU nationals to have a job offer may lead to greater use of recruitment agencies and consultancies, with associated costs. Employers are also concerned about fraud, involving the switching of applicants between interview and arrival, and how they might deal with workers who fail a probationary period. On the other hand, the survey findings show that employers regard restriction of recruitment to migrants with a job offer is viewed as a 'least-worst' option. Overall, the research indicates that such a requirement would add time, complexity and cost to the recruitment process and impose restrictions on recruitment from within the UK.

Meanwhile, temporary schemes might have superficial attractions to policy-makers, but stays of up to a year are unattractive to many employers. Low-skilled employers seem particularly concerned about the possibility of a one-year visa given the churn this would create and the investment many employers make in skills and progression opportunities. Additionally, schemes which give priority to certain areas of the UK – 'regional' schemes – are not seen as workable by employers who operate either across regions or the UK as a whole. The research finds support for a case for Scotland to have more control over how it meets its labour market needs

The need for a fundamental review of government skills policy

Finally, there is the need for policy-makers to step back and consider raising demand for skills as well as supply. The CIPD believes that skills policy under

this government and previous administrations has focused almost exclusively on boosting the supply of skills and qualifications, while largely neglecting the need to stimulate greater employer demand for investment in skills and to support effective skills utilisation. As a result, as the CIPD has recently warned that the UK **is sleepwalking into a low-value, low-skills economy that leaves the nation ill-prepared for its post-Brexit future, particularly if the UK is to face restrictions on accessing talent from outside of the UK.**

The report recommends that the skills review should consider a series of measures to stimulate demand for skills. They include:

- ensuring industrial strategy has a stronger focus on boosting the quality of people management capability and identifying and matching skills across the economy, working in partnership with the UK Productivity Council, Investors in People, employers, professional bodies, unions and Growth Hubs and Local Enterprise Partnerships at a local and sector level
- broadening the apprenticeship levy into a wider training levy to help boost and optimise employer investment in skills
- improving the quality of business support, particularly HR support for SMEs delivered through Local Enterprise Partnerships and Business Growth Hubs to help them to build their people management and development capability
- allocating 5% of the Government's £23 billion National Productivity Investment Fund towards supporting skills development and lifelong learning
- asking the ONS to conduct an urgent review of training and skills statistics, which should be updated annually.

Meanwhile, the report also recommends that the current supply of skills could be further boosted by:

- revisiting the potential for personal learning accounts along the lines of the Individual Learning Accounts to address the decline in adult skills funding, provision and take-up
- raise the quality of careers advice and guidance provided in schools by ensuring that schools that are judged by OFSTED to provide inadequate careers advice to pupils cannot be judged to be outstanding
- reviewing current active labour market policies that target disadvantaged groups to help increase the supply of domestic applicants to employers to include:
 - programmes that are targeted at those with long-term health problems to increase both employment and return-to-work rates, as recently suggested by The Work Foundation³⁵
 - a more central role for employer-supported volunteering targeting young people and other groups who would otherwise have difficulty in securing employment, as developed by the CIPD³⁶ and others.

Overall, the report highlights that retaining access to EU migrant labour is fundamental to the growth and survival of Britain's industries and services. The need for the Government to devise an EU immigration policy that retains some capacity to fill skills and labour shortages is underlined by this report's findings. However, it also highlights the significance of the interdependence between the immigration and skills system, which needs to be reviewed to increase the demand for higher-level skills and the supply of higher-quality recruits, migrants and native workers. If tackled together, it could make a significant and positive contribution to the Government's principal objective to build a strong, fairer, global Britain. The UK will face a brighter future only if employers are able to recruit, train and retain the skills and labour they need. New policies must enable this, not prevent, it from happening.

Methodology

Survey method

The fieldwork for the LMO survey is managed by YouGov Plc. This survey has been conducted using the bespoke YouGov online system administered to members of the YouGov Plc UK panel who have agreed to take part in surveys, as well as to the CIPD membership.

The survey is based on responses from 1,060 HR professionals and employers. All respondents have HR responsibility within their organisation, which may or may not be their sole and primary

function within their organisation. The sample is targeted to senior business leaders of senior officer level and above.

An email was sent to each respondent from the YouGov sample, who are selected at random from the base sample according to the sample definition, inviting them to take part in the survey and providing a link to the survey. Each member of the CIPD sample is invited to complete the survey. Respondents were given three weeks from 10 March 2017 to reply.

The data is weighted to be representative of the UK public and private sector business population by size of employer and sector. Rim weighting is applied using targets on size and sector drawn from the *Business Population Estimates for the UK and Regions 2012*.

The delivered sample is drawn from across all business sizes, and in total 578 unweighted responses were received from small and medium enterprises (SMEs) and 482 from HR professionals within large employers (250+ employees).

Respondent profile

Table 10: Breakdown of the sample, by sector (%)

	Spring 2017
Private	73
Public	21
Voluntary	6
N	1,060

Table 11: Breakdown of the sample, by number of employees in organisation (%)

	Spring 2017	Winter 2016-17	Autumn 2016	Summer 2016	Spring 2016	Winter 2015-16	Autumn 2015	Summer 2015
2-9	14	14	14	14	14	14	14	14
10-49	14	14	14	14	14	14	14	14
50-99	6	6	6	6	6	6	6	6
100-249	7	7	7	7	7	7	7	7
250-499	10	10	9	8	8	8	9	9
500-999	10	10	7	8	6	8	8	5
1,000-4,999	17	15	18	17	16	17	17	16
5,000-9,999	7	7	6	6	7	9	7	8
10,000-19,999	3	5	4	6	5	5	5	5
20,000 or more	13	12	13	14	16	12	14	15
N	1,060	1,051	1,024	1,050	1,014	1,007	1,037	931

Table 12: Breakdown of the sample, by industry (%)

	Spring 2017	Winter 2016-17	Autumn 2016	Summer 2016	Spring 2016	Winter 2015-16	Autumn 2015
MANUFACTURING AND PRODUCTION	15	15	15	15	15	15	15
Agriculture, forestry and fishing	1	1	1	1	1	1	0
Manufacturing	9	9	9	9	9	9	9
Construction	4	4	4	4	4	4	4
Mining and extraction	0	0	0	0	1	0	0
Energy and water supply	1	1	1	1	1	1	1
EDUCATION	6	6	6	6	6	6	6
Primary and secondary schools	3	3	3	4	4	3	4
Further and higher education	3	3	4	3	3	3	3
HEALTHCARE	11	11	11	11	11	11	11
NHS	8	8	7	7	7	6	7
Other private healthcare	14	4	5	4	4	5	4
PRIVATE SECTOR SERVICES	52	52	52	52	52	52	52
Hotels, catering and leisure	8	8	8	8	8	8	8
IT industry	2	2	2	2	3	2	3
Transport and storage	4	4	4	4	4	4	4
Consultancy services	3	3	2	3	2	2	3
Finance, insurance and real estate	5	5	5	5	5	5	5
Wholesale and retail trade	2	3	3	2	2	2	3
Information and communication	1	1	1	1	1	1	1
Retail	14	14	14	15	15	14	13
Professional, scientific and technical	3	3	4	3	4	3	3
Administrative and support service activities and other business services	9	9	9	9	9	9	9
PUBLIC ADMINISTRATION AND DEFENCE	9	9	9	9	9	9	9
Public administration – central government	3	4	4	4	3	4	3
Public administration – local government, including fire services	4	4	4	4	5	4	5
Armed forces	1	1	1	1	1	1	1
Quango	1	0	0	0	0	0	0

The case studies and focus group method

We carried out interviews with 26 employers, concentrated in the food and drink, hospitality, and health and social care sectors, but also businesses in the construction, finance services and education sectors. Along with regional roundtables, they were carried out to provide a more detailed picture than a survey can provide and to explore key issues with employers potentially most affected by Brexit. In particular, the case studies were aimed at understanding the reasons why employers in some sectors appear to depend so heavily on EU migrants, at the alternatives should Brexit result in restrictions in their supply, and at what immigration policies might work for them. We therefore involved employers who could engage with and shed light on these issues rather than to achieve a representative sample. At the same time, their responses are likely to reflect many who are considering their circumstances and options as the UK prepares to leave the EU.

The case study organisations are located across the UK, with a number having multiple sites in different localities. A few have national coverage and these include a social care provider, restaurant chains and hotels. The 26 employers range in size

from as few as 45 employees to an NHS trust with around 17,000 employees. Five organisations employ up to 100 people, 11 employ 100–1,000, and the rest employ more than 1,000. They employ varying proportions of EU migrants, from as low as 2% to as high as 95%, with hospitality and food and drink companies employing higher proportions than the other sectors. In health and social care, numbers of migrants from outside the EU outweigh EU migrants and proportions are around 10%. The proportion of migrants also vary by role: EU workers are often predominant in low-skilled work in hospitality and in manufacturing, and are found in lower proportions in administrative and management roles. The largest proportions are found in companies with fluctuating demands for labour, particularly in food and drink processing and in hotels. Geographical location is a less important factor, with companies even in quite remote areas employing EU migrants. Very few of the case study organisations recruit skilled migrants through the work permit route and those that do are largely in the health and social care sector.

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