

The impact of EU migrant labour in the UK

Background

The Italian Presidency of the EU Council has identified cross-border labour mobility and countering youth unemployment as key priorities for employment and social affairs in the EU. The CIPD report, *The Growth of EU Labour: Assessing the impact on the UK labour market*, provides groundbreaking research covering both of these issues: it explores UK employers' rationale for recruiting migrant workers and the implications for the national labour market in terms of wages, training, skills gaps and the employment prospects of the UK's young people in particular.

Based on a survey of over 1,000 employers, along with focus groups with migrant workers, employers and young people, the report finds **that overall the employment of young people has not been significantly affected by the inclusion of EU migrants in the UK labour market**. However, the increase in EU migrant workers to the UK has changed the composition of the labour market.

Our research suggests that some younger workers have found it more difficult to find work since EU8 migrants (from 2004 accession countries to the European Union) have had access to the UK labour market because EU8 migrants are typically older, more experienced and better qualified. They are also disproportionately represented in low-skilled work. At the same time, there have been other significant factors influencing the level of youth employment – for example, some people staying in work for longer, the recession and the need for better transitions between education and work.

EU migration set to continue

Data from the Office for National Statistics (ONS) show that the growth in the UK employment of EU migrants since enlargement in 2004 has been driven mainly by an increase in migrant workers from EU8 countries. There were just 64,000 people from the EU8 in employment in the UK

in January–March 2004 compared with 861,000 a decade later (March–June 2014). The upward trend in migration to the UK shows no sign of slowing – latest figures (ONS, August 2014) reveal that net migration has increased over the past year to stand at almost a quarter of a million (243,000).

Our research suggests that the size of the migrant labour pool is unlikely to shrink because of migrants returning to their home country. Most of the migrants we interviewed do not intend to leave the UK in the next five years, even if they feel under-utilised in their job. This is largely because of the state of the economy and labour market conditions in their home country.

Migrant workers and the UK labour market

The characteristics and labour market status of migrant workers in the UK varies significantly depending on whether they are migrants from the EU14 countries (who joined the EU pre-2004) or EU8 migrants. According to original data obtained for this report (ONS 2014):

- More than two in three (69%) EU8 migrants work in low- to middle-skilled roles compared with more than four in ten (45%) UK-born workers and one in three (34%) EU14 migrants.
- In contrast, four in ten (39%) EU14 migrants are employed in high-skilled roles compared with just over one in four (27%) UK-born workers and one in ten (10%) EU8 migrants.
- A much higher proportion of EU8 migrant workers are aged between 25 and 34 compared with UK-born and EU14 workers, and so are likely to have greater work experience.
- EU8 migrants that take up low-skilled work are also typically well qualified; almost 60% of EU8 migrant workers in low to middle-skilled work are graduates, compared with around 20% of UK-born workers and EU14 graduates and almost 30% of non-EU migrants.

The upward trend in migration to the UK shows no sign of slowing

Many employers rely on migrant workers to ensure they have the necessary skills in place to expand

Our focus groups with migrant workers revealed that EU8 migrants in particular feel frustrated in relation to the transferability of their qualifications and experience in the UK jobs market, with language skills perceived as a major barrier to career progression.

Why do employers recruit migrants?

The employer survey data find that organisations that have experienced business growth over the past two years are significantly more likely to employ migrant workers than organisations where growth over that period has either been steady or in decline. This suggests that many employers rely on migrant workers to ensure they have the necessary skills in place to expand. When asked why they employ migrant workers, employers said:

- because it is difficult to attract UK-born candidates to fill unskilled or semi-skilled roles (26%)
- because of their commitment to, or fit with, the organisation's values (21%)
- migrant workers have a better work ethic (20%).

There is little evidence to suggest that employers recruit migrant workers because they are cheaper to employ than UK-born workers or because they require less training.

Nearly half (45%) of employers taking part in this study identify some benefit from the recruitment of migrant workers. Organisations employing migrant workers are also more likely to estimate that they have above-average levels of productivity (compared to their competitors) than organisations that don't employ migrant workers.

Our findings also show that employers who recruit migrant workers are more likely to offer work experience placements, internships and Apprenticeships compared with employers who don't recruit migrants.

How has the employment of EU migrant workers affected youth employment in the UK?

It has been suggested that the expansion in the employment of migrant workers, in particular from the EU8, has been at the expense of UK-born workers competing for similar, relatively low-skilled jobs. The period since January–March

2004 has seen employment of EU migrants increase by 797,000, but employment of 18–24-year-olds (UK- and foreign-born) has fallen by 396,000.

However, there are many factors influencing the persistently low employment rate of UK-born young people who are not in full-time study. These include the impact of the 2008 recession and subsequent prolonged economic downturn, as well as ongoing welfare reforms that may have had the effect of increasing the incentive for benefit claimants to find employment.

Migrants are not the only group which has become a more prominent section of the employed workforce. For example, the employment rate for people aged 50–64 has increased steadily over the past 20 years, from 56.5% in 1992 to 68.7% in 2014.

There has also been a 'hollowing out' of the labour market, with a squeeze in the number of mid-level skilled jobs, resulting in greater competition for low-skilled and high-skilled roles. The CIPD report shows that EU8 migrants are disproportionately represented in low-skilled jobs and are likely to have more employment experience and be better qualified than young UK-born workers seeking the same type of employment. In this section of the labour market, the availability of EU8 migrants has added to the competition facing young UK-born jobseekers.

However, two employers in three (66%) told us that the availability of migrant workers has not reduced the number of opportunities for UK-born young people at their organisation.

What can be done to tackle youth unemployment?

Over the past two years we have finally seen youth unemployment start to fall as the economic recovery has taken hold. However, the UK still has a youth unemployment rate of nearly 17%, suggesting much more needs to be done to help young people find jobs and compete with older workers (some of whom will be migrants) on a more level playing field.

A key barrier to youth employment has been employers' use of recruitment practices that can exclude young people

Previous research by the CIPD shows that a key barrier to youth employment has been employers' use of recruitment practices that can exclude or unfairly disadvantage young people. Often there is a mismatch between employers' expectations of young people during recruitment and young jobseekers' understanding of what is expected of them.

The CIPD's **Learning to Work** programme (cipd.co.uk/learningtowork) encourages HR professionals to offer a wide range of access routes into their organisations and ensure their recruitment and management practices are youth-friendly. We also promote direct contact with young people via two youth volunteering programmes, **Steps Ahead Mentoring** and **Inspiring the Future**.

A recent CIPD study suggests that employers are increasing their efforts to recruit young people by taking on more work experience students, expanding graduate schemes, hiring more apprentices and engaging with young jobseekers.

Conclusions

The report finds that UK employers are making rational decisions to employ more migrant workers. Typically, this is because there are not enough applicants in the local labour market or because EU migrants offer greater work experience – emphasising the competitive nature of the jobs market for entry-level roles. Given the guarantee of freedom of movement to EU migrants, policy makers concerned over the link between migration and youth employment should campaign for a review of UK skills policy. We need to rebalance our jobs economy to reduce the large proportion of low-skilled jobs and invest in a broader-skilled, more competitive workforce. The question is not whether ambitious employers who are recruiting migrant workers should be restricted in their efforts to grow their businesses and contribute to the UK economy.

Boosting youth employment

In the UK, the problem of young people struggling to enter the labour market is largely structural and we are calling on the Government to:

- resource schools and the National Careers Service sufficiently to meet young people's needs for adequate, objective careers advice and guidance
- continue to focus on the quality of Apprenticeships, engaging employers in developing training programmes for each of the Apprenticeship frameworks and emphasising the importance of progression routes for apprentices
- provide extra advice to SMEs about the business benefits of Apprenticeships, alongside funding support for those employing an apprentice
- incorporate enterprise education into the national curriculum.

On the European front, the CIPD welcomes the priority given to boosting youth employment through Europe 2020's Youth on the Move flagship initiative and the Youth Guarantee scheme. However, in the European Parliament's plenary debate on 17 September, many MEPs raised concerns about effective implementation of the European Youth Initiative and urged EU countries to make better use of the €6 billion available for the scheme. MEPs encouraged EU member states to use the available EU funds to ease the transition from education to jobs for young people and foster entrepreneurship. Some MEPs advocated approaches such as sharing best practice and promoting apprenticeships.

The CIPD is working hard to encourage the UK Government to do more for the young to achieve better transitions from education to jobs and support entrepreneurship. As all of the money allocated under the European Youth Initiative, including €192 million to the UK, is frontloaded and committed in 2014 and 2015, there is some urgency for more concerted EU-wide action to reduce the 21.7% unemployment rate across member states.

Further information

Rachel Suff, EU Public Policy, +44 (0)20 8612 6602, r.suff@cipd.co.uk

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We bring together extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership-base, to engage with politicians, civil servants, policy-makers and commentators in the UK and across Europe.

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We use our substantial research, membership-base and social partnerships to produce EU-wide policy position statements on issues which impact the working lives of employees across the European Union. Our areas of expertise include labour market forecasting, employee relations, gender and diversity, the aging workforce, labour mobility, youth employment, pensions, human capital management and skills. We produce comprehensive research across the world of work to ensure that employers and employees can benefit from better workplace and workforce policy and legislation throughout Europe.

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