

THE GROWTH OF EU LABOUR

ASSESSING THE IMPACT ON THE UK LABOUR MARKET

September 2014



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FOREWORD

The net increase in migrant workers coming to the UK – particularly those from within the European Union unaffected by immigration policy because of their right to free movement – is the subject of a highly political and frequently polarised debate.

The most recent figures from the ONS show that net migration into the UK increased by more than 38% to 243,000 in 2013–14 (ONS, August 2014). EU citizens – including an increased number from Romania and Bulgaria – accounted for two-thirds of the growth from the previous figure of 175,000.

Opponents of migrant workers argue that they take up the jobs of UK-born workers, particularly younger workers, have a depressing effect on wages and put a strain on public services and infrastructure.

On the other side of the argument, supporters of migration say migrants are a key part of the UK's flexible labour market, help meet skills shortages and help UK businesses grow and compete.

The report shows that there is much more nuance to the debate than is typically aired. Our research finds that organisations that employ migrant workers are doing this to support business growth. Organisations that employ EU migrant workers are also more likely to invest in work experience, internships and Apprenticeships than those that don't.

However, the evidence in this report does suggest that the availability of EU migrants is one of a number of factors, including the increased employment rates of older workers and the impact of welfare reforms, which has increased competition in the labour market, particularly for low-skilled roles. EU8 migrants from the 2004 accession countries are disproportionately represented in low-skilled jobs and are typically more experienced and better qualified than UK-born young people, which means they are likely to have had a small negative effect on youth employment levels in some sectors.

In response, the CIPD argues that more needs to be done to improve links between schools and colleges and business, including much better careers advice and guidance so that young people are equipped with the right qualifications and employability skills to compete for the jobs that employers are looking to fill.

There also needs to be a fundamental review of skills policy to help understand why the UK has such a high proportion of very low-skilled jobs compared with our international peers and how we can create more high-skilled jobs.

Addressing the causes of high levels of youth unemployment and the high level of low-skilled and low-paid jobs in the UK will also create the conditions for a measured debate about the value to the UK of migrant workers.

1 MIGRANT WORKERS AND THE UK LABOUR MARKET

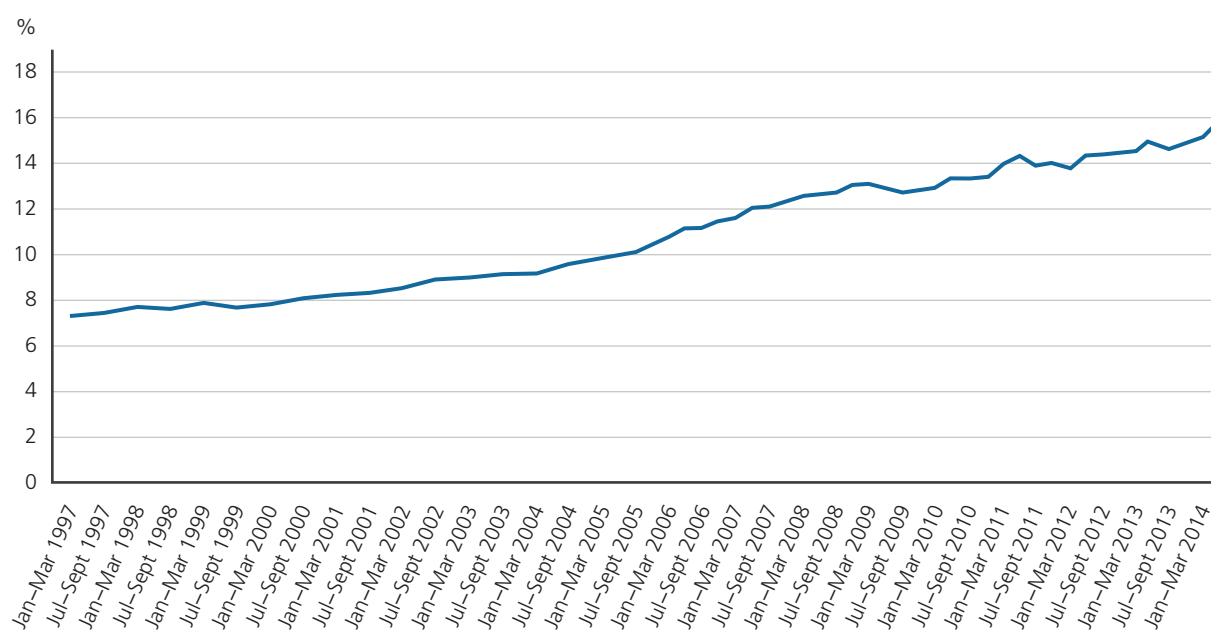
As in previous eras, the post-war UK population and labour force has been shaped greatly by migration. In the initial post-war period, the impact of immigration from certain British Commonwealth countries was especially significant, but latterly migrants from EU countries have had a greater role to play. We should note that, while popular discussion about migration tends to focus on in-migration, the impact on the UK also depends on patterns of out-migration. We should also note that citizens of one other EU Member State – the Republic of Ireland – have had free movement and the right to work within the UK for decades.

What are the facts? Between 1997 and 2014, the proportion of employment accounted for by people not born in the UK – generally used as the best (but imperfect) available measure of migrant workers – more than doubled from 7.3% to 15.4% (see Figure 1).

During this period, employment has increased by over 4 million, so the number of non-UK-born people in employment has increased by 2.8 million (from 1.9 million in January–March 1997 to 4.7 million in April–June 2014) and the number of UK-born people in employment has increased by 1.5 million (from 24.3 million to 25.8 million).

Figure 1: Non-UK-born workers as a percentage of total employment, 1997–2014

Source: ONS, Labour Force Survey 2014



Within the migrant population, there has been significant growth in migration into the UK from the EU8 countries – those that joined the EU in 2004 and whose citizens were given immediate permission to live and work without restriction in the UK (see Figure 2).

From a starting point of just 64,000 people in employment in the UK in January–March 2004, by April–June 2014 there were 861,000 people born in the EU8 who were employed in the UK, which is more than the number who were born in the EU14 (787,000).

The very latest figures show no sign of these trends abating, not least because of the continued weakness of many EU economies. The latest figures (Quarterly Migration Statistics Report, ONS, August 2014) reveal that net migration has increased over the last year to almost a quarter of a million (243,000), with increased immigration driven largely by EU workers, especially from Italy, Romania and Bulgaria (ONS 2014).

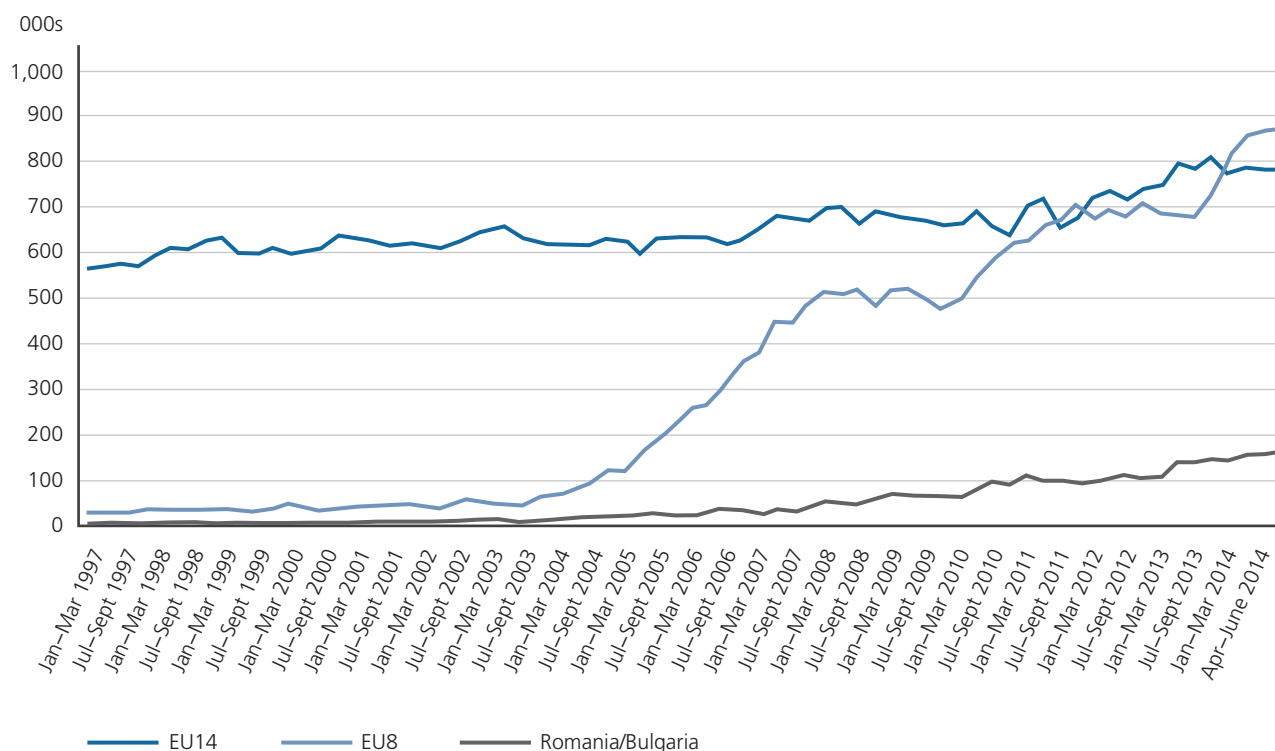
The characteristics and labour market status of migrant workers in the UK varies significantly between migrant groups. According to original data obtained for this report, more than two-thirds (69%) of EU8 migrants are in low- to middle-skilled roles, compared with around a third (34%) of EU14 migrants (see Table 1) (Labour Force Survey, ONS 2014). A third of all EU8 migrants are employed in elementary occupations such as cleaners, labourers or food preparation assistants. The largest concentration of EU8 citizens are employed in the distribution, hotels and restaurants sector.

By contrast, around four in ten (39%) EU14 migrants are employed in highly skilled roles, compared with around a quarter of UK-born workers and less than a tenth of EU8 migrants. Many employers hire EU14 migrants to fill vacancies that require a high level of education and training and a third of all EU14 migrants are in professional occupations.

These figures help explain why EU14 migrants' median hourly rate of pay (£12.68) is higher than the rate of UK-born workers (£10.63) and considerably higher than EU8 migrants (£7.50).

Figure 2: Employment of EU-born workers, 1997–2014

Source: ONS, Labour Force Survey 2014



Overall, more than a fifth (22%) of low-skilled jobs are held by non-UK-born workers (Labour Force Survey, ONS 2014). This proportion is much higher than the proportion in high-skilled jobs (16%), upper-middle-skilled jobs (13%) and lower-middle-skilled positions (14%).

EU8 migrants that take up low-skilled work are also typically well qualified. Almost 60% of EU8 migrant workers in lower or lower to middle-skilled work are graduates, compared with around 20% of UK-born workers and EU14² migrants and almost 30% of non-EU migrants (see Figure 4).

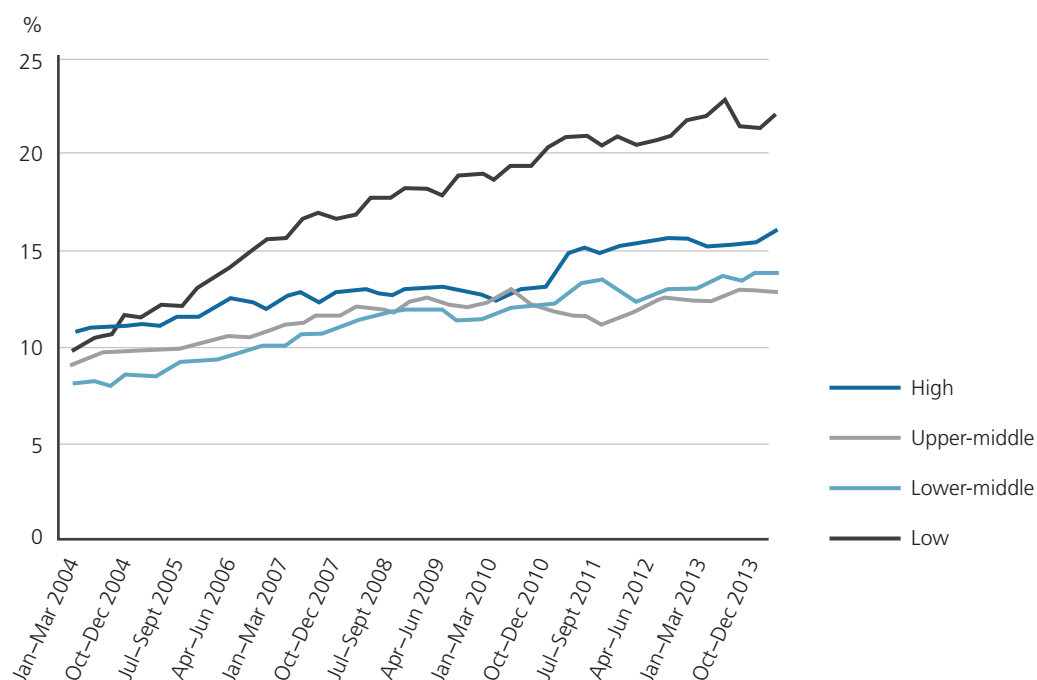
Table 1: Percentage of those in employment in the UK working in each skill level group, by country of birth, January–March 2014

Source: ONS, Labour Force Survey 2014

Skill level	UK-born	EU14-born	EU8-born
High	26.6	39.0	9.5
Upper-middle	28.7	26.5	21.9
Lower-middle	34.7	24.2	35.9
Low	10.1	10.2	32.7

Figure 3: Proportion of jobs held by non-UK-born workers in employment in the UK, by skill level group

Source: ONS, Labour Force Survey 2014



Finally, there are significant differences between the age profile of UK-born workers and those of different groups of migrant workers. More than half of EU8 migrants are aged 25–34, which suggests they are likely to have gained significant work experience in their home country or other EU countries.

EU14 and non-EU migrants, in contrast, are disproportionately concentrated in the 35–44 age group. Less than a tenth of EU8 migrants are aged 45 or over, a much lower proportion than for any other migrant group. This may be because fewer people from the EU8 migrate later in life but it may simply be because, having only acquired the right to work without restrictions in 2004, there will be very few EU8-born migrants who came to the UK as young people and have stayed for 20 or more years, which may of course be the case for other migrant groups.³

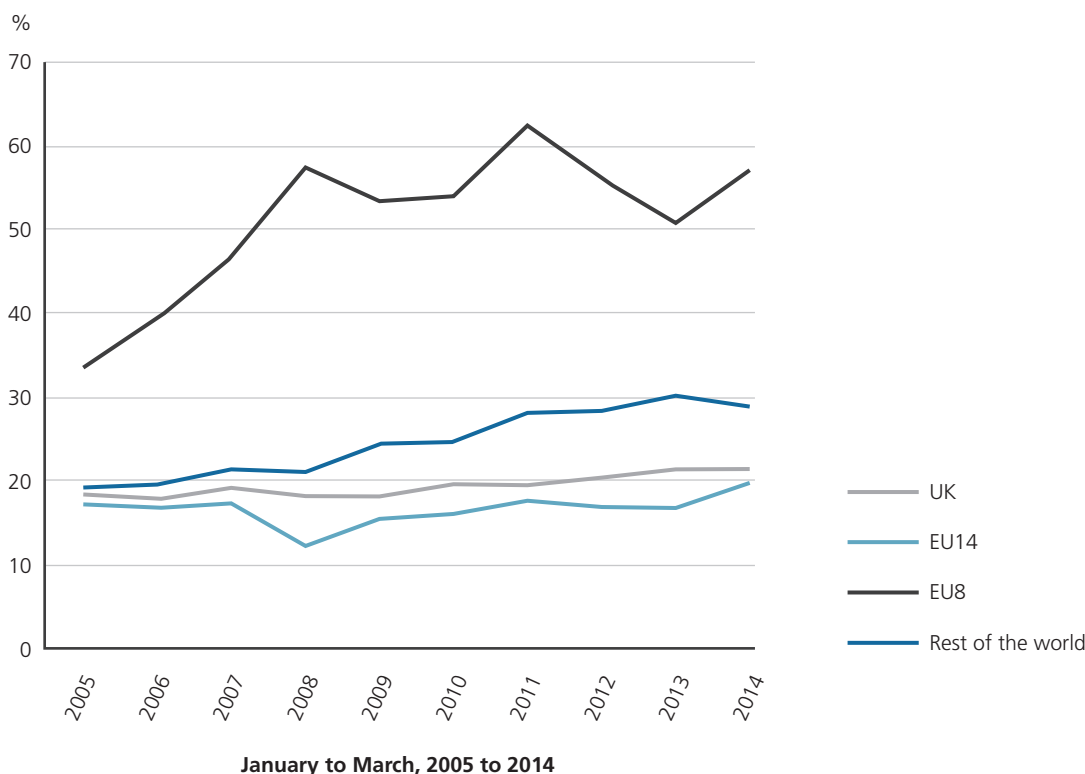
Table 2: Age profile, by country of birth (%)

Source: ONS, Labour Force Survey 2014

Age groups	UK-born	EU14-born	EU8-born	Rest of the world
16–24	13.3	7.6	12.1	6.0
25–34	22.7	29.6	54.4	28.1
35–44	21.8	31.1	23.8	30.9
45–54	26.3	20.2	7.2	23.5
55–64	15.9	11.4	2.6	11.6

Figure 4: Proportion of graduates employed in low-skilled roles, by country of birth

Source ONS, Labour Force Survey 2014



What has happened to youth unemployment and formal training opportunities during the last decade?

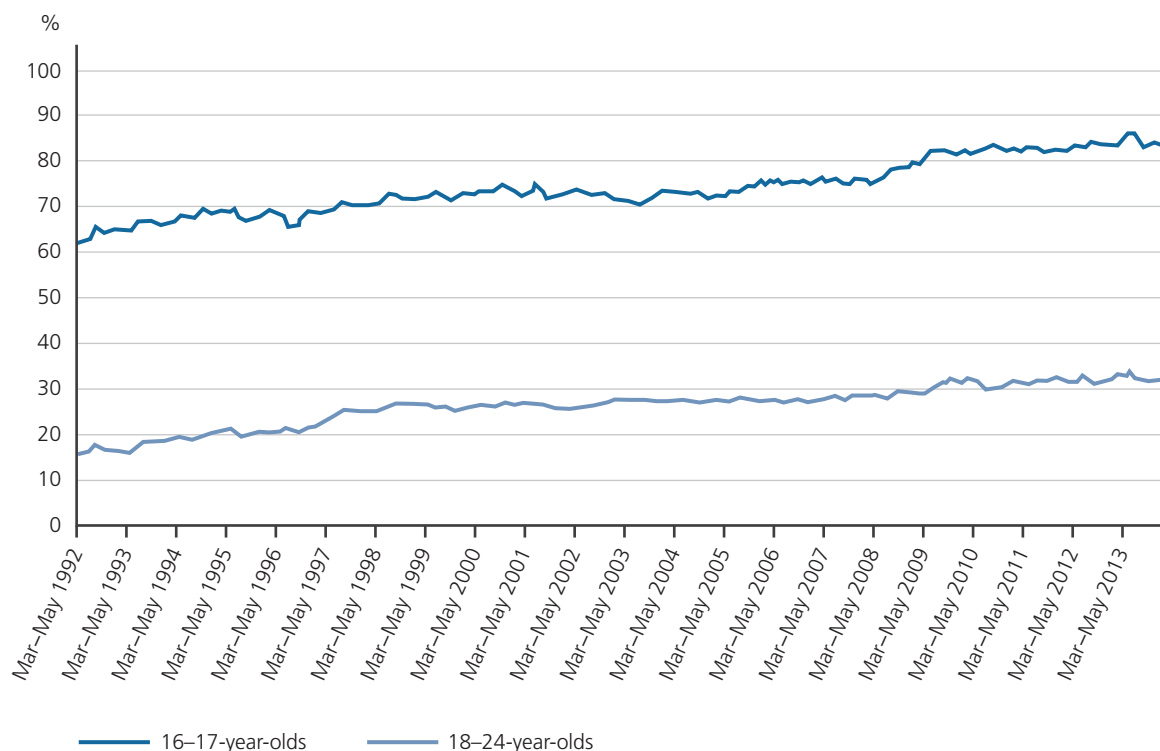
It has been suggested that this expansion in the employment of migrant workers – and migrant workers from the EU8 in particular – has been at the expense of UK-born workers competing for similar, relatively low-skilled roles, especially young workers in London (Migration Watch 2013). The period since January–March 2004 has seen employment of EU migrants increase by 797,000 but employment of 18–24-year-olds (UK- and foreign-born) fall by 396,000.

The youth labour market has changed greatly in the last 30 years (see Figure 5). The majority of 16–24-year-olds outside full-time education (FTE) are in employment but the employment rate for this group has been falling for the past

decade (Figure 6) and fell significantly in 2008–09 during the recession. However, there has been a very large and continuous increase in the proportion of 16–24-year-olds in full-time education throughout this period (see Figure 5). About four-fifths of 16–17-year-olds and almost a third of 18–24-year-olds are now in full-time education.

Figure 5: Participation in full-time education, 1992–2014

Source: Participation Rates in Higher Education, 2006/07 – 2013/14 (Provisional), Office for National Statistics (ONS)



As shown in Figure 6, students in FTE are less likely to be employed and employment rates for this group have also been falling since 2000.

Aside from the increased likelihood of pursuing full-time study, there are other reasons why the employment rate for 16–24-year-olds might have fallen over time.

CIPD research suggests that one of the key reasons for these outcomes might be employers using recruitment practices that can exclude young people (*Employers are from Mars, Young People are from Venus*, CIPD 2013). This research highlights a clear mismatch between employers' expectations of young people during the recruitment process and young people's understanding of what is expected of them.

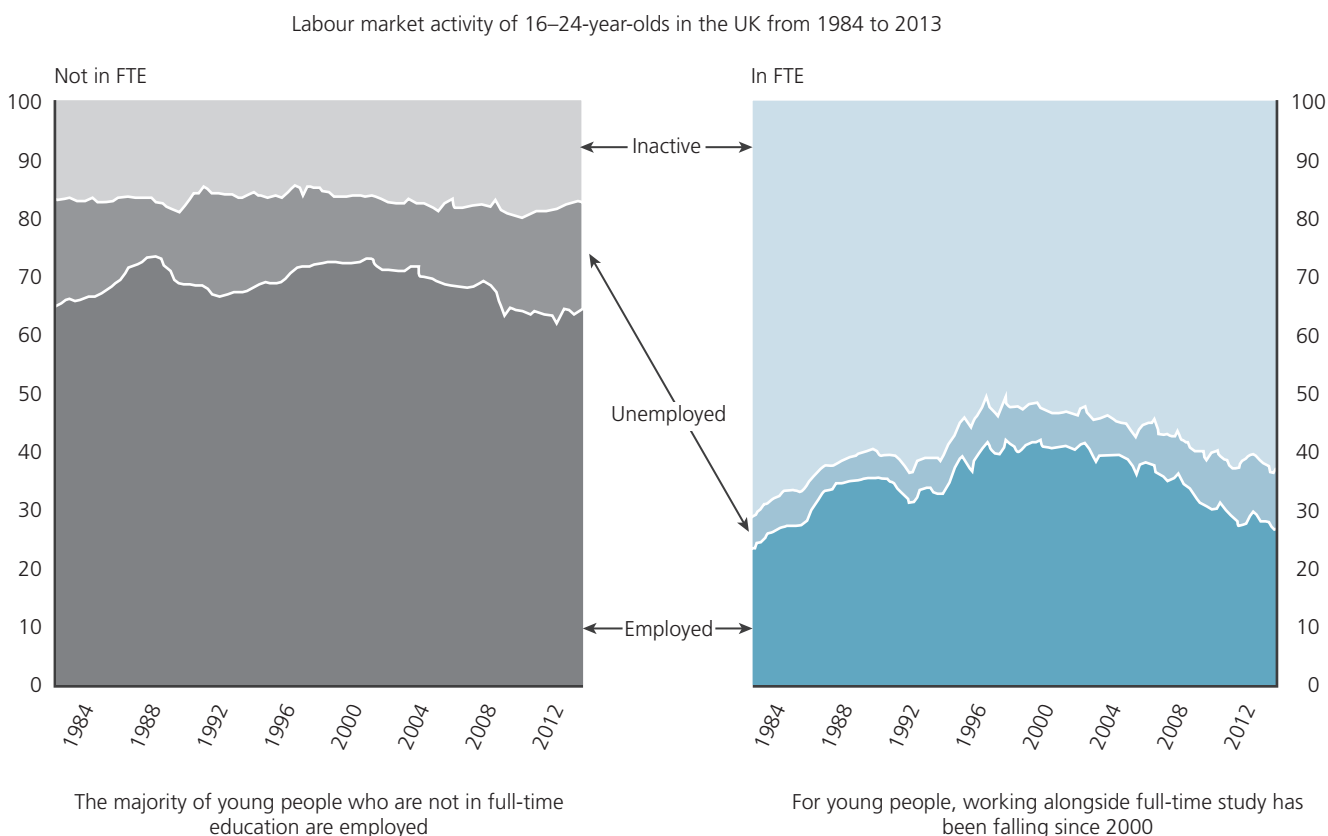
Encouragingly, a more recent CIPD report, *Employers: Learning to work with young people* (2014), suggests that employers are increasing their efforts to recruit young people by taking on more work experience students, expanding

graduate schemes, hiring more apprentices and engaging with young people via local schools and colleges. This may partly explain why employment figures for young people have improved during the past two years. Data from the 2013 Employer Skills Survey (UKCES 2014) show that employers who have taken a young person on tend to have positive views about the preparedness of their young recruits (see Figure 7).

This data of course is based on employer perceptions of the young people they have recruited into a job and the broader pool of young jobseekers may not be as thoroughly prepared. The youth unemployment rate stands at nearly 17%. There were still 955,000 people aged 16–24 not in education, employment or training (NEETs) between April and June 2014 (ONS 2014). This may be partly explained by the OECD's recent conclusion that the UK has a relatively long tail of UK-born young people without basic skills or problem-solving skills compared with our international counterparts.

Figure 6: Young people's participation in the labour market (%)

Source: Labour Force Survey, ONS



In addition, the incentive schools have to boost the number of A*–C GCSEs may mean insufficient attention is given to those students at the lower end of the academic spectrum. Increased demands on students in full-time education (FTE) may also help to explain why fewer of them now combine work with study. The last decade may also have seen an increase in the financial resources available to students, (for example, the Education Maintenance Allowance and recent changes to student funding), meaning that the incentive to seek work may have been reduced.⁴

Young people are also likely to be competing for the types of low-skilled jobs that EU migrants are employed in. Many young people are employed in elementary occupations, sales and customer service – the types of jobs that EU8 migrants are disproportionately represented in (see Figure 8).

The developments discussed so far, however, have not occurred in isolation. Migrants are not the only group which has become a more prominent share of the employed workforce.

Figure 7: Employer perceptions of their young recruits (%)

Source: UKCES Employer Skills Survey 2013

Base: Employers who have recruited from each of the categories of young people shown

University or higher education leavers



17–18-year-olds from college



17–18-year-olds from school



16-year-old school-leavers

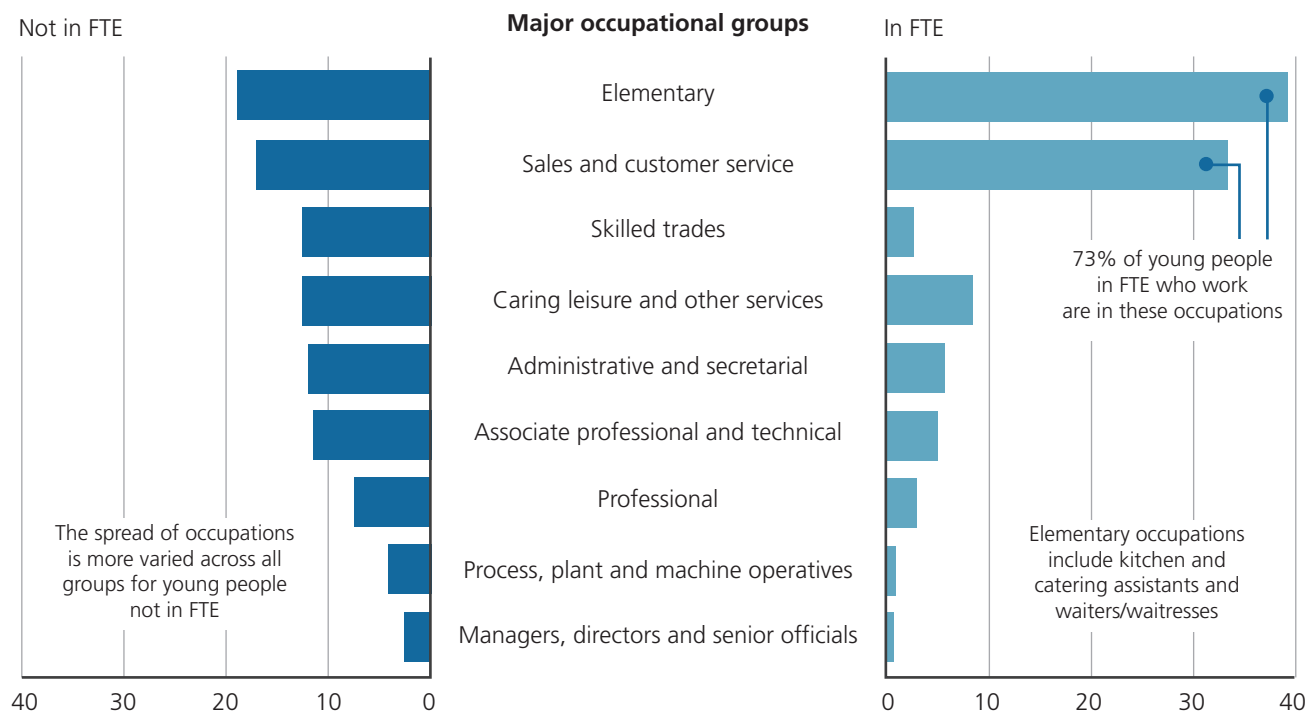


Very poorly prepared Poorly prepared
Well prepared Very well prepared

Figure 8: Occupations of young people in employment by whether they are in full-time education or not, 2013 (%)

Source: Labour Force Survey (ONS)

Young people are most likely to work in the lowest skilled jobs



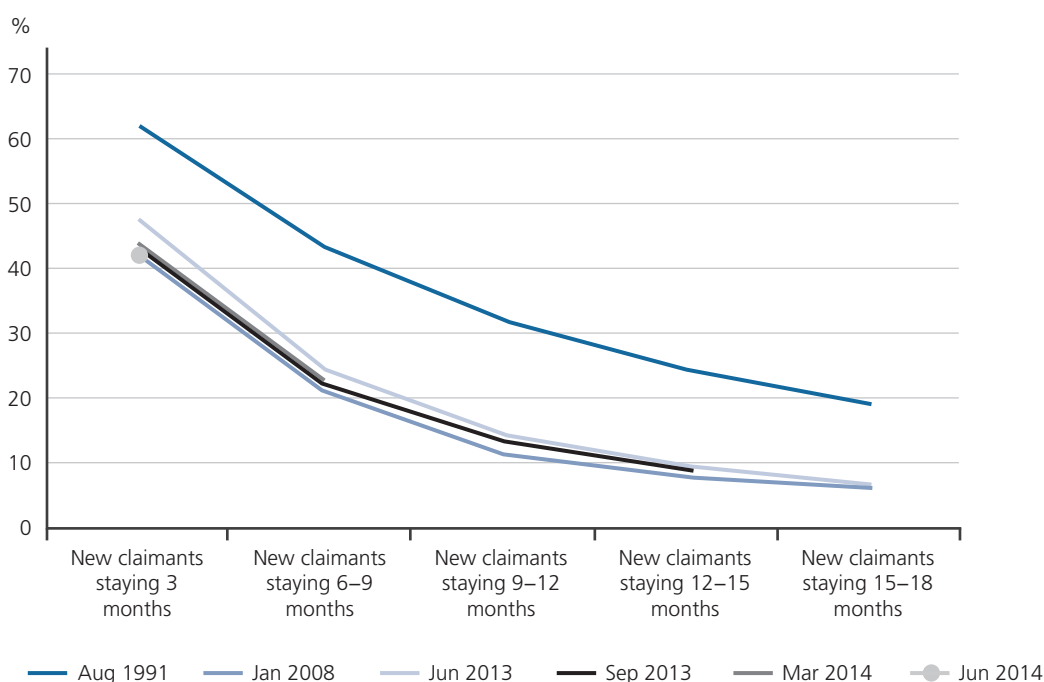
The employment rate for people aged 50–64 has increased steadily over the past 20 years from 56.5% in March–May 1992 to 68.7% by May–July 2014, and employment in this age group has increased by over a million since 2004. A range of factors lie behind this major reversal of the previous trend towards greater inactivity. People now live longer, healthier lives and many want to work for longer. Meanwhile, the number of people aged 65 and over in employment has more than doubled during the same period. Laws on age discrimination and the removal of the default retirement age have reduced some of the barriers. Changes to pension schemes – and the increase in the state pension age – mean that many older people prefer to work for longer in order to increase their retirement income (and, possibly continue with some paid employment even after they receive pension income).

In addition, over the last 15 years or so, the Government has used various labour market activation policies, including the New Deals and changes to rules on benefit entitlement, to encourage groups with low employment rates but high inactivity rates (such as lone parents) to move off non-Jobseeker's Allowance (JSA) out-of-work benefits and into employment. Individuals in these groups – especially those with few formal qualifications and/or limited recent work experience – may be looking for similar employment opportunities to those that young people tend to seek.

Figure 9 shows there has also been progress in reducing the proportion of Jobseeker's Allowance claimants who become longer-term unemployed since at least 2008, and it is likely that increased flows off the JSA count are often into employment.

Figure 9: Jobseeker's Allowance – proportion of starters in month becoming longer-term unemployed (%)

Source: Inclusion <http://www.niesr.ac.uk/blog/welfare-reform-and-jobs-miracle>



The demand side is also changing. There appears to have been a squeeze in the number of mid-level skilled jobs that exist, which has led to a 'hollowing out' of the UK jobs market (Goos et al 2009, IPPR 2014). Factors such as advances in technology, which have resulted in machines replacing people in routine tasks, and offshoring, which has resulted in some labour-intensive jobs going abroad where cheap labour is available, are cited as reasons for this structural change to the labour market. While these processes can create additional highly skilled jobs as well as more low-skilled jobs, it also means there is greater competition for these jobs. Hollowing out is likely to mean some people 'trade down' in the jobs market rather than 'trade up'. This may explain why the percentage of UK graduates who were working in 'non-graduate' roles has risen from 37% in April–June 2001 to 47% in April–June 2013 (*Graduates in the labour market*, ONS 2014).

In addition, the latest statistics, which cover the first three quarters of the 2013–14 academic year, also show that more than 300,000 of the 751,900 funded Apprenticeships were given to people aged 25 and over (Skills Funding Agency 2014). This is not a recent phenomenon – research by the IPPR (2011) found that since Apprenticeships were made available to adults in 2004, a rising proportion of apprentices have been aged over 25. The IPPR report suggests that much of this increase is accounted for by employers 'buying up' and certifying existing training provision for existing employees.

2 EMPLOYER ATTITUDES AND TRENDS TOWARDS THE EMPLOYMENT OF MIGRANT WORKERS

Current employment of migrant workers

This section of the report draws on questions placed in the CIPD's spring 2014 and summer 2014 *Labour Market Outlook* (LMO) surveys, each of which was based on a representative sample of over 1,000 employers.⁵ It also draws on a range of case study interviews with employers that employ migrant workers.

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. It then considers why employers recruit migrant workers and the benefits and costs that employers associate with employing them. Finally, it explores the extent to which employers that recruit migrant workers are also employing young UK-born nationals and the impact of employing migrant workers on employers' investment in training.

What proportion of employers employ migrant workers?

The survey finds over half (57%) of employers currently employ migrant workers. Public (61%) and private sector employers (57%) are significantly more likely to employ migrants than employers in the voluntary sector (42%). Employers in accommodation, food service, arts and recreation (74%), wholesale and retail (63%) and education (58%) are most likely to employ migrant workers. Of those industries with reasonably large numbers sampled, transport (32%) is the industry least likely to employ migrants.

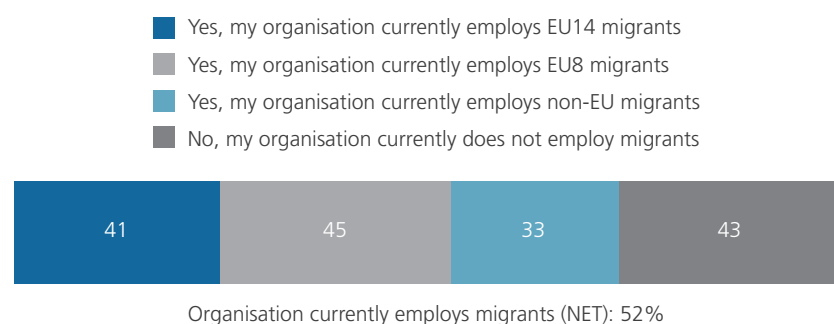
There is a clear relationship between employment of migrant workers and organisation size, which may simply reflect the fact that large organisations have more vacancies to fill. Whereas micro-businesses with fewer than ten employees rarely employ migrants (just 13% employ any migrants), this was commonplace for organisations with 10,000 or more employees (where 77% said they employed migrants).

Employers were asked whether they employed migrants from the EU14, EU8 or from outside the EU, with similar proportions employing EU14 and EU8 migrants but with a smaller proportion employing non-EU migrants (see Figure 10). Public sector employers (43%) are significantly more likely to employ non-EU migrants than private sector employers (31%) in total, but this is an effect driven by differences in organisation size between the two sectors.⁶

Of these migrant workers, 36% are from EU14 countries, 40% are from EU8 countries and 24% are from non-EU countries (see Figure 11). The mix between migrant groups within an organisation varied greatly. In nearly half of organisations employing migrants, one or more of these three groups are not represented at all (9% employ no EU14 migrants, 11% employ no EU8 migrants and 25% employ no non-EU migrants). In just over a fifth of organisations employing migrants, one of these three groups accounts on its own for 90% or more of all migrants employed (EU14 migrants were 90% or more of all migrant workers in 8% of organisations employing migrants with equivalent proportions being 8% for EU8 migrants and 5% for non-EU migrants).

Figure 10: Employment of migrant workers (%)

Base: Summer 2014, all LMO employers (n=1,027)



Reflecting the data from the ONS, the survey finds that EU migrants are disproportionately represented in some low-skilled elementary occupations as well as in some professional occupations. A quarter of employers that employ migrant workers (26%) report that EU migrants (not differentiating here between EU14 and EU8 migrants) are disproportionately represented in particular occupations or functions. Cleaning roles are the jobs that employers are most likely to report that EU migrants are disproportionately represented in with caretakers, kitchen and catering assistants and chefs and cooks also featuring prominently (see Figure 12). Employers are also likely to report that EU migrants frequently take up sales and retail jobs, work in call centres and as waiting and bar staff.

In terms of skilled jobs, EU migrants are most likely to work in accounting or finance, as IT staff or as management executives.

Figure 11: Breakdown by location of migrant employees (%)

Base: Summer 2014, all LMO employers who employ migrant workers (n=462)

Employers' estimate of the proportion of migrant workers they employ from inside and outside the EU

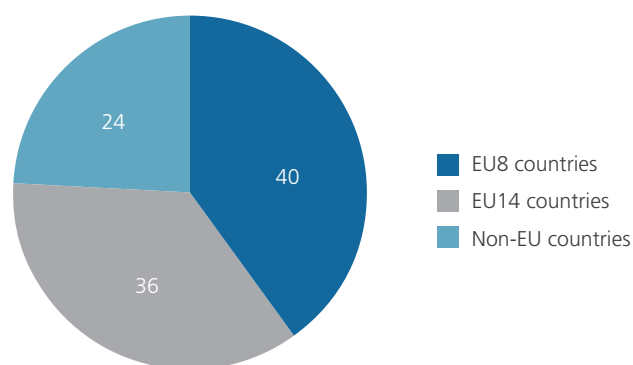
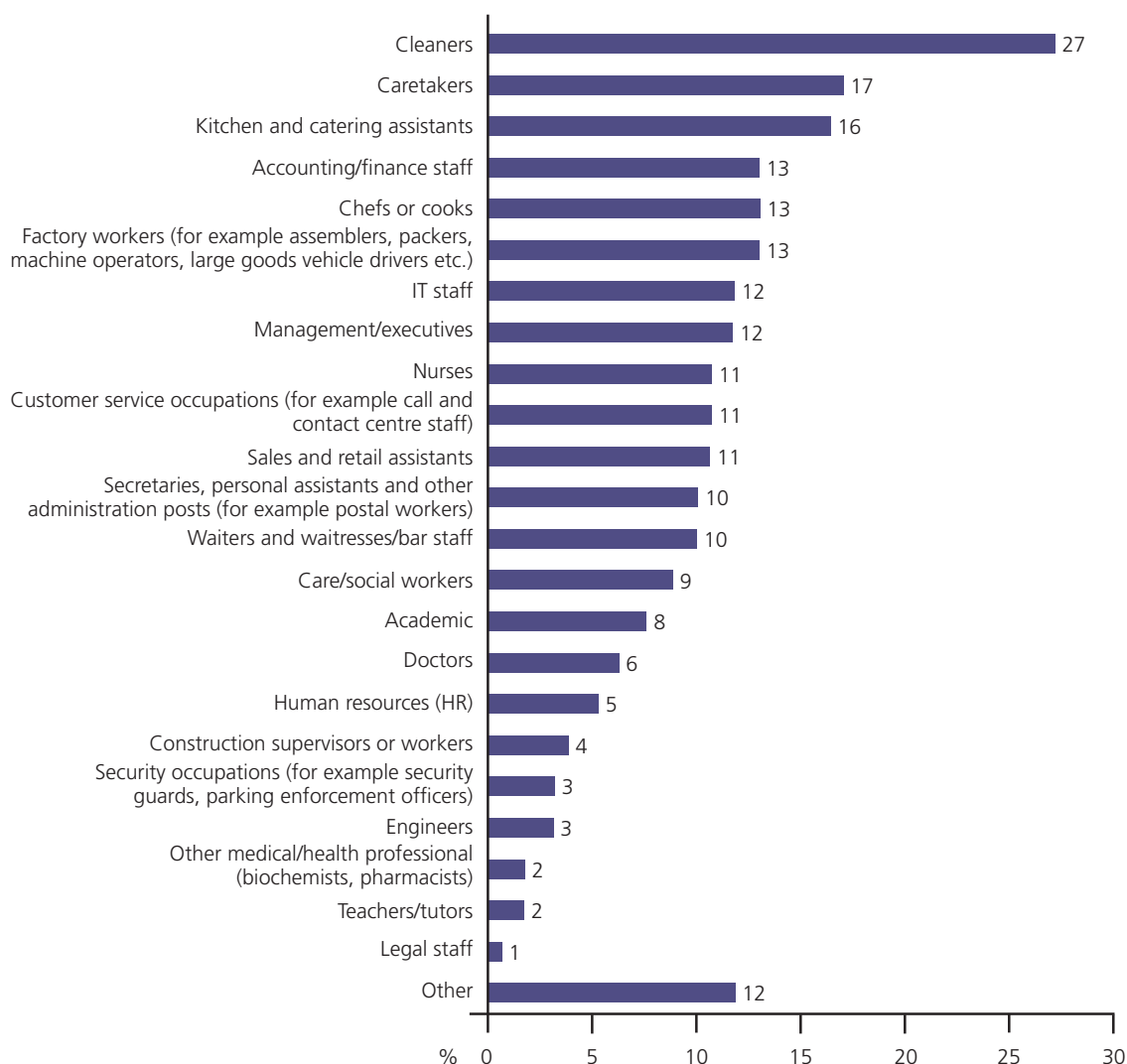


Figure 12: Occupations/functions in which EU migrants are disproportionately represented (%)

Base: Summer 2014, all LMO employers who employ EU migrant workers and report they are disproportionately represented in particular occupations (n=133)



Future recruitment of migrant workers

Nearly a fifth (17%) of employers plan to recruit migrant workers in the next three months. This is on par with the 16% of employers who reported this in the previous quarter. The public (18%) and private (18%) sectors remain significantly more likely than the voluntary sector (9%) to be planning to recruit migrant workers in the next three months.

Accommodation, food service activities and arts, entertainment and recreation (33%) and healthcare (30%) are the two sectors

most likely to be planning to recruit migrant workers in the next three months.

Employers that are planning to recruit migrant workers in the next three months are most likely to say that workers from the EU8 countries feature in their plans, with seven out of ten (69%) expecting to recruit from among this group. Almost six out of ten (57%) expect to recruit from the EU14 and four out of ten (43%) from non-EU countries (see Figure 14).

Figure 13: Proportion of organisations planning to recruit migrant workers in Q3 2014 (%)

Source: CIPD *Labour Market Outlook* (LMO) summer 2014

Base: Summer 2014, all LMO employers (n=1,027)

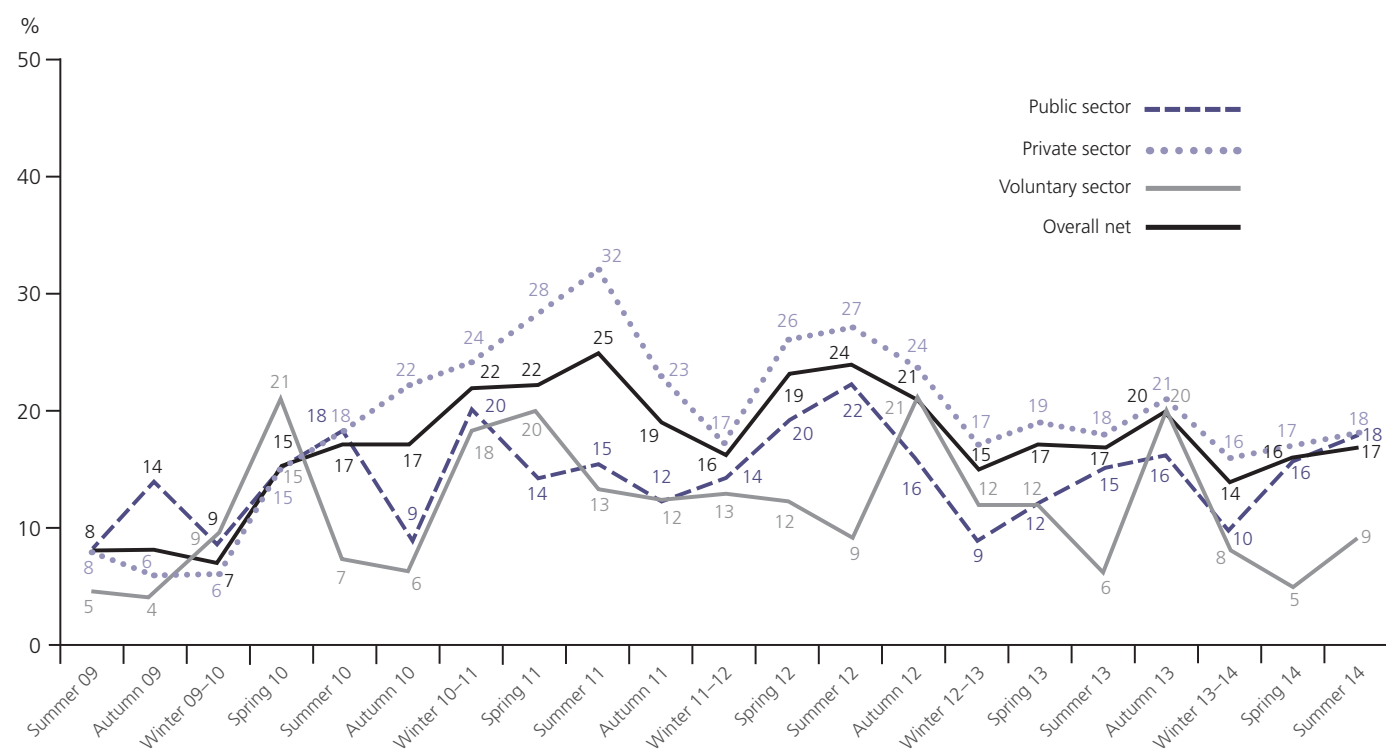
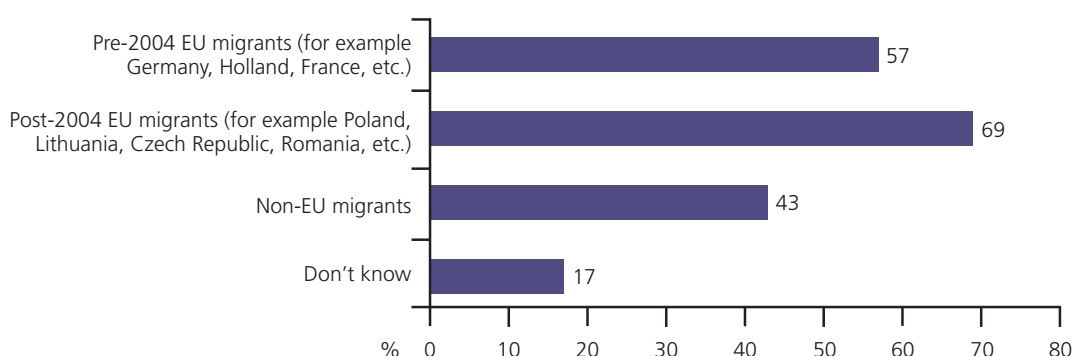


Figure 14: Countries from which organisations are planning to recruit migrant workers (%)

Base: Summer 2014, all LMO employers who plan to recruit migrant workers (n=176)



The vast majority of employers who plan to recruit migrant workers already employ migrant workers. Less than 1% of employers currently do not employ migrants but plan to recruit them in the next three months. We should note also that twice as many employers (34%) say they did not know whether they will be recruiting migrants as say they plan to recruit them.

Most employers also see recruitment of EU migrants as a stable, continuing part of their broader recruitment activities rather than something subject to significant variation. The spring 2014 *Labour Market Outlook* asked organisations that employed migrants whether they had employed more EU migrants in the year preceding the survey (that is, 2013–14) than in the previous year (that is, 2012–13). Just 11% of employers said their employment of EU migrants had increased between the two years, with a greater proportion (16%) saying they had employed fewer EU migrants. The dominant response was that there had not been noticeable change (52%) and over a fifth of employers said they didn't know.

These data point to a pragmatic response on the part of most employers to questions on recruitment intentions: they expect to recruit, they already employ migrant workers in these roles, hence they have a reasonable expectation that they will take on more migrants in the future. But the large number of 'don't knows' reveals another aspect of employers' thinking: many employers expect to recruit but they don't plan for or against the recruitment of any particular type of worker.

Reasons for employing migrant workers

The spring and summer 2014 *Labour Market Outlook* surveys provide clear 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 pre-determined judgements or assumptions about the suitability of UK-born or EU migrant workers.

In spring 2014, just 9% of employers of migrant workers agreed that 'we tend to recruit EU migrants for low-skilled or unskilled roles' and an equally small 9% agreed that 'we tend to recruit young UK-born workers for low-skilled or unskilled roles'. A higher proportion (11%) didn't know and over 70% of employers said they don't tend to recruit one group over the other. Employers who said they competed primarily on the basis of low cost were more likely to say they tended to recruit EU migrants for unskilled roles (25%), but this is a small group (just 7% of employers of migrants).

When asked whether EU migrants needed more or less training than UK-born workers, just 8% of employers with experience of recruiting EU migrants thought that, on the whole, they needed less training than UK-born workers. A larger but still insubstantial proportion (18%) thought EU migrants needed more training, but most employers (59%) thought training requirements were about the same.

Nor were EU migrants more or less likely to be 'under-used' in their roles than UK-born workers – in terms of possessing more skills and qualifications than required to do their job. Just 16% of employers said this was the case, with 6% thinking they were less likely to be under-used and 63% stating there was no difference. This does not mean that 'under-use' or 'over-qualification' does not exist – many young UK-born and EU migrant workers see themselves in this boat – but it shows that most employers do not appear to be operating on the assumption that EU migrants are a 'crock of gold' – where employers can skimp on training costs yet tap their energy and skills while keeping them in low-skilled (and low-paid) roles.

Although the majority of employers start with no clear intentions or preference for hiring migrant workers, young workers or any other group that presents itself, employers do make hiring decisions and the employees hired are sometimes migrant workers. The summer 2014 *Labour Market Outlook* survey therefore asked employers why they hired migrant workers (see Figure 15).

The most commonly mentioned reason was that EU migrant workers were available, with a quarter of employers (26%) identifying 'difficulty in attracting UK-born candidates to fill unskilled or semi-skilled jobs'.

The next two most frequently cited reasons for employing migrant workers were because of their fit with the organisation's values (21%) and their better work ethic (20%) – these factors were much more commonly mentioned by private sector employers (23%) than public sector employers (12%).

In all, 16% of employers say they recruit migrant workers because they have better job-specific, practical or technical knowledge.

In contrast, few employers appear to recruit EU migrants because they think this is a way of reducing labour costs or getting good people 'on the cheap'. Only a small proportion of employers (12%) said they recruited migrant workers because they have lower expectations about pay and employment conditions.⁷

Employers interviewed for this report provided further evidence for the survey findings, highlighting the difficulties some organisations have in recruiting UK-born workers for some low-skilled roles. There was a recognition that some industries, for example parts of the service sector, have an image problem that means UK-born workers don't see them as place to develop a long-term career.

A medium-sized nationwide hotels and holiday operator:

'The problem we have in this country here is that it's just an important part of the economy, and yet we don't see working in the service industry as a career; people see it as a job. Whereas, in other countries it's seen as a career, and it's a good career that you can have pride in that you take pride in your work.'

In addition, some employers believe that young UK-born workers are less likely than migrant workers to apply for low-wage jobs.

A small independent hotel based in the north-west of England:

'The roles we have are more the general assistant, housekeeping roles. The majority of English people of that age group don't want to work for a minimum wage we find. The Eastern Europeans are quite happy to get involved with anything that you've got as long as they're being paid really.'

Another issue picked up by the interviews with employers is that in some locations, the recruitment of migrant workers simply reflects the demographics of the local population.

A large agricultural company based in East Anglia:

'I have no evidence that UK nationals don't want these sorts of jobs as 45% of our colleagues are born in the UK, so a large number of people do want them. What we do know is when we advertise for vacancies, if we advertise for vacancies in certain areas, then a large amount of applicants will be from a migrant background.'

In addition, many migrant workers have more work experience than UK-born young workers and also tend to be better qualified.

A large agricultural company based in East Anglia:

'What we do find is that, I don't have the stats available, but we know there's a significant proportion of people from a migrant background who are highly trained and developed academically, certainly. We do know that. There are very few examples of migrant workers who would be found wanting in terms of levels of academic ability.'

A small design and retail company in central London:

'Migrants are often over-qualified for the jobs they are employed in, especially in relation to the pay rates we offer them.'

Figure 15: Reasons for employing EU migrant employees (%)

Base: Summer 2014, all LMO employers who employ EU migrant workers (n=455)

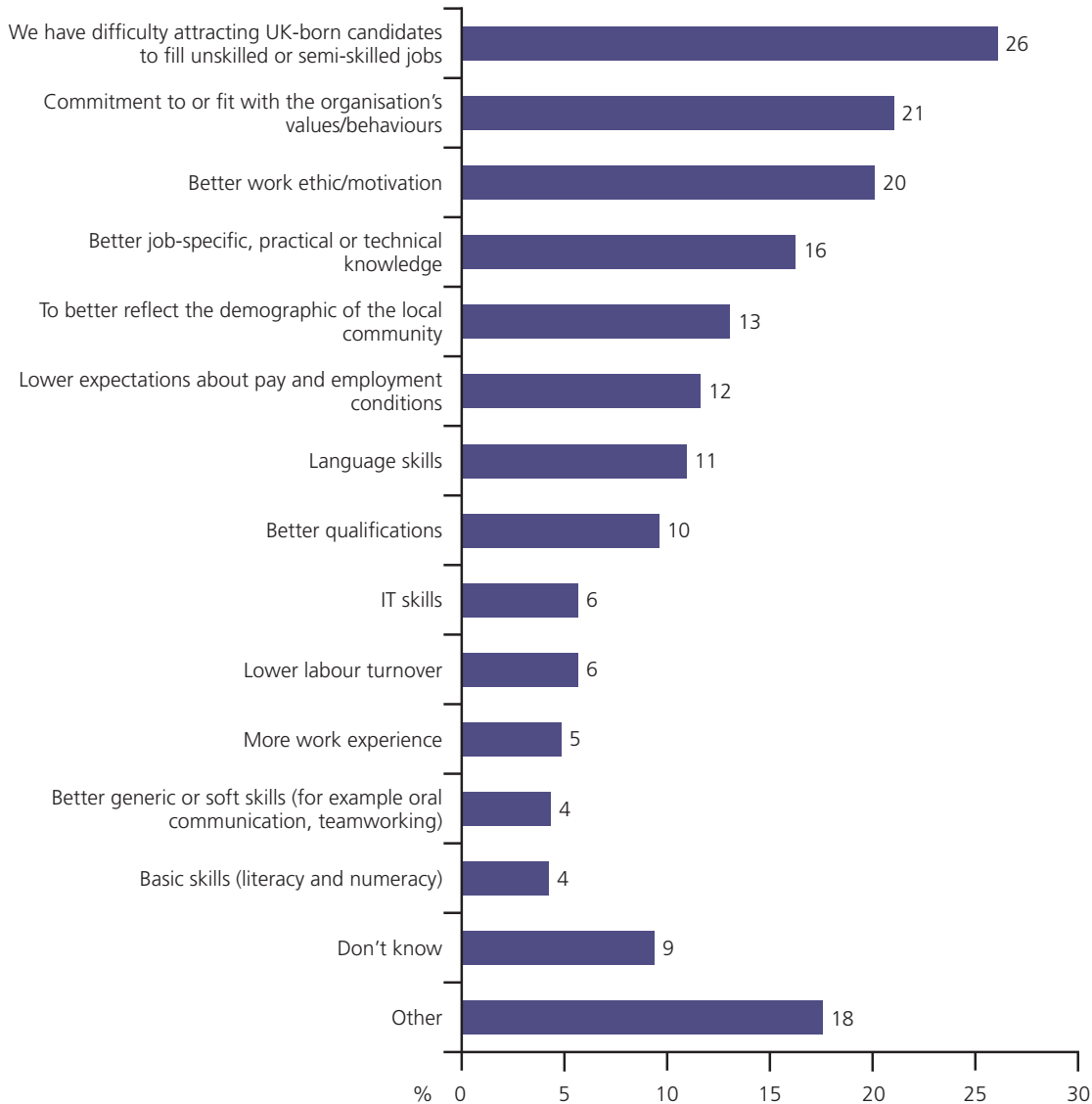


Figure 15 shows that 21% of employers highlight 'commitment to or fit with the values/behaviours of the organisation' as a reason for employing migrant workers. When asked specifically which values these organisations look for in candidates, the top values reported were:

- teamworking (64%)
- customer service (60%)
- conformity to what the organisation wants (47%)
- integrity (46%)
- cultural fit (32%).

Migrant workers have the right values

A new factor picked up by the research and interviews with employers was that some employers say they recruit migrant workers because they fit with the organisation's values/behaviours.

Interpretations about what values means varies among employers very greatly, but common themes that emerge from the interviews with employers include respect for colleagues, courtesy to customers and loyalty to the organisation.

The distribution centre of a large high street retailer with more than 370 stores across the UK based in the West Midlands:

'Because we would rather get the values and behaviours in the right place and build on the skills than the other way round, is the way that we build our business ... one of the things that we strive for ... is respect yourself and each other.'

A small garden centre based in Scotland:

'We very much recruit on a, "Do they fit the organisation?" rather than "Have they actually got the skills?" Because a lot of what we are recruiting for is people to clear tables, to wash dishes, to serve coffee, make sandwiches that type of thing, and the recruiting that I do, working on check-outs and things like that. ... But a lot of the staff that we are looking for, we are looking for them to have a good attitude towards work, as opposed to the actual skills to do the job. Because we feel that we can train somebody to do the job, but we can't always train somebody to have a better attitude.'

A major international hotel brand:

'We work on the basis that the technical stuff we can teach, recruitment is often about the personality, the potential and the customer service side of things.'

Again, though, most employers did not see clear differences in how migrant or UK-born workers helped build a shared set of organisational values. Of those employing migrants in summer 2014, 8% thought employing migrants made it easier to generate a shared set of values, but 11% thought it made it harder to do this, with the majority of employers (68%) feeling that it made no difference.

Additionally, Figure 15 shows that work ethic is the third most popular reason for employing EU migrants, which was partially reflected in the employer interviews:

A medium-sized nationwide hotels and holiday operator:

'They'll [migrant workers] always go that extra mile, they'll be very patient with people, they will always implement the things that we want them to, to make sure that people are looked after while they're staying with us. That's really the work ethic I'm talking about; it's that loyalty really and that commitment, to our customers.'

Recruitment of migrant workers

In all, 36% of employers who have recruited EU migrant workers reported having taken proactive steps to recruit EU migrants; however, the majority (64%) report they have done nothing proactive. The most common steps employers make to actively recruit EU migrants from their home countries include running recruitment campaigns in the host country (13%) and working with a recruitment consultancy that seeks to hire migrants from their home countries.

In addition, 6% of respondents use job referrals with a financial incentive and a similar proportion use them with no incentive. We should note, of course, that job referrals are used nowadays by many employers because of the efficiency they can offer (employees effectively help to advertise the roles and identify suitable applicants). Where migrant workers account for a substantial proportion of the workforce, this will have the effect of targeting migrant workers, but where they are absent it is likely to have the opposite effect.

Public sector employers are marginally more likely to proactively seek to hire migrant workers compared with respondents from the other two main sectors.

Use of agencies to recruit migrant workers

The survey finds that 7% of employers use an agency to hire migrant workers. Our interviews with employers find that agencies are used in different ways, for example to source candidates when home-grown applications are thin on the ground. In addition, many migrant workers will sign up with recruitment agencies when they first arrive in the UK. In some cases, agencies are used to target migrant workers in their home countries.

A large agricultural company based in East Anglia:

'We do use an agency to provide our factory with temporary people when we have peaks in demand. It doesn't surprise me, therefore, that we're seeing people from a migrant background coming into some of those vacancies because people who have come in, let's say from Eastern Europe, what are they going to do when they arrive in the UK? The easiest thing to do for them, to start with, is to get temporary work with an agency.'

A medium-sized nationwide hotels and holiday operator:

'We use an agency that sources really good-quality candidates and sends CVs onto us. I circulate them to our hotel managers, and where they've got vacancies they'll get in touch, arrange an interview, etc., and we arrange accommodation for them, and then they move over. The vast majority stay, come back for the next season and stay, and they've worked their way up in the company.'

Table 3: Steps taken by employers to recruit migrant workers (%)

Source: Summer 2014, employers that have recruited migrant workers (n=529)

	All	Private	Public	Voluntary
Job referrals without a financial incentive	6	7	2	4
Job referrals with a financial incentive	6	8	1	0
Recruitment campaigns in host country	13	13	16	7
Worked with a recruitment consultancy that seeks to hire migrants from host EU country	7	7	10	1
Other	2	3	0	4
None of these	64	65	61	72
Don't know	9	7	16	12

However, consistent with other CIPD evidence (*Resourcing and Talent Planning* survey 2013), some employers reported that they are seeking to reduce their reliance on agencies. The most popular reason for doing this is to improve employee engagement levels.

Three-quarters of employers (76%) report that they haven't been affected by the increasing number of restrictions on the recruitment of non-EU workers during the past three years. Meanwhile, 9% report that they have been affected and 14% do not know.

Key changes to immigration rules include:

- the introduction of an annual cap on non-EU workers, which is currently set at 21,700
- raising the skill level for jobs filled by non-EU workers to NQF Level 6 (degree +)

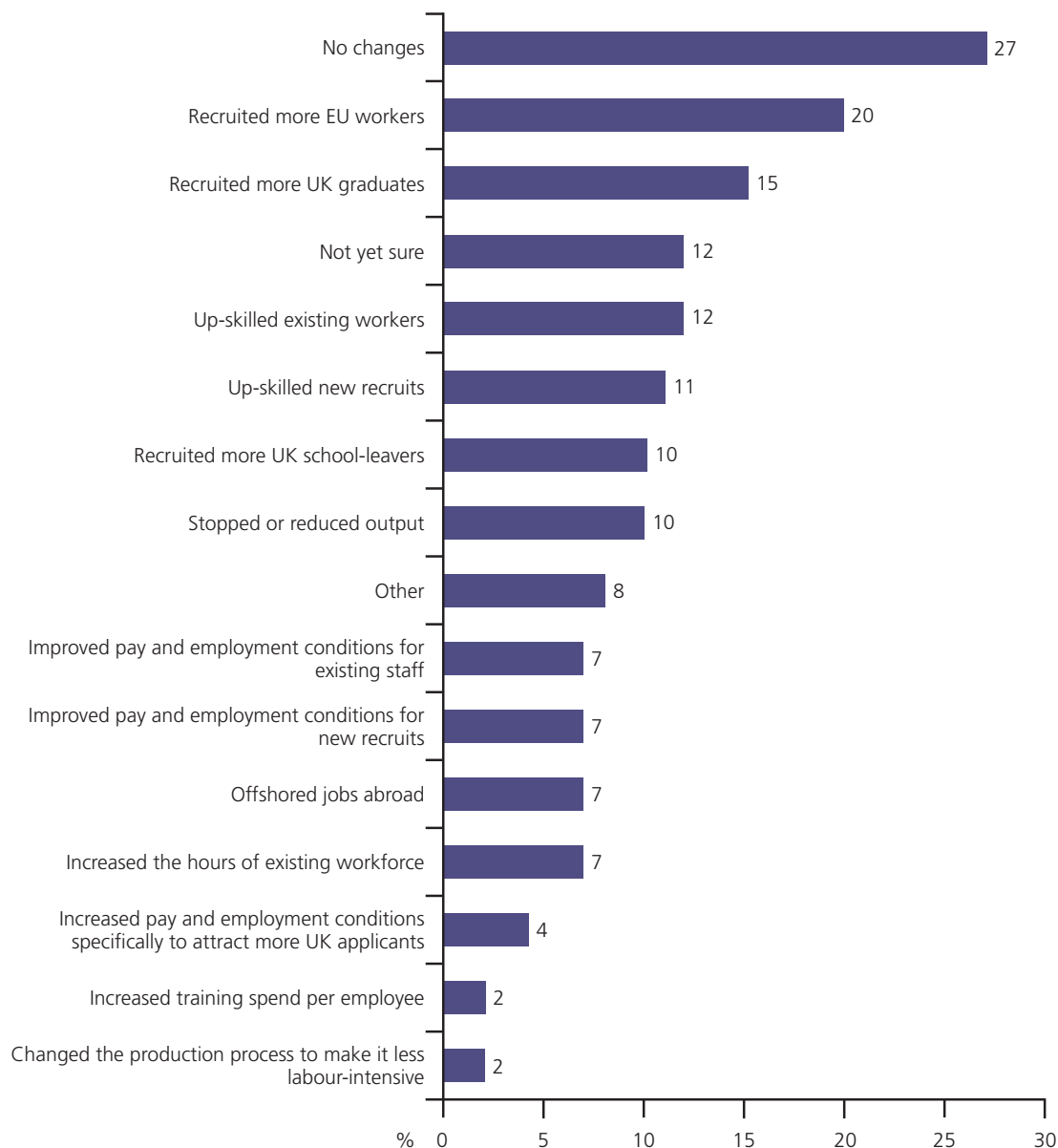
- restricting the post-study worker route to students that have a job offer
- replacing the Tier 1 route, which allowed highly skilled non-EU workers to live and work in the UK without a job offer, with an 'exception talent' scheme that is restricted to 1,000 visas.

Unsurprisingly, employers who currently recruit non-EU migrants are more likely to say they have been affected (19%) than employers who do not recruit migrants at all (2%).

Of the minority who have been affected by the restrictions on the recruitment of non-EU workers, just over a quarter (27%) have not made any changes as a result. Where changes have been made, a fifth of employers have recruited more EU workers and 15% have recruited more UK graduates (see Figure 16).

Figure 16: Ways in which organisations have reacted to restrictions on the recruitment of non-EU workers

Base: Summer 2014, employers affected by the restrictions (n=85)



Impact of employing migrant workers

We also asked all employers to take a step back and consider the impact of the availability of migrant workers for employment. Nearly half of all employers (45%) identify some benefit from the employment of migrant workers, which roughly matches the proportion of employers that employ migrant workers (including non-EU migrants). However, only 9% of employers think they have benefited to a large extent (see Figure 17). Nearly as many employers saw no benefit to them.

SMEs are significantly more likely than large organisations to report no benefits from the availability of migrant workers. This is because they are much less likely to employ migrant workers and it is those employers who have taken migrants on who report benefits from their availability. Whereas 70% of employers who recruit migrants see at least some benefits from doing so, the figure is just 11% for employers who do not recruit migrants.

This suggests that, from an employer's perspective, the impact of migrants has been direct: their availability has avoided recruitment shortages and their presence in the business has been generally beneficial. Mirroring other findings in this report, these data also suggest that employers do not think migrant workers, by making labour more plentiful, have enabled employers as a whole to keep down wages and other working conditions – if that had been the case, more employers who do not recruit migrants would have seen the benefits.

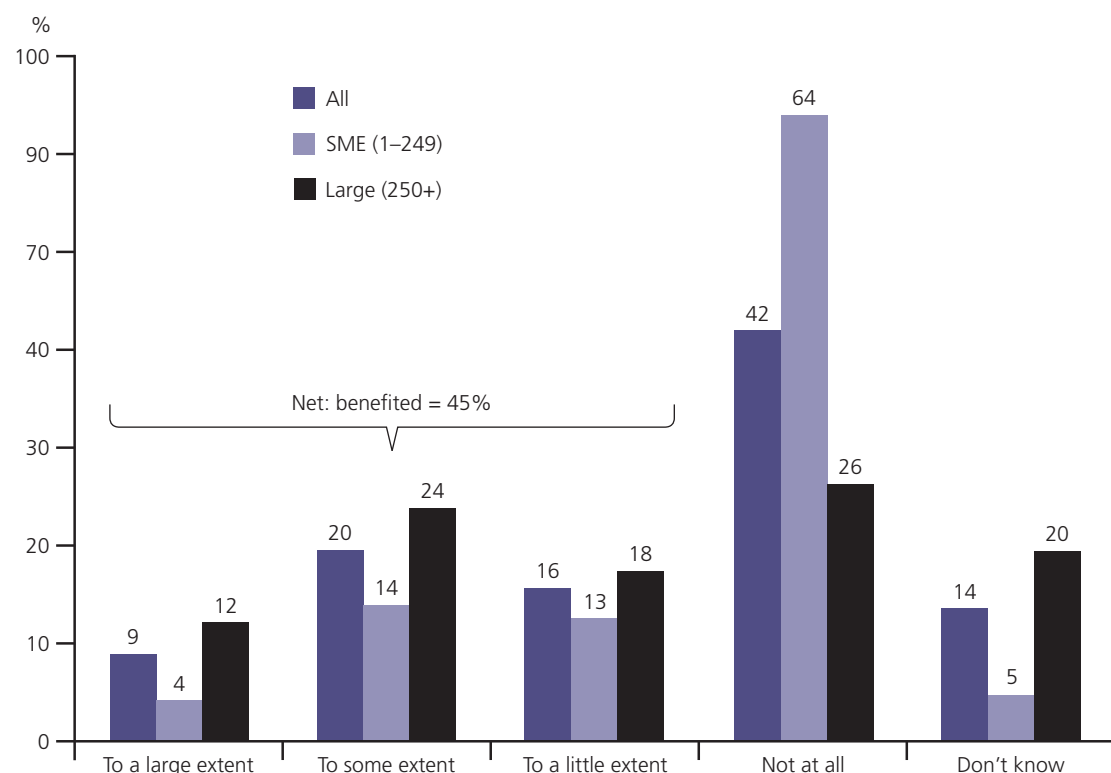
Table 4: Extent to which employers benefit from employing EU migrants (%)

Base: Summer 2014, all LMO employers (n=1,025)

	Employ migrants	Do not employ migrants
Large extent	15	0
Some extent	32	4
Little extent	22	7
None	13	80
Don't know	17	9

Figure 17: Extent to which LMO employers have benefited from the availability of migrant workers over recent years

Base: Summer 2014, all LMO employers (n=1,025)



A large agricultural employer in East Anglia:

'The availability of people from migrant backgrounds has really helped to enable this sector to grow and develop because, without those people available to us in the pool, we wouldn't have been able to fill vacancies or it would have been an awful lot harder. We are in a core sector for the UK economy and it's not sexy, it's not high profile but we're needed, the food needs to be on the shelf.'

A medium-sized nationwide hotels and holiday operator:

'If we don't have those [migrant staff], I think ultimately we would really struggle to run our hotels because recruitment is so difficult. The normal recruitment processes just don't work very well anymore when it comes to finding skilled workers to do certain jobs, for example in the kitchen and in reception. We've long believed that the single largest reason for improved standards could be attributed to the introduction of overseas staff.'

Table 5: The link between employers that say their business has been growing or declining over the last two years and the employment of migrant workers (%)

Base: Summer 2014, all LMO employers (n=1,025)

	Yes, my organisation employs EU8 migrants	Yes, my organisation employs EU14 migrants	Yes, my organisation employs non-EU migrants	No, my organisation does not employ migrant workers
Rapid growth	12	11	13	3
Steady growth	39	40	37	36
Holding steady	37	38	37	49
Steady decline	10	10	11	11
Rapid decline	1	1	2	1
Net growth	51	52	50	39
Net decline	12	10	13	13

Employers who had seen their businesses expand, rather than contract, in the preceding two years are more likely to employ migrants (see Table 5). This does not mean that employing migrants causes a business to grow faster. A growing business, other things being equal, means more job vacancies and thus more chance of hiring migrants. But the availability of migrants may have helped avoid any recruitment bottlenecks that might have impeded growth.⁸

The survey also points to a tentative association between employing EU migrants and higher levels of productivity. Over half (52%) of employers who recruit EU14 migrants describe their current productivity – relative to their UK peers and competitors – as being well above average or above average. The equivalent proportion for employers of EU8 migrants is 50%, whereas the proportion for employers who do not recruit migrants is 47%. Of course, many other factors also affect productivity, such as organisation size and the state of

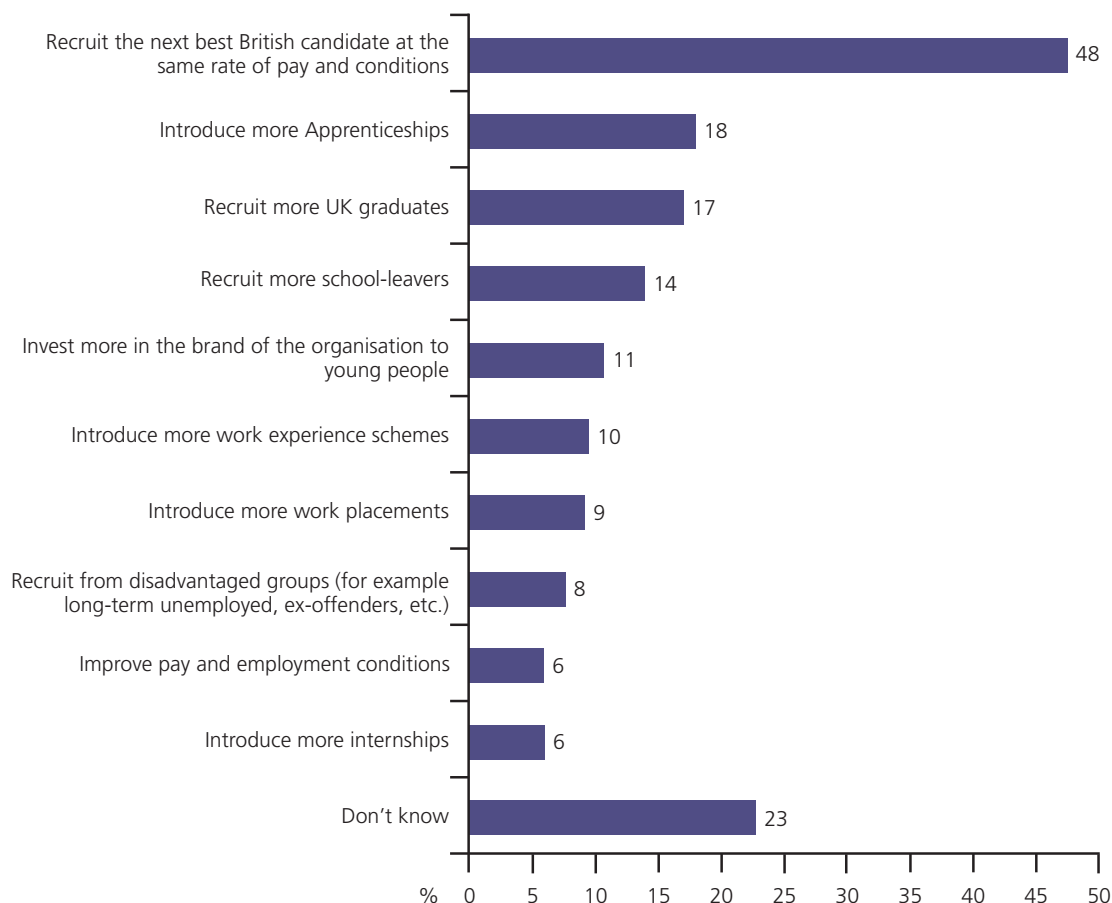
demand. Analyses that control for these other factors still find a residual statistically significant positive association between productivity and employment of EU14 migrants.⁹

Employers who reported that they have benefited from the availability of migrant workers were asked how they would respond if EU migrants were not available in the future (see Figure 18).

Nearly half (48%) report that they would recruit the next best British candidate at the same rate of pay and conditions. A minority of employers report they would increase their efforts to recruit young people, with 18% reporting that they would introduce more Apprenticeships, 17% that they would recruit more UK graduates and 14% that they would recruit more school-leavers. Only 6% say they would improve pay and employment conditions.

Figure 18: Ways in which LMO employers would respond if EU migrants weren't available in the future (%)

Base: Summer 2014, all LMO employers (n=1,025)



Overall, two-thirds (66%) of employers say that the availability of migrant workers has not reduced the number of opportunities for UK-born young people (aged 16–24) at their organisation in recent years.

A small minority (6%) report that the availability of EU migrants has reduced opportunities for young people to a large extent, a further 9% to some extent and 8% to a small extent. By industry, employers in the manufacturing and production sector are most likely to report that opportunities for young people have been reduced by the availability of EU migrants, with 11% reporting this has reduced opportunities to a large extent and 15% to some extent.

The survey also explored the relationship between organisations' employment of migrant workers and their investment in a number of training schemes such as work placements, internships and Apprenticeships. The survey

revealed that organisations that employ migrant workers are more likely to invest in all of these different types of training initiatives than employers that don't recruit migrant workers (see Table 6).

Nearly half of employers that recruit migrant workers say they also provide Apprenticeships and work placements compared with about a quarter of organisations that do not employ migrant workers. Almost a third of organisations that employ migrant workers also provide internships in contrast to just one in ten employers that don't recruit migrant workers. To an extent, this is because larger organisations are more likely to offer training opportunities *and* employ migrant workers, although more detailed analysis confirms there is no negative effect from the employment of migrants.¹⁰

Table 6: The proportion of employers that employ or don't employ migrant workers that provide a range of training initiatives (%)

Base: Summer 2014, all LMO employers (n=1,025)

	Yes, my organisation employs EU8 migrants	Yes, my organisation employs EU14 migrants	Yes, my organisation employs non-EU migrants	No, my organisation does not employ migrant workers
Apprenticeships	49	50	51	26
Work placements	46	47	45	25
Internships	31	28	31	9
Other	3	4	5	6
None of the above	22	23	20	48
Don't know	5	4	7	5

Figure 19: Use of training schemes in the last 12 months and the proportion of these given to migrant workers (%)

Base: Summer 2014, all LMO employers (n=1,025)

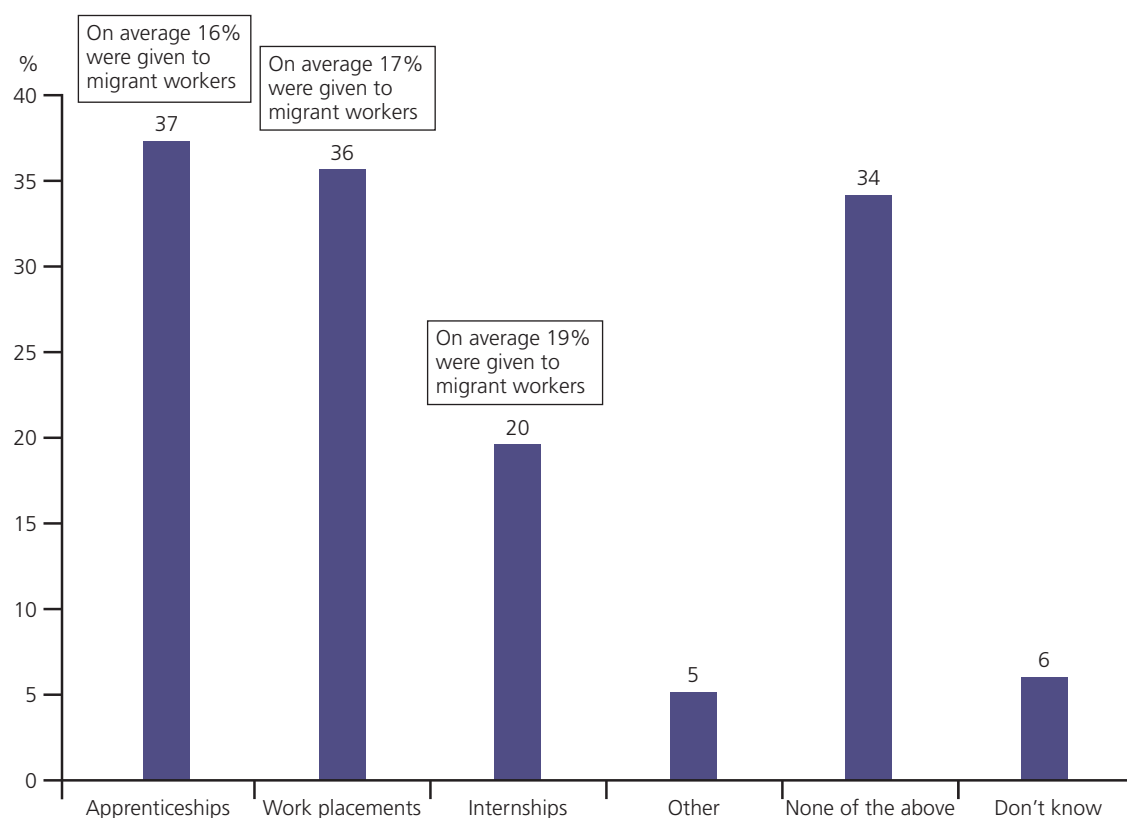


Figure 19 shows that overall 37% of organisations have offered Apprenticeships and 36% work placements in the 12 months to June 2014. A fifth (20%) have offered internships during the same period.

Employers report that on average a fifth of internships have been given to migrants, as have 17% of work placements and 16% of Apprenticeships.

Employment of migrant workers and investment in training

The interviews with employers that employ migrant workers for this study reinforced the survey finding that organisations with migrant workers are just as likely to invest in training as those that don't. There was no evidence that the availability of migrants has had the effect of undermining investment in workforce training.

A small independent hotel based in the north-west of England:

'I don't think if the workforce was to lose the migrant workers we would change that [our investment in training] in any way, because it is a lot of the migrant workers who are doing the NVQs that we offer at the moment. The NVQs vary very much depending on where the member of staff is, but they are in the areas of food and beverage, supervisor skills, customer service, housekeeping, computer skills – a whole range of training.'

A large agricultural company based in East Anglia:

'We have a lot of different roles where we would provide training to take people through to team leader, supervisory roles, training to take you through into technical roles, running, for example, packaging machinery. We have engineering teams where people come in and can be trained and developed to be working in the maintenance side of the business. We're about to go into an Apprenticeship scheme in farming as well. That's actually working in partnership with a large supermarket chain; they are supporting that with their grower base. That's the Apprenticeship scheme we're working on there.'

Building links between business and education providers

Interviews with employers highlight the importance of providing training opportunities and making links with schools and colleges so that UK-born young workers have better knowledge of opportunities in their local jobs market and build the employability skills so they can compete more effectively with older workers, including migrant workers. At the same time, employers are investing both in their future talent pipeline and their local community.

A national chain of Italian restaurants is increasing its efforts to invest in its talent pipeline by looking at introducing Apprenticeships and developing closer links with further education colleges, which they acknowledge is *'a big area we are missing out on'*.

Other employers interviewed outlined the benefits that building relationships with local education providers can bring to their organisation in terms of workforce planning and broadening their talent pool.

A major international hotel brand:

'We did struggle a bit with chefs for a while, but then we changed where we were looking and actually started looking at the local colleges and possibilities there. That's where we've actually got these two lads who are starting with us tomorrow.'

3 THE VIEWS AND EXPERIENCES OF YOUNG PEOPLE AND EU MIGRANTS

The final strand of the research featured five online focus groups to explore the employment and job-searching experiences and challenges faced by EU migrant and UK-born workers (both low- and high-skilled). The purpose of this section is to highlight what is important to different cohorts in terms of applying for work, job satisfaction and skills/career development and loyalty.

The online focus groups were segmented as follows:

UK-born, NEETs, low- or semi-skilled workers 1 group London based 1 group non-London based	UK-born, medium- or high-skilled workers (Educated to degree level or above)	EU migrants, low- or semi-skilled	EU migrants, medium- or high-skilled
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Personal career journeys and recruitment experiences

Reflecting the high unemployment rates in many European countries compared with the UK, employment opportunities are the main reason for low-skilled EU migrants' decisions to move to the UK, especially in London. Additionally, EU migrants perceive the UK job market as offering good employment conditions, flexibility, training opportunities and relatively high pay. Medium-/high-skilled EU migrants attached particular value to:

- learning and experiencing the British culture
- the perception that there are better employment progression opportunities in the UK
- improving their language skills
- experience living in a new country and travelling.

Medium-/high-skilled graduates also view diversity, tolerance and history as important qualities in British culture. Across both EU migrant groups, the practice of sending money back to their families was not highly prevalent.

Recruitment channels

The most common recruitment channels used by EU migrants and domestic jobseekers are national newspapers and job websites. However, there are subtle variations between the groups. Word of mouth is particularly prevalent among lower-skilled UK-born workers, while medium-/high-skilled UK-born workers and EU migrants appeared to have more experience with recruitment consultancies.

Consistent with previous CIPD research, *Employers are from Mars, Young People are from Venus* (2013), some of the low-/semi-skilled EU migrants and graduates reported how challenging they find some interviews and application forms.

Work experience

Gaining relevant work experience is important across all groups and not having relevant experience can be a big barrier to getting a job, especially for lower-skilled migrants and graduates. Graduates are most likely to have undertaken voluntary roles in order to gain work experience and hopefully a job:

'Honestly, I think I got this job because they needed someone ASAP and I was willing to do eight weeks' unpaid work.' **(graduate)**

'I think work experience is great, and a vital opening for a lot of people, BUT people's willingness to work for free for months on end plays into employers' hands.' **(graduate)**

'You are competing big time with people who have more experience than you.'

'People who have had permanent jobs already who seem therefore more experienced, people who the interviewers know, and people who are from that local area.'

A theme in the EU migrants group was that the qualifications and experience gained in their home country appeared to have less value in the UK jobs market. Consistent with other research (Rosso 2013), the transferability of qualifications is a particular issue for EU8 migrants, and may partly explain why the hourly rates are much lower for EU8 migrants than UK-born and EU14 migrants. This led to some EU migrants, who had previously worked in professional roles, for example journalists and teachers, accepting service sector jobs in the UK that they would not have accepted in their home countries:

'I think it would have been easier to find a graduate job back home.'

'Yes, when you start in another country, your previous experience in your country is almost never taken in consideration.'

This is unlikely to be an issue specific to EU migrants or, indeed, to the UK. The extent to which skills acquired in one country are accepted and valued in another is one of the more significant non-administrative barriers to the free movement of labour and is why Member States have given the EU competence to encourage mutual recognition of qualifications. But this agenda is far from complete and when human capital is not largely consolidated in qualifications, there is no obvious way in which migrants can demonstrate their suitability for jobs in a new setting.

Work ethic interpretation

Mirroring employer responses in the research, EU migrant and domestic workers' interpretations about what work ethic means include reliability, respect and values. In addition, when reflecting on what attributes employers are looking for in candidates, low-skilled UK-born workers (in and outside of London) and EU migrants were most likely to stress the importance of being on time, having a positive attitude, being respectful of colleagues, customer service skills, teamwork, interpersonal skills and being reliable.

These soft skills were deemed more important attributes than qualifications. By comparison, medium- to high-skilled migrants and UK-born graduates placed more value on qualifications. Qualifications, experience and interpersonal skills are perceived to be the three most important attributes that employers are looking for by medium-/high-skilled EU migrants. Values or cultural fit only came up as an issue in this focus group.

Important aspects of a job

When asked to identify what makes a 'good job', a range of common observations were identified by the five different groups. These include a job that is rewarding, fun, gives responsibility, flexible and provides a work-life balance. Underlining the importance of good people management, workers like to feel valued by their manager, receive regular feedback and be trained. On average, lower-skilled workers expressed higher levels of dissatisfaction about being under-appreciated. Closely related to good people management, good working relationships and a team-focused atmosphere are highly valued by all groups.

However, there were several differences between the groups. Low-skilled UK jobseekers were much more likely to identify

skills development, career progression and opportunities for in-work progression through promotion than low-skilled EU migrants. In contrast, many unskilled/low-skilled EU migrants voiced dissatisfaction with UK working hours. Work-life balance and pay were reported to be the two most important elements of their employment package. This was mirrored by more highly skilled EU migrants, who also singled out the need to develop skills in their chosen career and career progression as a priority.

UK graduates consider pay, job security, the working environment (for example support, fun and stress-free), employment conditions, skills development and in-work progression to be the most important considerations when thinking about applying for a job.

Rejecting and staying in a job

Overall, the vast majority of UK participants said they would be reluctant to turn down a job offer. However, consistent with some employer perceptions that the pay and employment conditions packages they were offering were unacceptable to local workers, low pay, working hours and too few holidays were cited by UK-born focus group participants as three of the key reasons why they might reject a job offer. The other two reasons are a lack of career progression or training opportunities and geographical location, especially among unskilled or low-skilled UK workers. Additionally, some low-skilled non-London workers and graduates felt that they could not afford to live in London.

Most UK workers in the focus group expressed negative views about zero-hour contracts for jobseekers. However, UK-born highly skilled workers and graduates have more favourable attitudes towards temporary contracts in the hope that it would turn into a permanent employment arrangement:

'I got given a zero-hour contract without my knowledge at my last job. ... [Temporary contracts give employers] the right to dismiss you for no reason/to save money. And even [in my case] to cut your hours while on a temporary contract!' (low/semi, UK-born)

'I think it's crucial [having a permanent contract]. It makes you feel safe and secure.' (low/semi, migrant)

Across all groups, workers value a work environment that is underpinned by good people management and teamwork. Poor management at a senior level is seen as a key barrier to all workers fulfilling their potential and staying in a job, especially low-skilled workers. This contrasts starkly with the employer interviews where people management barely featured in the discussions. This is surprising given the

association between recruitment difficulties and high labour turnover. Closely linked to people management, job variety, pay increases and training (formal or informal) are also important for job retention for all workers. This is illustrated by the word cloud shown in Figure 20, which depicts the barriers to working effectively that were highlighted across all the groups.

Perceptions of the UK job market

The word clouds in Figure 21 display the words most commonly used by workers to describe the UK job market (the larger the word, the more frequently it was mentioned).

All groups agree that the UK job market is highly competitive, with lots of people competing for roles across all sectors and levels. Consequently many, especially low-skilled UK and EU migrant workers, find it challenging to secure a job or get their 'ideal' job:

'There is not a lack of jobs as such, but there are lots more applicants for a single position if that makes sense.'
(non-London, low-skilled worker)

'I went for a low-paid office job, 20 hours per week, and apparently they had had around 150 applicants. Madness.' (non-London, low-skilled worker)

'There are so many graduates in the UK now all chasing the same opportunities. A degree used to mean something, less so now.' (medium-/high-skilled migrant)

'Pretty much everybody I know who is around my age is a care worker, that is all there is.'

Attitudes to pay

Most respondents across all groups believe that the minimum wage is too low and some feel it is unfair. However, when respondents were shown four character-based scenarios to explore perceptions around wages, it revealed attitudes into what are perceived to be the prevailing wages for different groups of workers (see Table 7).

Figure 20: Barriers to working effectively



Figure 21: Words used to describe the UK job market

High-skilled workers (both UK-born and migrants) described the UK job market as:



Low-skilled workers (both UK-born and migrants) described the UK job market as:



Low-skilled UK-born workers were most likely to believe that an unskilled EU migrant would accept below the minimum wage on average, although some graduates shared this view too. The same group, however, felt that an unskilled UK-born worker, also employed in the service industry, should be getting paid well above the minimum wage.

'Migrants are sadly exploited for low-paid jobs.'
(low-/semi-skilled UK-born worker)

'I'm pretty sure the wages over there are a lot lower than here so I think he'd just be grateful for a job.'
(low-/semi-skilled UK-born worker)

'It is the minimum wage for his age ... but in my opinion ... theoretically he should accept whatever makes him as well off or marginally better off than in Slovenia.'
(low-/semi-skilled UK-born worker)

Low-skilled EU migrants, like most of the respondents, expected a UK worker in a low-skilled job to have a marginally higher salary compared with a modestly older unskilled worker from an EU8 country.

UK workers' views of EU migrants

London-based low-skilled workers were generally positive towards EU migrants, despite expressing concerns about the English language proficiency of some EU migrants. However, low-skilled workers based outside London had slightly more mixed views towards EU migrants. Many believe they are hard-working, but no more hard-working than British workers. However, others had misgivings about the perceived downward pressure on their own pay owing to migrants' greater willingness to accept lower pay. This may partly explain why some unskilled UK-born workers have negative views about EU migrants and see them as a threat in the jobs market.

'As we all seem to agree, they are willing to take low-paid menial jobs, and Eastern Europeans are often less worldly/educated than Westerners.'

'Yes, Eastern Europeans keep to themselves, don't associate with locals, racist against "locals", and crime rate has gone up.'

'I think they increase competitiveness incredibly but also cause British people to get lazy.' **(low-/semi-skilled, UK-born)**

Meanwhile, graduates were more likely to value the contribution migrants make to the UK economy and not view medium-/high-skilled migrants as competition in the same way.

Migrants' perceptions of their own role in the UK labour market

Most of the migrants in our focus groups do not intend to leave the UK in the next five years, even if they feel under-utilised in their jobs. This is largely because of the state of the economy in their home country.

Echoing accounts from UK employers, many EU migrants believe that the UK economy would suffer from more hard-to-fill vacancies if migrants weren't available. Low levels of pay and British workers shunning certain jobs are cited as key reasons for this.

Another major theme to emerge from the discussion is how frustrated EU8 migrants feel in relation to the transferability of their qualifications and experience. This may partly explain why around 60% of EU8 graduates are in low-skilled employment. In addition, language is also perceived to be a major barrier to progression.

'They offer you vacancies which do not involve many language skills. Of course, in my country I would not be a kitchen porter, cleaner.'

'When I have a problem in the pronunciation, they look at me as [if] I am stupid.'

'Because the language is the most important tool to work as a journalist. And I am not native. Obviously I cannot compete with an English candidate to get a job in the Guardian or the BBC.'

Table 7: Four scenarios that explore perceptions of wages

UK-born low-skilled worker	UK-born high-skilled worker	Low-skilled EU migrant	High-skilled EU migrant
Rebecca is 19 and left school at 16 with no qualifications. She now works at a customer call centre in the city centre.	Alex was born in the UK. After completing his A-levels he went to university to study dentistry. He now works as a full-time dentist in the city.	Peter moved to the UK from Slovenia when he was 18 without any qualifications. He got a job in a local bar and has been working as a bartender for three years.	Julie was born in Germany. She studied in Germany for a number of years before being accepted into a medical school in the UK. She now works full-time as a doctor in the UK.

CONCLUSIONS

This report is designed to inform the debate about the impact of migrant workers on the labour market and particularly examine the relationship between the employment of migrant workers and young UK-born workers.

Employment of migrant workers has significant benefits for UK employers

The employer survey data finds that organisations that have experienced business growth over the last two years are significantly more likely to employ migrant workers than organisations where growth over the last two years has either been steady or in decline.

This suggests that many employers are relying on migrant workers to ensure they have the necessary skills in place to expand. Business growth translates into more jobs for everybody in the economy, not just migrant workers.

Overall, two-fifths of employers say that they have benefited from the recruitment of migrant workers. Migrant worker employers are also slightly more likely to estimate that they have above-average levels of productivity compared with their competitors than organisations that don't employ migrant workers.

Why UK organisations employ EU migrants

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'. Interviews with employers identify the key reasons for this as low pay and employment conditions, the image of the profession or the sector and geographical mobility, especially in the hotels, catering and leisure sector. Consistent with the employer interviews, the focus groups of young UK-born people suggested that low pay, inflexible working hours, lack of progression, geographic location and inadequate holidays are the main reasons why they might reject a job offer – which an overwhelming majority of young people said they were very reluctant to do.

Other reasons for recruiting migrant workers cited by employers include 'fitting in with the values of the organisation' and 'work ethic/motivation'.

The impact of migrant workers on pay and training

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

Few employers appear to recruit EU migrants because they think this is a way of reducing labour costs or getting good people 'on the cheap'. Only a small proportion of employers

(12%) say they recruited migrant workers because they have lower expectations about pay and employment conditions and just 6% report they would improve pay and employment conditions if EU migrants were not available.

In addition, the research finds that employers that recruit migrant workers are actually more likely to invest in work experience, internships and Apprenticeships than employers that don't recruit migrants. While this is partly because larger organisations are more likely to offer training opportunities and employ migrant workers than smaller employers, more detailed analysis finds there is no negative effect, regardless of size of organisation. This shows that employers are not recruiting migrant workers so they don't have to invest in their workforce and that in most cases migrant worker employers are also thinking about how they invest in their future talent pipeline. In addition, of those employers that provide these training opportunities, employer respondents estimate that on average a fifth of internships have been given to migrants, as have 17% of work placements and 16% of Apprenticeships, highlighting again that the employment of migrant workers is not associated with a lack of investment in their training.

This is further supported by the finding from the survey that seven in ten employers estimate that training requirements for migrant workers are the same as for UK-born, compared with 13% of organisations that believe they need more training and 9% who say they need less training.

Finally, the employer survey data finds most employers do not think the employment of migrant workers has reduced job opportunities for UK-born young people. Two-thirds of employers report that the availability of migrant workers has not reduced opportunities for young people at their organisation. A small minority of employers (6%) report that the availability of EU migrants has reduced opportunities for young people to a large extent, a further 9% to some extent and 8% to a small extent.

Overall, the employer survey data tells a positive story about the benefits to organisations of employing migrant workers, but what about the impact of migrants on youth employment in the UK?

There is no doubt that over the last ten years we have seen youth unemployment grow in the UK in parallel to a growing number of EU migrant workers, which adds fuel to the view that migrant workers are taking jobs from UK-born young people. However, there are many other factors which have had at least as strong an impact on the youth labour market since 2004.

These include the impact of the 2008 recession and subsequent prolonged economic downturn, the increased

employment rate of older workers, as well as the impact of welfare reforms under both this government and the previous administration which have had the effect of increasing the incentive for benefit claimants to find employment.

Migrant workers have added to the competition facing UK-born young workers

Nonetheless, the evidence in this report suggests that, particularly in low-skilled jobs, the availability of EU migrants, especially those from EU8 nations, has added to the competition facing young UK-born workers.

This report shows that EU8 migrants are disproportionately represented in low-skilled jobs and are likely to have more employment experience and to be better qualified than young UK-born workers going for the same type of employment.

More than two-thirds of EU8 migrants are working in low- or lower-middle-skilled jobs. More than half of EU8 migrants in the UK labour market are aged between 25 and 34. Additionally, nearly 60% of EU8 migrants in low-skilled or lower-middle-skilled jobs are graduates.

The competition for jobs in the low-skilled segment of the labour market has been amplified by the squeeze in the number of mid-level-skilled jobs that exist in the UK.

The labour market has become increasingly polarised over the last 20 years as a result of this 'hollowing out' process, which has increased competition at both ends of the skills spectrum. Factors such as advances in technology, which have resulted in machines replacing people in routine tasks, and offshoring, which has resulted in some labour-intensive jobs going abroad where cheap labour is available, are cited as reasons for this structural change to the labour market.

These developments have added to the challenges young people face in accessing the labour market.

Youth employment is falling but many structural problems still exist

In the last year we have finally seen youth unemployment start to fall as the economic recovery has taken hold; however, we still have a youth unemployment rate of nearly 17%, suggesting much more needs to be done to help our young people find jobs and compete more effectively with older workers (some of whom will be migrants).

Research by the CIPD *Engaging Employers in Tackling Youth Unemployment* (2012) highlights a number of issues that combine to disadvantage young people in the labour market:

- Many employers, particularly SMEs, are nervous about recruiting young people because of negative (and often inaccurate) perceptions about their attitude and work ethic.
- Some employers expect oven-ready young people who leave school pre-equipped with the self-management and employability skills to immediately succeed in the workplace.
- There has been a decline in entry-level jobs, for example Saturday jobs, which traditionally provided young people with an early experience of work.
- HR professionals have got out of the habit of recruiting young people so they don't ask them the right questions in recruitment or screen them out altogether. For example, some employers de-select young people according to their qualifications or experience, but emphasise soft skills, motivation and attitude in their selection criteria.
- In addition, there is a lack of understanding among some employers about the strong business case for investing in young people – for example, accessing digital skills, the strong return young people provide on training investment and their knowledge of the next generation of customers.

Young people also face obstacles to employment as a result of their lack of understanding of the workplace and careers, in many instances stemming from poor links between education and the world of work and business:

- There is a large mismatch between young people's career aspirations when they are at school and the types of jobs that will be available when they are ready to enter the labour market (*Nothing in Common*, Education and Employers Taskforce 2013).
- The CIPD's research, *Employers are from Mars, Young People are from Venus* (2013), finds that young people don't know what employers are looking for in candidates, struggle with how to apply and how to market themselves to potential employers.
- Young people report poor careers advice and guidance on career pathways and job opportunities (CIPD 2013).
- Young people struggle with accessing work experience and lack the networks and contacts that would allow them to find out about opportunities (CIPD 2013).

The focus group roundtables with young UK jobseekers in this report also highlight the importance young people place on skills development and career progression when they are looking for work. This emphasises the need for employers to highlight the career and progression opportunities they can offer when engaging with young people while they are still in education and when they are advertising jobs and recruiting. There is also a need for young people to recognise that they may have to take on a low-skilled or temporary job that they might think is beneath them in order to build the necessary employability skills as they develop their career.

In response to high levels of youth unemployment and challenges facing young people in the labour market, the CIPD launched its Learning to Work programme in 2012. The programme promotes greater levels of employer engagement with young people, specifically promoting the business case for employer investment in their future talent pipeline and encouraging employers to volunteer in schools and mentor young jobseekers to boost their employability skills.

There is some evidence that Learning to Work and other youth employment initiatives have contributed to a positive change in employer behaviour over the last two or three years. The CIPD's *Employers: Learning to work with young people. A review of the CIPD's Learning to Work programme* report finds that the proportion of employers that stated they took part in visits to schools to highlight the local career opportunities available to young people has increased from 29% to 35% between summer 2012 and winter 2013. Over the same period, the proportion of organisations employing apprentices has increased from less than half in 2012 to 56%. Figures from the Department of Business, Innovation and Skills find that in the 2012/13 academic year there were 510,000 Apprenticeship starts in England, an increase of 213,000 from 2009/10.

What can government do?

EU migrants are currently free to live and work in the UK, so we need to look at how we can strengthen young people's position in the labour market while youth unemployment remains unacceptably high. Although recent progress has been made, there are many employers that are still failing to engage with their local schools and colleges, provide apprenticeships or routes into employment for school-leavers and not just graduates. Career information advice and guidance remains extremely poor for most young people. OFSTED's report, *Going in the Right Direction? Careers guidance in schools* (September 2012) was extremely critical of existing career guidance for young people.

Consequently, the CIPD is calling on government to resource schools and the National Careers Service sufficiently to meet people's needs for adequate and objective information, advice and guidance.

There is also a need to create a role in local authorities to work with the National Careers Service to broker a relationship between schools and employers and arrange employer visits, careers talks and work experience.

Another crucial part of the jigsaw in enabling UK-born young people to compete more effectively in the labour market is to require schools, colleges and universities to ensure that the courses and qualifications they offer match the

Learning to Work

Learning to Work 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.

- Steps Ahead Mentoring is a partnership with the Department for Work and Pensions and pairs unemployed young people with CIPD-qualified mentors who work with the young people to improve their CVs, confidence, and employability skills and prepare them for interviews.
- The CIPD launched a partnership with the Inspiring the Future initiative to get HR professionals into local state secondary schools and colleges to help students with their CVs, conduct mock interviews and deliver careers insight talks.

requirements of the local jobs market. Ultimately, funding and inspection for education providers should be significantly influenced by the extent their students are succeeding in the labour market and not just whether they have achieved a particular qualification pass rate. Government policy is moving in this direction, but there is much more to do.

There is also a case for a further review of Apprenticeships. The CIPD is supportive of the new Trailblazer Apprenticeship schemes designed to make Apprenticeships much more bespoke and relevant to employers. But there is a broader question over who Apprenticeships should be aimed at. The IPPR *Rethinking Apprenticeships* (2011) report concludes that Apprenticeships 'should not just be another form of on-the-job training; they should be something special, easing the transition of young people into work through a mix of on-the-job specific training and more general off-the-job learning'.

Of course, training and learning opportunities should not be age-limited, but people who have been in the labour market for a number of years require other types of training. There is a case for government to create a stronger adult skills system that supports people in developing their skills and knowledge and coping with economic change. This is increasingly important given our ageing working population and the need for people to evolve their skills-set over the course of their working life.

The need for a fundamental review of government skills policy

Finally, there is the need for policy-makers to step back and consider some of the structural causes of the high proportion of very low-skilled jobs in the UK. According to the CIPD report *Industrial Strategy and the Future of Skills Policy* (2014), over a fifth (22%) of jobs in the UK require no more than compulsory-level education, the second highest proportion in the OECD. Germany, Sweden and Japan have 5% or less job openings in this category. We also have a high level of over-qualification. About 30% of UK workers think they are over-qualified for their jobs, which again is the second highest proportion in the OECD, behind only Japan. This suggests that the UK does not have a problem with a lack of available skills, but rather with a lack of skilled jobs. This analysis is supported by the UK Commission for Employment and Skills, which has concluded that the skills problem in the UK *'lies largely on the demand side. The relatively low level of skills in the UK; the limited extent of skills shortages; and the potentially low demand for skills relative to their supply taken together, imply a demand side weakness. The UK has too few high performance workplaces, too few employees producing high quality goods and services, too few businesses in high value added sectors'* (UKCES 2009).

The CIPD believes that one of the main reasons for this problem is 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.

Put simply, we have too many low-road employers in the UK, competing on low cost and not enough who are building competitive advantage through enhanced leadership and management capability, effective work organisation, job design and smart learning and development interventions. To address these problems, the CIPD believes there needs to be a fundamental review of skills policy in the UK that goes beyond the traditional focus on increasing qualifications and skills and considers how to improve how skills are put to productive use in the workplace and how to stimulate greater employer investment in higher skills.

This review should take stock of the early experience of the local enterprise partnerships, the role of local authorities, public skills funding and consider the recommendation by the Whitehead Review to create sector-based industrial partnerships to support smarter investment in skills by employers.

It should also consider how skills policy links to broader industrial and growth strategy and how different parts of government join up to create a more cohesive skills policy. For example, it is crucial that the departments for Education, Business, Innovation and Skills, and Work and Pensions work in a co-ordinated manner.

In the CIPD's view, there is a strong case for the creation of a Workplace Commission to improve the strategic co-ordination of policy-making on a range of issues which ultimately depend on what happens in the workplace. This would have the role of supporting improvements in leadership and management and HR practice to improve the utilisation of skills, and increase employer demand for investment in skills. It would also have a role in improving the quality of employment regulation and linking it more securely to a 'good practice' agenda.

The current policy status quo on skills has proven to be inadequate. If there is agreement that we need to tackle structural problems around youth unemployment, low skills, pay and productivity, there is a need for a radical rethink of the policy consensus on skills.

EMPLOYER CASE STUDIES

In all, the CIPD interviewed ten employers that are mainly drawn from those that employ low-skilled EU migrants. The four case studies we have summarised are broadly reflective of all the case studies.

Case study 1: A large agricultural company based in East Anglia

EU migrants make up more than half (55%) of the workforce at this firm. The majority of EU migrants are Polish, while other EU nationalities represented include Portuguese, Lithuanian and Latvian. Reflecting the fact that migrants make up a large proportion of the local workforce, this is the result of normal recruitment activity and not the result of active efforts to target or favour EU migrants.

The proportion of EU migrants increased sharply following the accession of EU8 countries in 2004, although the proportion has stabilised during the past five years. EU migrants have historically been recruited into low-skilled roles, although this situation has changed over time because many have progressed in their roles and become managers.

As the company's group HR director puts it:

'I think that's historically been the case but, as people stay with us and work with the company and they're developed, then we're seeing people now developed into more senior roles. For example, it's very common to see people in supervisory and team leader roles now who come from a migrant background and we encourage that. We think it's healthy to encourage further integration.'

What is the rationale for employing EU migrants?

Summarising the important human capital contribution EU8 migrants have made to the organisation and the agricultural sector in recent years, the group HR director comments:

'The availability of people from migrant backgrounds has really helped to enable this sector to grow and develop because, without those people available to us in the pool, we wouldn't have been able to fill vacancies or it would have been an awful lot harder.'

The group HR director cites 'cultural fit' as the key selection criterion for candidates. His interpretation of the term includes work ethic, reliability, working collaboratively and punctuality. The group HR director describes EU migrants as 'quite driven', but is reluctant to say that migrants are more likely to demonstrate these behaviours than UK-born workers. This is despite the observation that EU8 migrants can be competing with younger UK-born candidates.

However, migrants seem to be addressing the organisation's specific skills' needs, which is the firm's second main selection criterion. The group HR director cites particular concerns about the numeracy and verbal reasoning abilities of some UK-born candidates. Meanwhile, the company continues to enjoy the supply of 'a significant proportion of people from a migrant background who are highly trained and developed academically'. As a result, the company has very few difficulties filling vacancies.

Another key reason for employing a relatively high proportion of migrants, which seems to be diminishing in significance, is the role of recruitment agencies. As the group HR director points out, *'It doesn't surprise me ... that we're seeing people from a migrant background coming into some of those vacancies because people who have come in, let's say from eastern Europe ... the easiest thing to do for them, to start with, is to get temporary work with an agency.'*

However, the company argues that it is succeeding in reducing its reliance on agency workers in an effort to improve the engagement levels of workers at the firm.

Job referrals are another key channel through which EU migrants find employment at the firm, which is leading to a higher concentration of EU migrants at the firm. The group HR director links the high levels of engagement at the firm with the high prevalence of personal referrals.

What is the impact of employing EU migrants on the employment and training prospects of workers?

Reflecting the importance the firm attaches to providing employment and training opportunities for all workers, the company runs its own training programmes, has a partnership with a local secondary school and operates a graduate scheme. In addition, the company has developed a 'taster session' programme in partnership with Jobcentre Plus, which has led to the appointment of local unemployed people into permanent positions.

Additionally, training spend has increased year-on-year in recent years, and will increase further in the next few years. The firm reports that it seeks to tie jobs to a longer-term career path, which partly explains why a greater proportion of EU migrants and UK-born workers have progressed into supervisory or leader roles.

Case study 2: A large national chain of Italian restaurants

This firm has more than one hundred restaurants across the country. EU migrants make up 52% of the workforce, the majority of whom are EU8 migrants. A disproportionately high number of EU8 migrants are employed in chef and kitchen porter roles.

What is the rationale for employing EU migrants?

Demand for migrant workers at the firm is driven by several factors. Consistent with other case studies, this firm suffers from a shortage of UK applicants in some parts of the UK, such as Stratford-upon-Avon, but has little problem recruiting in other areas that have higher areas of unemployment. In addition, the firm cites a particular difficulty persuading UK-born citizens without experience that they can apply for the role despite the fact that on-the-job training is offered by the firm. By comparison, EU migrants are more likely to apply, including those without experience.

As the head of HR at the firm puts it: *'It's quite interesting that actually in the EU there seems to be an "I can come and do it and I'll learn on the job." ... If I use the back-of-house roles as an example, so a chef, if we advertise for a chef. In this country people tend to think you have to have experience to do that chef position.'*

One of the explanations offered by the firm for this situation is the unattractiveness of the restaurant sector. To address this, the company is increasing its efforts to invest in the talent pipeline by looking at introducing Apprenticeships and developing closer links with further education colleges, which they acknowledge is *'a big area we are missing out on'*.

The company's strong emphasis on the *right behaviours* in its recruitment and selection policy is another key feature of the relatively high demand for EU migrants at the firm. As the head of HR comments:

'Ideally, we will look for somebody who has had experience of being in restaurant management, but we are very much about "behaviours". ... For me, if someone needs developing in one area, that's not a major issue if they've got the right attitude. We can teach someone how to read a P&L [profit and loss]. You can't teach someone how to be cheerful, smile and warm. It's got to be someone who loves a customer-facing industry. It's a real "work hard but have fun doing it" culture.'

Interestingly, the same respondent adds that whereas it was once a criterion to have worked in the industry, they are now looking for somebody with potential. The right behaviours include friendliness, warmth and empathy, and demonstrating a passion for the industry and the customer. In addition, the firm are looking for candidates who *'strike the right balance between confidence and arrogance, and somebody who works hard but can also have fun'*. Overall, the firm reports that migrants are more likely to display these behaviours, partly because they are older and more experienced on average.

In addition, the company operates a job referral scheme that includes financial incentives. The scheme is prevalent among lower-skilled roles and migrants, mainly because the managers have autonomy to recruit from their own networks. Underlining the informality of such recruitment channels, the head of HR comments, *'If there becomes a vacancy for a second chef position or assistant chef position in that restaurant, the chefs or the managers will generally know somebody and fill it like that. You don't necessarily have to advertise for that role. It tends to be we will approach someone or they will have known someone or their cousin happened to be coming over. We've got situations where people actually ring their family who are back home and say, "There's now a vacancy," and they come over.'*

Has the high proportion of EU migrants had an impact on the formal training and employment opportunities of young people?

Perhaps reflecting the fact the availability of EU migrants has reduced the incentive for some UK employers to make more proactive efforts to target UK-born applicants, the firm concedes that there is more they could do to increase interest from the local population. However, the company is uncertain about the impact of introducing Apprenticeships and developing close links with the local further education college. The two key reasons are the attractiveness of the sector and the quality of the candidates for key positions such as general managers.

In addition, the company reports that migrants tend to be slightly older, more qualified and more experienced and have lower salary expectations in securing the job.

However, the case study finds no evidence of any impact on training prospects. Underlining the importance the company attaches to training and progression at the firm, the company has increased its training budget for the past two consecutive years. Reflecting the career paths the company is trying to embed into the organisation, the firm has introduced a 'Passport' scheme that is designed to promote staff to the next level of the organisation. As the head of HR of the firm concludes, *'You can start as a waiter and you can end up being a manager or you can be a chef, work to head chef and become a manager. We're very clear on doing these career paths.'*

Case study 3: The distribution centre of a large high street retailer with more than 370 stores across the UK based in the West Midlands

Between 5% and 10% of the workforce at this firm are EU migrants, the vast majority of whom are Polish, which is reflective of the local community. Many are employed on the shop-floor warehouse, which is reported to be the most junior level of the organisation. Nonetheless, the majority of people employed in these roles are male, white and British.

What is the rationale for employing EU migrants?

The main recruitment criterion is values, which the company reports are about customer service, loyalty and '*respect for yourself and for your colleagues*'. The company assesses applicants' suitability through an assessment centre, a teamworking exercise and a numeracy and literacy test.

Consistent with the high labour supply and the high local unemployment rate reported by the firm, one recent advertisement for ten roles attracted 800 applicants. This contrasts with a smaller distribution centre that is located in another part of the country, where the domestic labour supply is low and where the use of recruitment agencies and EU migrants is much higher.

Interestingly, the company reports that on average UK workers are more flexible than EU migrants. In particular, the company reported a problem with accommodating requests from mothers from EU8 countries, some of whom believe that the company should '*bend over backwards for their childcare needs*', especially if a precedent has been set. The company also speculates that the lack of flexibility may be related to the fact that their husbands are not working locally.

What is the impact of employing EU migrants on employment and training prospects of local young people?

The company offers a relatively wide range of Apprenticeships, including one on warehouse management and work experience schemes via Jobcentre Plus. However, the firm reports that nearly every participant in the scheme who has been offered a role has turned it down. According to the firm, one of the main explanations for this is that roles are offered where the organisation has some capacity, which is invariably linked to weekends or night shifts.

Interestingly, UK-born workers are reported to be more likely to apply for promotion opportunities than EU migrants. To help offset the number of over-qualified EU migrants and UK-born workers at the firm, the company uses recognition schemes, offers off-the-job training and uses a rotation system to allow people in low-skilled roles some opportunity to progress in the roles.

Overall, the employment and training prospects of local UK-born workers do not appear to be disproportionately affected by EU migrants.

Case study 4: A medium-sized nationwide hotels and holiday operator

This firm employs around 620 people across Great Britain, the majority of whom are employed in the hotel arm of the firm, which employs around 450 people. This is also where the vast majority of EU migrants, who make up between 55% and 60% of the overall workforce, are employed. Almost all of the EU migrants employed at the firm are EU8 migrants.

Reflecting the relatively even occupational distribution and the many training and in-work progression routes at the hotel arm of the firm, around half of the managers are EU migrants. The recent introduction of an Apprenticeship programme and the development of closer links with further education colleges illustrate the efforts that have recently been made to improve the talent pipeline at the firm. However, the firm are still reporting challenges with implementing these, which raises questions as to whether the proportion of young people employed at the firm will increase in the next few years.

What contribution do EU migrants make to the firm?

Summarising the important human capital contribution that EU migrants make to the success of the organisation, the HR manager at the firm comments:

'If we didn't have those staff, I think ultimately we would really, really struggle to run our hotels because recruitment is so difficult. Finding skilled workers to do certain jobs, in the kitchen, in reception and things like that, the normal recruitment processes just don't really work very well any more. ... We've long believed that the single largest reason for the improved standards ... could be attributed to the wholesale introduction of overseas staff.'

What is the rationale for employing EU migrants?

According to the HR manager, there are several reasons behind the high proportion of EU migrants employed at the firm. These include:

- the active role played by local recruitment agencies in Eastern European countries – the firm uses recruitment agencies that are based in several Eastern European countries such as Poland, Hungary and Bulgaria to fill roles; Skype interviews are carried out for applicants that apply via this route
- the perception that migrants have a superior attitude and work ethic – the HR manager cites a variety of other attributes that contribute to her perception that migrants have a better attitude to work; these include better customer service skills, loyalty, politeness, a caring nature and having people who are proud to work for and committed to the family ethos of the company; in addition, the firm cites 'easier employee relations'
- the higher educational attainment and skill levels of EU migrants for the prevailing wage rate
- poor quality of applications from UK-born candidates
- lack of suitable UK applicants despite advertising in the local newspaper and Jobcentre Plus – the company cites three key reasons for this situation:
 - a lack of job mobility among UK-born people, especially in relation to remote locations, which may be partly explained by the accommodation that is offered by the firm
 - the relative unattractiveness of the sector or profession
 - poor quality of some UK applicants.

As the group HR manager puts it:

'It's annoying because you've got to trawl through them all, to get to a decent serious application. ... There is a real recruitment need there; there's a real shortage of people applying for jobs that are out there that migrants are more willing to travel to different parts of the country, which may be partly explained by the availability of staff accommodation. ... They'll always go that extra mile, they'll be very patient with people, they will always implement the things that we want them to, to make sure that people are looked after while they're staying with us. That's really the work ethic I'm talking about; it's that loyalty really and that commitment, to our customers. ... In this culture people often don't see working in the service industry as a career; people see it as a job. Whereas, in other countries, it's seen as a career, and it's a good career that you can have pride in that you take pride in your work while they also develop language skills for their future careers.'

Impact on employment and training prospects of local young people

The firm invests heavily in training their existing workforce. Reflecting the company's commitment to training and efforts to encourage in-work progression, the group HR manager at the firm reports that the company does not turn down training

Case study 4 (continued)

requests as a rule and operates a job rotation scheme both within and between hotels. This may partly explain why so many EU migrants are managers, the majority of whom are reported to have started on the lowest rung of the organisation.

In addition, the company set up an Apprenticeship scheme involving two chefs during the past year *'as a trial for the first year to see how it goes'* alongside additional efforts to develop relationships with the local colleges and training providers. However, the firm has faced challenges in setting this scheme up. As the group HR manager comments:

'I think that they [local colleges] have struggled, in both cases, to provide good-quality candidates, for the Apprenticeships. It's not been that easy; we've not had an abundance of really good candidates to choose from.'

The group HR manager points out that the key reason for not investing in the talent pipeline until recently is largely because of the fact that the organisation did not have an HR presence until three years ago.

Overall, the case study shows that the organisation has become very reliant on migrant workers to fill vacancies, which is because of a variety of factors. Reflecting the company's active preference for employing migrant workers, the firm employs several recruitment agencies in Eastern European countries to supply candidates. The ability to source more experienced and highly skilled applicants in low-skilled roles on relatively low wages is reported to be the key reason for using these agencies. The organisation has made efforts in recent years to develop home-grown talent by introducing Apprenticeships and developing relationships with local educational colleges and training providers. However, there is a question mark over the viability of these programmes given the mixed outcomes to date.

METHODOLOGY

This report is based on a wide range of evidence. This includes published data from the Labour Force Survey from the Office for National Statistics (ONS) alongside employer survey data from the Chartered Institute of Personnel and Development's quarterly *Labour Market Outlook* report. We also draw on semi-structured interviews with ten employers and five online focus groups of EU migrants and young UK-born workers of working age (aged between 16 and 24).

1 Labour Market Outlook (LMO)

Survey method

The fieldwork for the *Labour Market Outlook* survey is managed by YouGov plc. The survey is conducted using the bespoke YouGov online system administered to members of the YouGov plc panel who have agreed to take part in surveys, as well as to CIPD members. The survey is based on responses from more than 1,000 HR professionals. 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 panel, 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 are given three weeks to reply and reminder emails are sent to boost response rate (subject to the CIPD's re-contact policy).

Weighting

The quarterly LMO survey is sampled from the CIPD membership and through the YouGov panel of HR professionals. 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* (BIS 2012) to ensure that the sample is representative of the UK economy. In addition, YouGov carried out pilot surveys to check against flawed questions. Additionally, YouGov use the SPSS computer package to control for transcription error.

The findings on employers' use of migrant labour are based principally on data from the summer 2014 *Labour Market Outlook* survey, although a few findings are based on questions asked in the spring 2014 *Labour Market Outlook* survey. See Tables 8 and 9 for a breakdown by size and sector.

2 Employer interviews

The CIPD carried out ten semi-structured interviews with employers that have a high proportion of EU migrants in low-skilled roles. The sectors represented largely include retail, hotels, restaurants and distribution. Full transcripts of the 45-minute semi-structured interviews were recorded. Where appropriate, the report seeks to code the responses given by employers.

3 Online focus groups

A total of five online focus groups were conducted, one with each of the segments shown in Figure 22.

As Figure 22 illustrates, the groups were designed to control for the different educational attainment levels and any differences in the occupational distribution of jobs outside London. YouGov conducted, recorded and provided full transcripts of the sessions. Each group lasted for up to two hours and included eight to ten respondents. One of the limitations of this approach is that the online nature may have advertently excluded those without Internet access, especially among NEETs.

Figure 22

UK-born, NEETs, low- or semi-skilled workers 1 group London based 1 group non-London based	UK-born, medium- or high-skilled workers (Educated to degree level or above)	EU migrants, low- or semi-skilled	EU migrants, medium- or high-skilled
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4 Definition

Consistent with the ONS definition, which I have drawn on extensively throughout this study, and the existing literature on immigration, I define EU immigrants based on the country of birth and restrict the analysis to those aged 16–64. As Aldin et al point out in Anderson and Ruhs (2010, p58), one advantage of using country of birth is that estimates are likely to be less sensitive to policy changes over time, for example in the rules determining how individuals acquire British

citizenship. However, even this measure has its limitations because it includes individuals who were born outside the UK, sometimes of British parentage, who have subsequently returned to the UK. In addition, it includes foreign-born individuals who have lived in the UK for a considerable period who have subsequently become British citizens. Additionally, low-skilled jobs are defined using the Office for National Statistics (ONS) definition from the Standard Occupational Classification (SOC) in this study.

Table 8: Breakdown of the sample, by sector (%)

Sector	Summer 2014	Spring 2014	Winter 2013/14	Autumn 2013	Summer 2013	Spring 2013
Private	73	73	73	73	73	73
Public	21	21	21	21	21	21
Voluntary	6	6	6	6	6	6
N	1,026	1,026	935	1,020	1,034	1,041

Table 9: Breakdown of the sample, by number of employees in organisation (%)

Number of employees	Summer 2014	Spring 2014	Winter 2013/14	Autumn 2013	Summer 2013	Spring 2013
2–9	14	14	14	14	13	13
10–49	14	14	14	14	14	14
50–99	6	6	6	6	6	6
100–249	7	12	15	4	8	8
250–499	8	8	9	3	5	5
500–999	7	6	6	11	10	12
1,000–4,999	6	14	12	18	18	21
5,000–9,999	9	7	7	5	7	8
10,000–19,999	4	4	4	5	6	3
20,000 or more	17	14	13	16	15	12
N	1,026	1,026	935	1,020	1,034	1,041

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ENDNOTES

¹ Citizens of Poland, Hungary, the Czech Republic, Slovenia, Slovakia, Estonia, Lithuania, and Latvia.

² EU14 consists of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal, Republic of Ireland, Spain and Sweden.

³ We should also note that someone born in the EU8 and aged 45 or over would, even today, probably have spent their first 20 years (and their education) under Communism. Compared with younger generations, this may have affected their motivation to migrate and how their skills and capabilities are perceived by others.

⁴ The introduction of the Educational Maintenance Allowance in 2002 gave some financial support to students at school or in further education colleges and changes to the student support regime give many higher education students more support for looking after themselves while studying – even if loans are repayable.

⁵ The core survey results covering recent trends and employer expectations on recruitment, redundancies and pay awards can be found at [spring report <http://www.cipd.co.uk/hr-resources/survey-reports/labour-market-outlook-spring-2014.aspx>] and [summer report <http://www.cipd.co.uk/hr-resources/survey-reports/labour-market-outlook-summer-2014.aspx>].

⁶ Among organisations with 250 or more employees, 49% of public sector employers and 46% of private sector employers had recruited non-EU migrant workers.

⁷ Further support for this is provided from the spring 2014 *Labour Market Outlook*, where just 9% of employers said they were more likely to employ EU migrants than other employees on so-called 'atypical working arrangements', such as temporary or zero-hours contracts, and 75% of employers said it made no difference whether employees were migrants.

⁸ Among employers who recruited migrants, there was no noticeable relationship between perceived growth/decline in the previous two years and the perceived impact of employing migrant workers.

⁹ Further details will be published shortly in a report setting out full results from the productivity questions asked within the summer 2014 *Labour Market Outlook* survey.

¹⁰ Logistic regressions were run that identified the key variables explaining the likelihood of offering Apprenticeships, internships, and so on, controlling for other factors including industry, organisation size, product market strategy and growth prospects. Employing EU8 migrants was associated with a higher probability of offering Apprenticeships at the 10% significance level ($z=1.74$) and employing EU14 migrants was associated with a higher probability of offering internships at the 1% significance level ($z=3.99$).

NOTES



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