

# **Immigration policy: principles for building consensus**

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Submission to the Home Affairs Committee



**Chartered Institute of Personnel and Development (CIPD)  
November 2017**

## **Background**

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has over 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

## **Introduction**

In June 2017, the CIPD and NIESR published a report on EU immigration policy to make policy recommendations on how the UK's immigration system could be aligned with the existing points-based system for non-EU nationals.<sup>1</sup> The recommendations and conclusions contained in the report were supported by a substantial evidence base, consisting of 27 employer interviews, 6 focus groups across the UK, a survey of more than 1,000 employers and analysis of Office for National Statistics (ONS) data. The CIPD's submission draws heavily on the report, which looked to answer the two key questions set out by the committee.

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<sup>1</sup> CIPD/NIESR. (2017). *Facing the future: tackling post-Brexit labour and skills shortages*.

## **Executive summary**

Overall, the CIPD evidence and policy recommendations aim to build a consensus with an immigration policy that seeks to marry the responsibilities of employers towards skills investment, recruitment and pay and employment conditions with genuine labour and skills needs of employers. As the report makes clear, employers are particularly concerned about the need for a safety net for recruiting unskilled or low-skilled workers from overseas to ease labour shortages, and require a flexible immigration system that works for them. Without this some of Britain's key industries and services, including food and drink manufacturing, hospitality and social care, are likely to face considerable difficulties in finding the skills and labour they need to operate in the future.

The CIPD recommends that the existing points-based system be adapted to create an immigration system that is quick, fair, inexpensive, and user-friendly.

We believe that these are the key principles on which immigration policy should be based. In our view the policy recommendations needed to balance the needs and concerns of employers, workers and the wider public include:

- A youth mobility scheme for all EU nationals and a generous post-study worker system to ensure that employers have quick access to EU nationals across all skills levels
- The current shortage occupation list, compiled by the Migration Advisory Committee (MAC), should be extended to include jobs at lower levels of skill and salary for EEA workers only. In our view, based on discussions with a wide range of employers, this would be a fairer way of addressing the labour and skills needs of employers than introducing an array of formal sector-based schemes or regional systems that would inhibit labour mobility, add complexity to the system, exacerbate regional disparities and lead to EU nationals filling roles where there are no shortages.
- To make the system cheaper and easier e.g. reduce the Residence Labour Market requirement to advertise a post to 14 days from 28 days.

Overall, we believe that the government should put in place a government policy that recognises both the contribution that EU nationals make across all skills levels and the responsibilities of employers. New policies for EU migration should be dovetailed with those of the current points-based system which applies to migration from outside the EEA; which should be made quicker, easier and more affordable for users and favourable for EU nationals. In addition, the system should include a labour shortage occupation list, for employers that cannot find local applicants despite their best efforts due to the tight labour market and/or the attractiveness of the role or sector. This would help ensure that employers that have genuine need of

low-skilled EU migrant labour are not penalised; and require those that do not fall into this category to make adequate steps to recruit UK nationals from the domestic workforce.

In the rest of this submission, we have drawn on our evidence to demonstrate how employers are reacting to the possibility of migration restrictions, what their recruitment and training practices have been to date and the reasons why they employ EU nationals. We hope this will inform the Committee's conclusions on how the Government might build a consensus on the future of immigration policy and what the principles underpinning that consensus should be.

## **Migration Restrictions**

1.1 CIPD evidence suggests that many are seriously concerned about how they would keep their organisations running if Brexit places severe restrictions on EU workers. Many organisations say that employing EU nationals is essential because they cannot find local applicants to fill the role due to the unattractiveness of the role or the tightness of the labour market. Meanwhile, others say that their organisation performance would suffer because the suitability of applicants from EU nationals is often better than the British applicants. However, at the same time, it should be noted that some employers acknowledge that they could be doing more in terms of their reward, workforce development and recruitment strategies to improve recruitment and retention rates at their organisation, especially among low-wage employers.

### **Employer response to migration restrictions**

1.2 According to some employers, the first response would be to increase efforts to encourage local people to consider careers in their sector while seeking a broader recruitment base. However, at the same time, many employers express some scepticism about the potential to meet labour demand purely through the local supply of applicants. Case study and focus group employers report challenges with attracting applicants from the domestic workforce, due in part to the tightness of the local labour market and a long-standing lack of interest from local workers in the jobs they offer, as well as the historic use of migrants from a variety of origins.

### **Young people and career paths**

1.3 According to our research, the preferred alternative to EU migrants is often young British people, including school-leavers. It was commonly stated by participants in the research that young people and those who advise them do not appreciate the career opportunities that these sectors such as hospitality, food and drink and social care have to offer which exacerbates the image problem many say they suffer from. At the same time, there are indications from some employers that the barriers to recruitment in these sectors are not simply attitudinal and that improvements can be made to career paths and development opportunities. Some employers have increased their efforts recently to attract these recruits, including working with schools through industry bodies, and improving career paths. For example, some employers are talking to further and higher education providers about potential links to, or tailoring of, courses. Meanwhile a restaurant chain is looking at launching a graduate scheme to attract more young recruits, purposefully to attract more British applicants in response to concerns about Brexit.

1.4 In addition, students are seen to have some potential to work during busy periods, including Christmas, but other seasonal peaks are not seen to match well

with their availability. Some employers, therefore, seem reluctant to seriously consider their potential to fill in gaps left by a reduction in EU migrants. However, others recognised that employers should look to structure their working hours arrangements to fit the educational commitments of young people. As one HR consultant from south Wales put it:

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

## **Other groups**

1.5 Some employers, especially in hospitality and food manufacturing, report that the potential for older workers is limited by the anti-social hours and the physical nature of the work. Some employers also refer to the potential to recruit more women returners, but also say they have been doing so for some time.

For example a café chain has started to work closely with Jobcentre Plus and local councils to encourage applications from unemployed people, including through emphasising career opportunities using success stories. Indeed, there is a recognition among some employers that the strong labour supply from the EU in recent years has substituted efforts to recruit from a wider range of recruitment channels, especially for low-skilled roles:

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

1.6 Additionally, a number of employers we spoke to in the hospitality and food processing sectors currently work with organisations supporting ex-offenders and disadvantaged young people with a view to offering job opportunities. They report mixed experiences, taking on some but also finding some recruits from such a background unreliable. For instance, one Scottish employer has targeted people in deprived communities, with some success, but feels that it is not a group they would want to form a substantial part of the workforce. At the same time, consistent with the views of many employers in the report, EU nationals employed at the organisation are more highly-qualified and experienced.

1.7 Overall, many employers thus see EU nationals as more suitable applicants compared with the UK applicants **they have at their disposal**. It seems, therefore, that many employers do not see these groups as compensating fully for any potential reduction in EU workers

## **Pay and employment conditions**

1.8 On the question of pay, case study and focus group employers agree that the rates they offer do not appeal to British workers. However, many feel that they would have to increase rates quite substantially to make a difference and that this would be damaging to the business. A number made the point that raising wages at the lower end would need to be matched by increases higher up the scale to retain differentials, and that the costs would be substantial. Meanwhile, others are sceptical that offering higher wage rates would attract British applicants, partly because other competitors would match any increases they make. As a result, many see alternative sources of labour supply, rather than raising pay and employment conditions, as the solution to any resourcing difficulties at their organisation.

## **Relocation/contingency planning**

1.9 The CIPD's quarterly *Labour Market Outlook* survey has asked whether and where employers plan to relocate some or all of their operations as a result of the UK's decision to leave the EU for the previous three survey reports. Combining all three surveys, the data indicates that just over 11% of employers are considering, or have decided, to transfer part or all of their operations outside the UK as a result of Brexit. In addition, almost 9% say they are likely to concentrate any future expansion of the business outside the UK. This is consistent with the focus group discussions on the issue, where relocation contingency plans were particularly prevalent in organisations in the East Midlands region, especially among manufacturing firms. As one said:

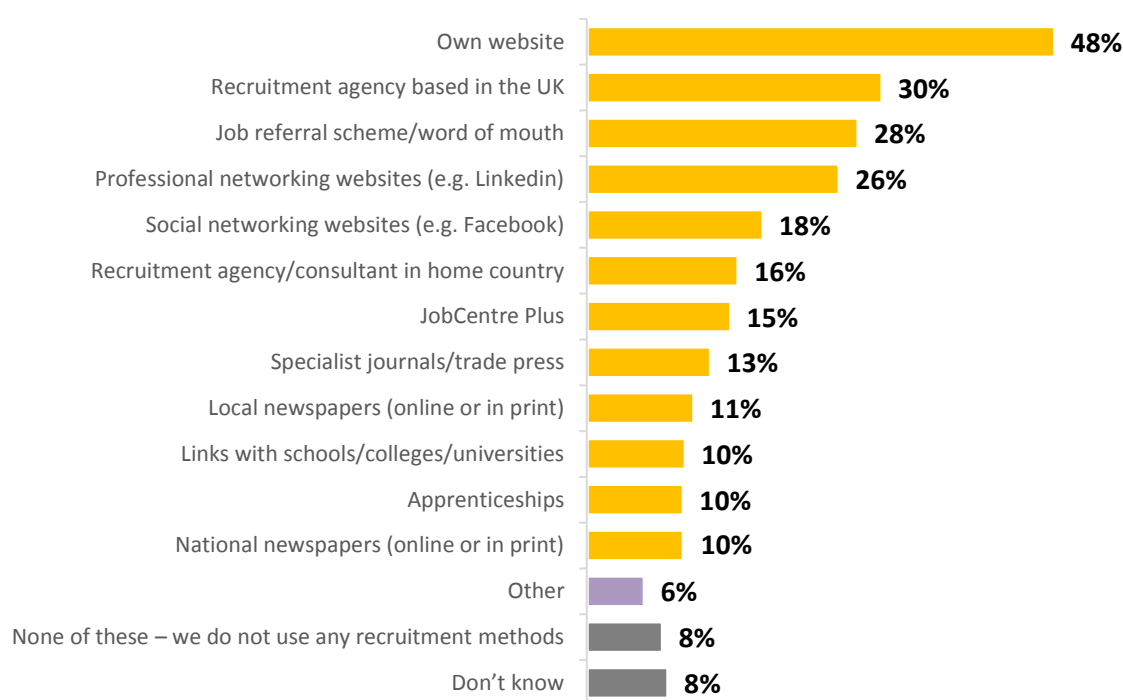
*"Yes, because, putting it really bluntly, we have a service centre in the UK, it's populated by about 40 people. It delivers a service to Europe, and Europe business entities, do we really need to have it in Peterborough? No."* (large construction firm)

## **Recruitment Practices, Training & Skills**

### **Recruitment channels used by employers**

2.1 According to CIPD research, employers do not proactively seek to recruit EU nationals. Rather, it seems that employers are making rational recruitment decisions based on the supply of applicants. This is broadly reflected in the recruitment methods that employers use for recruiting EU migrants, which varies across sectors (Figure 7). According to CIPD survey data, the most common methods for hiring EU nationals include using the organisation's own website (48%), recruitment agencies based in the UK (30%), job referral schemes or word of mouth (28%), or professional networking websites such as LinkedIn (26%). The most proactive step that employers are taking to hire EU nationals is to use an agency in the home country of the EU national they are recruiting, a step being used by around one in six employers (16%).

**Figure 7: Methods used to employ EU nationals (%)**



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

2.2 There are key differences in the use of certain methods across sectors when recruiting EU nationals. Public sector employers are significantly more likely to use certain methods compared with other sectors, including specialist journals or trade publications (26%) and national newspapers (22%). Meanwhile, almost a quarter



(24%) of manufacturing or production organisations report that they use recruitment agencies in EU nationals’ own countries to hire them.

**Figure 8: Methods of recruiting EU nationals, by industry (%)**

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

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

## Use of agencies

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

2.4 Meanwhile, focus group employers reported adopting a more passive attitude to using recruitment agencies for their operations. The use of agencies, and of

temporary work, seems to be most prevalent in warehouses, where EU nationals often make up the majority of the workforce for elementary roles such as packers. The prevalence of recruitment agencies for low-skilled work is especially high in some of the regions, particularly in the East Midlands and Wales. These patterns are explained by the requirement for high volumes of workers, fluctuating demand, high levels of turnover in addition to the local shortages of labour supply.

### **Word of mouth/job referrals**

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

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

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

### **Employment contracts**

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

## Reasons For Employing EEA Nationals

### Labour shortages

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

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

The following comments are typical:

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

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

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

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

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

*"Would I employ more British people? Absolutely, but we don't get the applications to be honest. The majority of the applications come from people within the EU. I*

*suppose it's the easiest industry for them to get a foothold in.*" (A large restaurant chain)

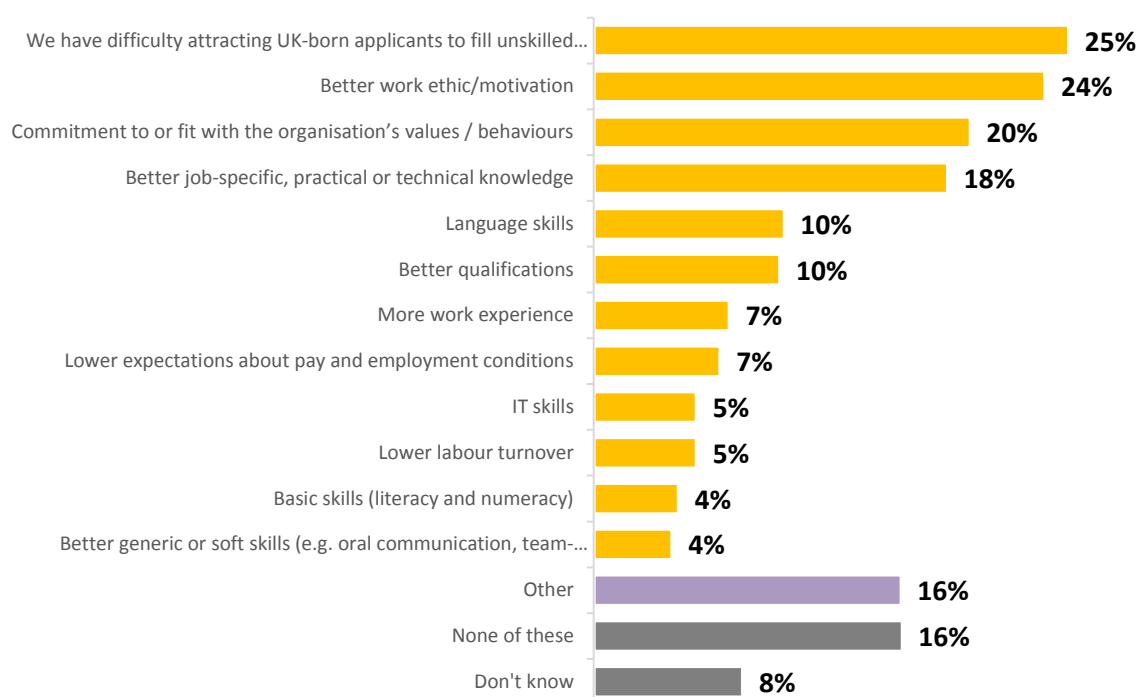
3.4 Some employers cited low levels of unemployment currently, but most talked of longer-term and chronic barriers to recruitment of British nationals. Employers in most of the sectors covered feel the work they offer lacks appeal to British people. They explain this partly with reference to pay, but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

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

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

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

**Figure 9: Reasons for employing EU nationals (%)**



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

## Work ethic

3.5 Apart from difficulties finding candidates for low-skilled jobs, the next most frequently cited reasons given by surveyed employers for employing migrant workers are because of their better work ethic or higher levels of motivation (24%) or fit with the organisation's values (21%).

3.6 Although the survey findings indicate that employers value EU migrants for their work ethic, many employers in the focus groups and case study interviews were reluctant to make generalised statements about their EU and UK workers. When asked about their experiences, most employers report little difference between the migrants and the UK workers they employ, though some feel there are problems with work motivation among potential British recruits. Where differences are reported, it is in diligence in very routine work, for example processing vegetables, or in the use of personal, interaction skills, for example in social care, where EU migrants are found to be of higher quality. Some employers also commented negatively on the reliability of British workers in low-paid jobs, particularly in agriculture, sometimes citing the different frame of reference that EU nationals have:

*“EU nationals are better workers and are striving for it because they really want to do it and they need to do it.” (large agricultural employer)*

3.7 Employers frequently state that the quality of applications from EU workers is considerably higher than they would typically receive from the pool of British workers available locally. Where differences are reported between the work ethic of EU and British workers, it is most often in relation to their superior flexibility, especially their willingness to work additional hours. Flexibility is a highly valued quality for most of our case study employers, and many of the case study organisations explain their use of migrant workers with reference to fluctuations in the demand for labour and the need for flexibility. Frequent change in the demand for products and services is particularly marked in hotels and in food and drink manufacturing, especially in the processing of meat and fresh foods. These fluctuations either mean that additional workers are recruited to cover predictable seasonal peaks, or the workforce is relied upon to increase or reduce hours in line with changes in demand. In either case, migrant workers are found to meet employers' needs more readily than local British workers. Importantly, their availability reduces the need to use agencies, and the associated cost.

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

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

### **Job-specific/technical skills**

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

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

*“Our consultancy is very project-driven. So really it reflects what you were saying. So, some of the skills that we need, some of the projects that we*

*have, we don't really have the right people in our universities. So, we're reliant on people from Italy and Belgium for very specific courses, and very specific work. So that flexibility is really important, again, because we don't know what projects we're going to win, and how we're going to man those.*" (engineering consultancy based in London)

While another was blunter:

*"...[we] don't look in the UK because we don't have the skills."* (SME based in south Wales)"

### **Expectations about pay and employment conditions**

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

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

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

Additionally, there is also no evidence that employers are recruiting EU migrants to avoid investing in training. This is consistent with previous CIPD evidence, which shows that employers who employ EU nationals are more likely to invest in training

than those employers who don't.<sup>2</sup> Additionally, recent CIPD/NIESR found no evidence of employers hiring EU nationals to avoid their skills investment responsibilities.

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<sup>2</sup> CIPD. (2014). *The growth of EU labour: assessing the impact on the UK labour market*. Available at: <https://www.cipd.co.uk/knowledge/work/trends/eu-labour-impact> [Accessed 20/10/17].