



The impact of free movement on the labour market: case studies of hospitality, food processing and construction

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As authors, we are responsible for the content of the report, its analyses and conclusions.

Introduction

Background to the research

The research for this report was carried out within the Economic and Social Research Council's *UK in a Changing Europe* initiative. It took place within the specific political context of the referendum on the UK's continued membership of the EU which, in theory at least, could result in restrictions being placed on EU migration.

Free movement of workers is one of the EU's 'four freedoms', but until the last five years or so attracted very little attention from politicians or policymakers. Neither did it engage the interest of academics, journalists or arise in public debate. That has now changed. Opinion polls show that the public sees immigration as one of the most important issues facing Britain (Ipsos Mori, 2016)

Behind the heightened interest in free movement is the substantial increase in migrant flows, first from the new Member States that joined the EU in 2004, and more recently from some older Member States with high levels of unemployment, particularly Spain and Italy (ONS, 2016). EU citizens now account for about 5% of the UK workforce while, because of settlement, a similar proportion of UK-born babies have at least one EU-born parent (ONS, 2016).

Its scale and perceived impact has made free movement the most visible and controversial aspect of the UK's membership of the EU. The concentration of migrants, particularly those from Eastern Europe, in low skilled occupations has generated concern among the public that they are both displacing UK workers and negatively impacting on wages. Immigration will be a key factor in how people cast their vote in the forthcoming referendum (British Future, 2016). The Prime Minister's renegotiations focused on free movement, in particular access to in-work benefits. Polls conducted both before and after the talks indicated that large sections of the British public wished to see significant restrictions on free movement. Employers have joined the debate (CBI, 2016), but there has been little independent assessment of their position on the issue.

What does free movement mean for employers?

Our report looks at the role played by migrants in meeting employers' skill needs and at the implications of any future restrictions on the supply of this source of labour. Existing research, focused on jobs and wages, has found very little impact from migration, EU or non-EU, when measured statistically. Any such effects have been found to be very small (Dustman et al. 2005, 2013; Nickell and Saleheen 2008; Manacorda et al. 2011; MAC, 2014). A comprehensive evidence review by the UK Government found little evidence of a statistically significant impact on native employment outcomes from EU migration (Devlin et al, 2014).

Despite econometric evidence that impacts on jobs and wages are relatively small, some features of the labour market and its institutions appear to have changed alongside the increase in EU migration. In the course of the past ten years, the nature of the UK labour market has changed considerably, with rapid growth in self-employment and in other 'flexible' modes of employment such as zero-hours contracts and employment via agencies. Relatively little is known about how migration, in particular intra-EU migration, has affected these developments. In exploring these

issues in relation to specific industries and at a time when many employers might be thinking about free movement, we aimed to fill a major gap in knowledge about the longer-term labour market impacts of EU migration.

We also aimed to fill gaps in knowledge about employers' perspectives, their reasons for recruiting EU workers, their recruitment and deployment strategies and their experiences of managing and working alongside them. We wanted to explore whether the availability of a well-motivated, flexible new migrant labour force has had significant effects on the wider functioning of the labour market and of labour market institutions. These include recruitment practices, pay, types of contract, training and skills resourcing.

A perspective on three industries

The research was qualitative and carried out in three industries: construction, food and drink manufacturing and hospitality. These sectors were chosen because they are both key to the UK economy and are ones that have shown a high demand for migrant labour, particularly at the low skilled end but also for skills which are in short supply. We used qualitative methods because the issues covered are complex and not easily captured in surveys and administrative data. They can help to explain actions and approaches, while quantitative methods establish prevalence. Our report also includes statistical data on the presence and growth of EU migrant workers in these sectors and the economy as a whole.

The hospitality industry is a broad category within the service industry and includes tourism which employs around 2.8 million people, with food and drink serving one of the largest sub-sectors, accounting for 1.2 million workers. The sector has undergone growth in recent years and is one of the largest employers of migrant workers. They account for 28 per cent of the sector's employees.

Manufacturing is also a large employer, of around 2.6 million people, although it has undergone a decline in recent decades. **Food and drink production** is an important sub-sector and is also one that employs a high proportion of migrant workers, at 35 per cent.

As well as being a large employer in its own right, of more than 2 million people, the **construction industry** is widely regarded as a barometer for the economy and one which determines the health of other sectors. The construction industry has a need for lower level skills, but also has a high demand for skilled workers and highly skilled professionals. By including this sector, we were able to look at the role of EU migrants in meeting employers' needs in areas other than low skilled work. Overall, the sector's use of migrant workers is not high, at 12 per cent, but in London they account for more than half of the construction workforce.

Research methods

The research had two stages:

- a review of existing research evidence, including published papers and books and analysis of the Labour Force Survey (ONS)
- case study research in hospitality, food and drink and construction sectors

With stage two, we collected new research evidence through interviews with 24 employers and 6 stakeholders, including industry bodies and trade unions. Interviews with employers focused on reasons for recruiting EU migrants, recruitment methods and terms of employment, job

performance, business benefits and disadvantages and future plans. We also explored their perspectives on the implications of any future restrictions on free movement and possible alternatives to EU workers.

We interviewed 9 employers in hospitality (2 of which were also drink manufacturers), 6 in food and drink and 9 in construction. The case study firms were identified largely through trade association and employer body membership lists. We aimed for a mix by size, location and type of business and did achieve some balance in these respects. The characteristics of participating employers are summarised in the report appendix.

The firms varied by size and location. In **hospitality** they ranged from 28 to 13,000 and included restaurants and cafes, pub chains and hotels. Two were SMEs located in the South West. The others were distributed across the UK. Their use of migrants varied widely, with some employing very small numbers and others with a migrant workforce of more than 20 per cent. One cafe chain based in London was staffed almost entirely by EU migrants. Businesses with a seasonal component said their migrant numbers were boosted during busy times, with EU workers accounting for most additional staff.

The **food and drink** companies ranged in size from 26 to 500 and included a range of food producers located across the UK, including several in Scotland. These businesses all had sizeable EU migrant workforces, ranging from 25 to 60 per cent and higher for seasonal work. As with the hospitality companies, the EU migrant workforce was boosted at busy periods for seasonal businesses.

The **construction** companies covered a diverse range of businesses, from general builders to specialist services in the power industry, located across the UK. Three were SMEs, and employee numbers at the larger firms ranged from 90 to 15,000. The proportion of EU migrants employed by the construction case study firms was generally low at 10 per cent or less. However, as with the other two sectors, businesses with a fluctuating requirement for labour employed more at busy times, with one company in the petro-chemical and gas engineering sector estimating the proportion of EU migrants at 60%.

We also interviewed stakeholders across the 3 sectors, largely employers' organisations and trade unions. The purpose of these interviews was to gain a wider perspective on the sectors than individual employers could be expected to provide. These discussions focused on the impact of EU migration on the sector, their expectations in relation to the continuing use of EU migrant workers and factors which might change employers' current practices. Interviews with employers were carried out by telephone, while those with stakeholders included face to face and telephone interviews. All interviews were recorded and transcribed verbatim. We used a framework approach to analyse the qualitative interview data¹.

As qualitative research we cannot know how representative companies' practices and perspectives are, and it is possible that the sample is weighted towards those using particular practices or those who felt strongly about the issues covered by the research. Indeed, it was apparent that some did feel strongly. We have tried to present the full range of responses and perspectives, highlighting areas of consensus, variations and the reasons for these. While making no claims that the views of

¹ This codes responses and identifies themes from the accounts, explanations, views and perspectives of the research participants. It is a standard qualitative research method and is known as 'grounded theory' (Glaser and Strauss, 1967)

24 employers and 6 stakeholders represent employers as a whole, or of their respective industries, our findings do tell a fairly consistent story around some of the key issues relating to EU migration and free movement for work. We have also located our findings within the existing body of academic research evidence, where a consensus around some migration and labour market questions is beginning to emerge.

Summary of findings

In the last ten years, EU migrants have come to play an important role in the UK labour force. They have become increasingly present in low skilled occupations, where the largest proportional increase has been migration from Eastern Europe. Surveys indicate that most employers have hired migrants and plan to continue to do so, seeing them as having permanent place in the workforce (CIPD, 2014). There is now a reasonable body of evidence about why employers recruit migrants and the benefits they experience. Our report has brought together this evidence, looking particularly at three key sectors and drawing on a wide range of academic and policy research.

In addition to looking in some detail at the notion of a preference for migrants, we have explored whether and how a migrant workforce has impacted on labour market institutions, changing pay, contracts and the employment relationship. We have also explored alternatives to recruiting migrants, again drawing on research evidence and our own case study findings. The timing of our research, in the period leading up to the referendum on the UK's membership of the EU, made our discussions with employers more pertinent. Some employers were considering at this time, more than before, what they might do should the UK leave the EU and restrictions on movement follow.

The EU labour force has grown but use of migrants is not new

Data on labour force composition shows both the rate of growth of Eastern European migration and the concentration of these migrants in low skilled occupations. The presence of Eastern European migrants in the labour force has changed the skill profile of EU workers and migrant labour in the UK. In 2002, only one low skilled occupation, food production trades, was in the top ten jobs with the highest share of foreign-born workers, but by 2014 half of these occupations were low skilled. They include food preparation, hospitality, cleaning and housekeeping. Migrants from Eastern Europe are over-represented in skilled manual trades (Wadsworth, 2014).

We focused on the sectors of hospitality, food and drink and construction, sectors which reflect both the increase in EU migration and the occupational distribution of migrants. All three sectors, and the case study companies, have a history of employing migrants, as well as other groups in the secondary labour market, such as students and workers displaced from traditional industries, such as coal mining (Lucas and Mansfield, 2008). The presence of Eastern European migrants therefore continues a trend which is explained by fluctuations in the demand for labour, including for seasonal work, which is difficult to meet through local UK labour. The varying proportion of migrants in our case study firms was explained by location and the ease or difficulty with which they could recruit local, British workers. Employers were hiring migrants in jobs to which it is hard to recruit.

Employers' descriptions of the role played by migrants in their companies confirmed their concentration in low skilled work, but they also reported some progression into supervisory and

management roles. There was some evidence that migrants were forming part of the core workforce, rather than viewed as temporary and helping to meet fluctuations in demand. However, employers continued to need flexibility and had factored the availability of EU migrants into their expansion plans. At the same time, levels of turnover among migrants were reported to be as high as for British workers, and employers were aware they may not be able to rely on migrants who move for small gains in pay and may regard their industries as a 'revolving door' on the way to better-paid work (Scott, 2013).

Employers do not have an active preference for EU migrants

Overall, we found little evidence that employers look specifically to recruit EU migrants. Their recruitment methods were aimed at achieving the highest possible number of applications. They wanted a choice, and to recruit the best quality applicants. Other than when they used agencies located in source countries, for example Lithuania and Hungary, a method used when shortages were most severe, employers said they did not tailor their methods to recruit either migrants or local workers, but according to how many applicants would result. Our findings confirm those of earlier research showing that employers recruit who they can, and do not specifically target migrants (Ci Research, 2008; Green et al, 2013). They also see disadvantages in recruiting migrants, particularly language skills and company image.

Also in line with existing research, we found employers reporting a problem with the supply of UK-born workers, with employers often reluctant to generalise about their suitability (Green et al, 2013; CIPD, 2014; 2015; McCollum and Findlay, 2015). Employers had explanations for this shortage of applicants, which included intrinsic aspects of the work such as its physical nature. They undoubtedly include pay, contracts and limited promotion prospects.

Much has been said in the media about the superior work ethic of EU migrants, especially those from Eastern Europe, yet research evidence is mixed. When we asked how the job performance of EU migrants compares to that of British workers, their most common response was there is no difference on measures such as productivity, work ethic and commitment. These differences were seen to be individual rather than attributable to nationality or migration status. Some employers said that migrants do have superior skills or a better approach to work, either because they are motivated to improve their lives or because of their higher levels of education. Differences in attitude and effort were also noticed where hard physical work was involved, particularly in construction. Research evidence tends to find any such differences with UK workers among recent arrivals and, in the case of Eastern Europeans, those who came shortly after accession (Metcalf et al, 2008). Such differences fade when migrants become more settled.

Labour market change has happened alongside the growth of a migrant labour force

There can be little doubt that migrants have helped employers in some sectors to exercise the flexibility they require to meet business needs. For most employers, flexibility in employee contracts was built into the business model and stemmed from fluctuations in demand for goods or services. A number of case study employers, particularly in hospitality, employed at least a proportion of their staff on temporary contracts for this reason. Employers preferred to offer permanent contracts to achieve more stability, but with hours that could be flexed up and down, widely referred to as 'zero hours' contracts. Self employment was the preferred contracting arrangement in construction, again driven by the need for flexibility arising from fluctuating demand and business uncertainty.

Research on the food and drink industry has linked the growth in migrant employees in response to seasonality in demand to around 2005 (Ci Research), coinciding with the first arrivals from Eastern Europe. In the following years, large food retailers exerted downward pressure on prices resulting in tighter profit margins in the food industry (Geddes, 2008). These in turn put pressure on wage costs and led to increased use of flexible and temporary contracts (Scott, 2013). The construction industry also places a premium on flexibility, and the increased presence of migrants in the sector, particularly in London, has been explained with reference to fluctuations in demand for labour resulting from market volatility and building project size. It is also seasonal to an extent (Chan et al, 2008). While flexible contracts can be problematic for British workers, including for practical reasons relating to welfare benefits and childcare, they appear to be more acceptable to migrants, at least in the short term.

Available evidence suggests that flexible migrant labour has enabled businesses in low skilled sectors to grow. Where migrants form a minority of the workforce, which in many cases they do, this has helped to create employment opportunities for British workers. A number of case study employers said they would not have been able to expand their businesses without access to EU migrants, and that they formed part of their future plans for growth.

EU migration is not a substitute for training

In line with existing research evidence, we found little evidence that employers were choosing to recruit EU migrants instead of training UK workers. Many of the case study employers offered apprenticeships or other training. Those who did not, who were within the hospitality and food industries, said that their skill requirements were generally too low. At the same time, employers believed that their sectors trained too few workers to meet peaks in demand and that migrants helped to meet skills shortages. Most employers train only for their immediate and often short term needs, leaving little spare capacity. The construction industry experiences this problem most directly and acutely.

Employers, particularly in construction, felt that more training would benefit their companies and their sector, but that more Government support is needed for this to happen. Employers felt this could reduce reliance on migrants only if a substantial number of people were attracted to their industries, and that this might take some time. Even if this were to happen, employers said they would still require recruits at entry level and for low skilled work, for which they currently recruit migrants.

Employers blamed the negative image of their industries and poor careers guidance for their lack of appeal to young people, although they also recognised the role of intrinsic factors such as the work environment and low pay. The move away from independent careers guidance in schools and the expansion of Higher Education opportunities have contributed to the decline in interest in vocational routes among school leavers. While industry bodies have established their own initiatives, these are unlikely to be sufficient to make jobs in low skilled sectors attractive to young people.

Employers see few alternatives to the use of EU migrants

Employers speculated about their short-term and longer-term responses to any restrictions on the supply of EU migrants if the UK were to leave the EU. In the short term, some employers were concerned that EU migrants currently present in their workforce might lose their right to live and

work in the UK. In the medium term, some employers were concerned about their ability to fill vacancies, with the timescale for concern varying according to their current stock of workers and levels of staff turnover. Some employers believed that the Government would need to continue to allow free movement in some form to prevent damage to business. Furthermore, they believed that this would have to include unskilled migrants, or migration for unskilled work.

When asked what alternatives they might put in place to recruiting EU migrants, employers said they were continuously seeking other sources of labour and had been doing so for many years for reasons including lack of confidence in a continued supply. While recognising that attracting British workers might mean having to improve their offer, they said it would be difficult to increase pay or make contracts more attractive, for example by offering higher standard hours, without becoming less competitive. Non-labour alternatives to reduce reliance on migrants were generally not seen as feasible, neither was relocation.

Older workers and students, while seen as useful and having some potential to meet shortages, had disadvantages in terms of their availability and suitability for the work. Non-EU migrants were a possibility but, while some employers did recruit migrants from outside the EU, this was largely for skilled work. Employers were doubtful that doors would be made open to low skilled migrants from outside the EU. They did not wish to become involved in the costs and bureaucracy involved in visa applications. They also saw EU migrants as more suited to their business, and as more flexible and mobile. Their preferred option was therefore to continue to have access to this supply of labour.

Conclusion

Overall, our research shows that EU migration has not had a significant negative impact on native workers. The findings are consistent with the broader quantitative and econometric evidence. In the sectors we examined, EU migration has helped employers create and sustain more flexible and efficient business models. While increased training, and other broad efforts to improve the pay, employment prospects and job quality of young and unskilled Britons, would obviously benefit the UK as a whole, they are neither directly inhibited by EU migration, nor would they provide much immediate assistance to the sectors where EU migrants are concentrated. In the event of Brexit, therefore, the impact of ending free movement on these sectors would likely be significant and damaging.

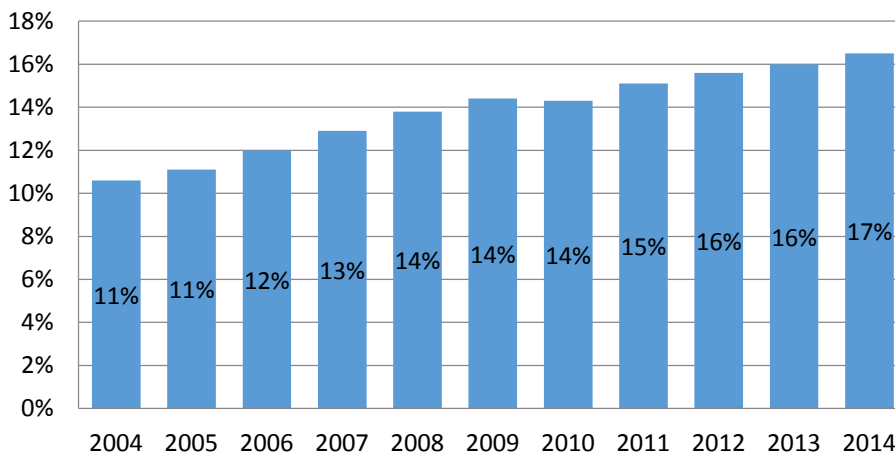
1. EU workers in the labour market

Overview of the labour market impact of EU migration

In this section of the report we summarise existing evidence on the labour market impacts of migration, particularly in low skilled sectors. We present key statistics² and research evidence on the presence of migrants across and within industry sectors.

Many workplaces have seen a change in the characteristics of their employees in recent years, with the increase in EU migrants the one attracting most comment outside academic circles. Others include feminisation and an older workforce. Overall, the proportion of working-age people in the UK who are foreign-born has gradually increased in the last ten years or so. It grew from 10.6 per cent in 2004 to 16.5 per cent in 2014 (see Figure 1). Most foreign-born workers are from outside the EU (11 per cent of the total UK working-age population in 2015). While numbers of workers from the EU and non-EU countries have increased over time, migrants from Eastern Europe (EU8 and EU2³) have provided the largest relative increase, rising from 0.2 per cent in 2005 to 2.6 per cent in 2014 (see Figure 2).

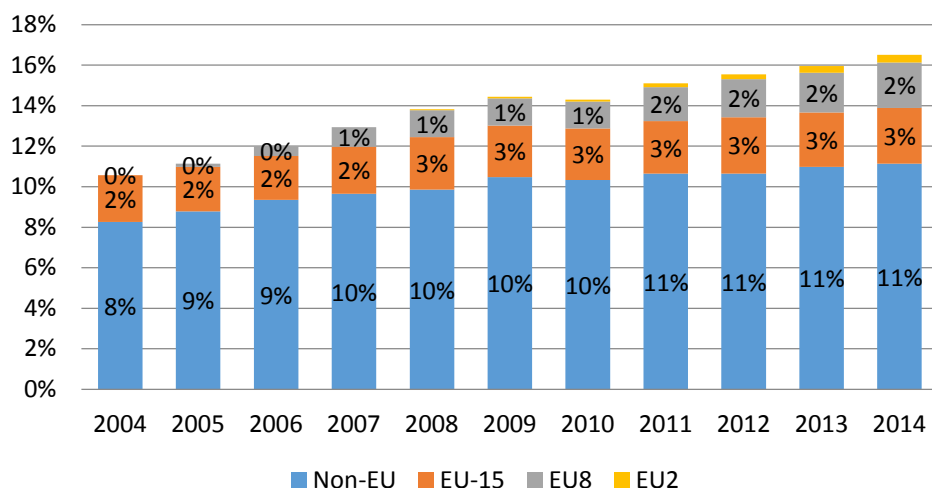
Figure 1: Proportion of working-age UK population who are foreign born



² We have sourced statistical data from the Labour Force Survey (LFS) produced by the Office for National Statistics (ONS) 2004 to 2014, Q4 data. Analyses are based on the UK working-age population, defined as 16 to 64 for men and 16 to 59 for women. Migrants are defined as those who are foreign-born (Rienzo 2014). The LFS does not contain information on short-term migrants; those who do not live in households, such as those in hotels, caravan parks, and other communal establishments; asylum seekers; and migrants working without the legal right to live and/or work in the UK.

³ The EU8 countries joined the EU in 2004. They are Estonia, Poland, Czech Republic, Hungary, Slovenia, Slovakia, Lithuania and Latvia. The EU2 countries, Romania and Bulgaria joined in 2007 but the UK placed transitional controls on the full right of these countries' citizens to work until January 2014.

Figure 2: Proportion of working-age UK population who are foreign born, by non-EU and EU country groupings



Within the ten or so years that have seen this increase in EU labour migration, a body of research evidence has been built. Much of this research has been small scale, focused on particular sectors or geographical areas of the UK. At the same time it provides general insights into the effect that EU migration has had on the labour market and its institutions. The focus of this research has been on:

- The process of concentration of EU migrants in low skilled industries and occupations from around 2005
- The impact on jobs and wages, particularly at the lower skilled end
- The demand for labour and its drivers in shortages, costs and competitiveness
- The supply of migrant labour, its demographic profile and presence within particular industries

The concentration of EU migrants in low skilled work

Migrant labour is associated in the public mind with low skilled workers from the EU, in particular Eastern Europe (Rolfe et al, 2013). Yet this is a fairly recent phenomenon. As we showed earlier, the proportion of working-age people in the UK who are foreign-born gradually increased from 10.6 per cent in 2004 to 16.5 per cent in 2014, with migrants from Eastern Europe showing the largest relative increase over this period (see Figure 2). This growth took off when the ‘A8’ or ‘EU8’ Eastern European accession states joined the EU in 2004. This changed the skill profile of EU workers and of migrant labour more widely. As recently as 2002, only one low skilled occupation was in the top ten of jobs with the highest shares of foreign-born workers. This was food preparation trades, which at that time had a sector-based scheme allowing employers to recruit from abroad (Migration Advisory Committee, 2013). By 2014, half of the top ten with the highest proportions of foreign-born workers were low skilled occupations, including cleaning and housekeeping, food preparation and hospitality, assemblers and routine operatives (Rienzo, 2014). The food manufacturing sector still has the

highest share of foreign-born workers, accounting for 38 per cent of employees, up from around 8.5 per cent in 2002. This concentration in low skilled work is reflected in low pay: median hourly pay for Eastern European migrants was £7.50 in 2014, compared to £10.63 for UK workers and £12.68 for those from older EU member states (CIPD, 2014).

While they are over-represented in low skilled work, EU migrants are also strongly represented in highly skilled occupations as a result of the presence of migrants both from the older member states and from outside the European Economic Area (EEA). Migrants from the older EU member states have a strong presence in professional occupations: almost a third are in such roles, compared to around 20 per cent of UK-born workers. In contrast, a third of migrants from Eastern European accession states (A8 countries) are in elementary, unskilled occupations. This group is, however, over-represented in skilled manual trades, where around one in six is employed, compared to close to one in ten of UK-born workers (Wadsworth, 2015). Aside from their education profile, though not unrelated, is the average age of EU migrant workers. While just 12 per cent of UK workers are aged between 25 and 34, 42 per cent of Eastern European migrants are in this age group, and 19.6 per cent of workers from the older member states (LFS, 2014).

They are also unevenly distributed across the UK. EU migrants account for eleven percent of London's population, and 25 per cent are born outside of the EU. While EU migrants are concentrated in London and the South East, those from Eastern Europe are more widely distributed across the UK, with the exception of Wales, the North East and Northern Ireland where their numbers are small (Oliver, 2016).

Case study sectors: hospitality, food and drink and construction

Our focus is on the sectors of hospitality, food and drink and construction. While there is a reasonable body of evidence on the presence of migrants in these sectors, research evidence of migration impacts is more patchy, less academic, more policy-oriented and sometimes less than robust. We provide a brief summary of statistical and research evidence on the presence of migrants in each sector below, looking at wider evidence in relation to our findings in subsequent sections of the report.

Hospitality

The hospitality sector is classified within the tourism industry which employed 2.8 million people in 2013. The largest sub-sector is food and drink serving, from which we have drawn our case studies. This sector accounts for 1.2 million workers, with accommodation accounting for a further 360,000 jobs. The tourism sector as a whole has grown considerably in the UK, and more quickly than other industries, with output increasing from £49 billion in 2008 to £56 billion in 2013 (Rhodes, 2015).

The hospitality sector's growth has been accompanied by an increase in the proportion of migrants working in UK hospitality. It has employed a higher than average proportion of migrants for many years, but it increased from 19 per cent in 2004 to 28 per cent in 2014 (see figure 3), making it one of the largest employers of migrant workers. Migrants from outside the EU have consistently been the largest proportion of foreign workers in the hospitality industry (see figure 4). Eastern European (EU8 and EU2) migrants have seen the largest increase, together making up 7 per cent of the total UK hospitality workforce by 2014. The official figures are likely to under-estimate the proportion of

migrants in the industry since they exclude people living in employer accommodation, as well as undocumented migrants.

Figure 3: Proportion of Migrants Working in UK Hospitality.

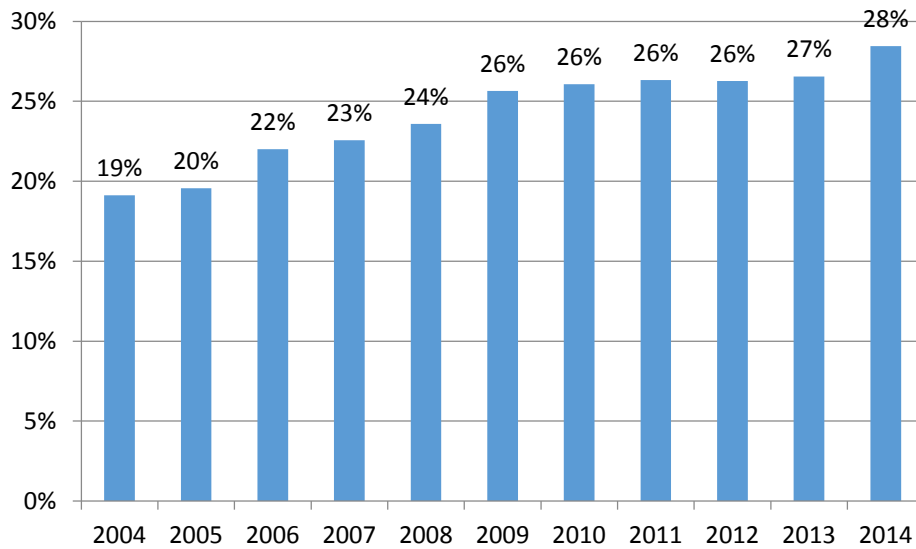
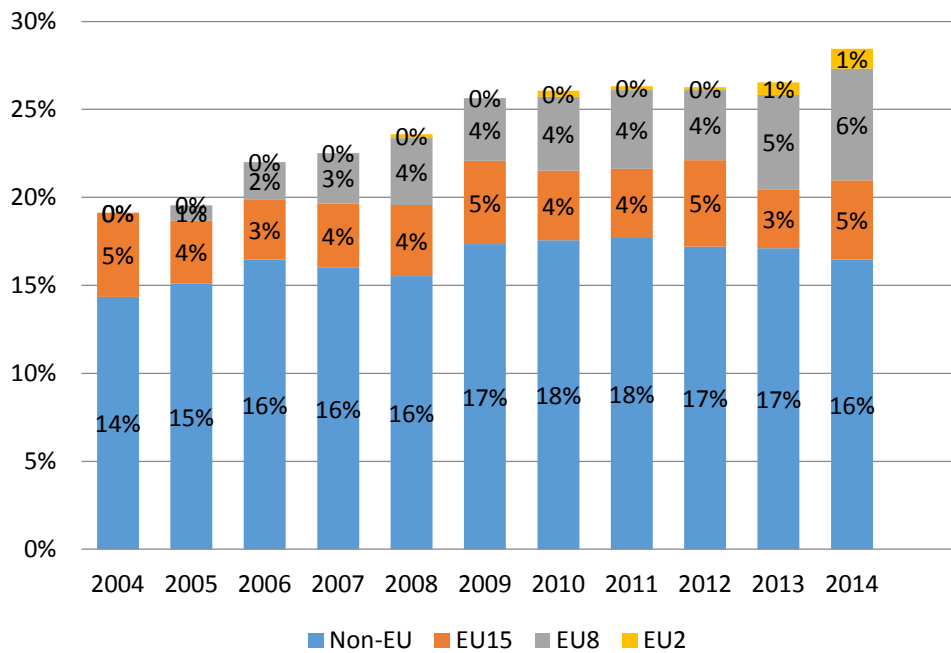


Figure 4: Proportion of Migrants Working in UK Hospitality, by non-EU and EU country groupings



Foreign-born hospitality workers are unevenly distributed across the UK. In the South East, almost a third of the sector’s employees are migrants, and in London almost three quarters (figure 5).

Hospitality workers from overseas are also most likely to be working in parts of the sector: almost two-thirds work in restaurants and one in five in hotels (see figure 6).

Figure 5: Proportion of migrants working in hospitality, per region in 2014

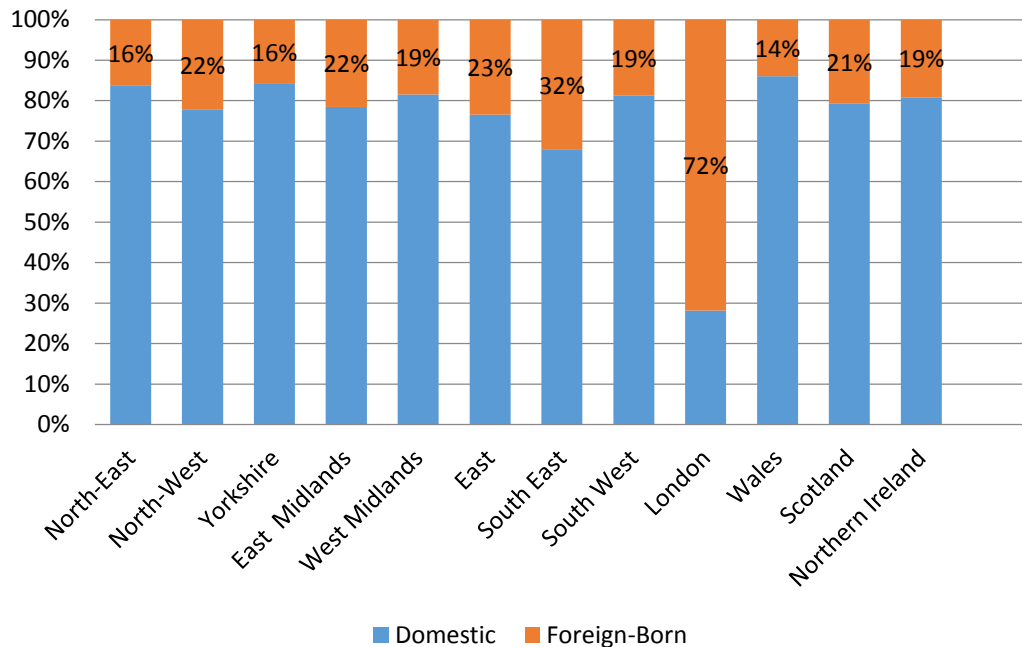
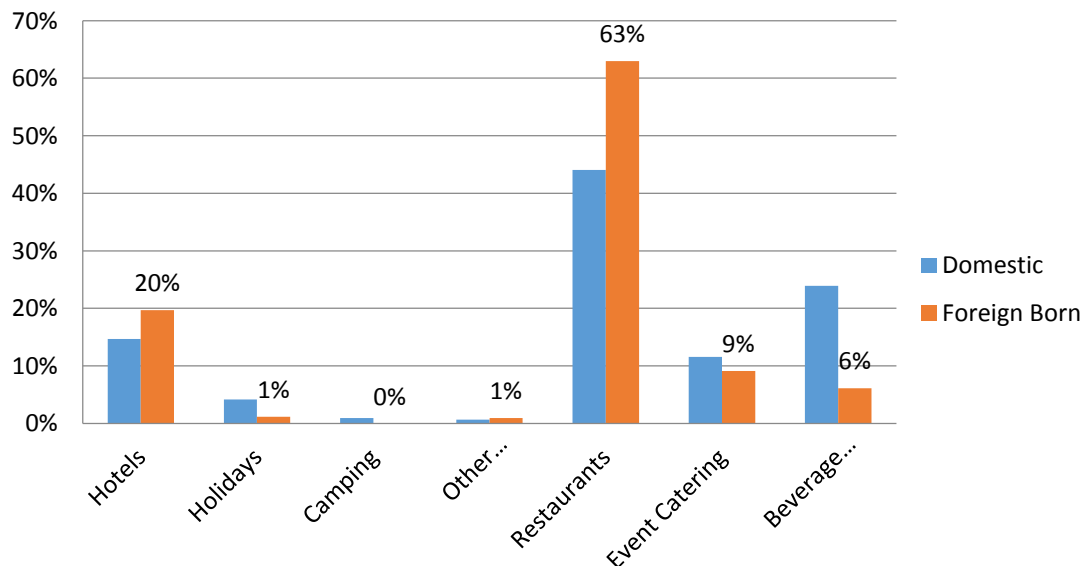


Figure 6: Job Composition of Domestic and Foreign-Born UK Hospitality Workers, 2014.



Other features of the hospitality sector include an over-representation of women, who make up around 60 per cent of the labour force; a younger than average age profile; a proliferation of part-time opportunities, with around half of jobs less than full-time; and extensive use of temporary and flexible contracts, including those offered on a 'zero hours' basis. The seasonal nature of parts of the

sector and fluctuating demand for labour drive the use of these arrangements (Markova et al, 2013). The sector has experienced long term skills gaps, with the industry itself reporting these in the generic areas of customer handling, communications, IT, problem solving and specific technical skills (Institute of Hospitality, 2011).

Food and Drink Manufacturing

The UK's manufacturing industry employs around 2.6 million people in the UK. Its share of UK economic output, in terms of Gross Value Added (GVA), has been in decline for many years, down to 10% in 2014 from 30% in the 1970s. The workforce has declined correspondingly, down to its current level from 5.6 million in 1982. Food production, including beverages and tobacco, is one of the largest sub-sectors, accounting for 16 per cent of manufacturing output in 2014. Food production employs around 400,000 people.

The food and drink sector has historically employed migrants, but until ten years ago their proportion was no higher than in the economy as a whole. Both the number and proportion of the workforce have grown steadily, so that they now represent more than a third of all employees in the sector (see figure 7). This growth is largely attributable to an increase EU8 migrants in the sector. This group alone made up 21 per cent of the entire UK food and drink manufacturing workforce in 2014 (see figure 8).

Figure 7: Proportion of Migrants Working in UK Food and Drink Manufacturing

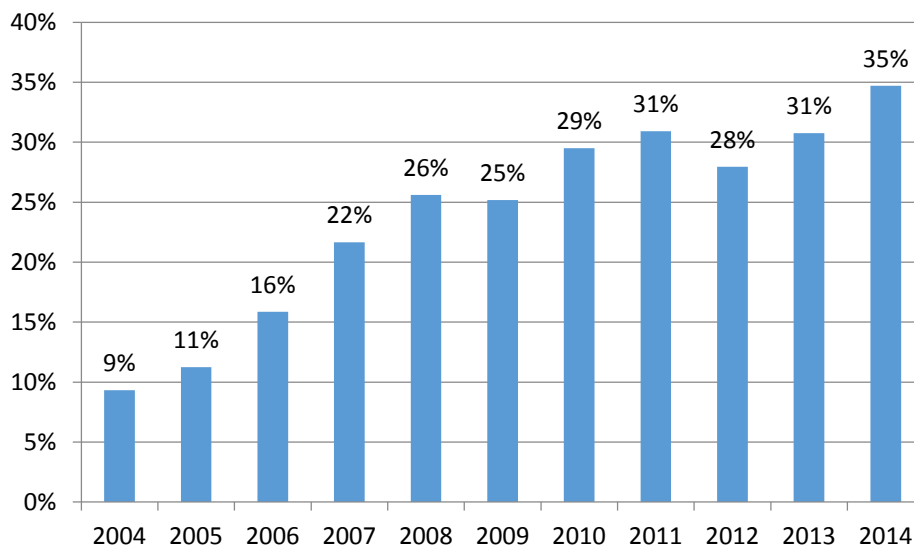
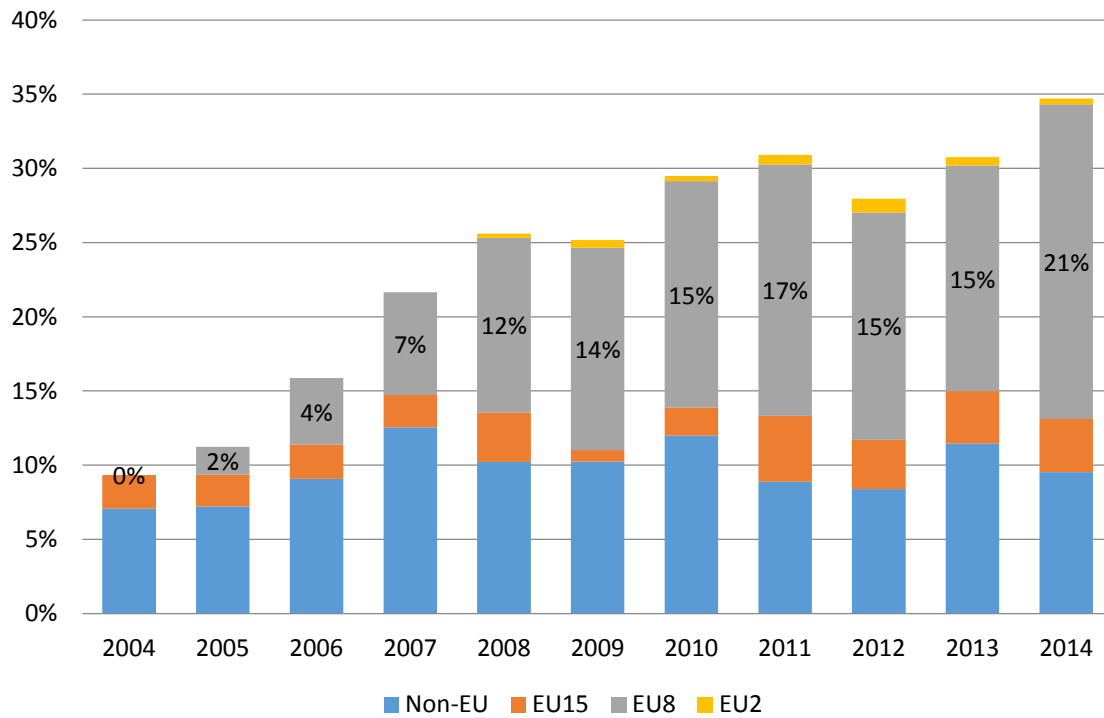


Figure 8: Proportion of Migrants Working in UK Food and Drink Manufacturing, by non-EU and EU country groupings



There is some variation in the geographical concentration of migrants working in the food and drink manufacturing sector, with the East of England and the South West holding the highest proportions at 40 per cent, followed by the East Midlands and Yorkshire (see figure 9). Migrant labour is heavily concentrated in the meat, and fruit and vegetable production and preservation industries (see figure 10).

Figure 9: Proportion of migrants working in food and drink manufacturing per region (2014)

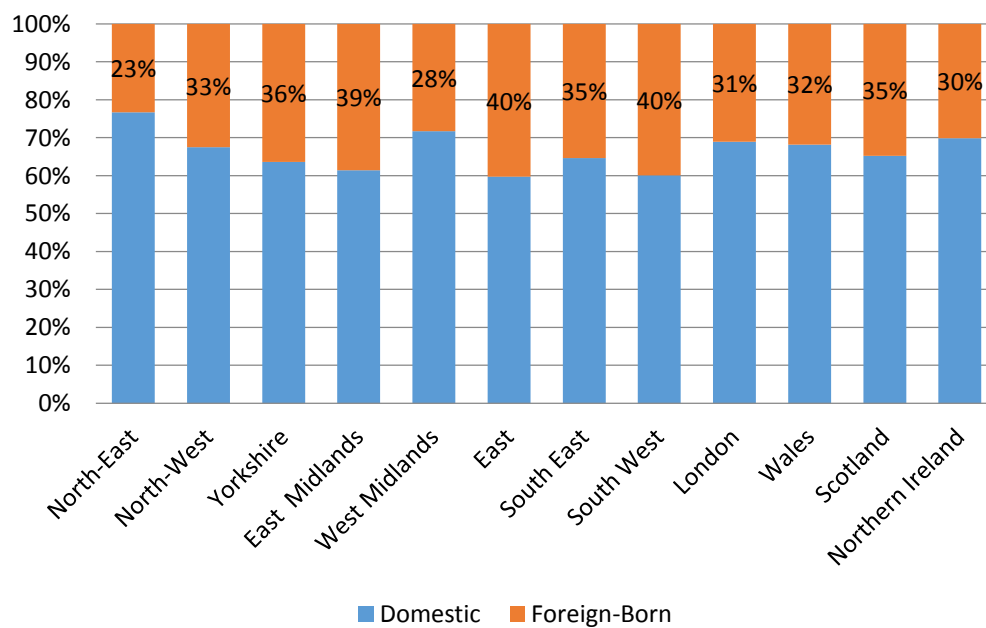
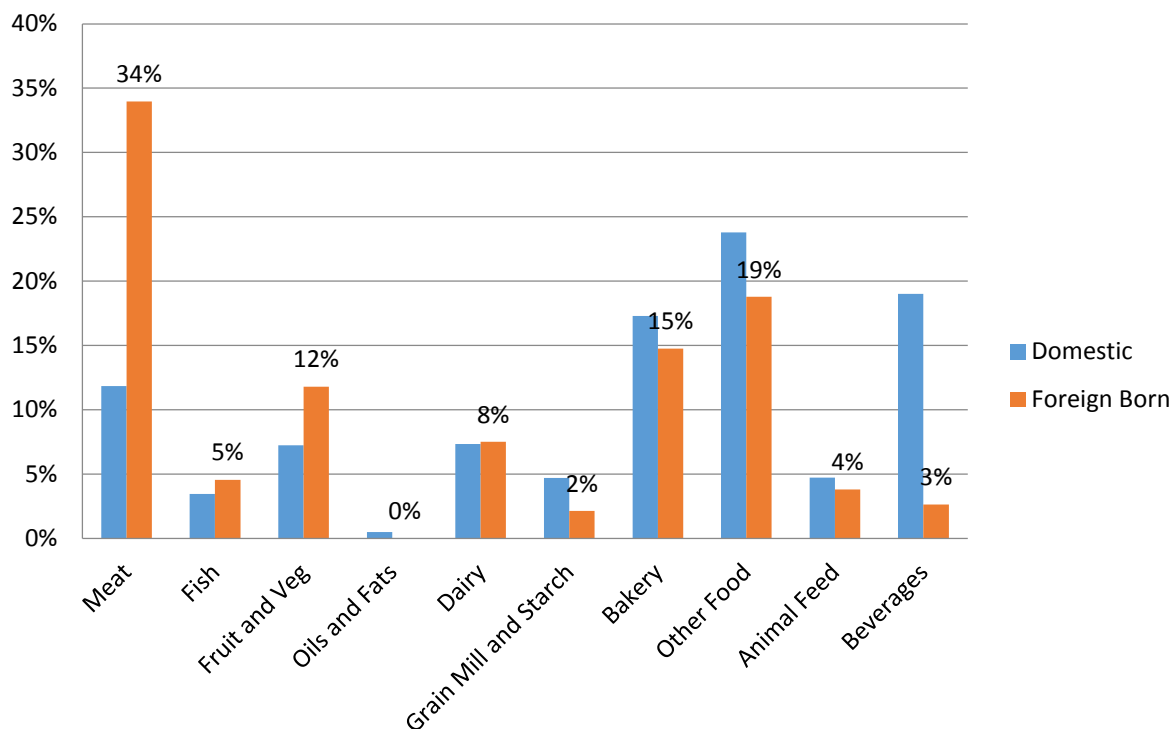


Figure 10: Job Composition of UK Food and Drink Manufacturing Workers, 2014.



Other features of the food and drink industry include the concentration of migrant workers in low and unskilled work and in larger enterprises. The industry includes a high proportion of small businesses and is widely distributed geographically across the UK, including in small towns and rural areas (Geddes, 2008). It also shares some features with the hospitality sector, such as seasonality, fluctuating demand for labour and a predominance of low and unskilled work opportunities. Some parts of the sector also involve unpleasant conditions and entail arduous work (Geddes, 2008).

Construction

Around 2.1 million people work in the construction industry. In the last ten years, employment has been steady, although it took a tumble in 2009 and 2010 as a result of the recession. Overall, migrants are not over-represented in the construction sector, with their proportions roughly similar to the economy as a whole. The proportion of migrants working in UK construction increased between 2004 and 2014, with the exception of 2010 and 2011 (see figure 11). This is probably explained by the recession and departure of some migrants either from the industry or from the UK altogether. Non-EU migrants consistently contribute the largest foreign labour workforce to the UK construction industry, averaging around 5 per cent of the total. The increase in foreign workers in the construction industry in recent years is largely attributable to the growth in EU8 and EU2 migrants (see figure 12).

Figure 11: Proportion of migrants working in UK Construction

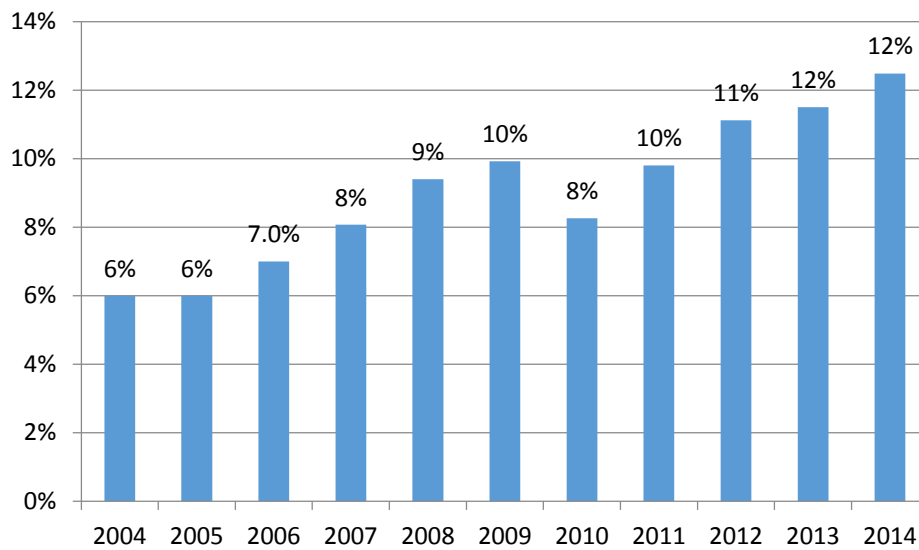
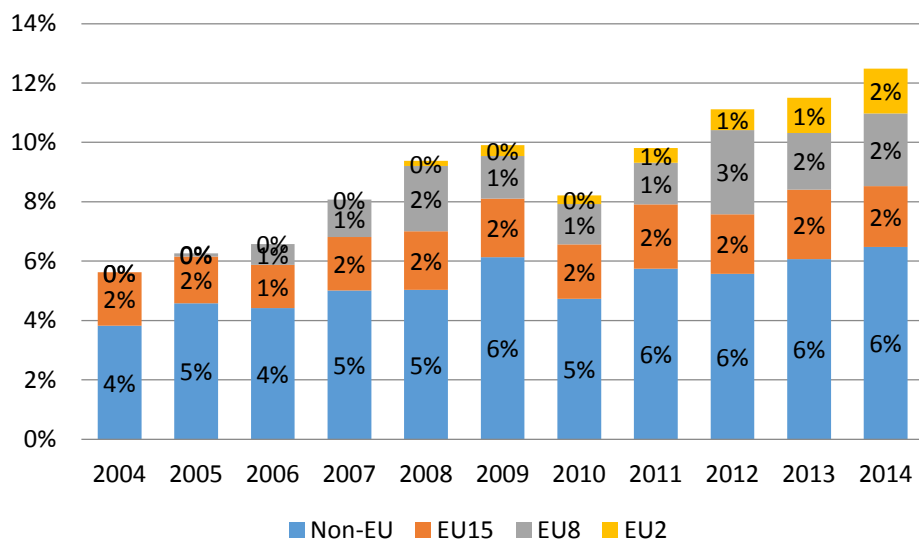


Figure 12: Proportion of migrants working in UK Construction, by non-EU and EU country groupings



One of the striking features of migrant labour in the construction sector is its heavy concentration in London, where it makes up more than half of the workforce (see figure 13). Migrant workers are also highly concentrated in the construction, completion and finishing of buildings (See figure 14).

Figure 13: Proportion of migrants working in construction, per region in 2014

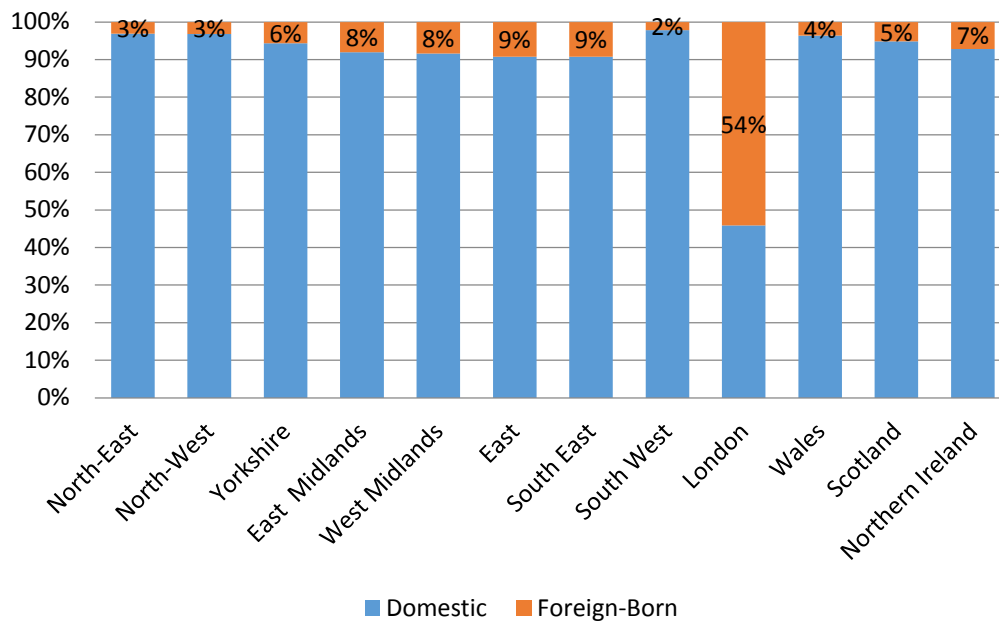
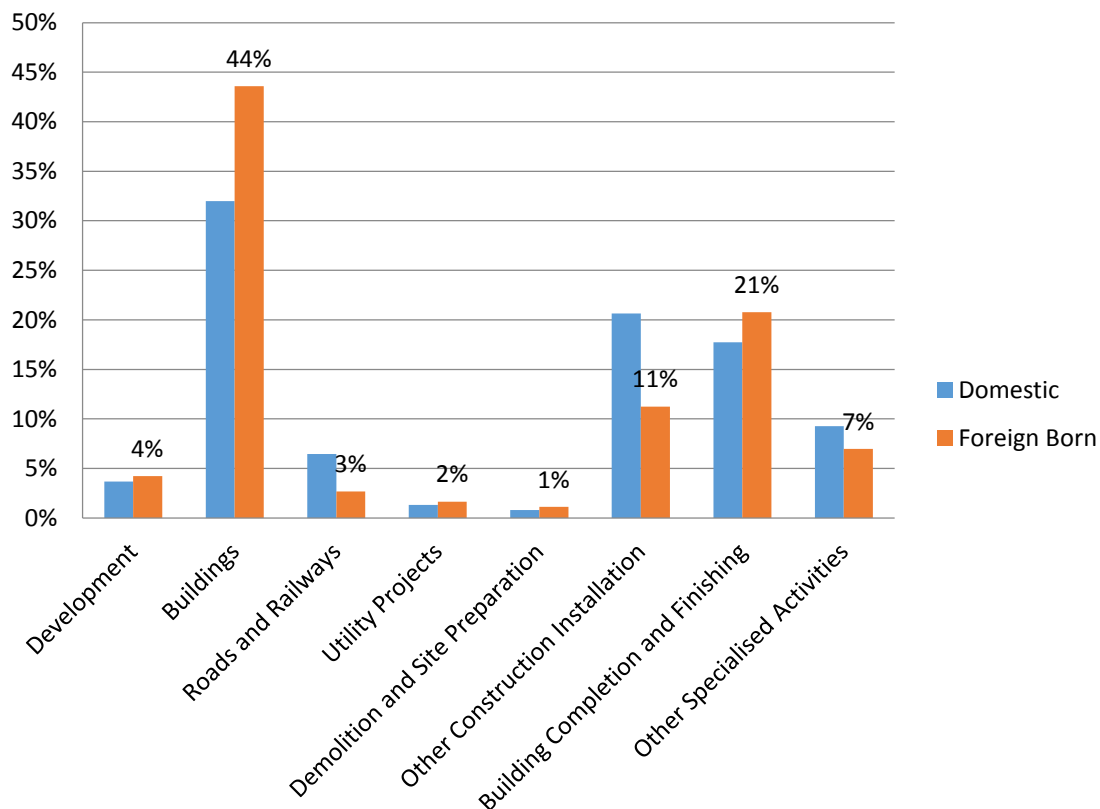


Figure 14: Job Composition of Domestic and Foreign-Born UK Construction Workers, 2014.



Other features of the construction industry include the predominance of low skilled work and low levels of formal qualifications in the workforce. It is a volatile sector with a fluctuating demand for labour which has promoted the use of temporary employment. The business model of the industry is based on sub-contracting into smaller units of work, and self-employment is common.

Despite the presence of international migrants, including from outside the EU, the sector has a predominantly white male workforce and low proportions of women and Black, Asia and Minority Ethnic workers, especially in the manual trades. While demanding a wide range of professional and technical skills, roughly a third of workers are not qualified even to the level of NVQ level 2 and fewer than half have completed an apprenticeship. Migrants are over-represented in low skilled work and there is evidence of under-utilisation of high-level skills (Chan et al, 2008).

Having mapped out some of the key features of our three case study sectors, we will now present the case study data, alongside existing evidence from research literature.

Key points

Our analysis of Labour Force Survey data tracks the increased presence of EU migrants in the labour force over the last ten or so years, and in particular the role played in this growth by the accession of Eastern European member states in 2004. The proportion of the working population who are born outside the UK has increased gradually since that time. In 2004 it was 11 per cent, but by 2014 it had grown to 17 per cent and has risen since.

While migrant labour is associated in the public mind with low skilled workers from the EU, and particularly Eastern Europe (Rolfe et al, 2013), most of the increase in migrant workers is accounted for by people from outside the EU. However, migrants from other EU member states have provided the largest relative increase in recent years. This growth took off when the 'EU8' states joined the EU in 2004.

The presence of Eastern European migrants in the labour force has changed the skill profile of EU workers and of migrant labour in the UK. In 2002, only one low skilled occupation was in the top ten jobs with the highest share of foreign-born workers, but by 2014 half of these occupations were low skilled. They include food preparation, hospitality, cleaning and housekeeping.

EU migrants are also strongly represented in highly skilled occupations, as a result of both the presence of migrants from other EU member states and migrants from outside the EU through visa arrangements. While those from Eastern Europe are under-represented in professional occupations, they are over-represented in skilled manual trades, where around one in six is employed, compared to one in ten UK-born workers (Wadsworth, 2013). On average, EU migrants are younger than UK workers, particularly those from Eastern Europe. Their distribution across the UK is uneven, with those from older member states concentrated in London and the South East, reflecting their professional roles. Eastern European migrants are more evenly distributed across the UK.

Our case study sectors of hospitality, food and drink and construction have all seen increases in their migrant workforces in the last ten or so years. Hospitality is one of the largest employers of migrant workers, accounting for 28 per cent of its workforce in 2014, with the rate of increase explained by migration from Eastern Europe. Migrants have an even stronger presence in food and drink manufacturing, at around 35 per cent of the workforce, with this growth largely attributable to Eastern European migration. The construction sector is a little different, with migrants not particularly over-represented across the UK as a whole, but accounting for more than a half of the sector's workers in London. As in the other two sectors, the increased presence of migrants is accounted for by workers from Eastern Europe.

2. Migrants in the workforce

We look now at how our case study companies used EU migrants, at the different proportions they employed, the roles they carried out and the broad characteristics of their migrant workers. Employers' use of EU migrants varies widely within, as well as between, industry sectors. Our research included not just employers who recruit substantial numbers of EU migrants, but also those who recruited fewer. These differences reflected sector and location as well as differences in strategy and employment practices.

The role played by EU migrants varied in each of the sectors. Among the **hospitality** case studies the proportion of EU migrants employed ranged from very low at just a handful of workers or fewer, to more than 25 per cent. One of the case study firms, a restaurant/café based in London, said that migrants account for 98 per cent of the workforce. The hospitality employers typically used EU migrants in room servicing, kitchen positions, waiting and bar work. A number of the case study employers said they were reliant on EU migrants to meet the demand for kitchen staff, including chefs as well as unskilled workers. In businesses with a seasonal element, the proportion of EU migrants rose significantly at busy times of year: one resort hotel in the South West boosted its EU migrant workforce from 25 per cent to 45 per cent during high season.

The proportion of EU migrants in the **food and drink** case studies was reported to be higher than in the hospitality companies, supporting the statistical evidence. Of the six, only one reported an EU migrant workforce of below 30 per cent. Indeed, a cake manufacturer in the South West had an EU migrant workforce of 60 per cent. Migrants were employed in production work, including in supervisory roles, and in some cases in administrative and management roles. The skill level of production work was described as semi-skilled to skilled, involving operating complex machinery and IT control systems. As in the hospitality sector, seasonal workers boosted the EU migrant workforce, with these workers accounting for most of this additional labour.

The **construction** companies included a wide range of businesses and skill requirements. Reflecting the industry as a whole, the proportion of EU migrants was reported to be lower than the other two sectors, at 10 per cent or less in most cases. However, where labour demand fluctuated, EU migrants were reported to form a higher proportion of the workforce, for example in power station servicing. Reflecting heterogeneity in the type of business, EU migrants were employed in both skilled and unskilled work, but also in highly skilled and professional roles.

The demand for low skilled and temporary labour

Some general patterns can be identified across the case study sectors and firms. These are first the concentration of migrants in lower skilled posts, particularly in hospitality and food and drink, but also their recruitment for more skilled roles where shortages exist, as in construction engineering and professional services. The second pattern concerns the use of migrants to expand the workforce during busy times of year or when labour needs fluctuate. This was found across sectors: in hospitality because of the seasonal nature of tourism; in food and drink because of fluctuating and seasonal demands for products; and in construction because of the contract-driven nature of demand and large labour requirements for relatively short periods of time. Companies across

sectors had much higher proportions of local workers among their permanent or core staff, and in some cases the seasonal workforce was very largely migrant. Some of the case study companies had developed business strategies to iron out fluctuations and increase the size of their core workforce. For example, two hotel chains had expanded their business outside of peak holiday periods and a cake manufacturer was marketing its products to retailers as frozen rather than fresh. Labour considerations were partly behind these strategies, in enabling employers to predict and plan their requirements with more certainty. In one case, labour considerations were the most important factor. The manager of a resort hotel in the South West, which had difficulty in attracting staff explained:

“We made a decision to become a year-round business and carry a large team through the winter and stay open and focus on the winter months and accept that we would lose money.”

Efforts to iron out peaks and troughs in business reduced the need to use agencies and temporary contracts but, in some cases, increased the need for flexibility in hours of work. However, the scope to reduce fluctuations in demand is limited, and one budget holiday chain still had to increase its staff by around 60 per cent during summer months, despite introducing a new winter break programme. Construction employers felt they could not bring more predictability to contracts and therefore expand their core workforce.

Labour demands were also affected by expansion plans which were underway in a number of the food and drink and hospitality firms. Some of the construction firms were also slowly expanding, having downsized considerably during the 2008 recession. The availability of migrant labour was a consideration in firms’ expansion plans. The manager of the resort hotel quoted above explained:

“The fact is that 25 per cent of our workforce is from the EU at the moment. If we didn’t have those people we would really struggle because we struggle now. So I do think it’s been an important factor in our growth.”

Some employers reported that they are now recruiting migrants in smaller numbers than a few years ago, which they explained with reference to a decline in the numbers coming to the local area and relocation of some staff back to their country of origin. A biscuit manufacturer in Scotland had a workforce of 50 per cent EU migrants in 2007, rising to 70 per cent in 2014 and down to 30 per cent in 2016. This fall was explained by the growth of other, better paid, opportunities, for example in the construction industry. Employers experiencing fluctuations in the supply of EU migrants were of the view that this source of labour cannot be relied upon, and that other, long-term solutions must be found.

History of recruiting EU migrants

Each of the three sectors has a history of employing migrants and other types of temporary labour. This stems from features of their sectors, workplaces and the employment offer. The hospitality sector experiences high labour turnover and seasonal fluctuations, and has long been reliant on workers in secondary labour markets, young people, students, women, ethnic minorities and migrants (Lucas, 2008). These features are shared by food and drink manufacturing, particularly seasonality, fluctuating demand for labour and a predominance of low and unskilled work

opportunities. Some parts of the sector also involve unpleasant conditions and entail arduous work (Geddes, 2008). As with hospitality, it has been reliant for some time on workers within the secondary labour market, including Travellers, new migrants and workers displaced from traditional industries such as mining (Scott, 2013). It has also been characterised as a 'revolving door industry', taking in new migrants who then move on to other industries and better-paid work (Scott, 2013). Construction has also a long history of employing migrants, particularly in low skilled work, with Ireland the principal sending country (CIOB, 2015).

Most of the case study companies had been recruiting EU migrants for some time, generally soon after the accession of Poland and the other seven 'A8' Member States in May 2004. Poland continued to be the main country of origin among migrant workers, but others included Lithuania, Latvia, Hungary, Slovakia and the Czech Republic. The number of Romanians and Bulgarians were reported to have increased, reflecting the full accession rights of these Member States from 2014.

We asked employers who they recruited before they were able to recruit Eastern European migrants. Those who had worked for their company for long enough to know said they had recruited other migrants. In the hospitality and food industries these included workers from elsewhere in Europe, in particular Portugal. Some employers said they previously had a higher proportion of migrant workers from outside the EU. A number of employers in the hospitality industry continued to recruit Southern European workers, particularly from Portugal and Spain but in some cases more widely, including France and Italy. Workers from older Member States were reported to be more common than Eastern Europeans in the building professions of project management and surveying.

Characteristics of EU workers

Employers described their migrant workforce as generally younger than their UK-born workers. In restaurants and coffee shops, the age profile was reported in the twenties. In manufacturing, the age range extended a little higher, to include people in their 30s and early 40s, but the majority were said to be aged 25 to 35. In this respect, they were reported to be somewhat younger than the UK-born workforce. The age range in construction was somewhat higher, with some employers recruiting migrants up to the age of 60, explained by the need for skills and experience as well as the ageing profile of the workforce Europe-wide. While in construction the migrant workforce was reported to be almost entirely male, in hospitality and in food and drink the male/female ratio was reported to be fairly even.

The extent to which migrant workforces were newly arrived, itinerant or settled varied between sector and employer, and in particular according to whether EU migrants were part of the permanent or temporary workforce. Across all three sectors, migrants on permanent or long-term contracts were reported to be settling in the local area with partners and children. Seasonal and temporary workers were reported to have different characteristics according to the type of business and location. EU workers employed in seasonal work were reported to be largely either single or in couples, but without children. For example, two large pub and hotel chains in the South West recruited young European seasonal workers who they believed work in European ski resorts in the winter. Non-EU migrants were also employed for seasonal work, but were in the minority. In the construction companies, no differences in characteristics were reported between workers on shorter and longer term contracts, except that those working for very short periods often spoke little English. This difference was not reported by employers in the other two sectors. Native speakers, usually Polish, were recruited to supervisory positions to communicate with non-English speaking

workers at the same rate as UK-born supervisors. It was reported that in some building sites around a third of supervisors are Polish.

Under-use of skills and opportunities for progression

The employment of EU migrants in positions beneath their qualification level has been well documented. Reasons are thought to include language, non-recognition of qualifications, recruitment via agencies and discrimination (Papademetriou et al, 2009; Trevena, 2011; Campbell, 2013; Green et al, 2013; Rosso, 2013). Migrants may sacrifice use of skills for short-term gains, such as learning English or establishing contacts (Anderson et al, 2006). It may also be explained by their choice of industry, with entry being easiest in construction and hospitality for example. Jobs in these sectors are both available and have attractive features to migrants, including flexible hours and overtime opportunities (Green et al, 2013; Pauritus, 2014).

We asked employers whether they employed migrants at a level matching their skills. A number of employers were aware that their EU workers included some highly qualified individuals who were working in low skilled jobs. As one employer in a cafe/restaurant chain remarked:

“We’ve got people who have got engineering degrees. I’ve got one guy who was a stockbroker moving millions of pounds around for other people. He’s working as a waiter. He’s like, ‘I don’t speak English properly, you know my English is not good enough to do that..”

This employer felt there were opportunities for advancement for migrants within the company, at least to branch management. A number of other employers agreed that there were prospects, but they were limited, in the food industry for example, to shift or team leader roles. It was also apparent that some employers only knew by chance that some migrant workers had high level skills. A biscuit manufacturer discovered that a production worker had worked as a qualified auditor in Poland, and was able to use her skills to carry out risk assessments and training. She was seen, however, as exceptional, with the firm unable to use skills and qualifications of other EU migrants.

We also asked employers if employees can progress within their organisation. A number were keen to emphasise that their usual practice is to recruit from within, and that this opportunity was extended to Eastern European and other EU migrants. Some employers offered training opportunities, for example NVQs, and had developed structured career paths giving staff the opportunity to work across all areas of work to gain experience for development and promotion. A number offered apprenticeship programmes, with these posts filled largely by UK workers. Outside of formal training, a number of employers said their company ethos was to encourage progression of all staff, whether UK-born or not. Some hospitality employers reported good rates of progression among EU migrants, for example the manager of a large budget hotel chain explained:

“Seventy per cent of our hotel managers and assistant hotel managers come from the team member population and that’s across the piece. We do find a number of Eastern European colleagues are better qualified. There seems to be quite a lot of commitment to the job and to progressing.”

Another employer reported progression of Eastern European migrants from reception work to senior posts in finance and accountancy. One food and drink employer reported that higher rates of progression among migrant employees had caused some resentment among UK workers who felt they had been 'overlooked'.

Key points

Variations in the use of EU migrants between case study firms were explained by the location of businesses and by their requirements for temporary and seasonal workers. Companies across sectors had much higher proportions of local workers among their permanent or core staff and in some cases had seasonal workforces composed almost entirely of migrants. Companies had tried to reduce the degree of fluctuation in demand for labour through various means, but the need for additional temporary staff remained.

All three sectors, and the case study companies, have a history of employing migrants, explained by their demand for seasonal labour and by difficulties recruiting UK workers. Most of the case study companies had been recruiting EU migrants for some time, generally soon after the accession of the 'A8' Eastern European member states in 2004. Employers' descriptions of the role played by migrants in their companies confirmed their concentration in low skilled work. However, employers also said there was some movement upwards into supervisory and management roles.

The on-going availability of migrant labour was a factor in firms' expansion plans. However, some employers said they recruited a smaller number of migrants than in the past and felt they could not rely on their continued supply. They had not found an adequate alternative source, either locally or further afield.

3. Recruitment and employment contracts

One objective in conducting the research was to assess the extent to which migration has impacted on the labour market through changes in practices such as recruitment and contracts. We therefore explored with employers how they recruit migrants and non-migrant employees, and the terms on which they employed them. We particularly wanted to look at the role of agencies and flexible contracts, which have been associated with the increased use of migrant labour.

Direct methods of recruitment

Employers said they use a range of methods and approaches to directly recruit both permanent and temporary staff. These involved their company websites, other Internet job sites, local newspapers and radio station broadcasts. A number of employers said they were increasingly using social media for recruitment. Traditional methods still remained important, with some employers in food and drink saying that newspaper advertisements remained a major source of recruitment. Employers across sectors also recruited through Jobcentre Plus (JCP). As well as referring job seekers, this included running recruitment days at JCP offices. Some larger employers, particularly those with a seasonal workforce, ran careers events in locations such as hotels. Hotels also used banners on their buildings to advertise staff vacancies. Some had also held road show recruitment events in areas of high unemployment across the UK.

Regardless of the number of applicants they succeeding in attracting, many employers in food and drink and hospitality reported high rates of applicant drop out at all stages. Some employers described the recruitment process as characterised by potential recruits selecting or deselecting themselves rather than a formal process where an individual's suitability would be formally assessed. This applied particularly to low skilled jobs in hospitality where employers explained it with reference to lack of appeal of the nature of the tasks involved, expectations in relation to productivity and shift work.

The role of agencies in expanding the migrant workforce

The migration literature refers to widespread use of agencies to recruit migrants, particularly from Eastern Europe. In the first years after accession of the EU8 countries, agencies were active in recruiting migrants to low skilled work, including within sending countries. This was explained by acute labour shortages at the time (Metcalf et al, 2008; Rolfe and Metcalf, 2009). Analysis by the Migration Advisory Committee shows that migrants, and especially recent migrants from the EU8 and EU2 countries, are over-represented among agency workers in the UK (MAC, 2014).

Existing research points to high rates of use of agencies in the three case study sectors. The hospitality sector has high rates of labour turnover, and larger employers in particular have to recruit new staff almost continuously and undergo larger exercises at busy times of the year. Research has documented the role played by agencies in recruitment to the **hospitality** sector, including the practice of recruiting migrants from their countries of origin (Markova et al, 2013; Batnitzky and Mcdowell, 2013). As with the hospitality industry, the **food and drink** sector has high rates of labour turnover as well as labour demand which fluctuates according to supply of produce and demands of food retailers. Surveys and qualitative research have found use of agencies to be very common to

address fluctuating demand and linked to the strong presence of migrants in the sector (Ci Research, 2008; Geddes, 2008; Hopkins, 2011; Scott, 2013; Green et al, 2013).

Despite evidence of strong use, particularly post accession from 2004, agencies were only used by a minority of the hospitality and food and drink case study employers. Some employers said they currently use them less than in the past and now kept them in reserve for specialist roles, for example in IT or for chefs. They were also used sometimes as a trial for permanent posts. The most usual arrangement was for agencies to carry out recruitment, or 'search and select', only and for individuals to be taken on as employees, on either a temporary or permanent basis. Employers using agencies either contracted with operations within the UK or within Eastern Europe, including Poland, Lithuania, Bulgaria, Hungary and Portugal. Some employers said they selected those particular countries on the grounds that they had staff from those countries already and considered it easier to increase the number from a particular nationality.

Construction employers made regular use of agencies. These both sourced the labour and, if necessary, organised accommodation. One case study employer, itself an agency, established a welding training school in Poland, testing and certificating welders and other skilled trades before supplying them to clients in the UK. These workers were then employed on temporary contracts, which were sometimes converted to permanent jobs. Construction companies also used agencies to recruit highly skilled individuals where these were difficult to find by other means. In the engineering construction industry, there is a requirement for employers to employ agency workers directly on the same terms and conditions as other staff, as a result of the NAECI⁴ agreement with the sector's trade unions. This applied to some of the case study employers.

Some employers across the three sectors said they would prefer not to use agencies, for reason of costs, control of the process and concern at poor practice or quality of staff recruited through this method. Individuals recruited through agencies were described as less likely to wish to stay beyond a few months or to take a permanent post, resulting in higher training costs for the employer. A number who currently used agencies said they had changed their practices having found that those they had used were charging fees to clients or engaging in other poor practices, for example not paying PAYE and National Insurance contributions. As a result, these employers were more careful to check the practices of the agencies they used. A number of the construction employers used their own recruitment team, operating in a similar way to an agency. Some employers said that on-line methods of recruitment and social media were becoming more widely used, making the use of agencies less necessary.

Our findings are in line with other recent research which suggests that the use of agencies to recruit migrants has declined and, in particular, that the practice of direct recruiting from abroad is much less common than in the past (Jones, 2014). An increase in the supply of local workers, either migrants or UK-born, has been identified as one reason for the decline in the use of agencies by employers (Green et al, 2013). Other factors considered responsible for the lower use of agencies for lower skilled work include cost and concern among employers to improve employee engagement

⁴ National Joint Council for the Engineering Construction Industry <http://www.njeci.org.uk/introducing-the-naeci/>

and workforce cohesion (CIPD, 2015). At the same time, migrants appear themselves to have developed less costly means of finding work, including social networks and standard approaches such as responding to newspaper advertisements (Sporton, 2013).

Use of other intermediaries

Employers used a range of intermediaries to recruit, particularly Jobcentre Plus and local colleges. Existing research finds employers less than satisfied with the services of Jobcentre Plus, and particularly the quality of applicants referred by personal advisers (Metcalf et al, 2008). While this was not a common complaint by case study firms, they were sometimes disappointed with the low number of referrals and applicants which this route delivered. Recruitment events coordinated by Jobcentre Plus were reported to sometimes result in few candidates making an appearance on the day. A construction employer in Wales decided to use agencies having experienced a disappointing response to advertising in Jobcentre Plus.

A number of employers had strong links with colleges and other local training institutions and offered apprenticeships through local training providers, recruiting both UK workers and those from outside the UK. Employers also recruited through colleges, especially when looking for trainees and apprentices, and some carried out more general recruitment events in colleges. These were not necessarily successful, with one hospitality employer reporting that a recruitment day in a college in Oxfordshire for a new opening resulted in only four applications. Employers also said they recruit a high proportion of their staff through speculative applications, sometimes from individuals who have heard that jobs are on offer through existing employees.

Informal methods

The main informal method used by employers was recruitment through word of mouth. This is reported in the migration literature to be a method of job search commonly used by migrants. Researchers have also found migrants make more use of social networks to find work than UK workers. Their use helps to explain why EU migrants seem to find work either before arrival, or very soon after. It may also help to explain the concentration of newly arrived migrants in low skilled work and the predominance of migrants in some workplaces where word of mouth is used extensively (Green et al, 2013; McCollum and Apsite-Berina, 2015). Employers said they did recruit migrants through this method, but that incentive schemes and other informal methods also resulted in local, non-migrant, recruitment. In the construction industry, it was described as a very common method used by UK workers, particularly in engineering construction. Employers using Jobcentre Plus also said they recruited migrants via this route, as well as UK workers. It therefore does not appear to be a method which facilitates recruitment of EU migrants rather than UK workers.

Pay and contracts

Following a review of the evidence, the Migration Advisory Committee (MAC) found most academic studies showed no impact on employment outcomes of native workers (MAC, 2014). Their review of the evidence relating to wage impacts found these to be either modest or not significant at a national level. At a local level, MAC suggests there may be short-term negative effects of low skilled workers, unless migrants are taking hard to fill jobs at the margin of the labour market, but that these have to be shown empirically. There is no firm evidence that competition between migrants and locals has impacted on pay levels, and existing research suggests that the opportunity to reduce

wages or offer less favourable working conditions is not the main motivation to employ migrant workers (Green et al, 2013; CIPD, 2014).

Rates of pay varied widely between the three sectors, with hospitality employers reporting pay rates to a high proportion of their workforce at around the level of the national minimum wage (NMW). Food and drink companies paid above this rate, particularly for machine operatives. Construction employers said that, other than apprentice and skilled labouring where rates are generally low, pay is good, particularly for work at the professional end, but also for skilled trades. Employers said there were no differences in pay between their UK workforce and migrants, other than those which resulted from different roles or skills. Pay levels of temporary and seasonal staff were sometimes lower and could reflect roles. However, employers were keen to dispel any idea that this was because of the high proportion of migrants in such roles: pay rates were argued to reflect both the market and internal financial constraints.

Employers contracting behaviour reflects to a great extent their need for flexibility, particularly in working hours. Existing research finds the need for a flexible workforce driven by fluctuations in demand for employers' goods or services (McCollum and Findlay, 2015). Use of temporary and flexible contracts, as well as sub-contracting, has been found to be common in industries where migrants are employed. The recession encouraged use of such employment arrangements by engendering reluctance among employers to hire for permanent positions (Green et al, 2013). The construction industry was hit particularly hard by the recession and this has placed a stronger premium on flexibility than before: its workforce is divided almost equally between directly employed people and those classified under the industry-specific self-employed tax scheme (CIS, or Construction Industry Scheme) as self-employed. As well as offering employers high levels of flexibility, self employed contracts mean that holiday pay and other benefits are not provided (Chan et al, 2008; Tutt et al, 2013).

The value of flexibility was reflected directly in the contracts offered by case study firms. A number, particularly in hospitality, employed at least a proportion of their staff on temporary contracts to meet fluctuations in demand for products and services. They were also used to give new employees a trial period and to increase their hours if they proved to be suitable. However, temporary contracts were seen to have a downside, in causing high staff turnover among staff who view their status as precarious. Consequently, there was a preference among many employers to offer permanent rather than temporary contracts, but for a minimum number of hours and for these to be flexed up or down. These are widely referred to as 'zero hours' contracts, and were indeed sometimes for as few as four hours a week but often more in the region of 20 or 30. These contracts were said to be standard for the hospitality industry because they allow for maximum flexibility to deal with fluctuations in demand. Another reason for their use was to distribute the less popular shifts, for example weekends, among staff. They were also said to be common in food and drink. Some employers in the tourism industry offered flexible hours over a longer period, increasing them during busy periods and reducing them during the winter. These employers preferred this approach to having a larger temporary workforce.

In the construction sector self employment was common, with some employers reporting that trades people on their books also had their own businesses and worked either for themselves or for other companies. The same practice was reported by companies with a professional workforce, who

said they had a core of permanent staff and a larger pool of consultants. This practice was explained by the need for maximum flexibility at minimum risk.

Additional support to EU migrants

We asked employers whether, outside of any contracting arrangements, they provided accommodation, assistance with English or any other support to their EU migrant workers. We included this question to help us gauge whether employers were adapting their offer to help the recruitment of EU migrants.

Some employers in the hospitality industry said they did provide some accommodation, but that this was largely reserved for temporary seasonal workers because of its cost. This accommodation was also available to UK workers living some distance from home. Provision of accommodation was most common in construction, where contract workers, whether migrants or UK-born, were offered accommodation while working on an assignment.

Few employers offered assistance with English language. A small number in the hospitality and food and drink sectors said they had done so in the past through referrals to a training provider, but that this was no longer offered because government funding had been discontinued. A resort hotel employing more than 200 staff paid one of its workers, a Brazilian, to give weekly English language lessons to members of staff whose English was not good enough for them to work in customer-facing roles. Other employers advertised courses available locally but provided no assistance. Some employers said there was little need for this assistance since some of their migrant workers had better written English than their UK workers, which they explained with reference to the education levels and motivation of some EU migrants. It was also usual practice for some employers in food and drink to screen for spoken English as part of the recruitment process and to reject applicants who are unable to communicate in at least basic English. Health and safety requirements were said to have driven this practice, but another factor was high turnover which some employers had experienced among workers with limited English language.

Key points

Case study employers used a range of methods and approaches to recruit staff, including local newspapers, websites and social media. They used intermediaries including Jobcentre Plus and, to recruit young people, colleges. Although some employers said they used agencies, companies in hospitality and food and drink said they used them less than in the past. Other than in construction, they also said their preferred arrangement was to employ directly.

The practice of recruiting migrants directly from their home country, while found in the case study firms, was not common. This is in line with findings from other recent research which shows employers more able to recruit migrant workers locally and keen to avoid the costs of using agencies. While informal methods are commonly associated with the recruitment of migrant workers, employers said that UK workers are also often recruited through these methods, suggesting that migrant networks did not confer a particular advantage.

Rates of pay varied between the sectors. Hospitality employers said they paid a high proportion of their workforce at around the level of the national minimum wage (NMW), while food and drink companies said they paid above this rate for some roles. Construction employers said that, other

than apprentice and skilled labouring, where rates are low, pay is good, particularly for work at the professional end, but also for skilled trades.

For most employers, flexibility in employee contracts was built into the business model and stemmed from fluctuations in demand for goods or services. A number of case study employers, particularly in hospitality, employed at least a proportion of their staff on temporary contracts for this reason.

Temporary contracts were seen to have the downside of causing high staff turnover among staff who view their status as precarious. Consequently, there was a preference among many employers to offer permanent rather than temporary contracts, but for a minimum number of hours and for these to be flexed up or down. These are widely referred to as 'zero hours' contracts and were sometimes for as few as four hours a week but often in the region of 20 or 30. Self-employment was the preferred contracting arrangement in construction, again driven by the need for flexibility arising from fluctuating demand and business uncertainty.

Employers made minimal additional provision for migrant workers, other than accommodation to temporary, seasonal staff. Support for English language was not common and employers were introducing requirements for spoken English into their recruitment processes.

4. Reasons for recruiting migrants

One of the key objectives of our research was to reach a greater understanding of the reasons why employers recruit EU migrants. We explored employers' reasons for recruiting EU migrant workers and discussed their experiences and perspectives on differences between migrants and British employees. We focused particularly on whether employers who recruit significant numbers of migrants have a preference for such workers and, if so, why, as well as the extent to which their resourcing strategies reflect this. In presenting these findings, we look first at labour shortages and then at skills issues, since these were viewed differently by employers.

Filling vacancies

Overwhelmingly, employers said they recruit EU migrants not because of specific shortages but as a result of a general shortage of UK-born applicants. Many employers found difficulty not just recruiting individuals with specific skills of the standard they wanted or needed, but simply filling vacancies. Many employers emphasised that they do not purposefully source migrants, look to recruit them or have a preference. As one employer stated, "these are the people who we find come to us". A strong message from employers was that migrants enable them to meet their staffing requirements to produce goods and services and enable business growth.

Our findings are in line with recent research which finds employers neither base recruitment practices and decisions on a conscious strategy to employ migrants, nor have fixed views and assumptions about the relative merits of UK-born or EU migrant workers (CIPD, 2014; 2015; McCollum and Findlay, 2015). Recent studies show the most common reason cited by employers for hiring EU migrants is that they are available, while the supply of local UK workers is inadequate (McCollum and Findlay, 2012; Green et al, 2013; CIPD, 2014). At the same time, as we discuss later, there are indications that the terms and conditions offered by many employers in low skilled sectors are more suited to migrants than to UK workers.

Some issues of supply of local labour result from the physical location of businesses. A number of employers in hospitality and food and drink reporting insufficient applications from local UK workers explained this with reference to low rates of unemployment. Businesses away from larger towns and cities reported particular problems in attracting sufficient applicants to fill vacancies. For example, a cake manufacturer in the South West explained:

"We recruit workers first and then the nationality they come with is secondary. The problem we have in the South West is that we are almost as a local area at full capacity employment, so we don't have enough local people applying for jobs when we advertise them."

Existing research has found the needs of large construction projects can rarely be met by the local labour market. Moreover, a flexible workforce has particular benefits, especially where it includes workers who are mobile and can move between projects and sites. This characteristic of migrant labour is seen as conferring an advantage in construction (Meardi et al, 2012). The globalisation of

the industry and projects is a further factor which has led to the use of migrant labour (Tutt et al, 2013).

Although employers said that the quality of applicants did not factor highly in their reasons for recruiting migrants, having more applicants – migrants and British workers – gave them a choice of recruits rather than forcing them to take everyone who applied. As the manager of a holiday resort company explained:

“We want to have choice, not just take anybody who applies. We don’t get enough applicants to be able to give us that sort of choice. We’re a small town and it’s very much a tourism business, so a lot of demand for people to work here in the summer and we struggle to recruit.”

The quality of some British workers was nonetheless a cause for concern, and in particular the low quality of applicants referred through Jobcentre Plus. Some such applicants were thought to have applied only to meet the requirements of their Jobseeker’s Agreement. Applicants for very low skilled food processing work in isolated rural areas were also found to be of low quality in terms of their softer skills such as reliability, motivation and personal presentation. Otherwise, EU migrants were not necessarily thought to be better quality than British workers, and the standard of their applications was said to be broadly similar to UK workers, and sometimes worse. Poor English language skills were a concern to some case study employers, particularly where health and safety regulations were involved. Some screened applicants for their ability to speak and read English. One cake producer had introduced a new requirement for employees to pass a basic English language test and had made the site English-speaking only. The proportion of migrants on site was still high, however, at 60 per cent.

Skill shortages

Although the three case study sectors have requirements for a large pool of low skilled labour, they also have skill requirements. Many employers relied on EU migrants to help meet these needs, to a greater or lesser degree. As we noted earlier, some employers reported skill and labour shortages in specific areas, for example chefs. For employers in the construction industry, a shortage of people with technical skills was the principal reason for employing migrants, with deficits reported across a wide range of skilled trades.

Existing research on the construction sector describes how it is prone to gluts and shortages of labour (CIOB, 2015). About a fifth of vacancies in the wider construction sector are persistent and hard to fill, with employers reporting problems finding people with the skills, qualifications and experience they need. Problems are reported to be most serious in skilled trades and professional occupations (HM Government, 2013). Skill shortages vary according to sector and occupation, and are particularly severe in house building, refurbishment and maintenance, and in the bricklaying and carpentry trades (Chan et al, 2008). Migrants have therefore been used to meet skills gaps, both in specific building trades and as multi-skilled workers and general operatives. However, even in the construction industry skills gaps are only part of the explanation for the presence of migrant workers, with a more general problem identified in the sheer demand for labour, as we explain later.

There was little evidence that the case study employers were recruiting migrants as a substitute for training British workers. A number had apprenticeship programmes or offered other training opportunities. For low skilled and semi-skilled work, training took place on the job. However, there is

no doubt that investment in training in sectors including construction has been inadequate. This was a point of agreement among our construction case study employers. Research by the Department for Business, Innovation and Skills notes a fall in training activity, particularly since 2005, which has exacerbated skills shortages. While apprenticeships are a long-standing feature of the sector, they went into decline during the 1980s and 1990s. Investment in apprenticeships and other training has also fallen in less buoyant periods, particularly in the recession and following years (BIS, 2013). The model of sub-contracting of packages of work and widespread use of self-employment is also a disincentive to train (HM Government, 2013). Because of these features of the industry, investment in skills training more generally is reported to be patchy.

Case study employers in the construction sector linked the shortages of skilled trades they experienced to these factors, particularly citing lack of investment over a long period of time. Some employers referred to a cut in funding for certification of skills, requiring individuals to self-fund, something that migrants were more inclined to do. Difficulty in attracting young people to the construction industry was a further factor resulting in skills shortages. Some employers felt that the policy by successive governments of expanding entry into Higher Education had been unhelpful by both channelling young people away from vocational training and branding it as a second class option. In addition, construction employers said rates of turnover among trainees were high, with newly trained workers leaving, reducing return on investment.

Employers in the hospitality sector explained the shortage of chefs they experienced with reference to difficulty in attracting young people, particularly to work in restaurant chains and low budget outlets. A restaurant owner complained:

“The people that are training as chefs, we’re finding they aspire to be the next Jamie Oliver or Gordon Ramsay and they want to be working in Michelin starred and some of the higher end restaurants. So to attract people with those skills into the pub kitchens is difficult.”

Case study employers in all three sectors also said they were trying to overcome these barriers by working with industry bodies and schools to promote their sector to young people. Some hospitality employers in the South West were involved in a regional initiative to promote careers in hospitality to local people. This included trying to change perceptions of the industry, in particular that it lacks opportunities for career development.

Why don't British workers apply?

We explored with employers the reasons why British workers might not be applying for jobs in their companies, asking particularly about pay and contracts. These questions applied particularly to employers in food and drink and hospitality where most of those who employed high proportions of EU migrants were found. We also asked all employers who said they were not succeeding in recruiting young people, including trainees, why they thought this was.

Existing research on the hospitality industry describes the unattractiveness of the industry to British workers, referring to low pay rates, unattractive job content, unsociable hours, temporary and flexible contracts and low status (Lucas and Mansfield, 2008). Similarly, research on the food industry finds employers accept that the pay and conditions they offer are unattractive to many UK workers.

While existing research does recognise the range of factors which might deter British applicants, pay is frequently mentioned in the media and public debate. However, employers felt it was not the main reason they experienced shortages. This applied particularly to employers in construction, but also to those in hospitality and food and drink. This was despite many paying at the level of the minimum wage or slightly higher, although some paid considerably more for skilled work. Employers felt that businesses in other sectors, such as retail, were also paying similar rates but experienced fewer difficulties attracting British workers. Despite believing that pay was not the main factor deterring British applicants, some employers were reviewing their pay offer in order to help recruitment. A large budget hotel chain had increased pay to the level of the living wage to assist recruitment, and one employer had increased machine operatives' pay to £25,000 a year. Despite this, a third of the workforce were still migrants.

Employers felt other factors than pay deterred British workers, particularly the unattractive nature of the work and its arduous physical nature, for example in room cleaning and construction. Unpleasant working conditions in areas of the food industry, for example fish processing, were also seen to play an important part. Evidence for the role of these factors was cited in high turnover rates among British workers. Therefore, some employers said that British workers do apply, they just tend not to stay very long. This experience had led one employer, which manufactures cakes, to make the recruitment process more rigorous to ensure that applicants knew what to expect. The low status of the work was also cited as a factor by employers in hospitality and food and drink. Some food processing employers saw their industry as one for people with few alternatives, particularly younger employees. The food manufacturing sector in particular was seen to lack appeal to young people, with the manager of a fish factory in Scotland remarking:

“If I was being very blunt I would say that the males want to be football players and the females want to be football players' wives. The expectation of the young folk these days is that they are going to be managers automatically.”

A further factor was the isolated location of some businesses and lack of public transport, particularly for evening and weekend shift work. This was found to be less problematic for migrants who organised their own shared transport.

As well as having an insufficient number of applications from British workers, some employers in hospitality and food and drink reported high levels of labour turnover among their workforce. Turnover rates were reported to be similar among both migrants and British workers but for different reasons: UK workers because they had not anticipated that the work would be so arduous, and migrants because their plans are short-term, financially driven and they moved employers for small gains in pay. Some employers were trying to reduce turnover by offering more permanent contracts and year-round work. Others felt that high turnover was inevitable and that having a supply of migrant workers made it less of a problem. Where migrant supply had fallen, employers were having to consider alternatives.

The flexibility premium

Flexibility was important to employers across all three sectors. The requirement placed on employees to work flexibly, both in terms of the number and distribution of hours across the working week and years, was recognised by some case study employers to be unattractive to British

workers. However, while offering flexible contracts with minimum (or 'zero') hours, many employers said that the weekly arrangement was often a standard working week. Without interviewing British workers, we cannot know whether this was perceived similarly by them.

While we have focused on reasons why British workers are reported to be in short supply, the reverse side of the coin is that some of the features which deter UK workers, such as low pay and flexible contracts, appear to be more acceptable to newly arrived migrants. This is despite having, on average, higher educational or vocational qualifications. Existing research has found that, far from being problematic for migrants, some features of low skilled industries suit their own requirements well. First, the absence of barriers in the form of qualifications enables migrants to find work easily. Jobs in these sectors are both available and have attractive features to migrants, including flexible hours and overtime opportunities (Green et al, 2013; Pauritus, 2014).

While the hospitality sector is sometimes characterised as exploiting migrant workers, some researchers see the relationship as more symbiotic, noting that employers' needs for migrants who can work flexibly coincide with the wishes of migrant workers. Migrants may plan to remain in the sector for a short period and be using low skilled work as part of a strategy of self-development. Migrants are seen to use their own 'labour mobility power' to their own advantage (Janta, 2011; Alberti, 2014). These findings also highlight the unpredictable nature of migration and drivers which cannot be controlled by employers and recruiters. In construction, workers with overseas qualifications are able to find labouring work and then obtain certification for their previously accredited skills. Social networks also help the entry of migrants to sectors such as hospitality and food processing, enabling them to gain knowledge about the range of, possibly more attractive, alternatives (Janta, 2011).

Is there a 'preference' for migrant workers?

Research carried out soon after accession, including by NIESR, found some employers expressing a preference for migrant workers, particularly in low skilled occupations. This is likely to be explained by long-standing skills shortages and possibly by the predominance of very highly qualified individuals among the first arrivals from Eastern Europe (Metcalf et al, 2008). More recent research finds a fairly consistent message from employers that they neither base recruitment practices and decisions on a conscious strategy to employ migrants, nor do they have fixed views and assumptions about the relative merits of UK-born or EU migrant workers (CIPD, 2014; 2015; McCollum and Findlay, 2015).

Our research adds to the weight of evidence which indicates that employers do not have an active preference for migrant workers. We found only limited evidence of any preference for EU migrants among the case study employers. Most employers said explicitly that they had no preference about whether they employed migrants or local, British people, while a small number of employers said preferred to employ locals.

Therefore, while some research has found employers stating a 'discernible preference' for migrants over UK nationals, because of the added value they bring to low skilled work (Scott, 2013), the more common finding, supported by our research, is that employers recruit who they can, and do not specifically target migrants (Ci Research, 2008; Green et al, 2013). Recent research on the hospitality industry suggests that reasons for employing migrant workers are more complex than a straight preference, and are bound up with narratives and assessments of characteristics, advantages and

disadvantages of migrants and natives (Markova, 2013). Again, our research supports this interpretation, with employers identifying disadvantages as well as benefits of employing EU workers (see Section 5).

The absence of a clear preference for migrant workers was also found to apply to skilled, as well as low skilled, roles. Qualitative research on the construction industry provides no evidence that employers seek specifically to employ migrants, or would prefer to employ a migrant worker over a UK-born worker because of work ethic, skills or other qualities. Research by Anne Green found employers keen to stress that migrants are ‘just like everybody else’, and that they employed them as the best people for the job in terms of their skills and experience (Green et al, 2013). Similar sentiments were expressed by employers of skilled labour in our research. This is not to say that migrants did not bring additional benefits, for example in having specialist skills, approaches and perspectives which they were able to transfer to local, UK-born workers (CIOB, 2015).

Some case study employers said they would prefer to employ a higher proportion of UK workers if this were possible. In one case, this was because of difficulties experienced with communication with Eastern Europeans with poor English: A cake manufacturer with a migrant workforce of 60 per cent explained:

“If I had a choice, I would always rather employ a local person because they can speak English very competently, we don’t have any issues training them, or them understanding basic health and safety rules. But we don’t get vast numbers of people applying, so we end up having to take on the best of what we have. And it happens that a lot of them coming are Polish, or Bulgarians or Lithuanians. 80 percent of our applicants are Eastern Europeans.”

Otherwise, a preference for UK-born employees was for business reasons such as keeping the support of local people, or for social responsibility reasons such as concern for the welfare of local UK workers. While not stating a preference, a number of other employers said they would prefer to have more UK workers than currently. This view was sometimes based on personal values, including the view that employing local workers provided greater enrichment to the local economy.

Key points

Case study employers said they recruit EU migrants not because of specific, skills based, shortages, but because of a general shortage of applicants. Many emphasised that they do not purposefully look to recruit migrants and do not tailor their recruitment practices towards them. Some of the problems with labour supply experienced by employers resulted from the location of their businesses in areas which are both low in unemployment and population density, but employers in towns and cities also reported low application rates from UK workers.

Employers who actively looked to recruit migrants, for example through agencies based in sending countries, said they did so partly in order to have a choice of applicants. Migrants were not necessarily better applicants but gave employers a larger pool from which to select.

Our research adds to the weight of research evidence which finds that employers do not have an active preference for migrant workers. Most said they had no preference between migrants and British workers. A small number said they preferred to recruit locals and some said they would like to recruit more. Reasons for this included language skills, company image and personal values.

While employers said their main requirements were for low skilled workers some, particularly in the construction sector, also had more advanced skills needs which they met partly through migrant labour. There was little evidence that employers recruited migrants as a substitute for training British workers, since they had apprenticeship programmes and other training in place. However, employers could often not meet their needs through their own training activity because of labour turnover and fluctuating requirements. Employers in construction agreed that investment in skills training has been inadequate for many years and believed this needed to be addressed through national initiatives.

Many employers lamented the lack of appeal of their sector to young people and were involved in work with schools and colleges to help address this. They recognised that their sectors were not attractive to British workers and were more attractive to migrants. Pay was not seen as the main factor; employers referred instead to the nature of the work, its arduous physical nature and low status.

The need for a flexible workforce by employers in all sectors is a key factor in the predominance of migrants in lower skilled jobs, with flexible hours contracts very common in hospitality and food and drink, and self employment ubiquitous in construction. Such arrangements are more acceptable to migrants, particularly recent arrivals, than to British workers because they are less likely to be seeking stable employment, at least in the short term.

5. Business benefits of employing EU migrants

We have already discussed a range of benefits of EU migrants experienced by employers. While these emerged through interview discussions, we also asked employers more directly to summarise the business benefits and drawbacks of employing EU migrants.

Across the three sectors, many simply repeated what they had already said: that they would find it difficult to operate as a business without migrants, or that if they had not been able to recruit staff of the quality they needed it would not have been possible to expand their businesses. The following is a typical response:

“The predominant benefit of employing a migrant worker is we get a worker. It’s not about wage or anything... Everything is subjugated to that. ... There’s no other benefit, it’s just that they’re available and they are able to come into work. If we didn’t have them we’d just employ agency staff at a higher level of cost... We just wouldn’t be making the products we need to be making to be competitive.”

Construction employers were especially keen to emphasise that migrants enabled them to bid for projects and deliver according to contract. One employer stated: “What’s the cost of not getting a job done on schedule and having to pay hefty penalties?” Some said they were able to spend less on advertising and recruitment, including through agencies, as migrants had become more available locally (see Section 3). A number of employers, across sectors, mentioned the business benefits of having a diverse workforce with different cultures, backgrounds and experiences. One hospitality and food and drink employer said:

“Bringing in people from different cultural backgrounds has been hugely beneficial for the business... They bring in different perspectives. It’s very easy for a business such as ours, perched on the East coast of England, to continue to do its thing in its own sweet way and not really engage with the rest of the world.”

This employer also reported a more specific business benefit: beginning a new export drive to Eastern Europe, on which Eastern European staff had been helpful in both language interpreting and advising on the business culture. However, most employers who mentioned this benefit referred to enrichment of workplace culture. This was mentioned most frequently in the hospitality industry. The owner of a social enterprise in the South West believed that employees from the local area, raised in a non-diverse community, benefited from exposure to people from other backgrounds and cultures. Another employer in the hospitality sector expressed the view that migrants are positive role models for other staff because of their positive attitude towards work, reiterating findings from previous research about the quality and effectiveness of migrant labour in the hospitality sector (Markova et al, 2013).

Some employers saw a business benefit in having staff who could speak the same languages as customers, for example in hotels, and the potential to attract new customers, again found in existing research on the hospitality sector (Markova et al, 2013). At the same time, one employer reported that employing large numbers of migrants could be viewed negatively by guests.

We asked employers whether there were any disadvantages of employing EU migrants. As one would expect, few serious drawbacks were identified and they focused on language barriers and reduced workforce cohesion. Poor English language skills are frequently cited as a disadvantage of employing EU migrants, with the common practice of using other migrants to interpret seen as less than satisfactory (Metcalf et al, 2008; McCollum and Findlay, 2012; Green et al, 2013). We referred to the introduction of language screening by some employers. Some who did not have this practice did report some difficulties, for example in complying with health and safety regulations where migrant workers could not complete mandatory training. As a result, they were trying to ensure that new recruits had a basic level of English language. Employers who had needed to hire bi-lingual supervisors, usually Polish, to communicate with EU workers, saw this as a minor disadvantage.

Some employers avoided having teams composed predominantly of migrants, particularly where they had been recruited through word of mouth and therefore known to one another. Employers were also keen to avoid work groups speaking languages other than English between themselves. One employer said that the company wanted to keep the proportion of Eastern European migrants to around 20 per cent because any higher could affect staff morale. Some employers in the construction industry tried to encourage mixing of migrants and UK workers on site, including by ensuring there were no differences in safety gear and other equipment and facilities. The response of the local community was a concern for some employers: a food processor had received complaints that workers had taken places in the local Catholic school, and another large food processing employer responded to complaints of 'cheap migrant labour' by taking part in a local radio programme to explain why migrants were employed.

[Are migrants better workers?](#)

On average, EU migrants are more highly educated than the UK workforce and, because of their concentration in low skilled work, are sometimes over-qualified, in education terms at least. This has led some research to highlight the benefits which employers experience from recruiting EU migrants in low-skilled work. Over-qualification is also seen as a disincentive to invest in training and development, either of migrants or the workforce more generally (Anderson et al 2006; MAC, 2014).

Higher levels of education among Eastern European migrants have also been assumed to confer a better attitude towards work (McCollum and Findlay, 2012). While much is said in the media and anecdotally about the superior work ethic of EU migrants, particularly those from Eastern Europe, research findings indicate that employers' real experiences are mixed. Anne Green and colleagues found employers in low skilled sectors have no clear preference for migrant workers. Some employers made assumptions about bad attitudes to low paid jobs by British workers, but these largely affect take-up of low paid work rather than job performance (Green et al, 2013). Other research suggests that the first arrivals from Eastern Europe, soon after accession in 2004, were of higher quality than those who came subsequently, in terms of education background and work ethic (Metcalf et al, 2008).

We asked employers how the job performance of EU migrants compares to that of British workers and how they would rate qualities such as productivity, reliability, work ethic and commitment. The most common response was that there is no difference in the quality of EU migrants and UK workers, and that any such differences were between individuals. A typical comment, from a manager in hospitality, was:

“I think there’s a lot of anecdotal stereotyping going on, but I think it’s based on individuals as opposed to nationalities. We’ve got lots of great migrants with great work ethic and great attitude and values, and also have English workers like that as well.”

Some employers in hospitality said that EU workers brought with them additional skills such as languages, but these were seen as a bonus rather than a reason for recruiting migrants.

A few employers said that migrants had better skills or a superior approach to work than their UK workforce. Some employers said their status as migrants meant they wished to make a new life for themselves and had a strong motivation to maximise earnings and succeed in the workplace. Other employers who observed a difference between EU migrants and UK workers explained it with reference to their higher levels of general education. This was seen to make them faster learners and in possession of better interpersonal and customer service skills than locally available recruits. Some employers also said Eastern European migrants in particular were more reliable than UK workers and more willing to take on responsibility. Basic work discipline of time-keeping was also reported to be better among EU workers, and Eastern Europeans in particular.

Employers in the construction industry were more likely than those in the other two sectors to say there were differences in productivity or work ethic between UK workers and migrants. Differences included time-keeping, speed of work and reporting their availability for further work to a supervisor rather than waiting for new instructions. However, some employers felt there were no such differences and that the productivity of migrants and UK workers was very similar, particularly at the more skilled end.

A small number of employers also reported high levels of productivity among migrants in hard labouring work, for example kitchen portering. A food manufacturing employer also found that Eastern European migrants in particular had an aptitude for mechanical work, which he explained with reference to the ‘Soviet style’ education system and its orientation towards a manufacturing environment. It was not explained by any previous experience in a factory environment. These differences were noted most particularly between newly recruited UK workers and recently arrived migrants, with some employers remarking that once the unmotivated UK workers leave and migrants become accustomed to working in the UK, such differences become ironed out. Migrants may quickly become like locals in their attitudes towards work. Even as early as 2007, research by NIESR found employers reporting that, as they settled, Eastern European migrants’ English language skills improved, but some of their work qualities such as productivity, low absence and flexibility declined, as they become more absorbed into local culture, more knowledgeable about their rights and their personal circumstances changed (Metcalf et al, 2008). Employers reporting productivity gains refer largely to newer arrivals.

We have referred throughout the report to the issue of flexibility and its value to employers in all three of the case study sectors. Willingness to be flexible across tasks and in hours of work was valued by employers in all sectors, but particularly in hospitality and food and drink. Some employers, though not all, said that migrants were somewhat more flexible than British workers. This applied particularly to working additional hours, with EU migrants found to be keen to work overtime to maximise their income. A few employers who provided accommodation explained this

partly with reference to the presence of migrant workers on site. They were also more willing to move to different locations in the UK for new projects, for example in construction. Some employers said migrants were more likely than UK workers to ask supervisors for work during slack periods and to be generally more proactive than British employees. They explained this with reference to cultural factors, in particular that British workers expect more direction than others.

Key points

Employers said the main business benefit of recruiting EU migrants was filling vacancies. Many said they would find it difficult to operate without migrants or would not have been able to expand. Some said the availability of migrants gave them a larger pool to recruit from or were able to spend less on advertising and recruitment. A number of employers, across sectors, mentioned the benefits of having a diverse workforce offering different cultures, backgrounds and experiences.

Some employers experienced direct business benefits, for example where Eastern European staff had contributed their cultural knowledge to an export drive, or where hotel staff could communicate to guests in their own language. At the same time, when asked about disadvantages of a migrant workforce, language was seen as problematic where EU migrants' spoken and written English was weak. Employers were also concerned to avoid having teams composed entirely of migrants, particularly of the same language group. Some employers were tried to keep the proportion of migrants low for reasons which included their local image.

Much has been said in the media about the superior work ethic of EU migrants, especially those from Eastern Europe, yet research evidence is mixed. When we asked how the job performance of EU migrants compared to that of British workers, employers' most common response was that there was no difference on measures such as productivity, work ethic and commitment. Some employers said that migrants do have better skills or attitude to work, either because they are more motivated to improve their lives or because of their higher levels of education. Some employers said that migrants were somewhat more flexible than British workers. This applied particularly to working additional hours, with EU migrants found to be keen to work overtime to maximise their income.

Where employers reported better productivity or work ethic, this was most often in construction or in work requiring hard physical effort, for example kitchen portering. Differences were also identified most strongly between UK workers and new arrivals or mobile workers, for example in construction, than between more settled migrants who were said to be more similar in their work ethic to UK workers.

6. The prospect of leaving the EU

Our research has a focus on alternatives to recruiting migrants because of the UK's referendum on membership of the European Union. However, the question of whether employers might look for alternatives is rarely considered directly in the literature about migration or changing labour markets. Limited consideration has been given to the consequences of a drop in the supply of migrants or how barriers to recruiting alternatives can be overcome.

A small number of studies have asked employers across a range of sectors whether and how reductions in the availability of non-EU migrants would affect their practices. In a survey of 1000 Human Resources professionals carried out by the CIPD, alternatives were seen as recruiting the next best British candidate at the same pay or conditions. Of those who said they benefited from the supply of migrant labour, only 18 per cent said they would increase their efforts to employ young people through apprenticeships (18%), recruit graduates (17%) and recruit more school leavers (14%). Some research has found that employers have found EU migrants valuable in cases where non-EU labour has been hard to source, suggesting that any restrictions would then raise the demand for non-EU labour (Rolfe et al, 2013). Other research has found that employers recruiting EU workers would like more freedom to source labour from outside the EU, typically for more highly skilled roles. They cited barriers including visa rules, red tape and costs as currently restricting this option. Employers recruiting international students for part-time work have expressed frustration at visa restrictions on their permitted working hours (McCollum and Findlay, 2012).

Some consideration has been given to alternatives to migrant labour in research and policy literature on our three case study sectors. Research from within the **hospitality** industry indicates an interest among employers in being less reliant on 'transient' workers, including migrants and others who do not plan to stay in the sector, and interest in attracting both more young people and older workers (Institute of Hospitality, 2011). This is partly because employers in the sector would prefer to employ young people and is aiming to address its lack of appeal to this group, especially school leavers. While employers find it hard to attract young people as permanent employees, students have been a source of alternative labour which hospitality employers have already tapped into, and who are valued for their flexibility and availability at busy periods (Lucas and Mansfield, 2008; Lashley, 2011). Some employers see advantages in employing older workers to meet shortages, and identify benefits to customer service (Institute of Hospitality, 2011). However, there is little evidence that such strategies have been put in place. Non-labour strategies appear limited but include, for example, automation of reservations (Lucas and Mansfield, 2008).

In the **food and drink** sector the possibility of reducing the sector's use of migrants has been raised, mainly within policy-oriented literature, but few feasible substitutes have been identified. This is perhaps because there has been no pressing need as the industry is able to recruit migrants with relatively little difficulty. Historical perspectives on the industry show intermittent hiring of workers from former industrial areas of the UK as well as successive use of migrants of varying origin and status. These have included workers from the old EU Member States, and asylum seekers who do not have an official right to work (Geddes, 2008). The exploitative and dangerous use of undocumented migrants was highlighted by the Morecombe cockle-pickers tragedy and led to the establishment of the Gangmasters' (Licensing) Act in 2004. Employers cite the obstacles to recruiting

local workers to include 'generous' welfare payments which discourage UK workers to seek employment or to move in and out of temporary work (Geddes, 2008; Scott, 2013). House prices in rural areas are also cited by employers as a barrier in these locations (Ruhs and Anderson, 2010).

In the **construction** industry the debate has been focused on skills and the need to increase investment in training and attract more young people to the industry (CIOB, 2015). The industry's system of training is seen as confusing, consisting of multiple entry points, a plethora of qualifications and wide variations in training quality. Funding options are seen as confusing to employers and potential trainees (HM Government, 2013). There have been numerous campaigns aimed at encouraging young people to enter the industry, along with other initiatives designed to increase training activity (HM Government, 2013). The sector has an ageing workforce and is not seen as attractive by young people (Atherton et al, 2009; Mann et al, 2013). At the same time, the industry sees the availability of migrants as a disincentive to recruit and train domestic labour and has argued for increasing public expenditure for training and developing the UK workforce (CIOB, 2015). There is also seen to be scope for taking up new technologies and methods as a way of dealing with skills shortages and reducing the use of migrant labour (UKCES, 2012).

Findings from the case studies

Using these previous findings, we asked employers for their views on the implications of exit from the EU and on possible alternatives to their current practices, whether these involved recruiting substantial numbers of migrants or very few. We asked them first about their future plans for employing EU migrants and for staffing in general. The general response was to continue as they were doing: to advertise posts and recruit the best applicants, whether migrants or UK workers. A number of employers said they had plans for business growth that depended on a continuing supply of labour. These plans included opening new branches and product lines. Combined with high labour turnover, these plans entailed significant recruitment requirements.

We asked employers: "What would you do if movement was restricted and the supply of EU migrants was reduced?" There were a range of responses to this question, with concerns focused on the short, medium and longer term. Short term concerns centred around whether EU workers would retain their right to live and work in the UK. This was a question on which some employers were uncertain, although the Vienna Convention of 1969 means existing workers can remain in the UK. Among those expressing such concerns were two food manufacturers, the first in the South West employing 168 migrants; the second in the North employing 100 migrants:

"I'm thinking, 'Crikey, this could have serious implications', so we as a board are challenging each other on what we'll do and my workers are starting to say, 'What will happen if we come out of the EU, will I still be able to work here?' So we're entering into this terrible period of uncertainty."

"In the short term we would need to have an understanding around what the transition and interim plans would be because they couldn't just draw a line because, as you've seen, we've got so many workers in our business. What would happen to all those people?"

For some employers, the biggest problem was not being able to predict the outcome of the referendum and any subsequent changes in migration policy which could affect their practices.

Looking to the medium term, some employers were concerned about their ability to meet on-going recruitment needs, particularly at peak times should the supply of migrant workers be reduced. For example, the manager of a brewery, pub and hotel chain with 1,700 employees and 40 per cent migrant staff during peak season said if movement were restricted he would “panic”, adding: “We would be in a very difficult position.” A number of employers said they could continue to operate for a couple of years without too much difficulty but would find it difficult to replace staff who left. They were worried it would mean a return to the days before the arrival of Eastern European migrants eight or nine years ago. Two case study employers, in Scotland and in South West England, had already experienced an unwelcome drop in migrant applications for reasons they could not fully explain, and said that further reductions would be problematic.

Some employers believed that the Government would not be able to place real restrictions on migration from the EU because of the potential damage to business. They believed that any future policy would have to allow entry to unskilled migrants, because this was the group they needed most. This view was expressed by employers across all sectors, but particularly the construction industry which has experienced skills shortages most strongly. Employers also expressed concern for their industry and the economy more widely, with these concerns voiced most strongly by the construction industry in relation to how projects such as Hinckley Point C and housebuilding programmes.

Alternatives to recruiting migrants

We asked employers about various alternatives to recruiting migrants, including hiring local unemployed people, older workers, students, ex-offenders and school leavers. Employers said they were continuously looking for alternative sources of labour to EU migrants and had been doing so for many years. Some traced their efforts back to before the accession of the Eastern European member states when they first started recruiting EU migrants. They felt that migrants had met and even exceeded their needs but could not rely on an everlasting supply. A number said there was no pool of labour they had not considered.

We have referred to the barriers to recruiting local workers, in particular the shortage of labour experienced by many case study employers. A general problem, referred to earlier, was the location of some businesses, particularly those outside urban areas and in more sparsely populated places, for example hotels and some food processing companies. They therefore felt that any alternatives were difficult. For hospitality employers in towns, cities and in tourist areas, this problem was compounded by the proliferation of other employers in the area competing for the same labour. All employees, migrants included, were seen to change employers for small gains.

Some manufacturing and construction employers had been able to meet labour shortages by hiring people made redundant by traditional industries elsewhere in the UK. For example, a biscuit manufacturer in Scotland had recruited 92 former oil workers to its staff of 170, meeting its short-term requirements well. However, fewer than half stayed beyond a few months and this was therefore not viewed as a feasible strategy in the longer run. Other employers in areas of low unemployment acknowledged that it might be possible to target their recruitment efforts at UK workers in high areas of unemployment. However, they said they had found UK workers disinclined to uproot and relocate to different areas of the UK and that it was easier to recruit migrants.

As we explained in Section 4, employers in the food and drink and hospitality sectors were aware that their offer was not attractive and that this made recruitment of UK workers difficult. Some employers said they might need to review their employment offer, but they would not be specific about whether this would involve increasing pay, changes to contracts or other aspects of the job. For most employers, raising levels of pay was not seen as a feasible option because their cost model would not allow it. This applied particularly to the hospitality sector. Where employers thought higher wages might be needed to boost recruitment, they were concerned about affordability and competitiveness and were already worried that they might have to increase pay to the level of the new living wage in order to compete with other employers.

A number of employers expressed the view that paying the new living wage would not make it easier to recruit staff because competitors would be likely to follow suit. They said if they had to increase levels of pay they would need to reduce either staffing levels or hours of work, in other words intensify labour. Employers in the food sector said they were already paying above the minimum wage to keep in line with other employers, and that any increases they made would be small and matched by local competitors. Employers in the construction industry said that pay was not relevant to the problems they experienced sourcing labour, and that the image of the industry and lack of appeal to young people was a more important factor. For some employers, a greater threat, resulting from higher wages and costs, came from competitors overseas, particularly in the holiday industry.

Older workers

We asked about the potential to recruit older workers, particularly those aged over 60. Existing research suggests there is potential for greater use of older workers, including those taking early retirement or wishing to work beyond retirement age. Research by You Gov for the DWP found employers agreeing that older workers are suitable for their business and have the qualities of experience and reliability. They also agreed that training for older workers offers a good return on investment (DWP, 2015), although larger employers are more likely to express this view than small and medium sized business owners. The same research found most employers believing older and younger workers are equally productive. Among our three case study industries, only employers in **construction** were actively looking to recruit older workers. A number said they already did and that because of a fall in training investment, the age profile of their workforce and the industry as a whole was skewed upwards. At the same time, some employers said the physical nature of the work places limits on the use and balance of older workers in the workforce.

The same You Gov research noted that **hospitality** is among the sectors which are least likely to employ people aged over 50 (DWP, 2015). Younger workers appear to be more in their sights with the potential for older workers seen as limited because of pay, unsocial hours and the physical nature of the work. Other research paints a similar picture, identifying a number of barriers. These include employers' doubts about the suitability of older people for work involving physical exertion, perceptions of their fit with companies' image and a general preference for younger people in customer-facing roles. Supply side barriers have also been identified, with older workers seen as reluctant to carry out physically demanding work at low rates of pay (Loretto and White, 2006). All of these concerns were voiced by our hospitality case study employers. Some simply said that older workers did not apply because of the work's physical nature and requirement to work shifts. A small number thought they might recruit a few older workers if need be, but that they would be no

substitute for younger workers, including EU migrants. Employers in the **food sector** were more inclined to voice their reluctance to employ older workers, stating that the work was too physically demanding to be suitable for the over 60s.

Students

Students and migrants have been found to occupy the same space in some local labour markets, explained by the demand for flexibility and shrinking pool of jobs available that suit the characteristics and preferences of lower skilled UK workers. As with research focused specifically on migrants, research covering the two groups finds no evidence of preference on grounds of desired characteristics but a fit with the (informal) recruitment methods and willingness to work flexibly. Like migrants, students do not have difficulty moving between welfare benefits and low paid, temporary work. Neither are they concerned about poor prospects in low skilled work, since they plan not to stay in the longer term. Therefore, students are in some ways good substitutes for migrant workers and are already employed by firms who recruit migrants (Lucas and Mansfield, 2008; Atfield et al, 2011; Lashley, 2011).

Case study employers in the hospitality and food and drink industries said that students were useful for temporary and casual work and that they employed them at certain times of the year. Some recruited students through arrangements with their local university. They found them useful in meeting their need for staff during some peak periods, but not for all year round work: companies who employed students in term time found they went back home during busy periods such as the summer holidays and Christmas. Some employers thought they could take on more students if needed but that this would not reduce their reliance on migrant workers, particularly at peak business periods. Some employers referred to the time when school children were employed as temporary workers, in particular to pick soft fruit, but felt that a return to those days was unlikely.

More young people?

Public opinion research shows concerns that immigration reduces opportunities for young people (Rolfe et al, 2013). Research findings on employers' attitudes towards young workers, including school leavers are mixed. Some research finds employers of the view that young people are poorly prepared for work and lacking in basic skills as a result of inadequacies in the education and training system (UKCES, 2011). Research also finds an over-emphasis on recruitment of people with previous experience or higher qualifications than necessary for low skilled work (UKCES, 2012). Our findings on this issue are mixed, with hospitality employers generally very positive about employing young people, especially in customer-facing roles, but manufacturing employers complaining about their (unrealistic) expectations and reliability. However, a more fundamental problem was identified in all three sectors: the lack of appeal to young people. Existing research has found, not surprisingly, that they find low paid sectors unattractive because of their image, pay and poor prospects (Atherton et al, 2009). A survey of nearly 12,000 teenagers found their career ambitions lay in just three of 25 broad occupational areas: culture media and sports; business, media and public service professions; and health professions (Mann et al, 2013). Construction, manufacturing and hospitality all lacked appeal.

As employers across the sectors said, these preferences may be based on inadequate knowledge and prejudice rather than an accurate assessment of occupations and opportunities (Devins and Hogarth, 2007; UKCES, 2011). Many felt there was still work to be done to improve the image of

their sectors and encourage young people to consider careers and take up training opportunities. Each sector had its own challenges: for hospitality they included unsociable hours, for manufacturing the factory environment and for construction the physical demands and poor image of the sector. Employers in all sectors felt there was a lack of knowledge and understanding of the range of options available. As a large food manufacturer explained:

“We’ve got engineers, we’ve got scientists, we’ve got HR people, we’ve got sales people, we’ve got marketing people. We have people working in digital, social media, all sorts of stuff. But when you’re at school you just don’t understand what’s out here in industry.”

In a similar vein, a construction employer remarked:

“It’s not just about plumbing - you’ve got an accounts team, you’ve got IT, you do marketing, you do sales, you do everything. Some of our kids think that all you can do is X Factor or be a professional footballer. And that is the sad state of affairs. That’s what it is. So there’s something going wrong somewhere.”

Parents were also seen to play a role in dissuading young people from working in construction, with concerns about insecurity fuelled by the impact on jobs of the 2008 recession.

In each of the sectors, employers were engaged in a range of initiatives focused on raising awareness and conveying a positive image of the industry to young people, seeing this as essential to ensure their sector’s future. Some employers criticised what they saw as unrealistic expectations and ambitions among young people which made them shun jobs in manual and service occupations. A few construction employers also referred to the non-diverse nature of the industry and the scope to expand through recruiting female apprentices.

More investment in training

There is a view, particularly in popular debate, that employers prefer to recruit migrants ready-trained than to invest in British workers. Academic and policy research has found little supporting evidence for the view that employers recruit migrants rather than invest in training. Reviews by the Migration Advisory Committee have found little or no evidence that occupational or sector usage of migrant labour is associated with lower levels of training (MAC, 2010). Other research has focused on migration from outside the EU and in relation to higher level skills, but has similar findings. Research by the Chartered Institute for Personnel and Development (CIPD) found that employers who hire migrants are also generally those who invest in training (CIPD, 2014). At the same time, employers agree that investment is inadequate (George et al, 2012).

Our findings support existing research, with many case study employers saying they already offer training programmes, including apprenticeships. Larger companies offered a graduate training scheme and had links with local universities and further education colleges to advertise opportunities. Some employers saw scope for increasing their training offer, and were motivated to do this in order to attract more young people. Therefore, a number were in the process of strengthening links with schools to promote careers in their industry.

Specifically in relation to apprenticeships, some employers said they were considering expanding their programmes in order to attract more young people, but also to train established workers,

including migrants. However, this was both expensive and a long-term solution. Early departure during or after training, the costs of supervision and, in construction, the length of time before returns were experienced, were all disincentives. Therefore increased government support was seen as necessary to encourage employers to substantially increase their apprenticeship and training offer. This was felt particularly strongly by construction employers who referred to the decline in apprenticeship opportunities in the sector because of the reduction in government funding in the 1980s and 1990s. Some employers, particularly those in hospitality and food manufacturing with large requirements for low skilled workers, felt that apprenticeships were not particularly relevant to meeting the sector's needs.

Would increased training investment reduce the need for EU migrants?

Employers across the three case study sectors said that while an increase in training activity would be helpful and feasible with government support, it would have little impact on their use of migrants, unless it led to a substantial increase in the number of young people they recruited. Training was seen as a longer term strategy and one which could not address any reduction in the supply of migrants. As a construction sector employer stated:

“[Leaving the EU] is going to have a detrimental short-term effect. It will force investment in training and skills for the longer term. However, there isn't going to be a longer term if we decimate in the short term. I would suggest that it would be extremely bad for the construction sector in the UK if easy access to EU workers was removed.”

Employers in hospitality said that if colleges did train more young people in the skills they needed, such as catering, or if they increased the apprenticeship offer, this would still leave them with a requirement for recruits at entry level and for low skilled work, the level at which they currently recruit migrants. Employers in the construction sector also expressed the view, with some certainty, that increasing the number of apprenticeships, even by several thousands, would not enable the industry to deliver current building projects, including large infrastructure projects such as Hinckley Point C and housing programmes.

“I have no doubt at all that if the Government caps immigration numbers than it will affect the economy. It will put the brakes on businesses like ours. If the economy is growing, it needs people who are going to work. There just aren't enough people out there.

“We are currently building probably only around fifty, sixty per cent of houses that we desperately need. If we can't build those houses then the country is going to go into a recession that we won't get out of.”

Non-labour alternatives

Employers had already considered ways of reducing their labour requirements. Some of the food and drink manufacturing processes had already been mechanised, reducing labour requirements substantially. However, a number said there was still scope to automate through robotics. This would also change the skills mix, requiring more skilled workers. One large food producer was developing more automated processes and growing its own staff with a mix of migrants and UK employees to fill the new roles. However, this approach would create more demand for skilled workers, and employers were less confident about recruiting these than unskilled workers. The

downside to automation was in reducing flexibility and innovation, resulting in more standard product lines. In the hospitality sector, this included having kiosk check-in arrangements. Some felt they had a lean operation model already.

Existing research identifies relocation of business, including off-shoring, as an alternative to recruiting migrants. Employers in these sectors did not see relocation of their business as an option: hospitality businesses were to a large extent locality dependent, and food processing firms located where they had access to primary products. Moving to areas with a larger population was seen as too expensive since this would also involve higher property costs. Off-shoring of work was seen as a viable option only for professional construction services where project design, management and administration could be carried out away from the site location.

Possible government measures

We asked employers what they thought the Government could do to ensure that employers are still able to recruit the labour they need. Many employers said the Government should continue to allow free movement in some form. They felt it worked well and involved minimal bureaucracy and additional cost, particularly when compared to recruitment from outside the EU.

Most practical suggestions involved more support for training. This included at entry level and skills certification. Employers in the construction sector wanted the cutbacks in funding for such training reversed so that the supply of individuals with the required documentation could be increased. They did not welcome the introduction of a new training levy from 2017, since they already contributed to their sector's scheme. One view was that there should be a return to government-sponsored apprenticeships.

Aside from training, some employers and stakeholders in the construction industry suggested that the Government might help to plan large infrastructure projects better in order to ensure greater continuity and predictability of labour requirements. This would make the industry more attractive to potential recruits, encourage employers to offer permanent contracts as employees rather than as self employed, and reduce turnover. These changes would then make the sector more attractive to British workers and help to reduce dependence on migrants.

We asked some employers if they thought restrictions on EU migration could be replaced by recruitment from outside the EU. Employers did not see this as a viable alternative, partly because of the bureaucracy and costs involved, which some had experienced when recruiting chefs for example. Many employers had previous experience of recruiting from outside of the EEA. For example, one employer had been involved in a link with a college in New Zealand through which they recruited temporary chefs. While this had been useful, the CEO was strongly reluctant to make such arrangements again because of the costs and bureaucracy involved. Other employers said that for non-EU migrants to be recruited on any scale, the UK visa system would need to be simplified.

A second reason why non-EU migration was not seen as a viable alternative was because employers' most pressing needs were for low skilled labour, while current visa arrangements are largely for skilled occupations. The HR director of a large brewery and pub chain explained:

“We could try to go back to recruiting chefs from places like India, Thailand and Brazil using certificates of sponsorship. But we would need to be able to recruit non-skilled kitchen workers as well as just highly skilled workers.”

Finally, some employers felt that EU migrants had other advantages. Skilled workers in construction were found to be broadly of an equivalent standard of skills as UK-born employees, and experienced in working to EU requirements, for example in safety. Employers also said that hiring EU migrants on a short term basis was mutually beneficial because they often wanted to return home for periods. Non-EU migrants were seen as less flexible and less willing to take on temporary work.

Key points

Employers speculated about their short-term and longer-term responses to any restrictions on the supply of EU migrants. In the short term, some employers were concerned that EU migrants might lose their right to live and work in the UK. In the medium term, some employers were concerned about their ability to fill vacancies, with the timescale for concern varying according to their current stock of workers and levels of staff turnover.

Some employers believed that the Government would need to continue to allow free movement in some form to prevent damage to business. Furthermore, they believed that this would have to include unskilled migrants, or migration for unskilled work. As well as having their own concerns, employers were worried about the future prosperity of their industry and of the wider economy.

When asked what alternatives to recruiting EU migrants they might put in place, employers said they were continuously seeking other sources of labour and had been doing so for many years. Some employers saw the supply of migrants as uncertain but also had other reasons for wishing to reduce their dependence. The barriers to doing so included their company's location and the general lack of appeal of their sector to UK workers. While they recognised that they might need to improve their offer, they said it would be difficult to increase pay or make contracts more attractive, for example by offering higher standard hours.

Older workers and students, while useful and having some potential to meet shortages, were seen to have disadvantages in terms of their availability and suitability for the work. Young people were the favoured option but employers found it hard to attract school and college leavers, for reasons of their sector's image and perceived career prospects. Employers across sectors were involved in initiatives to address this issue.

In line with existing research evidence, we found little evidence that employers were choosing to recruit EU migrants instead of training UK workers. Many of the case study employers offered apprenticeships or other training. Those who did not said that their skill requirements were generally too low. Employers felt that more training would benefit their companies and their sector, but more Government support would be needed for that to happen.

Employers also said that more training would have little impact on their use of migrants, unless it led to a substantial increase in the number of young people they recruited. It would also take some years to achieve this change. And even if this were to happen, employers said they would still require recruits at entry level and for low skilled work, for which they currently recruit migrants. For most case study employers, non-labour alternatives to reduce reliance on migrants were not seen as feasible, neither was relocation.

Aside from continuing to allow some form of free movement, employers had a number of suggestions about what the Government might do to ensure they would still be able to recruit the labour they need. These included more support for training to attract young people and better planning of infrastructure projects to enable more secure employment in construction.

While some employers did source some labour from outside the EU, employers did not think this could substitute for EU migration. This was partly because of the cost and bureaucracy involved, but also because EU migrants were seen as in some ways more suited to their business, and more likely to be flexible and mobile.

7. Conclusions

In the last ten years, EU migrants have come to play an important role in the UK labour force, and are increasingly present in low skilled occupations. There is now a large body of evidence about why employers recruit migrants. Our report brings this together and focuses on three key sectors. We have explored whether and how a migrant workforce has impacted on labour market institutions, changing pay, contracts and the employment relationship. We have also explored alternatives to recruiting migrants, again drawing on research evidence and our own case study findings.

The EU labour force has grown but use of migrants is not new

The presence of Eastern European migrants in the labour force has changed the skills profile of EU workers and migrant labour in the UK. By 2014, half of the top ten occupations for foreign-born workers were low skilled. Our research focused on hospitality, food and drink and construction. All three sectors have a history of employing migrants, so reliance on Eastern European migrants represented a continuation and intensification of existing trends rather than a new departure.

Overall, we found little evidence that employers look specifically to recruit EU migrants. Employers' recruitment methods were aimed at achieving the highest possible number of applications. They wanted a choice, and to recruit the best quality workers. Other than when they used agencies located in sending countries, a method used when shortages were most severe, employers said they did not tailor their methods to recruit either migrants or local workers, but according to how many applicants would result.

In line with existing studies, we found employers reporting a problem with the supply of UK-born workers, though they were often reluctant to generalise about their suitability. Employers had explanations for this shortage of applicants, which included intrinsic aspects of the work such as its arduous physical nature. Other reasons are undoubtedly pay, contracts and limited promotion prospects.

Much has been said in the media about the superior work ethic of EU migrants, especially those from Eastern Europe. Yet when we asked how the job performance of EU migrants compared to that of British workers, their most common response was that there was no difference on measures such as productivity, work ethic and commitment.

Labour market change has happened alongside the growth of a migrant labour force

For most employers flexibility in employee contracts was built into the business model and stemmed from fluctuations in demand for goods or services. Employers preferred to offer permanent contracts to achieve more stability, but with hours that could be flexed up and down, widely referred to as 'zero hours' contracts. Self employment was the preferred contracting arrangement in construction, again driven by the need for flexibility arising from fluctuating demand and business uncertainty.

Available evidence suggests that flexible migrant labour has enabled businesses in low skilled sectors to grow. Where migrants form a minority of the workforce, which in many cases they do, this has helped to create employment opportunities for British workers.

EU migration is not a substitute for training

In line with existing research evidence, we found little evidence that employers were choosing to recruit EU migrants instead of training UK workers. Many of the case study employers offered apprenticeships or other training. Those who did not, mainly within the hospitality and food industries, said that their skill requirements were generally too low. At the same time, employers believed that their sectors trained too few workers to meet peaks in demand and that migrants helped to meet skills shortages.

Aside from insufficient investment in training, employers reported problems in attracting trainees. They blamed the negative image of their industries and poor careers guidance for their sectors' lack of appeal to young people, although they also recognised the role of intrinsic factors such as the work environment and low pay.

Employers see few alternatives to the use of EU migrants

Employers speculated on their short-term and longer-term responses to any restrictions on the supply of EU migrants which might result if the UK were to leave the EU. In the short term, some employers were concerned that EU migrants might lose their right to live and work in the UK. In the medium term, some employers were worried about their ability to fill vacancies, with the timescale for concern varying according to their current stock of workers and levels of staff turnover. Some employers believed that the Government would need to continue to allow free movement in some form to prevent damage to business. Furthermore, they believed that this would have to include unskilled migrants, or migration for unskilled work.

When asked what alternatives to recruiting EU migrants they might put in place, employers said they were continuously seeking other sources of labour and had been doing so for many years. While recognising that attracting British workers might mean having to improve their offer, they said it would be difficult to increase pay or make contracts more attractive without becoming less competitive. Non-labour alternatives to reduce reliance on migrants were generally not seen as feasible, neither was relocation.

Older workers and students, while seen as useful and having some potential to meet shortages, had disadvantages in terms of their availability and suitability for the work. Non-EU migrants were a possibility but, while some employers did recruit migrants from outside the EU, this was largely for skilled work. Employers were doubtful that doors would be opened to low skilled migrants from outside the EU.

Overall, our research is consistent with the broader quantitative and econometric evidence that EU migration has not had a significant negative impact on native workers. In the sectors we examined, EU migration has helped employers create and sustain more flexible and efficient business models. While increased training and more broad efforts to improve the pay, employment prospects and job quality of young and unskilled Britons would obviously benefit the UK as a whole, they are neither directly inhibited by EU migration, nor would they provide much immediate assistance to the sectors where EU migrants are concentrated. In the event of Brexit, therefore, the impact of ending free movement on these sectors would likely be significant and damaging.

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Appendix 1 Employer case studies

The case studies: profile of the industries and employers

Type of business	Sector	Location in UK	Number of employees	Proportion EU	Occupations
Budget hotel chain	Hospitality	National	9850	10-60%	Concentrated in room servicing & catering
Cafe/restaurant	Hospitality	London	800	98%	All, but lower proportion in office support roles
Budget holiday chain	Hospitality	North East	850 – 13,000 (seasonal)	20%	Concentrated in room servicing & catering
Brewery, pub and hotel chain	Hospitality	South West	1,100 – 1,700 (seasonal)	40% high season	Concentrated in kitchen positions, waiting and bar work
Resort hotel	Hospitality	South West	206-270 (seasonal)	25%- 45%	Concentrated in room servicing, kitchen positions, waiting & bar work
Brewery and pub chain	Hospitality	London & South	1,500-1,700 (seasonal)	33%	Catering, particularly chefs
Restaurant	Hospitality	South West	74	14%	Kitchen porters
Tea shop	Hospitality	South East	28	Very low	Customer service
Brewery and pub chain	Hospitality	East	450	5%	All roles, including management
Cheese manufacturer	Food & drink	South West	260-410 (seasonal)	35%	Production & supervisor/manager roles
Biscuit manufacturer	Food & drink	Scotland	120-170 (seasonal)	30%	Production & supervisor roles
Fish processing	Food & drink	Scotland	500	38%	Production & supervisor/manager roles
Potato processor	Food & drink	Scotland	16-26 (seasonal)	90% of seasonal	Processing work only
Cake manufacturer	Food & drink	South West	280	60%	Production & some in administrative roles
Food production	Food & drink	North	400	25%	Production
Construction skills agency	Construction	National	433	10%	Skilled trades including welders, fabricators, pipe-fitters
Petrochemical and Gas	Construction	South East	15,000 (fluctuating)	60%	Skilled trades, including fitters & electricians
Industrial Service Business	Construction	North West	1,200	5%	Skilled trades, including welders, riggers & fitters
Power Generation Services	Construction	North West	75-300 seasonal	10%	Skilled trades, including fitters & semi-skilled roles
General builders	Construction	London	300	12%	All types of building work
Construction consultants	Construction	London	105	10%	Surveying & project management
Training provider	Construction	National	Varied	Varied	Construction trainees/certification
Pipe fitter	Construction	Wales	90	3%	Skilled trades, including fabricators & semi-skilled roles
Surveyors	Construction	National	400	5%	Surveying & project management