

# BULLETIN

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## Labour migration in regional and local economies: challenges and impacts

This Bulletin presents findings from a number of studies undertaken by Warwick's Institute for Employment Research (IER) concerned with the impact of recent labour migration on regional and local economies in the UK. In particular it focuses on migration from the eastern and central Europe, following the latest rounds of expansion of the European Union (EU) in 2004 and 2007. This research aims to provide insights into the motivation and profile of migrant workers and their impact on the labour market and economy at regional and local levels. Some of the challenges in measuring migration using available data sources are highlighted also. Finally, the possible impact of recession on future migration flows is outlined.

### Background

Since 2006 researchers at IER have undertaken three major studies of the impact of migration on regional and local labour markets and economies in the UK:

- Migrant Workers in the East Midlands Labour Market<sup>1</sup>
- The Economic Impact of Migrant Workers in the West Midlands<sup>2</sup>
- Migrant Workers in the South East Regional Economy<sup>3</sup>

Each of these studies included a desk-based element comprising a literature review and analyses of secondary data sources. The second and third studies also included

a primary research component encompassing surveys of employers, migrant workers and third-party organisations involved with supporting migrant workers.

A key issue facing any study of the scale and impact of migration is shortcomings in the available information base. Researchers at IER have prepared:

- *A resource guide on local migration statistics*<sup>4</sup> setting out the strategic significance of migration and detailing the strengths and weaknesses of the different data sources available for measuring migration.

This Bulletin presents some of the key issues and findings highlighted by these studies.

### The importance of migration

Migration is an important component of population change<sup>5</sup>.

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1 Green A.E., Jones P.S. and Owen D.W. (2007) *Migrant Workers in the East Midlands Labour Market*, Final Report to the East Midlands Development Agency.

2 Green A.E., Owen D.W., Jones P. with Owen C. and Francis J. (2007) *The Economic Impact of Migrant Workers in the West Midlands*, Report for a consortium of organisations in the West Midlands, West Midlands Regional Observatory, Birmingham.

3 Green A.E., Owen D., Jones P. with Owen, C., Francis J. and Proud R. (2008) *Migrant Workers in the South East Regional Economy*, Report for the South East England Development Agency and partners.

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4 Green A.E., Owen D.W. and Adam D. (2008) *A Resource Guide on Local Migration Statistics*, Report prepared for the Local Government Association.

5 A distinction may be made between internal migration flows within the UK and international migration involving migration flows across UK borders. Here the focus is on international migration.

It may also have profound impacts on local communities and economies. Economically, migrant workers can provide a key source of labour for the economy, helping meet labour demands resulting from economic growth, sectoral and occupational mobility and the retirement of existing workers.

Recently, international migration has been at historically high levels and the UK has gained population at an increasing rate due to net immigration. The UK has a long history of outward (emigration) flows but the era of high international immigration began after World War II, when ex-servicemen from eastern Europe were encouraged to stay in the UK and more migrants were attracted from these countries to fill labour shortages created by the reconstruction effort. Erection of the 'Iron Curtain' curtailed such flows and employers turned to the New Commonwealth (and other parts of the EU) as a source of migrant workers.

Migrants have increased in number and geographical diversity since the early 1990s, the result being growing net inward migration to the UK. Factors associated with globalisation and a more interconnected world economy, coupled with UK economic growth until the onset of recession, led to a large increase in the numbers of short- and long-term migrants to the UK<sup>6</sup>. However, the key feature of recent change has been inflows from the 'Accession 8' (A8) countries (Poland, Slovakia, the Czech Republic, Slovenia, Hungary, Latvia, Lithuania and Estonia) after 2004 and the 'Accession 2' (A2) countries (Bulgaria and Romania) from 2007.

### The legislative and policy context

The volume and nature of migration is shaped by the legislative framework at UK and EU level. Some migrants are free to move to the UK (e.g. most EU citizens), whereas others have no such 'free movement' rights. These latter flows are 'managed'. In 2008 the UK introduced a Points-based System (PBS)<sup>7</sup> to manage migration flows to the UK from outside the European Economic Area in accordance with labour market requirements, on the advice of the Migration Advisory Committee (MAC)<sup>8</sup>. A paradoxical effect of substantial changes in migration policy, legislation and migrant management systems is that the data necessary to monitor migration and its effects is often not collected or is difficult to access.

Whilst EU and national legislation sets the overall framework for international migration, policy-makers also

6 Researchers at IER have undertaken a study on short-term international mobility for the European Commission: Green, A.E., Baldauf, B. and Owen D. (2009) *Short-term Mobility, Report to the European Commission for 'Study on workers' mobility – Lot 2: Short-term international assignments*, IER, University of Warwick, Coventry.

7 This Bulletin does not discuss the details and merits of the PBS – for further information see <http://www.ukba.homeoffice.gov.uk/managingborders/managingmigration/apointsbasedsystem/>

8 Rob Wilson from IER is a member of the MAC.

find themselves having to respond to the challenges posed by migration at different geographic scales. Local migrant concentrations can emerge where the impacts on public services and community cohesion are likely to be felt most keenly - particularly where there has been a rapid influx of migrant workers and where demands on public services are already pronounced; (this occurs both in large cities and in rural areas with small populations). There may be a case for concentrating information and support services for migrants in locations which act as key reception areas for migrant workers. However, formulating policy responses is made more difficult by the transient nature of the migrant worker population and the inflexibility of national funding models for mainstream public services which allocate resources according to 'stocks' of population and cannot respond flexibly to fluctuating 'flows' of migrants.

### The rationale for labour migration

The main reasons for labour migration are economic. In general, A8 and A2 migrants have come to the UK to take advantage of employment opportunities and for higher wages than are available to them in their home countries. The majority of these migrant workers are young adults aged between 18 and 34. Other non-economic reasons for migration include joining friends and family, to learn English and to explore.

From an employer perspective the main rationale for employing migrant workers is to address 'shortages', of the labour they are seeking; and this can be a way of addressing skills shortages. Although some are employed seasonally or on a fixed-term basis, in the majority of organisations surveyed in the West Midlands and South East regional studies by IER, migrant workers were used to meet an ongoing steady demand for labour throughout the year and the employers surveyed reported that migrant workers were engaged primarily on direct, permanent contracts. The main advantages cited for employing migrant workers were that they were hard working/had a good work ethic, were flexible and willing to work longer hours, and that they were reliable and meticulous.

### Migrant workers in the labour market

Migrant workers are unevenly distributed by sector and occupation. They are particularly concentrated in Agriculture; Manufacturing; Hotels & Restaurants, Transport, Storage & Communication; and Health & Social Work. A8 and A2 workers are disproportionately concentrated in low-skilled elementary and operative occupations, even though they may possess higher level qualifications. Surveys of migrant workers in the West Midlands and South East regions reveal that many who moved from employment (as opposed from unemployment or study) were not fully utilising their existing technical/other skills in the UK. One reason is that on coming to the UK migrant workers tend

to enter those sectors and occupations where it is easiest to gain employment quickly (i.e. where there are lower ‘barriers to entry’). Shortcomings in English language skills will preclude entry to some jobs and limit migrants’ labour market progression and integration into the community. The provision of training in these skills needs to be addressed. The non-recognition of foreign qualifications is a further significant barrier to migrants’ progression in the labour market. If more qualified migrants could better utilise their skills, this may increase regional productivity.

Migrant workers make a positive economic impact through the mitigation of labour and skills shortages, and consequently providing a boost to employment, output and productivity growth. On the other hand, the possible negative labour market impacts of migration include reducing employment rates for other sub-groups of workers (especially those with poor skills), contributing to a rise in unemployment and maintaining wages at lower levels than would otherwise be the case.

Analyses of LFS data on unemployment and on transitions of UK nationals out of ‘migrant dense’ sectors and occupations suggest that (overall) UK nationals have not suffered greater unemployment as a consequence of employment of migrant workers. In general, there is no statistically significant evidence that growth in the number of migrant workers has caused unemployment to increase at the local scale, nor is there any statistical evidence (from analyses of LFS data) that it is associated with lower rates of earnings growth. However, there is anecdotal evidence from particular labour markets and local areas that migration can have negative effects.

Overall, the general picture is one of migrant workers addressing labour and skill shortages and thus having a positive economic impact (in terms of their contribution to regional output). In the South East regional study employers surveyed were overwhelmingly positive about the impact of migrant workers on their overall business performance.

### Sub-national variations and local impacts

Alongside the increase in migrant workers since 2004 there have been marked contrasts in the scale and speed of change between local areas, as well as in the profile of the migrant population by nationality/country of origin. While large cities - such as London and Birmingham, which are established concentrations of labour migrants - have seen increases in migration, so too have rural areas (such as Herefordshire in the West Midlands and South Holland in the East Midlands). Indeed, A8 migrants display a rather different geography from earlier migrant groups, with a higher percentage locating in regions away from London and in rural as opposed to urban areas than for previous labour migrants.

High rates of international migration pose ongoing challenges for local service providers. Government increasingly

appreciates the costs associated with migration, but different types of migration flows pose different demands. National funding formulae for public services may not fully recognise the costs involved, since they tend to be based on stocks, whereas service providers are also dealing with flows of migrants.

The impacts of migration on the labour market, and more particularly on services and community cohesion, tend to be most keenly felt in both local areas with limited past experience of migration and also those localities which have seen a rapid influx of migrant workers and where demands on public services – including schools and health services – are already pronounced. Migrant workers with the greatest needs probably have the fewest options for employment and housing available to them, so will tend to gravitate to lower cost housing in relatively deprived areas, where there are already particular pressures on service provision.

### Adaptive capacity

Adapting to the challenges posed by increased international migration in an era of globalisation and increased economic integration across the EU is a key issue for the continued economic success, well-being and social cohesion of the UK. Hence, there is an ongoing need for intelligence and analysis of these issues to inform policy development and service delivery. Yet there are a number of uncertainties here, including:

- lack of certainty amongst migrant workers regarding how long they will stay<sup>9</sup>;
- shortcomings in the information base mean that it is difficult to be certain about the size of migrant flows;
- the impact of recession on migrant flows.

These uncertainties make it imperative that employers, service providers and institutions enhance their ‘adaptive capacity’ – that is, the ability of the economy, labour market, institutions, communities and service providers to be flexible enough to respond to the changing nature of migrant flows, destinations of migrants, and their characteristics and behaviour.

There is also an ‘economic risk’ that the numbers of migrant workers coming to certain regions will decrease in the future. It is important to ensure that alternative sources of labour (including the long-term unemployed and people currently outside the labour force) are not overlooked and that they have the requisite attitudes and skills for employers to consider them.

<sup>9</sup> Surveys of migrant workers in the West Midlands and the South East pointed to many migrants changing their minds about how long they would stay, with a substantial proportion staying longer than originally intended and/or adopting a “wait and see” attitude.

## Challenges in measuring migration

There is no single source of comprehensive data on migration at national, regional and local levels. In particular, there is a lack of information on people leaving the UK. Inadequacies in data sources have been recognised by Government as a key barrier in generating population counts and estimates of migration.

The International Passenger Survey is the only source which measures flows of people entering and leaving the UK. It is central to ONS estimates of international migration but has a very small sample size.

Censuses and surveys are key sources of data on the population. However, they only record international migrants who have stayed long enough to be included. The LFS is a key source for examining labour migrants to the UK at national and regional levels and their distribution and characteristics vis-à-vis other workers, but it is poorer at identifying people who stay less than a year than long-term migrants.

Administrative sources of statistics provide up-to-date information at local level on some migrants, but most only record arrival or registration for work in the UK and do not identify when a person leaves the UK. For example, National Insurance numbers allocated to non-UK nationals provide annual information on the age, gender and nationality of overseas persons arriving to work in each local authority district. Citizens of the A8 countries working as employees are also required to register with the Worker Registration Scheme and this provides quarterly information on nationality, age, gender, wage rate, sector, occupation, hours worked, whether the work is temporary or permanent, planned duration of stay and dependants.

Registration for and use of local services also provides useful intelligence on population flows and change. Examples include migrant registration with a GP, pupil census data and electoral register data.

Local surveys can provide information and intelligence on migrants' motivations, intentions and aspirations, their experience of living and working in the UK and their use of and need for services, etc. Likewise, surveys of employers and of stakeholders/third party organisations can provide useful intelligence at the local scale. In addition, a wide range of local actors<sup>10</sup> are also in a position to provide 'soft' intelligence, but these sources need to be used together, rather than in isolation.

10 For example, Local Authorities, Trade Unions, employment agencies, employers and Chambers of Commerce, libraries, migrants' food shops, Citizens Advice Bureaux, churches and other faith-based organisations, landlords and housing associations, community groups and organisations, Police and community wardens, the Fire Service, schools and colleges, hospitals, health centres and Primary Care Trusts and transport companies.

## Migration and recession

There is evidence that inflows of migrant workers from A8 countries had already started to slow before the onset of recession. There is a lack of definitive information on emigration from the UK. However, it has been suggested that A8 migrants are more responsive to changes in economic circumstances than those from elsewhere<sup>11</sup>. Other commentators<sup>12</sup> suggest that the downturn in migration flows to the UK with rising unemployment is only temporary and that (like in previous recessions) the number of British citizens returning to the UK from abroad has increased. This suggests that a downturn in inflows will not necessarily result in jobs being opened up for the local population. Moreover, it should be remembered that non-economic factors also play a role in migration decisions. In the face of uncertainty, monitoring migration flows and keeping a watching brief on regional and local impacts is crucial.

## Further information

This Bulletin was produced by Anne Green. For further information about other IER projects visit the IER website at [www2.warwick.ac.uk/fac/soc/ier](http://www2.warwick.ac.uk/fac/soc/ier) or email: [ier@warwick.ac.uk](mailto:ier@warwick.ac.uk)

You might also be interested in the following recent publications by Anne Green:

Green, A.E. (2009). Older People and Transitions from Employment to Non-employment: International Perspectives and Policy Issues, *The Professional Geographer* 61(1): 46-58.

Green, A.E. and Hasluck, C. (2009). Action to Reduce Worklessness: What Works?, *Local Economy* 24(1): 28-37.

For more information on recent publications authored by IER staff see: <http://www2.warwick.ac.uk/fac/soc/ier/publications/2009/>

11 See NIESR (2009) 'Projections of migration inflows under alternative scenarios for the UK and world economies', Economics Paper 3, Report for the Department for Communities and Local Government.

12 Dobson J., Latham A. and Salt J. (2009) On the move? Labour migration in times of recession, Policy Network, London.