Impact of Economic Downturn and Migration

A Discussion Paper Commissioned from the Regeneration and Economic Development Analysis Expert Panel

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March 2011

ISBN: 978-1-4098-2808-2

Preface

The Regeneration and Economic Development Analysis Expert Panel is one of three expert panels established by the Department for Communities and Local Government (DCLG) to improve their analytical capacity. The expert panels aimed to strengthen the links between research, evidence and policy and provide fresh and challenging insights to policy makers by providing access to senior academics and researchers from a range of disciplines.

The analysis, findings and conclusions are those of the authors and do not necessarily represent the views of the Department for Communities and Local Government.

1. Introduction

1.1 Scope of the review

The paper provides a selective review of the evidence on two key questions:

- What is the likely impact of an economic downturn on international migration – in terms of in-flows, out-flows and net migration?
- What is the likely impact of an economic downturn on migration in different parts of the country (i.e. are different types of local areas likely to be differentially affected – and, if so, which, how and why?)

The particular focus of the paper is on A8 migrants,[1] although reference is made to other migration streams also.

In addressing the two key issues above, a number of subsidiary questions are relevant also:

- What does the evidence tell us about current migration trends and their geographical patterns?
- What are the key characteristics of A8 migrants (and how are they different from and similar to previous migration streams)?
- Why do migrants come to the UK and how long do they intend to stay?

1.2 Methodology

This evidence review is *selective rather than comprehensive*. It draws on:

- Short papers produced in-house by DCLG staff and FCO staff.
- A synthesis of evidence from the available academic and policy literature.
- Insights gained in recent studies involving the author undertaken on migrant workers in the West Midlands and South East (involving interviews with employers, migrant workers and stakeholders).
- Emerging evidence from ongoing research in other regions and local areas.
- Work on possible trends – including ‘scenarios’.
- Insights from selected ‘experts’ consulted in parallel work on production of a ‘Local Migration Statistics Guide’ for the Local Government Association (Green *et al.*, 2008a) and on migration issues more generally.

This paper is intended to form the basis for discussion at a subsequent Workshop.

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[1] Migrants from Poland, Slovakia, the Czech Republic, Slovenia, Hungary, Latvia, Lithuania and Estonia.

1.3 Structure of the paper

The main part of the paper is organised as follows:

- *Economic and non-economic factors in understanding migration*: In this section the economic factors underlying migration flows and decision-making are considered, alongside other (social, educational, cultural and lifestage) factors. The notion of the migrant's 'frame of reference' is introduced as a means to understand different factors influencing migration decisions. The evidence on migrants' changing intentions regarding duration of stay is considered also.
- *The economic downturn and implications for migration*: Here the evidence from previous sections is reviewed and some possible futures are outlined. Reference is made to implications for cohesion of changing economic circumstances. The possible scope of further analyses is outlined also.

Important background information on migration patterns and trends is presented in Annexes to the main part of the paper. Readers are urged to read this material in order to place the key findings outlined in a broader context. This material is structured as follows:

- *Annex 1 - Migration trends*: This annex highlights key features of the information base on migration trends, highlighting some of the deficiencies in the information base that thwart attempts to measure the impact of the economic downturn on migration. It also examines key features of the geography of migrant stocks and flows in the UK and the need to understand the functional role of different places when interpreting trends using local migration statistics.
- *Annex 2 - Sectoral and occupational trends*: This annex highlights the key features of the sectoral and occupational distribution of migrant workers. The scope for further analyses is outlined. Reference is also made to different recruitment channels used by migrant workers and employers, as these provide insights into the sectoral and occupational concentrations of migrant workers and future prospects.

2. Economic and non-economic factors in understanding migration

2.1 Economic factors

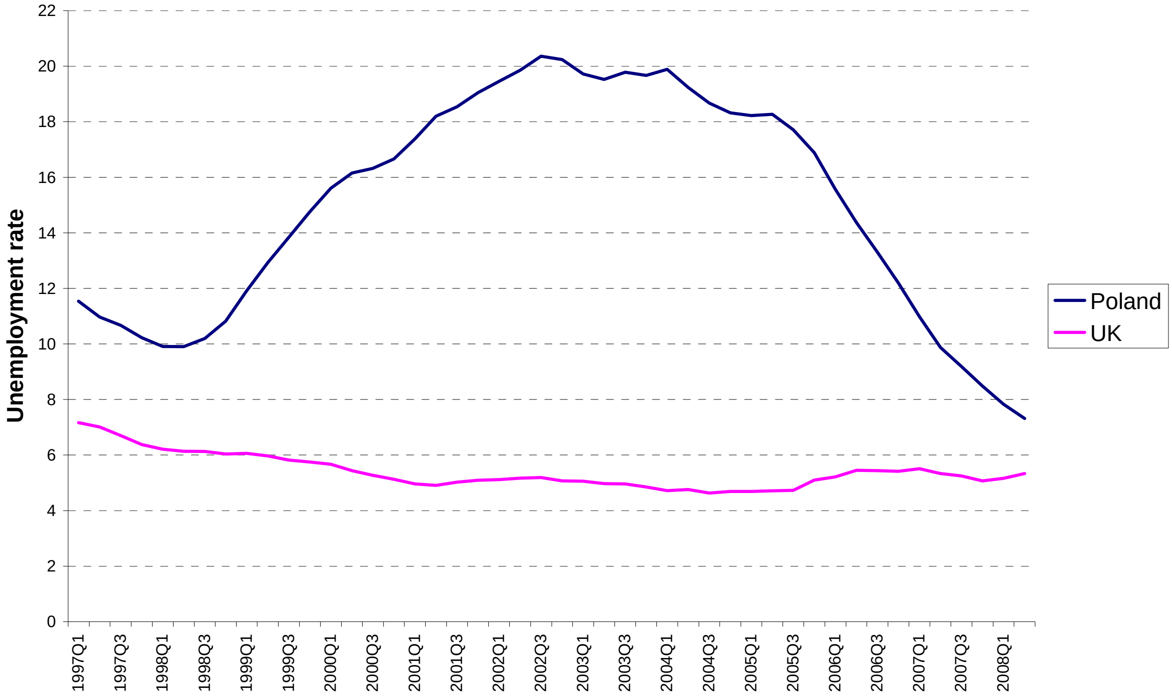
> Economic motivations have been paramount in A8 migration to the UK, but non-economic reasons play a role too. Recent economic trends indicate that the economic case for migration to the UK remains positive, but less so than was formerly the case.

2.1.1 A neoclassical perspective (Sjastaad, 1962) suggests that migration and return decisions are based on rational cost benefit evaluations in context of the goals of maximising anticipated lifetime earnings. Other economic theorists contend migration results from market failures in the countries of origin, and migrants return once they have achieved their target savings.

2.1.2 Surveys of migrant workers indicate that economic motivations (i.e. working and earning) are the dominant reasons for migration amongst migrant workers from A8 countries. Social and cultural factors are also influential in migration decisions of some individuals (see section 2.2), but generally are of secondary importance. A review of the literature suggests that key economic 'push' factors from origin countries include a lack of life chances, lower wages and living standards and a lack of available opportunities to utilise skills in the home country (often as a consequence of high unemployment). Key economic 'pull' factors include higher wages and job opportunities, and the financial returns that might be realised in the short- or medium-term. Even though concentrated in jobs at the lower end of the pay and skills spectrum, satisfaction levels of A8 migrants in the UK have been generally high (Green et al., 1997b, 2008b).

2.1.3 Figure 1 shows unemployment rates in Poland relative to the UK over the period from 1997 to 2008.

Figure 1: Unemployment rates, 1997-2008: Poland and the UK



Source: Eurostat, standardised unemployment rate

Clearly, unemployment rates have converged as unemployment in Poland[2] has fallen from its peak in the period from 2002 to 2004. It is salient to note that the differential was close to its maximum in the period covered in the chart at the time of accession, and moreover, that unemployment rates in some local areas would have been considerably higher than nationally. Moreover, young people in Poland found it particularly difficult to gain a foothold in the labour market. The trends in unemployment rates suggest that the case for coming to the UK because of the difficulty in getting a job in Poland has weakened in the period since Accession; (however, it is important to note that national level rates mask important sub-national variations in experience). Table 1 shows the latest available unemployment rates for EU Member States published by Eurostat. Countries are ranked in descending order on their unemployment rate.

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[2] This has been selected on the basis that Poles form easily the largest single share of A8 migrants to the UK (see Annex 1).

Table 1: Unemployment rates (seasonally adjusted), latest available, 2008

Member State	Date	Unemployment rate (%)	Change on year (%)
Spain	Oct 08	12.8	4.3
Slovak Republic	Oct 08	10.0	-0.7
France	Oct 08	8.2	0.2
Hungary	Oct 08	8.1	0.4
Portugal	Oct 08	7.8	-0.1
Eurozone	***Oct 08***	***7.7***	***0.4***
Estonia	Oct 08	7.5	3.4
Greece	2008 Q2	7.5	-0.9
Latvia	Oct 08	7.2	1.7
Germany	Oct 08	7.1	-1.0
Ireland	Oct 08	7.1	2.4
Total EU	**Oct 08**	**7.1**	**0.2**
Italy	2008 Q2	6.8	0.8
Belgium	Oct 08	6.6	-0.5
Sweden	Oct 08	6.6	0.7
Finland	Oct 08	6.4	-0.3
Poland	Oct 08	6.4	-2.3
Romania	2008 Q2	5.9	-0.8
Malta	Oct 08	5.7	-0.6
United Kingdom	Aug 08	5.7	0.4
Bulgaria	Oct 08	5.6	-0.6
Lithuania	Oct 08	4.7	0.6
Czech Republic	Oct 08	4.4	-0.5
Slovenia	Oct 08	4.3	-0.2
Luxembourg	Oct 08	4.2	0.2
Cyprus	Oct 08	3.8	0.0
Denmark	Oct 08	3.2	-0.3
Austria	Oct 08	3.0	-1.3
Netherlands	Oct 08	2.5	-0.4

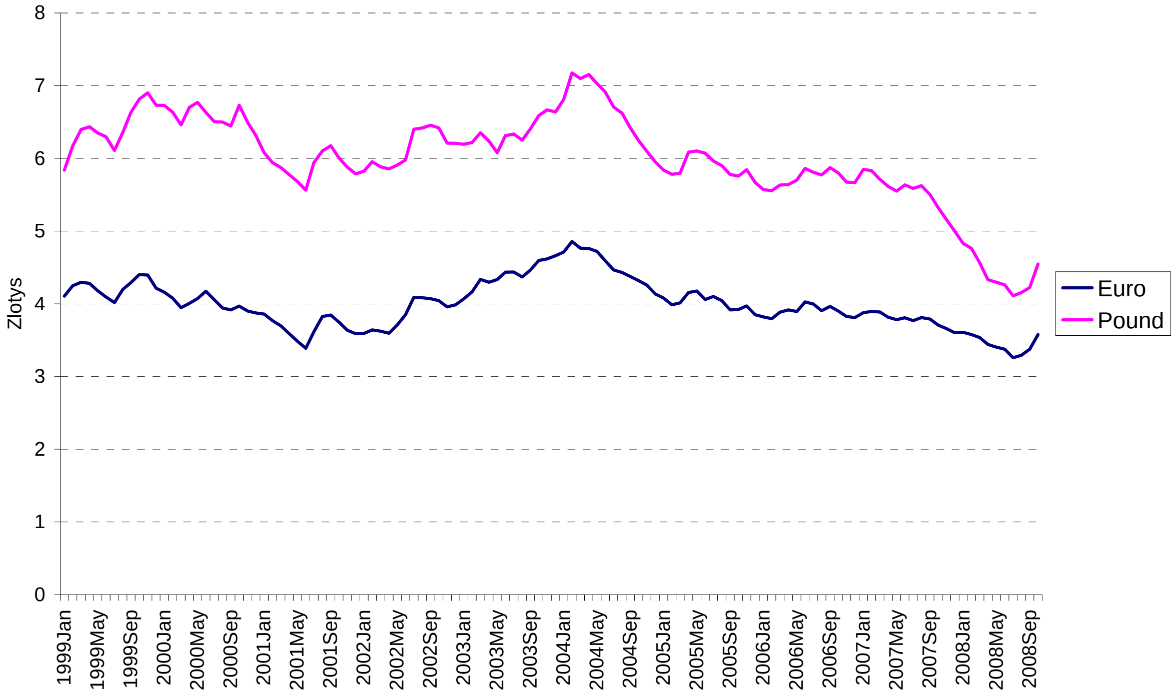
Source: Office for National Statistics Labour Market First Release, December 2008 - taken from '19: International Summary', as published by EUROSTAT on 28 November 2008 (seasonally adjusted)

Note: A8 and A2 countries are shown in blue.

Both Poland and the UK have lower unemployment rates than the Eurozone and EU average. Poland experienced the largest relative decrease in the unemployment rate over the year, whereas the relative increase in the UK unemployment rate over the same period was the same as that for the Eurozone and greater than the EU average.

2.1.4 Figure 2 shows trends in exchange rates for the Polish Zloty vis-à-vis Sterling and the Euro. The trends shown are similar, but in the period since 2007 the reduction in the number of Zlotys to the £ was much more pronounced than for the Euro. This suggests that the potential financial gain to be realised by taking a job in the UK has become less pronounced since the time of Accession – when at the peak level there were over 7 Zlotys per £. However, downward trend has reversed in the most recent quarter.

Figure 2: Zloty exchange rates, 1999-2008



Source: Eurostat

2.1.5 The statistics on unemployment and exchange rates suggest that relative economic factors were particularly favourable for a large in-flow of migrants from A8 countries to the UK in 2004. The reduction in unemployment rates, rapid growth (until recently) in A8 economies and a less favourable exchange rate all serve to make the UK a less attractive destination than was formerly the case. In 2004 the favourable economic conditions for migration from the A8 countries to the UK were coupled with initial restrictions on migration to other large EU15 economies at that time. Some EU15 countries have now lifted these restrictions (and others are due to do so in future), such that there are more alternative destinations.[3] It is also likely that some of the A8 'in-flow' to the UK in 2004 represented registration of migrants who had previously entered the UK illegally. This is a time-specific factor that is no longer applicable, but is likely to have inflated the 'in-flow' count formerly (i.e. some of those who 'arrived' were already working in the UK). What is less clear is whether active recruitment by UK employers and also by agencies for A8 migrant workers to come to the UK will continue. However, it is likely that such recruitment will target specific sectors and have specific local impacts.

3 The UK, Ireland and Sweden opened their labour markets to A8 migrants at the time of Accession in May 2004. In May 2006 Spain, Finland, Greece and Portugal opened their labour markets, followed by Italy (at the end of July 2006), the Netherlands (in May 2007), Luxembourg (November 2007) and France (July 2008). Germany (the largest economy in the EU), Austria, Belgium and Denmark restrict access to their labour markets at the time of writing; but these restrictions are due to come to an end in April 2009 (European Commission, 2008).

2.1.6 Precise figures on emigration from A8 countries are difficult to obtain as most people do not declare emigration.[4] With the ongoing expansion of the Polish economy, an improving exchange rate and rising wages, there were signs of a slowdown in emigration from Poland in the second half of 2007. In Poland there has been a greater opening to temporary and seasonal workers from Ukraine, Belarus and the Russian Federation to cope with demand from employers.

2.2 Non-economic factors

Migration decisions are not prompted solely by economic factors. Hence, it is important to consider the role of language factors, social networks and a desire for 'discovery'/'exploration' in migration. The migrant's frame of reference includes non-economic, as well as economic, factors in his/her origin country, in the UK and in competing destinations.

2.2.1 Despite the primacy of economic factors in prompting migration to the UK, it is important to look beyond a narrow economic view of migration to consider linguistic (notably the attraction of English as a global language), social and other factors influencing migration decisions (see Table 2 which provides some information on a survey of migrant workers in the South East region of England). There are many ambiguities surrounding information flows. This suggests that there are benefits from looking at the sociology and psychology of migration, rather than regarding it as a phenomenon which accords solely to macroeconomic trends. Migrants are heterogeneous: each individual migrant has his/her own biography and story, in which different factors (economic, social and familial) are more or less important in decision-making.

Table 2: Reasons for coming to the UK – A8 migrants

Reason	A Reason (can identify more than one) (% of total)	MAIN Reason (one only) (% of total)
To work and earn money	89.4	82.7
To improve English	33.5	4.5
To study	8.1	2.3
To join a husband/wife/partner/wider family	9.4	3.9
To travel and see another country	20.1	4.3
Knew people in the UK	9.0	0.7
Other	3.0	2.1
Holiday	0.3	0.3
Better life	0.3	0.1
Not provided	0.1	0.1

Source: South East Migrant Worker Survey, Green *et al*. (2008b)

4 See Kacczmarczyk (2008) for s discussion relating to Polish emigration statistics. Most Polish emigratnts feel it unnecessary to voluntarily cancel their Polish residence even if they are living abroad.

2.2.2 The role and importance of the English language is a key consideration in considering migration flows to the UK. It has been highlighted by EURES advisors as a key ‘pull’ factor in mobility decisions. Irrespective of the economic downturn, the chance to improve English language skills should not be overlooked as a factor prompting migration to the UK; especially as in most European countries English language skills are ‘desirable’, or increasingly ‘mandatory’. Hence, English language experience in the UK may be useful in furthering careers in other English-speaking countries (such as the USA and Australia), as well as at home.

2.2.3 The role of social networks in understanding recruitment channels is highlighted in Annex 2. Networks are also important in understanding the spatiality of migration flows (Massey, 1998). Social networks affect migrant decision making by providing information and facilitating adjustment (Epstein, 2008).[5] Once started, community and migrant organisations may help to sustain networks, and some social networks may transform themselves into migrant brokers. It is also the case that through the different stages of the migration process, migrants are creating and recreating networks (Stockdale, 2002). Hence, networks are neither spatially bound nor static. The salient point here is that social networks may perpetuate migration even when initial triggers (primarily economic factors in this case) that first prompted flows decline in importance.

2.2.4 In the same way that young people from the UK may wish to travel to other parts of the world in a ‘gap year’, or before settling into a career, a willingness to take less skilled work to pay their way is evident amongst many young A8 migrants in the UK. They are at the stage in their life course when the propensity to migrate is highest – irrespective of economic conditions. Some migrants who initially come to the UK for purposes of ‘exploration’/’discovery’ (i.e. to travel and to experience life in the UK) may subsequently decide to settle permanently, while for others short-term migration to the UK may be a precursor to migration to other destinations (Williams, 2008). Through temporary migration, migrants may acquire significant transferable skills and competences, language ability, networking capacity. A desire for ‘exploration’/’discovery’ is likely to prompt migration amongst some young people, irrespective of the economic downturn.

2.2.5 In considering likely future trends in migration, the economic downturn in the UK, economic conditions within origin countries and in other potential destinations are all important considerations. Additionally, non-economic factors in these areas need to be factored into consideration. Hence, the migrant worker has a ‘dual (or triple) frame of reference’. In economic terms, the relative attraction of the UK may be waning in the light of economic slowdown, changing exchange rates, economic growth in central and eastern European economies (although the UK remains a high income economy) and the opening up of other EU economies to A8 migrants, but the non-economic factors above need to be considered too.

[5] However, network externalities are not always positive – e.g. a continuing flow of migrants may inflate competition for jobs and lead to tensions between the local population and migrants.

2.3 Changing intentions

> The evidence indicates that although most A8 migrants into to stay in the UK for a short period only, there is considerable flux and uncertainty about migrant intentions. This suggests that it is difficult to predict what the impact of the economic downturn on migration will be.

2.3.1 The academic literature on labour migration suggests that there is likely to be a diversity of migratory strategies and intended lengths of stay. Some migrants are likely to come to the UK for a fixed period, earn money and return home, whereas others come with the intention of settling permanently. One example of a typology of migrants according to their different strategies is provided by Eade et al. (2007) in a study of Polish migrants to London, which distinguished:

- 'storks' – who engage in circular migration (with stays of 2-6 months) with a view to improving their situation vis-à-vis their economic situation in Poland, and who are mostly found in low paid occupations, which are arranged through Polish networks of friends
- 'hamsters' – who treat their move as a one-off act to acquire enough capital to invest in Poland (and so tend to have longer stays than the 'storks', in order to ensure their social mobility there
- 'searchers' – generally young and ambitious migrants who deliberately keep their options open and focus on increasing their economic and social capital both in the UK and Poland[6]
- 'stayers' – those who have been in the UK for some time and intend to remain.

2.3.2 The WRS collects information about the intended length of stay in the UK of registered workers. From July 2007 to June 2008 the picture was as follows:

- less than 3 months – 61%
- 3 to 5 months – 2%
- 6 to 11 months – 3%
- 1 to 2 years – 4%
- more than 2 years – 7%
- do not know – 24%

This indicates that many intend to stay for a short period only.

[6] This category is the largest of the four distinguished by Eade et al. (2007). Migrants in this group tend to be adapted to a flexible, and increasingly transnational, labour market (in accordance with EU free movement principles. Their behaviour in the face of an economic downturn is likely to be less clear cut that for the other categories identified here.

2.3.3 Evidence from surveys of migrant workers in the West Midlands and the South East (Green et al., 2007a, 2008b) on initial intended length of stay and on intended length of stay at the time of the survey, shows that substantial numbers of individuals change their intentions (predominantly, but not exclusively, revising their plans upwards towards longer stays). An initial strategy of temporary migration may be transformed into permanent migration, moulded by their experiences and changing aspirations. The longer a migrant stays in the UK, the more difficult return may seem. Survey evidence also shows that the numbers who were uncertain about their intended length of stay tended to increase. This ‘fluidity’ in plans and the relative ease of movement means that A8 migrants can ‘come’ and ‘go’ from the UK relatively quickly. Interviewees from third party organisations had mixed views about whether substantial numbers of migrant workers would stay in the UK long-term or whether they would return to their origin countries as economic conditions there improved.

2.3.4 A survey of the motivations and social networks of returned migrants in Slovakia showed that there are strong links between initial temporary migration and intended permanent migration (Balaz et al., 2004). Temporary migration is a learning experience, which provides enhanced knowledge and self-confidence, thereby facilitating permanent migration. So, even if migrant workers do leave the UK in the face of an economic downturn, having migrated once, they are more likely to consider migration in the future. Any future permanent migration is likely to be motivated by economic considerations.

3. Economic downturn and implications for migration

3.1 Possible future trends

A continuing slowdown in migration to the UK seems likely, but because there is a threshold below which it is unlikely to fall in thinking about possible future trends it is important to consider a number of different scenarios.

3.1.1 Migration is a dynamic phenomenon and is characterised by uncertainty – about numbers of migrants and migrants' intentions. This dynamism and uncertainty are not new phenomena, but have become increasingly important over time.

3.1.2 The economic downturn is not solely a UK phenomenon, but the indications are that the UK will be hit harder than many other European economies. Pollard *et al.* (2008) highlight the following factors leading to fewer A8 migrants coming to the UK and more returning home:

- economic development in A8 countries
- diversion to alternative destinations
- demographic trends in A8 countries – there are smaller cohorts of young people to migrate; and
- a narrowing of the wage gap.

Anecdotal evidence in Poland is that the downturn in the UK will cause many Poles to leave the UK. This is based on the assumption that service jobs in hotels, bars, etc, will be less available. Polish growth is slowing, although is better than the UK which is in recession. But the gap may not be sufficiently large to cause large numbers to return home – given a slowdown in the Polish economy.

3.1.3 Non-economic factors which suggest a continuation in migration irrespective of an economic downturn are the pull of the 'English' language and a desire for 'discovery'/'exploration'. However, these trends point in the direction of temporary, rather than permanent migration. Here it is salient to note that although temporary migrants are informed by a variety of goals, including educational and cultural objectives, it is permanent migration that is dominantly motivated by economic considerations (Balaz et al., 2004). Furthermore, temporary migration may serve as a platform for subsequent permanent migration.

3.1.4 Current evidence suggests that the slowdown of A8 migration to the UK is likely to continue into the future. However, there is a threshold below which it is unlikely to fall, because part of the migration is driven not by economic factors but by discovery, language and other non-economic factors. Existing social networks will serve to reinforce this threshold.

3.1.5 Amongst those migrants who have stayed longer-term, family and other reasons may tie many of them to the UK even in the face of economic downturn and narrowing wage differentials.

3.1.6 From an economic perspective there may be a desire to forecast migration. However, if such an approach is adopted it is important to keep in mind the ambiguities associated with migration. Pijpers (2008) contends that in forecasts migration is considered a disequilibrium phenomenon, and linear movements and final destinations are presupposed. She argues that such ‘orderly’ moves do not correspond with ‘messy’ real East-West migration dynamics in the EU, which are foremost temporary and circulatory in nature.

3.1.7 Rather there may be merit in considering a number of scenarios. For instance, Green et al. (2008b) highlighted a number of possible scenarios in a study of migrant workers in the South East; (note that all of these scenarios take as their starting point changes in migration flows – it is salient to note that other factors could be important also, and scenarios other than those highlighted here are plausible). Scenario 1 might seem most appropriate in an economic downturn – and here understanding employer behaviour (and constraints on such behaviour) is a crucial factor, but the others are plausible:

- *Scenario 1: The UK becomes a less attractive destination for UK migrants*: In this scenario the slow-down in migration flows to the UK from A8 countries continues and there are fewer migrant workers available from A8 countries. Agriculture, Social Care, Hotels & Restaurants and some parts of Manufacturing face difficulties as the migrant workers they have come to rely on in recent years leave. Facing a crisis, some employers seek new recruits from the indigenous population by targeting those who are currently unemployed and economically inactive and working with local Colleges and training providers to develop employability and job-specific skills; (this assumes that there is investment in training to ensure that the non-employed have the necessary general employability attributes and any necessary job-specific skills to fill such roles). Despite considerable difficulties in doing so, other employers reorganise job roles and endeavour to increase wages in order to attract new recruits and invest and devote greater attention than formerly to staff retention; although pressures for cost reductions from customers (and others – e.g. supermarkets in the food sector) may limit the potential for such increases. Other employers substitute capital for labour and continue trading. Hence, a reduction in migrants may facilitate a move away from a situation of low-skill equilibrium. Some employers relocate to lower cost locations outside the UK, while others are unable to adapt and businesses cease trading. Employers’ organisations may exert pressure to be allowed to recruit more labour to these occupations from outside the EU.
- *Scenario 2*: *Increased transience in migration flows with short-term ‘discovery migration’ predominating*: In this scenario short-term

migration predominates. Successive waves of young people come to the UK for periods of up to a year to enhance their English language skills and gain knowledge and experience of UK society. Within that period they move from place to place. They are also move from job to job in order to add to their portfolio of skills and experience, often favouring jobs where they can practise their English language skills. Except where jobs are extremely unattractive, employers have a ready supply of migrant workers to recruit from and although high staff turnover has cost implications migrant workers are preferred to less skilled indigenous workers because of their motivation.

- *Scenario 3. Greater reliance on migrant workers from outside the EU:* In this scenario employers no longer have a ready supply of A8 migrants to recruit from and so instead are more reliant on migrant workers from outside the EU (assuming an absence of racial prejudice in their willingness to engage such workers) in order to fill the jobs that are not taken by the indigenous population. Hence, the efficient operation of the new PBS is crucial. While this operates relatively smoothly for highly skilled workers where employers and development agencies invest in 'talent attraction' policies, those seeking lower level skills face more difficulties. A key issue facing employers here is maintaining their profit margin, while making such jobs financially attractive for local people in what is a high cost area. The migrant workers who do come to the UK are from a more diverse range of geographic, ethnic and cultural origins than A8 workers. This, in turn, could lead

3.2 Implications for cohesion

Community tensions are likely to increase in an economic downturn in the face of competition for scarce resources.

3.2.1 In the context of economic downturn tensions between migrant workers and other sections of the community may increase. In general, A8 migration to date has served to meet labour and skill shortages, with migrants concentrated in sectors and occupations characterised by hard-to-fill vacancies (see Annex 2 for details). In a slack labour market local workers are more likely than formerly to be in direct competition with migrant workers (unless migrant workers leave the UK as job opportunities diminish) – especially if local workers become more willing to fill jobs that they have been unwilling to take up previously. In circumstances where migrant workers are engaged in preference to local people on benefits, this is likely to cause increased resentment. Press reports of perceived injustices can inflame tensions, whatever the facts of a particular situation. With a tightening of budgets for service provision access to housing, education and other local services may also be an arena for heightened tensions.

3.2.2 To date, tensions have been particularly pronounced in places which have seen a rapid influx of migrant workers where institutions and service providers have a lack of experience or resources in dealing with these challenges, and in deprived areas. At face value, in the context of economic downturn, local areas where joblessness increases fastest and where may face some of the greatest challenges to community cohesion. However, local areas with the highest rates of worklessness have greater allocations of funding to tackle worklessness (e.g. through the Working Neighbourhoods Fund and other funding streams) than other areas, and so it could be those areas where worklessness has not formerly been such an issue that competition for resources and associated tensions are particularly marked.

3.3 Scope for further analysis

> There is scope for combining data on 'migrant dense' sectors, the sectoral distribution of employment at local level and projections of employment by sector to assess the potential vulnerability of migrant workers in the economic downturn.

3.3.1 There is scope for gaining insights into the possible impact of economic downturn on migration in particular local areas by using information on:

- 'migrant dense' sectors (drawing on national and regional level analyses of the LFS, in conjunction with local level data from the WRS)
- Information on the sectoral composition of employment at the local level from (from the Annual Business Inquiry); and
- short-term forecasts of employment by sector and region

to derive an assessment of the vulnerability of migrant workers to the economic downturn in different places – on the basis of the sectoral composition of employment.

3.3.2 Such an assessment rests on the application of common assumptions across local areas. In reality it is likely that sectoral fortunes will vary across local areas (i.e. in a certain sectors job losses may be greater in some local areas than in others). Likewise, the impact on migrant workers is likely to differ between local areas because of differences in employers' responses to downsizing, etc. Potentially, sectoral case studies in different local areas could shed light on the way in which employers and migrants respond to the economic downturn in different local contexts.

Annex 1: Migration trends

A1.1 Key features of the information base

> No single source provides comprehensive information on migration at local level. Available sources provide better information on in-flows and stocks of migrants than on out-flows. They supply better information on long-term than on short-term moves.

A1.1.1 At the outset it is relevant to note that there is no single data source that provides comprehensive information on migration at national, regional and local levels. Hence, we do not know with any certainty how many migrant workers there are, and the characteristics of those migrants, in particular places at any point in time. In order to build up as full a picture as possible it is necessary to look at a range of data sources. Different definitions of 'migration' are adopted in different data sets, thus posing problems for comparability between information sources. This lack of clarity adds to confusion about numbers of migrants and about the impact of migration inflows and outflows.

A1.1.2 Data sources are particularly weak on emigration (i.e. out-flows). Censuses and surveys count people who are 'present' at a particular snapshot in time, whereas administrative sources (such as National Insurance Numbers [NINos] allocated to overseas nationals and the Worker Registration Scheme [WRS] relating to A8 nationals) provide information on registrations, not deregistrations. Hence, administrative sources provide proxy information on 'in-flows', but not on 'out-flows'. The failure to capture out-flows means that there are no comprehensive statistics on population turnover, or on duration of stay of those who have left.

A1.1.3 Available data sources are better at capturing long-term moves than short-term moves. Traditionally, migration data sources have focused on long-term[7] and permanent moves. The most mobile elements of the population tend to be under-represented in census and survey sources.[8] In recognition of the fact that short-term moves are not well captured by existing data sources but are of interest, the ONS has a programme of work to produce local estimates of migration of one month or more.

A1.1.4 Available data sources each have strengths and weaknesses. For example:

- The *LFS* can be used to compare the characteristics of migrant workers vis-à-vis other workers and has been used estimate the

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7 The UN definition of a 'long-term migrant' is a person who who moves to a country other than that of his or her usual residence for a period of at least 12 months.

8 This is partly a feature of low response rates, but may also reflect the fact that some people making short-term moves and living in certain kinds of accommodation may not be used not be included within the sampling frame - for example, the Labour Force Survey (LFS) excludes most types of communal establishments, such as boarding houses, hostels and mobile home sites (the latter may be used by seasonal agricultural workers).

regional labour market impact of migrant workers (Green *et al*., 2007a, 2007b, 2008b). However, in order to maximise sample sizes at sub-national level it is necessary to aggregate data over time – so curtailing the possibility of providing up-to-date information on trends. Furthermore, migrants with short durations of stay are less well covered than those with longer durations of stay.

- *Administrative sources* provide up-to-date information on some migrants as they register to comply with particular regulations.[9] The main administrative sources used in studies of migration (e.g. NINos allocated to overseas nationals and the WRS covering A8 nationals working as employees) record registrations and do not collect information on internal moves within the UK or collect information on identify when a person leaves the UK. In general, administrative sources may under-estimate in-flows, but because out-flows are not recorded the actual stock of migrants at any particular time may be inflated.

A1.1.5 In order to supplement statistics from official and administrative sources, in some areas local surveys have been undertaken. These can provide useful information and intelligence on migrant workers, their experiences, motivations and intentions. However, the fact that there is no comprehensive sampling frame means that it is not possible to determine how representative of the total migrant population such surveys are. Moreover, in the absence of a longitudinal design it is not possible to ascertain how experiences and intentions evolve over time.

A1.2 The geography of migrant stocks and flows in the UK

> Migration is a spatial phenomenon. A8 migrants display a more spatially dispersed distribution than previous waves of migrant workers. With a trend towards more short-term and circulatory migration and the promotion of geographical mobility within the 'free movement' environment of the EU, more 'coming' and 'going' of migrant workers might be expected. Available evidence suggests that in-flows of A8 nationals to the UK are slowing.

A1.2.1 There is an important distinction between migrant stocks and flows. The *stock* is the number of migrants in a local area/region at a particular snapshot in time. The *gross in-flow* is the count of migrants moving into a particular area and the *gross out-flow* is the counts of out-flows from an area. The *net change* is the difference between gross in-flows and gross out-flows in an area in a particular period – taking on a positive value where in-flows exceed

[9] Note that not everyone will comply. It is not known how many people do not register for the WRS, but evidence from local surveys suggests that between a quarter and a fifith of A8 migrants working as employees (i.e. who should register) are not registered. It is also possible that with WRS due to come to and end in April 2009, some individuals may be less inclined to re-register.

out-flows (i.e. when there is a net gain to the stock of migrants) and a negative value where out-flows exceed in-flows (i.e. when there is a net loss to the stock of migrants. Both *stocks* of migrants and *flows* of migrants are of interest from a policy perspective.

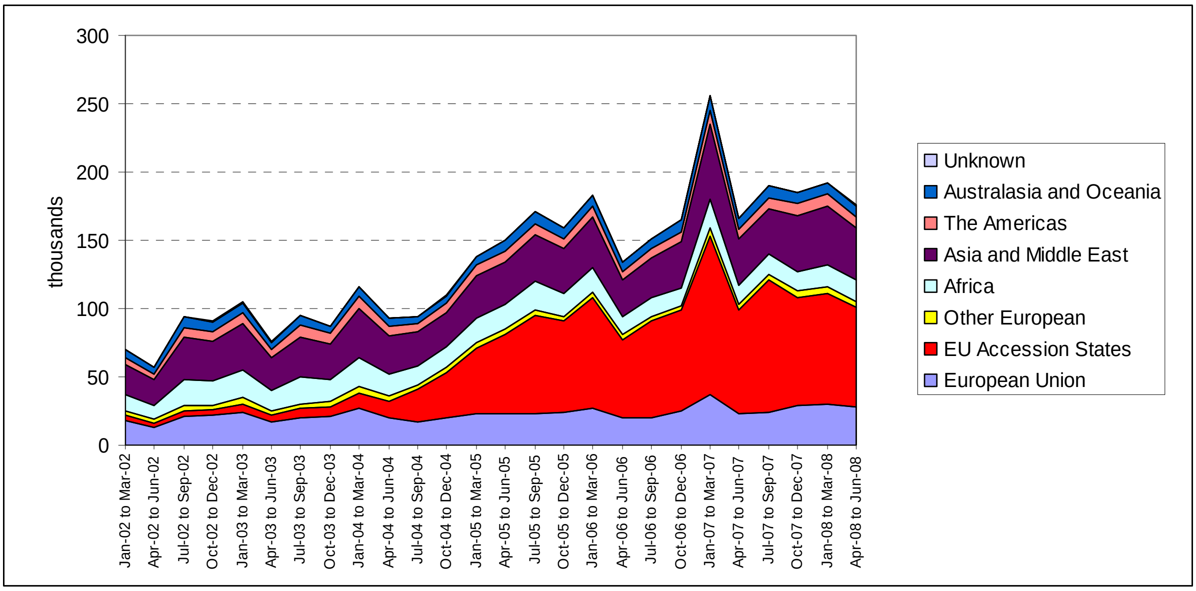
A1.2.2 The literature on migration points towards more temporary and short-term migration (as opposed to permanent migration) and more flows which are ‘circulatory’ in nature. Hence, there it is necessary to think about ‘cycles’ of migration. There is also an increasing interest in the broader concept of ‘mobilities’ (Sheller and Urry, 2006; Cresswell, 2006). This concept highlights the existence of a portfolio of mobility types. In practice, the boundaries between these categories of mobility may be fluid, as different types of mobility blur into one another. This ‘blurring’, along with the shift towards more short-term moves which are difficult to capture using available sources, poses a challenge to attempts to measure mobility and to assessing the impact of the economic downturn on migration.

A1.2.3 In the UK there are simultaneous trends towards internal liberalisation of cross-border labour mobility for EU citizens, combined with tightening of controls and management efforts at the external borders. Given freedom of movement rights, the UK government has much less scope for control of movements within the EU than for migrant flows from elsewhere in the world. Citizens of the original fifteen countries of the EU have unrestricted freedom of movement rights. These migrants are sometimes termed ‘free movers’. In 2004 the UK was one of only three EU15 countries (along with Ireland and the UK) not to impose time-limited transitional measures restricting migration from A8 countries. In order to set A8 migration in a broader context of overall migration trends, Figure A1.1 shows the quarterly trend in National Insurance number (NINo) allocations to overseas nationals in each quarter from quarter 1 2002 to quarter 2 2008; (note quarter 3 NINo data are not available at the time of writing). This shows that:

- Migration from the EU Accession States was the key driver of migration increase over the period from 2004 to 2008, as measured by NINos allocated to overseas nationals.
- But the EU Accession States account for less than half of NINos allocated to overseas nationals.

Looking ahead, it is salient to note that stimulating the geographical mobility of EU workers is a key plank of the Lisbon Agenda. Hence, with ‘free movers’, more ‘coming’ and ‘going’ to and from the UK is to be expected in the medium- and longer-term.

Figure A1.1: NINo allocations to overseas nationals, Q1 2002 to Q2 2008, UK



Source: NINo allocations to overseas nationals, DWP.

A1.2.4 Migrant workers – especially A8 migrants – are overwhelmingly young; indeed young adults are more migratory than any other individuals. WRS statistics reveal that in the year to June 2008 79% of WRS registrants were aged between 18 and 34 years. Over the period from May 2004 to June 2008, 82% of registered workers were in this age group. In the twelve months to September 2008 79% were in this age group. Most of these migrants did not bring dependants with them: 8% of registered workers between May 2004 and June 2008 indicated that they had dependants living with them. In the year to September 2008 10% of registered workers had dependants living with them. This is indicative of a trend for the number of dependants (the majority of whom are children) to increase over time: the number of dependants as a proportion of the number of registered workers was 20% in quarter 3 2008, compared with 13% in quarter 3 2007. Indeed, in the It could be hypothesised that those migrants with children may be more likely to stay for longer in the UK than those without; on the basis that moving is disruptive for families.

A1.2.5 Migration is inherently a spatial phenomenon. A8 migrants have a different spatial distribution to previous migrant flows (Bauere *et al*., 2007), which tended to focus on major cities. A key feature of the A8 migration to the UK has been a greater orientation towards rural areas than previous migrations Stenning *et al*., 2006; Green *et al*., 2007a, 2007b; Commission for Rural Communities, 2007). This is in keeping with more general shifts in the spatialities of migration, towards more multilateral and polycentric flows. While virtually all local areas in the UK have seen in-flows of A8 migrants, some local areas have witnessed larger volumes than others. Both the speed and scale of migrant flows have been important determinants of local impacts. Coupled with flows of migrants from the EU15 and other parts of the world, the profile and diversity of migrant stocks and flows varies between areas. In considering the impact of the economic downturn on migration at local scale it is important to keep in mind that the share of A8 migrants in total migration stocks and flows varies between local areas.

A1.2.6 As noted above, administrative sources provide the most up-to-date information on migration trends. The latest available information from the Accession Monitoring Report (covering the period to September 2008) is that initial applications to the WRS are slowing. This slowdown was apparent even before the release of the data for September 2008. There were 40,000 initial applications to the WRS in quarter 2 of 2008, compared with 54,000 in the same quarter in 2007 and 56,000 in quarter 2 of 2006 (UKBA, DWP, HMRC and CLG, 2008a). The number of initial applications in quarter 3 of 2008 was 38,000, compared with 57,000 in quarter 3 2007 and 63,000 in quarter 3 of 2006 (UKBA, DWP, HMRC and CLG, 2008b).

The reduction is mainly accounted for by Poles – the national group accounting for the largest single number of WRS registrations.[10] Total applications in the 12 months to June 2008 show falls of 6% and 15% compared to 2005 (204,970) and 2006 (227,875). Analyses based on the Polish Labour Force Survey suggest a marked downturn in the number of migrants staying in the UK temporarily (i.e. for 2-11 months), but an increase in those staying for 12 months or more (Kaczmarczyk, 2008). Over the period from 2005 to 2008 WRS applications by nationals of the Baltic States fell steadily, applications of Slovakians have held steady, and applications of Hungarians have risen. Here it is relevant to note that the detailed profile of migrant workers by nationality varies between local areas. At national level, Pollard *et al.* (2008) estimate that of a total of around 1 million A8 migrants who have arrived in the UK since 2004, around half have already left. Looking ahead, macro-economic factors in A8 countries are likely to have an impact on potential for future migration flows.

Evidence from the FCO[11] suggests that emigration from Poland is expected to decrease in the medium term as a result of relatively high economic growth in Poland, lower unemployment rates and positive consequences of EU membership (with the inflow of Structural Funds). However, the economic downturn could have an adverse effect on job opportunities in Poland. The Centre for International Affairs suggests that 360,000 Polish workers might leave the UK in the near future.[12] More return migration is also expected for Slovakians (the second largest national group in the UK from the A8 since 2004) who have migrated to the UK. Countries which have been harder hit by the financial crisis and economic downturn, such as Hungary, may account for a larger share of A8 migrants to the UK in future. However, it should be borne

[10] Poles accounted for 67% og applicants to WRS over the period from May 2004 to June 2008, Slovakians for 10% and Lithuanians for 9%. The total number of approved applications by Polish nationals fell to 23,000 in quarter 3 oof 2008, from 41,000 in quarter 3 of 2007 and 45,000 in quarter 3 of 2006. Throughout the period they have accounted around two-thirds of A8 migrants.

[11] Taken from *Summary of Responses from FCO om Migration Effects of Economic Slowdown in Other Countries.*

[12] Not all of these migrants will return to Poland; rather, it is likely that secondary migration within the EU will become more prevalent.

in mind that economic relativities between countries may change as the economic downturn continues.[13]

A1.2.7 Using data from the WRS at local authority area level to provide an insight into the most recent trends in approved applications from A8 countries in the context of trends since 2004,[14] Table A1.1 presents counts for quarter 3 in each year from 2004 to 2008 (i.e. for five years) for the regions and nations of the UK. In *Table A1.2* these counts are indexed to the quarter 3 2007 value for the region (or nation) in question in order to provide insights into relative change over the period from quarter 3 2007 to quarter 3 2008, compared with the trend in the period from 2004 to 2006; (note that use of quarter 3 data in each year controls for seasonal variations in approved applications). Key features of temporal trends across quarter 3 in each year from 2004 to 2008 by region/nation include the following:

- In the UK and England the number of WRS registrations peaked in 2006.
- This was also the case for regions in the South West, the Midlands (the East Midlands and the West Midlands), northern England (the North East, the North West and Yorkshire & the Humber) and Wales. In London, the South East and the East of England the number of WRS registrations was greater in quarter 3 2004 than in quarter 3 in subsequent years. This was especially marked in the case of London. In Scotland WRS registrations peaked in quarter 3 2007, at a slightly higher level than in 2006. In Northern Ireland the peak was in quarter 3 2005.
- In all regions and nations of the UK there was a substantial reduction in WRS registrations between quarter 3 2007 and quarter 3 2008. In quarter 3 2008 WRS registrations were on average only 54 per cent of the level they were at in quarter 3 2007.
- Reductions between Q3 2007 and Q3 2008 were (slightly) *more marked than the UK (and England) average* in northern England (the North West, North East, Yorkshire & the Humber), Wales, Northern Ireland and London. Approved applications *decreased least* in the South East, Scotland and the East of England.

[13] For instance, the UK may be one of the ‘leaders’ in feeling the impacts, whereas those ‘lagging’ at the outset might ‘catch up’ with the passage of time.
[14] Data for the most recent quarter were provided by the CLG, via the LGA.

Table A1.1: WRS approved applications for regions and nations of the UK - quarter 3, 2004 to 2008

Region / Nation	Q3 2004	Q3 2005	Q3 2006	Q3 2007	Q3 2008
East Midlands	3,965	5,170	6,980	5,935	3,330
East of England	7,015	6,650	6,485	6,470	3,875
London	11,965	6,960	6,760	7,160	3,730
North East	400	575	895	790	370
North West	2,540	4,850	5,715	5,265	2,175
South East	8,210	7,975	8,000	7,325	4,575
South West	3,310	4,425	5,115	4,765	2,410
West Midlands	3,170	4,685	6,200	5,075	2,830
Yorkshire & the Humber	2,025	4,370	5,030	4,825	2,330
ENGLAND	*42,600*	*45,660*	*51,180*	*47,610*	*25,625*
Northern Ireland	1,120	2,140	2,025	2,000	905
Scotland	3,530	5,090	5,860	5,960	3,705
Wales	835	1,505	2,060	1,540	660
Not stated	10	15	25	5	5
UNITED KINGDOM	*48,100*	*54,410*	*61,145*	*57,120*	*30,895*

Source: Worker Registration Scheme

Table A1.2: WRS approved applications for regions and nations of the UK - Quarter 3, 2004 to 2008 (index Q3 = 100)

Region / Nation	Q3 2004	Q3 2005	Q3 2006	Q3 2007	Q3 2008
East Midlands	66.8	87.1	117.6	100.0	56.1
East of England	108.4	102.8	100.2	100.0	59.9
London	167.1	97.2	94.4	100.0	52.1
North East	50.6	72.8	113.3	100.0	46.8
North West	48.2	92.1	108.5	100.0	41.3
South East	112.1	108.9	109.2	100.0	62.5
South West	69.5	92.9	107.3	100.0	50.6
West Midlands	62.5	92.3	122.2	100.0	55.8
Yorkshire & the Humber	42.0	90.6	104.2	100.0	48.3
ENGLAND	*89.5*	*95.9*	*107.5*	*100.0*	*53.8*
Northern Ireland	56.0	107.0	101.3	100.0	45.3
Scotland	59.2	85.4	98.3	100.0	62.2
Wales	54.2	97.7	133.8	100.0	42.9
Not stated	200.0	300.0	500.0	100.0	100.0
UNITED KINGDOM	*84.2*	*95.3*	*107.0*	*100.0*	*54.1*

Source: Worker Registration Scheme

A1.2.8 Taking the WRS data for England, *Table A1.3* presents WRS data for the urban-rural categories in England and *Table A1.4* presents the same data indexed to the quarter 3 2007 value. Key features of temporal trends across quarter 3 in each year from 2004 to 2008 by urban-rural category include the following:

- With the exception of the Major Urban areas category, WRS registrations peaked in 2006.

- By contrast in the Major Urban area category, WRS registrations peaked in quarter 3 2004,[15] fell away in 2005 and increased again in 2006 and again slightly in 2007 (but were at a lower level than in quarter 3 2004).
- The pattern here is indicative of spatial dispersion of A8 migrants to all levels of the urban hierarchy.
- The reduction in WRS approved applications between quarter 3 2007 and quarter 3 2008 was experienced throughout the urban hierarchy, but was least pronounced in the most sparsely populated rural areas (Rural 80), followed by the Large Urban areas.

Table A1.3: WRS approved applications for urban-rural categories, England - quarter 3, 2004 to 2008

Urban-Rural category	Q3 2004	Q3 2005	Q3 2006	Q3 2007	Q3 2008
Major Urban	15745	13265	14590	14835	7220
Large Urban	4095	6025	7250	6460	3750
Other Urban	6455	7575	8780	8265	4460
Significant Rural	5310	6145	6675	6170	3255
Rural 50	4865	5815	6910	5610	2910
Rural 80	6155	6845	6930	6285	4015
England	*42625*	*45670*	*51135*	*47625*	*25610*

Source: Worker Registration Scheme

Table A1.4: WRS approved applications for urban-rural categories in England - quarter 3, 2004 to 2008 (index Q3 = 100)

Urban-Rural category	Q3 2004	Q3 2005	Q3 2006	Q3 2007	Q3 2008
Major Urban	106.1	89.4	98.3	100.0	48.7
Large Urban	63.4	93.3	112.2	100.0	58.0
Other Urban	78.1	91.7	106.2	100.0	54.0
Significant Rural	86.1	99.6	108.2	100.0	52.8
Rural 50	86.7	103.7	123.2	100.0	51.9
Rural 80	97.9	108.9	110.3	100.0	63.9
England	*89.5*	*95.9*	*107.4*	*100.0*	*53.8*

Source: Worker Registration Scheme

A1.2.9 At local authority level, quarter by quarter trends show considerable 'spikiness' – perhaps indicating that 'downturns' (and 'upturns') in numbers of A8 migrants are not necessarily smooth. In order to obviate this 'spikiness', changes in WRS registrations were calculated at local authority level over the period from year ending quarter 3 2007 to quarter *3 2008*. Over this period, the downturn in WRS registrations is less pronounced than that between quarter 3 2007 and quarter 3 2008. Figure A1.2 shows the percentage change in WRS approved applications between the year ending Q3 2007 and Q3 2008 at local authority level. Three categories are distinguished:

[15] This may be indicative of A8 nationals already in the UK (and concentrated in London) registering under the WRS in 2004.

- the darkest shading shows the category of local authority areas where there was an increase in registrations
- the middle category shows areas where the percentage decrease was less pronounced than the England average (22.1 per cent); and
- the lightest shading shows those local areas where the percentage decrease was greater than the England average.

Note that some caution should be exercised in interpreting the patterns because:

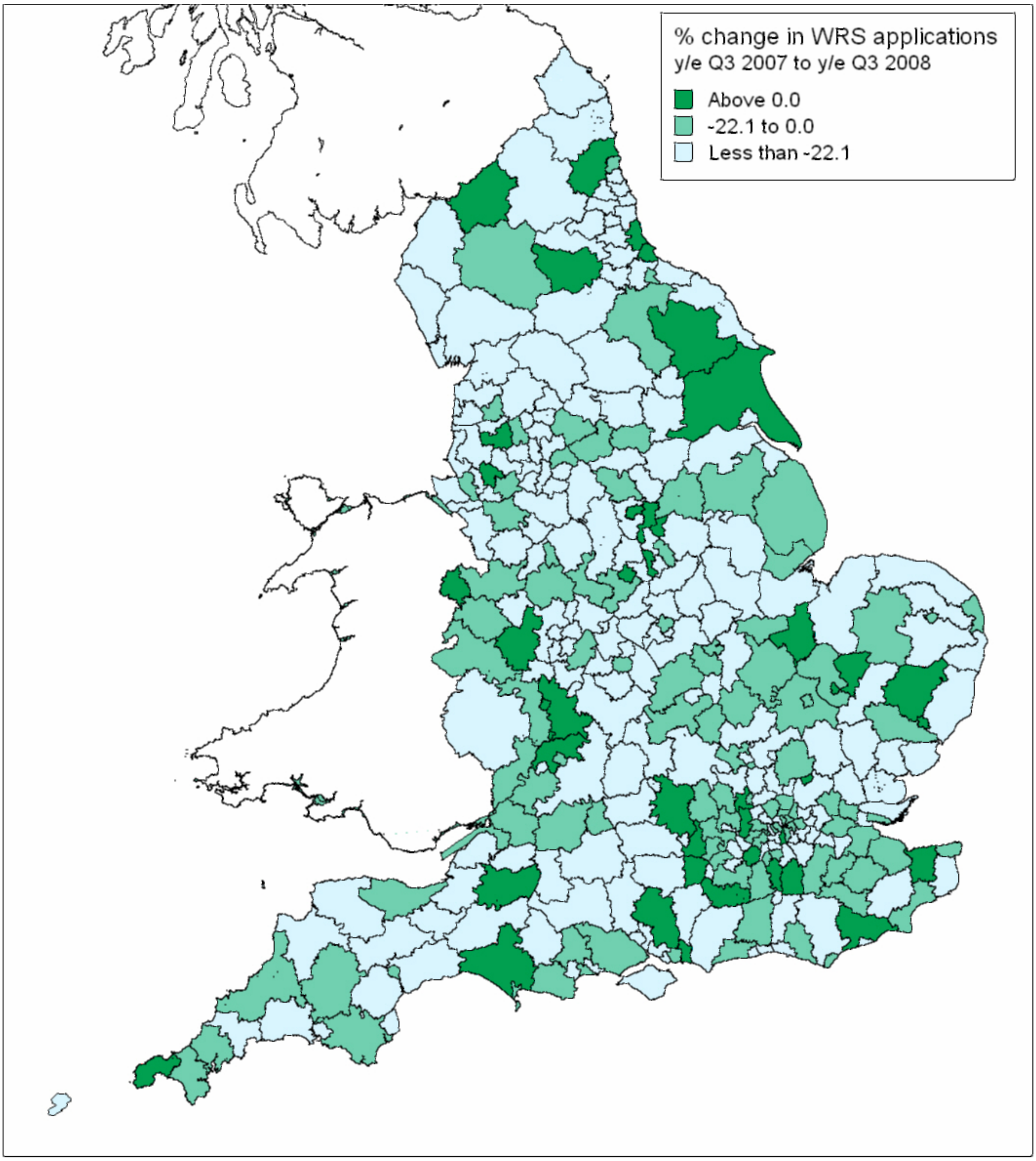
- a large percentage change can arise when small numbers are involved
- migrant workers may work in one area and live in another, so it is good practice to look across neighbouring areas.

The key message is:

- overall, no very obvious geographical pattern of change is evident at local level.

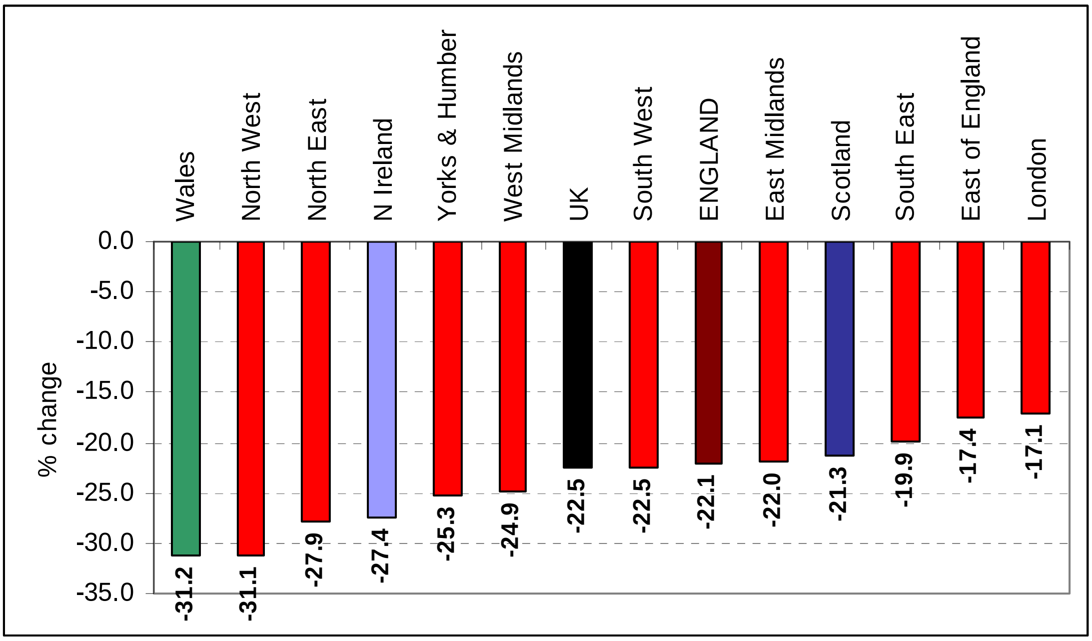
Figure A1.3 shows the percentage change in WRS approved applications over the period for the regions and nations of the UK. Over this period, the reduction was least pronounced in the three regions of the ‘Greater South East’ (i.e. London, the East of England and the South East) and most pronounced in Wales and the North West.

Figure A1.2: WRS approved applications by local authority area in England, year ending Q3 2007 to year ending Q3 2008



Source: Worker Registration Scheme

Figure A1.3: Percentage change in WRS approved applications regions and nations of the UK, year ending quarter 3 2007 to year ending quarter 3 2008



Source: Worker Registration Scheme

A1.3 Understanding the functional role of different places

Changes in migration stocks and flows are likely to be felt in different ways in different places because different local areas play different roles in the migration system.

A1.3.1 In interpreting migration statistics at local level (as presented in Figure A1.2) and considering the impact of an economic downturn on migration at local level, it is important to understand the role the local area plays in the broader urban and regional migration system and the fact that the relative balance between short- and long-term flows varies between different areas. For example, a reduction of in-flows is likely to impact first on 'gateway' areas through which many migrants pass when they enter the UK. However, if the level of in-flows is maintained, but migrants stay in the UK for shorter periods, the 'gateway' areas are less likely to be impacted than areas that are secondary destinations of migrants once in the UK. Local areas which have relatively large proportions of migrants settling on a long-term or permanent basis are less likely to feel the impact of a reversal in migration in-flows than those characterised by a relatively large proportion of migrants staying for a short period only.

A1.3.2 The local effects of migration are felt differently in different places. The local experience of migration differs from place to place – migrants shape micro- and meso-level economic processes, which then help shape macro outcomes (Nathan, 2008a). He argues that in places with a lot of entry level jobs the benefits of migration may not be realised – migration may play a role in keeping these economies on a low-cost, low value-added path – as shown in the bottom left quadrant of Figure 1. In this way migration can regulate labour markets and shape labour market norms (Green, 2007). In a situation of low-skill equilibrium, migrant workers may be vulnerable to exploitation and local workers may be unwilling to accept the jobs available. If an economic downturn means that there are fewer migrant workers, employers in this quadrant may need to increase working conditions/improve wages to make these jobs more attractive. A downturn in migrant workers for those employers in the top left quadrant of *Figure A1.4* who are using migrant workers to address a skills shortage imbalance, may need to place more emphasis on training the local workforce, substitute capital for labour (if possible) or search for alternative sources of migrant labour. When migrant workers are unable to find employment to match their skills and aspirations a 'skills surplus imbalance' ensues (bottom right quadrant). If migrant workers are upskilled and move out of low skill occupations or there are no longer in-flows of migrant workers willing to take these jobs, in the absence of action to make low skilled jobs more attractive or to encourage recruits from non-traditional sources to take them up, it is likely that employers will face challenges in recruiting to low-skilled jobs.

Figure A1.4: The relationship between skills supply and employer demand for skills: a conceptual framework

employer demand		
high	**SKILLS SHORTAGE IMBALANCE** - companies demanding higher qualifications than are available in the local workforce	**HIGH SKILL EQUILIBRIUM** – strong demand for high level skills, with a positive effect throughout the supply chain on enhancing aspirations and workforce development
low	**LOW SKILL EQUILIBRIUM** – few skill shortages and predominantly low skilled workforce – no incentive to participate in participate in training	**SKILLS SURPLUS IMBALANCE** – mismatch caused by a workforce which cannot find local employment to match their skills and aspirations
	low **skills availability**	*high*

Source: Green *et al.* (2008b)

Annex 2: Sectoral and occupational trends

A2.1 Key features

Migrant workers are unevenly distributed across sectors and occupations. In general, A8 migrants are concentrated in sectors and occupations with a high degree of labour market ‘churn’. They are generally viewed positively by employers because of their good work ethic and because they offer greater flexibility than local workers.

A2.1.1 Migrant workers are unevenly distributed across sectors and occupations. Some sectors and occupations have an over-representation of migrant workers relative to the local population, whereas in other sectors and occupations migrant workers are under-represented. The notion of ‘migrant density’ has been used to identify those sectors and occupations in which migrant workers have a greater propensity to be employed than their local counterparts are (Green et al., 2007a, 2007b, 2008b). Those sectors and occupations which are most ‘migrant dense’ are likely to be particularly vulnerable in the face of any reduced migrant in-flows and greater migrant out-flows resulting associated with economic downturn.

A2.1.2 The consensus of analyses of the economic impact of recent migration at national and local level is that A8 migrants have helped address labour shortages and hard-to-fill vacancies, rather than leading to large-scale involuntary displacement of local workers.[16] Jobs associated with hard-to-fill vacancies are often low paid and have unattractive working conditions, where the organisation is mainly interested in labour cost minimisation. The barriers to entry for migrant workers are lower than for many other jobs. Moreover, a lack of proficiency in English may mean that in the first instance many migrant workers may work in jobs below their skills levels.

A2.1.3 Waves of New Commonwealth migrants in the 1950s and 1960s were encouraged to come to the UK for employment in permanent stable jobs – initially in public transport and the health sector. By contrast, A8 migrants have found themselves in parts of the labour market characterised by a high degree of ‘churn’ (Work Foundation, 2008). Indeed, the WRS reveals that just over half of registered workers indicate that they are in temporary employment. Given these temporary contracts and ‘churn’ A8 migrants are likely to be more mobile – sectorally, occupationally and geographically – than previous waves of migrants to the UK.

A2.1.4 The precise identity of migrant dense sectors varies between local areas. However, at national and regional levels analyses of LFS data show that

[16] Although some individuals – notably those with lower skills levels – may be negatively affected.

those sectors with a relatively high concentration of migrant workers include agriculture, manufacturing, construction, hotels & restaurants and health & social work.[17] Analyses of LFS data in the West Midlands showed that more recent migrants (i.e. notably A8 migrants) are more concentrated (i.e. segregated) in 'migrant dense' sectors than migrants who came to the UK in earlier periods. WRS data (which is coded using a non-standard industrial classification) also provides information on the sectoral distribution of A8 migrants. The 'top 5' sectors in which WRS registrants were employed over the period from May 2004 to June 2008 are: administration, business & management (a category covering employment agencies) (39%), hospitality & catering (19%), agriculture (10%), manufacturing (7%), and food, fish and meat processing (5%).

A2.1.5 Sectors which are likely to be most vulnerable initially in the economic downturn include:

- construction: house building, building supplies, sale of furniture and household appliances
- financial services, real estate and other business services
- some parts of the retail sector – notably the higher-value end
- some parts of the hospitality sector
- some parts of the manufacturing sector (e.g. the car industry) – although some parts may benefit from the devaluation of Sterling.

Agriculture, some parts of manufacturing and the public sector may be less affected initially, although the sectoral patterns may change as economic downturn continues. It is also salient to note that inward investment generally slows in an economic downturn, and in an upturn investors may seek out low cost locations. At face value, there is no consistent pattern according to migrant density – some 'migrant dense' sectors are likely to be hard hit and others less so. A comparison of approved WRS applications by sector across the UK between quarter 3 2007 and quarter 3 2008 shows that out for the eight largest sectors recorded in the WRS (accounting for nearly 93 per cent of employment of total employment recorded in the WRS) show that:

- decreases were *greater than average* in Construction,[18] Manufacturing, and Retail
- decreases were *less marked than average* in Agriculture, Health and Medical, Hospitality & Catering; and Food/Fish/Meat processing
- decrease was *close to average* in Administration, Business & Management.[19]

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17 More detailed sectoral analysis is also possible using more detailed sectoral disaggregations available in the LFS.

18 Note that WRS covers employees only and the self-employed do not need to register. Self-employment is particularly important in construction.

The differential geographical distribution of employment by sector means that some local areas may be more vulnerable to the economic downturn than others (PACEC, 2008), although 'knock-on' effects are likely to be felt more widely. It is important to note, however, is that decreases in the number of migrant workers may be sudden, rather than smooth (as the trends outlined in A1.2 indicate). Even in the context of economic downturn, this might pose challenges for employers with a high level of dependence on such workers. Furthermore, given the financial situation, migrant workers (and others) seeking to start their own businesses are likely to find it difficult to get loans.

A2.1.6 Generally, migrant workers display a bi-polar occupational distribution – i.e. they are clustered at both ends of the occupational spectrum in highly skilled and less skilled occupations. However, there are different patterns for different groups of migrants. The evidence suggests that A8 migrants are particularly concentrated in lower skilled occupations (Salt, 2006; Gilpin et al., 2006), with LFS data revealing that A8 migrants are particularly concentrated at the lower end of the occupational spectrum in elementary occupations (SOC Major Group 9) and as Operatives (SOC Major Group 8). Analyses for the West Midlands indicated that the following occupations within these SOC Major Groups are becoming increasingly migrant dense:

- Process Operatives
- Plant and Machine Operatives
- Assemblers and Routine Operatives
- Elementary Goods Storage Occupations
- Elementary Personal Service Occupations
- Elementary Cleaning Occupations
- Elementary Sales Occupations.

Analyses of WRS data at national level indicate the main occupations in which registered A8 workers are employed (aggregated over the period from May 2004 to June 2008) are:

- Process operative (other factory worker) – 28%
- Warehouse operative – 8%
- Packer – 6%
- Kitchen and catering assistants – 6%
- Cleaner, domestic staff – 5%
- Farm worker, farm hand – 4%
- Waiter, waitress – 4%
- Maid, room attendant (hotel) – 3%

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[19] Note that this is the single largest sector of employment recorded in the WRS. The majority of these workers work for recruitment agencies and could be employed in a variety of industries.

- Labourer, building – 3%
- Sales and retail assistants – 3%

This occupational profile has remained largely consistent over time.[20]

A2.1.7 Evidence from employer surveys suggests that, in general, employers have a positive view of migrant workers and generally report high satisfaction levels in surveys (Green et al., 2007b). While employers might not necessarily seek to employ migrant workers as opposed to local workers, they often cite a range of non skills-related attributes (such as enthusiasm, punctuality, a willingness to work hard and flexibility) as key reasons for employing them (Green et al., 2008b). They are employed to both perform jobs requiring specialist skills which are not otherwise available, or to fill vacancies for which there are not enough local applicants. The latter may reflect either local labour market tightness or the unwillingness of local workers to fill jobs that or, or that they perceive to be, unattractive. Hence, employers are amongst the key ‘gainers’ from migration. Employer behaviour is a key determinant in understanding the impact of the economic downturn on migration.

A2.2 Recruitment channels

Agencies and social networks play a key role in shaping migration flows to particular places, sectors and occupations. Hence, it is important to understand how they operate and how they might influence future migration trends.

A2.2.1 Different recruitment channels play a key role in shaping migration flows to particular places, sectors and occupations. Migrant surveys and focus group discussions in the West Midlands and the South East (Green et al., 2007b, 2008b) have indicated that agencies (whether in the UK or in the migrant’s home country) play an important role in helping migrant workers find their first jobs, while social networks of families and friends play an important role in subsequent job moves. Both agencies and social networks facilitate job-to-job mobility of migrant workers.

A2.2.2 It is clear that agencies play an important role in the migration process, at least in the initial stages, and in shaping labour market norms. This is particularly the case in the secondary labour market which tends to be characterised by high proportions of entry level jobs, high turnover and unattractive working conditions, and where flexibility (e.g. to provide cover for peaks in production (McKay and Markova, 2008) is required. Nathan (2008b) has guesstimated that agencies between 40% and 50% of A8 migrant workers in the UK work for, or through, agencies. In the US, Peck and Theodore (2007) argue that agencies (what they term the ‘temporary staffing industry [TSI]) are embedding themselves within the American labour market – at micro level (meeting the needs of individual enterprises) and at macro

[20] Hence, inclusion of quarter 3 2008 occupations of registered workers would not change the overall picture very much.

level – mediating macroeconomic pressures and socio-economic risks across the labour market as a whole. It is not in the interests of agencies to 'over supply' workers; hence a relatively rapid adjustment to changing economic conditions may be expected. However, whereas temporary workers may be the first to be lost initially at a time of economic downturn, Peck and Theodore (1997) argue that in recoveries employers add temporary workers in advance of permanent employees, precisely because of their flexibility. Hence, temporary workers may be more secure than permanent ones, as businesses replace permanent members of staff with externalised agency labour. In the context of a persistent demand for 'mediated flexibility' migrant workers who are willing to 'come' and 'go' represent an attractive proposition for employers. Agencies can play a similar role in the UK in shaping the ways in which local labour markets operate.

A2.2.3 Evidence from studies of migrant workers in the UK shows that social networks play an important role in facilitating moves between jobs and between local areas in the UK. Hence, migrant workers themselves are an important recruitment channel for other migrant workers. As social networks grow, migrant workers expand their potential recruitment channels. If some migrant workers leave the UK as a result of the economic downturn, those migrant workers who remain also access to new social networks amongst those who have left. This increases the range of options and sources of intelligence that they might use to inform future moves.

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