Farewell to Free Movement? Update 2018

GK

onefourzero

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Foreword

Robin Grainger,
Group CEO GK and
onefourzero

"In the 12 months since our previous report on migration to the UK after Brexit, the effects of the vote on the UK's workforce have become even more pronounced.

Our last report found that the proportion of people intending to move to the UK to work decreased in Poland, Bulgaria and Romania, but that demand in the leisure and retail sectors increased.

New data from 2017 tells a very different story. Interest in UK jobs from EU migrants has fallen dramatically, and is most pronounced in construction and agriculture.

Demand for work is dropping dramatically across the board. Government and employers must work together to implement policy measures that encourage the workers the UK needs, both skilled and unskilled, and UK employers must find new solutions to ensure that the needs of the UK economy are met post-Brexit."

Executive Summary

• GK and onefourzero's figures reveal that interest in UK jobs from Eastern Europe decreased by over a third (35%) in 2017. Total searches for UK jobs from Poland, Romania and Bulgaria decreased by 35% compared with 2016, with demand declining in all sectors studied

• In "low-skilled" sectors such as construction and agriculture, which are heavily dependent on EU workers, the decline was steepest. The Agriculture and Manufacturing sectors saw a sharp decline in demand of 34% from all countries analysed, and demand for UK jobs in the housing and construction sector in Romania fell by 36%

• Interest in UK jobs in retail and leisure and health and social care also fell, dropping by 13% and 18% respectively.

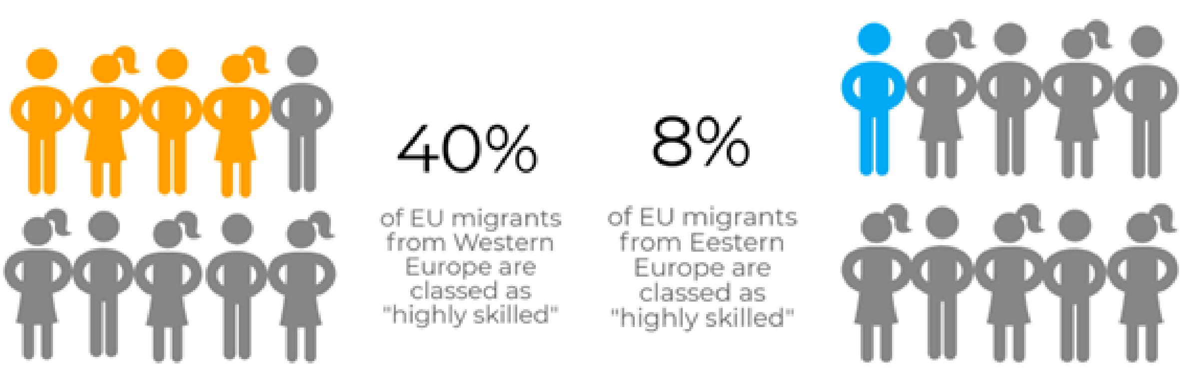
• Public attitudes towards immigration became marginally more positive in 2017, with negative sentiment towards immigrants declining by 4%

• A sector-specific approach by policymakers is needed to ensure that the needs of British employers are met, whilst responding to the political issue of immigration.

Methodology

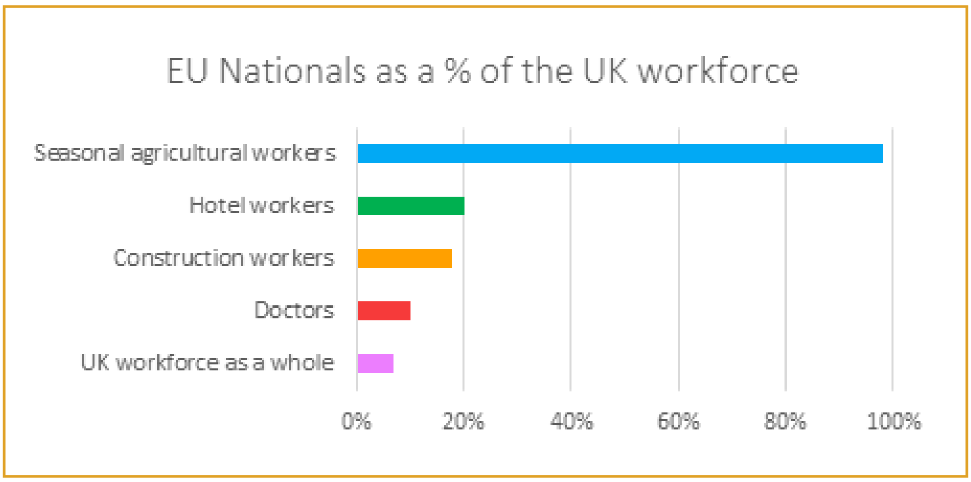
GK and onefourzero analysed demand for UK jobs from Romania, Bulgaria and Poland through examining Google searches relating to UK work since June 2015. In the modern world, demand data matters more than ever. With more and more people researching potential employers online, demand data is a sound early indicator of changing behaviour, and provides insights into the changing patterns of EU nationals looking for work in the UK.

When Poland joined the EU in 2004, government policy of allowing those countries open migration to the UK as member states resulted in hundreds of thousands of people moving to the UK in 2004 and 2005. Romania and Bulgaria joined in 2007, and were also granted open migration. Polish and Romanian citizens now make up 9.5% and 2.6% of all immigrants in the UK respectively. Eastern European immigrants disproportionately work in 'low skilled jobs' (just 8% of Eastern European immigrants are classed as highly skilled, as opposed to 40% of those from Western Europe) and are therefore more likely to face restrictions once free movement comes to an end.



We then examined demand trends for the sectors most reliant on EU nationals: retail and leisure, agriculture, health and social care, and planning and construction. EU migrants make up 20% of hotel workers, and around 1 in 10 UK doctors. 17.7% of construction workers are from the EU, and in the UK's seasonal agricultural workforce almost entirely made up of EU migrants (98%). By contrast, the latest ONS figures estimate that EU nationals make up 7% of the UK workforce as a whole.

Each sector in the UK has specific workforce needs and faces distinct pressures, and will therefore be affected differently by a fall in demand from EU and international migrants. We therefore undertook sector-by-sector analysis of these key sectors, to better understand the impact on each sector.



Brexit and Immigration policy in 2017

Immigration has been one of the most contentious political issues for decades, and restricting EU migration defined the Brexit referendum. When 8 Eastern European countries (including Poland, Lithuania and Czechoslovakia) joined the EU in 2004, the Labour government permitted free and open migration to the UK, and the resulting surge in immigration created a sharp political divide and rise in negative sentiment towards immigrants in the UK. Successive Conservative Governments have sought to restrict immigration, and ending free movement of people between EU states featured undoubtedly as a priority for the Leave campaign, and Brexit voters.

In the 12 months since our previous report on migration to the UK after Brexit, the details of a post Brexit UK deal remains unclear. Ending free movement of people remains an absolute priority for Theresa May's government as it begins to consider what a post-Brexit migration system looks like.

A draft Home Office document, leaked in September 2017, reveals a plan for a much tougher immigration scheme for EU migrants once the UK leaves the EU. The document pledges to "end free movement in its current form." The document proposes retaining a modified form of free movement until the UK leaves the EU, and then speculates about a single framework for EU and non-EU citizens, which would radially transform the UK immigration processes, and add an enormous administrative burden.

Crucially, the document suggests that EU citizens moving to the UK to work should be granted 3 to 5 year visas for skilled workers and 2-year visas for unskilled workers. This distinction between 'skilled' and 'unskilled' migrants is a key element of current UK migration policy; reflective of the political discourse on immigration. What is evident, is the role that skilled and unskilled workers play in supporting the sectors analysed in this report.

Who counts as 'high-skilled' and 'low-skilled'? *There is no single definition of a high or low-skilled job. Government statistics are based on an ONS classification formula which takes into account the time necessary for a worker to learn the task required of them, through formal qualifications or experience. Some examples include:*

High Skilled: *Doctors, teachers, chemists, engineers, entrepreneurs, IT professionals*

Low skilled: *Agricultural workers, warehouse staff, construction workers, bar & restaurant staff, carers, nurses*

The Government's pledge to reduce net migration to the 'tens of thousands' is another defining policy, and one that displays an equally one dimensional approach to immigration. The commitment to reducing net migration to the tens of thousands has been a key policy of the Government since 2010, and has never yet been met.

Net migration to the UK

2010: 252,000

2011: 153,000

2012: 176.000

2013: 212,000

2014: 260,000

2015: 336,000

2016: 248,000

2017: 230,000

Source: ONS

Debate has also focused on the status of the 3 million EU citizens already living in the UK and their families, who under current plans will have to reapply for 'indefinite leave to remain' after living in the UK for 5 years. Despite the Government making clear its intent to significantly reduce UK migration, it has also come under criticism from cross-party MPs, mainstream media and trade associations for lack of clarity and detail with regard to implementing these plans in practice. Yvette Cooper, chair of the Home Affairs Select Committee, notably branded the preparations a 'shambles,' and influential Conservative backbench MP Jacob Rees-Mogg deemed the preparations' a sorry state of affairs.

The government's immigration white paper, originally due in summer 2017, which sets out key details of post-Brexit immigration policy, was postponed again in January 2018, prompting frustration from business leaders and influential groups such as the CBI. The Labour Party policy offers few solutions; in their 2017 manifesto the party promises "fair and reasonable management" of migration, but no details on how to implement this.

In this context, net migration fell by nearly a third to around 230,000 in the year to June 2017. This paper examines sector-specific data to establish how the UK's industries will be affected by this decline, and the ongoing debate around Brexit and EU migration. As our research shows, the effects are already being felt across all sectors.

In Focus: EU Demand

Onefourzero data reveals a significant decline in search volumes for UK Jobs across all countries examined, and all sectors. As seen in figure 1, the number of people from Poland, Romania and Bulgaria searching for UK jobs of any kind has decreased by 35.5% in 2017 compared with 2016.

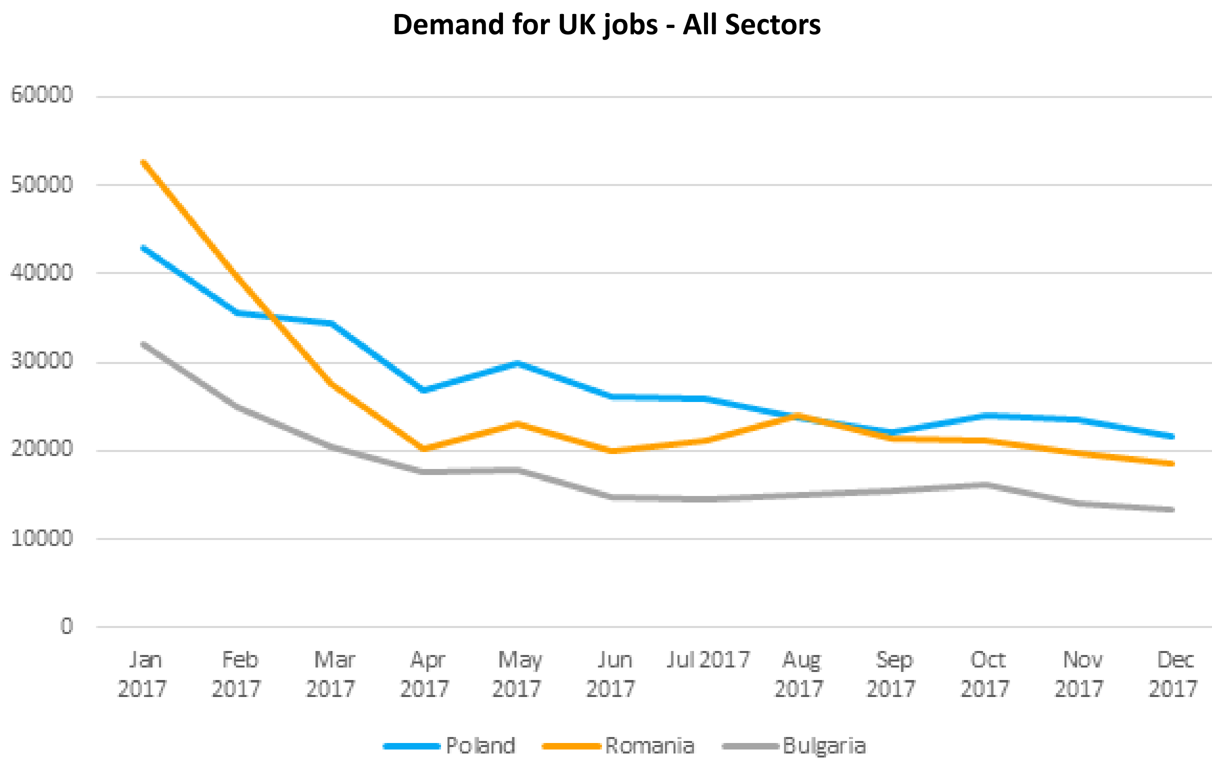


Figure 1. Source: Google AdWords

Such a sharp decline in 2017 alone, a year with no major policies or developments finalised, suggests Brexit will have profound implications for the workforce in all sectors reliant on EU migration.

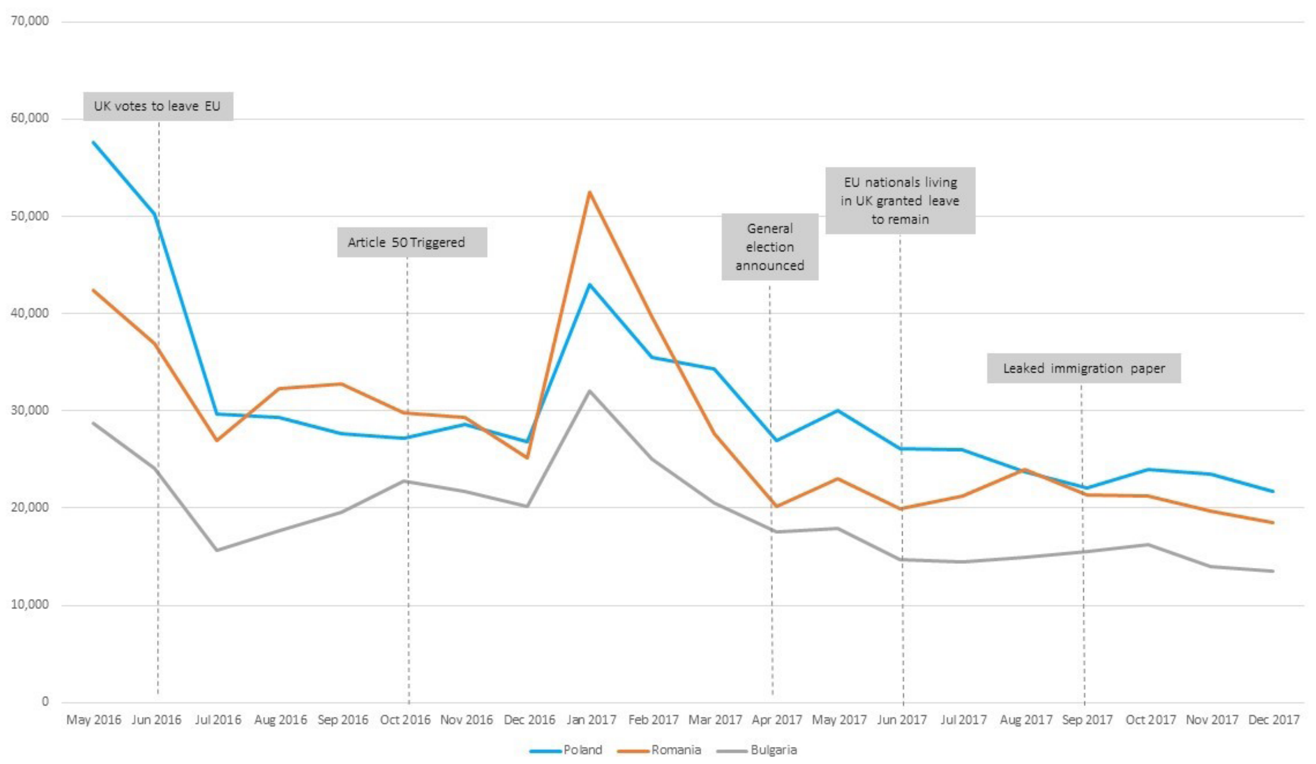
Onefourzero mapped demand since June 2015, a year before the referendum result was announced, to contextualise the demand data aganst seasonal trends (see figure 2). Research has documented extensively that jobseekers are more active in January, we can therefore expect seasonal spikes.

Fleur Hicks - Managing Director

"Through sector-specific analysis of interest in UK jobs from Eastern Europe, we can start to see a clearer picture of how Brexit is affecting the desirability of the UK as a destination for work. Such a dramatic drop in demand over a 12-month period suggests Brexit will profoundly affect the UK's workforce in construction, agriculture, retail and leisure, health and care. Employers in these sectors should utilise the latest demand and sentiment data to stay ahead of trends, and address and manage potential shortages."

As figure 2 shows, that even when accounting for seasonal demand, interest in UK jobs was dramatically lower in 2017, with 38% fewer searches in January 2017 than in January 2016.

Demand for UK jobs - All Sectors



Our data reveals a dramatic drop of **35%** in demand from Eastern Europe for work in the UK in 2017, compared with 2016, with demand declining in all sectors studied.

We plotted key events against demand to establish the importance of political events on the decline of demand. As expected, we see a sharp decline after the referendum, and the triggering of Article 50. We also saw a small spike in demand in May 2017, during the general election campaign. Our data indicates how Brexit has contributed to an overall decline, yet demand is still subject to seasonal requirements and pressures. This data suggests employers experiencing workforce pressures as a result of a drop in overseas demand will not easily be able to replace these employees with workers from the UK.

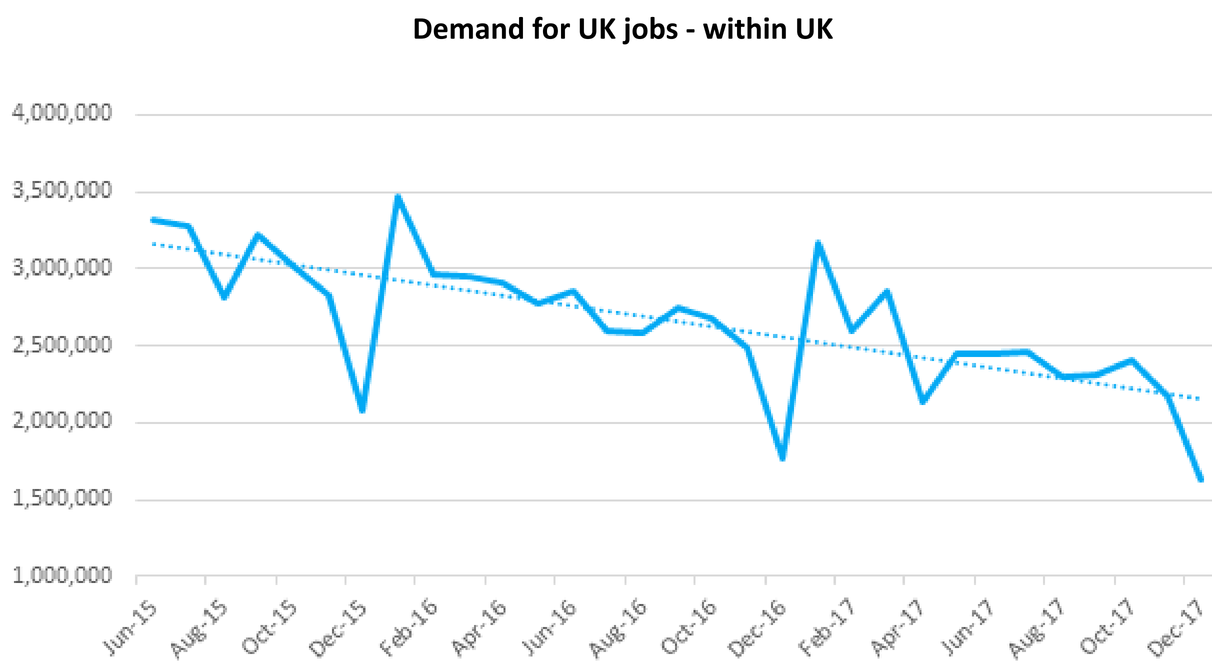


Figure 3. Source: Google AdWords

Housing and Construction

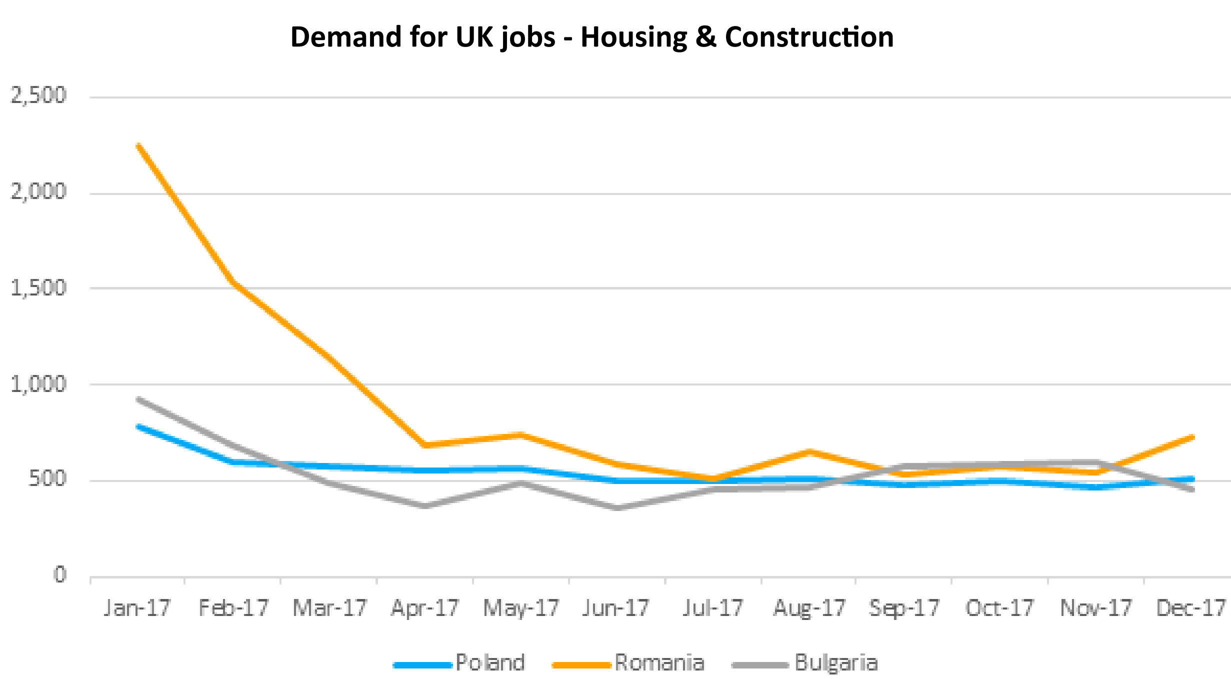


Figure 4. Source: Google AdWords

Demand for UK jobs in the housing and construction sector fell by almost a third in 2017, with total searches for the year down 30% compared with 2016. Romania has seen the largest fall in demand, with total searches falling by 36% in 2017, as seen in figures 4 and 5.

The plummet in demand is particularly notable given that Romanian citizens disproportionately work in the subsector of housebuilding. A December 2017 survey by the Homebuilders Federation of 37,000 housebuilding workers across Britain indicates that 17.7% of the workforce are from the EU, and more than half of those EU workers are Romanian citizens.

Longer-term data again indicates a seasonal spike in demand in Romania every January. Even taking this into account, search volume was dramatically down in 2017, with 33% fewer searches in January than in the same month in 2016.

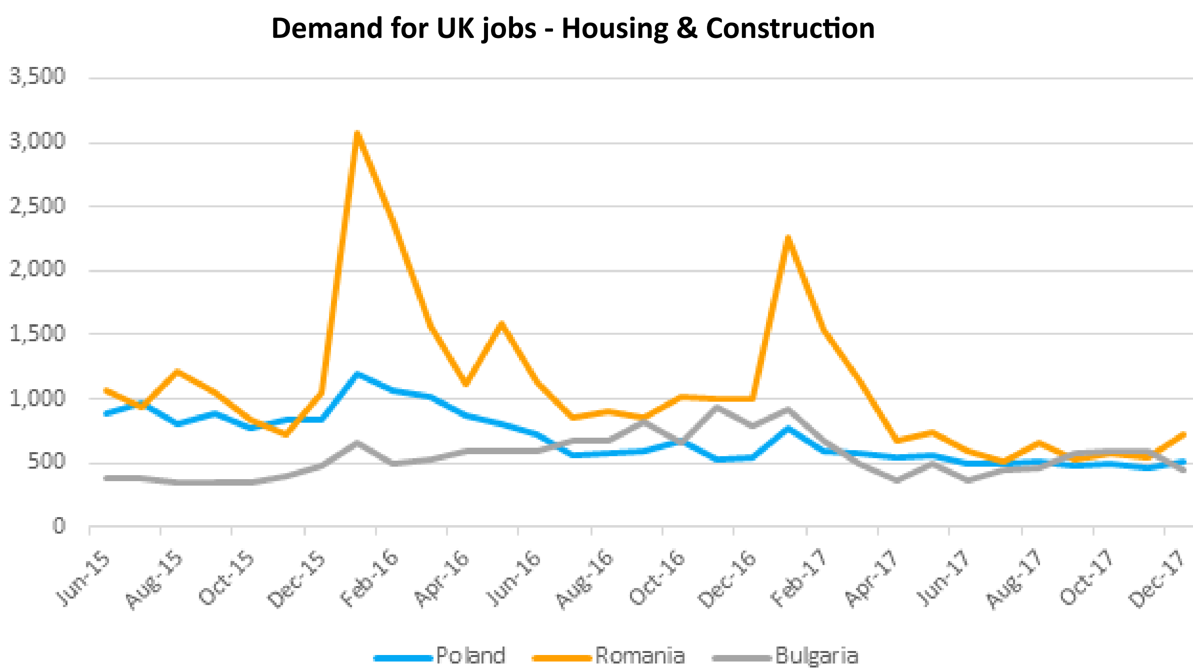


Figure 5. Source: Google AdWords

Agriculture

The agriculture sector saw sharp decline of 35% from all countries analysed in 2017 compared with 2016. When considering just Romania and Bulgaria, which have significantly more searches, this figure remains equally high, at 34%.

Unsuprisingly given the seasonal nature of agricultural work, we can see strong seasonal patterns (see figure 6), with demand picking falling each summer and picking up again in winter. However, month-by-month comparisons again reveal a dramatic decline in demand. May 2017, for example, saw 45% fewer searches from all countries examined than May 2016.

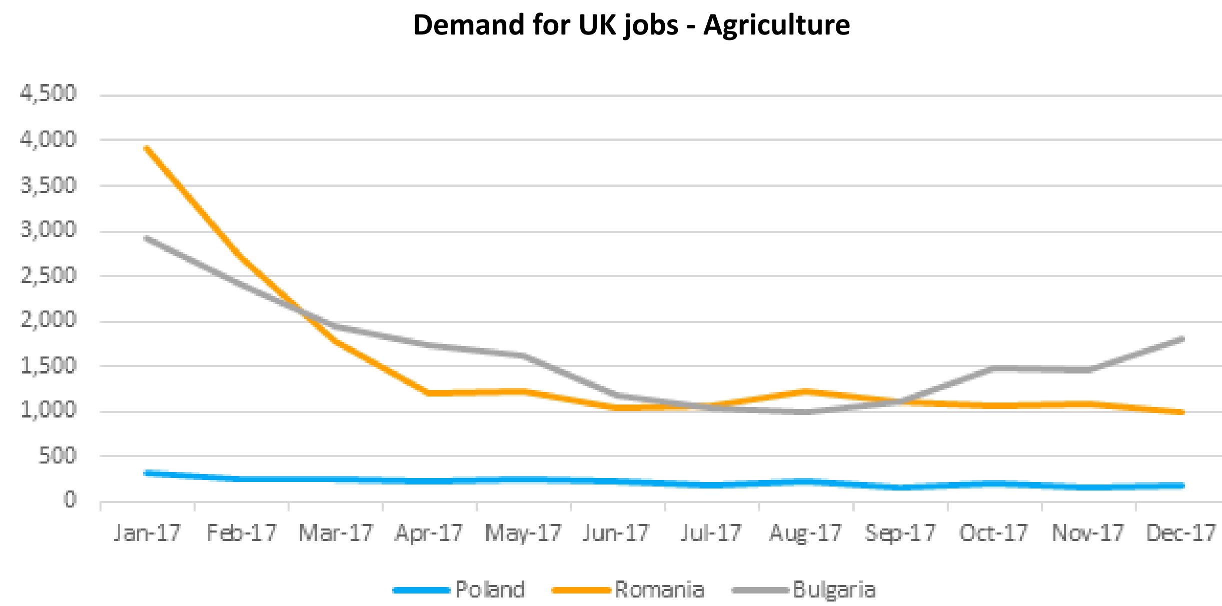


Figure 6. Source: Google AdWords

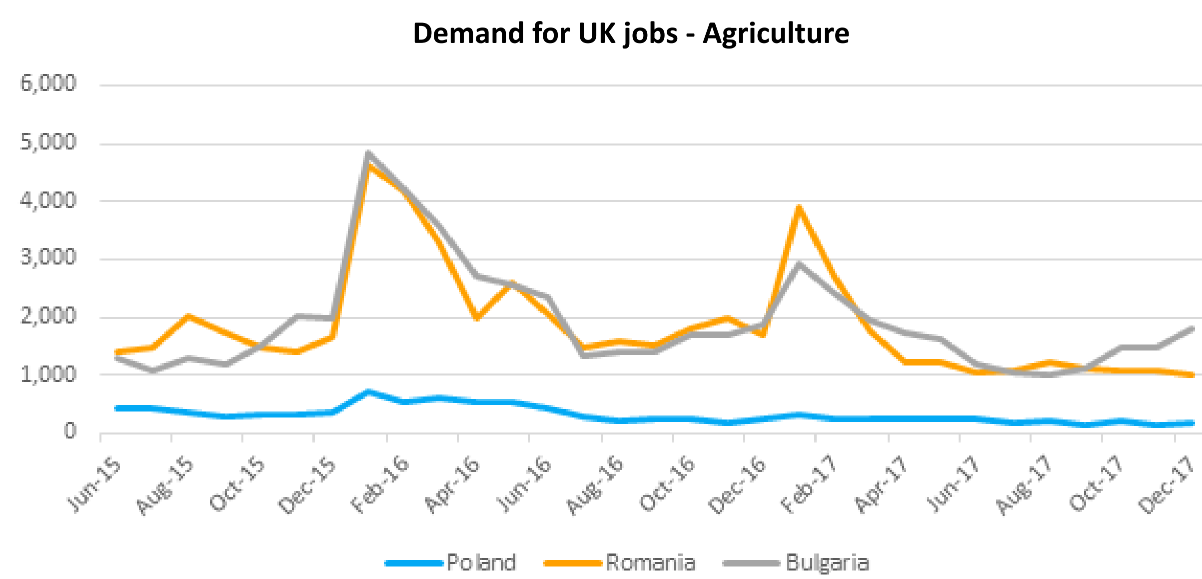


Figure 7. Source: Google AdWords

This decline could have potentially profound consequences for the UK's agricultural sector, which relies almost entirely on migrant workers for its seasonal workforce, particularly from Eastern Europe. The sector has already experienced workforce shortages since the Brexit vote, which have been widely reported.

Moreover, a September 2017 survey by the National Farmers Union (NFU) indicated a 29 per cent shortfall in seasonal horticultural workers. In light of this, in January 2018 the NFU called on the government to bring forward its upcoming report into UK dependence on EU workers, and warned of 'catastrophic consequences' to the sector. onefourzero's data reveals that this decline is becoming even more pronounced. If this trend continues, the shortage of workers is likely to affect the UK's agricultural output, resulting in crop shortages and price rises.

Retail and Leisure

The retail and leisure sector saw a slower yet nonetheless significant decline in demand of 13% across the three countries examined. The retail and leisure sector is the UK's fourth largest employer, employing over 3 million people in the UK last year.

The consequences of a shortage of staff to work in Britain's hotels, restaurants and shops could have effects beyond the retail and leisure sector itself. As the Government's retail sector report on Brexit notes, this sector has a "multiplier effect" on others such as warehousing, construction logistics and distribution. Restaurant chains and casual dining companies are a popular choice amongst Private Equity investors. Uncertainty over how these chains will be staffed will could result in a decline in confidence amongst investors, which could slow activity across the financial sector.

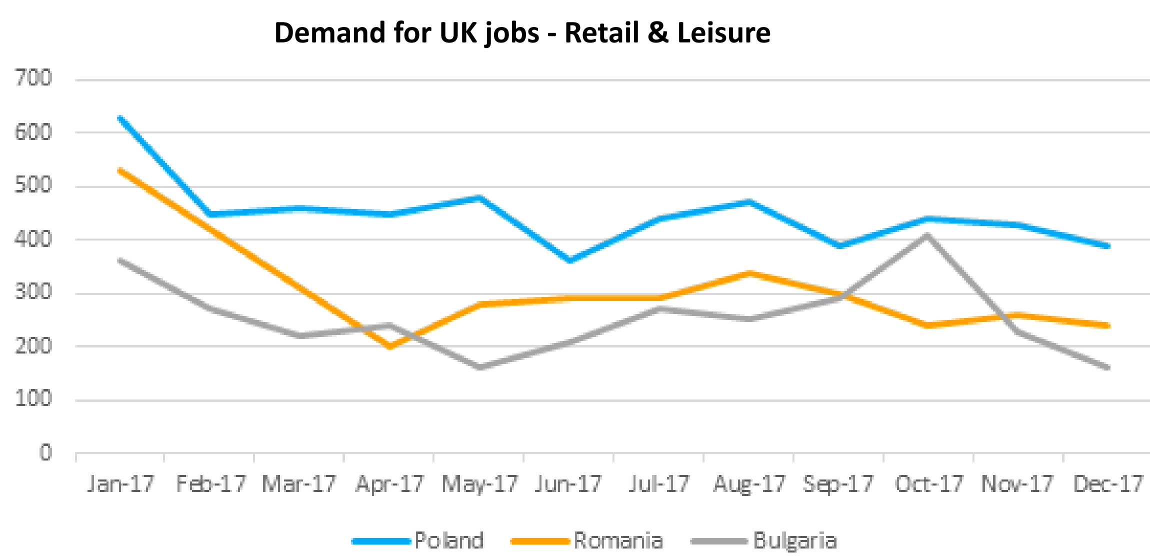


Figure 8. Source: Google AdWords

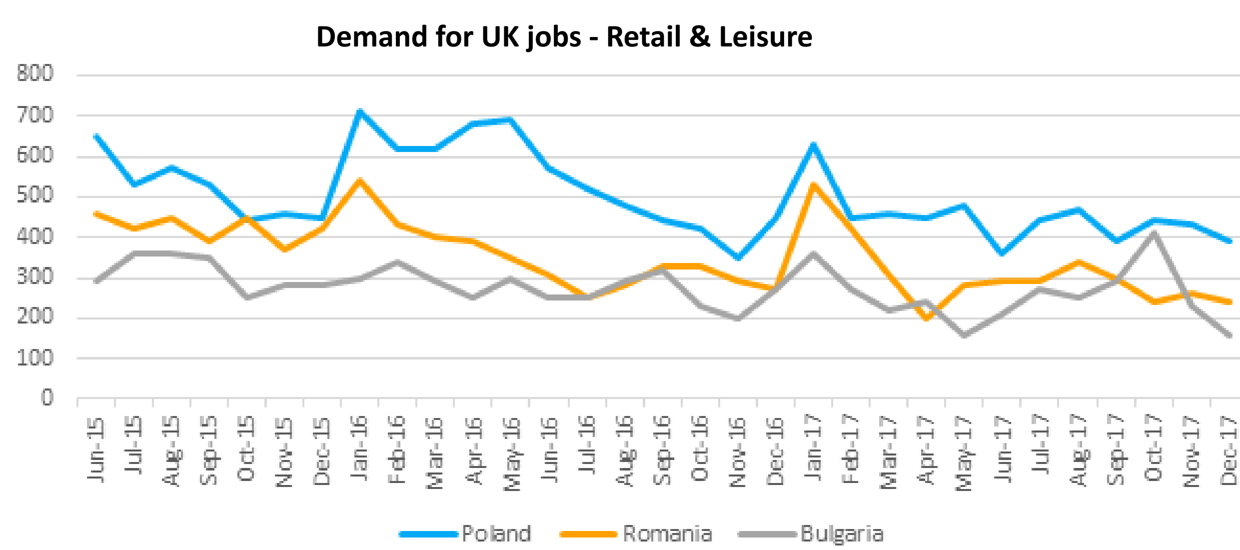


Figure 9 Source: Google AdWords

Health and Social Care

Demand for UK jobs in health and social care also fell, though at a slower rate than agriculture and construction jobs. Onefouzero data found a drop in demand of 18%, evenly spread across all countries surveyed.

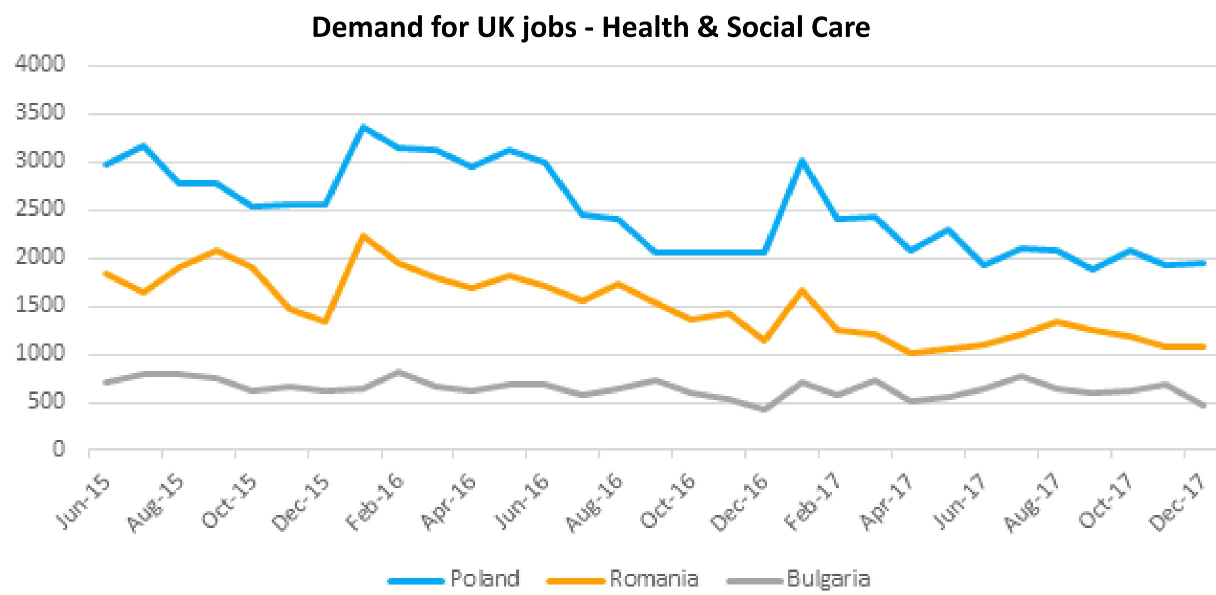


Figure 10 Source: Google AdWords

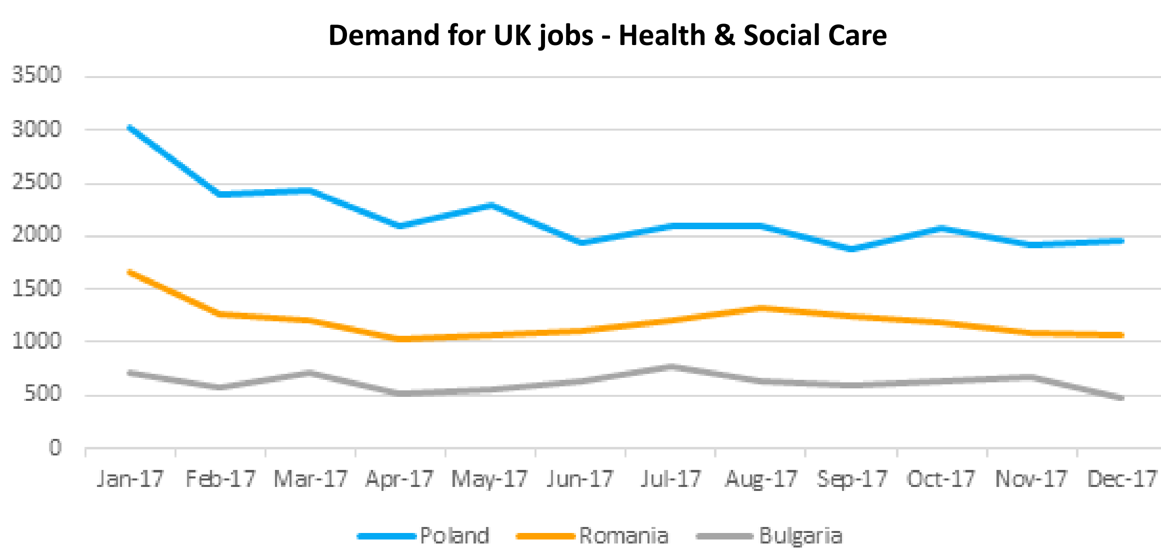


Figure 11 Source: Google AdWords

Although a lower rate of decline to other sectors analysed, a drop of around one fifth would have significant implications for the health and social care sector, which is already experiencing acute workforce and funding pressures. Over 8,000 Polish citizens currently work in the NHS, second only to Ireland in terms of EU countries. The NHS is also staffed by a significant number of non-EU migrants; the most common nationalities besides British is Indian (18,348) and Philippine (15,348.) Onefourzero analysed demand from these countries (figure 12) and found that demand was unaffected by Brexit, and had even risen slightly from India.

Demand for UK jobs in Health and Social Care from non - EU countires

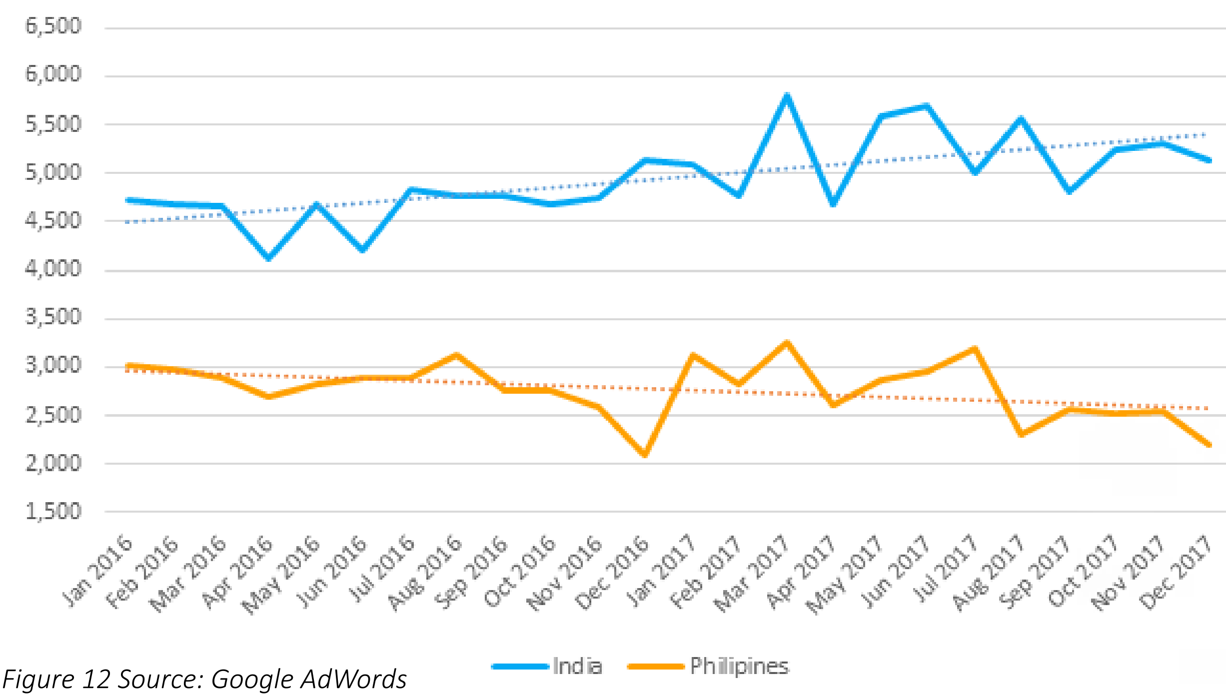


Figure 12 Source: Google AdWords

The social care sector has an estimated vacancy rate of 6.6% and an overall turnover rate of 27.8%, which is set to increase as a result of this decline. The NHS is already struggling to recruit workers as a result of low pay, long hours and pressured conditions and has seen vacancies rise by 10% in 2017. Our figures suggest that the UK's decision to leave the EU will only exacerbate these pressures, as the pool of applicants decreases in size as a result of decreasing EU demand.

Rebecca Lury – Managing Director, Strategic Comms and Head of Health, GK Strategy

"One of the major concerns for many Remain voters in the 2016 referendum was the impact that leaving the EU would have on the NHS. Just under 62,000 NHS staff are non-UK EU nationals, or 5.6% of the total workforce. This rises to nearly one in ten of all NHS doctors.

Our data shows that demand for jobs in health and social care has fallen as it has in other sectors. With more EU nationals leaving the sector and fewer applying for jobs, this could exacerbate the NHS workforce crisis, as it becomes harder and harder to fill vacancies. Given the significant time it takes to train new doctors and nurses, it's unlikely that this hole will be filled by homegrown staff any time soon. The Government promised last August to start training an additional 1,500 doctors and 10,000 nurses, midwives and allied health professionals by 2020, but the British Medical Association and NHS Employers have cautioned that the current shortage of doctors could become more acute after Brexit."

The social care workforce is also likely to see an impact. In 2015/16, about 7% of the social care workforce was made up of EU nationals, a proportion which had been increasing over the previous five years. As our population ages, tackling the social care crisis will only rise up the political agenda. The Department of Health has recently had social care added to its title, but whether this is just a rebrand or a genuine refocusing of effort is still up for debate. The shortage of EU workers in the care system may be the first big challenge that the DHSC needs to address.

Shifting Public Perception

Throughout the referendum and once the UK left the EU, restricting immigration was politically attractive; opinion polls leading up to the referendum showed that as much of 76% of the British public was in favour of reducing immigration.

In our last report, we argued that public opinion was firmly in favour of reducing migration. While this is still the case overall – migration has consistently ranked a top concern since 2014 - public attitudes to immigration are increasingly nuanced.

A recent study of 4,000 people by Open Europe found that those surveyed wanted more control over immigration, and that this was more important than simply reducing immigration. The participants were in favour of migrants wanting to work as doctors (61% net support) and nurses (57%) overall, and only 'general jobseekers' were met with opposition.

Onefourzero's own sentiment analysis supports this – we found that in 2017, net negative sentiment towards EU migrants dropping by 4% in 2017, from 59% to 54%.

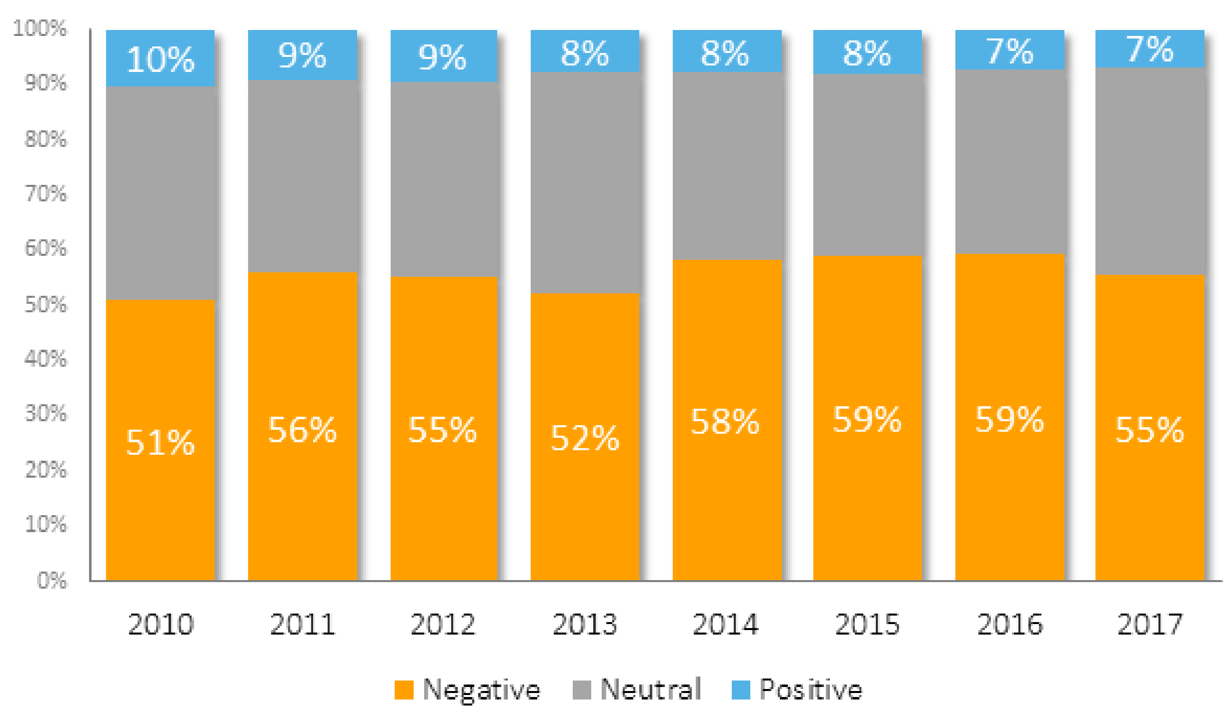


Figure 13. Source: Crimson Hexagon

As our data shows, each sector in the UK is subject to different workforce pressures, and this is reflected in public opinion, which is equally varied. This variation and nuance in public opinion should provide an opportunity for Government to pursue more complex policies with regard to migration, and policymakers should take into account the multi-dimensional views on immigration when designing future policy.

Challenges for policymakers

Our data indicates that interest in UK jobs is declining, and is most pronounced in “low-skilled” sectors such as the agriculture and construction, and the Government must work to address this workforce shortfall while still reducing net migration overall.

Throughout Westminster, policymakers, think tanks and APPGS have called on the Government to take a more sector-specific approach. In January 2018, Yvette Cooper, chair of the Home Affairs Select Committee, proposed that the Government produce an Annual Migration Report to examine immigration by sector, and establish how EU migrants contribute to each section of the UK workforce. The APPG on Migration called for the Government to alter or remove the definitions of ‘high-skilled’ and ‘low-skilled’ work, arguing that this definition is inaccurate and contributes to the shortage of workers by creating a recruitment crisis. The report calls on the Government to engage with local stakeholders by sector, which is crucial given the variation in workforce pressures in each sector, as evidenced by our data.

In terms of policy ideas, the APPG suggests a sector-visa scheme to address acute labour shortages, but acknowledges the huge administrative burden this would take.

Conservative-oriented think tank Policy Exchange has also argued for sector-specific visas, such as an ‘antisocial hours visa’ aimed to attract Eastern European migrants from Eastern Europe, who are seen as more willing to work night shifts in industries such as hospitality.

As evidence mounts that Brexit is having a significant effect on certain sectors, calls are increasing for flexible, sector-specific policy. Policymakers must balance the calls from industry, whilst developing a new immigration approach in a complex political context.

Addressing the shortfall

If, as our data suggests, a decline in EU workers will create a shortfall, then employers must work to address this gap through providing training, upskilling existing workers, and attracting new workers.

Why do employers hire EU nationals?

- **Difficulty attracting UK-born applicants**
- **Better work ethic**
- **Better skills specific and technical knowledge**

Source: APPG on migration survey data

The APPG on Migration found that the Top 3 reasons stated by employers for hiring EU nationals were:

- Difficulty attracting UK-born applicants
- Better work ethic
- Better job-specific or technical knowledge

Lack of technical and job-specific knowledge amongst the British workforce has been recognised as a concern; the Government’s attempts to promote more effective skills training and increase the number of apprenticeships through the introduction of the apprenticeship levy are intended to begin to address this concern, although stakeholders have expressed their worry over slow take-up. Employers must make new efforts to upskill existing staff and provide desirable, decently paid apprenticeships to ensure workers are equipped to fit the needs of the post-Brexit economy.

Jamie Cater - Senior Policy Analyst

“‘The recent decision to delay the publication of the planned immigration white paper and subsequent legislation until the autumn is a logical one from the Government’s perspective. Given the finely-balanced parliamentary arithmetic and the rebellious mood of some pro-European MPs on the backbenches of both main parties, the Government needs to ensure that it comes forward with a set of proposals that adequately addresses the policy trilemma it faces of meeting its own stated objectives for reducing net migration, satisfying the demands of Parliament, and assuaging public and employer concerns. It also allows the Government’s work to reflect the findings of the independent Migration Advisory Committee, which is also due to report in the autumn.

Despite making political sense for the Government to delay its proposals, in the absence of a tangible policy framework for a future migration system, perceptions matter, and our data shows why employers are concerned about the ongoing lack of clarity from the Government. While the focus of politicians’ rhetoric continues to be the overall aim of reducing numbers, not on how a post-Brexit immigration system might function, demand among potential migrants to move to the UK continues to be low.

For decades, immigration has been one of the most vexed policy questions that successive governments have faced, but the reality of withdrawing from the EU in little over a year’s time means that this is a challenge for Theresa May in a more fundamental way than it has been for any British Prime Minister in modern history. With a transition period for leaving the EU notionally agreed, the Government still just about has time on its side, but it can expect employers to grow increasingly impatient with the lack of certainty on offer .’

Conclusion

Our data indicates that demand for work in the UK from Eastern European countries is declining across all sectors. The decline is most significant in sectors most reliant on EU migrants. If this trend continues, the agriculture and construction sectors are likely to face severe workforce shortages, potentially leading to increases in food prices, a shortage of much-needed new homes, and further pressures on an already overstretched health and social care system. It is unlikely British workers will fill these gaps, as searches for jobs from UK citizens are also declining.

The Government must therefore strike a difficult balance between ending free movement and reducing immigration, which still has strong public support, and ensuring the needs of UK employers are met. Satisfying the competing demands of voters and businesses will be a difficult balancing act, and sector-specific solutions are likely to be complex and labour-intensive.

About GK

GK Strategy is a next generation strategic communications agency.

We support investment decisions, build reputations, deliver impactful campaigns, shape markets and help clients navigate regulatory landscapes.

Public affairs, communications, marketing, brand, reputation, risk, market research and digital are no longer separate disciplines but interconnected and interdependent. The world has changed, yet many organisations still rely on methodologies that haven't changed for over a century.

GK Strategy thinks differently. Employing cutting-edge digital technologies, combined with experienced communications and risk management, we are driving change and creating value for investors, brands, member associations and charities.

We believe in research-led strategy and identify and analyse evidence and data to underpin our communications strategies and to improve them over time. To this end, we established our own digital agency, onefourzero, three years ago, recognising the power that digital data analytics can yield to underpin our client work.

As an independent agency, we are not bound to corporate targets, or quarter by quarter reporting, but put our clients' interests first and are passionate about delivering tangible results. We have the freedom to think long term and outside the box, and we relish the opportunities to do so.

To find out more or speak to the team please contact info@gkstrategy.com

About onefourzero

onefourzero is digital analytics firm providing data-driven reports for investors and brands to help drive commercial growth, marketing investment, digital strategy, operations and international expansion.

Our services combine big data with our multi-disciplinary team of analysts who produce concise, straightforward reports that are derived from high volumes of complex data.

We provide can geography, sector and brand level real-time performance data drawn from Amazon, Google, Facebook, Twitter and many more sources, enabling our clients to understand market dynamics, market share, competitive benchmarking and potential growth across consumer industries.

Always at the forefront of technology and data, we understand that we need to innovate and educate constantly.

The digital world dos not stand still, and nor do we.

To find out more or speak to the team please contact info@onefourzerogroup.com

About the Authors

Jamie Cater - Senior Policy Analyst

Jamie is GK Strategy's Research Manager, working on political due diligence, political risk analysis and opportunities profiling. He specialises in qualitative research on a range of public policy issues, including health and social care, financial services, energy, employment and education. Prior to joining GK's research team in 2014, Jamie worked in the offices of a former Shadow Education Minister and Shadow Transport Minister.

Fleur Hicks - Managing Director

Fleur is a strategic Marketing and Operations professional with over 16 years' experience managing blue chip digital and broadcast brands with 7 figure commercial success in the B2C and B2B2C sectors. With key experience across web, mobile, TV and print, Fleur has delivered industry-leading marketing and operations analysis strategy at board level in consultative and client side roles. Fleur joined the company in autumn 2015 and has overseen its growth from a two man consultancy to world leading Digital Diligence Agency. Fleur is also an elected fellow of the RSA and sits on IDM, IAB and WOMMA councils.

Rebecca Lury – Managing Director, Strategic Comms and Head of Health

Rebecca has 9 years of experience working across policy, public affairs and communications. She recently joined GK from Vocalink, a Mastercard company, where she supported the business through a regulatory review, and developed policy positions for the business around financial inclusion. At GK, Rebecca is responsible for providing strategic support and advice, helping clients to achieve their business objectives through public affairs and communications.

Rebecca is also a local Councillor in Southwark, where she is the Chair of the Healthy Communities Scrutiny Committee, and she is also Chair of the South East London Health Scrutiny Committee.

Quincey Simargool - Junior Analyst

Quincy is a junior analyst with a consumer background with project experience projects spanning a variety of sectors. Having worked with a diverse range of clients from different industries, Quincy brings specific commercial relevance to data and insights. Prior experience in the technology sector further strengthens our team tech capability. Quincy graduated from the University of Dundee with an MA in Financial Economics.

Caitlin Wilkinson - Business Development Executive

Caitlin joined GK's marketing team in November 2017. Prior to joining GK, Caitlin worked in the corporate fundraising team at youth homelessness charity Centrepoint, and has previously worked in marketing in the not-for-profit sector. Caitlin graduated from the University of Bristol with a degree in History.

GK

020 7340 1150
info@gkstrategy.com

gkstrategy.com
@GKStrategy
GK Strategy

onefourzero

020 7340 1150
info@onefourzerogroup.com

onefourzerogroup.com
@140group
onefourzerogroup.com