

JULY 2018

# Short-term labour for long-term growth

EU agency workers post-Brexit



Recruitment &  
Employment  
Confederation

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# FOREWORD

A strong economy underpins rising living standards for British people – it delivers more opportunities to us as employees, and more choice and value to us as shoppers.

Such economic strength is built on companies being able to do great business from the UK. Ensuring businesses have the capacity to invest and grow here is vital.

And with employment rates at record highs, making sure firms have access to the people they need to keep delivering for customers is a critical issue for investment decisions. Across many sectors REC members report that candidate availability remains the key challenge for them in meeting industry's needs.

This is a case of a nation with a developing labour shortage – but one which access to temporary workers from across the EU has helped to ameliorate, keeping new investment coming to the UK and boosting the range of choices for consumers.

In this report, we look into the role that EU citizens play in supporting employers on a temporary basis. In key sectors like food and drinks, hospitality, and logistics the report shows that their impact is huge – especially as these sectors are struggling to fill all their vacancies even before Brexit day.

A pleasing aspect of the debate about EU nationals in the UK since the referendum is that Leavers and Remainers alike have acknowledged the huge value the UK gets from those who are already here.

But this is not just about doctors and engineers. When we go to the supermarket or into a restaurant we are relying on a supply chain that simply would not function without the contribution of workers from other EU nations who are filling vacancies, making themselves available at short notice to meet peaks in demand, and working flexibly to fit changing shift patterns and seasonal variations.

As we approach March 2019 the government urgently needs to secure the transition period that will give firms certainty over the timescale for any changes to access to the UK for EU nationals. This will help key sectors of our economy to continue to operate freely.

With a transition deal in place, the government must also clarify its preferred post-Brexit immigration policy quickly, with details written into the exit agreement with the EU. Allowing for the continued use of agency workers from EU countries will be vital – and they must be able to work for different employers while they are here. Access should not be linked to a permanent role with a single employer. That would damage whole swathes of our economy with key supply chains faltering and imported goods making up the difference.

**Neil Carberry**

Chief Executive, Recruitment & Employment Confederation

# 01

## RESEARCH SUMMARY AND RECOMMENDATIONS

Nine months after the UK voted to leave the European Union (EU) in a referendum, on 29 March 2017 Prime Minister Theresa May triggered Article 50 of the Lisbon Treaty, officially beginning the process of leaving the EU. It has been more than a year since Brexit negotiations began on 19 June 2017, yet uncertainty around the country’s future labour arrangements with the EU shows no sign of abating. As demand for skills and people grows, while the number of EU citizens coming to the UK for work falls, candidate shortages intensify. We now know that immigration arrangements will remain largely unchanged during the post-Brexit transition phase. However, with current labour provisions expected to be replaced by a new immigration system at the end of the transition period, employers across all industries require clarity now on what the new system will entail to determine its impact on their business. A balanced, evidence-based immigration system will need to be spelled out to defuse confusion and reverse employers’ low confidence in economic conditions, as shown in Figure 1. Moreover, we need the details of this future immigration system sooner rather than later to avoid the increasingly likely prospect that employers and workers will not know what the future system will be until after the UK has left the EU, having had no time to plan for the new system.

**FIGURE 1: EMPLOYERS’ CONFIDENCE IN THE PROSPECTS FOR THE UK ECONOMY, JOBS OUTLOOK<sup>1</sup>**



<sup>1</sup> According to REC *JobsOutlook* monthly data, confidence of employers in economic conditions in the UK had progressively plummeted from a net balance of +26 points in June 2016 to a net balance of -10 points in March 2018. Monthly reports are available to download at: [www.rec.uk.com](http://www.rec.uk.com)

In 2017, the REC published three reports that focused on post-Brexit immigration. The first two of these focused on quantitative measures of EU workers in the UK and on the lessons that could be learned from other countries' immigration systems around the world respectively. The third report focused on EU workers in low-skilled roles in the UK from the perspective of recruiters, employers, and workers themselves.

Whilst current political debate has been focusing on the impact of Brexit on the supply of EU workers in permanent roles, there is increasing concern amongst UK employers about a lack of clarity of labour provisions for temporary workers post-Brexit. Building on our previous research, this report further investigates how the immigration system can guarantee a sufficient supply of workers in temporary roles in key sectors of the economy where EU workers have played an important role in meeting labour demand in recent years, such as food and drinks, hospitality and warehousing.

We urge the UK government and policymakers to reflect on the pressing need for access to temporary workers and to introduce a practical, effective and responsive system which will ensure the sufficient supply of labour for business. This is essential if the UK is to meet its labour market needs and allow its businesses and industries to thrive. The UK's flexible workforce plays a crucial role in keeping British businesses running smoothly. Any post-transition system which reduces the availability of temporary workers in the UK is likely to have a detrimental knock-on effect on the overall UK economy.

## RESEARCH SUMMARY

Quantitative research findings are based on a survey of REC members produced by YouGov as well as a survey of employers/HR decision-makers in the UK, produced by ComRes.

### **A significant portion of temporary assignments in key sectors in the last 12 months were filled by workers from the EU:**

- Six in ten respondents (60 per cent) who supplied agency workers in the warehousing sector indicate that 50 per cent or more of their temporary assignments were filled by EU workers, with almost three in ten revealing that 75 per cent or more of their temporary assignments were filled by EU nationals.
- Over half of respondents supplying the food and drinks sector (56 per cent) and the hospitality sector (52 per cent) reveal that 50 per cent or more of their temporary assignments were filled by workers from the EU.
- Two in five (39 per cent) respondents in the food and drinks sector supplied EU workers to fill 75 per cent or more of their temporary assignments.
- A third of respondents (33 per cent) supplying agency workers in the hospitality sector had EU workers filling 75 per cent or more of their temporary assignments in the last 12 months.

### **There had been a particular reliance not only on EU temporary labour but on young EU temporary labour:**

- Over half (55 per cent) of agencies placing EU temporary agency workers in hospitality roles claim 50 per cent or more of these workers were 18–30 years old.
- Half of recruiters placing EU temporary workers in the food and drinks sector (52 per cent) and the warehousing sector (49 per cent) reveal 50 per cent or more of these workers were 18–30 years old.
- The number of respondents who only place EU temporary agency workers who are over 30 years old is negligible across key sectors.

### **Employers say they rely heavily on EU workers to fill temporary and seasonal vacancies:**

Of those employers that hired seasonal or temporary staff:

- Four in five (81 per cent) claim to have used EU labour in a temporary or seasonal role.
- Three in five (62 per cent) claim 10 per cent or more of their contingent workforce was from the EU.
- One in ten (10 per cent) revealed that half or more of their seasonal and temporary labour was from the EU.

### **Supply of temporary workers failed to meet labour demand in the last 12 months:**

- A third of recruitment agencies supplying agency workers to the warehousing (29 per cent), hospitality (38 per cent), or food and drinks (39 per cent) sector had not been able to meet their clients' overall demand.
- Four in ten employers (42 per cent) that recruit temporary or seasonal labour had not been able to meet their demand for labour.

## SUMMARY OF RECOMMENDATIONS

What the UK's immigration system will look like after the UK leaves the EU remains uncertain. While a transition period is welcome for avoiding a cliff edge, businesses need clarity on a future system and assurances that this will cater to the needs of the economy. It is vital that a post-Brexit immigration system supports a flexible labour market, underpinned by a set of principles that allow for the contribution of temporary workers in the UK across the whole labour market.

Principles	Actions for government
Based on evidence, not arbitrary targets	Ensure data surrounding EU nationals in temporary, agency and seasonal roles are robust.
Quick and predictable	Allow employers to be able to access temporary migrant workers quickly and at short notice, if needed.
Freedom to move jobs	Immigration status should be attached to individuals, rather than through sponsorship with an employer, for temporary work. Allow for migrant agency workers to move between employers, sectors and regions and to work with multiple agencies.
Long-term approach, not quick-fixes	Promote a market-led system whereby workers can move to where there is a need in order to respond to labour market changes.
Low cost	Avoid high permit costs for temporary workers.
Recognise different contracts	Recognise the working patterns in the UK where EU workers are able to work through employment agencies as temporary agency workers and allow for this flexibility to continue.
Addressing public concerns	Actions for government
Support control rather than numerical targets	Focus on rebuilding public trust by improving data collection and transparency, and abandoning targets to reduce immigration levels to the tens of thousands.
Enhance the Controlling Migration Fund	Widen the scope and remit of the Controlling Migration Fund.
Invest in labour market enforcement	Allocate the additional funding for enforcement activity as recommended by the Director of Labour Market Enforcement.
Reaching out to UK candidates	Actions for government and employers
Reform the apprenticeship levy	The government should broaden the apprenticeship levy to become a more flexible training levy to be used for up-skilling and job progression for temporary workers.
Promote good work and address misconceptions	Trade bodies in key sectors should promote the good work agenda and work to promote progression opportunities attached to roles in these sectors.
Widen the pool of candidates	Employers and recruiters should explore the reasons why UK candidates may not apply to temporary roles and actively reach out to a wider pool of candidates, including ex-service men and women, older workers, people with criminal records, those with long-term disabilities and the long-term unemployed.

# 02

## INTRODUCTION

**The main question of this report is how the UK can ensure the sufficient supply of temporary workers to meet demand in post-Brexit Britain, particularly for those sectors that are heavily reliant on temporary workers from the EU.**

There is a pressing need to deliver a clear, evidence-based picture of how EU citizens are contributing in the UK economy as temporary workers. The UK needs an immigration system based on facts which is flexible and responsive to business need in post-Brexit Britain and will avoid harming the economy. It is imperative both that the new labour arrangements provide UK businesses with access to the workers they need and that the system is agreed upon with sufficient time for businesses to prepare for its implementation.

The UK's current labour market continues to perform well. However, persistent issues are particularly challenging. Demand for skills and people is mounting, with the UK's unemployment rate the lowest it has been since 1975. A fall in net EU migration, which is driven by a fall in EU citizens coming to the UK for work as reported by the Office for National Statistics (ONS),<sup>2</sup> has further intensified candidate shortages. This, in turn, hinders investment in the growth of businesses, with an increase in uncertainty and a reduction in overall confidence in the UK economy since the referendum result. Additionally, certain sectors, such as those involved in the food and drinks supply chain, are particularly affected by ongoing uncertainty around immigration policy post-Brexit.

Whilst current debate has primarily focused on EU nationals coming to the UK for permanent full-time work, there is increasing concern yet little effort to calculate the potential impact of the end of freedom of movement on the supply of temporary workers. Indeed, businesses in industries that have a significant reliance on EU temporary workers – namely hospitality, food and drinks, warehousing and farming – are alarmed by a lack of clarity around post-transition immigration arrangements.

<sup>2</sup> ONS (2018) *Migration Statistics Quarterly Report: February 2018*. Net migration of EU citizens has fallen by 75,000 in the year ending September 2017, returning to the level seen in 2012. Annual EU immigration for work-related reasons (i.e. for a 'definite job' or 'looking for work') fell by 58,000 in the same period. The number of EU citizens leaving the UK (130,000) was the highest recorded level since 2008. Available at: [www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/february2018](http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/february2018).

Building on previous research,<sup>3</sup> the REC has further investigated how the immigration system can guarantee a sufficient supply of workers in temporary roles, with a particular focus on agency workers in these key sectors of the economy.

As the report demonstrates, EU temporary workers provide a valuable contribution across the country in a wide range of sectors and at various skill levels. This needs to be factored into any new immigration system. After the post-Brexit transition period ends, there is the possibility for significant change in who is allowed into the country to work and how long they are permitted to remain for. The analysis of the views and concerns of recruiters and employers, as expressed during our quantitative and qualitative research, seeks to add further evidence to the debate. Furthermore, it intends to inform the government of the labour needs in key sectors for temporary workers so that appropriate provisions are made, which will guarantee access to the workers UK businesses need to remain economically viable and competitive.

## Report structure/outline

The report draws largely on:

- quantitative responses from a survey of recruiters/members of the REC, hosted by YouGov
- quantitative responses from two surveys of employers/HR decision-makers, conducted by ComRes
- qualitative insights from employers and recruitment industry experts arising from structured interviews and a focus group.

Quotes from the qualitative research and findings from the quantitative survey are provided throughout the report and are attributed accordingly. Some responses have been anonymised at the request of research participants.

In an attempt to inform the debate and share evidence that can add clarity to the confusion already inhibiting the UK labour market, section 3 of this research outlines the new labour market trends and shifting working patterns with a focus on the contribution of temporary workers – primarily agency workers – to the UK economy. Section 4 investigates more closely the labour market challenges facing the UK economy, reviewing the volume and importance of temporary workers from the EU (excluding the UK) whilst highlighting skill and candidate shortages in key sectors. Finally, the last section outlines the key considerations that need to be taken into account to guarantee flexibility and security in the labour market and ensure labour supply meets labour demand in post-Brexit Britain.

<sup>3</sup> In June 2017, the REC published two reports that focused on the issue of immigration once the UK leaves the EU: *Managing Migration in a Way that Supports Labour Market Success: What can we learn from the experiences of recruiters and employers in Norway, Switzerland, Canada and Australia?* and *Building the Post-Brexit Immigration System: An analysis of shortages, scenarios and choices*. In September 2017, the REC released the report *Ready, Willing and Able: Can the UK labour force meet demand after Brexit?*

## 03

## SHIFTING WORKING PATTERNS AND LABOUR MARKET TRENDS IN THE UK

The world of work is evolving. Traditionally, the employment relationship consisted of full-time work with a single employer for an indefinite duration. Whilst the majority of people in employment are still employed in full-time permanent roles, there is a significant proportion of the workforce choosing to work in a temporary, casual or part-time way. According to the latest ONS figures for June 2018, part-time employees make up 26 per cent of all employees in the UK and temporary workers make up six per cent.<sup>4</sup> This latter figure includes agency workers – workers who are contracted with a recruitment agency or employment business but are supplied to work temporarily under the supervision and direction of another business, namely a hiring client. These workers enable the on-demand, 24/7 economy that consumers have come to expect, with employers reporting that they use agency workers to cover leaves of absence (65 per cent), meet peaks in demand (58 per cent), and provide short-term access to key strategic skills (56 per cent), amongst other reasons.<sup>5</sup>

As well as benefiting the smooth running of business and the modern economy, the availability of flexible work has also been to the benefit of many workers in the labour market. Some prefer the flexibility that temporary and part-time work can offer to fit around studies, family commitments, or other pursuits. Others use temporary roles to avoid spells of unemployment between longer-term roles.<sup>6</sup>

### Flexible world of work

According to the Office for National Statistics (ONS), the number of part-time workers (who did not want a full-time job) increased from 4,916,000 in January–March 2000 to 6,112,000 in February–April 2018. Similarly, the number of self-employed increased from 3,275,000 in the period January–March 2000 to 4,814,000 in February–April 2018.

Temporary employees represented 5.8 per cent of all employees in the period February–April 2018, with a quarter-on-quarter increase of 22,000 (+1.4 per cent).<sup>7</sup>

4 ONS (June 2018) EMP01 SA: Full-time, part-time and temporary workers (seasonally adjusted).

5 REC (June 2018) *JobsOutlook*. Available at [www.rec.uk.com](http://www.rec.uk.com)

6 REC (2014) *Flex appeal: Why freelancers, contractors, and agency workers choose to work this way*. Available at [www.rec.uk.com](http://www.rec.uk.com)

7 ONS (2018) *Labour Force Survey*. Data are seasonally adjusted.

Looking at agency workers in particular, the REC's most recent Recruitment Industry Trends survey showed that on any given day the average number of agency workers on assignment was 1.1 million workers.<sup>8</sup>

Industry data supplied for the period January–December 2010 to January–December 2016 show the number of permanent and non-permanent employees in the UK. For instance, the number of temporary employees working in accommodation and food services has increased significantly in the last few years, from 115,225 in 2011 to 162,042 in 2016. Non-permanent staff make up approximately 10 per cent of the total workforce in the sector.<sup>9</sup>

When looking at the indicative activity of the broader recruitment industry, the occupations with the highest proportion of distribution of temporary/contract workers on the combined payroll are industrial/blue collar and secretarial/clerical. Beyond this, there is a broad proportional spread of payroll worker activity across the occupations, including hotel/catering, nursing/medical and education/teaching. However, the duration of temporary assignments varies, with the large majority of these being placed for 12+ weeks (61 per cent). Similarly, eight in ten (80 per cent) contract placements were for 12+ weeks, with over two in five (44 per cent) being for a duration of 6+ months.<sup>10</sup>

Contrary to some perceptions, agency work is far more regulated than other forms of flexible work. UK and EU legislation ensures all agency workers in the UK are entitled to a number of rights including protection from unlawful deductions from wages, statutory sick pay, and health and safety protections.<sup>11</sup>

8 REC (2017) *Recruitment Industry Trends 2016/17*.

9 Industry data provided are not seasonally adjusted and do not show the number of UK, EU and non-EU employees. Not permanent employees include temporary agency workers, fixed contract workers, seasonal workers and casual workers. ONS (2017) One digit industry data showing the number of permanent and not permanent employees for January to December 2010 to January to December 2016. Available at: [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/007435onedigitindustrydatashowingthenumberofpermanentandnotpermanentemployeesforjanuarytodecember2010tojanuarytodecember2016](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/007435onedigitindustrydatashowingthenumberofpermanentandnotpermanentemployeesforjanuarytodecember2010tojanuarytodecember2016)

10 Ibid.

11 For further details on the rights of agency workers, see Appendix 4.

## CASE STUDY



## MANPOWER UK

Manpower UK is part of the global ManpowerGroup and one of the UK's largest workforce management firms. Manpower UK works with over 5,000 clients drawn from both the private and public sectors. The company places thousands of people into permanent roles every year and at any time has around 25,000 people working at client locations.

Between August 2016 and May 2018, non-UK workers accounted for 20 per cent of the temporary agency workers placed by Manpower UK, with 13 per cent from the EU. Jeremy Hay Campbell, Manpower UK's Head of Corporate Affairs, explains that, contrary to some perceptions, not all temporary agency workers from the EU are working in low-skilled roles.

'There is an important point to understand about the different types of EU agency workers and the valuable role they play in the economy and in helping address skills shortages. For example, we have a degree of our work in multilingual contact centres, so French, German, or Spanish workers are more likely to be based in those roles and they will be commanding a bit more of a premium salary as well. Then there is a section of the workforce from the EU accession countries and they are more likely to be engaged in lower skilled industrial roles.'

Although EU workers accounted for 13 per cent of Manpower's temporary workforce between August 2016 and May 2018, both the proportion of EU workers and the number of EU workers in temporary roles with Manpower has fallen throughout this period. Whereas EU workers accounted for approximately 14 per cent of Manpower's temporary workforce in the summer of 2016, this has now fallen to approximately 10 per cent.

A key concern for Manpower is the ability to maintain flexibility when recruiting EU workers for temporary agency roles - many who will be in roles that face a shortage of talent such as driving. As Jeremy explains, many of the roles that Manpower place require a quick turnaround and delays caused by a new immigration system that doesn't cater for temporary roles could have a negative impact on Manpower, their clients, and their clients' customers.

'We will want to maintain flexibility and keep red tape and costs to a minimum. For example, if there is a wet Easter, more people stay at home and they are more likely to do a lot of online shopping, which then requires an uplift in the number of delivery drivers in the next couple of days after that. You've got to have the flexibility to meet that kind of demand. If you are reliant on a system whereby you could only bring in and have access to EU workers once they've

got a job offer, we are not going to bring in people on an ad hoc basis in that way. We need to have access to a pool of talent that is already in the country that we can turn to, to be able to support what is required. We also need to remember the impact any restrictions will have on the existing talent shortage - the driving sector, for example, already has a significant shortage of talent and EU drivers provide a valuable talent source for many employers. It will be hard to fill these gaps from a UK workforce at a time of record employment and within the timeframe. Restrictions on access to EU talent will only exacerbate these problems.'

In addition to potentially causing problems in meeting business and consumer demand, a post-Brexit EU immigration system built around permanent employment with a sponsoring employer may impact negatively on temporary workers from the EU who wish to enrol with a number of different agencies. Jeremy explains that at present, 'if we don't have any work for them they are free to enrol with somebody else. Now, if they were coming under one type of sponsorship, would they have the flexibility to go and work somewhere else or would that visa right just disappear? Would that work for the individual?'

At present, workers aged 30 or younger account for just under half of the EU workers working for Manpower in temporary roles. Therefore, Jeremy sees potential for a European Youth Mobility Scheme, similar to the Tier 5 (Youth Mobility Scheme) Visa, to address some (but by no means all) of the requirement for EU temporary workers. If the UK's post-Brexit immigration system is to provide temporary workers in adequate numbers to meet business demand, Jeremy believes it is likely that a range of entry routes into the UK for these types of workers will be required and minimal restrictions should be placed on them once they are admitted into the UK.

'If there was a visa system that was restricted by sector or regional quotas, that would be of concern. From the perspective of agencies, a European Youth Mobility Visa may go half the way to addressing demand. You might end up with something a bit more general that is aimed at those aged under 30 and then you overlay that with a responsive system that meets employer need. If there is a salary threshold there also needs to be flexibility to take account of identified skills or labour shortages. What we really wouldn't want is a proscriptive system where EU workers who were here could only be here if they were in the employment of one employer. Employers need flexibility - if this is removed then this will cause issues.'

## Constraints in recording immigration data

The ONS and other government departments collect data on migration and on the overall numbers of EU workers in the UK. There are constraints in the monitoring and recording of immigration data and current datasets do not include those immigrating to the UK for less than a year. With many temporary workers from the EU coming to the UK for less than 12 months at a time, estimates undercount workers and underestimate some sectors' reliance on short-term or seasonal EU labour.

**'There is a lack of trust in official data, targets and decision-making on immigration policy. We need open and honest debate informed by evidence, and a new transparent way of making and debating immigration policy.'**  
Home Affairs Committee, House of Commons<sup>12</sup>

The ONS's Annual Population Survey (APS) and Labour Force Survey (LFS) provide some information on the stock of resident migrants and their characteristics, such as skills and occupation. But for those industries that rely on both permanent and temporary workers, including seasonal workers, there are currently no official data sources that provide a complete picture of the size of each industry's labour market and the role of migrants within these. Furthermore, as the LFS does not survey people who do not live in a household or are living in communal establishments, statistics used by the government have thus far been unable to provide trusted data and analysis of the temporary and seasonal EU workforce in the UK. This, in turn, leads to a lack of confidence in migration statistics more generally.

It is noteworthy that, in February 2017, the ONS recognised the need for better evidence on migration and its impact on the UK, including better evidence on seasonal labour migration and its impact on the UK labour market and economy.<sup>13</sup> A year later, in February 2018, the ONS highlighted another fundamental question that is pertinent to migration policymaking: do temporary workers, including the seasonal workforce, fly in and fly out for temporary and seasonal jobs (and, if so, are these broadly the same EU migrants each time) or are they longer-term residents of the UK and move within the UK wherever the jobs are? This is not possible to answer from current data sources.<sup>14</sup>

As demand for information on EU migration and its impact on the economy grows, the need to acquire a more complete and accurate picture of who has come to work in the UK and the type of work they do is pressing. Implementing a new registration system for EU migrants in advance of Brexit could provide a valuable source of data to better understand the inflow of EU workers in temporary roles.

<sup>12</sup> According to the Home Affairs Committee of the House of Commons, there is a lack of comprehensive analysis of the relationship between immigration and the labour market, meaning that the government now lacks the data from which to build an effective post-Brexit immigration policy. This makes it hard for businesses and employers to have confidence that their skills and recruitment needs have been properly assessed or taken into account. (2018) House of Commons, Home Affairs Committee. *Immigration policy: basis for building consensus. Second Report of Session 2017–19.*

<sup>13</sup> ONS (2017) *International migration data and analysis: Improving the evidence, February 2017.* Available at: [www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/internationalmigrationdataandanalysisimprovingtheevidence/february2017](http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/internationalmigrationdataandanalysisimprovingtheevidence/february2017)

<sup>14</sup> ONS (2018) *Labour in the agriculture industry, UK: February 2018.* Available at: [www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/labourintheagricultureindustry/2018-02-06](http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/labourintheagricultureindustry/2018-02-06)

## EU migration flows in the UK

In the wake of the EU referendum result, the UK government began the process of negotiating the UK's exit conditions from the European Union under Article 50 of the Treaty on European Union. The UK will officially leave the EU on 29 March 2019, followed by an agreed 21-month implementation period. The UK joined the EU (European Economic Community as it was at the time) in January 1973 and has since participated in the single market, allowing the free movement of goods, capital, services and people between member states.

However, it is only since the two waves of European expansion to Central and Eastern Europe in 2004 and 2007 that EU workers have begun to play a substantial role in the UK labour market.<sup>15</sup> EU nationals now represent a significant portion of the total UK workforce. The best available statistics suggest there were approximately 2.3 million EU nationals employed in the UK in the first quarter of 2018, making up approximately 7 per cent of the total 32.3 million UK labour force.<sup>16</sup> The percentages differ greatly by sector, occupation and region. According to the ONS, the sectors with the largest numbers of EU workers are manufacturing, the retail trade, and hospitality and food services activities (though as these statistics fail to account properly for temporary workers, the numbers are likely to be even higher). All sectors have experienced a large increase since 2004, though some sectors experienced faster growth than others. For instance, the number of EU nationals working in accommodation and food services more than doubled between 2007 and 2016, increasing from 96,938 in 2007 to 154,822 in 2012 and to 229,619 in 2016. Similarly, the number of EU nationals working in the retail trade (including wholesale and motor trade) increased from 129,344 in 2007 to 186,030 in 2012 and to 276,143 in 2016.<sup>17</sup>

However, data since the EU referendum have shown net migration of EU citizens continually falling. EU net migration for the year to June 2016 stood at 189,000, whereas the latest provisional figures for the year ending September 2017 stood at 90,000. This is being driven by both fewer EU citizens coming into the UK and more choosing to leave.

Of particular concern for UK businesses, including those that employ temporary EU workers, is the steep reduction in the number of EU citizens coming to the UK to look for work. When comparing these figures for the year ending June 2016 with the figures for the year ending September 2017, EU15 figures fell from 34,000 to 13,000; EU8 figures fell from 27,000 to 8,000; and EU2 figures fell from 21,000 to 11,000.<sup>18</sup> It is also noteworthy that migration to look for work was at its peak for all of these groupings in the year to June 2016.<sup>19</sup>

<sup>15</sup> Whilst non-EU immigration increased sharply in the late 1990s, immigration from Eastern European countries increased in the years following accession in 2004. Nationals of Bulgaria and Romania had working restrictions lifted in 2014 and in the period 2012–17 EU immigration had doubled.

<sup>16</sup> ONS (2018) Table 8(2): Employment, unemployment and economically inactive levels by nationality: People (not seasonally adjusted). Labour Force Survey, 15 May 2018. These statistics are based on ONS datasets that do not record short-term immigration and are therefore likely to underestimate the contribution of EU workers to the UK workforce.

<sup>17</sup> ONS (2017) One and three digit industry data 2007 to 2016. Data are not seasonally adjusted. Available at: [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/007454oneandthreedigitindustrydata2007to2016](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/007454oneandthreedigitindustrydata2007to2016)

<sup>18</sup> See Appendix 5 for an explanation of EU country groupings and other key terms.

<sup>19</sup> Available at: [www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/february2018](http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/february2018)

In recent years, there has been more focus on changing patterns in the migration of EU nationals, such as temporary and circular migration, with EU temporary workers tending to cluster in specific occupations. With temporary agency workers making up a significant portion of the whole temporary workforce in the UK, our survey of recruitment agencies supplying temporary agency workers in the UK labour market sheds light on the number of temporary assignments being filled by workers from the EU.

## CASE STUDY



### PMP RECRUITMENT (PART OF CORDANT GROUP)

PMP are supplying thousands of staff nationwide to household names such as Amazon, Tesco, and Nestlé. They have been operating for over 25 years and record annual revenues in the region of £400 million, with a particularly strong presence in the warehousing and food sectors.

Both warehousing and food production are heavily reliant on EU labour and this is reflected in the nationalities of PMP's approximately 250,000 candidates. Despite an uptick in the proportion of British candidates since the EU referendum, British workers still only represent approximately half of the workforce. Workers from the EEA represent approximately 40 per cent of candidates, with non-EEA citizens comprising the remaining 10 per cent.

Seasonal demand for temporary labour is most often associated with agriculture and horticulture. However, there are also seasonal peaks and troughs in the warehousing and food production clients that PMP supplies to, as Ken Steers, Cordant's Group HR Director, explains:

'For PMP, preparing for peak starts around end of August or early September and volume continues to grow from there. The absolute peak will be in late November around Black Friday and continues into December, with volumes typically reducing post-Christmas, albeit some clients continue to maintain headcount until the end of January or early February.'

Although it was becoming more difficult to source staff before the EU referendum, the vote to leave has compounded the difficulties Cordant face in ensuring their clients' needs are met. As Ken puts it, 'We used to open our doors on a Monday morning and there used to be queues of people, new arrivals who had come that week, queuing to register.

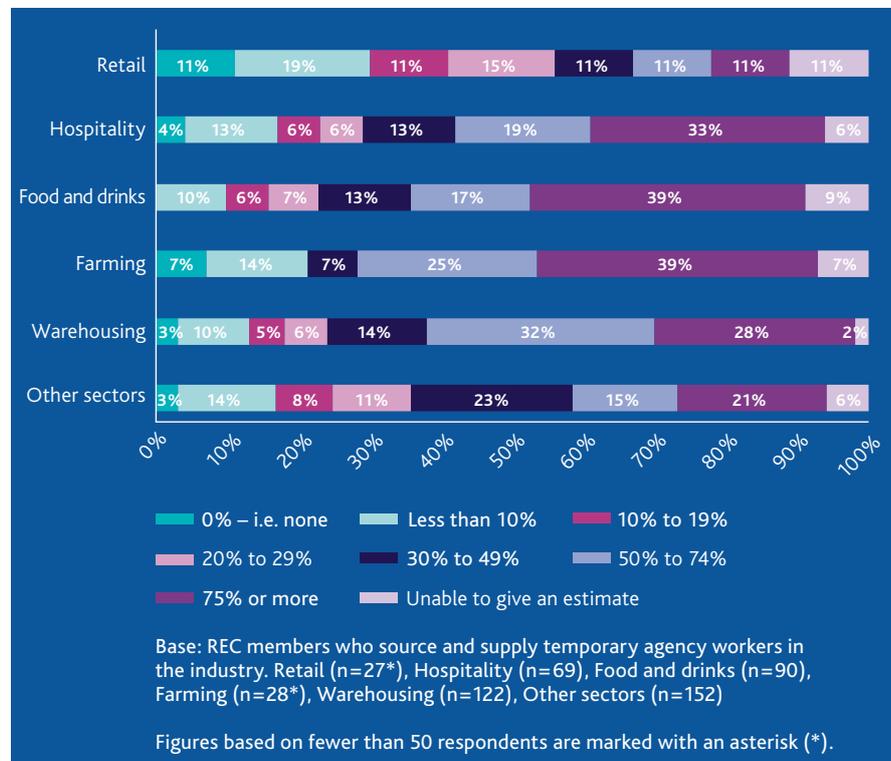
That doesn't happen now. Supply is still there, but we have had to work much harder to secure that supply, including the implementation of a National Resourcing Centre.' This changing landscape has led to more conversations with clients about how they can attract and retain temporary staff and how they can work with agencies like PMP in the future.

'One of the things we're challenging our customers on is what their typical worker profile looks like. As an example, one of our customers only ever offered blocks of eight hours in shift patterns because that better fit their labour planning model. They have now challenged their thinking and are exploring offering four-hour shifts, which opens up opportunities for parts of the labour market that they have traditionally not tapped into. Although there might be additional costs if you've got two sets of uniforms and the like, these can be offset by greater productivity and staff engagement.'

Ken hopes the new system will allow for the flexibility that UK employers require to keep the UK economy growing. However, more than anything, PMP and Cordant are mostly looking for clarity from the government sooner rather than later.

'The key thing for me is that the sooner the government can provide some clarity and certainty, the better that's going to be for EU workers and employers in the UK. The longer we leave that, the more we run the risk of losing our EU colleagues that are here. I think what employers could do today is better inform EU workers about the EU withdrawal agreement, what this means for them and what the options are for them to secure permanent status both for them and their families.'

**FIGURE 2: THINKING ABOUT ALL THE TEMPORARY ASSIGNMENTS YOUR BUSINESS HAS FILLED IN EACH OF THE FOLLOWING SECTORS IN THE LAST 12 MONTHS... APPROXIMATELY, WHAT PERCENTAGE OF YOUR BUSINESS'S TEMPORARY ASSIGNMENTS WERE FILLED BY WORKERS FROM THE EU (EXCLUDING THE UK)?**



As Figure 2 illustrates, based on a survey of recruitment agencies that supplied temporary agency workers to UK businesses in the last 12 months, a significant portion of temporary assignments across sectors were filled by workers from the EU.

In specific sectors such as food and drinks, warehousing and hospitality, the percentage of temporary assignments filled by EU workers increases substantially:

- Six in ten respondents who supplied agency workers in the warehousing sector in the last 12 months indicate that 50 per cent or more of their temporary assignments were indeed filled by workers from the EU.
- Almost three in ten respondents supplying agency workers in the warehousing sector had EU workers filling 75 per cent or more of their temporary assignments in the last 12 months.
- The majority of respondents in the food and drinks sector (56 per cent) revealed that 50 per cent or more of their temporary assignments in the last 12 months were filled by workers from the EU.
- Two in five (39 per cent) respondents in the food and drinks sector supplied EU workers to fill 75 per cent or more of their temporary assignments in the food and drinks industry.
- Half of respondents in the hospitality sector (52 per cent) revealed that 50 per cent or more of their temporary assignments in the last 12 months were filled by workers from the EU.
- Likewise, a third of respondents (33 per cent) supplying agency workers in the hospitality sector had EU workers filling 75 per cent or more of their temporary assignments in the last 12 months.

**'Certain areas in the UK are heavily dependent on EU staff for both skilled trades and unskilled labourers. In London, usually over 50 per cent of the temporary agency workers we supply to businesses come from the EU.'**

Graeme Wolf, Hexa Services<sup>20</sup>

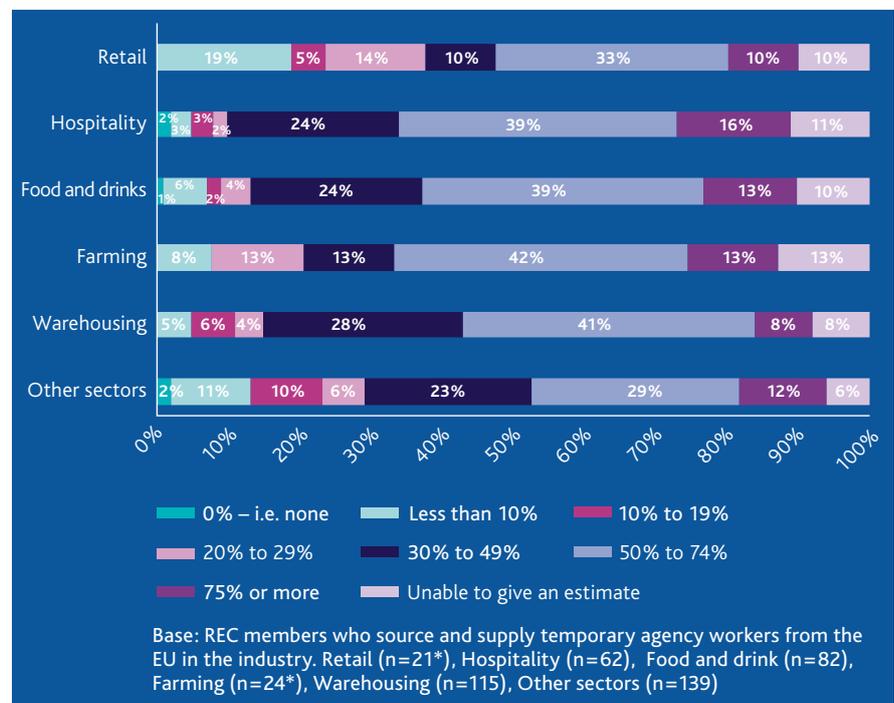
**'We experience seasonal fluctuations in our labour requirements and use agency labour to manage peaks in demand. EEA migrants make up the majority of our agency workforce in manufacturing and logistics – approximately 2,880 colleagues out of 4,000. In manufacturing, 71 per cent of the agency workforce are EEA migrants and in logistics 79 per cent of the agency workforce are EEA migrants.'**

Wm Morrison Supermarkets PLC<sup>21</sup>

**'In the last calendar year, our agency has supplied approximately 6,400 temporary assignments mainly in the hospitality and industrial sectors, with up to 40 per cent of these assignments being filled by workers from the EU.'**

Graeme Reid, Stafffinders<sup>22</sup>

**FIGURE 3: NOW THINKING SPECIFICALLY ABOUT ALL OF THE TEMPORARY ASSIGNMENTS YOUR BUSINESS HAS FILLED WITH WORKERS FROM THE EU (EXCLUDING THE UK) IN THE LAST 12 MONTHS... APPROXIMATELY, WHAT PERCENTAGE OF YOUR EU WORKERS ON TEMPORARY ASSIGNMENTS WERE 18–30 YEARS OLD?**



20 Hexa Services sources temporary and permanent staff primarily for the construction industry.

21 Wm Morrison Supermarkets PLC response to the Migration Advisory Committee's call for evidence on EEA workers, 2017. Submitting evidence on the fluctuations of labour requirements, specifically EEA agency workers, Morrison Supermarkets PLC highlights that around Valentine's Day and Mother's Day the production of bouquets at their FlowerWorld site in Derby increases from approximately 400,000 per week to approximately 1 million per week, with the workforce growing by around 1,000 additional heads to deliver this uplift in volumes. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/692558/Wm\\_Morrison\\_Supermarkets\\_PLC.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/692558/Wm_Morrison_Supermarkets_PLC.pdf)

22 Stafffinders is a recruitment agency based in Scotland, which supplies temporary and contract staff as well as permanent staff to both public and private businesses in sectors including hospitality, retail and construction.

As well as asking recruiters what proportion of the temporary agency workers they place are from the EU, we also asked those agencies that place EU temporary workers what proportion of these workers were under 30. The results show the particular reliance several sectors have not just on EU labour but on young EU labour in particular:

- Over half (55 per cent) of agencies placing EU temporary agency workers in hospitality roles claimed 50 per cent or more of these workers were 18–30 years old.
- Half (52 per cent) of recruiters placing EU temporary workers in the food and drinks sector claimed 50 per cent or more of these workers were 18–30 years old.
- Half (49 per cent) of recruiters placing EU temporary workers in the warehousing sector claimed 50 per cent or more of these workers were 18–30 years old.
- The number of respondents who only place EU temporary agency workers who are over 30 years old is negligible across sectors.

There are a range of reasons why significant proportions of EU temporary agency workers are 30 years old or younger. Younger EU workers are less likely to have strong ties such as family or established careers in their country of origin and are more open to travelling abroad for work. For some of the roles filled by temporary agency workers, there is a physically demanding nature to the work involved which can be better suited to younger workers. In customer-facing roles such as hospitality, many younger EU workers enjoy working for the opportunity to gain and develop their English language skills, allowing them to progress into other opportunities.

**'In food manufacturing and in our factory, the roles are physical. It's a job that appeals to somebody who is relatively mobile, coming to the UK, wants to earn some money, is in decent physical condition and fitness, and is able to work in the environment. So it tends to be those who are younger.'**

People Director, British Food Manufacturer

The fact that these workers are mobile means that they are not strongly tied to the UK and may decide to go to other EU countries for these kinds of roles in the future.<sup>23</sup> Moreover, should these workers decide not to work in the UK in the future or not be permitted to by future immigration arrangements, they will be difficult to replace. The UK currently has historically low levels of unemployment in 18–34-year-olds and recruiters and employers who recruit for physically demanding roles already report difficulty attracting young UK workers into these roles.<sup>24</sup>

<sup>23</sup> For further information on this amongst EU workers in low-skilled roles, see Section 2 of REC (2017) *Ready, willing and able: Can the UK labour force meet demand after Brexit?*

<sup>24</sup> See Sections 3 and 4 of REC (2017) *Ready, willing and able: Can the UK labour force meet demand after Brexit?*

## CASE STUDY



## FOOD AND DRINK FEDERATION MEMBERS FOCUS GROUP

The REC conducted a focus group with members of the Food and Drink Federation to better understand how and why food and drinks manufacturers use EU temporary agency workers, how things have changed since the Brexit vote, and what their plans are for the future. Senior representatives from seven of Britain's major food manufacturers attended the focus group and gave their views.

Unlike warehousing (which has a long peak period around the Christmas period), the consensus in the group was that there were few predictable seasonal spikes in food and drinks. More important to these businesses were large orders coming in from the businesses they supply to and the need to meet these orders in a short period of time.

'There is a tiny seasonal element for us in January where healthy eating tends to see a spike in people buying fish and summer barbecues tends to see a spike in people buying fish. However, it's much more driven by volume orders being put in by retailers which we have to turn around in 12 hours. It's less seasonal and more a continual flex throughout the year.'

People Director, British Food Manufacturer

Participants reported varying levels of reliance on EU temporary workers from site to site, largely dependent on where their sites were located in the country. However, all relied on EU temporary workers to some extent. There was anecdotal evidence from some sites that backed up the wider trends recorded by the ONS of fewer EU immigrants arriving and more deciding to leave.

'We have a particular site where we're now finding it more difficult to recruit temporary workers, a lot of whom come from the EU. We don't know for a fact but the feeling is that's because people are starting to return home because of the economic situation with Brexit. Obviously the pound to euro exchange rate and the growing European economies is the number one factor. The number two factor is that fewer people are coming into the labour force from the EU.'

HR Director, British Food Manufacturer

As well as relying on the flexibility of temporary agency workers to meet peaks in demand, some participants reported operating temp-to-perm arrangements as a key part of their permanent hiring strategy. However, if this practice increased too far post-Brexit, it could deplete agency pools to the detriment of all businesses that experienced unpredictable peaks in demand.

'If you are having attrition and people leaving to go back home, you are using your agency pool to backfill the entry-level roles in the factory, and you don't have any influx of people, particularly from Eastern Europe, to fill those

agency pools, at some point the domino hits something. That may be the chain of events.'

People Director, British Food Manufacturer

There was concern amongst the group at what the post-Brexit immigration system might look like and how it might restrict access to immigrant workers. Participants were looking at a range of measures to limit the damage that would arise from an overly restrictive immigration policy, including automation, increasing pay rates, more flexible contracts, and tapping into under-represented and under-utilised pools of potential labour. However, there was a consensus that the need to recruit from the EU would remain. Of particular concern was that the post-Brexit immigration system for EEA nationals would be similar to the current immigration system for non-EEA nationals.

'Tier 2 is painful, difficult, administratively challenging, and it can be incredibly frustrating in terms of speed. One of the problems in trying to recruit senior people is you go through the process, find the person you want, and then you can't actually get them into the country straight away. You have to wait until the next month and by then they've got an offer from somewhere else.'

Brexit Adviser, British Food Manufacturer

'We don't recruit through visas very often and when we do it is worse than root canal treatment. It takes far longer and if we can avoid doing it we would, so it is an exception when we really, really need a key person. It is a horribly painful system.'

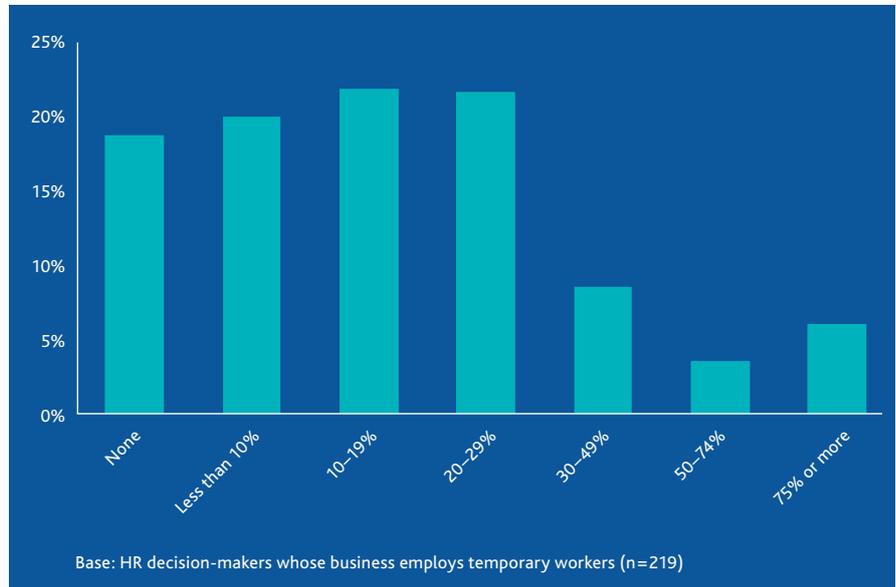
HR Director, British Food Manufacturer

In addition to the administrative difficulties of acquiring a visa at present, some participants also found the additional restrictions placed on visa holders once they arrived very frustrating. There was a preference in the group that any future system of immigration should allow for flexibility once a visa holder arrived in the UK.

'It can be incredibly frustrating when you recruit someone into the role that they want to do, they grow and develop and want to do a different role, and their visa's not valid for that. So you can have someone really fantastic and they're held back because you can't get the visa for them to move into a different role somewhere else in the business. We have done some research on Tier 5 Youth Mobility visas and if that could be set up between the UK and the EU that would go some way to helping. The advantage of that is it doesn't cover a specific job.'

Brexit Adviser, British Food Manufacturer

**FIGURE 4: THINKING ABOUT YOUR BUSINESS'S TEMPORARY WORKFORCE, OVER THE LAST 12 MONTHS' WHAT PERCENTAGE OF YOUR TEMPORARY WORKFORCE WERE FROM THE EU (EXCLUDING THE UK)?**



As well as surveying recruiters who supply EU temporary agency workers, we also surveyed a nationally representative sample of employers across the UK on hiring temporary and seasonal labour from the EU. Of those that employed seasonal or temporary labour over the last 12 months:

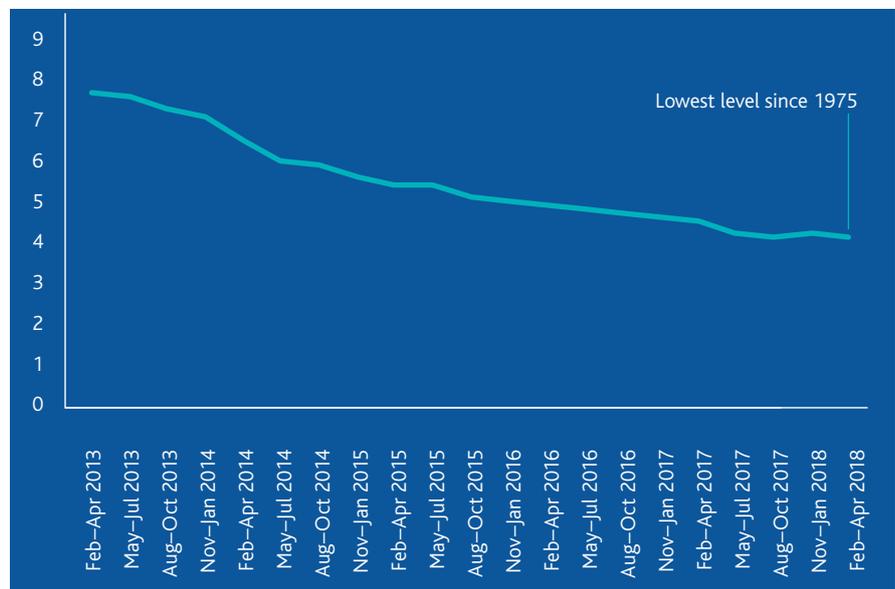
- Four in five (81 per cent) have used EU labour in a temporary or seasonal role.
- Three in five (62 per cent) stated that 10 per cent or more of their contingent workforce was from the EU.
- One in ten (10 per cent) stated that half or more of their seasonal and temporary labour was from the EU.

# 04

## LABOUR MARKET CHALLENGES

As the UK labour market becomes tighter, businesses across a number of sectors are struggling to fill vacancies. In a nutshell, labour supply fails to meet labour demand. The ongoing uncertainty around Brexit negotiations as well as the devaluation of the pound have made the UK less appealing to new and prospective EU workers. This, combined with a high employment rate, has made it difficult for industries to source candidates. Continued access to skills and talent is crucial to minimising the risks and maximising opportunities for business growth.<sup>25</sup>

**FIGURE 5: UK UNEMPLOYMENT RATE (AGED 16 YEARS AND OVER), SEASONALLY ADJUSTED (%)**



The UK is facing growing skills and candidate shortages in a range of sectors of the economy. These are further exacerbated by the fact that the UK is experiencing historic highs in the employment rate and historic lows in unemployment and economic inactivity. According to ONS labour market estimates for the period February to April 2018, which were released in June 2018, the employment rate reached 75.6 per cent – the joint highest since comparable records began in 1971. Meanwhile, the unemployment rate was 4.2 per cent, down from 4.6 per cent

<sup>25</sup> ONS (June 2018) *Statistical bulletin: UK labour market*.

for a year earlier and the joint lowest since 1975. The inactivity rate for this period was also the lowest since comparable records began in 1971.<sup>26</sup> Recognising this ever increasing labour shortage, organisations such as the British Chambers of Commerce have voiced their concerns, calling for pragmatic solutions to this acute and immediate problem.<sup>27</sup>

## A candidate-driven market

At present, the UK labour market is a candidate-driven market. Employers and recruitment agencies alike have repeatedly expressed their concerns over the declining number of candidates and talent across a wide range of industries. However, what has become clear is that employers do not deliberately seek to fill vacancies with EU or EEA workers. Instead, they seek the best available candidate.

**'When an EEA migrant worker gets a job, it is because the employer thinks they are the best, sometimes the only, qualified applicant. It is important to realise that the difference in skills within the population of both migrants and the UK-born is far larger than any difference between the groups so that it can be misleading to think of migrants and the UK-born as distinct but homogenous groups. Nonetheless, there are differences on average which account for why EEA migrants are more likely to be employed in some sectors than others.'**<sup>28</sup>

Migration Advisory Committee

Based on evidence submitted to the Migration Advisory Committee, among the reasons given by employers for why an EEA migrant might be the best candidate for a job were:

- the necessary skills are scarce among the UK-born workforce
- migrants are more flexible and often have a higher motivation to work so are more productive and reliable
- migrants are prepared to do jobs in difficult conditions that the UK-born workforce are not interested in
- low unemployment means a low supply of UK-born workers.<sup>29</sup>

There has been the misconception that the presence of EU workers has undermined the training of UK-born workers. In fact, UK employers treat their employees equally, including in terms of learning.

<sup>26</sup> The employment rate is the proportion of people aged from 16 to 64 years who are in work. The unemployment rate is the proportion of the economically active population (those in work plus those seeking and available to work) who are unemployed. The inactivity rate is the proportion of people aged from 16 to 64 years who are not in work and are neither seeking nor available to work. ONS (2018). *UK labour market: June 2018*. Available at: [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/june2018](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/june2018)

<sup>27</sup> The British Chambers of Commerce's Quarterly Economic Survey is based on a survey of 7,500 independent businesses. Available at: [www.britishchambers.org.uk/policy-maker/economic-data/quarterly-economic-survey/](http://www.britishchambers.org.uk/policy-maker/economic-data/quarterly-economic-survey/)

<sup>28</sup> Migration Advisory Committee (2018) *EEA-workers in the UK labour market: Interim update*. March 2018.

<sup>29</sup> Ibid.

**'European workers have not undermined training opportunities that employers make available to UK nationals and in a lot of instances they have increased them. A welcome proportion of employers will increase their efforts to recruit UK workers when free movement ends including by targeting harder to reach groups; however, an alarming proportion think that work will need to be sent overseas.'**

Fragomen LLP<sup>30</sup>

Immigration and access to quality candidates is a major consideration for employers. In fact, seven in ten employers surveyed by Fragomen LLP perceive immigration and access to talent as a major consideration in the preparation for Brexit.<sup>31</sup>

### **Skills shortages and candidate availability**

Employers and recruiters in the UK have systematically highlighted key areas of persistent skills shortages and candidate availability. The REC's Report on Jobs shows demand for both permanent and temporary staff strengthening across sectors. Notably, growth of demand for staff strengthened to a six-month high in May 2018, with sharp increases in both permanent and temporary roles signalled by the latest data. According to recruitment consultancies, since the beginning of 2018, the most in-demand categories for temporary workers have been blue collar, hotel and catering, and nursing/medical/care.<sup>32</sup>

<sup>30</sup> Fragomen LLP response to the Migration Advisory Committee's call for evidence on EEA workers in the UK labour market. The response was submitted on behalf of clients of Fragomen LLP, the largest immigration law firm globally. The paper was largely drawn from responses to a survey of Fragomen's clients in 27 sectors. Almost four in ten (38 per cent) employers surveyed stated that the employment of European workers has increased learning opportunities for UK nationals compared with just two per cent stating this has decreased learning opportunities for UK nationals. Worryingly, a quarter of employers would expect their business to expand outside of the UK if the policy detailed in the UK government's leaked policy paper were to apply. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/692875/Fragomen.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/692875/Fragomen.pdf)

<sup>31</sup> Ibid.

<sup>32</sup> The *Report on Jobs* publication provides the most up-to-date monthly picture of recruitment, employment, staff availability and employee earnings trends in the UK. It is based on a survey of 400 recruitment consultancies. Available at: [www.rec.uk.com](http://www.rec.uk.com)

**FIGURE 6: DEMAND FOR STAFF BY SECTOR, REPORT ON JOBS, MAY 2018 DATA**



At the start of the second quarter of 2018, candidate availability for both permanent and temporary roles declined further, with the rates of reduction quickening to three- and five-month records, respectively. Furthermore, as temporary and contract vacancies increased at a steep pace, the availability of staff to fulfil the rising demand continued to deteriorate midway through the second quarter of 2018. Survey data signalled lower temporary/contract staff availability for the fifty-ninth month running in May 2018. The pace of contraction in the number of candidates available for short-term work was the steepest seen since November 2017 and much quicker than the historical average. All five monitored UK regions recorded steep reductions in the availability of temporary/contract staff. Key temporary skills reported in short supply include blue collar (such as warehouse workers, machine operatives, cleaners and drivers) and hotel/catering (such as hospitality, baristas, catering and chefs).<sup>33</sup>

**'The number of candidates has progressively declined in the last 12 months. The candidates aren't there the way they used to be – there are already fewer EU workers available for temporary work and the local pool of talent or availability isn't there either. It's a double-edged sword.'**

Graeme Reid, Stafffinders

<sup>33</sup> Ibid.

**FIGURE 7: STAFF AVAILABILITY,  
REPORT ON JOBS,  
MAY 2018 DATA**



Similarly, the REC's Jobs Outlook has been highlighting key areas of skills shortages including hospitality, health and social care, and construction. It is noteworthy that the proportion of employers expressing concern over the sufficient availability of temporary agency workers increased from just 29 per cent in May 2017 to 59 per cent in the same period in 2018. Meanwhile, demand for staff in sectors such as hospitality, drivers, education, and health and social care continues to increase. For example, in the period February to April 2018, there had been a significant increase of 32 points in forecast short-term demand for agency workers in the hospitality sector.

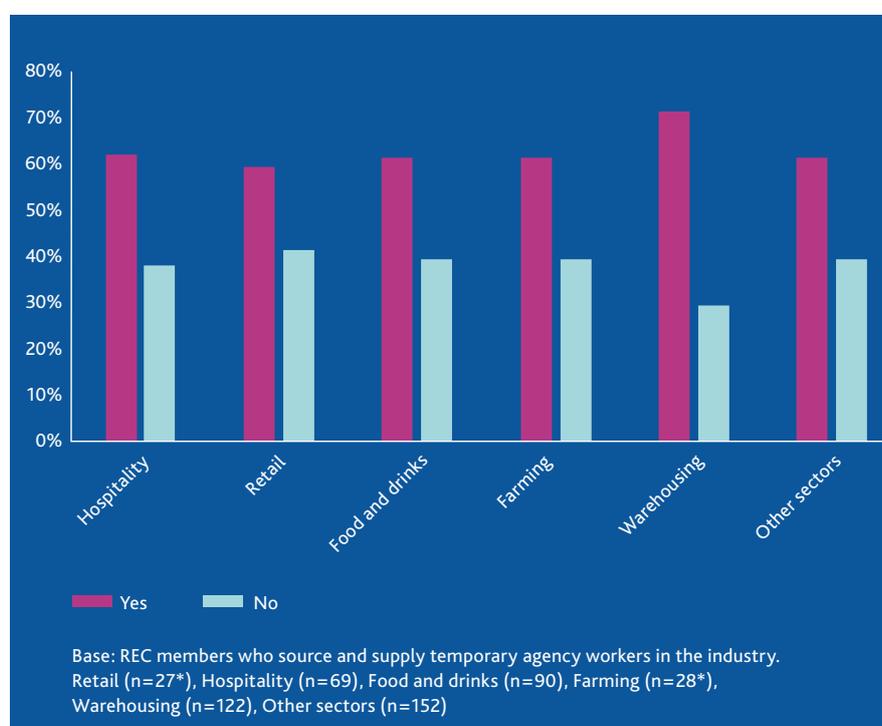
## Supply and demand of temporary workers

With employers and recruitment agencies highlighting a declining availability of staff for temporary roles, it is unsurprising that a significant proportion are struggling to meet growing demand and fill temporary vacancies.

Recruiters were asked whether their business's supply of available agency workers had met their clients' overall demand in the last 12 months. As Figure 8 demonstrates, approximately a third of agencies supplying to the warehousing (29 per cent), hospitality (38 per cent), or food and drinks (39 per cent) sector had not been able to meet their clients' overall demand, despite the UK still currently being part of EU freedom of movement. Given the difficulties recruiters are already having in meeting their clients' demands for staff, any post-transition immigration rules which limited supply further would only make this even more difficult.

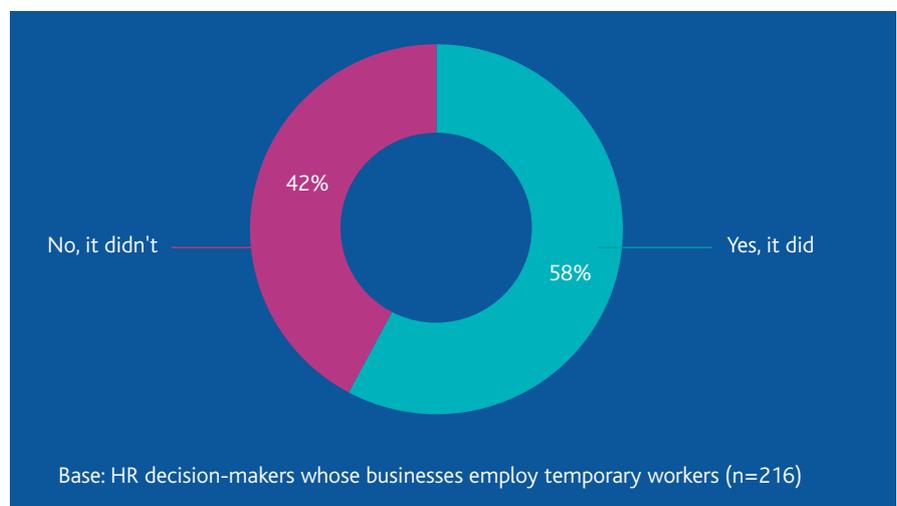
The proportion of respondents stating they had not been able to meet their clients' overall demand for temporary agency workers increased above the sectoral average amongst medium employers (50–249 employees) in the warehousing sector (from 29 per cent to 35 per cent), amongst small organisations (0–49 employees) in the hospitality sector (from 38 per cent to 46 per cent) and amongst small enterprises (0–49 employees) in the food and drinks sector (from 39 per cent to 44 per cent).

**FIGURE 8: STILL THINKING ABOUT THE LAST 12 MONTHS... IN GENERAL, WOULD YOU SAY YOUR BUSINESS'S SUPPLY OF AVAILABLE AGENCY WORKERS MET YOUR CLIENTS' OVERALL DEMAND?**



According to our survey of employers conducted by ComRes, data further highlight the shortage of temporary workers encountered by businesses, despite the free movement of people between EU member states. Employers were asked whether the supply of temporary and seasonal labour had met their business's overall demand in the last 12 months. Of those that employ seasonal or temporary labour, 42 per cent had not been able to meet their demand for seasonal or temporary labour.

**FIGURE 9: IN THE LAST 12 MONTHS, WOULD YOU SAY THE SUPPLY OF AVAILABLE TEMPORARY AND SEASONAL WORKERS MET YOUR BUSINESS'S OVERALL DEMAND?**



Employers of all sizes and in both the public and private sectors reported problems recruiting sufficient temporary and seasonal labour. However, the problem was significantly greater in the Midlands, where nearly two-thirds (64 per cent) of employers that employ temporary or seasonal staff claimed the supply of these workers didn't meet demand in the last 12 months.

These labour market trends suggest it will continue to be difficult for UK businesses to source candidates for temporary vacancies even if there is not a sizeable reduction in the number of EU workers available to work in the country. Accordingly, the shortage of temporary workers that UK businesses have been encountering is expected to continue or increase should post-transition immigration arrangements severely restrict access to the EU temporary workforce.

With the UK's unemployment levels at a record low and employment levels at a record high, meaning a low supply of available UK workers, employers are concerned that labour shortages will further increase post-Brexit should the UK have limited access to EU workers. It is anticipated that this will put strain on businesses, with some employers already considering relocating the business to elsewhere in the UK or overseas, closing part of the business or, indeed, shutting down the business entirely. Continued access to skills, talent and a flexible workforce is crucial to minimising the risks and maximising opportunities for business growth.

**'We have seen a change in our ability to attract agency workers since Brexit with diminishing pools of labour available to us. This has resulted in shortages of labour at peak periods.'**

Wm Morrison Supermarkets PLC<sup>34</sup>

**'Amazon UK's EU workers are typically concentrated in occupations and locations where there are labour shortages. These are roles that do not qualify under the current points-based threshold for skilled work under Tier 2, and for which no alternative UK immigration route currently exists for them to be filled. Unless there are routes into the UK labour market for EU nationals who fill seasonal temporary roles, we expect existing recruitment challenges to be exacerbated following Brexit.'**

Amazon UK<sup>35</sup>

<sup>34</sup> Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/692558/Wm\\_Morrison\\_Supermarkets\\_PLC.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/692558/Wm_Morrison_Supermarkets_PLC.pdf)

<sup>35</sup> Amazon UK response to the Migration Advisory Committee's call for evidence on the economic and social impacts of the UK's exit from the EU, 2017. Amazon UK's largest workforce population in the UK is in the fulfilment and distribution operations. These roles are both seasonal and permanent positions. In the entry-level Fulfilment Associate (FCA) role, approximately half of the population are UK citizens and half are EU citizens. The majority of roles in operations are lower to mid-level skilled roles, with the FCA being the most popular position in the UK. More than 14,000 employees in the UK hold this hourly paid (directly employed) role, which provides the same level of benefits as is provided to its salaried employees. Agencies supplying Amazon typically recruit around 20,000 additional seasonal workers, including warehouse operatives and packers, during the 12-week period leading to Christmas. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/692552/Amazon.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/692552/Amazon.pdf)



**CASE STUDY**

**HUMAN ONE**

Human One are a hospitality recruitment agency with over 25 years of experience. They specialise in providing temporary personnel to high-end, central London hotels, bars, and restaurants. The majority of the staff on their books are from the EU2 countries of Romania and Bulgaria, with citizens of these countries making up 53 per cent and 12 per cent of their staff respectively. Of the remainder, 20 per cent are citizens of other EU countries, 9 per cent are citizens of non-EEA countries, and 6 per cent have UK nationality.

Human One have historically provided staff to the housekeeping departments in major London hotels. Amber Whalley, Human One’s Managing Director, estimates that up until recently 85 per cent of the company’s placements were in housekeeping, with the remainder working in restaurants, bars, spas, gyms, and offices. However, they are finding it increasingly difficult to recruit people who are willing to do housekeeping work and therefore they are seeing significant growth in these other areas.

‘It’s hard work. You’re flipping mattresses, you’re making beds, you’re bent over, you’re hoovering, and it is non-stop. When people come in to register now, the majority are coming to us saying they want to work within food and beverage, not housekeeping. As recruiters, it’s our job to find them a role so we are constantly expanding our reach in order to match the needs of our candidates. We are working very much in a candidate-driven climate.’

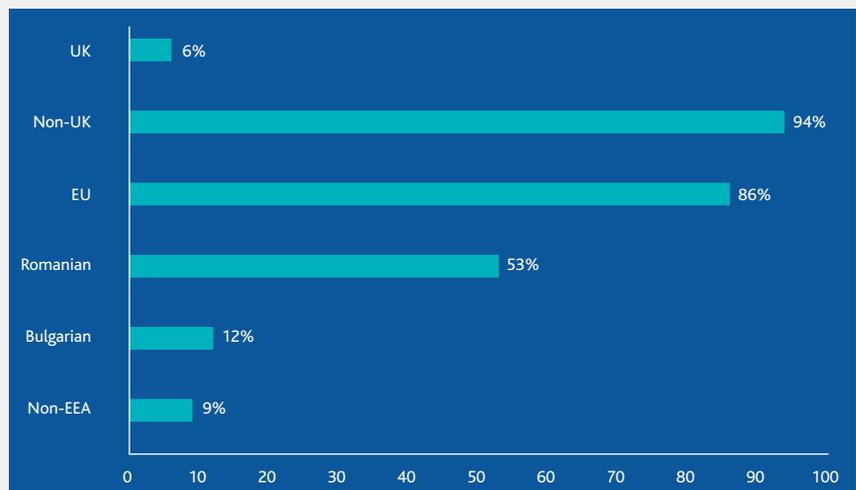
Human One have found that demand for workers has outstripped supply of candidates during their peak period, which begins in April and continues throughout the year. According to Amber, ‘The last few years have been like nothing we’ve ever seen before. If we had 200 people walk in we’d be able to put them into work today provided they had sufficient English language skills, a good work ethic and the necessary right-to-work documentation.’

This has been exacerbated by large numbers of their European workforce going back to their country of origin for long summer holidays. Yet, despite diversifying their recruitment methods, Human One have struggled to recruit UK citizens into these roles.

‘We look at going to universities and school fairs. We don’t have masses and masses of students, we probably get mostly Polish students, in the summer. British students now have much higher expectations, they’re looking for internships and they’re looking for work which is a lot more glamorous. That’s the wrong way to think because we have consultants here who started off cleaning rooms and there are executive housekeepers or directors of accommodation who started at the bottom and worked their way up.’

Amber is hopeful that the UK will not overly restrict EU workers post-Brexit given that the UK economy depends so heavily on these workers for the tourism and hospitality sector. However, she also sees opportunities beyond the EU should the government support this direction.

**FIGURE 10: NATIONALITY OF WORKERS REGISTERED WITH HUMAN ONE, FEBRUARY 2018 (%)**



# 05

## POST-BREXIT IMMIGRATION SYSTEM

At the time of writing, what the UK's immigration system will look like after we leave the European Union remains uncertain. We know that the European Commission have agreed a 21-month transition for the UK until 31 December 2020, and that during this period, freedom of movement will continue as before (although this agreement includes the caveat that 'nothing is agreed until everything is agreed'). We also know that any EU national arriving in the UK before this date will be able to apply for 'settled status' and remain in the UK. We urge the government to work with recruitment agencies, who sit in a unique position between employers and workers, to ensure EU nationals are aware of how to claim settled status.

However, what will happen in terms of immigration policy from 1 January 2021 is still to be decided – all options except the continuation of free movement of labour are still on the table. While a transition period is welcome for avoiding a cliff edge, businesses need clarity on a future system sooner rather than later to plan and put the necessary processes in place.

There are several questions to be considered. Two key questions are:

- 1. Will EU nationals receive a preferential system over non-EU nationals?** Currently, those inside the EU have freedom of movement whereas those from outside the EEA have to go through the strict points-based system. There does not seem to be consensus in the Cabinet on whether there will be a global system or whether EU immigration will be linked to trade and Brexit negotiations, but once this is decided, the policy options available to the government will become clearer.
- 2. Will there be a new controlled form of movement of EU workers, will the current non-EEA points-based system be extended, or will a new bespoke system be created?** The government have a number of different avenues they could go down for a future system, but it is uncertain which model they will adopt.

The broad options available to the government are:

- **Controlled and managed EU movement of workers** – freedom of movement will not continue, but the government can introduce more control and registration alongside a system to manage the numbers of EU workers. Any changes would be subject to negotiations with the European Commission.

One option could be similar to the Worker Registration Scheme which operated for nationals from 'A8' EU countries between 2004 and 2011, where workers were required to register with the scheme within a month of entering the UK. A number of other European countries already have registration schemes for EU nationals.

There is also a possibility for a safeguard or emergency break clause. Article 112 of the EEA Agreement allows parties to unilaterally take appropriate measures if there are 'serious economic, societal or environmental difficulties of a sectoral or regional nature arise and are liable to persist'. This clause has been used by Liechtenstein to place restrictions on freedom of movement. Switzerland have also recently negotiated some extra controls on freedom of movement in the instance of serious social or economic difficulty. These set a precedent if the UK were to request such a restriction.

- **Extend the non-EEA points-based system** – if the government chooses to have a global immigration policy which does not give preferential treatment to EU nationals, one option would be to simply extend the points-based system for non-EEA migrants (see Appendix 3). Unless this is reformed, this could be problematic for a number of reasons, including cost and bureaucracy, but importantly for temporary work, at present there is no route for agency workers. For example, recruitment agencies are not able to be sponsors of workers on Tier 2 visas, and workers have to be on contracts of employment. Unless the Tier 3 route is opened, employers may struggle to recruit candidates for low-skilled temporary roles in particular.
- **New bespoke immigration system** – the government could create a new bespoke immigration system that caters to the needs of the economy while introducing an element of control.

# Principles of a post-Brexit immigration system that supports a flexible labour market

The purpose of this report is to highlight the importance of EU nationals in temporary roles, especially agency workers, in the UK across a number of sectors.

While there is still much uncertainty about what type of post-Brexit immigration system the government favours based on the data presented in this report, we recommend the government considers the following principles when crafting a future system:

## 1. **Based on evidence, not arbitrary targets**

This report has demonstrated that a number of sectors such as warehousing, food and drinks, and hospitality have already been struggling to meet their demand for temporary labour before freedom of movement has even ended. A high number of EU nationals are in these roles, which are commonly referred to as 'low-skilled' roles and are often overlooked in the public and political debate which focuses on the 'brightest and best'. This rhetoric fails to acknowledge the importance of EU nationals in temporary roles in these sectors. **The government must ensure the data on EU nationals in temporary, agency and seasonal roles is robust, and is recognised in any future immigration system.**

## 2. **Quick and predictable**

The nature of temporary work is such that it is often needed at short notice (e.g. to cover sickness, absences, or to meet peaks in demand). Employers need to be able to access the right candidates at the right time in a predictable manner. **Any post-Brexit immigration system needs to allow employers to continue to be able to access temporary migrant workers quickly and at short notice, if needed.**

## 3. **Freedom to move jobs**

Currently, EU nationals are able to come to the UK and are free to work for a number of different agencies, on different assignments and in different sectors. They are not tied to one employer, sector or region. An EU national may sign up with an agency when they first arrive in the UK, do a number of different assignments for a while but then be taken on permanently by an employer. If they were limited to one particular employer or sector, this may limit their opportunities for career development and progression and would also increase the risk of exploitation. Furthermore, this would only work for employers if the immigration system was quick and low-cost.

**Immigration status should be attached to individuals rather than through sponsorship with an employer – once there is an established right to work, a worker should be able to choose where and how they work.**

**Provided the immigration system is quick and low-cost, any post-Brexit immigration system should allow for agency workers to be able to move between employers, sectors and regions. There should be provision for EU nationals to be able to continue to come to the UK to seek work, for a limited period of time.**

#### **4. Long-term approach**

Any new system needs to be robust and future-proof – an immigration policy that is centrally planned will soon become out of date and won't meet changing labour market needs. Our concern with a sectoral or regional visa approach is that it would not be responsive enough to the economy needs.

This report shows that many sectors have similar concerns in terms of access to labour. To ensure an immigration system is robust and future-proof, we must ensure it can work with an evolving jobs landscape. It is estimated that 65 per cent of children entering primary school today will end up working in job types that don't yet exist.<sup>36</sup>

**A market-led system that allows workers to move to where there is an economic need is preferable.**

#### **5. Low cost**

The UK operates one of the most expensive visa systems in the world.<sup>37</sup> Applicants, their dependants, and their employers must variously pay visa application fees, the immigration health surcharge, the immigration skills charge and for a Certificate of Sponsorship. Fragomen LLP have estimated this could add up to £16,069 for a Tier 2 worker with a partner and three children.<sup>38</sup> If the costs associated with these visas were extended to recruiting EU workers, this would have a significant impact for employers in sectors with a high number of EU nationals. For temporary, seasonal and agency work, anything but a very low cost system would make using workers from the EU unfeasible.

With margins already very tight for many businesses, a high cost for accessing EU labour could ultimately lead some employers to relocate elsewhere in the EU to access staff, or slow their growth.

**The government should avoid the high costs associated with Tier 2 visas for temporary workers in any post-Brexit immigration system.**

<sup>36</sup> Taken from REC (2017), *The Future of Jobs, Creating the Best Jobs Market in the World by 2025*.

<sup>37</sup> REC (2017), *Building the Post-Brexit Immigration System, An analysis of shortages, scenarios, and choices*.

<sup>38</sup> Ibid.

## 6. **Recognise different contracts**

This research has demonstrated that a significant number of EU nationals working in the UK are 'atypical' workers on non-standard contracts, who are often engaged by an agency. Currently, agencies are barred from sponsoring workers on Tier 2 visas, and non-EU migrants on these visas are required to be on a contract of employment. If this was extended to EU workers, this would bar the majority of the EU workers covered in this research from working in the UK in this way.

**Any post-Brexit immigration system should allow for EU nationals to continue to be able to work through employment agencies and be contracted out to employers.**

## Recommendations to address public concerns

Alongside crafting a post-Brexit immigration policy that works for a flexible labour market, it is also important that public concerns around immigration are addressed. We believe there are a number of things the government can do to help achieve this:

### 1. **Control, not numerical targets**

Regaining control of immigration was one of the key reasons why people voted to leave the EU.<sup>39</sup> However, research from British Future has shown that people are less concerned about rates of immigration than they are with control, contribution and a fair system that meets economic needs.<sup>40</sup> This is backed up by research from Open Europe, which found over half of respondents (56 per cent) to their survey supported a system which allows immigrants to come to the UK on the condition that social and economic controls are in place, compared with 36 per cent who wanted a system that simply reduces numbers.<sup>41</sup>

**The government should therefore focus on rebuilding public trust in a future immigration system, rather than on meeting unattainable targets. It should therefore abandon its target to reduce immigration levels to the tens of thousands.**

### 2. **Continue and enhance the Controlling Migration Fund**

The government's Controlling Migration Fund is a positive step in helping alleviate some of the uneven pressures of migration on local communities. There is a risk, however, that this fund is used primarily for enforcement.

**We would like to see the Controlling Migration Fund not just continue but expand, having a wider scope and remit.**

<sup>39</sup> <https://lordashcroftpolls.com/2016/06/how-the-united-kingdom-voted-and-why>

<sup>40</sup> British Future and Hope Not Hate, National Conversation on Immigration, An interim report to the Home Affairs Select Committee, January 2018.

<sup>41</sup> Open Europe (2017), *Beyond the Westminster Bubble: What people really think about immigration*.

**3. Labour market enforcement strategy**

Although there is scant evidence to support the claim, there is a perception that EU workers have undercut UK wages. With this in mind, we welcomed the creation of a Director of Labour Market Enforcement in the Immigration Act 2016 to oversee the enforcement activity of the Employment Agencies Inspectorate (EAS), the Gangmasters and Labour Abuse Authority (GLAA), and the HMRC National Minimum Wage Unit. The director has now published his first strategy, which includes a number of recommendations to ensure labour market laws and regulations are being fully enforced and workers are protected.

**The government should carefully consider the Director of Labour Market Enforcement's strategy and allocate the extra funding for enforcement activity that he recommends as soon as possible.**

## Recommendations for finding more UK candidates

The UK currently has historically high levels of employment and historically low levels of unemployment, alongside vacancies in excess of 800,000. Therefore, the UK will continue to need immigrant workers for the immediate future. However, a balanced immigration post-Brexit strategy should not detract from promoting work and progression opportunities for those UK nationals who are still seeking employment. There is much that employers, recruiters and the government can do to try and attract more UK nationals into roles that are hard to fill. This should form a key part of the government's industrial strategy.

**1. Reform the apprenticeship levy into a broader training levy**

In his report on modern working practices to the government, Matthew Taylor<sup>42</sup> highlighted how agency workers are unable to benefit from the apprenticeship levy, as to be an apprentice you have to be employed and commit to the programme for a minimum of 12 months. The average length of an agency assignment is 17 weeks. Taylor highlighted how 'substantial issues remain about how atypical workers access workplace training'. Recruitment agencies are unable to spend their levy funds on their agency workers and this will just be returned to the Treasury. This is a big missed opportunity to upskill the UK temporary workforce and encourage progression. **We are calling for the government to urgently broaden the apprenticeship levy to become a more flexible training levy so that agencies can spend this money on up-skilling and training their temporary workers and create progression opportunities.**

<sup>42</sup> *Good Work: The Taylor review of modern working practices, 2017.*

**2. Work with employers in key sectors on promoting 'good work' and removing misconceptions and stigma attached to some sectors that currently have high levels of EU temporary workers**

Raising pay alone is unlikely to significantly increase the take-up of these jobs amongst UK nationals. Our research has demonstrated that many of the jobs that are currently filled by EU agency workers have a stigma attached to them, which in many instances is unwarranted.<sup>43</sup>

As well as combating stigma, it is important to ensure low-paid or low-skilled jobs are attractive to UK nationals through ensuring they are flexible, rewarding and have clear progression opportunities. The Business Secretary has taken on the role of promoting the delivery of better quality jobs as part of the government's Industrial Strategy.<sup>44</sup> This is a recognition that the quality of work is just as important as the quantity. **The government should work with sector bodies in the agriculture, warehousing, retail and hospitality sectors to promote the 'good work' agenda and combat the stigma attached to roles in these sectors to help attract more UK nationals into these roles.**

**3. Employers and recruiters should look to widen their candidate pool**

In order to find more UK candidates to undertake roles in low-pay sectors, employers should seek to widen the pool of potential candidates they seek to recruit. This could include people returning to work following career breaks, ex-service men and women, older workers, people with criminal records, those with long-term disabilities who may require some extra support, and the long-term unemployed.

The REC now have 300+ employers signed up to our Good Recruitment Campaign, which helps organisations benchmark their current recruitment methods and reinvigorate their strategies in order to attract the right candidate. Signatories sign a Good Recruitment Charter, which sets out what good recruitment practice looks like and helps ensure that the UK workforce is used to its full potential.

There are a number of important initiatives which are also doing good work in this area, including the Ban the Box campaign from Business in the Community, which helps increase the opportunities for people with criminal convictions to compete for jobs, and the DWP's Disability Confident, which supports employers to make the most of talents disabled people can bring to the workplace.

**We would strongly encourage organisations to sign up to these initiatives and reinvigorate their hiring techniques.**

<sup>43</sup> REC (2017), *Ready, Willing and Able? Can the UK labour force meet demand after Brexit?*

<sup>44</sup> HM Government, *Industrial Strategy, Building a Britain Fit for the Future.*

# APPENDIX 1: METHODOLOGY

This report is largely based on a survey of REC members as well as a survey of employers/HR decision-makers in the UK. It also includes testimonies which illustrate the labour market challenges facing businesses and recruitment agencies. The insights provided by both recruitment leaders and HR professionals apply to temporary workers.

The following research activities underpin this report:

- A survey of 233 REC members hosted by YouGov. Of those, 209 REC members source and supply temporary or seasonal agency workers. Fieldwork was undertaken March–May 2018.
- ComRes interviewed 600 UK employers/HR decision-makers by telephone in March–May 2018. Data were weighed to be representative of UK adults in employment by region, broad industry sector and public/private split. Within this, ComRes interviewed 219 employers/HR decision makers involved in hiring temporary and seasonal workers in April–May 2018.
- Four telephone interviews with senior recruitment professionals, whose recruitment agencies are REC members.
- A focus group of seven members of the Food and Drink Federation.
- A review of the relevant literature.

We thank the British Retail Consortium (BRC), the Food and Drink Federation (FDF), the National Farmers' Union (NFU), the United Kingdom Warehousing Association (UKWA) and UK Hospitality<sup>45</sup> as well as their members for their contribution to this research. We also thank the REC members who participated in the interviews and completed the survey.

<sup>45</sup> UK Hospitality was established in March 2018 following the union of the Association of Licenced Multiple Retailers and the British Hospitality Association.

# APPENDIX 2: REVIEW OF PREVIOUS REC IMMIGRATION REPORTS

In 2017, the REC published three reports that focused on the issue of immigration once the UK leaves the EU. While all are on a similar broad theme to this report, each has its own distinct area of focus, which is set out below:

## **Managing Migration in a Way that Supports Labour Market Success and the false dichotomy of a 'hard' or 'soft' Brexit**

While there is much talk of either a 'hard' or 'soft' Brexit, this dichotomy greatly oversimplifies the different choices the UK faces in terms of how it organises its international trade policy, immigration policy, and domestic law once it leaves the EU. In terms of immigration, the 'hardest' option would be to apply the exact same restrictions to EU nationals as are applied to non-EEA nationals once the UK leaves the EU. By contrast, the 'softest' option would be to continue freedom of movement with countries that are in the single market.

Between these two poles are a wide range of different policy tools that the UK could adopt to control immigration from the EU. These include: shortage occupation lists of jobs that cannot be filled domestically, work permits or visas, salary thresholds, qualification thresholds, and a host of other possible measures.<sup>46</sup> In reality, most immigration systems use a mixture of a range of such tools. For instance, the UK's current immigration policy for non-EEA nationals combines elements of all the different policy tools listed above.

The REC's report *Managing Migration in a Way that Supports Labour Market Success: What can we learn from the experiences of recruiters and employers in Norway, Switzerland, Canada and Australia?* looks at the immigration systems that other countries have adopted. It sets out how other developed nations, in Europe and beyond, have gone about managing immigration into their countries and gives examples that the UK may be able to emulate to manage migration once the UK leaves the EU.

## **Building the Post-Brexit Immigration System and quantitative measures of EU workers in the UK**

In partnership with the Migration Policy Institute and Fragomen LLP, the REC released *Building the Post-Brexit Immigration System: An analysis of shortages, scenarios and choices*. This report sheds new insight on the number of EU

<sup>46</sup> See section 6 of the Migration Advisory Committee's *EEA Workers in the UK Labour Market: A briefing note to accompany the call for evidence* for further details of possible methods for managing migration.

and other migrant workers in the UK by sector, region, and skill level. The report dispels the myth that EU workers in the UK overwhelmingly work in low-skilled roles that require no prior qualifications or training. For instance, equating those EU workers in the UK who wouldn't currently qualify for a Tier 2 visa as low-skilled workers leads to a substantial overestimate of the proportion of EU workers in low-skilled roles. Qualification for a Tier 2 visa is dependent upon meeting an annual salary threshold of £30,000, which excludes many EU workers who are not currently working in low-skilled roles.

Instead of using visa eligibility rates to measure skill level, this report presents a new, detailed analysis of the Annual Population Survey and the Labour Force Survey to understand the roles non-British workers currently occupy in the UK. The report finds that while EU workers account for 15 per cent of low-skilled roles in the UK, they also account for 7 per cent of middle-skilled roles and 6 per cent of high-skilled roles.

As well as new data analysis, the report sets out 21 recommendations for the government based on the data to ensure businesses are able to recruit and retain the staff they'll need to ensure Britain's post-Brexit economy is a successful one. These include agreeing a sensible settlement for those EU nationals already working in the UK; an immigration policy that supports low-, medium-, and high-skilled jobs; and an evidence-led immigration policy free from day-to-day political pressure.

## **A qualitative analysis of the supply of low-skilled roles in the UK post-Brexit**

In September 2017, the REC released the report *Ready, Willing and Able: Can the UK labour force meet demand after Brexit?* This report builds upon the findings and recommendations of the previous two reports by exploring the experiences of recruiters, employers, UK workers, and EU workers in depth. It explores the current role that EU workers in low-skilled roles play in the UK economy and sets out the best options for government in ensuring these roles are still performed once the UK leaves the EU. It also provides recommendations for recruiters and employers on how to attract and retain workers for low-skilled roles in an increasingly tight sector of the labour market.

As our *Building the Post-Brexit Immigration System* report highlighted, EU and other migrants make a huge contribution across a wide range of sectors and at all skill levels. The focus of this report by no means seeks to downplay the importance of skilled migrant workers to sectors such as healthcare, engineering, and financial services. However, as this report will demonstrate, the collective efforts of EU workers in low-skilled roles are also hugely important to the economy and the country. Moreover, the UK's current immigration restrictions for non-EU nationals prioritise applicants with particular skills, qualifications, or earnings. If a similar system were applied to EU workers, far fewer EU workers would be available to perform low-skilled roles in the UK.

# APPENDIX 3: OVERVIEW OF THE UK IMMIGRATION SYSTEM

This appendix is an abridged copy of a detailed overview of the current UK immigration system by Fragomen LLP, which has in-depth insights into how the system works on paper and in practice. This first appeared in the report *Building the Post-Brexit Immigration System: An analysis of shortages, scenarios, and choices in June 2017*.

## Current legal framework for EEA nationals to enter and live in the UK

The EEA regulations provide the framework for EEA nationals and non-EEA national family members to live, work and study in the UK. The right of free movement for EEA nationals and their non-EEA national family members has existed since the UK first joined the European Economic Community on 1 January 1973.

### EEA nationals

#### 1. Qualified Persons

All EEA nationals have an initial right to enter and reside in the UK for up to three months. After this period, in order to extend their right to reside in the UK, EEA nationals must show that they are exercising treaty rights as a Qualified Person. A Qualified Person is defined as an individual who is:

- a) a job seeker;
- b) a worker;
- c) a self-employed person;
- d) a self-sufficient person; or
- e) a student.

#### 2. Registration certificate

EEA nationals are entitled (but not required) to apply for a Registration Certificate which evidences their existing right to live in the UK. The application can be submitted immediately upon entering the UK, provided the EEA national is exercising treaty rights.

#### 3. Permanent residence

After an EEA national has been exercising treaty rights in the UK for a continuous period of five years, they may be eligible to apply for a document evidencing their permanent residence status. The EEA national will also be required to evidence that they have not left the UK for more than six months in each year during the five-year period.

#### 4. **British citizenship**

An EEA national may be eligible to apply to naturalise as a British citizen after they have held permanent residence status for 12 months in accordance with the British Nationality Act 1981. As above, while the EEA national is not required to hold a Permanent Residence Card (PRC), they must now obtain this document prior to submitting an application for naturalisation.

### **Points-based system for non-EEA nationals**

Outside of the EEA regulations, the UK's immigration control is based on the seminal Immigration Act 1971 (as amended by subsequent Immigration and Asylum Acts), and the Immigration Rules (the Rules). It is the Rules that practitioners refer to, and changes to the Rules must be authorised through the parliamentary process under s.3 (2) of the Act.

The Rules regulate entry into, and the stay of persons in, the UK. It is by reference to these criteria that Entry Clearance Officers at British diplomatic posts overseas determine if that person qualifies for entry to the UK.

The points-based system (PBS) was introduced into the Rules in 2008. It was a means of tidying up a dense matrix of over 80 separate visa categories to provide a more streamlined and manageable system that applicants and users alike could navigate. The rules governing PBS applications are largely set out in Part 6A of the Immigration Rules.

As the name implies, the PBS allocates a certain number of points to different attributes for visa applicants. The Rules set out how many points are required for each category, and how they are awarded. A main applicant is permitted to bring dependent family members with them, but this only includes spouses/civil partners/unmarried partners with whom they have been cohabiting for two years or more and children under 18. Only in very exceptional circumstances would an alternative family member who is dependent on the main applicant be able to obtain a dependant visa.

The PBS has five distinct categories, which are set out in more detail below.

#### 1. **Tier 1**

The Tier 1 visa category is available for high-value/exceptionally talented migrants. This category is further broken down into a number of sub-categories:

- Tier 1 (Entrepreneur)
- Tier 1 (Graduate Entrepreneur)
- Tier 1 (Investor)
- Tier 1 (Exceptional Talent)
- Tier 1 (General) – no longer open for applications
- Tier 1 (Post-Study Work) – no longer open for applications

**2. Tier 2**

This is the sponsored worker category and is split into four main sub-categories (detailed below). This visa category requires sponsorship by a UK entity that holds a Sponsor Licence:

- Tier 2 (General)
- Tier 2 (Inter-company Transfer)
- Tier 2 (Minister of Religion)
- Tier 2 (Sportsperson)

**3. Tier 3**

This category was initially created for low-skilled work in the PBS but never opened for use. Instead, a small number of seasonal schemes did exist but these were closed in 2013.

**4. Tier 4**

The Tier 4 category is available for overseas students that will study with an education provider that holds a Tier 4 sponsor licence:

- Tier 4 (Child)
- Tier 4 (General)

**5. Tier 5 Temporary Workers**

The Tier 5 visa category comprises a number of sub-categories that facilitate the temporary movement of non-EEA nationals to the UK. With the exception of Tier 5 (Youth Mobility Scheme), Tier 5 applicants will require a Certificate of Sponsorship (CoS) from an entity that holds a Tier 5 sponsor licence for the relative sub-category:

- Tier 5 (Creative and Sporting)
- Tier 5 (Charity Workers)
- Tier 5 (Religious Workers)
- Tier 5 (Government authorised exchange)
- Tier 5 (International Agreement)
- Tier 5 (Youth Mobility)

# APPENDIX 4: THE RIGHTS OF AGENCY WORKERS IN THE UK

All agency workers in the UK are entitled to a number of rights, including protection from unlawful deductions from wages, statutory sick pay and health and safety protections.

✓	National Minimum Wage or National Living Wage
✓	Protection from unlawful deductions from wages
✓	Statutory Sick Pay
✓	Statutory Maternity and Paternity Pay, Shared Parental Pay and Adoption Pay
✓	Statutory holiday entitlement – 5.6 weeks' paid holiday a year
✓	Minimum rest breaks
✓	Maximum working time – 48 average hours a week, or you can opt out of this if you choose
✓	To be automatically enrolled onto a pension if you meet the required criteria
✓	Protection from unlawful discrimination under the Equality Act 2010
✓	Protection for whistleblowing
✓	Health and safety protections
✓	Right not to be charged direct or indirect fees for finding a job
✓	Protections from being restricted from working elsewhere

Recruitment agencies are legally required to inform the workers who sign up with them of the type of contract, the pledge of payment, the type of work and the notice period (if applicable). When an assignment has been offered, agency workers must be informed of the length and location of assignment, the hours they are expected to work and of any health and safety risks. After 12 weeks on an assignment, agency workers are entitled to equal pay as a permanent employee doing the same job and equal treatment with permanent employees in regard to rest breaks, holiday entitlement, working time, information on the job vacancy with the hirer and the use of collective facilities.<sup>47</sup>

<sup>47</sup> Rights under the Agency Worker Regulations (2010).

# APPENDIX 5: GLOSSARY OF KEY TERMS AND DEFINITIONS

Brexit day	The UK officially leaves the EU on 29 March 2019. Brexit negotiations between the UK and the EU began on 19 June 2017.
Post-Brexit	The era following a transition or implementation period of approximately 21 months (29 March 2019 to 31 December 2020) whereby permanent arrangements for UK EU relations are applied. This is conditional on both sides agreeing a final withdrawal treaty.
Agency worker	Any worker who has a contract with a recruitment agency or employment business but is supplied to work temporarily for another business/a hiring client. The worker is paid by the recruitment agency or employment business.
Temporary worker	Any worker who is recruited either directly by the employer/business or via a recruitment agency on a temporary basis that is not a seasonal worker. Temporary worker covers a period of up to nine months.
Seasonal worker	Any worker who is recruited for a limited period of time to address an anticipated peak in demand due to the time of year (e.g. harvesting season, Christmas, etc.).
EU28	The European Union (EU) is an economic and political union of 28 countries. It operates an internal (or single) market which allows free movement of goods, capital, services and people between member states. European Union member states: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and United Kingdom.
A8 countries	Also referred to as the EU8, these are a group of eight countries from Central and Eastern Europe that joined the EU on 1 May 2004. Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.
EU2	It comprises Bulgaria and Romania, which joined the EU in 2007.
EU15	EU member states prior to the accession of ten candidate countries on 1 May 2004. Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.
EEA	The European Economic Area includes EU countries (EU28) and also Iceland, Liechtenstein and Norway. It allows these countries to be part of the EU's single market. Switzerland is neither an EU nor EEA member but is part of the single market – this means Swiss nationals have the same rights to live and work in the UK as other EEA nationals.

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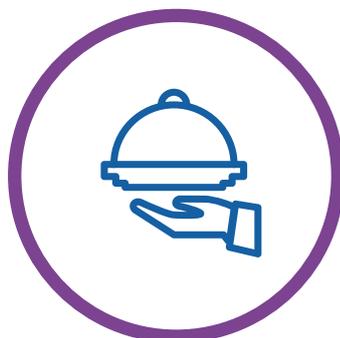
#### Recruitment & Employment Confederation

Dorset House  
 First Floor  
 27-45 Stamford Street  
 London SE1 9NT

Tel: 020 7009 2100  
 Fax: 020 7935 4112  
 Email: [info@rec.uk.com](mailto:info@rec.uk.com)

Twitter: @RECpress  
 Web: [www.rec.uk.com](http://www.rec.uk.com)

Registered in England, company registration number 3895053



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