

Flexible workers, labour market intermediaries & Brexit



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Discussion outline

- Migration and flexible labour markets
- Labour market intermediaries
- Brexit

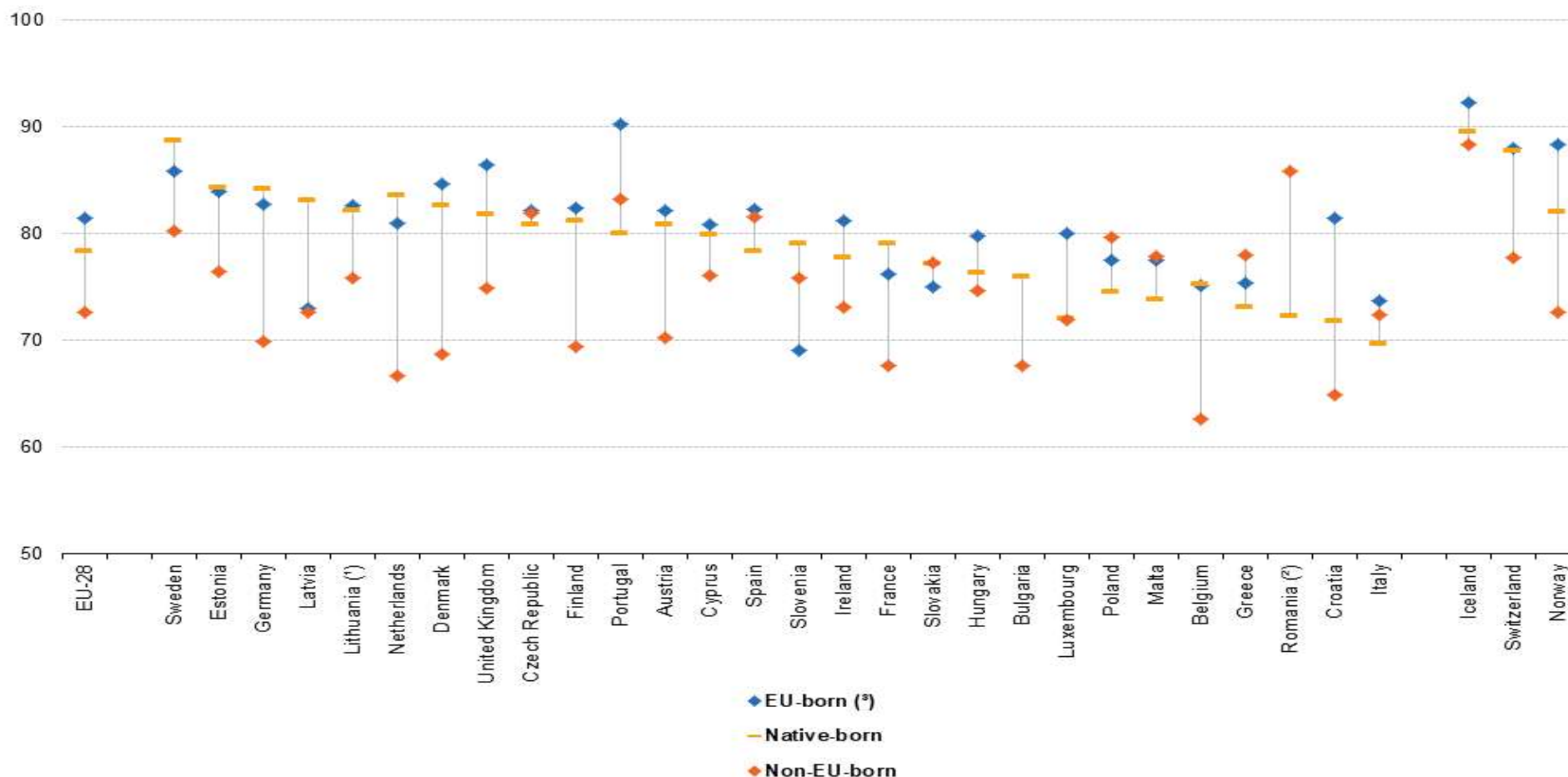


Migration & flexible labour markets

- A8 migrant labour: Specific function in UK labour market? Higher education & employment rates, but lower pay than UK & other migrant workers
- Migration and flexibilisation: the chicken or the egg?
 - Cause *and* effect of segmentation
 - Ready availability of a well perceived cohort of migrant labour: sustained & extended flexible labour market structures (McCollum & Findlay, 2015)
 - Precarious jobs not out there simply waiting to be taken up by migrants
 - So, would these specific types of employment conditions exist in the absence of migration?

How do migrants 'get on' in the economy?

Activity rates for the population aged 20-64, by country of birth, 2017
(%)



Note: ranked on total activity rate (for all places of birth). Bulgaria and Romania: EU-born, not available.

(*) EU-born: low reliability.

(*) Non-EU-born: low reliability.

(*) Other than in the reporting Member State.

Source: Eurostat (online data code: ifsa_argacob)

Migrant labour in UK context

➤ Why?

- Employer demand for migrant workers due to 'labour and skills needs'
- Question of 'need' v 'demand' for migrant labour
- Migrants: a 'special kind of labour'

➤ Significance of geography

- EEA
 - Mostly economic migrants, but mostly lower skilled work (high employment but lower pay)
 - The jobs that cannot be automated or outsourced: construction, hospitality, healthcare
 - Issue of underemployment
- Non-EEA
 - More family migrants, students & refugees
 - But higher skilled work for economic migrants (lower employment but higher pay)
- Concentration in London: global city & new international division of labour

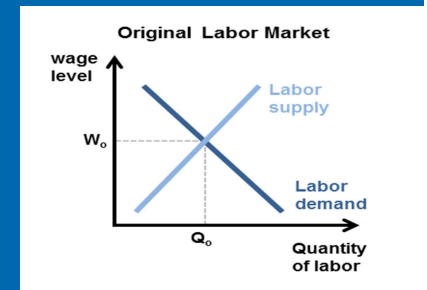
Theory: why migrants can face under/unemployment & experience lower wages

- Migration socially selective, so would expect better outcomes...
- Human capital explanations
 - Younger age profile
 - Lack language skills
 - Qualifications not recognised & lack of work experience in host society
- Employer practices
 - Labour market segmentation
 - Discrimination
- Labour channels
 - Recruitment agencies
 - Migrant social networks
- Accepting of poor pay and conditions, at least initially (dual frame of reference, Piore, 1979)
- Not all migrants are labour migrants – role of immediate economic gains in motivating migration?

The labour market & migration: supply & demand perspectives

➤ The demand side: employer need/preference for migrant labour?

- Employers emphasise;
 - Skills: hard v soft skills
 - 'Flexibility'
- Certain attributes associated with certain types of workers
 - Discrimination & stereotyping in recruitment
 - Migrant workers for migrant jobs



➤ The supply side: fewer alternatives to migrant labour?

- Growth of higher education, female employment & population ageing
- Unemployed & economically inactive: mismatches (expectations & geography)
- Readily available 'reserve armies of labour' (distinctive geography)

➤ Connecting the demand & supply sides: labour intermediaries & migration channels

- Recruitment agencies
- Migrant networks

The case of East-Central European migration to the UK

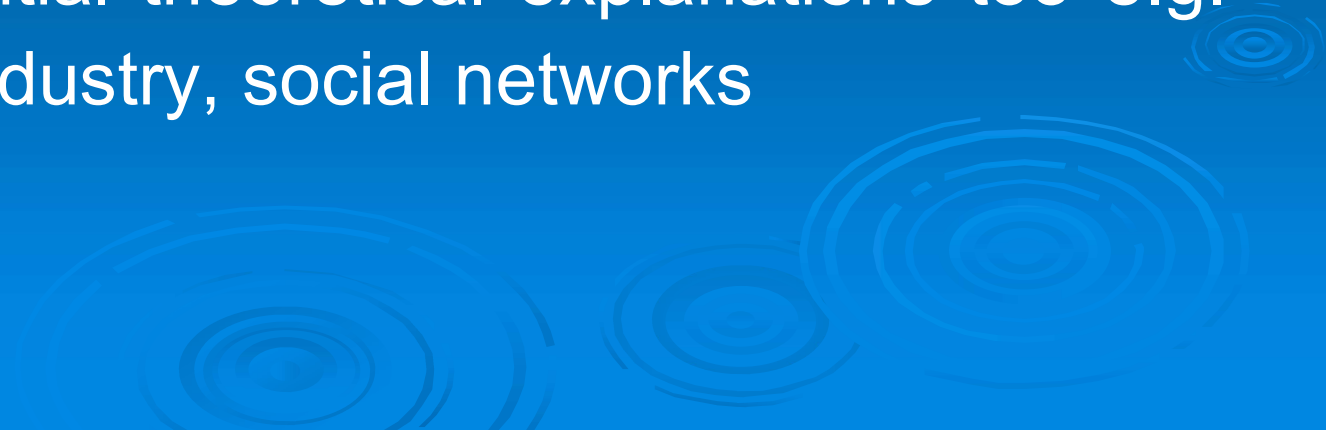
- Citizens from A8 countries (Poland, Czech Republic, Latvia, Lithuania, Slovakia, Slovenia, Hungary & Estonia) unrestricted access to UK labour market since May 2004. A2 (Romania & Bulgaria, 2007, but transitional measures)
- Single biggest wave of foreign in-movement ever experienced by the UK - c1.3% of working age population. Geographically dispersed.
- Net migration peak in 2007 (80,000)
- Decline since recession & Brexit but still net gain of migrants from East-Central Europe

Measure	A8 migrants		UK nationals	
	Male	Female	Male	Female
Average age	27	25	38	40
Education*				
Low	12%	10%	58%	54%
Intermediate	56%	50%	24%	30%
High	32%	40%	18%	16%
Employment rate	90%	74%	78%	71%
Claiming benefits or tax credits	12%	24%	24%	55%
Median hourly wage	£6:07	£5:98	£9:76	£9:46

*Based on age at which individuals leave full-time education. Low: 16 or younger, intermediate, 17-20, high: 21 or older.

Source: Adapted from Dustmann *et al*, 2010

Theory and A8 migration

- Neo-classical: migration from lower to higher wage regions & absence of policy barriers
 - Human capital: surplus of relatively highly educated workers in E. Europe
 - Dual labour market: structural & permanent demand for migrant labour in W Europe
 - Other potential theoretical explanations too e.g. migration industry, social networks
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EU migration: some research agendas

- The labour market function of A8 migrants
- A8 migration and flexible labour markets
- Migration intermediaries
 - The migration industry
 - Migrant social networks

Labour market profile

The Worker Registration Scheme

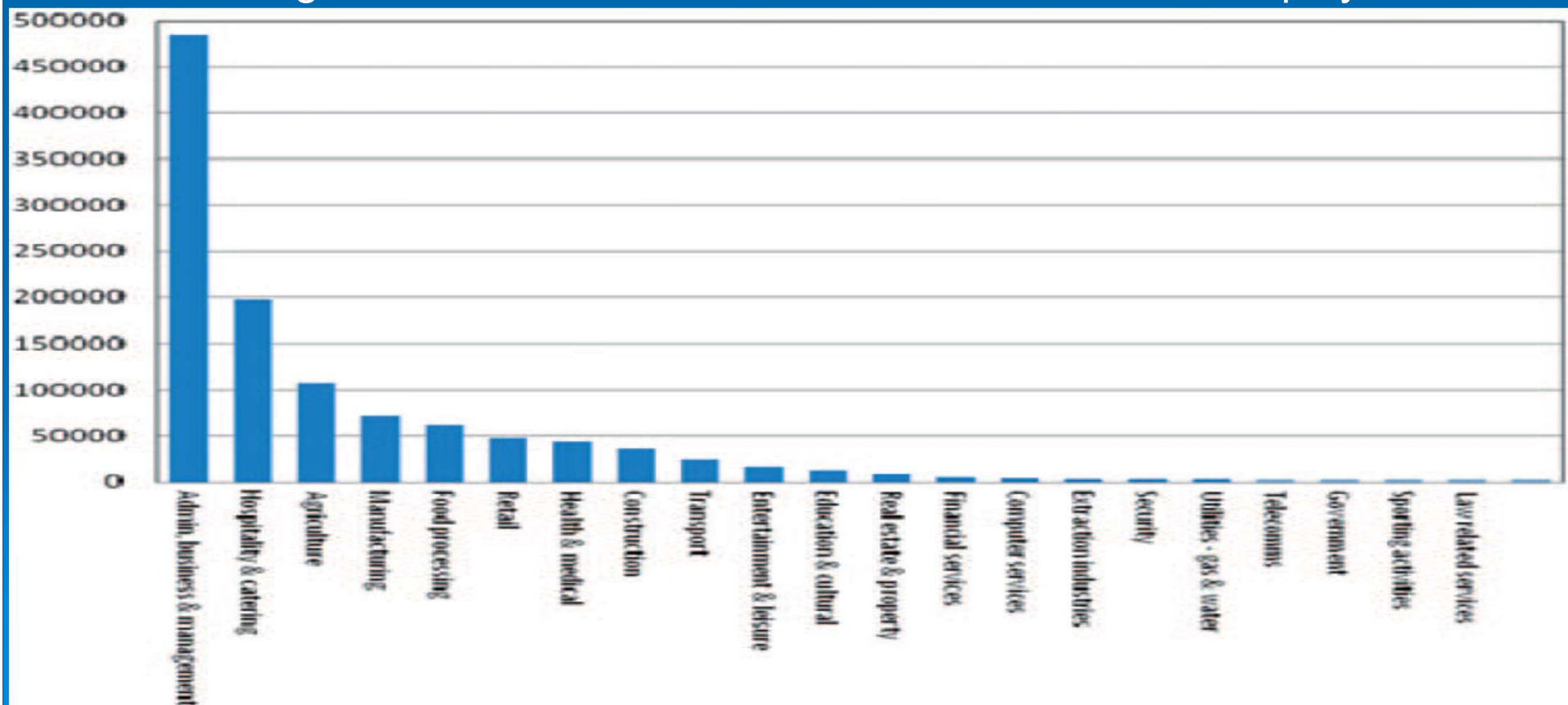
- Introduced by UK government in 2004 to monitor flows of migrants from the new 'Accession 8' countries
- Only source of statistical information on temporal, sectoral and spatial trends in A8 migration
- Requirement to register if employed for one month or longer, change employer or take on additional job
- Data on: nationality, location of job, industry, occupation, hours worked, hourly pay, gender and age
- 'Transitional measure' so ended April 2011

Caveats

- Undercounting of migrants: only data on (some) labour migrants
 - Self-employed and non-employed not required to register
 - Many employees did not register
- Inflows only - no de-registration
- Initial job only - applicants' first application, not all applications
- Most useful for: comparisons across time periods, sectors and areas – not data on absolute numbers or stocks of migrants

Sectoral breakdown of registrations

- Large numbers of registrations in 'administration, business and management' (mostly agency workers)
- Also hospitality, agriculture and food processing
- Entering UK labour market in most accessible forms of employment?



Relative significance: sectors

- Registrations 2004-2011/workforce jobs 2011
- Estimates of *relative* importance of A8 migration to particular parts of the economy
- Significant parts of workforce in agriculture and hospitality

Sector	WRS registrations May 2004-April 2011 as percentage of employee jobs April 2011	
	UK	Scotland
Agriculture	25.0%	29.6%
Hospitality and catering	10.1%	11.4%
Manufacturing	2.9%	3.3%
Construction	1.8%	3.2%
Transport	1.7%	1.9%
Retail	1.0%	0.8%
Health and medicine	1.1%	0.7%
Total (all sectors in economy)	3.6%	3.6%

Source: Author's analysis of WRS data and ONS quarterly jobs series (2011a).

Local geography of registrations

- High absolute numbers of registrations in metropolitan boroughs, but also towns and rural areas
- Reflection of geographically dispersed nature of A8 migration
- A8 migration most significant in rural local authorities – labour intensive arable farming?

Local authority (and Government Office Region)	Total WRS registrations May 2004 – April 2011	Local authority (and Government Office Region)	Total WRS registrations May 2004 – April 2011 / employee jobs in 2011
Westminster (London)	33,025	Boston (East Midlands)	91.7% / 76%
Northampton (East Midlands)	21,175	Fenland (East England)	47.9% / 71%
Peterborough (East England)	18,145	East Cambridgeshire (East England)	35.8% / 51%
Camden (London)	15,405	Kings Lynn and West Norfolk (East England)	35.5% / 66%
Birmingham (West Midlands)	14,900	Gedling (East Midlands)	35.2% / 56%
Boston (East Midlands)	13,755	Herefordshire (West Midlands)	34.3% / 59%
Herefordshire (West Midlands)	13,035	South Holland (East Midlands)	34.1% / 74%
Leeds (Yorkshire and Humberside)	12,940	Arun (South East)	27.8% / 63%
Luton (East England)	12,815	Breckland (East England)	26.8% / 64%
Edinburgh (Scotland)	12,585	Angus (Scotland)	24.7% / 45%

The nexus between migrant labour & flexible labour market structures

- Concerns about increasingly(?) precarious working lives
 - Segmentation of labour markets according to pay, security & opportunities for progression
 - Parts of the labour market intrinsically associated with migrant labour
- Theoretical framework
 - Dual labour markets: *permanent* requirement for *migrant* labour (Piore, 1979)
 - Segmented labour markets: segments of the labour market and particular migrant workers positioned towards each other
- Context
 - Historically significant migrant inflows mid 2000s+: symptom but also cause of labour market flexibilisation?
 - Specific role of East-Central European (A8) migrant labour...

The 2004 A8 accession: a seminal moment?

Ready supply of 'good' workers, & high employer demand for it: mutually reinforcing & institutionalised?

- Accession of A8 countries to EU in 2004
- No transitional controls and barriers to labour market entry elsewhere
- Significant wage disparities & booming UK labour market
- 1m+ labour migrants, geographically dispersed
- Well perceived & high employment rates but disproportionately occupy low paid & temporary jobs (relative to UK born & other migrants)

Orientation of recruitment and employment practices towards 'good workers'

- Facilitated by labour market intermediaries,
- Also direct recruitment (often from overseas) and utilisation of migrant social networks

Key questions

- A8 workers serving a distinct function in the UK labour market?
- Role of labour market intermediaries in these processes?

Migrant labour functioning as a core workforce Labour shortage discourse

Because it is minimum-wage work on a factory floor no Scottish people want to do it and the Eastern Europeans are the only ones that will. The locals are not really interested unfortunately because they'd rather be on benefits but our European workers are a great bunch, really hard working and diligent and if we didn't have them we'd be in real trouble.

June, food processing company, rural Scotland

Migrant labour functioning as a secondary labour force
Dual/segmented labour market

Most of the permanent staff are locals but all of our agency workers are from overseas. We will always be able to get local people for the permanent jobs but we'd struggle to survive without the agency staff because they allow us to react to an upturn or downturn in demand, so at an hour's notice you can phone up and say that you need another ten bodies and you get them straight away.

Maria, food processing company, urban Scotland

The flexibility of migrant labour

They are so flexible. I mean people from Eastern Europe, they want to work and they are reliable and they are far more flexible, they will do anything. They won't say, 'Ah no, I just want to work in construction.' These guys will go and do any type of work going. And it is attitude; it is just a completely different attitude to anyone else

Jane, labour provider, rural Scotland

Differentiation amongst migrant labour:

A8 workers as exceptionally flexible

The Eastern Europeans are good workers and they have got a fantastic work ethic I think, especially compared to the locals ... but before the A8 accession we used to have quite a few Australians and South Africans and New Zealanders and their work ethic is not the same at all. I would much prefer to employ an Eastern European person than I would Southern Hemisphere because they are just too chilled out or arrogant.

Samuel, hospitality, urban England

Facilitating flexibilisation: economic and political structures

➤ Structures

- A8 accession and no transitional measures
- Significant spatial disparities in incomes and earning potential
- UK structural requirement for migrant labour
- Budget travel and use of ICT

➤ Consequences: A8 workers as best available plentiful supply of migrant labour / reserve army of labour

I would work with more Asian people if I could because their work ethic is even better than the Eastern Europeans, they are very focused and work is very much the main part of their life. But getting a work permit for them is so difficult that I just use Eastern Europeans because their mind-set is much more hospitality focused than British people and they are more accepting of the long hours and low pay that go along with this sector.

Kenneth, labour provider, rural England

A8 accession & flexibilisation: a one for bonanza?

➤ Flexibility, inherent permanent need for...

- New workers (dual frame of reference)

Their standards are starting to drop off now and they are beginning to go native a bit and display a lot of the characteristics of our own [UK] workforce ... unfortunately they are adapting some of our cultures in terms of attitude to work.

Jack, food processing firm, rural Scotland

- New sources (neo-classical)

It is a cycle, the A8 countries joined the EU in 2004 and now we are a good few years into the process, so the honeymoon period is sort of over. So I always think: when are we going to have new countries coming in, because we will always need them because you have those 5-10 year periods where people are happy to do anything but as their economies pick up they will be gone and if they are not gone then they want better jobs. So it needs to be a cycle and we need to always bring new countries on board.

Iris, labour provider, urban England

Flexibility, migration & labour market intermediaries



Research rationale

- 'Black box' between drivers behind and experiences of migration (Lindquist et al, 2012)
- Role of intermediaries in facilitating mobility often neglected
- Thus function in international migration remains underdeveloped in theoretical terms (Hernandez-Leon, 2013)
- Increasingly explored through the emerging Migration Industries paradigm (Sorensen & Gammeltoft-Hansen, 2013)

Structuring migration

The migration industry

➤ Definition

- Individuals & organisations involved in enabling migration whose primary motive is profit
- Money lenders, recruiters, transportation providers, travel agents, smugglers and lawyers
- Meso-level structure in the migration system

➤ Drivers

- Services low-wage employers need/preference for A8 workers over other potential forms of labour
- Most migrants require some kind of intermediary to help them migrate to and find employment in another country

➤ How intermediaries structure as well as reflect the migration system

- Perceptions and practices that produce the good worker
- Survey, select and shape labour
- Mediates who does and does not have access to the migration system

Perceptions, practices & the geography of labour migration

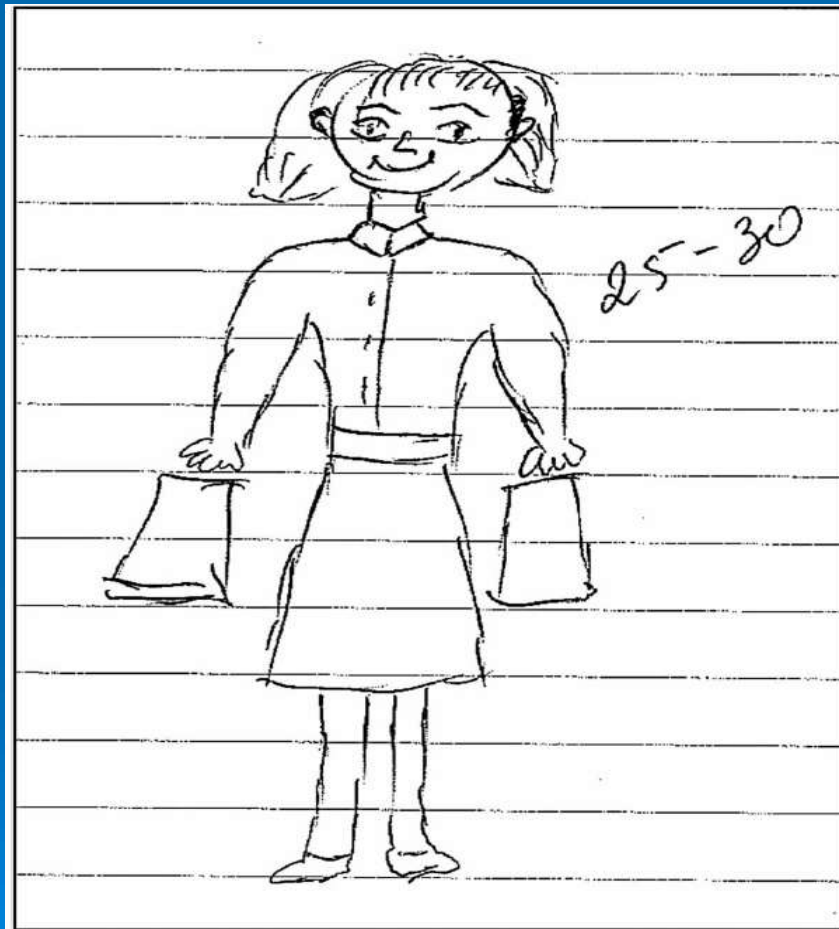


Figure 3 The ideal worker: hospitality.

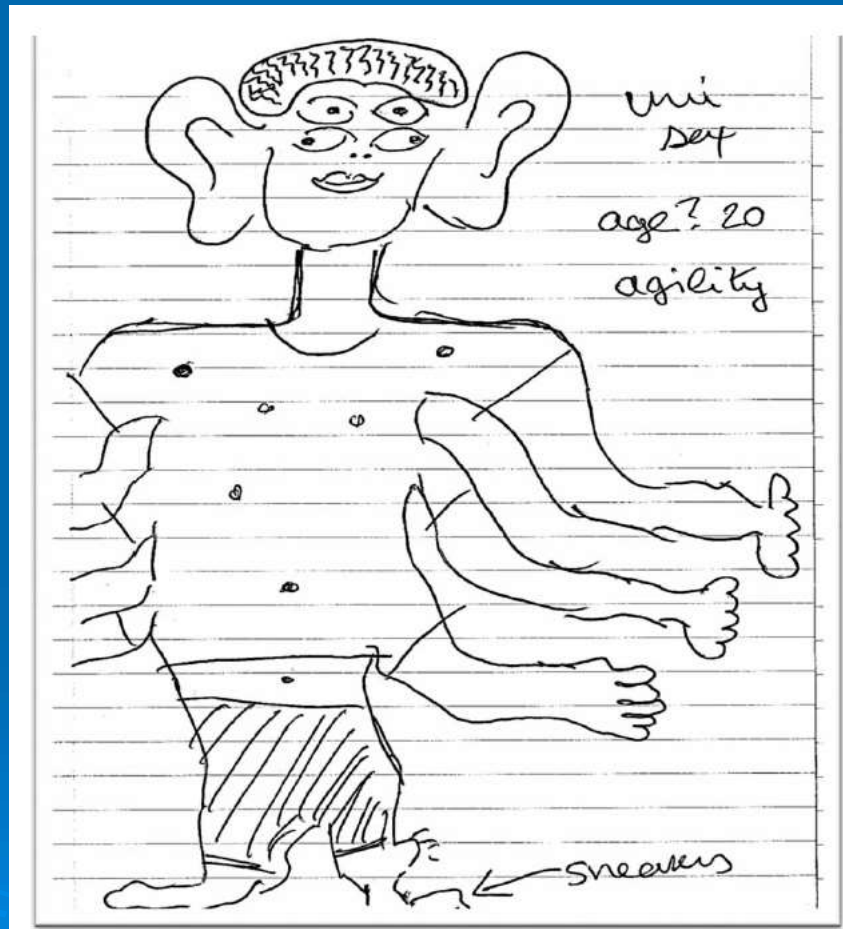


Figure 4 The ideal worker: IT.

The basis for a migration industry

- Migration industry exists because employers need/want migrant labour

- Labour shortage narrative

Nearly everyone here is Eastern European but it is not because we think that they are better workers, it is just that they are the ones who apply for the jobs so it would be hard to recruit other people

Beatrice, food processing firm, rural Scotland

- Skills shortage narrative

The Brits are not good at service and customer care is absolutely vital in this industry. But the calibre of the Eastern European is far higher than the local because they are willing to work and they smile and they have a happy demeanour and it is all about behaviour... I can train skills but what I can't do is train someone to smile'.

Jeff, hospitality, urban England

- Ethnically ordered hiring queues

The Eastern Europeans are good workers & they have got a fantastic work ethic, especially compared to the locals ... but before the A8 accession we had quite a few Australians, South Africans & New Zealanders and their work ethic is not the same at all. I would much prefer to employ an Eastern European than I would Southern Hemisphere because they are just too chilled out or arrogant.

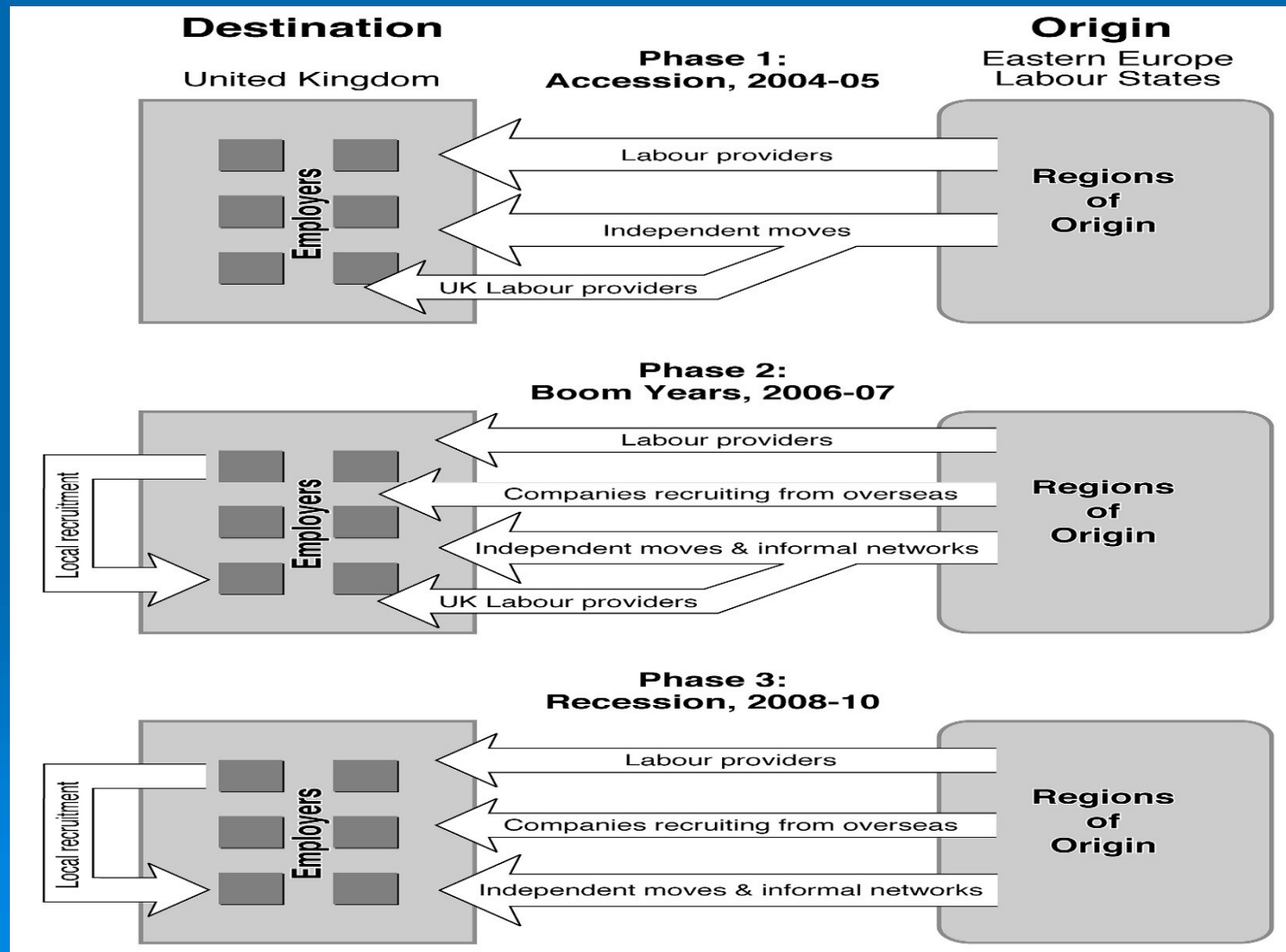
Samuel, hospitality, urban England

Servicing the 'need' for flexible migrant labour

- Factors behind the prominence of recruitment agencies
 - 'Tap' of labour: meets fluctuations in demand for labour
 - 'Try before you buy' recruitment: filtering of good workers
 - 'One stop shop' for recruitment & management of staff
 - Means of engaging with specific sources of labour
 - Outsourcing of employment & immigration compliance issues
- Competing labour channels
 - Direct employer recruitment (locally & from overseas)
 - Informal migrant networks

Evolution of migration industry

3 key phases



Migrant social networks

- Key role in connecting migrant workers with employment opportunities, particularly in lower wage jobs
 - Communication of information about opportunities
 - Actual path into employment
- Role in creating and maintaining migration systems
- Attractive to both migrants seeking employment & employers seeking employees
 - Quick & detailed information about employment opportunities and routes into employment
 - Fast & free recruitment of good workers via “homophily principle”
- Increasingly embedded in the recruitment practices of low-wage employers
- Potentially exclusionary, not always altruistic & reproduces labour market segmentation

Recruitment through social networks: employer perspectives

“We have had one or two people come over and it is so and so's father-in-law and they have been absolute duffers and we have had to say “look your father-in-law is absolutely useless, we can't employ him”. And the guy is going “yeah I know he's useless, sorry”. So they will put pressure from within for the people coming over to perform well, because it embarrasses them and puts pressure on them as well”.

Martin, managing director, sawmill, rural Scotland

“At first we used a big recruitment agency to get our foreign workers and we even went across to Eastern Europe to recruit ourselves. But pretty quickly we didn't need to do that anymore because it just became self-sustaining because it was all brothers and sisters and friends coming in... and that has eliminated our recruitment costs”.

Lily, owner, food processing firm, rural Scotland

Recruitment through social networks: migrant perspectives

“Initially we contacted the agency, but they were not able to offer anything. So in the end we started to look for opportunities ourselves and with the help of other Latvians (my husband’s brother was here in the UK already) who helped with the information and pointing to the right institutions we found work in food processing sector. We would not be able to get anywhere without our connections. It is very hard to find employment if you don’t have the right connections”.

Female, factory worker, 24

“Yes, we [partner and I] have helped many people, mainly previous colleagues from Latvia and other acquaintances... it has mostly been walking around agencies and looking for positions with them, however in most cases the result was ingratitude for our efforts so I don’t think that I would ever do it again”.

Female, warehouse worker, 21

Migration industry responses to the (growing) challenge of migrant social networks

‘Word of mouth in the Eastern European communities is very important so they always share information about jobs and that is great for us because my guys [consultants] are all Eastern European so they have got their own networks too. So all the advertising for people is done predominantly through them and their word of mouth. So they can pick up the phone and get 20 people instantly because they have their own contacts and know so many people’.

Samantha, director, labour provider, rural England

Summary: migrant labour, oiling the wheels?

➤ Flexible jobs and flexible workers

- Segmented labour markets, produce *perennial* demand for flexible *migrant* labour
- Ready supply of migrant labour and segmented labour markets: mutually reinforcing
- Large scale A8 migration: effect but also *cause* of flexibilisation

➤ Migration Industry

- Derives profit from oiling the wheels of the flexible labour market
- Alternatives available to migrants & employers
- Ability to source perennial supply of good workers dependent on favourable political & economic circumstances...



Background

➤ The EU

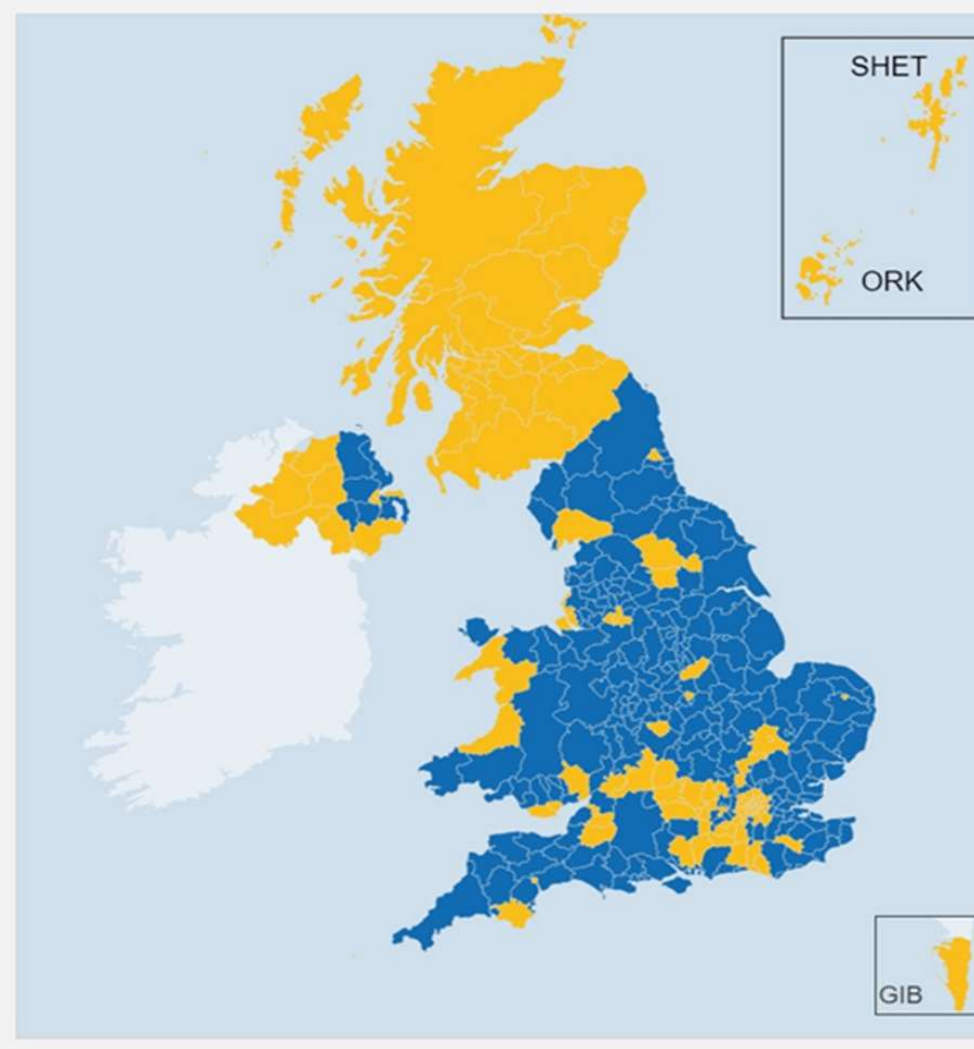
- Longstanding political and economic partnership
- 28 Members States
- Britain joined in 1973

➤ The referendum

- 1975
 - Do you think that the United Kingdom should stay in the European Community (the Common Market)?
 - Result: 67% Stay, 33% Leave
- 2016
 - Should the United Kingdom remain a member of the European Union or leave the European Union?
 - Result: 52% Leave, 48% Remain

EU referendum: geography

Country	Leave (%)	Remain (%)
England	53.4	46.6
Scotland	38.0	62.0
Wales	52.5	47.5
Northern Ireland	44.2	55.8



Key:

■ Majority leave ■ Majority remain

Brexit and immigration...

“We will take back control of our borders, by putting an end to the free movement of people once and for all... it will no longer be the case that EU nationals can jump the queue”



Brexit: the UK's new immigration policy?

- Transition period (?) then... end of free movement
 - Single skills based system for EU & Non-EU nationals
 - Priority for high skilled workers: £30,000 salary threshold
 - Short-term provisions for lower skill roles
 - E-gate visa checks for tourists & short-term business visitors from all low-risk countries
 - Security and criminal records checks carried out in advance of visits (prior authorisation system)
- Challenges
 - Labour shortages in low skill sectors
 - How to define high skill
 - Resistance from EU
 - Impact on ability of British nationals to work/travel in Europe
 - Implications for Scotland...

The low wage flexible labour market: imminent challenges

➤ Brexit

- Supply of labour to low skilled roles via EU
- Significant changes to immigration system
- The politics: likely to favour higher skill roles
- Supply issues regardless of Brexit

➤ Implications: new employment models?

- Better pay, conditions & progression opportunities
- Investment in capital: less labour intensive production processes
- Relocation to countries of lower labour costs
- Switch to provision of less labour intensive goods & services

Key references

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Accession: mushrooming of the Migration Industry

'If you went back to 2007 you'd find about 90 per cent of all the Eastern Europeans were in temporary jobs through agencies. And in the early days we did a lot of interviewing in the countries and brought people over and we set them up with banks, doctors, dentists and we even actually rented flats and sub-leased them to the EU folks and we had an existing group of English speaking Czechs and Hungarians employees who really integrated them'.

Wallace, managing director, labour provider firm, urban Scotland



Boom years: supply-side constraints on the Migration Industry

‘Certainly 2007 and 2008 were awful years for making sure farms got enough people. You could have people earning £500 a week and they weren't happy. We had people walking into our recruitment offices in Latvia and saying I want a job at £12 an hour. And farms weren't happy because they didn't have enough people so a lot of fruit was left in the fields... that was good in one way because it made farms wake up to the fact that Eastern Europe is not a bottomless pit of labour. That you can't just send a bus to Warsaw and fill it up with strawberry pickers’.

*Josh, regional manager, labour provider firm, rural
England*

Recession: demand-side constraints on the Migration Industry

'At the moment we don't need to do much searching for candidates, but before the recession the job was more about candidates than it was clients because the clients were desperate and candidates were all in work so you really had to search. Whereas now the clients aren't desperate and the candidates are so it has just switched the other way. But yeah the migrants have made a difference because they've come here to work, and the benefits just keep the local guys at home and stops them wanting to work'

Richard, recruitment consultant, labour provider firm, rural Scotland

