



Research to understand EU migrant labour

A report for Humber LEP; Leeds City Region LEP;
York, North Yorkshire and East Riding LEP. August 2017



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1.0 Executive Summary

This study was commissioned by the Humber; Leeds City Region; and the York, North Yorkshire and East Riding Local Enterprise Partnership (LEP) areas in order to assess the business and skills implications for the LEP areas resulting from a potential reduction in access to EU migrant workers.

Labour and Skills Availability

- Skills and labour availability present a significant challenge across the three LEP areas, due to a shortage of supply
- Many businesses, and particularly those in agriculture, manufacturing and care are already struggling to recruit, with the Brexit vote likely to make things worse, unless migrant policy turns out to be accommodative
- It is perceived that a reduced supply of EU migrant workers would lead to increases in the cost of low-paid labour
- While not all businesses are concerned about the supply of EU migrant labour, as the majority show concern this is a major issue across businesses
- The Brexit vote has created significant uncertainty among many EU migrants, with some already having left or looking to leave in the near future

Impact on Businesses if EU Migrants Leave

- Businesses and sectors with higher turnover and/or newer EU migrant staff may be impacted more than those where this is not the case
- Agricultural and manufacturing businesses were most likely to say they would be affected if EU migrants left or there was a reduced supply of workers from the EU.
- Around half of all businesses said their productivity and profitability would be affected if significant proportions of EU migrants left
- About a quarter of businesses felt their long-term growth might be impacted, with small proportion foreseeing no option but closure if they could not maintain their EU workforce
- Differences between LEP areas were driven by business and sector composition rather than geography.

Business Planning

- Due to the uncertainty around the outcome of Brexit negotiations, most businesses were adopting an iterative “wait and see” approach with very few already having taken firm steps
- Around a third of businesses had considered or would consider training UK staff to take the place of departing EU migrant workers
- Similar proportions felt they would look into automating aspects of work if required, with this being most common in manufacturing and agricultural sectors
- It was recognised that any plans will take time to take effect and would be unlikely to be able to address a labour supply shock.

Support to EU Migrants from Businesses

- Employers are willing to support staff as required but tend to rely on being approached by migrants themselves

- There may be a role for businesses in providing a more proactive approach to employees, potentially involving signposting to relevant organisations and helping, if required, with citizenship requirements

Support to Businesses

- Some businesses were open to support being provided via business support organisations, albeit more for skills/training (around half) than capital investment or automation (both around a quarter)
- About a quarter of business specifically would welcome support from public sector organisations such as LEPs or Local Authorities
- There is potential for supporting businesses through key issues, including provision of information on Brexit implications, advice/support on employee citizenship rights and continuing to represent local businesses to relevant political bodies

Suggested LEP actions

- **Continue to make the case to Central Government of the importance of EU labour:** it is important that LEPs continue to voice the concerns of businesses, regarding their access to EU labour and skills, to central government. A small number of businesses were already involved in making representations to Government and this could be amplified with support from the LEPs. This is likely to be particularly important for sectors that feel potentially most impacted by Brexit, for example agriculture and manufacturing
- **Continue to provide up-to-date advice/information:** with the implications of Brexit still unclear, most businesses are unable/cannot justify the resource to formulate plans on how to best deal with potentially reduced access to EU labour and skills. The LEPs have a potential role in ensuring all businesses are aware of progress in the Brexit negotiations and, importantly, what this means for local business. Additionally, LEPs should continue to raise awareness around the support that may be beneficial regardless of the outcome of Brexit (e.g. skills and training development).
- **Strategic readiness:** the research has highlighted the negative impacts many businesses would face if there was a significant reduction in their access to EU labour. LEPs could develop clear plans, in relation to recruitment of UK workers, skills and training, and automation in the event of a decline of the EU workforce. Addressing potential shortfalls in labour supply will take time to take effect, so concrete and actionable strategies being in place as early as possible will be beneficial. Whilst there should be an emphasis on the sectors most reliant on EU workers, crosscutting support could reach a greater number of businesses. Regarding automation, the feasibility of this for specific sectors could be explored as an early priority.
- **Ongoing support:** The LEPs should continue their existing business support and perhaps explore how this could be tailored towards the issues highlighted in this report. Support around on-the-job skills and training, recruitment (including raising awareness of career opportunities in specific sectors) could prove most effective in addressing labour and skills issues in the near-term. Consultation and further partnership with relevant organisations such as local education providers and sector representatives could maximise the impact of support and reduce overlap.
- **Support for EU migrants:** Providing specific support on current citizenship requirements and/or signposting businesses to relevant organisations. This could be further developed with local migrant groups/events.

2.0 Background and Methodology

This study was commissioned by the Humber; Leeds City Region; and the York, North Yorkshire and East Riding Local Enterprise Partnership (LEP) areas in order to assess the business and skills implications for the LEP areas as a result of the potential reduction in access to EU migrant workers. A particular focus was required on understanding the potential responses that employers are considering and related requirements for support from the LEPs and their partners.

In order to meet these needs, a detailed study was undertaken, focusing on 90 businesses across the three LEP areas, 19 recruitment agencies, 15 EU migrant workers and eight key stakeholders. Further details on the methodology adopted for this study are included in section 2.2. The primary research questions this study sought to answer were:

- How, and to what extent, businesses could be impacted if there was reduced access to EU labour and skills?
- Are there certain sectors, occupations or areas that will be affected more than others by reduced access to EU labour and skills?
- What are the views of EU migrants in relation to Brexit? In particular, their future plans to stay/work in the UK and the type of support they would like to see from employers?
- What are businesses doing now and/or planning to do to support their EU migrant workforce?
- What contingency plans, if any, do businesses have in place in the event of reduced access to EU migrant workers?
- How support organisations can best support businesses with the labour and skills gaps that could potentially materialise as a result of Brexit?

2.1 Background

The UK's decision to leave the EU is likely to affect the level of migration into and out of the UK by nationals of EU countries. This in turn has raised concerns given that there are an estimated 2.15 million EU-born citizens working in the UK¹ with significant numbers in the Humber; Leeds City Region; and the York, North Yorkshire and East Riding LEP areas.

In terms of understanding the potential impact of the decision to leave the EU, it is clear that the relative density and importance of EU migrants is likely to differ by sector and skill level depending on the nature and the needs of businesses. Some sectors, such as agriculture, primarily require low-skilled workers and others, such as digital, high-skilled workers – it is likely these sectors will be impacted in different ways. Sectors identified as being particularly dependent on EU migrant labour across the three LEPs are detailed in Table 2.1.

¹<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/may2016>

Table 2.1 Sectors dependency on EU migrant labour

Sector	EU migrant employment as % of total employment in sector ²
Manufacturing	12%
Transport and storage	8%
Admin and support services	8%
Accommodation and food services	7%
Construction	7%*
Wholesale, retail, repair of vehicles	6%*
Engineering	7%**
Digital	7%***
Health and Social work	5%*
Education	5%
Agriculture	No sector wide data available ³

* UK average for sector

** Construction sector used as proxy⁴.

*** UK average for information and communication sector used as a proxy.

In terms of total employment by sector, the three LEP areas are broadly similar with the following exceptions:

- The Humber LEP has a greater proportion (16.4%) employed in manufacturing (around 6 percentage points more than the other two LEPs).
- York, North Yorkshire and East Riding LEP has a greater proportion (around 4 percentage points) employed in accommodation and food services.
- Leeds City Region has a slightly greater proportion (around 1 percentage points) employed in information and communication services (proxy sector for digital).

As negotiations are still ongoing, the broad nature and implications of Brexit are unclear with, in particular, the legal position of current and potential EU migrants being as yet undefined. The resultant uncertainty over the rights of EU migrants has led the Confederation of British Industry to stress the continued need for a EU workforce as well as a new model for migration to be in place by the end of 2017⁵. Similarly, the Federation of Small Businesses has expressed the view that “securing the right to remain for EU workers in the UK must be a priority”⁶, with the British Chamber of Commerce asking the Government to “make an unequivocal commitment that EU citizens currently working here will have a

² Data based on Leeds City Region unless noted otherwise. Data for other LEPs unavailable

³ Desk research and other sources show agriculture to be a sector particularly dependent on EU migrant workers. For example, a recent Select Committee report cited that “Of the 80,000-seasonal workforce in horticulture alone, 98% are migrants from elsewhere in the EU”. Source:

https://publications.parliament.uk/pa/ld201617/ldselect/lddeucom/169/16909.htm#_idTextAnchor117

⁴ Note that engineering consultancy and technical/design services fall under professional services (where UK average for proportion of EU migrant labour was 6%)

⁵ <http://www.telegraph.co.uk/business/2017/05/07/eu-immigrants-vital-uk-economy-cbi-warns/>

⁶ <https://www.fsb.org.uk/media-centre/press-releases/loss-of-eu-workers-would-be-huge-blow-to-small-businesses>

permanent right to remain in the UK⁷. This reflects the concern among businesses with regards to access to EU migrants and also suggests the potential lack of immediate alternative short-term solutions aside from introducing a right to remain.

2.2 Methodology

This study involved a mixed methods approach in order to access the views in detail of a range of different stakeholders. The following section details the methodology used for each stakeholder group.

All fieldwork was undertaken between June and August 2017.

2.2.1 Businesses

Semi-structured telephone interviews were arranged for businesses employing EU migrant workers, with a target of 90 interviews being set, split equally across the three key LEP areas of Humber; Leeds City Region; and York, North Yorkshire and East Riding. In total, the following number of interviews was achieved in each area, with location shown both for where the business establishment was based and the areas in which the business operates (i.e. serves customers) For example, a business could be based in Leeds City Region but have business dealings across other LEP areas.

Table 2.2 Interviews achieved by area

LEP Area	Target	LEP Based In	LEPs Operated In
Humber	30	27	34
Leeds City Region	30	32	37
York, North Yorkshire and East Riding	30	31	41
TOTAL	90	90	90

Source: Business Survey

The overall target was met with 90 interviews being achieved, with these being spread fairly evenly across each of the LEP areas. In total, 53 organisations were micro or small (having less than 50 employees) with the remaining 37 being medium-sized or large (having 50 or more employees), therefore allowing analysis among each of these sub-groups.

To qualify for interview, each business had to employ EU migrants. In total, 32% of businesses had less than 10% of their staff as EU migrants, 43% between 10% and 49% and 15% had at least half of their employees as EU migrants.

Loose quotas were set to ensure that businesses were only interviewed if they worked in certain sectors likely to depend to a greater extent than others on EU migrant workers (based on existing LEP and UK data (see Table 2.1)).

No quotas were set on the profile of EU migrants employed. However, businesses were asked about the typical occupations that the EU migrants they employ undertake. From this, an estimate was taken of whether businesses typically employed high or low skills migrants⁸. Whilst some businesses employed migrants in a variety of roles, approximately a quarter of businesses predominately employed EU migrants in high-skilled roles with the remainder generally employing them in low-skilled roles.

⁷ <http://www.britishchambers.org.uk/press-office/press-releases/prime-minister-must-%E2%80%98show-leadership%E2%80%99-on-eu-migrants%E2%80%99-right-to-remain-%E2%80%93-says-tuc-and-british-chambers-of-commerce.html>

⁸ As defined by ONS <https://www.migrationwatchuk.org/briefing-paper/364>

Businesses requiring higher skills were focused in digital, education, (advanced) manufacturing and health and social work sectors.

Where verbatim quotes are used, detail is provided on the primary sector of the business, its size and the LEP where it is head-quartered.

2.2.2 Recruitment Agencies

Semi-structured telephone interviews with recruitment agencies were undertaken to understand local recruitment issues more widely.

In total, 19 interviews were achieved with recruitment agencies across the three LEP areas. A number of agencies worked across each of the areas, with thirteen working in the Leeds City Region area, eight in Humber and six in York, North Yorkshire and East Riding.

Where verbatim quotes are used, detail is provide on the LEP(s) where the agency provides recruitment services.

2.2.3 Key Stakeholders

Key stakeholders were identified in collaboration with each LEP area. In total, eight stakeholders were willing to take part in the research and were interviewed on a one-to-one basis. Stakeholders included organisations that represent businesses (some sector specific) and organisations involved with supporting and/or representing EU migrant groups. Most of those interviewed had a national or regional presence and were able to comment on all three LEP areas.

2.2.4 EU Migrants

Research was conducted to understand the impact of Brexit on current EU migrant workers. This involved attendance at two local migrant community events to engage with and interview migrants on a one-to-one and focus group setting. Follow-up interviews were arranged with EU migrants that were unable to speak to us at the events. This element of the research focused on the Leeds City Region only. In total, we spoke to 15 EU migrants from a variety of backgrounds. Many of the EU migrants we spoke to had strong links to their communities and were able to represent views from other EU migrants. We also spoke to a number of non-EU migrants ,as they may also be impacted by Brexit, to explore similarities and differences.

2.2.5 Methodological Considerations

This research was specifically designed to provide valuable qualitative insight into the views of a range of stakeholders across the three LEP areas in question rather than results of a quantitative nature. Results should be interpreted with care, taking into account the relatively small sample sizes (especially at sub-groups levels), and the possibility of some selection bias. Despite this, however, the methodology used provides a clear and valuable insight into the issue in question.

Primary research was conducted between June and August 2017. At this time, there was uncertainty around the outcome of the withdrawal process from the EU. For this reason, some businesses were, unsurprisingly, unsure about what the impact of Brexit will be for their business and their future access to EU labour and skills.

3.0 Research Findings

3.1 Labour and Skills Availability

This section presents the views of businesses, recruitment agencies and key stakeholders in relation to general labour and skills availability and a particular focus on labour and skills from the EU.

Key Findings

- The general availability of labour and skills remain a significant challenge across the three LEP areas, due to the shortage of supply at present and the likely impact of potential increases in the cost of low-paid labour
- Many businesses, and particularly those in agriculture, manufacturing and care are already struggling to recruit staff, with the Brexit vote likely to make things worse at least in the short-term
- While not all businesses are concerned about the supply of EU migrant labour, there are sufficient proportions feeling it is a concern to make this a major issue
- EU migrant employees are seen as beneficial due to their work ethic, skill level and flexibility as well as their availability. The loss of EU workers will impact businesses not just in terms of staff numbers but filling these other gaps as well

3.1.1 General Labour and Skills Availability

In order to assess the relative importance of EU migrant skills as an issue, businesses were asked to state the biggest issues or challenges in terms of labour and skills they faced in the next 5-10 years. This highlighted that **three-quarters of businesses had a number of serious concerns around labour/skills availability in general, primarily focusing upon difficulties in recruitment**. This tended to be a concern across a broad range of employers, regardless of sector, size or typical skill level of employees.:

“Our biggest challenge as far as I can see would be employing people with the correct skills. Our applicants need to have GCSE Maths and English before they can do a level 3 qualification in Childcare. Fewer and fewer young people have the required qualifications and want to enter this profession”

[Humber; Education; Micro/Small]

“Probably our biggest challenge would be filling positions in relatively low paid jobs, such as housekeeping jobs. Our competition is benefits – we pay more than the minimum wage, but still it is hard to recruit UK citizens”

[Leeds; Accommodation/Food; Medium/Large]

A similar view was expressed by recruitment agencies, who highlighted concerns about skills shortages and a lack of potential employees as the biggest labour and skills issues for businesses in the next five to ten years. This was seen to be the case across a wide range of sectors, but especially in relation to agriculture and manufacturing.

A key stakeholder from the care sector highlighted the long-standing issue of recruitment and retention that the sector faces. It is difficult to find employees with the right skills and aptitude and keep them in

post at the same organisation. Relatively low wages and unfavourable preconceptions about the sector are thought to be the root cause of the labour and skills availability issues.

This feedback fits with wider evidence that skills and labour shortages are already a major current concern of businesses across the UK. Indeed, just prior to the referendum, UK businesses were particularly likely to have job openings for people with high skills but 69% were not confident there would be enough supply to meet this need⁹. In addition, concerns over the current situation are exacerbated by possible increases in the cost of low paid labour (via increases in pension auto-enrolment and the National Living Wage¹⁰).

3.1.2 Immediate Impacts on EU Migrant Skills and Labour

All businesses and recruitment agencies were asked if they had experienced EU migrant employees leaving the UK or there had been a reduction in the quantity of applications received from EU migrants since the referendum.

Feedback from recruitment agencies suggested a mixed picture, with most saying they had yet to see a notable impact from Brexit in terms of the number of applications they receive from EU workers, although one agency did suggest that it may take around a year (from the time of survey) before the impact begins to be felt. However, some agencies reported that they had already seen EU migrant workers leaving:

“95% of staff in one company are EU Eastern Europeans and the business has lost a quarter of [it’s] workforce recently – that business is [working in] general production of magazines, i.e. a print business”

[Humber, Leeds, York; Recruitment Agency]

“Some seasonal people we expected to return have not returned”

[Humber; Recruitment Agency]

“We have a client base of about 80-100 clients and maybe 50% have reported some drivers have left”
[Leeds; Recruitment Agency]

No businesses in our survey had seen notable numbers of their EU workers leaving already, however, some voiced concern that the current lack of clarity around the exact implications of the Brexit vote¹¹ was leading EU migrants to decide to leave already or to seriously consider it:

“A lot of our drivers have said that they intend to return home because of the uncertainty – they need stability just like everyone else”

[Humber; Transport and Storage; Medium/Large]

⁹ <http://www.cbi.org.uk/cbi-prod/assets/File/pdf/cbi-education-and-skills-survey2016.pdf>

¹⁰ “Work in Brexit Britain: Reshaping the Nation’s Labour Market”, ed. Stephen Clarke, Resolution Foundation. Available here: <http://www.resolutionfoundation.org/publications/work-in-brexit-britain-reshaping-the-nations-labour-market/>

¹¹ It is noticeable that two-fifths of companies have stated that their EU staff have expressed uncertainty over their future residency status (see: http://www.britishchambers.org.uk/J9259%20-%20Brexit%20Principles%20Doc_V6_WEB.pdf) with it being likely that there is equal concern that has not been communicated to senior staff in other companies.

“The main point is if we have no access to migrant labour our business will close, it is an ongoing concern. Although Brexit is years away, it is already putting some pickers off coming. I have had to reassure them that no they do not yet need visas, all the talk of them not being able to come has been very unsettling”

[Humber; Agriculture; Micro/Small]

As noted in Section 3.1, the view of EU migrants was that those who had been in the UK for a long time are less likely to be affected by Brexit. As a result, there were some businesses where staff were appearing positive about their potential to stay:

“The staff I have spoken to think that they will be able to stay. I don't know if they are saying that for my benefit”

[Leeds; Admin and Support Services; Medium/Large]

“Some of our employees have been here 20 years or more. All of those we have spoken to are not worried in the slightest”

[York; Accommodation/Food Services; Medium/Large]

“I do not think there will be many changes regarding EU migrant labour. If we lost the people who work here there would be chaos in the hospitals, agriculture. I am not overly concerned”

[Humber; Transport and Storage; Micro/Small]

While sectors and employers¹² do not appear to be uniformly affected by departing EU workers, EU migrants themselves have already left the country and there is the possibility, particularly with the school year ending, that this may increase further.

3.1.3 Concerns around EU Migrant Skills and Labour

All business were asked the extent to which access to EU migrant labour and skills was a concern. At an overall level, the results suggested a fairly mixed picture, with just over half of businesses either saying they felt it was a big concern (26 of the 90) or something of a concern (also 26) and the remainder saying it was not really a concern (26) or not at all a concern (12)¹³, with no significant difference by area¹⁴. While responses are therefore fairly balanced, **over half of businesses across the three areas said they had a degree of concern over access to EU migrant labour and skills** suggesting the potential for far-reaching impact dependent on the eventual nature of Brexit.

“Although we are not near to Brexit yet, rumours are that there will not be the labour available, we simply cannot get UK people to work for us. We used to have students before they began to get student loans – they no longer need to work to fund their studies”

[Humber; Agriculture; Micro/Small]

“Our biggest issue would be if we could no longer employ EU migrants as they make up a fair percentage of our workforce”

¹² It has already been reported, for example, that “the number of EU nationals registering as nurses in England has dropped by 92% since the Brexit referendum in June, and a record number are quitting the NHS”.

<https://www.theguardian.com/society/2017/mar/18/nhs-eu-nurses-quit-record-numbers> 18th March, 2017

¹³ This is generally in line with UK survey results of small businesses which show that “Over half (59%) of small businesses with EU workers are concerned about accessing people with the skills they need post-Brexit, and 57% are worried about satisfying their demand for labour” <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/a-skillful-exit---what-small-firms-want-from-brexit.pdf?sfvrsn=0>

[Humber, Construction, Micro/Small]

“I would think that our biggest challenge going forward would be recruiting the right calibre of staff, we need access to the EU workforce , we need to be able to access the right people with the experience we need , we do not need additional restrictions denying us access to the best people”

[Leeds; Manufacturing; Micro/Small]

“We find it very hard to fill our vacancies within our local community, and if the EU migrant workers stop coming into the UK we would find it very hard to run our business operation”

[York; Agriculture; Micro/Small]

As illustrated by these quotes, there were particular concerns around the issue among employers in the agriculture sector (and, hence, potentially more of an issue in LEP areas with a higher proportion of agricultural businesses or businesses that depend on agriculture, such as York, North Yorkshire and East Riding). This broadly fits with wider evidence which suggests that migration may be a particular issue in a range of sectors with both high levels of migration and high staff turnover¹⁵.

Businesses who did feel access to EU migrant labour and skills was a concern tended to rely more on EU migrants than those who did not. Digital and administrative support sectors were less likely than others to say it was a concern although this may at least partly have been due to the fact that businesses we spoke to in these sectors did not have a high proportion of EU migrants working there. However, a small number of businesses with larger proportions of EU migrants were not concerned as they did not think there was likely to be any change in the legal status of their workers:

“We have no issues at the moment, we do not think that the EU migrants we employ will have to leave the country”

[York; Accommodation/Food Services; Medium/Large]

This view should, however, be assessed along with the earlier evidence which suggests that **as long as the situation remains unresolved many EU migrants and, in particular, those who have not been in the country for long will not necessarily be as confident in their ability to stay.**

Business/sector representatives felt that some employers are not currently concerned about access to EU labour and skills due to the uncertainty surrounding Brexit negotiations and, for SMEs in particular, the necessity of “business-as-usual” until the rights of EU migrants are announced – they have no choice but to “get on with it” until they know what is going to happen.

3.1.4 Rationale for Employing EU Migrants

When asked, two-thirds of businesses stated that they employed EU workers because they were the best candidate for the role. For others, **EU workers had the skillset or work ethic that was required or were employed due to the general lack of UK applicants:**

“We have very few applications from UK citizens, although we have plenty of job opportunities. EU migrants are willing to train and have for the most part a very strong work ethic. This is not a glamorous job and there is little take-up from UK citizens in our experience”

¹⁵ Submissions to the House of Lords Economic Affairs Committee on “Brexit and the Labour Market” (available here: <https://publications.parliament.uk/pa/ld201719/ldselect/ldeconaf/11/11.pdf>) suggesting this might particularly be the case in hospitality industry as well as the social care and nursing sectors as well as highlighting widespread concerns in agriculture, manufacturing and other sectors with a considerable reliance on EU migrant workers

[York; Manufacturing; Medium/Large]

“Hardly any applicants from UK citizens... EU migrants have a much better work ethic and more positive outlook to work. Mostly [they] have a rural background and are suited for this type of work and are looking for a better way of life”

[York; Agriculture/AgriTech; Medium/Large]

Views from recruitment agencies tended to focus on very similar attributes, suggesting a consistent, shared understanding of the strengths of EU migrant workers across business and agencies:

“EU migrants come here to work so are better for attendance and better performers as that’s their sole objective – to work. They often have a very flexible attitude as usually [they] have come here without families so will work any hours or shifts. They don’t worry about times off, holidays, and don’t take sickness much”

[Humber; Recruitment Agency]

“The UK men are becoming more demanding in asking for higher wages, whereas EU [workers] tend to ask for more hours. They tend to be hard workers, reliable, conscientious”

[Humber, Leeds, York; Recruitment Agency]

Around a third of agencies said that demand for EU migrants had increased over the past five years (most of the rest feeling there was no change in demand), saying this was due to the particular attributes of EU migrants noted earlier:

“Demand has risen – but it’s more complicated than that. Demand has increased because the lack of UK people wanting to do those roles. We do not deliberately seek EU labour, we just seek people to do those role from wherever they come from”

[Humber; Recruitment Agency]

These reasons broadly mirrored those given in a recent survey by the Federation of Small Businesses¹⁶ for why EU migrants were employed, with the main reason given in that survey being that they were the best candidate for the role (42%) or had the right work ethic (30%). Smaller proportions said they could not find UK citizens to meet their labour need (17%), UK citizens with the right skills (14%) or that they did not receive any applications from UK citizens (7%).

A stakeholder representing businesses in the Leeds City Region said that in some high-tech sectors such as digital, EU migrants are often better educated due to greater focus on programming in their home countries’ curriculum. While many businesses commented generally on employing the person with the best skillset, there were three specific comments about the general skill level of EU migrant workers:

“There is a lack of locally available skilled resources, however there is a lot of experienced workers in for example Poland, we would employ on a best person for the job basis in terms of experience”

[Humber; Manufacturing; Medium/Large]

“We employ EU migrant workers because they have the skills we would be looking for, they have a willingness to work, and they are cost effective to our business need”

[Leeds; Manufacturing; Medium/Large]

¹⁶ <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/a-skilful-exit---what-small-firms-want-from-brexite.pdf?sfvrsn=0>

“15 years ago the UK stopped training engineers at college level and that there were no longer enough skilled people to meet their needs in the UK, therefore they needed to recruit from overseas”

[Humber; Manufacturing; Micro/Small]

Businesses in these sectors may find it difficult to replace high-skilled migrant workers with UK citizens. Out of the seven digital businesses taking part in the survey, two employed EU migrants in high-skill roles and were both concerned about the impact of Brexit on access to EU labour and skills. The other five businesses employed migrants in more general/lower-skilled roles and were less concerned about the impact of Brexit.

As a result, **it is likely that if EU migrant workers leave the UK there will be significant gaps, not just in terms of the number of employees but in terms of skill level and work ethic, but also potentially on wage costs** due to the need to attract UK workers, given the comments noted here and it later stages around UK workforce demanding higher wages or businesses seeing themselves as competing with benefits (these issues are examined in more detail in section 3.3).

3.2 Impact on Business of Reduced Supply of EU Migrants

Previous sections highlight the extent to which businesses are concerned by the potential impact of Brexit on access to EU labour and skills. In this section, we explore the ways in which business think they could be impacted. All business and recruitment agencies were asked how the businesses would be affected under the following hypothetical situations:

- If all, or a significant proportion, of the business' current EU migrant workforce had to leave the UK
- If all, or a significant proportion, of the business' future access to potential EU migrant workers was restricted
- Any other situation the interviewee could think of where there would be an impact on their business.

Key Findings

- Agricultural and manufacturing businesses were most likely to say they would be affected if EU migrants left, with sectors which depended less on EU migrants, such as education, digital and wholesale, less likely to be affected
- Around half of businesses (in line with the proportion saying they were concerned) said their productivity and profitability would be affected if significant proportions of EU migrants left
- About a quarter of businesses felt their long-term growth might be impacted, with a small proportion foreseeing no option but closure if they could not maintain their EU workforce

All businesses that we spoke to were asked about the potential impact that there may be on the business if a significant proportion of EU migrant employees had to (or felt inclined to) leave the UK. As may be expected, those who had earlier stated they were concerned about the impact of access to EU migrants were most likely to see themselves being affected and those less concerned were less likely to predict that their business would be affected, with particular concerns in the agricultural and manufacturing sectors. This suggests that the Humber LEP and York, North Yorkshire and East Riding LEP may be affected more due to manufacturing and agriculture, respectively, accounting for a greater proportion of the LEP economies. However, Leeds City Region still has a level of manufacturing activity that is greater than the national average and its exposure should therefore not be discounted.

The main ways that businesses felt they might be impacted by EU migrants leaving related to both profitability and productivity, with these tending to be seen as interlinked by most businesses (those that felt productivity would be affected also tending to state profitability would be similarly impacted). Around half of respondents felt there would be a notable impact, with some seeing it as having a “very serious”, “major” or “massive” impact although some felt the impact would be more minor or potentially only short-term.

Businesses in education (three out of five), digital and wholesale (both three out of seven) were most likely to say they would not really be impacted at all, with this again largely reflecting the lower proportion or number of EU migrants in those particular businesses. However, with regard to the higher-education sector, key stakeholders said Brexit has already impacted on and could continue to impact on EU workers remaining in the UK. Universities have labelled this impact as “Brexodus” as academic staff from the EU are considering/taking positions on the continent due to the uncertainty around their right to stay and the possibility of none or limited future research funding from the EU to UK universities. The education organisations taking part in the business survey were, typically, focussed on early years education. **Those in the agriculture sector were particularly likely to say they would face a major impact** (five out of the nine we spoke to), with around a quarter of those in manufacturing (five of the twenty-four) saying likewise:

“As we have a high percentage of EU migrants, if they all left en masse it would affect productivity in a big way”

[Humber; Construction; Micro/Small]

“It is of paramount importance that we meet our deadlines so we must plant on time as too late will affect the yield of the fruit”

[Humber; Agriculture; Medium/Large]

“Significant effect on production. If foreign agricultural workers left the country [then] the country would experience a famine”

[York; Agriculture/Agritech; Medium/Large]

There tended not to be considerable detail from businesses around exactly *how* their productivity or profitability would be negatively affected if EU migrant workers left as for most it was a relatively straightforward case that the business would be unable to carry out substantial areas of its work. For two organisations in Humber though (one working in manufacturing and the other in agriculture), the impact in productivity was not so much in terms of their workforce but the fact that **other businesses in their supply chain would be hit**.

While for most businesses the productivity and profitability concerns related primarily to the departure of EU migrant staff, for others these were intertwined with a range of other issues. As noted in the case study below, it is clear that certain businesses are finding that their EU migrant workers are not only uncertain as to their current position but affected by the broader economic impacts of Brexit as well:

Case Study 1: Leeds City Region; Manufacturing; Medium/Large

This is a large food manufacturing business in the Leeds City Region area, with around half of their 200-300 workers being from the EU, primarily working as production workers and administrative staff but also in the management team. Similar to many other organisations, they employed EU migrants as they were the best person for the job and tended to find they had a stronger work ethic. They had a proactive approach to their EU staff, accessing European Social Fund money to help improve the skills of their staff and already having arranged a training course for their management and HR to “help and advise people to prepare for Brexit”.

The business felt that access to EU migrant workers labour and skills was a big concern and that if significant proportions of their EU workers left there would be a big impact on their company – “any changes in the law allowing access to EU workers could potentially result in a major problem for our company”. Profitability and productivity would be particularly hit. Whereas their EU workers stayed in the job for a good length of time, there tended to be a notably higher turnover of UK workers meaning less stability and increased internal costs for the company. However, for their migrant workers it was not just the uncertainty over Brexit and their concerns over their long-term future that were issues but also wider economic considerations, most notably that as a result of “the drop in the value of the pound, it was not longer worth their while [to stay]”.

Businesses with a higher proportion of EU migrant workers were more likely to say there would be a large impact on productivity if EU migrants left than those with a smaller proportion. Businesses where EU migrants made up at least half their workforce were most likely to say there would be a large impact if a significant proportion had to leave (five out of fifteen) with those with less than 10% employees being EU migrants were least likely to say this (two out of thirty-two). However, this was not universally the case, as there were some employers with relatively small numbers of EU migrants where there were notable concerns about the possible impact on productivity or profitability, either due to the relatively small size of the organisation or due to the particular skillset provided by their EU migrant workforce:

“We would lose the three EU migrant employees that we have presently – this would have a massive impact on our business due to their language skills”

[York; Wholesale, Retail, Repair of Vehicles; Micro/Small]

“we only have a couple of EU migrant workers, but if they decided to leave together that would hit us quite hard until we could replace them”

[Leeds; Manufacturing; Micro/Small]

“If our four experienced welders were to leave together, this would have a huge impact on our productivity as they are a big proportion of our workforce”

[York; Manufacturing; Micro/Small]

While therefore it is broadly sensible to focus on sectors and businesses with high numbers or proportions of EU migrants, this suggests that consideration should also be given more widely to those with a lesser concentration of EU migrants but who may also depend on them to a significant extent due to their strategic importance.

For those businesses reporting an impact on productivity, there was a similar concern around profitability. Interestingly, impacts on profitability for the majority of businesses were not considered a

long-term issue and it was largely assumed that the business would recover in this area without detailed consideration of the mechanisms by which this would be accomplished.

In order to ascertain the potential wider impact of a loss of EU migrants, all business were asked to reflect on the likely impact on their future growth if a significant proportion of EU migrants had to leave. Largely as a result of the potential impact on profitability and productivity, **around a quarter of businesses felt that there would be a notable impact on their long-term growth:**

“We would close”

[Humber; Agriculture; Micro/Small]

“[There would be a] big impact if we were to lose our EU migrant workers”

[York; Agriculture; Micro/Small]

“Losing our UK workforce would hamper our growth”

[York; Manufacturing; Medium/Large]

Certain sectors, most notably agriculture and manufacturing, felt it was particularly likely that future growth could be constrained, in line with the greater concern over availability of EU migrant skills and labour seen earlier. This is illustrated by the following case study:

Case Study 2: Humber; Agriculture; Micro/Small

The situation of one small business in the Humber area highlighted the importance of EU workers to many similar businesses in the agriculture sector. All 40 employees were EU migrants, working as fruit pickers, and the business relied absolutely on the availability of these staff particularly as they were able to be sufficiently flexible to be available in both main picking seasons. They had built up positive relationships with their EU migrants who tended to return year-on-year and if they could not return they would send someone else over, possibly a member of their family. The business had already begun to feel the impact of Brexit, saying that:

“Although Brexit is years away, it is already putting some pickers off coming. I have had to reassure them that, no, they do not yet need visas. All the talk of them not being able to come has been very unsettling”

Previously the company had employed some UK students but found they no longer wanted to work as they could use student loans to fund their studies instead of working. They had tried to recruit UK workers but this had generally been unsuccessful as it “is hard work and it appears that people here in the UK can get more money on benefits than doing this type of work”.

As a result, Brexit was a considerable concern for business as the future viability of their work was seen to rest upon access to EU migrant labour and their fruit picking could not easily be automated, if at all. Simply put, “we would be looking at closing if we did not have EU workers – without a doubt”.

Key stakeholders interviewed highlighted that for the sectors most reliant on EU migrant workers, there are already issues around recruitment/retention and reduced access to EU labour and skills would add to this.

Against this, around half of all businesses felt that if a significant proportion of EU migrant employees left (or were inclined to leave) there would be no impact on their future growth, with a few more saying that it was difficult to assess at this point in time.

3.3 Impact of Brexit on EU Migrants

This section sets out the views of EU migrants, currently living and working in the UK, in relation to their:

- Perception of Brexit.
- Plans to remain in the UK.
- The impacts on EU Migrant Owned Businesses and Illegal Employment.
- Perceptions of Brexit in EU Migrants' Home Countries.

The views of relevant stakeholder organisations are also considered.

3.3.1 EU Migrants' Perception of Brexit

Key Findings

- The Brexit vote has created considerable uncertainty among many EU migrants, with some having left or looking to leave in the near future
- A range of factors are likely to impact on whether EU migrant workers stay, primarily the length of time they have stayed in the country, their opportunities to move elsewhere and whether they have established family or other links in the country
- EU migrants working in the UK cannot be considered as a homogenous group. Consideration should be given to key sub-groups, including EU migrants who own businesses and those employed illegally

Virtually all EU migrants who were part of our research expressed concern around the EU referendum vote and the direct impact it had on them, their family, friends or community¹⁷. A number **spoke repeatedly of the “fear” they felt or “being scared” after the Brexit vote took place** with most now being uncertain and worried about their future, regardless of skill level or country of origin. There was often a particular concern among those with families in the UK, with one respondent talking of how her children had been bullied at school as a result of the referendum result. Many felt that they were being treated differently compared with before the Brexit vote and also, as a result, that they now tended to automatically interpret how they were being treated or considered more negatively as well (e.g. seeing the advertising of cheap flights to Eastern Europe as a further step encouraging them to leave the UK). **Some EU migrants now avoided speaking in their native language in public because they feared they would be judged or victimised.** Many were also influenced to return by family and friends in their country of origin who were encouraging them to leave (see section 3.1.5). High and low skilled migrants were seen to be potentially impacted differently:

“People with higher skills feel they have more options – if they’re going to be asked to leave they can establish themselves elsewhere. People who have a lower skill level who have managed to get employment over here and have a better quality of life than in their country of origin are more [likely to say]: ‘I’m staying here, I’m not moving’ – it depends on whether they have a permanent job”
[Key Stakeholder]

¹⁷ By way of context, one survey reported that 27% of EU nationals are considering leaving their organisations or the UK in 2017. Reported in: <https://www.cipd.co.uk/news-views/brexit-hub/workforce-planning>

Although lower-skilled workers were seen as potentially more likely to stay, these were also the workers who were seen as less likely to have trustworthy information about Brexit, more likely to feel pressure to return and less likely to be able to afford the current cost of citizenship (including not just the cost of an application for citizenship but for any legal support that may be required). With regard to applying for citizenship, there were several, personal and secondary, accounts of EU migrants struggling to understand the required evidence (e.g. proof of working for five years in the UK) and overcome various barriers in obtaining this evidence. This is particularly difficult for lower-skilled workers who may have been employed on zero hour contracts, via agencies or illegally.

The often negative media coverage of Brexit is unhelpful for many EU migrants, particularly if their English is poor, as some only read the headlines without understanding the context or other sides of the argument. There were examples of members of communities collating and translating (both in terms of language and what the implications for them might be) official Government announcements/developments.

3.3.2 EU Migrant Perceptions about Remaining in the UK

Against the background of Brexit and the concerns noted, it is not surprising that all EU migrants taking part in the research were aware of people moving out of the UK, with the **general perception being that considerable numbers had left or were now looking to leave:**

"Now school's finished I know of ten families who have moved back and aren't coming back"

[EU Migrant Worker; Leeds]

"I see people on Facebook all the time [at the moment]. All people selling their things cheaply so they can move back home"

[EU Migrant Worker; Leeds]

"I've heard a lot of people planning to leave in the near future – 'I'll stay for another year and work and then I'll go back'. I've heard so many people when they triggered the Article saying 'I've got to leave' when they see the headlines"

[EU Migrant Worker; Leeds]

"As much as I'd like to continue to build my life here, I'm not in a position where I need to beg [go through lengthy/costly application for right to stay] to stay here – there are other options for me in Europe"

[EU Migrant Worker; Leeds]

EU migrants with young families felt that it was not until the school holidays started that the impact of Brexit would begin to become apparent, with **a significant number of families waiting until their children had completed that year of schooling before moving back home for good**. A key stakeholder thinks there will be a 'crunch point', as the Government's stance on the rights of existing migrants becomes clearer in negotiations with Brussels, where EU migrants will have to make a decision whether to stay in the UK or leave.

While many EU migrants generally felt uncertain about their situation, this tended to be more the case for those who had been in the country for a short period and hence felt that they were less likely to receive citizenship. This suggests that **uncertainty as to the eventual nature of Brexit is more likely to impact upon those who have only recently moved to the country** than those who have stayed for longer and may feel potentially in a better place to access citizenship or to be allowed to stay. This points towards the possibility that **businesses and sectors with a relatively settled EU migrant workforce may be impacted less than those where there is high turnover and newer staff**.

There were some indications that higher-skilled EU migrants differ from those with lower skills with regard to the degree of concern they feel about being allowed to remain in the UK. High-skilled workers were less worried that they will be forced to leave the UK and more confident they will find good work elsewhere if they do leave. This is explained by a combination of greater work opportunities and easier access to authoritative information on Brexit than their lower-skilled counterparts.

Evidence from quantitative studies has suggested that 36% of non-British workers are considering leaving the UK in the next five years (47% among highly-skilled EU workers), although this may be the case more for EU nationals in London than in the Northern Powerhouse area¹⁸, and that 27% of EU nationals are considering leaving their organisations or the UK in 2017¹⁹.

However, against this there were a number of key factors mitigating against EU migrants leaving the UK, regardless of the Brexit vote and the current uncertainty. These included that **EU migrants had chosen to live and work in the UK, it was their home, and they had invested significantly in society here**, including some owning their own businesses. Wages were higher than in many EU countries and the availability of jobs meant finding employment was still often easier in the UK than elsewhere. High-skilled/western EU migrants tended to be less concerned about finding comparably paid work should they have to return to their home country. Some had lived in a number of other European countries and understandably felt reluctant to move again, particularly when they had settled in the UK. **For many, their likelihood of staying depended to a considerable extent upon their legal situation.** For others, there were serious concerns that they could not return to their country of origin due to racism, other forms of discrimination.

3.3.3 EU Migrant Owned Businesses

During discussions with migrants and stakeholders, EU migrants who owned small businesses were seen as a distinct group from EU migrant employees and from many other employers. While owning their own business made it more likely in some ways for the owner to stay in the UK, as some of these businesses relied upon import or export with the rest of the EU there were particular concerns about the outcome of Brexit on their ability to trade and, hence, the future viability of their businesses. As a result, some may potentially be doubly affected by Brexit, both by being EU Migrants themselves (and therefore unsure about their future in the country) and by having their business impacted by larger economic changes.

3.3.4 Illegal Employment

A number of migrant interviewees knew of other migrants who worked illegally, with businesses such as car washes and nail bars being perceived to be particularly likely work opportunities. At present, the impact of Brexit on illegal employment is unclear although it is possible that, regardless of the nature of negotiations, some of those working illegally now will continue to do so and may possibly be joined by others who want to stay in the country but are not able to do so legally. As stated by one stakeholder interviewee: “migrant workers are still going to want to come”. This raises the possibility of the continued prevalence of exploitative working practices and illegal working within the UK and the three LEP areas²⁰.

¹⁸ <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/international-markets/deloitte-uk-power-up.pdf>

¹⁹ <https://www.cipd.co.uk/news-views/brexit-hub/workforce-planning>

²⁰ Recent research has suggested that forced labour can particularly affect forced migrants and also EU nationals with a legal right to work in this country. “Evidence submission for Modern Employment Review”, Dr Louise Waite & Dr Stuart Hodgkinson, University of Leeds; Dr Hannah Lewis, University of Sheffield; Professor Gary Craig, Wilberforce Institute, University of Hull

3.3.5 Views in EU Migrants' Home Countries

Most EU migrants felt that people in their home countries were not necessarily particularly well-informed as to Brexit. **The overwhelming feeling was that the rest of Europe and potential EU migrants now had an increasingly negative perception of the UK:**

"Friends [in our country of origin] are pushing us to go back home because they see the news. They say: "Why are you wasting your time there? Your children are going to be killed!"

[EU Migrant Worker; Leeds]

"I'm Romanian and what I've noticed is that people [in Romania] used to look up to the UK and that's degenerated rapidly. Now people are comparing the political mess in Romania with the political mess in the UK!"

[EU Migrant Worker; Leeds]

"It's not that attractive [to come here]. It's not fear, it's just not that attractive. They won't put the UK on the top of their list [of places to migrate to]"

[EU Migrant Worker; Leeds]

"[The UK] isn't as appealing to move to anymore. Workers from the EU can't envisage a future here because of the uncertainty around Brexit – why would you want to try and settle here?"

[EU Migrant Worker; Leeds]

This was seen to result in those living in the rest of the EU not only being less likely to consider moving to the UK themselves but also being more likely to put pressure on their friends or family in the UK to return "home".

3.4 Business Planning

This section details the extent to which businesses have made / are making plans to mitigate against the potential reduced access to EU labour and skills.

Key Findings

- Due to the relative uncertainty around the outcome of Brexit negotiations, most businesses were adopting an iterative "wait and see" approach
- As a result, very few businesses had already taken firm steps in their business planning, although some had considered the options open to them
- Around a third of businesses had considered or would consider training UK staff to take the place of departing EU migrant workers although this was largely if they were required to do so
- Similar proportions felt they would look into automating aspects of work if required, with this being most common in manufacture and agricultural sectors
- Due to the length of time to introduce automation or develop skills among the UK labour force, it is unlikely that either approach will be available sufficiently quickly to deal with any short-term impact of a departing EU migrant workforce
- Relocation was not generally being considered as an option by the vast majority of businesses at this point in time

All business respondents (businesses, business stakeholders, recruitment agencies) were asked a number of questions to assess the steps that businesses had taken or may consider taking in terms of the possible reduction in EU migrant worker numbers. These primarily focused upon recruitment

strategy, automation, restructuring and streamlining products or services and relocation of the business. In general, few businesses had looked into or considered particular options with the exception of changing their recruitment strategy and even here this tended to be at the initial stages of consideration. This suggests an **iterative approach to Brexit at present based on leaving larger, concrete decisions until there is greater clarity** as to the exact nature of Brexit and its implications for their business.

"It is difficult to say at the moment what will happen. We could set things in place and then find that nothing changes"

[York; Manufacturing; Medium/Large]

"Since the referendum vote, businesses [SMEs in particular] have been "bunkering down". Business and investment decisions can't just stop because they don't know what the economic or labour impacts of Brexit will be in two to five years' time – they have no choice but to get on with it".

[Key Stakeholder]

3.4.1 Recruiting UK Staff

Around two-thirds of the businesses we spoke to had not made or considered making any changes in terms of their recruitment strategy as a result of potential changes to EU migrant labour and skills. The remaining businesses were split between those who had given very initial, basic consideration to measures such as employing more local workers or introducing apprenticeships; and those who have already examined specific possibilities in more depth, primarily apprenticeships. No businesses had gone beyond examination of possible changes in recruitment strategy to actually implementing significant changes, largely as a result of the fact that most businesses had not yet seen significant losses of EU staff and the associated cost implications:

"Costs would be high because by the time we've trained English staff and the cost of the training they leave work. EU migrant workers will stay for a certain amount of time they tell us. They do not let us down"

[Leeds; Manufacturing; Micro/Small]

"There would probably be some cost implications, we have struggled to find employees in the UK and have had to increase the pay rate in some areas that we cover just to make the job more attractive"

[Leeds; Admin and Support Services; Medium/Large]

"We would definitely feel the impact as far as cost implications go and we would have to recruit staff from the UK, which has proved very difficult in the past. UK workers demand twice the minimum wage to make up for the loss in benefits"

[York; Manufacturing; Medium/Large]

The businesses most likely to say that they had taken (or considered taking) steps to change their recruitment strategy were in the manufacturing sector where ten out of twenty-four said this was the case. Those that were most likely to say they had not considered any steps were those in the digital (all seven businesses), admin and support (seven out of eight), education (four out of five) and wholesale, retail and repair of vehicles (six out of seven). Again, these were generally the sectors that had smaller proportions of EU migrants and were less concerned about possibly losing access to EU migrant workers. Interestingly, five of the seven agricultural businesses we spoke to said they had not taken any steps to change recruitment strategy, with the remaining two commenting generally on the difficulty in recruiting workers, with this likely to reflect the specific needs and difficulty in recruitment for this sector.

Research from other sources backs up the suggestion from businesses that **the costs of recruiting UK staff may be significant**, particularly that the labour market as it stands is “currently unable to meet some employers’ requirements in relation to labour demand”²¹. Small businesses are already under pressure due to increasing labour costs and it may be particularly difficult for “those operating in highly competitive sectors with very tight margins, to consider further wage increases in response to potential labour restrictions from exiting the EU”²².

Moreover, while individual businesses may be able to hire sufficient, suitably skilled staff it is questionable whether this would be sufficient to fill needs across the area and, in particular, within certain sectors²³. Existing evidence suggests particular sectors, most notably agricultural firms, may struggle²⁴ due to the lack of availability of labour in certain areas of the UK²⁵, in significant part due to the relatively low level of unemployment at present (4.9% in the Yorkshire and Humber region²⁶). As a result, **there have been suggestions that there is a need to be cautious in assuming that UK workers can make up any shortfall across the country**²⁷ or in the three LEP areas specifically. One suggested solution has been that there will need to be “much more active labour market policies to get [those who are currently unemployed] into the workforce than simply just freeing up the opportunity”²⁸. As with many other possible economic levers to deal with issues relating to EU labour and skills, this may be necessary but is not likely to be achievable in the short-term.

Research with key stakeholders revealed that **a key issue for some of sectors that are reliant on EU migrants (specifically, manufacturing, agriculture and care) is attracting UK staff, particularly young people**. Work around addressing this issue, such as raising the profile of the sector and possible career opportunities, exists already but will likely need to be intensified if the pool of available EU workers diminishes, albeit ideally by expanding the available workforce rather than “cannibalising” workers from other sectors

3.4.2 Training UK Staff

While **business responses understandably focused primarily on short-term needs in terms of ensuring provision of sufficient suitably skilled staff** (and hence tended to concentrate on training that could be provided by businesses themselves) recruitment agencies tended to take a slightly longer-

²¹ <https://www.cipd.co.uk/news-views/brexit-hub/workforce-trends>

²² <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/a-skillful-exit---what-small-firms-want-from-brexit.pdf?sfvrsn=0>

²³ Figures for the last quarter of 2016 showed 76% of UK manufacturers and 5% of service companies were experiencing recruitment difficulties (close to a record high). http://www.britishchambers.org.uk/J9259%20-%20Brexit%20Principles%20Doc_V6_WEB.pdf

²⁴ “Work in Brexit Britain: Reshaping the Nation’s Labour Market”, ed. Stephen Clarke, Resolution Foundation. Available here: <http://www.resolutionfoundation.org/publications/work-in-brexit-britain-reshaping-the-nations-labour-market/>

²⁵ The Deputy President of the National Farmers’ Union recently noting that there is a need for 3,400 seasonal workers in agriculture in Herefordshire but only 400 unemployed people

²⁶ ONS. (2017). Labour Market Profile - Yorkshire And The Humber. Available: <https://www.nomisweb.co.uk/reports/lmp/lor/2013265923/report.aspx#tabnrhi>

²⁷ Including international evidence that “It is very hard to find international evidence to show that once an immigration inflow stops and certain types of occupation have become heavily reliant on migrant workers, there is a huge inflow of domestic workers. What we have often seen is that if immigration stops, jobs are mechanised or rationalised away. Technology takes over”

<https://publications.parliament.uk/pa/ld201719/ldselect/ldconaf/11/1106.htm>

²⁸ <https://publications.parliament.uk/pa/ld201719/ldselect/ldconaf/11/1106.htm>

term view. Agencies therefore tended to focus on the need for longer-term planning in terms of developing meaningful skills, with this highlighting a range of possible needs:

“There are not enough skills coming from Universities - courses offered and taken don't have a bearing on work at all. Primary skills are left out e.g. engineering, medical, high end tech. Need to drive the Universities to provide courses for the real world.”

[York; Recruitment Agency]

As well as the view that not enough of the right skills are coming from universities, there will potentially be a reduction in the number of available graduates if the rights of students from the EU wanting to study in the UK change and, potentially, if the lack of tuition fees from international students creates revenue issues for local universities.

In addition, employers training staff themselves is not necessarily straightforward, particularly given that **small businesses are currently struggling to train their employees, primarily due to cost**²⁹ and as “British firms tend to underinvest in human capital”³⁰. As noted by one business we spoke to:

“We have tried apprentice schemes, but they have been for the most part unsuccessful”

[York; Agriculture/Agritech; Medium/Large]

This was not necessarily the overwhelming view of businesses, with many having either already set in place suitable links in relation to skills and training (e.g. with the local university or college) or being generally interested in how they could get support from business organisations on this issue. In general, there did not tend to be specific comments about the exact nature or scope of any training that may be required although this may well be sector specific.

This issue has been noted in the Government’s recent industrial strategy which “acknowledges the UK’s “poor performance in basic and technical skills” and commits to creating “a proper system of technical education, to benefit the half of young people who do not go to university and provide new, better options for those already in the workforce”³¹.

3.4.3 Automation

Most businesses had not yet considered or put in place automation to deal with a lack of EU workers, with a small number stating that it would not be possible in their industry (e.g. fruit picking, fork lift driving). Those that were at least broadly considering automation were found solely in the agriculture (two out of eight), manufacturing (five out of fourteen) and wholesale, retail and repair of vehicles (one out of seven) sectors. Of those potentially looking into automation there were a range of views as to the extent that it would have an effect, with most feeling it was something that could be considered but in the correct circumstances:

²⁹ “While almost all (91%) of business owners say they recognise the value of investing in staff training and development, less than half (43%) said they did so. The challenge may be financial, with 43 per cent of smaller businesses saying that the cost of training poses a barrier to investing” <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/a-skillful-exit---what-small-firms-want-from-brexite.pdf?sfvrsn=0>

³⁰ Work in Brexit Britain: Reshaping the Nation’s Labour Market”, ed. Stephen Clarke, Resolution Foundation. Available here: <http://www.resolutionfoundation.org/publications/work-in-brexite-britain-reshaping-the-nations-labour-market/>

³¹ Submissions to the House of Lords Economic Affairs Committee on “Brexit and the Labour Market” (available here: <https://publications.parliament.uk/pa/ld201719/ldselect/ldeconaf/11/11.pdf>)

"We have considered this, but this would not solve the issue of being unable to employ EU migrants"
[York; Manufacturing; Medium/Large]

"We have looked at some automation, but would need to see if it was cost effective"
[Humber; Wholesale, Retail, Repair of Vehicles; Medium/Large]

"We have to consider automation going forward. This is not new and, to a certain extent, there has always been automation in farming"
[Humber; Agriculture; Micro/Small]

While **Brexit may well eventually act as a catalyst towards increased automation**, this is within a context of UK businesses generally seeing themselves as less ready for automation than other countries³². While the sectors that employ the greatest proportion of EU migrants tend to be those with the highest potential for automation³³, this does not mean that automation can necessarily be adopted easily or quickly, with feedback from some in the agricultural sector suggesting that some automation could be at least 10 years away^{34,35}. Machines to pick strawberries and apples are currently in use although, while they can work for 24 hours, they pick at about a third the rate of humans, miss about 15% of the crop and are expensive³⁶. Notably, the President of the National Farmers Union recently reflected on the fact that "with just 10% [of agricultural businesses] willing to increase investment in their business, it does not paint a pretty picture for the progressive industry that we are striving to be"³⁷.

3.4.4 Other Possible Planning Options

Very few businesses had considered restructuring their business to take account of Brexit. A handful felt this was a possible option going forward to take account of the possible loss of EU migrant workers and the resultant impact on staffing:

"We would restructure our workforce when we decide to go with our new automation plans"
[Leeds; Manufacturing; Micro/Small]

"We hope to buy new machinery to increase our plans for automation... [We would consider] restructuring business so it requires less labour, reducing complexity of business"
[Humber; Agriculture; Micro/Small]

The vast majority of respondents said that their business was not considering streamlining their products or services as a result of potential changes in access to EU migrant labour. Most of the remaining organisations said it was something that they may consider in general, although one was looking into the possibility of making specific changes to the structure of their IT department due to potential changes in relation to EU migrants.

³² <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/international-markets/deloitte-uk-power-up.pdf>

³³ Primarily accommodation and food services; transport and storage; wholesale, retail and repair of motor vehicles; administrative and support services; manufacturing; construction. See:

<https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/international-markets/deloitte-uk-power-up.pdf>

³⁴ "Work in Brexit Britain: Reshaping the Nation's Labour Market", ed. Stephen Clarke, Resolution Foundation. Available here: <http://www.resolutionfoundation.org/publications/work-in-brexit-britain-reshaping-the-nations-labour-market/>

³⁵ <https://publications.parliament.uk/pa/ld201719/ldselect/ldconaf/11/1106.htm>

³⁶ "Picking winners", *The Economist*, August 19th 2017

³⁷ <https://www.theguardian.com/environment/2017/jun/05/farmers-feeling-increasingly-gloomy-about-future-ahead-of-brexit-says-nfu>

Relocation was not a consideration at this point in time for most businesses³⁸. In total, three businesses we spoke to were considering it as an option, one of which was a medium/large digital company in the York LEP which was already in the process of planning a new site in mainland Europe and a medium/large Humber business in the wholesale, retail, repair of vehicles sector considering a similar move.

In terms of agriculture, given the lack of immediate, affordable options in terms of automation, farms have pushed for extra productivity via a range of approaches, including metal worktables to grow strawberries that can be picked quickly, growing more profitable strains and even training workers to improve their picking speed³⁹.

3.5 Support to EU Migrants from Businesses

This section draws on views from businesses, agencies, key stakeholders and EU migrants interviewed concerning:

- The support EU migrants have accessed around Brexit.
- The types of support businesses have been offering their employees from the EU.
- How businesses could best support their employees from the EU.

Key Findings

- EU migrants tend to get most support and advice through word-of-mouth and do not naturally perceive employers to be a source of help with regard to this issue
- Employers are willing to help support staff as required but tend to rely on being approached by migrants themselves
- There may be a role for businesses in providing a more proactive approach to employees, potentially involving signposting to relevant organisations as/if required
- Businesses can also potentially support their workers by assisting them, if required, with citizenship requirements (for example, signposting to relevant organisations).

Businesses were generally willing to support workers where and as required with regards to Brexit, albeit that few concrete steps had been put in place at the time the research was undertaken (although a small number had already put support in place – see case study 1)

“Yes, we would support any of our EU migrants with any support they might require”

[Humber; Transport and Storage; Medium/Large]

“We would support our current EU migrant staff with any support they may need”

³⁸ This was also the situation in a recent survey of small businesses where 13% had considered moving their business abroad (see: <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/a-skilful-exit---what-small-firms-want-from-brexite.pdf?sfvrsn=0>) and another survey which reported that “just over one in ten (12%) private sector firms say that the UK’s decision to leave the European Union has led them to consider relocation of some or all of their business operations abroad” (<https://www.cipd.co.uk/news-views/brexit-hub/workforce-trends>). This may be dependent on sector, with a further survey suggesting that a third of manufacturing companies are considering relocating their plants or operations to boost productivity or reduce costs (<https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2017/04/rethink-manufacturing-a-uk-industrial-strategy-for-industry-4-final-report-2.pdf>)

³⁹ “Picking winners”, *The Economist*, August 19th 2017

This is generally backed up by recent research which has provided some evidence that **employees generally have not been communicated⁴⁰ with or offered support with regard to Brexit but that, where support has been offered it has been found helpful⁴¹.**

EU migrants that we spoke to did not tend to automatically perceive their workplace as somewhere where they might go for help and advice on general issues instead, as noted earlier, relying on more personal contacts. Given the uncertainty among many EU migrants, decisions were made on the basis of discussion with family, friends and other EU migrants, often depending upon better-informed colleagues (some of whom were in contact with voluntary, community and social enterprise organisations) to provide them with advice:

“Since Brexit came in they were questioning me about what is best to do – my advice is if you’ve been here more than two years then fight, if not then go home”

[EU Migrant]

“I think a lot of people are using on-line sources, Facebook groups, self-help groups... sites in their own language rather than English... I think I would say that they are not necessarily well-informed about Brexit”

[Key Stakeholder]

While some EU migrants were relatively well-informed as to Brexit (largely those who had been in the country for longer and were well linked into reputable sources of information) this was not necessarily true for many and the legal situation was seen as relatively complex and potentially confusing. **There was some evidence of certain sectors (e.g. higher education) providing information and support on legal issues to their EU migrant employers.**

Although EU migrants do not necessarily see businesses as a source of advice and are unlikely to proactively seek out advice in this way, this does not mean that there is not a potential role to be played by businesses. This may particularly be the case for businesses whose workers are relatively new to the country or not likely to be linked in to support networks, possibly those living in more rural areas in the three LEPs. However, feedback suggests that this would need to be undertaken carefully for a number of reasons as noted below:

- **A key role of support is likely to be psychological** in terms of helping workers feel valued by their employer and opening up channels of communication should more detailed advice/support be required when the nature of Brexit becomes clearer
- Migrants may lack sufficient language skills to understand information in English, particularly if it includes legal terminology
- **Signposting is only likely to be effective if the organisation that people are signposted to has capacity to deliver appropriate support (including sufficient language skills).**

⁴⁰ 52% of non-British employees saying that communication from employers had been either ineffective or non-existent (11% rating it as very effective).
<https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/international-markets/deloitte-uk-power-up.pdf>

⁴¹ “More than half (55%) of [high skilled] EU-27 employees surveyed had not been offered any support by their employers in relation to Brexit. Of the remaining 45% who had been supported, 94% found that support helpful”
<http://www.bakermckenzie.com/en/newsroom/2017/06/brexit-employment-survey>

- Many EU migrants may not live in the area in which they work or have easy access to nearby sites (e.g. if transport is provided directly to and from work and home) – as a result, signposting to organisations near where they work may not always be appropriate

There may be a particular role for recruitment agencies in providing clear advice and support given that some businesses (particularly those employing temporary or seasonal staff) tend to refer workers to their agency for employment advice.

One particular aspect that was examined in detail was the potential role of businesses in helping workers secure citizenship. **Around half of businesses had considered helping their EU migrant workers secure citizenship** if this is what they required with this tending to be the case especially for businesses employing twenty or more EU migrants. This was generally still something that would be undertaken if workers requested it, although one or two businesses had already provided support on this:

“We try to help our EU migrant workers by putting them in touch with organisations that can help them to learn about possible citizenship”

[Humber; Manufacturing; Micro/Small]

EU migrant representatives highlighted the difficulty that many migrants face in evidencing their work history (a requirement for citizenship/the right to stay). If there is a need, businesses could be proactive and more supportive with this by providing evidence for current employment and explaining what they need to ask for from previous employers. Additionally, EU migrants, especially those in low-skilled roles, sometimes work on zero-hour contracts (or other arrangements) that make it difficult to prove you have been working to the required criteria for citizenship. Between now and the UK’s eventual exit from the EU, **businesses could introduce more formal work contracts for their existing employees** where this meets the needs of both employers and employees.

Other suggestions were made by EU migrants and key stakeholders as to how citizenship requirements could be supported, including working to ensure English language requirements were met (e.g. through working with local colleges to raise awareness of ESOL classes) and paying up-front for citizenship/legal support (with monthly deductions from pay). EU migrants in lower-paid jobs would benefit from this the most.

A key stakeholder referred to a local university with support of this nature already available. The university, that employs a large proportion of academic and other staff from the EU, has **put in place an immigration solicitor that their employees can go to for advice and support with citizenship applications**. Whilst this may be feasible and sensible for large organisations that are very reliant on workers from the EU, SMEs do not have the resource or individual justification for such support. However, if a collective need for such support was identified in the larger population of SMEs, a system where businesses pay a small amount each into a pool that would pay for access to an immigration solicitor for employees should be explored as a potential solution.

In the Leeds City Region, there are a number of regular events where local migrant community representatives meet to discuss the issues they are facing and share ideas about how to overcome these. As part of the research, we attended two of these events and were given the opportunity to ask questions about Brexit. Not only did this provide substantial evidence for this report but was also suggested as a potential form of business-to-migrant support. **Businesses (or their representatives) that are concerned about the rights of their EU migrant workers could attend local migrant events to develop a better understanding of the challenges migrants face (around Brexit and**

other areas) and ask questions, specific to their business, to shape the way they provide support moving forwards.

Recruitment agencies were generally split as to whether businesses should support current EU migrant workforce members in securing citizenship, with some thinking they should definitely do so and others slightly more circumspect, including a small number who felt it should be the responsibility of someone else, namely either the migrant themselves or the government.

3.6 Support to Businesses

This section pulls together all of the research strands to provide a view of the support businesses require in regard to the potential labour and skills gaps resulting from Brexit and the role of local business support organisations.

Key Findings

- Some businesses were open to support being provided via business support organisations, albeit more for skills/training (around half) than capital investment or automation (both around a quarter)
- About a quarter of business specifically would welcome support from public sector organisations such as LEPs or Local Authorities
- Due to the uncertainty, businesses did not have a pressing need for specific types of support beyond the general
- There is potential to support businesses through key issues, including provision of information on Brexit implications, advice/support on employee citizenship rights and continuing to represent local businesses to relevant political bodies

All businesses were asked about the nature and extent of support that they felt they may need from business support organisations, in particular focusing on investing in skills and training, capital investment and automation, as well as being asked about steps they had already taken or considered taking.

3.6.1 Support Already Sought

No businesses participating in the study said they had accessed, or considered accessing, support from other businesses or organisations in anticipation of possible changes to EU migrant labour and skills, with the exception of a couple of businesses that had been involved in lobbying efforts in regards to this issue. A number of businesses noted specifically that this was due to the **fact there was a lack of clarity regarding the nature of Brexit, with this not only being a major source of concern but also making it difficult to assess what steps could be taken:**

“The company is waiting to see what restrictions are made by Brexit regarding EU migrant restrictions”

[York; Manufacturing; Medium/Large]

“We will wait and see what transpires from Brexit [in order] to see what steps we might have to take”

[York; Digital; Medium/Large]

“There is so much uncertainty around this issue that it is difficult to make any plans for the business”

[York; Wholesale, Retail, Repair of Vehicles; Micro/Small]

“Our main concern at the moment is the uncertainty surrounding all of these issues”

[Leeds; Digital; Micro/Small]

3.6.2 Support to Invest in Skills and Training

Around a quarter of businesses we spoke to would definitely be interested in receiving support to invest in skills and training, a further quarter felt they might require support around this in the future. The remaining half of businesses we spoke to felt that they did not need any particular support in terms of skills and training (some because they already had suitable schemes set up). Most of those who were interested in support in this area were fairly evenly spread across sectors. In most cases, however, there were no clear current requirements beyond a general interest in getting support relating to skills and training if required (and financial support to enable this to happen):

“We already have support from local universities; they approach us when they have suitable candidates, so we have a ready source of employees. We are not looking for any further support in this area”

[Humber; Transport and Storage; Micro/Small]

“This is something that we would have to look at and take advice on”

[Humber; Construction; Micro/Small]

“Yes, we would welcome support to invest in training and apprenticeships. We have recently been talking to local colleges about this”

[York; Manufacturing; Micro/Small]

“We would like information regarding support with training any new staff within our business, through the LEP”

[Leeds; Accommodation and Food Services; Micro/Small]

“We would look for support with language training”

[York; Wholesale, Retail, Repair of Vehicles; Micro/Small]

The following case study illustrates not only the importance of EU migrants to organisations but also the relative uncertainty in some organisations around how to access support:

Case Study 3: Leeds City region; Manufacturing; Medium/Large

There were considerable concerns around the impact of Brexit at a manufacturing business in the Leeds City Region. They rely heavily upon EU migrants, with over half of their 70 staff members being EU nationals, most of whom work as production operatives or lorry drivers and provide a positive work ethic and work experience that would not necessarily be easy to access elsewhere.

Their EU workforce plays an important role and if these workers were to leave the business “would not function as well” as a result. A primary issue is that their current EU migrant workforce “often do not have the intention of staying in the UK permanently due to difficulty in gaining citizenship and changes in legislation”. As a result, “the workforce is often unstable and changes often, as EU employees often see the UK as a temporary place to be”. This has led the business to look into how to ensure that they have a more permanent workforce, allowing them to have stable workers who are inclined to stay with the business for a longer time.

A key issue was the availability of support both in the present and in the future depending on the outcome of Brexit negotiations. They were looking for training but were unsure who to contact and felt there was a lack of information around sources of advice or support on this issue. Equally, they were not sure where to access help and support if their employees felt inclined to leave the UK and would welcome relevant information to assist them in their decision-making going forward.

3.6.3 Support for Capital Investment

Around a quarter of businesses saw a possible need for support for capital investment from business support organisations, with this being the case for a slightly higher proportion of businesses in manufacturing (five out of twenty-three); wholesale, retail, repair of vehicles (three out of seven) and transport (three out of nine) than other sectors.

Again, however, there was little concrete detail of what might actually be required, with most of those who saw a potential need for support viewing it as dependent on the circumstances and something that “might be something we would consider in the future” (Humber; Wholesale, Retail, Repair of Vehicles; Micro/Small) or that they “might be interested” in (Humber; Admin and Support Services; Micro/Small) than anything more detailed.

Support for capital investment was highlighted by a key stakeholder as an important factor in reducing the general upfront costs for businesses, which would improve business confidence and enable longer-term decisions to be made around recruitment and investment in skills.

3.6.4 Support for Automation

About a quarter of businesses were also interested in support around automation, with this viewpoint being most common among businesses working in agriculture (four out of eight) and, to a lesser extent, manufacturing (eight out of twenty-three). Again, there were not specific needs in terms of this type of support at present, but rather an awareness that this automation may be required and that some support may be beneficial. As noted earlier, for many of the remaining businesses automation was not seen to be a viable option at the time.

Stakeholder interviews revealed that for many organisations automation for the manufacturing and agriculture sectors was under consideration before Brexit as there are significant benefits is proven to be cost-effective. It is thought that if Brexit negotiations result in restricted access to EU labour and

skills, the introduction of automated systems will need to be accelerated. This could be supported with capital investment from support organisations.

3.6.5 Support from Public Sector Organisations

There were few concrete suggestions from businesses as to what support they required from the public sector (e.g. Local Authorities or LEPs) beyond that support may be required depending on the exact nature of Brexit. In general, slightly over half the organisations we spoke to said they did not feel there was any particular support they required, with a handful more saying they were already in contact with public sector bodies. Among the **remaining third or so of businesses there was a general willingness to receive any support that might be available:**

“If we were prevented from employing EU migrants who we rely very heavily on we would need support in understanding these changes”

[York; Manufacturing; Medium/Large]

“We would look into any support offered if we felt that it was useful to the company”

[Leeds; Manufacturing; Micro/Small]

“We always listen to what they [the LEP] have to say – sometimes it is suitable and sometimes not. We would always be interested in any support of any kind that would benefit the company”

[Leeds; Manufacturing; Micro/Small]

However, there were some individual more detailed suggestions:

“If we were to help our EU migrant workers to secure citizenship we would be very interested in any support and help that is out there to secure this important issue – to help them stay and work in the UK”

[York; Manufacturing; Medium/Large]

“We would look to the LEP for support and advice on export matters and any legal complications that we may face going forward. We would also look for any financial support that may be available to us”

[Leeds; Manufacturing; Medium/Large]

While few businesses therefore explicitly requested support from the LEP, it was clear from feedback throughout the research that there are significant concerns from employers around Brexit and the potential implications for access to labour and skills. Given the uncertainty surrounding Brexit that is affecting businesses, there is the potential for support to be provided in a number of areas, most notably:

- **Continue to make the case to Central Government of the importance of EU labour:** it is important that LEPs continue to voice the concerns of businesses, regarding their access to EU labour and skills, to central government. Some businesses were already involved in making representations to Government and this could be amplified with support from the LEPs.
- **Continue to provide up-to-date advice/information:** with the implications of Brexit still unclear, most businesses are unable/cannot justify the resource to formulate plans on how to best deal with potentially reduced access to EU labour and skills. The LEPs have a potential role in ensuring all businesses are aware of progress in the Brexit negotiations and, importantly, what this means for local business. Additionally, LEPs should continue to raise awareness around the support that may be beneficial regardless of the outcome of Brexit (e.g. skills and training development).
- **Strategic readiness:** the research has highlighted the negative impacts many businesses would face if there was a significant reduction in their access to EU labour. LEPs could develop clear plans, in relation to recruitment of UK workers, skills and training, and automation in the event of a decline

of the EU workforce. Addressing potential shortfalls in labour supply will take time to take effect, so concrete and actionable strategies being in place as early as possible will be beneficial. Whilst there should be empathies on the sectors most reliant on EU workers, crosscutting support could reach a greater number of businesses. Regarding automation, the feasibility of this for specific sectors could be explored as an early priority.

- **Ongoing support:** The LEPs should continue their existing business support and perhaps explore how this could be tailored towards the issues highlighted in this report. Support around on-the-job skills and training, recruitment (including raising awareness of career opportunities in specific sectors) could prove most effective in addressing labour and skills issues in the near-term. Consultation and further partnership with relevant organisations such as local education providers and sector representatives could maximise the impact of support and reduce overlap.
- **Support for EU migrants:** Providing specific support on current citizenship requirements and/or signposting businesses to relevant organisations. This could be further developed with local migrant groups/events.

4.0 Conclusions and Recommendations

This research highlights the extent to which the current uncertainty over the broad parameters, scope and nature of Brexit is currently affecting a range of stakeholders. Most EU migrants feel uncertain over their future in the country and have reconsidered their future in the UK. While there are important, positive reasons why many migrants want to commit themselves to stay in the country the current uncertainty means that for others returning to their country of origin is felt to be the best option. This is particularly the case for relatively new EU migrants, those who may struggle to afford citizenship, those without family ties to the UK and those who can easily access jobs elsewhere.

As would be expected, businesses employing notable numbers or proportions of EU migrants tend to be most concerned about the potential impact on their business. This is particularly the case among the agricultural and manufacturing sectors where there are serious concerns about the possibility that their business might close if they can no longer depend on an EU migrant workforce.

The concerns of these businesses are exacerbated by two main factors. Firstly, as noted, the current uncertainty over Brexit making it difficult for businesses to understand the likely nature of Brexit and hence to put in place detailed plans. Secondly, the fact that the skills and labour issues connected with Brexit are occurring at a time of low unemployment and upwards pressure on wages being likely as a result of the combined impact of the National Living Wage and pension auto-enrolment. As a result, many businesses feel understandably unable to plan for the future – they do not know the impact of Brexit and the most obvious source of replacement labour in the form of UK workers seems unlikely to fill sectoral needs in the short-term at least.

There are potential steps that some businesses are considering at present, although the likely cost means that they are unlikely to take definitive action until the nature of Brexit is clear. These primarily include the possibility of automation and skills development, with a very small number currently considering restructuring, streamlining services/products or relocation. However, automation is not necessarily possible for all businesses (particularly some in the agricultural sector) and both automation and skills development may be capital intensive and unlikely to pay off for a number of years.

While the fundamental factors affecting business are not within their immediate control there are some steps they can undertake to support their employees. Businesses can be proactive in looking to provide advice, even if only signposting their migrant staff to reputable sources of information or assistance in meeting British citizenship requirements (e.g. ESOL classes). This will not only make EU migrants more likely to meet the requirements to stay in the country but also encourage their workforce to feel supported and a valued part of the business.

Local Enterprise Partnerships and other business support organisations can assist businesses in a variety of ways, building upon the fact there is a proportion of businesses that appreciate this input and/or see a requirement for it in the future. Vitally, they can continue to be proactive in communicating with businesses and representing their views strongly to those in Government. Businesses can be encouraged to provide any support to their EU employees that may reduce their uncertainty and contribute towards the possibility of their being allowed to remain. Channels of communication, e.g. via Advice Hubs, can be kept open and publicised widely and regular updates can be provided both of what is happening with regards to Brexit and what the LEPs are doing in response. Existing work on longer-term strategies with regards to automation and skills development can be continued, incorporating risk management with regard to possible Brexit scenarios.

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