Migration Advisory Committee Research Paper: Skills shortages and employers of migrant workers

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MAC
MIGRATION ADVISORY COMMITTEE

Summary

The Migration Advisory Committee's in-house research team undertook qualitative research with employers into skills shortages and migration. Twenty-eight in-depth qualitative interviews were carried out between November 2020 and May 2021.

The research aimed to look at the circumstances in which employers use migration as a response to skills shortages, exploring the concept of shortage and how it was experienced by employers in three sectors (construction, manufacturing and IT), employers' responses to shortage, and how migration fitted into their response. This research also built on previous research in the area. A detailed description of the methodology can be found in the Annex.

Employers experienced shortage in a variety of ways: either a shortage of labour/applicants, or a shortage of labour/applicants with the correct skills to perform well in the job. Such shortage could be seasonal, long-term, short-term, or related to plans such as expansion. Shortage manifested itself in terms of the number of applicants for vacancies, the quality and skills of the applicants that did apply, and the availability of alternatives to direct hires. Some employers also experienced shortages in terms of worker progression i.e. staff either lacked the skills, or the desire, to progress to more senior roles. To some extent the experience of shortage also appeared to be related to the strategies that individual employers adopted.

Most employers did not appear specifically to use migration as a strategy for managing their skill and staff shortages (although there were certainly some circumstances, such as Intra-Company Transfers – ICTs – or bulk recruitment, where this happened). Instead, they recruited migrants who were already either in the UK or who were picked up in their general recruitment campaigns. Network recruitment through existing employees, and recruitment through social media, was widespread, and in some cases perpetuated and even embedded the recruitment of migrants to the workforce. Many employers were attempting to broaden their recruitment pool or were contributing to sectoral efforts to broaden the appeal of the industry more widely.

Although employers acknowledged the importance of training and development, issues with progression and skills development for some intermediate roles at RQF 3-5 in particular were noted. In many cases COVID-19 and Brexit acted as disruptors to these pipelines. Although many employers engaged in development work such as talks and partnerships with schools and universities, this appeared to be more successful the closer in time the cohort being engaged with was to being able to take up the jobs being promoted.

As well as recruiting new staff, promoting their industry and company to encourage new staff, and training and developing existing staff, another way employers attempted to reduce shortage was to reduce their need for recruitment. They did this by ensuring they retained staff for longer (for example, through pay, benefits, and ensuring career pathways were visible and achievable), or alternatively by automating work.

The research took place against the backdrop of both the COVID-19 pandemic and the changes to the immigration system that came into force in January 2021, both of which had had a major impact on businesses and international migration. Employers described some of the strategies they had employed to try to work around some of these impacts, including greater use of outsourcing. Although employers had

experienced major impacts from COVID-19, in the main this was viewed more as a short-term threat that would in the long term be overcome, and some businesses had even experienced some positive impacts. However, although the ending of Freedom of Movement had been known about and employers had been able to plan to reduce its impact, in many cases this was viewed as more of an ongoing threat. Employers acknowledged that the long-term impacts of each were yet to unfold.

The MAC would like to thank all those who took part in this research for taking the time to share their valuable experiences, insight and opinions with us.

The observations made by employers and the direct quotes that we use should not be interpreted to imply that the MAC endorses the views expressed.

Introduction

The Migration Advisory Committee's in-house research team undertook qualitative research with employers into skills shortages and migration. Twenty-eight in-depth qualitative interviews were carried out between November 2020 and May 2021.

What did the research aim to do?

The research aimed to look at the circumstances in which employers use migration as a response to skills shortages. We aimed to explore the concept of shortage and how it was experienced by employers in three sectors (construction, manufacturing and IT), employers' responses to shortage, and how migration fitted into their response. This research also built on previous research in the area, as outlined in the Literature review on migration and employer decision-making that was undertaken on behalf of the Migration Advisory Committee (MAC) in 2020.

Qualitative research aims to explore both the depth of individual experiences and diversity of experiences, rather than be representative of the degree to which these experiences exist. This research project intended to illuminate the issue of shortage as experienced in three key sectors: manufacturing, construction and IT. These sectors were chosen out of interest as occupations within them were considered to have acute issues with recruitment and proved challenging to make decisions about during the last review of the Shortage Occupation List (SOL) in 2020, and because they represented a good spread of skill levels and of types of work.

What did the research not aim to do?

The research aimed to illuminate and explore some of the issues faced by employers – it did not aim to quantify that experience and it is not an exhaustive coverage of the labour market, although the number of interviews achieved in each sector, and the coherence of the issues raised both within and across these sectors, does mean that we are confident that the issues being raised are important ones.

Although the research was structured to reflect experiences in three key sectors, and within these sectors we took care to reflect a range of different organisations, the number of interviews carried out meant that it was not possible to reflect all the different industries within each sector, still less to enable analysis at an industry level. Similarly, although we took care to recruit employers from across the UK, we cannot claim that the findings enable robust analysis at a regional or devolved national level. We can, however, provide insights that reflect some of the ways in which experiences vary for specific industries and in particular areas. We have also aimed to draw out some of the ways in which the experiences of rural and urban employers compare, building on some of the findings of previous MAC analysis. Full details of the methodology can be found in the Annex.

1. Employers' experiences of shortage

Summary: Although there were common issues identified that often appeared to create shortage, the ways in which shortage was experienced were unique to each business. It was also clear that some employers felt shortages more acutely than others: to some extent this appeared to be related to specific industries in a sector, but also the strategies that individual employers adopted.

How employers experience shortage

The issue of shortages is a complex one and much has been written about what constitutes shortages (see the literature review commissioned by the MAC from City-REDI at the University of Birmingham; and Warwick University in 2020 for an overview). This section explains the issue of shortage from the perspective of the employers and how it manifests within their businesses, rather than from a purely conceptual view. The employers we spoke to as part of this research revealed that they tended to experience skills shortage as either a shortage of labour/applicants, or a shortage of labour/applicants with the correct skills to perform well in the job.

At the time at which we interviewed employers, several changes to the immigration rules were due to be implemented (or had just been implemented); this inevitably had some impact on employers' experience of recruitment and of shortages. In particular, employers were concerned about being able to replace the EU (European Union) migrants they had previously worked with. This concern was expressed at all levels and in all sectors but appeared to be of particularly deep concern to those who had previously relied heavily on EU labour. This included some employers in the manufacturing sector who were recruiting for RQF1-2 production operatives and RQF3 roles such as butchers. Full recommendations for the Shortage Occupation List (SOL) were also yet to be accepted. These employers explained that they had been unable to fill the available roles with British workers despite – in some cases – attempting a range of advertising and recruitment strategies (these are discussed in more detail later).

> *"In the last year we've had 297 applicants for factory-based roles, only 12% of that have been British people, so it's only about 35 people. But if you put that into context, we've filled 142 vacancies in that time, so there's no way with 142 vacancies over the last year we would have been able to fill that with the 35 British people. So, that was just something that I found when I was looking through our things and I found to be quite shocking."*
>
> (Food manufacturing, large UK single site)

We asked employers how they knew they were experiencing shortage in the roles they expressed concern about. Across all sectors, locations and organisation sizes, employers told us that the main signs of shortage were:

- Number of applicants for vacancies;
- Quality of applicants (whether they were good enough to appoint, and how well they would do the job); and/or
- Availability of alternatives (e.g. agency workers)

- Some employers also experienced shortages in terms of people wanting to access training or being willing to be promoted into more senior/skilled roles (this issue is discussed further in Section 3)

These discussions revealed shortage as not always being related to the absolute number of people being recruited. Employers also said they experienced shortage in terms of a fast churn of employees (lack of retention): one employer mentioned that the churn rate of British workers was especially high among her staff.

> *"Ours is a lot more Polish. I actually had a look at some of our statistics over the last couple of years and of the staff that we've taken on in the last two years, who have since left, the average length of stay for British people is 24 days before they'll terminate their employment, while Polish people stayed an average of 225 days. … it's massive. And even when I looked and other nationalities in that, Bulgarian is 77, Latvian 125, Lithuanian 176 [days]. So, I mean British people are massively lower than the rest."*
>
> (Food manufacturing, large UK single site)

Some shortage was temporary in nature: for example, one employer described his IT company's plans for rapid and large-scale expansion, including the opening of a further two offices. A construction employer told us that for his company, which carries out a lot of work in the oil and gas sector, demand was cyclical, with 2019 having been *"a boom year"*. Temporary shortages also occurred where new/evolving technologies or techniques are becoming popular and demand for workers was outpacing supply. For example, one employer in construction said it was particularly difficult to find engineers in ground source heat pumps, as this is both a new technology and one for which demand is increasing (as part of the government green agenda). Another construction employer described the person specification for a role that they were currently attempting to fill: this employer needed somebody with detailed knowledge of new sustainable, innovative mechanical and electrical installation skills to lead a construction project related to the net zero strategy. The employer had not yet been able to find anybody with the required skill set.

Shortage could also be seasonal, with large increases in demand at particular times of the year – for example the 'Golden Quarter' leading up to Christmas in food manufacturing, which requires staff to be onboarded during the summer months. Employers pointed to not only the need to maintain staffing, but also for certainty around staffing: they said it was not enough to be able to find staff but needed to know that they would be able to do so in order to plan ahead and accept orders. For example, one employer who was interviewed in November 2020 said she had had to reduce the volume of production due to uncertainty around staffing, and had in effect lost work to other European sites (see case study 7):

> *"If we're unreliable in our business production, our customers would go elsewhere. So, already this year we have reduced our volumes and I've probably lost in the region of, you know, it was around 20 jobs that I just didn't have confidence I was going to be able to fill with sufficient skills."*
>
> (Food manufacturing, large UK multi-site)

Employers at RQF3-5 levels also experienced shortage in terms of the people who were willing to enter training courses, take up training that was offered internally, or being able to access suitable training to maintain a sufficient flow of appropriate workers, for reasons including the nature and conditions of the work (in food manufacturing particularly). The lack of individuals entering training was also flagged as an issue by employers we spoke to who were recruiting for manual trade and craft roles, rather than service industry or other roles at the same level. We heard from employers in manufacturing and construction that their view is craftsmanship is not encouraged and respected in the UK as it is in Europe (this issue is discussed further in Section 3). In clothing manufacturing, one employer said that in Europe potential recruits saw clothing design and production as more of a viable career, reflected in the quality of premises and training.

> *"But the problem is also in* [the UK] *is that... , there isn't a culture in this country anymore of a pride of, or a respect in people making things... the country's very consumer and kind of like service industry centred. So, a lot of people who are really good at making clothes are either people from... a sort of* [migrant] *background that were used to making."*
>
> (Clothing manufacturing, micro-sized UK single site)

We spoke to a diverse mix of employers within the IT sector, who identified a common need to recruit the best global talent to create products that are innovative and commercially successful. Within the sector, skills evolve very quickly which means that there may be a mismatch between the skills taught at universities and those in demand by employers. Some employers within the IT sector said that graduates from universities elsewhere in Europe were more work-ready than UK graduates for the roles they were recruiting for, and that UK graduates may need more time to develop the necessary skills. A lack of work readiness amongst graduates is also a theme often picked up in employer surveys, including the Employer Skills Survey and the Confederation of British Industry (CBI) survey.

At RQF6+ level (jobs at or above graduate level) employers said that some skills were hard to find globally. Engineers were said to be much in demand, and fully aware of this fact, and so firms must act quickly to recruit the best candidate. IT employers said that this was also true for roles in their sector: we heard from several gaming employers who told us that the recruitment market is global, with firms around the world competing for a small pool of candidates in order to make the most attractive and innovative games. At other times, the demand for labour was small and employers said they rarely needed to recruit but knew that they would have problems when they did need to do so. One example of this type of role, given by a large employer in the manufacturing sector, was metallurgists, who are used as technical specialists in the manufacturing process.

It could be argued that employers, at times, help to create their own shortages, for example companies that had a preference for lean or project-based staffing, which meant letting go of staff when a project had ended, despite the employers' awareness of the difficulty they often experienced in recruiting suitably-skilled staff when they needed to begin another project. The ability to plan effectively for recruitment needs is, however, also dependent on factors which may be beyond employers' control, for example tight profit margins (for food manufacturing) or sectoral norms and ways of working. For smaller firms it might

also be particularly difficult to keep staff on due to the costs involved in retaining them during slack periods.

> *"But it's very much a transient workforce. Most of the guys that work for us, I mean we try and retain them because we try and maintain a pipeline of projects, so that we can move them from one project to another. Sometimes we're unable to do that, if a project finishes and the next one doesn't start for a period of time, we might have to let staff go if we haven't got suitable projects for them to work on. Or they might leave, very often. "*
>
> (Construction engineering, large multinational)

2. Actions taken by employers to manage shortage: recruitment

Summary: Most employers did not appear to seek out migration as a strategy for managing shortages directly but recruited migrant workers already living in the UK who were seeking positions as part of their own existing (career or life) plans. Where employers did seek out migration as a response to shortages, some of the reasons given included recruiting for a large volume of workers, local knowledge or language skills, as part of an Intra-Company Transfer (ICT – see the MAC's 2021 review of the ICT route), or where skills were in short supply in the UK. Most employers recruited through their employee and social networks, which in some cases perpetuated and embedded a reliance on migrant workers, particularly for roles at lower RQF levels. Some, although not all, employers were attempting to broaden their recruitment pool, or were contributing to sectoral efforts to do this on a more strategic basis.

Ways in which migrants were recruited

Migrants are active agents in work migration

Most of the employers we spoke to said that they did not specifically seek out migrant labour as a response to employee or skill shortages, although this was a more nuanced issue for roles below RQF6 (especially in the manufacturing sector). Migrants instead sought out the positions as part of their own existing short-term or long-term migration plans and were recruited within employers' regular recruitment methods. Employers told us that this was happening at all RQF levels – the examples below relate to production operatives and engineers. Often – as described below – they were already in the UK.

> *"In particular, [EU migrants] were the people applying for those roles. So, with people that had already come into the country, they may be somewhere in here temporarily, somewhat settled and have families here. But that is who we were finding, predominantly, were applying for roles."*
>
> (Food manufacturing, large UK multi-site)

"Engineering staff are very focused on building their... effectively their portfolio of projects that they've worked on. Their CV is huge... you know, their experiential record from working on different projects is hugely important to their CVs. So, you'll find that if an engineer is working on a particular project and somebody comes along with a more exciting, more prestigious higher profile project, they will be tempted to move across, however secure and however well paid they might be, because they see an opportunity to get the new project on their CV."

(Construction engineering, large multinational)

Employers reported that migrants joined their workforce through the following means:

- Formal/traditional recruitment processes:
    - Graduate recruitment rounds sweeping up graduates currently on Tier 4 visas along with UK graduates, where the company then sponsored the employee to switch onto a Tier 2 General (or now Skilled Worker) visa.
    - Applications from out of country: employers' increasing use of social and electronic media (such as Linked In and online jobs boards), rather than print media, to advertise, has increasingly meant that it is possible for jobseekers or those considering a move to the UK to access and apply for jobs. Those working in 'household name' companies also mentioned receiving speculative applications from migrants seeking to enter the UK. In general, employers appeared to welcome this.
    - Applications from migrants who were already in the UK, who applied for a job and were considered alongside other candidates in the normal way.
- Within-company transfers or rotations (within the UK or internationally):
    - Postings, placements, formal rotation, formal links: this happened both in multi-site organisations based wholly in the UK, and internationally where businesses had a multi-country presence, in which case the intra-company transfer (ICT) process might be used.
    - This method was either used:
        - As a process of maintaining more general organisational or administrative links between different parts of the same company; or
        - For a specific purpose, as a process of sharing information or dealing with a particular issue on behalf of the company, or senior/experienced staff coming to the UK to oversee or embed a process. For example, one employer said they would typically use the ICT route to transfer staff from their overseas sites to the UK in order to undertake a specific modification to their machinery. This event generally takes place once in every ten years, which means it can be difficult to find anyone with recent experience in the UK.
- Recruitment through networks:
    - This was seen at all RQF levels: the use of social networks did not imply that the recruitment itself was informal but was rather a way of maximising reach and directing people to a formal recruitment process. For example, professionals in the UK working for another Tier 2 sponsor might apply for a job or be recommended by a contact already at the firm under a

staff referral scheme. This also happened for RQF1-2 and RQF3-5 jobs with some of the construction and manufacturing employers we spoke to. This might also include postings on more informal social network sites such as Facebook, which would direct potential applicants to the company's website, and which could be shared by employees.

- Although recruitment through networks was used at all levels, the lines between using migrants already in the UK and recruiting migrant labour from overseas appeared to be much more blurred at the RQF3-5 and RQF1-2 levels. Here employers made specific efforts to recruit through their existing workforce (and where this was already composed largely of migrants, changed their strategy accordingly). These efforts included social media advertising in other languages and recruiting training and supervisory staff with relevant language skills. It was notable that those who did make specific efforts to recruit from overseas, did so in order to fill these RQF3-5 and RQF 1-2 vacancies, whether through expediency, preference or – in the case of skilled manufacturing trades – because of an overall lack of applicants in the UK. In some cases, the use of social networks perpetuated and embedded this reliance, as explained further below.

Particularly for RQF1-2 and RQF3 roles in manufacturing, employers were clear that they did not necessarily deliberately seek out migrants. However, because of other factors, including the work being located in rural locations with a high EU migrant presence, the lack of interest from British workers (as described in Section 1) and the fact that the work could be done with limited English skills, employers had found that migrants represented a large proportion of their applicants, and therefore naturally also represented a large proportion of recruitment.

> *"We have a factory in around the sort of Peterborough/Cambridge area, and we have traditionally from... certainly from a factory level, certainly had some challenges to attract people to relocate there, from a UK perspective. It also is one of our sites that has a predominantly high European demographic group as well."*
>
> (Food manufacturing, large multinational)

The circumstances where employers did specifically look abroad for staff included:

- A job or project that requires a large number of staff at once. For example, one construction sector employer told us that it is common to advertise for roles at all levels in both the UK and EU for large scale construction projects, or for unusual, infrequent heritage projects requiring high levels of very specialised skills (for example heritage work, such as the rebuilding of Notre Dame).
- A job which requires local knowledge or language skills to provide a service to international clients. For example, one employer in I.T told us that they advertised for German language speakers in the UK and in Germany as they struggled to find individuals in the UK who had a native-level understanding of the language, including cultural context and nuance (being able to notice what was not being said as well as what was being said), in order to be able to tell whether their client was satisfied with their service.
- As part of an ICT – as described above, sometimes the recruitment of migrants was a natural consequence of rotating skills and personnel around a global company, but in some cases the

presence of migrants was more formalised or required. For example, a company with its head office based in another country may require at least one national of that country on the board of the British entity, or a graduate scheme may specifically require trainees to visit offices overseas.

- Jobs where skills were in short supply in the UK, particularly at RQF 3-5 (see Section 3 for a discussion of this issue).

Employers may be attracted to recruiting from overseas to hire individuals to bring new ideas and diversity of experience. This enables them to remain competitive, and recruiting abroad may have a secondary consequence of improving the diversity characteristics of their workforce by attracting applicants who are currently underrepresented, as one employer said they had recruited for several female hires through Tier 2 (although not specifically looking to) which has improved their workforce diversity in roles which generally attract fewer female applicants in the UK.

Although in some cases recruitment of migrants had come about as a result of British workers not being available for, or wanting to do, the work, in other cases bringing in a migrant worker was done to help share skills, or to build a team, as discussed in case study 1, below.

Another common alternative to recruiting overseas was to outsource work overseas or to hire individuals in their country of residence (this is discussed in greater depth in sections 4 and 5).

Case study 1: Recruiting overseas for niche skills and the development of a team of experts

An employer from a games development business spoke of some of the challenges in filling roles within their business and the circumstances in which they would look to fill roles overseas. The employer said it was important for them to adapt and to use different technologies in order to keep up with other global gaming businesses. As a growing industry, new job roles are created which means there may not be relevant UK qualifications for some new job roles. The business recently developed its own level 4 apprenticeship to fit a gap in the market.

The employer said they found it difficult to recruit for experienced individuals for senior roles, roles that require highly technical skills or foreign language skills. They would look overseas in the event of being unable to find suitable candidates in the UK. The employer provided two examples of how the hiring of two individuals from overseas who had niche skills, one in a technical capacity and another in a senior role, was beneficial to the development of skills and knowledge of others in the business.

A programmer from overseas was hired as this individual had an interesting and unique understanding of a particular niche area in gaming based on some research they were involved in. After hiring this individual, the employer ended up building a team of specialists around their new hire. It began with 3 people working alongside, and later a further 4 people were hired. As time went on and the individual's knowledge was embedded with the newly formed team, the team took on juniors who were also trained up. At the end of the process the business ended up with a 10-person team. The individual did not stay in the UK but by the time they returned to their home country, the business had developed a team of specialist people who could continue to teach other people around them.

Another example was of a senior experienced person who had been recruited from outside the UK. This person had acquired some intellectual property into the UK for one of the business's brands. They were recruited at a very senior level and held the vision and creative control of that brand, and when the person had moved to the UK, they brought new experience that the business had never had before. The business was able to operate an entirely new team in the UK, and the employer said the business will be building on that team in future.

The use of social networks

Networks drive recruitment patterns

Several of the employers we had spoken to said they recruited through existing networks. Network recruitment was used to bring in migrant workers at all levels but was likely to perpetuate and embed a reliance on migrant workers, particularly at lower RQF levels.

The manufacturing employers we spoke to (especially food and clothing) said they tended to require either a constant flow of workers (either trained or untrained), or lots of workers for shorter periods of time at seasonal production peaks. Individuals were attracted through recommendations from existing employees,

through word of mouth or sharing social media posts, who could then be directed to formal recruitment channels. Network recruitment was used with both migrants and non-migrants, and enabled employers to recruit workers who were likely to share similar attributes (skilled, high work rate) as well as reducing costs in advertising. In some instances, migrants were recruited through employee referral schemes, where companies offered incentives to employees whose recommendations had led to somebody being hired (it is also worth noting that this may act as a barrier to individuals who are not part of the right networks for more senior jobs.) Speakers of specific languages may be drawn to specific companies, particularly if the employer focuses heavily on recruitment through word of mouth and the use of employee social networks: see case study 2, which also shows how recruitment of migrants could become a self-perpetuating state of affairs. As well as this happening in the domestic labour market, recruiting migrants also had the potential to drive outsourcing strategies: certainly the location work was outsourced, but also the decision to outsource at all, as employers were able to use staff contacts on the same basis as staff referrals in the UK. One employer gave an example of how this worked between their offices in Scotland and their new team in South Africa:

> *"When it comes to good... software engineers, there's... a real lacking in the market. In fact, actually, we've just hired a couple of people down in South Africa because we couldn't get people here. So, we've started to... hire people in South Africa to work for us. … We've just got a few... South Africans in Scotland working for us. And they've got friends* [in South Africa who are] *… software engineers. And then we've hired a couple of those because we just couldn't get the skills here in Scotland, or in the UK."*
>
> (IT – software, medium-sized, UK multi-site)

Employers in construction were also likely to recruit through somebody they knew as it gave some assurance of loyalty and trust in who they recruited, in an environment where it can be difficult to retain staff. Poaching was also a widespread practice of recruitment for employers in construction: it was another way that employers recruited through somebody they knew, and also gave them some assurances of their skills and proficiency.

Case study 2: Recruiting migrants through social contacts

We spoke to a food processing company, who reiterated many of the issues that we have heard from other employers in the sector: British people do not generally want to do the work or find it easy, and there is high employment in the local area for people with good English language skills. British people consequently do not apply in large numbers and tend not to stay as long if they do take a job. The employer finds that almost ninety per cent of her staff are not British.

The need to keep up staff numbers in order to fulfil supermarket orders means that recruitment is ongoing. The company has an online portal but when there is a particular need for staff, the employer also asks existing employees whether they might know anyone that would like a job. Because of both this, and the lack of British people applying to or staying in the company, the workforce largely speaks Polish. (A nearby food processing company employs staff who largely speak another language,

underlining the likely role social networks have played in the composition of the workforce at both organisations.)

The company is focused on growing and developing its own staff from the RQF1-2 factory floor roles into team leader, night shift engineer/technical support and training roles, and employs an in-house trainer. The company is at present focusing heavily on developing people into team leader roles.

Because of the existing nationality profile of the staff at the factory, dual language skills are very helpful to have in these higher-level roles: a quality auditor may need to be able to communicate effectively with the team (but also to fill out a technical report in English). Indeed, the company recently advertised for a trainer and Polish language was listed as an essential requirement of the job. Many of the staff who are employed in these roles requiring or benefitting from dual language skills are migrants who have been in the UK for several years. Even for engineering roles, the company finds that slightly more than half the staff are Polish.

Despite the company not advertising overseas, several factors have therefore combined to embed the employment of migrants into its recruitment processes, and even to formalise the employment of migrants (or at least those who are more likely to be migrants) as part of this trend.

The costs of recruiting migrants

Immigration costs are not considered equally

We have described the circumstances in which employers either found themselves recruiting, or deliberately set out to recruit, migrants. A key difference between the recruitment of British workers and those from overseas is the need to meet the costs and requirements of the immigration system. Some employers mentioned the costs of immigration fees, as well as associated costs such as meeting the salary threshold, in their decision-making processes on recruitment, although those who did so still recruited migrants. Indicative analysis of a very small-scale and limited survey from the All-Party Parliamentary Group on Migration has suggested that, for those employers who are not currently Skilled Worker sponsors, cost (in addition to complexity and the administrative burden) was predominant among the reasons for not doing so. Our Annual report (2021) also commented on the comparatively high cost of the immigration system in the UK, compared to other countries, and on its time-consuming nature.

For the employers who said that fees did influence their decisions, reasons included the volume of jobs being recruited (which would scale up the additional costs, particularly if they were already increasing the salary paid to the migrant above that which would normally be paid, in order to meet the salary threshold), and general cost restrictions arising as a result of other factors, such as lower salaries outside London and tight profit margins within the sector.

> *"But I think the thing from an organisation point of view* [about recruiting migrants] *that kind of causes most angst is the cost. … Where we recruit a Tier 2 general, you know, and*

we're paying kind of all the immigration skills charge as well as all the other costs, plus… fees to [name of advisory firm] *to help us get through the process, you know, it kind of mounts up and the organisation gulps at the additional costs associated with recruiting a migrant, I have to admit. … it has stopped us recruiting migrants in the past, you know, particularly when I… outline then after X number of years they'd need to move on to this salary because, you know, they're in that certain SOC* [Standard Occupation Classification] *code and, you know, and if that doesn't align with what we do for the rest of the population… line managers are very kind of like, 'ooh, really,' you know, you can feel the uncomfortableness kind of in the conversation."*

(Materials manufacturing, large multinational)

"I think it is… more of a topic at a macro level for an organisation and if you find yourself in a situation whereby, let's take the average visa cost being £15,000 to £20,000 and if we kind of look at the range of an individual or family. And then like you say it is £20,000 and over the course of the year, let's keep the maths simple, say we recruit 20 people that's £400,000. It is... a [huge] amount of money. But if you take that £400,000 and go back to the machine operatives, we are saying are earning between £18,000 to £20,000. You know we can employ an awful lot of machine operatives for the amount of money invested. It is certainly a consideration when we look at the broad coat of doing business. But we need to take into consideration for sure."

(Clothing manufacturing, large multinational)

The evidence in relation to the payment of immigration fees for RQF3-5 roles was necessarily very sparse at this time. The timing of the research and the ongoing COVID-19 pandemic meant that employers had little practical experience of the new immigration system: this meant that those who had previously recruited migrants at RQF 3-5 level had therefore done so under Freedom of Movement. Hence, there was little experience of paying these charges for roles at this level within the sample at the time, although employers were aware that this was going to become an issue.

Given the above factors (volume and cost restrictions), however, it seems reasonable to believe that for roles at lower salaries – which will include many RQF3-5 roles – it will be more likely that the balance would more often be tipped in favour of avoiding immigration fees and charges. One IT company gave us a demonstration of how their thinking worked in practice for these roles. They were currently working through their options with immigration advisors, but indicated that cost – both in terms of fees and the salary threshold – was certainly of high importance in these ongoing considerations:

"The aspect that affects us most is the marginal roles, e.g. field technicians, network engineers, they are not unskilled roles … The basic salary is £21k, they earn bonuses on top of that, but you can't count those in the salary threshold. So, unless that role is on the SOL then they don't fit. We could increase the salary, but we have 3,000 technicians, a £4k pay rise for all those people drives a large increase to the business. It is a very fine balancing act ... £25.6k is somewhat above what we pay."

(IT infrastructure, large multinational)

Other employers gave us a very different view. Many employers, particularly those who represented client-facing, fee-earning businesses in the construction and IT sectors, paying above the salary threshold, specifically told us that immigration fees were not a consideration in the decision on whether to hire someone. This is not to imply that companies did not consider the financial impact on the company as part of the recruitment process. On the contrary, they said that the financial impact was of paramount importance, but employers were able to articulate this in a nuanced and carefully considered way. Therefore, while some employers of all sizes did mention both the costs and time involved in recruiting migrants as a potential drawback (with the latter being more of a consideration), on the whole costs were considered in a very rounded way, with employers weighing up:

- The overall added value the individual hire would bring to the company in terms of their ability to do the job well, present well in front of clients, or bring in specific experience;
- The alternatives available to the company in the form of alternative hires: a company recruiting for an in-demand role might find themselves with few or no other candidates;
- Costs to the company – although immigration fees were certainly mentioned as part of these, for RQF6+ jobs in particular, they often did not represent a barrier even when an alternative hire was available. Employers were at pains to point out that immigration fees are only one type of cost that recruitment involves, and that the alternative to hiring a migrant who has applied for a job as the only suitable candidate may well be to use a recruitment consultancy, at even greater expense (around 15% of salary was mentioned as a charge) with no guarantee of quality or retention. Complaints about the cost of recruitment consultants, and often the quality of their candidates, were especially marked in the construction sector.

Recruitment is often reactive as well as proactive, especially in contract-based work: employers are hiring employees to do a job that will earn the company money, therefore they are happy to spend the extra money on migrants even where UK nationals are available, if they believe a specific hire will make more money for the company than the next alternative. In fact, some employers underlined that they had specific processes in place to onboard migrant staff as required, including Tier 2 sponsorship, converting Tier 4 visas to Tier 2, and in some cases supporting migrant employees up to and through the settlement process and making their stay permanent. This is a known phenomenon in sectors relying on highly specific skills, where the cost of replacing a worker is high: for example, Hall and Soskice (2001). Afonso and Devitt (2016) mention that recruiting skilled staff from overseas may be a more profitable manoeuvre for companies than training staff themselves. The point was also made that the investment may be worthwhile if the employee was more easily retained as a result of being under Tier 2 (as discussed in section 4). One employer in the construction sector exemplified this, speaking about how highly immigration fees and charges rank, as a consideration when deciding who to hire for their primarily RQF6+ workforce:

> *"Our major consideration is how good is this person, how well are they going to fit in the business and how well are they going to do the job and how well are they going to appear in front of clients. So, if I've got two candidates, you know, and one of them is, you know, 20% better than the other, but requires a visa, I'm probably still going to employ that person*

because the most important thing is that they are better. … A personal view, recruitment fees are scandalous; any other way is far more economical as far as I can tell."

(Construction consultancy, medium-sized, UK single site,)

"We tend to recruit on the qualifications and experience of the individual rather than their nationality, what I mean is that if we get a good candidate, we will support them for work permits and visas and so on."

(Construction, large multi-site)

"For us to actually recruit the right person who's going to add proper value to the game and the project and the team, then that's, that is a, you know, unfortunately, it's a price that we have to pay. Because of that, you know, that situation we've had to go overseas for the right person."

(IT games development, large UK single site)

Case study 3: Investing in people

We spoke to a multinational engineering and construction company managing a variety of projects around the world from several offices.

The company wants the best, *"outstanding"* graduates, and finds that when they select these from UK universities, they are often on a Tier 4 study visa. The company attends university open days and speaks to several students on the same day and is able in this way to identify some of the students they feel would be a good fit. The company has a preference for selecting the best candidates regardless of their immigration status.

The company representative told us how, ideally, the applicant will be sponsored under Tier 2 for as long as they possibly can. He listed the costs to the organisations during this process: the cost of the visa and legal specialists being estimated to add up to *"on-costs of £5k to £7k just to get the applicant through the door"*. (The representative reminded us that, at that stage, the company still did not know whether the new recruit was going to be successful.) In addition, the company will pay for the visa to be renewed if required, including supporting the candidate to go back to their home country and reapply from there if they need to do that. The applicant will continue to be supported all the way through to settlement and citizenship.

The company representative acknowledged that the process is *"not cheap"*, and that one of the reasons the applicant will be sponsored for as long as possible is to get value for money and give them tenure and security (and also, to some extent, to tie the candidate to the company for as long as they can, this being a highly mobile and employable workforce). He told us that he considered the fact the company is willing to pay these costs was an indication of how highly these graduates are valued, and their worth to the organisation.

The employer very much welcomed the removal of the Resident Labour Market Test (RLMT), which he said had previously caused the company to lose out on candidates who had other offers and were not prepared to wait for the RLMT to be applied: he told us that when they go into universities they have effectively already identified the best person for the job and the person with the skills they want, and said that in these circumstances the RLMT acted only as a disruption (although the RLMT did count university 'milk rounds' as acceptable places at which a job could be advertised).

Broadening the recruitment pool

Employers are trying to tap into new sources of talent, particularly following the end of Freedom of Movement, but other constraints exist

As we noted in our Annual Report, some employers said that they were actively seeking out "new" (i.e. under-represented) pools of labour from which to recruit. They did this in two main ways: looking at new pools of labour, including from those who were demographically under-represented, and being as flexible

as possible with terms and conditions (and/or job redesign) to suit as many people as possible, or to make the job more suitable for these under-represented groups. In our Annual Report we specifically referred to butchers, however, we heard about efforts to find these new sources of recruits from employers of other occupations as well. As we discussed in Section 2, typically these employers were heavy users of EU labour (whether or not specifically recruited as such) who recognised that they would find it increasingly difficult to replace workers following the end of Freedom of Movement.

Sources of new or different recruits mentioned were:

- People who had previously worked in other occupations who had been furloughed or made redundant;

> *"We had florists, we've had chiropractors, we had individuals from a real cross section come and join our organisation. … We're always looking to remove barriers wherever we possibly can within our recruitment process, and encouraging individuals from different talent pools to come and actually... we are not just saying we want permanent staff members and giving flexibility on the working arrangements, so flexible working, part time, shifts. So, contact centres are open 24/7 and we have set shifts, and what we actually said to people is tell us what you can do, and we will accommodate that wherever we possibly can. And that was a big barrier, particularly with childcare, with schools closing, aftercare clubs not being available, we recognised that people needed to have a lot more flexibility in their work. So, wherever we could, we removed those barriers and actually said to people, tell us what you have a preference for, the days of the week, the hours that you can work within them. We weren't prescriptive on terms of the background or experience that these individuals had. They didn't have to necessarily come from an industry background or even have customer contact experience within that. It's really very much about the behaviours they displayed."*
>
> (IT infrastructure, large multinational)

- Women (in traditionally male-dominated sectors and occupations): as described in our Annual Report,

> *"From being I think perhaps quite a traditional employer with a high male profile, we've actually significantly increased the number of women, particularly into our butchery department and we've redesigned the nature of the work so that that work is more manageable by women. And we've also provided clear progression and provided, you know, equality, a real clear focus on equality of progression, to support our women workers. We've also provided… flexible contracts, so we now have some part time work, that's something again that I want to explore, around how we can tap into new employment markets."*
>
> (Food manufacturing, large UK multi-site)

- Ex-members of the Armed Forces;

> *"The armed forces, where we've had people that have retired, say within logistics, that absolutely lends itself because their training and, you know, the experiences they've had have been absolutely brilliant, to be able to bring them into our organisation."*

(Construction engineering, large multinational)

- Ex-prisoners; and
- People who have a disability (and who were otherwise experiencing difficulty in finding employment)

However, not all employers showed a desire to widen their recruitment strategies, and some showed a reluctance to change job conditions – or indeed were actively engaged in making these less flexible, despite having noted that the work currently does not attract British workers. While there are no doubt other conditions at play, and sound business reasons for such reorganisation, everything else being equal it is likely (as we noted in our Annual Report) that the employers who are able to offer conditions that suit the greatest number of people will be those who find it easiest to recruit staff.

> *"I think that the long hours and it is mainly standing all day, so I think for a lot of people they might come with us, and we try to be as transparent as possible at the stage of application, but I think, even however much you tell them, there is always that shock. … it used to be, maybe about a year and a half ago, they used to have part time shifts as well, maybe either Monday to Friday, nine till one or two, I think. There was that shift pattern and then there was also another shift which was again part time hours. So, we did have quite a few, maybe about 20/25 people on that. … We needed to kind of, just for better organisation, just simplify down to the four* [eleven-hour days] *on four off. … my boss is very passionate about not deviating from that."*
>
> (Food manufacturing, large UK single site)

Some jobs also appeared to be inherently more likely to be done by a more transient group of employees, amplifying recruitment and retention difficulties. One RQF1-2 employer we spoke to in the manufacturing sector was open about the fact that production line jobs did not tend to be done by the primary income earner in a family, and that the other groups they were able to attract as a consequence were not able to be as reliable as migrants who were in the UK more temporarily. Case study 4, below, demonstrates how this worked in practice, and provides a further example of how short-term practical solutions to recruitment difficulties can perpetuate a reliance on migrant labour.

Case study 4: The importance of public transport

We spoke to a representative of a large food manufacturing company. The company has historically had difficulty in attracting local labour into its training programmes, something that they ascribe to the declining profile of butchery as an occupation, and the easy availability of alternative employment in the local town. The company therefore finds that many of their workers are migrants.

The company has been making efforts to attract different groups of people, including liaising with Jobcentre and Return to Work schemes, making jobs available to prison leavers, bringing in more women, and encouraging young people to consider butchery as a career. The company provides real examples of how workers can progress from entry level roles into skilled, supervisory, and managerial roles.

Despite this, the company finds that the site's rural location is a hindrance in terms of their ability to retain British staff. Local housing is very expensive, and they find that production line workers – who are often younger people, part-time workers, or the secondary income earner in a family, do not have the funds to pay for their own transport and are therefore reliant on lifts which can impact on their attendance; this means they are more likely to drop out of work. Public transport to the site is non-existent: despite the company lobbying the local council, it is easier for potential workers to get to the nearest town.

As a partial solution to these difficulties, the company has provided housing in mobile homes for site workers. This is located next to the manufacturing site and means that workers can travel to work easily. However, local workers are not attracted to this housing, whereas migrant workers very much prefer it as it is cheaper, they can get to work easily, and have a ready-made community on-site. The company can see the situation clearly but does not feel there is an obvious solution in the absence of public transport.

While some employers have experienced success in broadening the appeal of their roles and hence the demographics of their employees, it is likely that there will be other considerations and pressures that employers will need to navigate – potentially even new considerations and pressures as a result of broadening the pool of employees – and hence that the potential for broadening recruitment will not be unlimited.

> *"Where we remove barriers, but there's certain criteria to this role… of course, these roles also potentially are residential, going to an individual's property. We are subject to criminal records checks, so we cannot, at that point in time, employ everybody that applies for us. Within that particular category, what we do experience is a number of individuals tend to have some form of criminal records and, whilst we will actually say we accept to a degree some of those, some of the more serious ones, we wouldn't want to put someone with a drugs offence into an environment where they may be faced… going into someone's houses*

where there's open drug usage, and we do see that. We… would never want to put someone in that, so we do have certain barriers to entry, which we're not going to avoid."

(IT infrastructure, large multinational)

Illegal migration and working

Shortage leaves a vacuum for possible illegal recruitment and working practices

A small number of employers we had spoken to said they had unknowingly come into contact with, or become aware of, individuals who were carrying out illegal recruitment practices. These illegal practices appeared to have arisen due to a vacuum left by shortages (where the market is not sufficiently responding), with the gaps subsequently being exploited by middlemen such as rogue employment agencies who had seen a business opportunity.

Case study 5: exploitation and potential trafficking

One employer in manufacturing who was recruiting for a job in their factory had been in touch with an 'agency' represented by two men. These men had asked for a 30% cut of the worker's salary, on the grounds that they were employing the worker and were paying their hostel fees. The employer was uncomfortable with this: "*we didn't know if it was trafficking, or where these people were coming from*". The employer had signed a 3-month contract and therefore had to pay the agency, but they did not take on the worker and quickly cut ties with this agency.

Another employer within construction spoke of a young worker from Eastern Europe who they had *"rescued from a 'ganger'"*. The worker and others in the team had not been paid as the employer had *"cleared off with £6,000 of wages"*. After waiting for several days, the 'ganger' could not be located, and therefore the employer who we had spoken to decided to take on all the workers formally and pay them on his books.

Whilst these employers had avoided becoming involved in exploitation or encouraging the act of trafficking or illegal recruitment practices, it is likely that not all employers will act similarly and that there will be individuals who turn a blind eye to exploitation or seek to evade the system using migration, given the demand for skills.

3. Actions taken by employers to manage shortage: training

Summary: Employers acknowledged the importance of training, retaining, and developing staff, but also noted issues with progression and skills development for some intermediate roles at RQF 3-5. Employers also acknowledged the importance of building and maintaining talent pipelines. However, attitudes varied on whether or not these pipelines should be maintained within the business (and hence represent an employers' responsibility), or within the industry/sector for employers to tap into as and when needed. Some employers engaged in development work but did not consider this to represent part of their pipeline given the timescales involved. COVID-19 and Brexit acted as disruptors to these pipelines in many cases. Employers noted particular difficulties in progressing individuals from RQF1-2 jobs into RQF3 jobs, training at RQF3-5 generally, and from RQF3-5 to RQF6+. The extent to which companies took a long-term or short-term view varied by the size and nature of the business. This section explores the extent to which employers planned their workforce, the extent to which they trained their staff, and how migration complemented these strategies.

Workforce planning

The employers we spoke to described a variety of approaches adopted with regard to workforce planning. The approach adopted was driven to some extent by the size of the company. Those with the most elaborate planning systems were large multi-site or multinational companies, which can move employees around internally, both within the UK and between countries (ICTs or permanent transfers), as well as recruit to fill gaps. Smaller companies either carried out a scaled-down version of this process or filled vacancies on an ad-hoc basis.

> *"I mean we look at things like the age profile of our workforce, obviously there's no set retirement age now, but you can get an indication in terms of if you've got an aging workforce, what we need to do in terms of that manpower planning. We look at the turnover, so we look each year where we've had hotspots, where we've lost more employees or maybe more people with certain skills in certain sites."*
>
> (Food manufacturing, large UK multi-site)

However, workforce planning can also be naturally driven by the nature of the business. Manufacturing businesses appeared to have a more predictable flow of work (although this did not mean that demand was constant or easy to fill – for example, the seasonal peaks discussed in Section 1 on shortage, above). For the IT businesses we interviewed, the tendency was to plan by financial year according to the product development schedule (most being games companies). In contrast, the construction companies we spoke to tended to plan on a project-by-project basis, although they maintained a core staff.

> *"I suppose it depends on the size of the projects as to how fluid and what's going on within the company. … Typically, because of the work and the project work that we do. There's about 65% of our workforce at any time is made... or in an ideal situation, is made up of staff, and the remaining 35%... and these are only sort of rough figures, but this is an ideal*

situation, are made up of agency contractors. Because obviously, when we are quiet, we do not want to be making our staff redundant. So, that is very typical within the industry."

(Construction engineering, large multinational)

Training, apprenticeships, and the skills pipeline

Employers in all sectors indicated the importance of the training and skills pipeline in terms of the value of:

- Developing skills for the next generation of workers in the sector;
- Ensuring training is of the required quality (and in some cases uncertainty was expressed about whether UK colleges are delivering appropriate quality);
- Ensuring that employees are developed and brought on, both as a strategy to attract and retain employees (by showing them that there is a development and progression pathway), and as a means of ensuring that employees were available to carry out all the necessary roles at all skill levels within the business.

The importance of training and the skills pipeline has also been raised at a sectoral and governmental level: for example, the Farmer Review of the UK's construction labour model (2016) highlighted the sector's "dysfunctional" training funding and delivery and commented on the lack of appeal of the industry to school leavers. Similarly, the UK Digital Strategy (2017) highlighted the importance of skills development in the IT sector, and the importance of providing suitable training has also been stressed in relation to manufacturing (2013)

Afonso and Devitt (2016) refer to the dual role migration can have regarding training, acting variously as a substitute for appropriate training of the domestic workforce, and alternatively as a complementary factor enabling greater specialisation of the workforce through importing individuals who already have the necessary skills. Businesses naturally expressed a preference for those who already possess the skills they want. However, all employers of any size beyond micro-businesses (and even some of these) we spoke to had some form of training in place. As expected, employers at RQF6+ level offered graduate training; this varied in degree from on-the-job training to formalised dummy client projects, in-house training, or sponsoring the employee through further qualifications such as charterships. There was an acceptance that graduates would need further training and development in order to become fully work-ready. Many larger organisations also had apprenticeship and student sponsorship programmes in place to secure their talent pipeline intakes at varying levels, but again, these were less likely to exist (or were more ad hoc) at smaller companies: this was another issue previously highlighted by the Farmer Review in relation to construction, but which applied across the sectors we looked at.

"We've got… well-established apprenticeship programmes for example, you know, that we kind of feed every year, in terms of numbers through the organisation. And then we also have another kind of feed in our higher apprenticeship routes… the people who've just kind of done A Level, that type of level. And then we also have quite an active graduate talent pipeline, with sponsored students and kind of graduate recruits. And in addition to that, we have something called the engineering doctorate programme, which is in partnership with the universities, where we sponsor PhD students… to kind of then be … some of our

specialist technical roles in the organisation. … We've always kept our talent programmes going because we know, if we do want to be in here in five years' time, we have to kind of invest in those skills and in bringing in fresh blood into the organisation."

(Materials manufacturing, large multinational)

"We have had an IT apprentice before, [but] *we've not had apprentices within any of our dev roles... I don't think for any particular reason,* [just] *that we've not thought to do it really. We, I mean, we definitely do get a lot of kind of graduate things we do. We are kind of like an industry to take in a lot of junior positions, and then like train people up to, you, we're not so fussed about always finding someone who's got like three years' experience that, you know, we're more than happy to take on graduates, but we don't have a graduate scheme, per se, or like an internship scheme. We just take on kind of case by case, really."*

(IT – games development, medium-sized UK single site)

A few employers had created their own training and/or apprenticeship programmes: one employer said that they had created an apprenticeship in digital community management five or six years ago as there was no existing qualification that suited their needs. Other employers were able to invest heavily in their own training programmes and "academies" given that the scale of the business warranted it:

"They are very good at training, so we have a lot... we have something called [Company] *University where there are many, many thousands of different online courses. We have a training board, so where employees wish to, I don't know, do a master's* [degree] *or get their chartered status or whatever, SIPS or whatever, for procurement, we are able to put them through, a request is put in by the manager and... that's* [how the] *training goes on. In-house training, there's a lot of classroom-based training where we get either external training bodies to come in, or all our own senior management are also expected… to participate in training or become* [trainers] *so we have a lot of train the trainer courses, so there is a lot of in-house training."*

(Construction engineering, large multinational)

Employers in the manufacturing sector also stressed the importance of providing staff, even at RQF1-2, with a career pathway and with opportunities to progress and/or upskill. For example, a line operative might become a more skilled line leader, then a team leader, and then potentially progress into management. Although these career pathways also existed to encourage graduates to make a career in manufacturing, employers we spoke to in this sector were clear that they would encourage any employee who wanted and showed the ability to, to develop in this way.

"I guess we'd have what we call a standard operator, so somebody that would come in at that lowest level. What we then have is moving those individuals up to developed operators, so what that means is more responsibility and a bit more autonomy. You'd then move that individual into roles such as line managers, then ultimately up to shift managers and then, to

that sort of more leadership perspective. But the operator role also gives a really good foundation in our business, understanding of manufacturing, which means you don't always have to go up, you can go across. … So, we've had operators move into subsequent upskilling in terms of an engineering apprenticeship and moving into engineering, or into our quality team, so therefore looking at more of the science and the, you know, ensuring that the product meets customer standards, that sort of element. Or indeed, moving into any of the more corporate roles. So, for me, that operator role again, you know, broad references to that role being unskilled, again it's that foundation knowledge that then enables somebody to move onwards or across, or as they want to develop and as we need them to develop as well."

(Food manufacturing, large multinational)

There did, however, appear to be difficulties in both encouraging and accessing skills development, and progression of staff within RQF3-5 roles. This was attributed to several factors:

- **Lack of workplace training**: Some manufacturers we spoke to had experienced problems accessing the necessary training to develop their employees, or had found the training too costly, especially if they were working in an industry with very tight margins, such as food or clothing manufacturing.
- **The importance of training having a practical/applied experiential component** was stressed at all levels, from RQF1-2 roles to graduate roles. Employers strongly emphasized the importance of both occupational and educational skills. The importance of these skills is borne out by research into both the Canadian and Australian Points-Based Systems, which highlighted the stronger reliance on occupational experience as one of the reasons the Australian system performed better. Although employers were respectful of and valued both academic qualifications and classroom learning, the view was expressed that experience (at RQF3-5 especially practical, including learning from and being developed by more experienced workers, and at RQF6+ particularly client-facing) was also immensely useful in developing staff into more useful workers.

"It [is] *really kind of building of the skills, knowledge and experience from the start. But it is very vocational, it is very hands on, and I think there are two phases to it. One, there is the classroom-based training, but a lot of it takes place when individuals get onto the shop floor. And they will be buddied up with more skilled and experienced colleagues who will provide some real-time kind of directions and coaching and oversight."*

(Clothing manufacturing, large multinational)

"So, and I find that when I'm... teaching I will say to the students... it doesn't feel like you're going out and looking at clothes and looking at how they're made, or buying vintage clothes or like, it doesn't feel like you understand it as about making things. You know, it feels like you just do a nice drawing on a page, there's not enough passion or interest in the idea that actually at the end of the day it's making, you know, so... to go back to the very start [it] is

the idea of giving people that idea that it's something that is admirable to do, and obviously... without being too naive, but it's well paid enough to do. "

(Clothing manufacturing, micro-sized, UK single site)

Related to this and other points made elsewhere, employers suggested that one of the reasons that – as discussed in Section 1 – employees for roles requiring craftsmanship and skill were hard to find in the UK was due to a small and declining potential workforce, both in terms of those who already have the skills, and those who wish to learn them in the first place. This phenomenon – the "hollowing out" of the labour market – has been observed across the UK and Western Europe, and has been outlined by Goos and Manning (2003) as a process of labour market polarisation into jobs with short training requirements at one end, and jobs with longer training requirements at the other.

"This is a skill set that is very much imperative to us as a business when it relates to the ability to manufacture clothes by hand and the associated quality and expertise that comes with that. And I think that is a very good example of a role where the pool of talent is diminishing. We are and have been looking to invest heavily in terms of training, bring apprenticeship in so on, and so forth, but it's one of those skills and roles which are highly technical and require a huge degree of qualification, but it's also one of those roles that it is kind of manual labour. It is work with the hand and as a consequence of that we are finding that role in particular increasingly challenging to get individuals with the right skills and capabilities in the first instance. Or with the motivation and desire to come in and be upskilled in the appropriate way to be able to perform the role as we need it to."

(Clothing manufacturing, large multinational)

- **The lack of apprenticeships:** This was ascribed to lack of investment (on the part of both government and employers), and interest, as outlined both above and below. While larger companies, or companies primarily employing RQF6+ staff, might have apprenticeship programmes in place or be willing to take on apprentices, in small companies in particular, employers said that this was not always feasible on cost grounds – notable exceptions being in family construction firms where relatives might be taken on (or individual employees acquired where this relationship could be replicated), or companies where training formed part of the business revenue-generating model. Again, manual, craft and skilled manufacturing roles were specifically singled out here: employers felt that greater effort could have been made to support these skills and encourage individuals to take up apprenticeships and eventual work in the sector.

  "The experience isn't there in the UK, it might sound a political statement, in many years… in the last 20 years we haven't been investing in apprenticeships and so the skills in the UK just don't exist, upholsterers in the UK who have been born and trained in the UK, they just don't exist."

  (Manufacturing, large UK single site)

- **Lack of interest:** Employers in the manufacturing sector said that employees in RQF1-2 jobs often did not want to access training or to progress, for reasons such as being content with their current role or work conditions. There therefore appeared to be a disconnect between RQF1-2 roles and roles requiring more advanced skills, meaning that although employers made efforts to train their existing workforce, they also had to find rather than train workers at RQF3 and above. Due to the lack of availability of these workers within the UK and the different Immigration Rules applying prior to January 2021, employers said that many of these roles at RQF3+ had been filled by EU migrants, whether already in the UK, having travelled to the UK for work, or even having been expressly recruited from overseas for the role.

> *"They all regard themselves as craftsmen, they all regard themselves that they... they are happy with their quality of work, their quality of life, and they don't wish to progress."*
> (Clothing manufacturing, medium-sized, UK multi-site)

A similar issue was also raised in relation to RQF3-5 jobs moving into RQF6+ supervisory or managerial roles: some employers said they had tried this but found that it had not been a success, or that their staff had preferred to remain where they were because they enjoyed aspects of the job, or it suited them, or they did not want the extra responsibility. For example, a few employers in construction said tradesmen who moved into site management roles often found this challenging and would move back to their former position. The employer would therefore look to hire site managers externally. A more successful model in this respect appeared to be the graduate scheme model, whereby new entrants to a graduate scheme worked in lower RQF roles for a time (for example, on a production line) as part of their training before moving into management. This is of course unsurprising as these employees have been recruited on the expectation and understanding that this was what would happen: it does not mean that the converse will be true, and that all employees starting in routine occupations will necessarily want (or be able) to move up. Employers have the task of squaring this circle, maintaining a realistic prospect of advancement for those in lower RQF level jobs who want to advance, whilst also acknowledging that many individuals will not wish to do so.

> *"I don't think a lot of people want to do it. A lot of guys want to be a site manager and find it too stressful and then go back down to work on the tools, it's quite interesting."*
> (Construction, micro business, UK single site)

Although this was not raised by the employers we spoke to, it is also relevant to mention here that the phenomenon of migrant workers working in jobs for which they are overqualified is well known. Given that this paper is primarily concerned with the employer perspective, and employers were referring to their current migrant workforce, it is possible that this, and other known barriers such as a lack of familiarity with UK job search systems, or the lack of UK-specific skills, or a mistrust of foreign qualifications on the part of alternative employers were also acting as barriers to progression.

Some questions were also raised about the quality of training available in colleges and universities: in construction and IT in particular employers said that, although formal education was valuable, classroom

training was not at the cutting edge of practice and did not necessarily keep pace with workplace innovation.

> *"Our environment is the R&D is really done in in companies rather than being done in universities. We are often leading academia, and academia are playing catch up. It's not like medical school where you've got people researching COVID and other illnesses to then transfer into practice. It's the other way round."*
>
> (IT – games development, large multinational)

It will remain to be seen whether training programmes at both the employer and sectoral level will need to increase in volume following the end of Freedom of Movement: as mentioned earlier, the availability of training is only part of the issue. Many of the employers we spoke to did participate in longer term development work, such as promoting the sector in schools and with youth groups; however, this appeared to be considered as pro bono work or work to support the wider sector, rather than a strategy that would make a genuine difference to their own pipeline, primarily because of the lead times involved. A partial exception was where the cohort being engaged with was close to the time when they would enter the workforce – for example work with schools for manufacturing roles, or work with universities for RQF6+ roles. Partnership and work placement schemes with universities for RQF6+ roles appeared to be highly successful, and several employers had recruited staff (both British staff and migrants) in this manner.

4. Actions taken by employers to manage shortage: reducing the need for recruitment and training

Summary: We have so far considered both how employers recruited employees and how they made sure the employees were appropriately skilled. However, another way employers managed shortage was to reduce their need for recruitment by ensuring they retained staff for longer, or by automating work. This section considers some of the ways in which employers achieved this, considering pay, training and employee benefits as part of overall retention strategies.

Retention

Pay

Employers were mixed in the extent to which they had found it possible (or had tried) to increase pay. Employers in manufacturing tended to offer lower wages for RQF1-2 jobs and (particularly in food manufacturing) said they had limited scope to increase this pay due to tight profit margins, although some had done so: one employer in meat processing said that they had increased their pay rates by 5%-9% at the beginning of the COVID-19 pandemic (although this had not resulted in being able to recruit the non-migrant workforce needed at operative level). Other employers in this sector said they felt that the salaries being offered were already fair relative to the local area.

The picture was slightly more mixed at higher skill levels where some employers revealed a need to raise salaries and offer additional benefits in response to persistent shortages in the sector, as well as competition from other employers for staff with skills that were particularly in demand and/or hard to find (such as in the IT sector):

> *"We've had to increase our packages* [to attract specialist programmers]*, salary offerings, and you know, compensation, private health, increase pension contributions, all those sorts of financial inducements as well. … when the games industry is booming* [as it] *has been for quite a long time, and COVID has certainly made it boom even more because people have a hard time at home. ... And there's always been a scarcity of people; it's always been an issue for the games industry but, it's been particularly obviously when the games industry grows a lot like it has done, then it gets tighter and then... Brexit has been a double whammy for us on that because suddenly we've got a restricted pool of people in the UK and it's not enough of them. So we have to* [offer these packages] *if you want to get people in studios or locally"*
>
> (IT – games development, large multinational)

Other benefits offered included:

- Improving the work environment. This appeared to be a popular strategy for employers in manufacturing – examples included subsidised canteens which offered free lunches, making the social areas more comfortable, and providing TVs in the canteen
- Offering social events: some employers offered trips for employees and their families at certain times of the year. These strategies facilitated social interactions between employees, to some extent adding to a sense of community.
- Training, and providing real examples of progression (as described in Section 3 above), were also used as a retention strategy. Employers used the prospect of further advancement or development to keep their staff with them, as well as to service the company's need for appropriately skilled staff. Training is seen as forming part of an overall employee offer, designed to maximise retention:

> *"We will buddy up all our new hires with people within the factory, so that we actively support them as they come on site. We also have a very structured training programme in terms of onboarding them and developing them within the business. And then the training academies that I've described, we've got clear grading structures and career paths so that people can see the opportunity to progress within, you know, within the business. We have also done things like employee surveys, so that we've identified, you know, things that are important to people, so that we can best respond to those and create an attractive place to work. We've invested in staff benefits, so a subsidised canteen, free breakfasts and special deals."*
>
> (Food manufacturing, large UK multi-site)

Strategies specific to migrant workers

Given that so many employers said they were reliant on their non-UK workforce, it is not surprising that several retention strategies specific to migrant workers were also discussed. Employers mentioned:

- Help and encouragement to apply for EUSS: manufacturers we spoke to had made considerable effort to encourage their employees to apply for the EU Settlement Scheme and provided support to help them do this where necessary.
- Sponsorship for visas, settlement and citizenship fees: Some employers who sponsored workers from abroad agreed to support an employee up until they received indefinite leave to remain; this was with the aim of retaining the individual and creating a tie between them and the company. Some (although not all) employers said that this was with the expectation that the employee stayed within their job for a particular length of time, otherwise the employee would be required to pay back the expenses incurred as part of the settlement process. This in effect tied a sponsored worker to their employer for a length of time, but also gave an employee a sense of stability as they can continue with their work and remain in the UK.
- ICT route: Some employers also used ICT sponsorship to create ties between their UK site and sites abroad by facilitating the transfer of senior staff, representing a bridge of communication between the two sites.
- Retaining individuals who returned to their home countries: some employers were willing to allow their workers to carry on working for them from a different country, and some employers set up payrolls or

even offices abroad in order to retain staff who had previously worked at their UK sites, even where this process was burdensome (problems included compliance with different tax regimes and with employment laws in other countries). This is discussed further in case study 6, below, as well as in the next section. It is possible that, given the extent of working from home during the COVID-19 pandemic, the full extent and implications of these issues have not yet been understood.

Case study 6: Recruiting on Spanish payroll

We spoke to one employer within an IT business who described their experiences of setting up a payroll for 3 employees who had returned to their home country of Spain. The employer revealed that they had always found it difficult to fill engineer roles irrespective of the industry or certification. One of their ex-employees (a senior software engineer) had moved onto another job and was living in Spain, but was unhappy with their new role and so reached out to the employer, who agreed to rehire them. Another employee had been hired last year as a junior engineer, but once COVID-19 restrictions hit, and after finishing his university course, he moved back to Spain to live with his parents.

The employer said that the experience of setting up a payroll overseas had been *"incredibly difficult"* and expensive and said that the cost of running a payroll for 3 people was almost equal to running a payroll for over 100 people in the UK. One of their account managers had set up the payrolls incorrectly as a result of the language barrier, which led to additional costs in both time and money. The employer also said they had had to increase the pay, given that the minimum wage in Spain is based on education level; this had led to the employer increasing the pay for one of their junior roles by 13%.

Reducing dependence on recruitment

Driven by cost and the time required to recruit, alongside persistent skill and personnel shortages, there were also other strategies employers were using, alongside recruitment, retention and training efforts, and which aimed to reduce their reliance on these as a solution. These included automation and outsourcing. These were long-standing efforts, often driven by sectoral bodies and representative organisations, although there was also acknowledgement that the ending of Freedom of Movement had made some of these issues more pressing (see Section 5).

Automation

Some employers suggested they were considering automating or part-automating their work; however, these employers did not believe automation could ever represent more than a partial solution. Autor, Levy and Murnane (2003) have argued that "computer capital" can substitute for routine/repetitive cognitive and manual tasks or be a complementary factor in non-routine problem-solving and creative tasks. This fits with what we were told by employers who were considering using automation to carry out the mechanical elements of a manufacturing process, such as using automatic fabric cutters rather than completing this by

hand, or (in construction) using modern methods of construction (MMC) to assemble parts of buildings off-site; however, these same employers were clear that the process could not be entirely automated and that there was a need for human input and skill. Employers also made the point that automation can be costly, particularly for smaller businesses.

> *"I mean what I'm looking at now is actually technology and AI (Artificial Intelligence), so, you know, I can't find the machinists, I've got to look at different ways of making the company lean and work. And we're looking at automatic cutters for the first time, but these are £250,000. Why can't the government support growing industries with better R&D, you know, funding, innovation grants?"*
>
> (Clothing manufacturing, medium-sized, UK multi-site)

Although the greater use of automation can increase productivity and hence decrease reliance on immigration (as envisaged would happen in the 2018 White Paper on the UK's future skills-based immigration system, as part of the labour market's adaptation to the ending of Freedom of Movement), paradoxically the process of automation has also been shown to generate anti-immigration and anti-globalisation sentiments among workers in the sectors in which a shift to automation is taking place. For example, Anelli, Colantone and Stanig (2019) show that individuals who are more exposed to automation are substantially more likely to vote for radical-right parties and tend to support parties with more nationalist platforms. Autor (2015) has shown that automation tends to complement the skills of higher-skilled workers to a much greater degree and may also depress wages in occupations that have fewer qualification or training requirements on entry.

Outsourcing

Some employers were also considering outsourcing work to other countries, or had already done so, in order to cope with skill and staff shortages. The extent to which this was possible was dependent on the type of work: for example, manufacturing depended on the processing and movement of physical items and fulfilling and delivering orders; employers therefore said it was more likely that they would move work entirely abroad. In contrast, IT work appeared to be progressed much more easily overseas and some employers had employees working for them in several countries, particularly with regard to programming and development work.

In much the same way as domestic recruitment strategies may have the result of embedding the recruitment of migrants (see section 2), outsourcing strategies also have the potential to embed the recruitment of overseas employees. Once one or two employees are recruited in the same location, there exists a potential for them to become the nucleus of a new team. This is discussed further in section 5.

The twin impacts of COVID-19 and Brexit appeared to have increased consideration of outsourcing as a strategy. As the supply of labour had been reduced just as working from home, and teams being spread across different locations, became far more common and expected, several employers said that they were beginning to consider whether they could make further use of outsourcing, particularly within the EU as it is close enough to maintain some face-to-face contact. This issue is explored further in the next section.

5. Shocks and stressors

Summary: The impacts of the COVID-19 pandemic and the ending of Freedom of Movement have been linked by more than time, in terms of their impact on employers: in different ways each has both masked and exacerbated the impact of the other. Employers have done their best to work around the impacts of COVID-19 and the ending of Freedom of Movement and this has resulted in the emergence of new opportunities as well as threats. Employers appeared to view COVID-19 as a short-term threat that would in the long term be overcome. However, employers said that the ending of Freedom of Movement was more of an ongoing threat: employers had known about it and had been able to plan to reduce the immediate impact. The long-term impacts of each were unknown and unknowable, but employers were able to point to some early indications of potential changes.

Changes to the immigration system and the ending of free movement

It is very early to determine the impact of the changes to the immigration system, and COVID-19 has masked some of these

A recent report by the APPG on Migration claimed that the changes to the immigration system that came into force at the beginning of 2021 *"have arguably resulted in the emergence of a tale of two immigration systems; the first where the liberalisation of non-EU immigration has brought positive change for those familiar with the sponsorship system who can now draw on a wider pool of talent from across the globe, and the second where the removal of free movement has buffeted already struggling industries which had not previously needed to engage with corporate sponsorship to find the talent that they require."* This was borne out by the findings of the interviews we conducted, although employers had more to say about the ending of free movement and the impact they felt this would have on their businesses.

Certainly, employers who had hitherto been heavy users of EU labour, many of whom also used this labour in roles below RQF6, were still processing the implications of the changes. Those whose industries relied on moving physical products around were also still working through the business impact of other changes as a consequence of leaving the EU, such as the imposition of import duties from EU countries. A few employers had noticed an immediate impact of staff leaving immediately after the EU referendum result, although this was limited in extent. Employers told us that they had proactively worked with staff to encourage them to apply for the EUSS with the result that, although some employers were beginning to feel the impact of job losses (especially at more skilled levels, as described in the case study below), others were more concerned about their staffing levels in the medium to long term. This was particularly the case for more seasonal jobs, or jobs where more staff are needed at seasonal peaks.

As discussed earlier, employers had described the lack of interest from UK workers in their role and the lack of traction or insufficiency of efforts to recruit and train British workers. As discussed earlier, in some cases employers said that it was likely that work would move abroad as a result: case study 7, below, illustrates this. Afonso and Devitt (2016) also discuss the role of migration into lower-paid jobs as a

substitution for these jobs moving overseas; it is therefore not surprising that ending the flow of migrants into such jobs will have this effect.

Case study 7: The importance of the line leader in food manufacturing

We spoke to an employer from a meat processing business about their strategies to retain workers and the extent to which these strategies worked. The employer told us that food manufacturing is a business with very small margins. They are therefore limited in the flexibility they can offer on salaries, and they have experimented with a number of models of training delivery in order to find the most cost-effective model, given that training is expensive.

Despite this, one of the company's key retention strategies is to provide structured career pathways for various roles within the business. For the butchery lines, this includes training at levels 1, 2 and 3 for butchers, with no barriers to progression. An employee can come in as a line operative and be developed up the structured skill path by the company, eventually moving into a line leader role, and then moving on to supervisory and management roles. The employer said there were many examples of this process having been successful.

The company considers that it has reasonable retention rates for staff overall, including butchers, many of whom are from the EU. However, they stressed that the impact of losing labour from the company is not equal over all parts of the factory line. The employer gave an example of having recently lost the "line leader" – the most skilled person on the production line, in this case a deboner – from one of their production lines. Because this person was the most skilled person on the line, the company cannot now carry out any work on that line. Losing the deboner therefore means that the labour of the entire line is lost. As the business depends on fulfilling orders for customers, they have had to move the orders that line would produce to another factory in the EU.

About 20 jobs have been lost as a result of the missing deboner and the loss of these other jobs then impacts on the other orders produced in the factory. The employer highlighted that if the business is unreliable in their production, customers will go elsewhere. Rather than having this happen, they may have to move production in its entirety to their European site where there are far fewer problems accessing the necessary labour.

The employer considers it important for butchers and similar occupations (i.e. RQF3+ employees working with employees at RQF1-2) to be placed on the SOL to allow the business to keep the production line running at its UK sites.

Few of those we spoke to necessarily expected to recruit RQF3-5 roles from overseas, and those who were employers of individuals at this level (and some of those recruiting for levels above) cited concerns about the salary thresholds and costs required – although some employers were still working through their options, and it is of course possible that they will have found themselves able to meet these, or found another workaround: for example, one employer said they were likely to reserve visas for senior staff given the cost.

Other employers we spoke to had also utilised EU labour to fill RQF6+ roles. Among these, transferring work to other countries by making greater use of, or setting up, a branch in that country was being seriously considered or was already happening; this was possible because the nature of the business permitted it (for example, where the job could be done from another country with regular visits), or because employers wanted to be able to access the EU labour market more quickly and easily, and/or felt that having an EU presence would enable them to attract more staff. In some cases, this was a planned process based on the location of the company's existing branches, or because employers felt that a particular location represented a good site due to the relative ease of finding skills or favourable conditions for businesses.

> *"So we do have people in Brazil, and North America, and all over Europe, more and more who are working for us from home and not in the studio. So that sort of flexibility opens it up. And yeah, you know, part of the opening up the Lisbon studio, we are currently opening up a little studio in Amsterdam, and we probably will do Hamburg as well. And then… those studios, because obviously we want to because of Brexit, they can't come here very easily anymore... so we'll just have to... find people there."*
>
> (IT – games development, large multinational)

At other times (as described in case study 6) it was more of an ad hoc process, driven by recent hires, or an attempt to retain existing employees who were returning to their home countries. Employers said that the proximity of the UK to the rest of Europe made this easy to consider and that the extent of working from home during the pandemic had made it clear that employees did not always need to be co-located, as long as some contact remained. Case study 8 provides an example of this.

Case study 8: Managing across borders

We spoke to a HR representative from a business within the manufacturing industry about the challenges they faced with regards to the ending of free movement and COVID-19. The business has a programme of moving senior members from their UK site to other countries both within and outside Europe and vice versa through the intra company transfer (ICT) immigration route. The business also provides overseas placements for some of its graduate trainees.

The HR representative told us that, prior to COVID-19, she had been concerned about the additional time and work involved in applying for visas, and the additional paperwork and costs the process involved. However, since COVID-19, she explained that the company has become significantly less concerned about the impacts of the ending of free movement on the business's ability to move staff across sites; the enforced period of working from home during the pandemic has proved that there is not, for many jobs, a need to be in the office.

Although the representative considers that the business might have adapted/changed its working practices in order to work more remotely anyway, COVID-19 has provided practical proof of the way that this can be made to work. An international manager based in the Netherlands has become responsible for managing part of a UK site as the company was finding it difficult to recruit to the role. The HR representative suggested that managing sites remotely can be a lot easier than having people move around physically.

Some employers particularly dependent on migrants due to the nature of the job (for example translators) felt that they would now be unlikely to successfully recruit within the UK and would therefore look to recruit overseas first.

> *"We recruited another in September last year, and both times we've put an advert out in the UK and in Germany and just sort of seen who's applied. But for what we're looking* for [German interpreters and translators] … *well, not the calibre but the suitability of the candidates that we get from Germany is just a lot higher. So, in principle, our preference would always be to recruit in the UK. But the reality of the situation is that it's probably fairly unlikely that we will do in the future."*
>
> (IT – translation services, medium-sized, UK multi-site)

Many employers who paid well above the former salary threshold for RQF6+ jobs felt that they would be unaffected by the changes as they had already been able to recruit from outside the EU, although some did comment that the lowering of the salary threshold would allow them to recruit staff from overseas at a more junior level, particularly where very niche or hard-to-find skills were required. To this extent, as the APPG report commented, the changes were an additional benefit to some.

> *"You know, it's good to have the* [salary thresholds] *brought down as low as possible. Because you know that you want to be able to bring people in at different levels of experience and build them up. So, you know, I think that's, you know, it's a good thing to have that reduced, one level salary for… those on that skilled list, because, you know, they're*

not always the highest paid people, but they're often dependent because it's part of the salary will be based on experience, you know, It's still hard to find even inexperienced people in some areas."

(IT – games development, large multinational)

Some employers also commented favourably on the removal of the Resident Labour Market Test (RLMT), as they felt that the RLMT had presented an unnecessary delay to recruiting migrants for roles that they had never expected to be able to recruit via Jobcentre advertising.

"Certainly, it was ludicrous before, because we were looking for incredibly specialist roles. And we had to advertise them in the local, you know, outlets. It was just a complete, complete [useless] *exercise."*

(IT – games development, large multinational)

Some employers mentioned roles they said they believed should be placed on the Shortage Occupation List. In some cases employers were able to articulate exactly what difference they felt being on the SOL would make (see the quote relating to marginal roles in section 2), but in other cases the value appeared to be mostly symbolic, and it transpired on further questioning that the employer rarely recruited for the position, and that salaries were so high or so low that the change in salary threshold would make no difference, or that the position was at RQF1-2 level and hence not eligible.

COVID-19

COVID-19 has represented a huge and ongoing shock to businesses, but there have also been business opportunities and potentially longer-term impacts as a result

As discussed earlier, the impacts of COVID-19 and of Brexit are difficult to disentangle, and the impacts were still largely unknown or unknowable at the time fieldwork was completed. In the main, recruitment was said to have drastically reduced in the short term because of COVID-19, and there was a sense from many employers that churn was less than normal, which they ascribed to concern about finding alternative employment. Some of those still recruiting said that COVID-19 had provided a short-term bonus in terms of the number of applications (because of job losses in other companies), particularly at lower RQF levels, and had therefore improved their ability to fill positions. A few employers had tried to pick up as many people as possible during this time.

"Because the level of available talent in the marketplace was such that they had their pick of jobs, it was very much a candidate-led market, and we've seen that completely flip in this current COVID situation whereby talent pools are swamped with applications. But we've seen that diminishing, certainly since about September… employment is increasing again and… more companies are investing or what they're actually doing is changing their outlook completely and re-identifying themselves and looking at other business opportunities to create. And we've seen industries, for example driving, there is such a demand for multi-

drop drivers, you know, the supermarkets, they are exhausting the talent pools in that lower level at this moment in time … it is putting a lot more pressure back on employers. We had a very short period of time, a window of opportunity, where the talent that were applying was phenomenal. But we are now starting to see that that is becoming tougher again."

(IT infrastructure, large multinational)

Some migrant staff, particularly from the EU, were said to have returned to their countries of origin to wait out the pandemic or look after family, and there were questions over whether all these staff would return.

Looking ahead to the longer-term impacts of COVID-19, the picture was less clear, although several employers indicated that COVID-19 had been a *"game changer"* and that they had rethought their ways of working as a consequence: as discussed earlier, several employers were setting up offices within the EU to overcome some of the impacts of the ending of free movement based on the 'proof of concept' COVID-19 had provided. As well as this, it was suggested that there could be longer-term impacts in terms of home working becoming far more common generally, and potentially either widening the pool of candidates by increasing the geographical area from which it is possible to draw (both within and outside the UK), or perhaps making some roles completely home-based, meaning they could be done from anywhere. It was even suggested that it would be possible to redesign some jobs so that they could wholly or partially be done by workers based outside the UK, and outsourced. Some companies we spoke to were already doing this for reasons of expediency, but it will remain to be seen whether this is adopted as a deliberate strategy.

Case study 9: The impact of location on hiring decisions and opportunities presented from COVID-19

One employer within gaming production spoke to us about the opportunities that COVID-19 had brought to their hiring decisions. Before COVID-19 the business allowed for some remote working, with most of the work being office based; restrictions arising from COVID-19 meant that the business was forced to adopt remote working, however this also represented an opportunity to attempt new methods of recruitment.

The employer said that the location of the office had sometimes made it difficult to attract applicants because of its distance from London and the fact that the office is based outside 'gaming hubs', where multiple gaming businesses are located. The employer felt that their business was at a disadvantage because applicants would be more willing to consider a relocation to gaming hub areas than to take up an opportunity with this employer. Since remote working was adopted, the business had been successful in hiring staff rapidly (an increase of 35% of the total workforce since COVID-19) and with ease given that jobs were home based, and applicants who lived outside the area would be more willing to apply because they would not need to relocate for the job. This included experienced and partially experienced roles in engineering which have always been quite difficult to fill.

An example was given of a role that needed to be backfilled which required language skills or 'localisation' in Chinese. In the past, the employer had had difficulties in filling this post once the employee left and had recruited for the post twice within 4 years with great difficulty. But on this occasion the post, which was based in southern England, had been filled quickly by an employee who lived in Scotland.

However, employers also commented that the full impact of the changes were not yet clear, partly because of the pandemic: many – who had not taken advantage of COVID-related job losses in other companies and industries to hire more staff – had found churn to be much less than usual at the time of interview and said that the longer-term impact of both COVID-19 and Brexit would only be felt once workplaces, and employee behaviour, began to return to normal, and once the cohort of staff recruited prior to 2021 began to move on.

> *"You know, currently COVID has come along and in some ways it falsifies, if you like, the marketplace because of, you know, the high level, sadly, of unemployment we're seeing as a result of COVID. So, we've certainly seen applications upturn significantly for us, as just as other employers unfortunately have to close their doors."*
>
> (Food manufacturing, large multinational)

> *"At the more junior level there has been less recruitment that has been taking place. I think attrition is certainly down at the moment, as I think you would probably expect. I don't know whether it is COVID or Brexit. As a consequence of that the hiring has been less. So, there is an element of this is what we are anticipating will happen to a certain extent there is a natural churn in movement. We see the data in the terms of individuals leaving but you are not kind of getting that fresh flow. I think the more junior level is probably too soon for us to*

definitively say this is what we have seen. That said it is a challenging situation... we are starting to see the glimpse of it becoming even more challenging."

(Clothing manufacturing, large multinational)

Annex

This annex sets out further details of the sample and methodology for this work.

Sample structure

28 in-depth interviews were carried out for this project.

	Number of Interviews	Size of organisation	Location
Employers in Construction	10	Micro: 3 Small: 1 Medium: 3 Large: 3	Primarily urban 23 Primarily rural 5 Primarily based in Devolved Administrations 7
Employers in I.T.	8	Small: 1 Medium: 3 Large: 4	
Employers in Manufacturing	10	Micro: 1 Medium: 1 Large: 8	

Recruitment

We recruited employers through a mixture of previous MAC research (those who had responded to Calls for Evidence and agreed that we could contact them for further research), trade and representative bodies, and via word of mouth. The main stage of recruitment took place between November 2020 and May 2021. We aimed to speak to business representatives with direct recruitment experience in their current jobs such as HR professionals or managers. In some larger organisations more than one representative joined the call (for example heads of recruitment, heads of training, heads of employee experience) and some smaller organisations were represented by either a partner, or the owner or CEO.

Most of our interviewees had at least some experience of using the Tier 2(General) or Skilled Worker route although this was not specifically requested, and we also welcomed the opportunity to speak to individuals without this experience. We aimed to speak to business representatives from organisations of all sizes. Within the construction sector we spoke to a few individuals from micro sized businesses who provided consultancy services to construction businesses. We asked employers about their own experience of skills shortages and decisions made when hiring, and their views of the industry of which they were a part.

The discussions focused on recruitment to RQF (Regulated Qualifications Framework) 3+ roles (where the qualifications or experience necessary to do the job are equivalent to or above A-level or NVQ3 or equivalent), as these are the roles most relevant to those migrating for work. However, we were also

happy to discuss RQF1-2 roles where employers wished to do so (which many did in the context of the ending of free movement); discussion of RQF1-2 roles was particularly useful when exploring the issue of talent pipelines. Given the timing of the research and the ongoing COVID-19 pandemic, few of the employers we spoke to had experience of using the post-Brexit immigration system for RQF3-5 roles.

Fieldwork

The interviews were carried out over Skype telephone conference calls. These ran between 45 minutes to 1 hour in duration and were recorded (with the permission of interviewees) to enable subsequent transcription and analysis.

Telephone interviews are frequently used for this type of research as they are convenient for senior business representatives to schedule into their diaries. They also enable two or more employees from the same company, but who may be working at different sites or from their homes, to collaborate on the call if need be – as happened on some of our calls. Conducting the interviews over the telephone is also the most convenient way of reaching employers from around the UK, including in all nations and in both urban and rural areas. Additionally, the research took place against the backdrop of the COVID-19 pandemic and for much of this period, face-to-face interviewing could not be organised.

The interview followed a semi-structured format which enabled researchers to explore specific topics in depth whilst being flexible to allow interviewees to guide some of the conversation.

The topic guide was piloted in August 2020 and the main stage of fieldwork took place between November 2020 and May 2021.

The interview covered the following topics:

- General recruitment practices and decisions made for hard-to-fill roles
- Role of migration in filling roles that were difficult to fill
- Strategies for managing recruitment difficulties or shortages
- Organisational approach to training
- Impact of COVID-19 on hiring decisions
- Impact of the new immigration rules: usage of the Skilled Worker route, SOL and ability to meet new salary thresholds
- Current opportunities and challenges post-COVID-19 and the ending of free movement

Analysis

The interviews were analysed using a matrix mapping approach, whereby themes from the interviews are mapped to columns denoting the areas of interest and key quotes and page references highlighted. This also enabled responses to be compared across different themes, and analysis of how responses varied by factors such as sector and organisation size on a given topic.

Ethical considerations

All participants were briefed, both during recruitment and prior to the interview commencing, with regards to the full aims and objectives of the research and of their ability to withdraw at any stage. Permission was also taken before we commenced the recording of interviews. All interviews were transcribed by a trusted Home Office contracted supplier, and the transcripts and analysis grids were managed in line with data protection policies.