

Why the East of England needs migrant workers and what it must do to make the most of them

By Philippe Legrain



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The East of England is at the forefront of Britain's vital – and often confused – debate about immigration. Nearly 120,000 migrants from Poland and the other 'A8' central and east European countries that joined the EU in May 2004 have since registered to work in the Anglia postal region – more than in any other region, including London¹ – while many others are self-employed or may be employed but not registered.

This influx of migrant workers both reflects the region's economic dynamism and is helping to drive it. Recent migrants include Lithuanians picking fruit, Slovaks processing food, Latvian builders and Polish care-workers, as well as highly skilled foreigners, such as doctors and the IT specialists who congregate in the high-tech cluster around Cambridge, known as Silicon Fen, and many more besides. They provide much-needed labour and skills for local businesses as well as vital public services, and thus help deliver higher living standards and a wider choice of better and more affordable products and services to local people.

Yet this new migrant working is often controversial, and the debate is clouded by emotion, riddled with misconceptions and bedevilled by patchy and flawed statistics. Inevitably, strains have arisen in some areas. Migrants may have particular needs – such as translation services, help in learning English and better information about local norms and working practices – that need addressing. But generally, the gap between the perceived social costs of migration and reality is often huge. Far from "jumping the queue" for social housing, for instance, newly arrived migrant workers are not even entitled to it. Other issues that are often blamed on migrants are mainly due to organisational weaknesses in the public sector – such as a lack of timely and accurate statistics, poor planning and budgeting and, above all, difficulties in responding rapidly to local communities' changing needs. In particular, because taxes are generally paid to central government while services are provided locally, areas whose economies benefit from an influx of workers often feel the pinch in terms of public services. Migrant workers are not to blame for this: the responsibility lies with the government.

Overall, migrant workers are not only self-financing, they are generally net contributors to public finances. They are mostly young, healthy, without dependents and working – and in any

case not entitled to most welfare benefits in their first 12 months. They pay income tax, national insurance, VAT, council tax and so on, but make very few claims on the public purse. The NHS and the care sector rely on foreign staff. And through their broader contribution to economic growth, migrants help make the welfare state more affordable for everyone.

“Three in five new arrivals intend to stay less than three months, only eight per cent more than two years. Britain's open door is a revolving one.”

Perhaps the biggest misconception is about the nature of recent migration. While the opening up to central and east European migrant workers is often portrayed as opening the floodgates to immigration, what is actually emerging is a pan-European labour market where workers circulate freely, just as products and capital do. The Polish builders arriving on Ryanair are like the British brickies who went to work in Germany in cult TV series *Auf Wiedersehen, Pet*: temporary foreign workers, not permanent settlers. Many, like the Polish doctor featured on a BBC *Newsnight* report who flies from Poland to Scotland on alternate weekends to provide out-of-hours care that British GPs do not want to, are, in effect, international commuters – just as the jet-setting British bankers and businessmen who criss-cross the Atlantic are. Often, they are young people wanting to learn English and experience life abroad, like the British working holidaymakers who flock to Australia for a year or two, or those who spend the summer working in Ibiza.

Because the churn of migrants is so high, and the government counts the cumulative total of worker registrations rather than those coming and going, Polish migration seems like a deluge, when it is actually an ebb and flow. Of the million or so east Europeans who have come to work in Britain since 2004, over half have already left again.² Three in five new arrivals intend to stay less than three

¹ Home Office (2008), "Accession Monitoring Report, May 2004 – March 2008", Table 9, page 18. The A8 are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.

² Naomi Pollard, Maria Latorre and Dhananjayan Sriskandarajah, "Floodgates or turnstiles? Post-EU enlargement migration flows to (and from) the UK", Institute for Public Policy Research, April 2008

months, only eight per cent more than two years.³ Britain's open door is a revolving one.

While the presence of a large number of migrant workers may cause social strains, it does not have the same political and cultural implications as permanent settlement. The challenge for the region is to maximise the gains from migrant working while minimising its costs. And migrants' very mobility implies that, far from assuming that the region will effortlessly continue to attract more, the East of England Development Agency (EEDA) and others need to develop a strategy for attracting and retaining the workers on whose skills and hard work the region's prosperity depends. Already, a slowing economy, the depreciating pound – which at end-May 2008 bought 16 per cent fewer euros and 25 per cent fewer Polish zloty than ten months earlier⁴ – and Poland's economic boom are causing many migrant workers to seek more attractive opportunities elsewhere. The decline in the number of migrant workers registering to work in the East of England has been particularly steep, with nearly 30 per cent fewer registering in the first three months of 2008 than in the third quarter of 2007.⁵ Sooner than we think, the public may be asking "where have all the Poles gone?" and lamenting their departure.

Economic benefits of migrant working

Some might argue that the impact would be minimal. The recent House of Lords select committee report into the economic impact of migration claimed that its benefits to the UK's resident population were "small".⁶ Its conclusions have been widely taken to be definitive, but they are in fact deeply flawed. That the report pointed out – as, indeed, I had repeatedly done previously⁷ – that the arguments for immigration made by government, businesses and others are often flimsy scarcely undermines the broader case for migrant working, which this essay sets out and which the Lords committee and others have neglected. And while the lack of UK-based and regional evidence makes it almost impossible to quantify the gains from migrant working precisely, this in no way implies that the benefits of migrant working are negligible; absence of proof is not proof of absence.

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There are powerful reasons to believe that the economic benefits of migrant working to the East of England are large. Increased mobility makes the regional economy more flexible, allowing it to adapt more rapidly and easily to economic change. The region's integration into a Europe-wide labour market extends the gains from being part of the EU's single market for goods and services – enabling it to specialise in sectors where it excels, reap economies of scale, foster dynamic clusters such as Silicon Fen, and improve the range, quality and competitiveness of local products and services. Foreigners' diversity and dynamism also boost competition, innovation and enterprise, raising long-term productivity growth and living standards in the region.

The smaller an economic unit is, the more it has to gain from accessing a wider pool of labour. In relative terms, then, the East of England gains more from migrant working than Britain does. Lest we forget, the region attracts migrant workers from around Britain as well as from around Europe: over 145,000 people moved to the region from elsewhere in the UK in the 12 months to September 2007.⁸ Nobody argues that these migrant workers are anything but a boon – and just as it is desirable for people to move from Carlisle to Cambridge if their labour is in demand, so too from Calais or Krakow.

What makes foreign workers particularly beneficial is that they have different attributes, skills, perspectives and experiences that tend to complement those of local workers and help meet the needs of local businesses, public services and the regional economy as a whole.

For a start, migrant workers tend to be younger, harder-working, more enterprising and more

³ Home Office (2008), "Accession Monitoring Report, May 2004 – March 2008", Table 8 page 16

⁴ According to xe.com, £1 bought €1.4972 and PLN5.674 on 25 July 2007 and €1.2607 and PLN4.279 on 28 May 2008.

⁵ Whereas 8,360 A8 workers registered to work in the East of England in the third quarter of 2007, 5,975 did so in the first quarter of 2008. Source: Home Office (2008), "Accession Monitoring Report, May 2004 – March 2008", Table 9 page 18

⁶ House of Lords Select Committee on Economic Affairs (2008), "The Economic Impact of Immigration".

⁷ See, for instance, Philippe Legrain, "Britain's immigration muddle", the Guardian, 17 October 2007, http://commentisfree.guardian.co.uk/philippe_legrain/2007/10/britains_immigration_muddle.html

⁸ NHS Central Registers, inter-regional migration movements within the UK in the year ending September 2007, based on patients re-registering with NHS doctors in other parts of the United Kingdom, www.statistics.gov.uk/downloads/theme_population/NHSCR0703.xls

mobile. Like starting a new business, migrating is a risky enterprise, and hard work is needed to make it pay off. Migrants' efforts not only boost the productivity of the regional economy directly, they also encourage local workers to up their game.

Second, they help the regional economy adapt more readily to ever-changing economic conditions. In a single European market and globalising economy where goods, services and capital move more or less freely, people increasingly need to move too. Cheaper transport and communications make such mobility possible, and a region that does not take full advantage of this is at a competitive disadvantage. This is as true for a small machine-tools business in Ipswich that cannot expand into the Chinese market unless it can hire the workers it needs, or a Norfolk organic farmer who cannot meet surging demand without foreign labour, as it is for Goldman Sachs in the City of London.

Hard-working migrant workers have given the economy a new lease of life. Because they are more willing to move to where the jobs are and to change jobs as conditions change, they have made the economy more adaptable, enabling it to grow faster for longer without running into inflationary bottlenecks – raising living standards and helping to keep UK interest rates down. Gross disposal household income in the East of England rose by 3.2 per cent in 2006.⁹ GDP per capita – a good measure of average living standards – has risen faster in Britain over the past five years than in any other G7 country. And if migrants leave as the economy slows, their departure will cushion the blow: unemployment will rise less than in previous downturns, making the recession shorter and shallower than otherwise.

“Robinson Crusoe scraped by alone on his island – but autarky would make us all much poorer.”

Third, the emergence of a pan-European labour market extends the benefits to the region of the EU single market. Just as the free movement of goods and services is generally accepted and documented as being a good thing, so too is the free movement of the people who produce them. After all, when people from Luton go abroad for surgery, it is classified as trade, and when foreign surgeons come to Luton, it is called migration – yet the economic impact of the operations on the resident population is identical. But where services have to be delivered locally – old people

cannot be cared for from afar; taxi-drivers have to operate locally; dishes have to be washed on the spot – international migration is the only form of international trade that is possible.

Critics who counter that “we could make (almost) everything ourselves if we had to” may be literally correct – Robinson Crusoe scraped by alone on his island – but autarky would make us all much poorer. This is expressed in a more sophisticated, but equally wrong-headed, way by those who argue that we could make do without migrant labour. Of course, alternatives may exist – such as inducing an increased supply of local labour through higher wages, reducing demand for labour through mechanisation (substituting capital for labour in local production) or off-shoring (substituting foreign production for production in the region) – but closing off one's options clearly has a cost. After all, there is nothing stopping local business employing these strategies if they are more efficient than employing migrant workers; that they are not implies that it is prohibitively expensive to do so.

How big that cost is, how it manifests itself, and who bears it depends on a host of factors. One is the responsiveness of local labour supply to higher wages: are local workers able and willing to do the jobs that are in demand – and if so, at what price? If a popular curry house in Newmarket needs an Indian chef to satisfy booming demand, are there any suitably qualified chefs in the region, and how much would it have to pay them to work there? If there are not, it could try to make do with less staff, producing more curries with fewer chefs at the risk of compromising quality, or simply turn customers away – in each case, at a very real cost to the business, its customers and the economy as a whole. If it can persuade a trained chef working in another field to come and work there by paying higher wages, the cost is felt in other ways: the company that used to employ the chef has now lost a valued employee, the restaurant's labour costs have risen, and thus its profitability has fallen. It may therefore have to raise its prices, making customers who can afford to pay worse off while denying those who can't the pleasure of an Indian meal.

Some may dismiss this cost, perhaps because they don't really care what happens to the local curry house or maybe because they assume that they will always be able to afford to eat out in their favourite restaurant. Consider, then, a more delicate example. As the population ages, and more elderly people require care,

⁹ Office for National Statistics (2008), “Regional Household Income May 2008 - First Release” www.statistics.gov.uk/pdfdir/gdhi0508.pdf page 2

the demand for care-workers is soaring. The UN Population Division forecasts that the share of Britain's population aged over 60 will rise from 21 per cent in 2006 to 29 per cent in 2050, with the share of over-80s doubling from 4.4 per cent to 8.7 per cent over the same period. Many will need looking after – the cost of care UK-wide is forecast to double to £24 billion by 2008 and then rise to £41 billion (in today's prices) by 2041 – yet retirement homes and local councils cannot find suitable British applicants for care-working vacancies, nor can the elderly be cared for by a robot or from overseas. To persuade young local people who would rather do something else to work in a retirement home would require a substantial wage hike – and that implies pensioners making do with much less care, big budget cuts elsewhere, or large tax rises. But migrant workers face a different set of alternatives: since wages in the East of England are a multiple of those in, for instance, the Philippines, Filipinos are happy doing such work. This is not exploitation: it makes everyone – migrants, taxpayers, locals young and old – better off. It does not undercut wages, since locals do not want these jobs in any case. And it does not undermine social standards: if there is abuse, legal migrants have recourse to unions and the law.

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Fourth, newcomers' different perspectives and experiences and their drive to succeed help stimulate the new ideas and businesses on which the region's future prosperity depends. History and global experience show that the exceptional individuals who come up with brilliant new ideas often happen to be migrants. Instead of following the conventional wisdom, they tend to see things differently, and as outsiders they can be more determined to succeed. Twenty-one of Britain's Nobel-prize winners arrived in the country as refugees.

The contribution of newcomers is potentially vast – yet inherently unpredictable. Nobody could have guessed, when he arrived in the United States aged six as a refugee from the Soviet Union, that Sergey Brin would go on to co-found Google. Had he been denied entry, America would never have realised the opportunity that had been

missed. How many potential Brins does Britain turn away or scare off – and at what cost?

Immigrants' collective diversity is also vital. Most innovation comes from groups of talented people sparking off each other – and foreigners with different ideas, perspectives and experiences add something extra to the mix. If there are ten people sitting around a table trying to come up with a solution to a problem and they all think alike, those ten heads are no better than one. But if they all think differently, then by bouncing ideas off each other they can solve problems better and faster, as a growing volume of research shows.¹⁰

Just look at Silicon Valley: Google, Yahoo! and eBay were all co-founded by immigrants who arrived not as graduates selected by some clever points system, but as children. Nearly half of America's venture-capital-funded start-ups have immigrant co-founders.¹¹ The value of diversity does not apply only in high-tech: an ever-increasing share of our prosperity comes from solving problems – such as developing new medicines, computer games and environmentally friendly technologies, designing innovative products and policies, and providing original management advice. If Silicon Fen is to follow in Silicon Valley's footsteps, it requires access to as wide a pool of talent as possible. It cannot hope to thrive if it relies only on local, or British, talent.

As the 19th century philosopher John Stuart Mill rightly said: “It is hardly possible to overrate the value, for the improvement of human beings, of things which bring them into contact with persons dissimilar to themselves, and with modes of thought and action unlike those with which they are familiar... there is no nation which does not need to borrow from others.”¹²

Of course, diversity can also cause friction. A fruitful exchange of ideas requires communication and an open mind. Making the most of diversity within companies requires shared goals and values. Society as a whole needs common institutions and laws underpinned, however imperfectly, by liberal values – and Britain has these. Reaping the full economic benefits of diversity requires vigorous anti-discrimination laws, encouragement of social mobility, and tolerance of differences – all of which are desirable in any case.

¹⁰ See, for instance, Scott Page, “The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies”, Princeton, 2007.

¹¹ National Venture Capital Association (2006), “American Made: The Impact of Immigrant Entrepreneurs and Professionals on US Competitiveness”

¹² John Stuart Mill, Principles of Political Economy, 1848.

Benefits to individual businesses and public services

Impact on local businesses

The main sectors in the East of England benefiting from migrant working are agriculture, manufacturing (notably food processing), hotels and catering, and healthcare.^{13, 14} Employers' experiences of employing migrants are generally positive:¹⁵ many say that they are dependent on migrant workers for their survival and continued competitiveness. Migrants are seen as having a particularly strong work ethic, and help fill unpopular vacancies – such as those involving shifts, long hours, outdoor and weekend working – which had been 'historically difficult' to fill.¹⁶ They also have low levels of sickness absence and staff turnover, as well as enhanced productivity and speed.¹⁷ They often possess valued soft skills, such as a flair for customer service and spotless self-presentation, which are particularly valuable in the hospitality sector.¹⁸

Impact on local workers

Some local workers may lose out from an increase in migrant working, as from any economic change, and the government must be there to help them. But most have gained. The region's employment rate was higher, at 78 per cent, in the three months to February 2008, than the 77.1 per cent recorded in the same period a year earlier, while unemployment was unchanged at 4.6 per cent.¹⁹ Economy-wide, average earnings (excluding bonuses) rose by 3.8 per cent, with the rises in manufacturing, services and the public sector almost identical. The Trades Union Congress unabashedly supports the free movement of workers within the EU – and so should other stakeholders.

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It is a fallacy that there is a fixed number of jobs to go around. When women started working in large numbers, they did not deprive most men of their jobs – and nor are immigrants stealing 'our' jobs. Foreigners don't just take jobs, they also create them: when they spend their wages, which creates extra demand for the people who produce the goods and services they consume, as well as in complementary lines of work. The influx of Polish builders, for instance, has created new jobs for people selling beer, Polish food, building supplies, as well as for interior designers. A foreign childminder may enable a local nurse to go back to work, where her productivity is enhanced by foreign doctors and cleaners.

Impact on public services

Given that recent migrants are mostly young – 82 per cent of workers are aged 18-34²⁰ – and thus healthy; generally without dependents (and thus not making use of state education)²¹; in work – 97 per cent work more than 16 hours a week, 87 per cent more than 35 hours²² – and thus paying income tax, national insurance, not to mention VAT and council tax; and not entitled to most welfare benefits or eligible for social housing until they have been resident and in work for at least 12 months, they are clearly net contributors to public finances overall.²³

In Britain as a whole, fewer than 6,000 applications from A8 citizens for income-related

¹³ McKay, S. and Winkelmann-Gleed, A. (2005) "Migrant Workers in the East of England", EEDA. www.eeda.org.uk/files/migrants_report_final.pdf

¹⁴ Agricultural work is concentrated in North-West Norfolk, Cambridgeshire and Suffolk (especially Ely, Wisbech and King's Lynn as well as Peterborough, Thetford and Ipswich). Factory work is concentrated in Hertfordshire, Norfolk and Suffolk. Food-processing companies are also located in Luton, Dunstable, Norwich, Wisbech, Peterborough, Friday Bridge, King's Lynn, Chelmsford, Bury St Edmunds, Lowestoft and Great Yarmouth. Source: "Economic Migration in the East of England: Update 2007", Deborah Holman and Claudia Schneider with Roxana Anghel and Alex Collis, Public Policy Consultancy Group, Anglia Ruskin University, January 2008

¹⁵ Learning and Skills Council (2006) "Employer Perceptions of Migrant Workers"

¹⁶ Lanz, S. and Holland, J. (2007) "A Study of Eastern European Migrant Workers within Hertfordshire", Mercia Research Strategy

¹⁷ Dench, S. et al. (2006) "Employers' use of migrant labour" (Home Office Online Report 04/06) www.homeoffice.gov.uk/rds/pdfs06/rdsolr0406.pdf

¹⁸ Anderson, B., Ruhs, M., Rogaly, B. and Spencer, S. (2006) "Fair enough? Central and East European migrants in low-wage employment in the UK", Joseph Rowntree Foundation

¹⁹ Office for National Statistics, "Labour Market Statistics April 2008", First release, Table 18(1) www.statistics.gov.uk/pdfdir/lmsuk0408.pdf

²⁰ Home Office (2008), "Accession Monitoring Report, May 2004 – March 2008", Chart 4, page 10

²¹ Ibid. 93 per cent had no dependents with them when they registered for work.

²² Ibid. Page 16

²³ While it is difficult to assess the fiscal contribution of migrant workers to the East of England regional economy, McKay and Winkelmann-Gleed (2005) estimate a figure of £360 million a year.

benefits (income support and income-based jobseekers allowance) have been allowed to proceed for further consideration.²⁴ Some 102,000 applications for child benefit of £12-£18 a week have been accepted.²⁵ A mere 1,130 applications for homelessness assistance have been accepted since May 2004, 0.3 per cent of the UK total over that period.²⁶

The Poles building affordable homes for key workers, Lithuanians cleaning hospitals and Czechs caring for the elderly are delivering better public services for all. And by increasing economic growth, migrant workers help make the welfare state more affordable. At the same time, naturally, migrants make use of public services.

The government has done itself – and Britain – no favours by failing to count and provide for new arrivals, exposing and exacerbating strains on public services that are unresponsive to change. Migrants have become a lightning rod for a more general dissatisfaction with how public services are funded and organised. In part, this criticism is disingenuous – opponents of immigration have used localised problems as a means of advancing their prior beliefs, while recipients of public funds have also found alleged strains caused by immigration a politically effective means of lobbying for higher budgets.

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Yet if someone moves from Carlisle to work in Cambridge and the local hospital does not have adequate resources to cope, would we blame the individual or the government for failing to make adequate provision for his or her healthcare needs? And would the proposed solution be to limit the movement of workers or to improve the NHS’s responsiveness to change? Where strains arise at a local level, they are mostly due to government failings, rather than because migrant workers are not paying their way.

Health

Most recent migrants are young and in good health, so make correspondingly few demands on the NHS.²⁷ At the same time, they contribute to the NHS as employees, taxpayers and by boosting economic growth. One study found that a third of the nursing staff in two major regional hospitals (in Norfolk and Suffolk) were migrants.²⁸ Migrants are also increasingly filling unpopular social-care vacancies, with some 21,000 new arrivals from the A8 taking up jobs since May 2004.²⁹

Education

Most recent migrants have no children with them, and so make correspondingly few demands on the education service. UK-wide, registered workers have declared 52,125 dependants aged under 17 since May 2004: fewer than one dependant for every five workers.³⁰ Migrant inflows may, however, make it harder for local authorities to allocate school places and budgets³¹ and the extra language support required may be costly. On the plus side, migrant workers’ children are generally eager and quick to learn, while exposure to different cultures broadens the horizons of local children.

Social housing

There is no evidence that new migrants are jumping the queue for social housing to the detriment of any other group, including white British families, according to research published by the Equality and Human Rights Commission and the Local Government Association.³² Of the 10.1 million council and housing-association tenants in Britain, only 183,300 – less than two per cent – arrived in this country in the last five years. More than 60 per cent of recent arrivals are living in private rented accommodation, with most newcomers banned from access to social housing initially. Those who are eligible must meet the same criteria of need as UK-born applicants. According to the latest figures for 170,263 lettings in the social housing sector in 2006/07 in England, where the nationality of the named tenant was collected, less than one per cent went to new migrants from eastern Europe.³³

²⁴ Home Office (2008), “Accession Monitoring Report, May 2004 – March 2008”, Table 14, page 25

²⁵ Ibid. Table 17, page 27

²⁷ Fewer than 10 per cent of research respondents had attended an emergency department, and only 3 per cent had been a hospital inpatient, according to Spencer, S., Ruhs, M., Anderson, B. and Rogaly, B. (2007), “Migrants’ lives beyond the workplace: the experiences of Central and Eastern Europeans in the UK”, Joseph Rowntree Foundation [And see: www.jrf.org.uk/knowledge/findings/socialpolicy/pdf/2068.pdf].

²⁸ McKay and Winkelmann-Gleed (2005: 129)

²⁹ Home Office (2008), “Accession Monitoring Report, May 2004 – March 2008”, Annex A, page 32

³⁰ Ibid. Table 5, page 11.

³¹ Audit Commission 2007

³² <http://www.guardian.co.uk/uk/2008/apr/21/immigration.housing>

³³ A recent report entitled ‘Workers on the move; migration, housing and growth in the Eastern region’ (Keystone Development Trust, 2008) looks more closely at this issue

Crime

Cambridgeshire's chief constable, Julie Spence, has claimed that the sudden influx of east European workers has led to community tensions and increases in certain types of crime, in some parts of the county. Yet when the Association of Chief Police Officers (ACPO) canvassed the views of detectives and community officers across the UK, it found no evidence that crime is more prevalent among east Europeans than other groups.³⁴ It said the sheer number of migrants in some areas has caused tensions and policing pressures – but the problems are few and far between. In figures released by the Home Office in January, recorded crime in England and Wales was down by nine per cent from July to September 2007 compared with the same period in the previous year.³⁵ Clearly, where there are local problems, money needs to be allocated to address them. However, migration should not be used as a political tool to lobby for a bigger budget where the real issues lie elsewhere.

Risks of failing to attract and retain appropriately skilled migrant workers

Public debate has so far focused on the strains of coping with inflows of migrant workers; soon, though, we may be rueing their departure. As the economy slows and the pound depreciates, Polish workers are increasingly going home or seeking more lucrative opportunities in faster-growing economies with higher wages. The challenge for local businesses and public services that rely on migrant workers will thus increasingly be how to attract and retain the staff they need.

“If migrants are leaving because the plunging pound has devalued their wages, or because other regions have become more attractive, the cost will be keenly felt.”

Many farmers are already struggling to attract enough migrant workers to harvest crops and process food. These are exactly the sorts of jobs which cannot easily be mechanised, where supermarket power means wages cannot be increased by much, and where the consequence of losing migrant workers may well be closure; we either import workers to pick our strawberries or import the strawberries from overseas.

If migrants are leaving because the regional economy is slowing and the demand for labour is less, local employers will not feel the pinch, although businesses that rely on Polish custom will. But if migrants are leaving because the plunging pound has devalued their wages, or because other regions have become more attractive, the cost will be keenly felt. To retain workers, or attract new ones, whether from within Britain or from elsewhere in the EU, they will have to pay higher wages and offer more attractive working conditions, and/or reduce activity. This may be particularly problematic for the public sector, whose wage structure and budgets are highly inflexible. If the region cannot attract the workers it needs, businesses may be forced to close or relocate, while public services may suffer crippling shortages.

Capitalising on dynamic networks

The region needs to capitalise on the economic links that it has developed through the influx of new migrant workers in recent years: the networks that it has plugged in to, the new skills that they have brought, and the added flexibility and competitiveness that they have generated.

Many of these links are informal: often through word of mouth or private-sector recruitment agencies. Individual businesses have also developed relationships with individual migrant workers whom they know and trust. Such links need to be nurtured. At the same time, such networks can be supported by more formal, but still flexible and dynamic ones, primarily involving the private sector, but also with support from bodies such as EEDA.

These are particularly important in the high-tech sector. As I explain at greater length in chapter 4 of my recent book, *Immigrants: Your Country Needs Them*³⁶, organisations such as The Indus Entrepreneur (TiE) – a global network of technology entrepreneurs and professionals that helps them start their own business by mobilising information, know-how, skill and capital through networking events, education and training, and mentoring – are central to understanding Silicon Valley's success. Many other groups, such as the Silicon Valley Chinese Engineers Association and the Korean IT Forum, also provide contacts and resources for recently arrived immigrants.

These new entrepreneurial networks are fostering new trading links between the United States and

³⁴ <http://news.bbc.co.uk/1/hi/uk/7349777.stm>

³⁵ *Idem.*

³⁶ Philippe Legrain, *Immigrants: Your Country Needs Them*, Little Brown, 2007

Asia and new businesses in immigrants' country of origin. TiE brings together not just budding immigrant entrepreneurs in the US, but also connects them with businesspeople back home in India, providing local producers with the information and contacts they need to participate in the increasingly global economy.

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Silicon Valley's example highlights how the simplistic calculus of critics of immigration – are foreigners poaching our jobs? – is increasingly outdated. In a globalising economy, trade and investment require people to move as well as products, and people moving in turn stimulates new trade and investment. Likewise, where immigrants foster innovation, either within existing organisations or by creating new ones, they benefit the economy more broadly. Our old-fashioned way of thinking conditions us to think of people as belonging to places, so that one place's gain is another's loss. In fact, people can move around the world producing economic gains in several places.

Silicon Fen has a lot to learn from Silicon Valley. Some three in ten Silicon Valley start-ups are run by immigrants, mostly from emerging markets such as India and China. Many have since become global entrepreneurs. This globalisation of entrepreneurial networks reflects dramatic changes in global labour markets. Falling transport and communication costs allow high-skilled workers to work in several countries at once, while digital technologies make it possible to exchange vast amounts of information across long distances cheaply and instantly. The protagonists in this process are not large corporations but what Anna-Lee Saxenian of the University of California at Berkeley terms “the new Argonauts”: the foreign-born engineers, entrepreneurs, managers, lawyers and bankers who have the linguistic and cultural abilities as well as the institutional knowledge to collaborate with their home-country counterparts.³⁷

Proposals for action by public and private sector

The new mobility of all workers within the EU and of high-skilled workers around the world can

be a huge boon to the region. But the challenge for both the private and the public sectors is how to make the most of it in future. How can the region maximise the gains from migrant working while minimising its costs?

While many initiatives can be pursued at a regional level, government policy is clearly a big constraint on what the region can achieve. For instance, the East of England cannot try to attract migrant workers whom the UK government is unwilling to allow in to work. But while scope to influence government policy may be limited, it is important that EEDA and key stakeholders emphasise the importance of migrant workers and the proposals below through formal channels, such as contact with government departments, the Migration Advisory Committee (MAC), the Migration Impacts Forum and other relevant channels, as well as through informal ones, such as media statements, public speeches, and so on. EEDA's impact would be maximised by coordinating its efforts with other regional bodies and other relevant groups. The following ten-point plan sets out priorities for action:

1. EEDA, key stakeholders, and government at all levels need to communicate the benefits of migrant working better. The case should be based on sound economic arguments, but expressed in an accessible and compelling way. Some suggestions include: “Migration is an opportunity, not a threat”; “If foreigners can't come and work for local businesses, local businesses may have to move abroad”; “In the age of Ryanair and easyJet, people are always on the move. We can't expect the world to stand still. We need to make the most of it”; “The economy never stands still; neither should people”; “However talented local people may be, they don't have all the answers. Foreigners bring something extra”; “Silicon Valley was created by a mix of local and foreign talent, Silicon Fen cannot succeed without it either”; “Who's going to do the jobs that local people can't or won't do?”; “Trying to do everything ourselves has a price”; “Who's going to look after you when you are old?”; “English strawberries won't get picked without foreign hands”, and so on. A regional publicity campaign along these lines would be desirable.

2. EEDA and key stakeholders need to set the record straight about concerns over public services. Where particular local needs arise due to migrant working, they need to be acknowledged and addressed. But misperceptions must also be challenged, and the issues set in context.

³⁷ AnnaLee Saxenian, *The New Argonauts: Regional Advantage in a Global Economy*, Harvard 2007

Migrant workers are not a particular burden on the NHS, education, housing, or the police. Moreover, people move around for all sorts of reasons, and their needs are forever changing: public services need to become more efficient and responsive to change in any case.

3. More timely and accurate statistics about migration are urgently needed at a local, regional and national level. We need to have a better idea of who is going where and why. The Office of National Statistics needs to make this a priority, and requires adequate funding in order to do so.

4. More detailed and reliable evidence about the impact of migration on particular sectors and areas is needed, not least at a regional level. EEDA should commission and help fund this, but other key stakeholders also need to play their part. Business groups and public-sector bodies need to compile and commission compelling evidence of migrant workers' contribution. They have a lot to lose from inaction.

5. EEDA and key stakeholders should lobby the government to commission a rigorous and independent analysis of the economic impact of migration on Britain and the regions, along the lines of the Stern report into the economics of climate change. In particular, it should examine the dynamic gains from increased flexibility, greater specialisation and clustering, and the impact of diversity on competition, innovation and enterprise. This is essential for sound policy making, as well as for changing hearts and minds.

6. EEDA and key stakeholders – such as Sector Skills Councils, Business Link, local authorities, business representatives and key businesses in the high skills sectors – need to develop a coherent and forward-looking strategy for attracting and retaining appropriately skilled workers. In part, this involves nurturing and developing the informal networks that have developed in recent years. It may also involve pro-active marketing of the region in innovative and cost-effective ways, notably through the internet and social-networking sites.

Such efforts should be underpinned by public funding, but also involve businesses in the region, not only because they have better knowledge of

what is needed, but also because they have a clear and substantial stake in this. Job fairs, modelled along Australian lines, might seek to attract migrant workers to the region. Broader marketing of the attractiveness of living and working in the East of England may also be desirable. And if migrants are to want to stay longer, they have to be made to feel welcome – yet another reason why changing public opinion about immigration is so important.

7. The East of England needs to do more to remove the barriers that prevent local businesses, and migrants themselves, making the most of their talents. This should include easier recognition of foreign qualifications, better translation services and English-language training, better information about local norms and working practices and a reduction in the bureaucratic cost of employing migrant workers. In particular, it requires spreading best practice in these areas, along the lines suggested by the report produced by the Public Policy Consultancy Group of Anglia Ruskin University.³⁸

8. EEDA and key stakeholders should lobby the government to reform the new points-based system (PBS) for vetting prospective migrant workers. Manpower planning didn't work in the 1970s, and it won't work now. Just imagine if the East of England were to regulate migration from the rest of Britain in this way and you will quickly realise the system's absurdity. It would turn away a young Bill Gates, a university dropout, as well as a foreign-born Richard Branson, who left school at 16. People's future contribution to the economy is inherently unpredictable.

The PBS should, at least, be reformed. The system for identifying areas of labour shortage for 'tier 2' applicants is fundamentally flawed: no committee of experts, however distinguished, has the knowledge and foresight to identify and predict the needs of myriad businesses around the country, and those in the East of England in particular. It is particularly worrying that the MAC appears to have chosen a very restrictive definition of labour shortage, which implies a significant cost to local businesses and the economy as a whole.³⁹ **EEDA and relevant stakeholders should take every opportunity to argue for a less restrictive and more flexible interpretation of the tier 2 criteria in future.**

³⁸ See "Economic Migration in the East of England, Update 2007", Deborah Holman and Claudia Schneider with Roxana Anghel and Alex Collis, Public Policy Consultancy Group, Anglia Ruskin University, January 2008, section 3.4.6., page 14

³⁹ As The Economist ("Of stable lads and ballet dancers", 10 May 2008) points out: "What is still not clear—and what the boffins themselves have not yet decided—is how badly an industry ought to suffer before it is allowed to import the workers it needs. How ropery and expensive should the national ballet be allowed to become for the sake of employing British dancers? And how many Chinese take-aways ought to be allowed to close before they are allowed to import chefs?"

The PBS also makes no provision for hiring less-skilled 'tier 3' workers from outside the EU, on the assumption that A8 migrants will provide a steady supply of labour to do less-skilled jobs. This assumption may prove incorrect. One solution, in the short term, could be to abolish the restrictions on Bulgarians and Romanians working in Britain. It is unclear, though, how many Bulgarians and Romanians would wish to come and work in Britain, given existing migration patterns and the opportunities elsewhere. **EEDA and relevant stakeholders should therefore lobby for the right for local businesses to hire tier 3 workers from outside the EU too.**

9. The nexus between universities and research institutes, venture capital, and a mix of local and foreign talent that has made Silicon Valley so successful needs to be emulated. Universities in the region have a key role to play in attracting foreign students and developing businesses that harness their talents. Further research should be commissioned in this area.

10. The region needs to nurture international entrepreneurial networks that connect local businesses, entrepreneurs and workers to global networks of trade, skills, business contacts and ideas. While EEDA cannot create them, it can support their development. This could be worth pursuing at an EU-wide level through a network of relevant regional and national agencies.

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