



**Recession, Vulnerable  
Workers and Immigration:**  
Background report

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# **Recession, Vulnerable Workers and Immigration: Background Report**

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# I. Introduction

The aim of this report is to provide background information and provisional analysis for understanding the impact of the current recession on vulnerable or precarious workers, including migrants. It reviews academic, official and press sources not with the intention of being definitive, but in order to generate research priorities and contribute to ongoing debates and campaigns around the issues of low-wage labour and migrant exploitation in the UK.

The report is guided by contributors to a roundtable discussion held in the offices of the Public and Commercial Services Union, London and convened jointly by PCS and the Centre for Migration, Policy and Society (COMPAS) in March 2009. Although contributors are not cited here in person, for reasons of confidentiality, their insights are indispensable to the conclusions. The report is also informed and inspired by the TUC Commission on Vulnerable Employment Full Report *Hard Work, Hidden Lives* (TUC 2008). This document describes and analyses the conditions that place up to two million people in the UK 'at risk of continuing poverty and injustice resulting from an imbalance of power in the employer-worker relationship' (3). It reveals how a two-tier labour market has developed in Britain, with migrant workers being concentrated in the secondary sector alongside UK nationals. The commission also makes several substantial recommendations on how to reduce vulnerability. The TUC study appeared before the recession took hold and to some degree, this report tries to build on its findings and observations. It also follows the TUC study in trying to hold together two groups, both ill-defined, that are often addressed separately: vulnerable or precarious workers and migrants in low-wage labour markets. A further input into the report was provided by conversations with key informants in Nottingham.<sup>1</sup>

The report is organised into seven chapters which address the specific aims and questions:

1. What is the global context of the recession and how does the current recession compare with previous post-war economic downturns and crises? The global context is relevant because sectors that were previously thriving in the UK, such as finance and construction, relied on inflows of capital and labour from abroad. But it is also instructive to compare Britain with other European countries in a similar situation.
2. What is the current and likely impact of legislative and administrative changes in benefits, immigration and citizenship as they act in conjunction with the economic downturn?
3. How is the recession manifest in the flexible and low-wage labour market, or secondary labour market? The rise in temporary contracts and casual work, including agency work, is a feature of the labour market not so apparent in earlier recessions. But is there any evidence of intensified competition between migrant and UK national workers or have these labour markets become so segmented that direct competition is muted? Does recession enable "bad" employers to out-compete "good" employers? Given the proliferation of supply chains, is outsourcing, subcontracting and temp work strategies becoming more common?
4. What is the impact of the recession specifically on migrant workers and their families? The report does not aim to be exhaustive on this issue, and there are other more comprehensive accounts already published.<sup>2</sup> How are the existing battle lines on immigration, drawn up during the boom years, being redrafted under pressure?
5. Is there any evidence of a rise in racism, nationalism and xenophobia coincident with or even caused by the deteriorating economic conditions? How might this feed into the labour market?

## The Context

The recession is happening during an unusual coincidence of historically high employment, historically high immigration (and to a lesser degree emigration), reforms to welfare, citizenship and immigration, and increased labour market flexibility. The normal UK recession lasts five quarters if measured by output, indicating that, if we accept more optimistic forecasts, this report appears somewhere in the middle. But, if taking into account employment, the housing market and consumer

confidence, full recovery may have to wait until 2012. Moreover, as the *Financial Times* puts it “the private-sector recession is about to be followed by a public-sector one” (Timmins and Barker 2009).<sup>3</sup> The contrast is overdrawn, but the point is clear. With public borrowing set to rise by £175 billion, the pressure to make cost savings in government expenditure will become increasingly intense even after the official ‘recovery’ registered in GNP. People will be obliged to fight to defend jobs and services, including benefits, after the next general election. The impact of the recession on low-wage workers and migrants will be felt well beyond the next three quarters. There are already conflicts between employers’ organisations and unions over legislation to increase employees’ rights and protections, including the EU’s temporary workers directive. Driven by what John McDonnell, MP describes as ‘New Labour’s twin obsessions’ of penalising the poor and privatising services, the government is pushing through a new workfare programme despite rising unemployment.<sup>4</sup> This adds restrictions on who can access benefits but also introduces new conditions on access. Coupled with an extensive reorganisation and refunding of skills training, it represents an ambitious attempt to restructure the world of work, but one conceived during economic boom. Similarly, the new Points Based System (PBS) for immigration, planned while the demand for labour was high and growing, is coming on stream during a downturn. The PBS is already functioning, but revisions to citizenship which connect residence and employment are also in the pipeline. The recession has not afforded a pause in the government’s reforming instincts.

For the first time since the 1930s there are over 2 million unemployed people under a Labour government. The recession follows an extraordinary period of continuous economic growth and increasing labour supply, much of it provided by workers from abroad, during which both Conservative and Labour governments have actively reshaped conditions of employment. The so-called ‘flexible labour market’ was largely contrived under benign economic conditions. The ease of hiring and firing resulting from levels of employment protection low by international standards, was one of the factors driving employer demand for migrant labour. Throughout the 1990s and 2000s, the UK became characterised by labour market flexibility and an openness to globalization much greater than most other EU countries. This was reflected in the relatively open admission of A8 and then A2 nationals from 2004 onwards, among other things. But what happens in recession? Between 2008 and 2010 the flexible labour market and Brown-style workfare will be tested to destruction. What are the consequences for workers in low-wage sectors in general, and migrants in particular? Will already bad conditions turn worse or, perversely perhaps, will demand for marginalised workers actually increase?

In recent years the debates on the economic impact of migration in the UK have taken place in a context of relative economic growth and stability. While there have been some claims (largely but not exclusively from the right) that the “costs” of migration have been disproportionately carried by low-waged and unemployed UK nationals, “pro-migration” lobbyists, and the Labour government, have argued that migrants contribute to economic growth and should be welcomed on this basis. This argument, already under fire, is likely to become increasingly difficult to sustain in the midst of massive upheavals in the global financial system and an economic recession that is likely to have significant repercussions. Furthermore, at times of economic recession, competition in low-waged labour markets, and more generally, nationalism and racism can flourish

## **Propositions**

This report surveys some of the accounts of past recessions and from the accumulating evidence from the ongoing recession. It is inevitably selective and conclusive answers to the questions outlined above are out of reach. Based on what is surveyed however, it is possible to make five propositions which serve as interim conclusions and preconditions for research and debate:

1. The impact of the recession on low-wage migrant workers has been overlooked in the initial response to the downturn, relegated by concerns about migrant return, the threat to core workers and the taking of British jobs. This is also because, as a group, vulnerable workers

including migrants are hidden – from official statistics, press and media focus and popular concern. To see the impact also necessitates a switch in focus, from the effects of immigration on labour markets to the effects of labour markets on immigrants.

2. There is much to be gained from holding together on the one hand studies of vulnerable or precarious workers (including the unemployed and claimants) and on the other a focus on migrants in low-wage labour markets, not least because these groups have much in common. Despite often being addressed separately, by organisations, in the academic literature and in the press, the recession also contains the opportunity for people who are active and knowledgeable about the issues affecting them entering into greater dialogue.
3. The nature of impact is not certain or obvious and cannot easily be deduced from existing economics or labour market theory. Past recessions may not provide good parallels. We suspect that there will be considerable variation, sectorally, geographically and possibly at the level of firms and communities. This is further complicated by the recession being a “moving target” for research. Economic conditions are not only contingent but highly volatile. Distinguishing between long-term consequences and temporary effects (that may contribute to structural change) is a real challenge.
4. Whatever the impacts are, they are not working in isolation but in conjunction with other changes – in welfare and benefits, immigration and citizenship. In this regard, the current recession is closer to the early 1980s, when a determined government drove through reforms amounting to a structural change in the labour market and society more generally. Arguably, the downturn is the least of the threats to the long-term livelihoods of migrants and their families.
5. The recession marks a period of social and political<sup>5</sup> as well as economic change. Social ideas about what being a “migrant”, a “lone parent”, a “benefit claimant” means, their characteristics and *social* costs and benefits, are shifting. In particular we cannot forecast the nature and direction of public attitudes to migrants.

We arrive at the possibly unexpected conclusion that there is no such thing as ‘the impact of the recession on migrants’, or rather that it does not constitute the most appropriate or valid object of inquiry. Putting low-wage migrant workers, or precarious and vulnerable workers in general, at the centre of analysis reveals a different picture. Work, benefits and citizenship intersect in a threatening and unpredictable trinity. Looking at the recession from the field, the meatpacking plant, the care home or the construction site does not afford the same view as from the commercial bank, auto assembly plant or even the university.

The report therefore concludes with some scenarios for low-wage labour markets, acknowledging the gaps in knowledge, which might provide the basis for research and debate.

## **Acknowledgements**

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<sup>1</sup> Although initially intended to form a significant part of the report, a case study of the local impacts of recession on Nottingham has had to be postponed. We are nonetheless very grateful for the advice and assistance provided by our informants.

<sup>2</sup> See in particular: P. Martin (2009) 'The recession and migration: alternative scenarios', working paper 13, International Migration Institute, Oxford University; D.G. Papademetriou and A. Terrazas (2009) *Immigrants and the Current Financial Crisis: Research Evidence, Policy Challenges, and Implications*, Migration Policy Institute, January 2009; 'Migration and the Economic Downturn: What to Expect in the European Union', D. G. Papademetriou, M. Sumption and W. Somerville, Migration Policy Institute, January 2009; 'The impact of the recession on migrant labour', Local Government Association, January 2009; 'Global migration and the downturn: The people crunch', *The Economist*, 17 January 2009.

<sup>3</sup> N. Timmins and A. Barker (2009) 'Recession hits political ambitions', *Financial Times*, 14 April

<sup>4</sup> John McDonnell (2009) 'New Labour's twin obsessions', *The Guardian*, 17 March 2009

<sup>5</sup> We should not underestimate the importance of the 2010 election in this regard.

## 2. The Recession: Global and Historical Perspectives

“What started as a financial crisis, became an economic crisis, is now becoming an unemployment crisis – and to what degree does it become a human and social crisis?” (Robert Zoellick, President World Bank)<sup>1</sup>

Although the longevity of the recession – or possibly depression<sup>2</sup> - remains unclear, its geography is taking shape. Setting aside economic indicators for the moment, the first signs of trouble came from the US sub-prime market and associated banking industries in mid 2007.<sup>3</sup> Just over a year later, in September 2008, US investment bank Lehman Brothers collapsed, signalling that things were more serious than supposed. Rife with ‘toxic debt’, much of it still possibly hidden or unaccounted for, the world’s banking system shows little sign of being able to deliver credit again in the near future. A poll of economists by Reuters found that the majority expected the liquidity crisis to continue throughout most or all of 2009.<sup>4</sup> Even towards the end of 2008 some optimists believed that the downturn would not spread everywhere (recall that the 1997-98 Asian crisis was more or less confined to that region). It was anticipated that Latin America, Russia and the Middle East might escape the worst of the effects of a financial and banking crisis. As of April 2009, it is apparent that this optimism is misplaced. The downturn is global and simultaneous, which is an unusual set of circumstances, justifying comparisons with the 1930s. The IMF, which in December forecast global growth of 2.2% in 2009, revised its estimates down to -1.3%, the worst economic performance for 60 years or what it described as a ‘virtual halt’.<sup>5</sup> World trade is down 9 %, again everywhere. The export industries of China and India are shedding workers, while Latin American economies are enduring low growth or – in Mexico’s case – negative growth. Predictions that Japan and Germany might escape recession have proved wrong, as worldwide demand for manufacturing slumps. The ILO forecast that global unemployment will rise by around 20 million to 210 million by the end of the year.<sup>6</sup> Its worst-case scenario was an additional 50 million out of work in 2009 relative to 2007, wiping out all the gains made in poverty reduction since 1997.<sup>7</sup> Globalisation is in reverse, with cargo traffic, air passengers and tourism all in retreat.

There are already clear signs of unrest in various places across the world, including intense and prolonged rioting by disaffected youth in Greece, and violent protests in Guadelupe and Martinique against the government and white businessmen.<sup>8</sup> Two governments have fallen as a direct result of the economic crisis – Iceland and Latvia – and there have been mass demonstrations in France, Spain, Hungary, Ireland and elsewhere.

### **Recession in the UK**

A global recession triggered by financial crisis spells bad news for the UK. Financial services are, or were, the engine of the country’s (unbalanced) economy, and high levels of foreign ownership of banks, car makers, utilities etc. complicate the picture. To the degree that the Blair-Brown government is committed to open markets, including for labour, the scope for unilateral action is narrowed. Furthermore, an inflated housing market and very high levels of household debt characterise the UK as more exposed than other OECD countries.

The current recession has at least two significant features distinguishing it from the previous three. Firstly, it arrived following an unusually long period of continuous growth, 63 quarters in fact, or by some measures, the longest since records began. This was a longer record than, say, the USA; Britain ‘dodged’ a recession around 2000.<sup>9</sup> What this means is that few people younger than their mid-30s have any real memory of either being in or out of work during a

recession. Secondly, and compounding the effect of a long period of growth, low inflation, low interest rates and low unemployment, the onset of the recession when it came was markedly swift. Economic forecasts being made in the autumn of 2008 were already being drastically revised two months later. The combination of the collapse of Lehman Brothers and the associated slump in business confidence generated a sudden change for the worse. The IMF suggests that, of all the major OECD countries, the UK would suffer the greatest contraction in GDP in 2009, although other forecasts dispute this.<sup>10</sup> As almost all significant trends headed in the wrong direction, and record rates of decline succeeded one another on an almost daily basis, it became clear that events were leaving most analysts stranded. The CBI had suggested a “short shallow recession” in the summer, but within months was adopting more apocalyptic language; its most recent predictions are for a contraction of 3.3% in 2009.<sup>11</sup> Mervyn King suggested that it was the worst recession since 1945-46, but that “it is pointless to pretend you can forecast the future precisely.”<sup>12</sup> Ed Balls trumped other commentators by his opinion that it was the most serious recession for a century. The reference point for current conditions keeps slipping ever backwards, to the 1990s, the 1980s, the 1930s and now the late Victorian/Edwardian depression (or so-called Long Depression of 1873-1897).

The downturn might have begun in the financial sector, but it quickly cascaded into manufacturing, construction, retailing and services. The impact of the downturn is more widespread than the previous two recessions. The main signs of robustness were in defence, pharmaceuticals, supermarkets, convenience food and public sector services. Output fell in the third and fourth quarters of 2008, by 0.7% and 1.6% respectively, i.e. an accelerating decline. Between January and March 2009, the economy contracted by 1.9%, the worst since 1979.

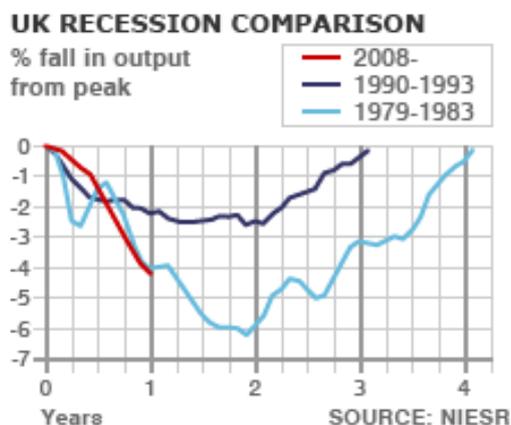
Manufacturing output fell throughout 2008, dropping by 4.6% in the last quarter, although not by as much as in Germany, France and Japan.<sup>13</sup> It accounted for almost half the economy’s contraction in 2008 despite representing only 15% of its output.<sup>14</sup> These figures are comparable to the 1980s rather than the milder 1990s recession. All of the UK’s automobile assembly plants were on shorter hours by the start of 2009, but the contraction is sector-wide; up to a quarter of all manufacturers were using short-term working by April.<sup>15</sup> Construction output began falling before other sectors, in second quarter 2008, although the ONS suggests that so far it has been mild relative to earlier recessions.

Output in services declined in fourth quarter 2008, more than in any quarter since 1979. Financial and business services have accounted for a third of UK output in recent years, so their contraction is significant. But the main contribution to services decline is coming from distribution, hotels and catering. Retailing may have been insulated from the full impact of recession by the Christmas and January sales boom, coupled with heavy discounting, but any firms aimed at the discretionary income market are likely to suffer badly.

As widely reported, one part of the economy holding up is the public sector. While households cut expenditure by 0.7% in the final quarter of 2008, the government increased spending by 1.5%, blunting the decline in GDP and sustaining employment.

How long will the recession last? The typical UK recession lasts around 5 quarters, but the high levels of household debt and the sluggish nature of bank lending lead some analysts to anticipate something longer.<sup>16</sup> The National Institute of Economic and Social Research forecast that the recession would be much more like the 1980s than the 1990s, and that recovery would not happen until 2012 (Figure 2.1).<sup>17</sup> A survey of senior executives by KPMG in January and February 2009 established that 87% thought things would get worse before they got better, expecting recovery to take one to two years.<sup>18</sup> On the other hand consumer spending might be buoyed by low interest rates and the falling pound could make

eventual recovery through exporting more effective. A recent study of 18 major financial crises throughout history concluded that, on average unemployment rose 7% over four years and output fell 9% over 2 years; house prices declined by just over a third over six years.<sup>19</sup> It remains possible that the UK will pull out of recession more swiftly than other OECD countries, but equally, there's the prospect of a double dip.<sup>20</sup>



**Figure 2.1 Recession and the Labour Market: BBC News 8 April 2009**  
Source National Institute of Economic and Social Research

Falling employment and rising unemployment are not direct and immediate responses to economic downturn and recession. On the one hand, employers may hold on to workers, especially skilled workers, in the hope that conditions will improve. This is said to be one of the lessons learned from the last recession, when employers who released skilled workers then found it difficult to attract them back. On the other hand, because economic growth rates are assessed in arrears for each quarter, unemployment levels are often an earlier indicator of recession.

Although redundancies have risen and vacancies fallen, strict joblessness is not the only outcome of recession. From the perspective of any employer, there are a number of potential responses to declining profitability and/or pressure on costs. These might include:

- Pay cuts, for example workers at Corus plant, Llaner, accepted 10% pay cut for 6 months, as well as reductions in overtime and bonuses.
- Short-time working or more inflexible shifts, pay freezes and reductions in benefits.<sup>21</sup> One survey of manufacturers found that 2/3 had or were contemplating freezes and 7% had already cut wages; 1/4 had introduced short-term working.<sup>22</sup>
- Increasing unpaid or low-paid overtime
- Limiting external recruitment, promoting redeployment and retraining
- Changing policies on absence and hours
- More effective management of the mix of full-and part-time staff
- Review of national insurance and tax benefits

What appears to be emerging from the first six months of recession, is that major employers are trying hard to find alternatives to making core or permanent staff redundant. One estimate suggested that a quarter of the workforce was already affected by shorter hours by March, and not just in manufacturing but throughout the economy, including in white-collar jobs.<sup>23</sup> But the government has resisted calls to introduce the kind of wage subsidy for workers on shorter hours found in Austria, Denmark, Germany and other European countries. Adjusting the number of hours worked, shifting workers into short-time, temporary or even self-employed contracts, combining shorter hours with in-company or outsourced training are all alternative responses which blur the divide between

employment and unemployment. This may be one of the lasting consequences of the recession, as the relationship between jobs and work is extensively reorganised.

After a long period of falling unemployment, the jobless rate began to rise in the second half of 2008, from 1.63 million in March-May to 2.1 million in December-February 2009, reaching 6.7%.<sup>24</sup> This translates into 55,000 people a month becoming unemployed in the last quarter 2008. Long-term unemployment tends to trail overall unemployment by six months; it rose by 18,000 in Q4 2008.<sup>25</sup> The claimant count is also rising, by a record 138,400 in February 2009 – the biggest increase since records began (although March's figures were lower).

By contrast, the inactivity rate has remained fairly constant and stable, which the ONS interprets as evidence that workers are not yet being discouraged in great numbers. Over the past 18 months the level of economic inactivity has fluctuated between 7.8 and 7.9 million, but in the 3 months November 2008-January 2009 it fell by 102,000. Of the three main reasons given for being economically inactive, the number of students rose slightly over the whole year but the numbers saying they were long-term sick or looking after family/home both fell. This would be in line with government aspirations. For example, in the three months to January 2009 25,000 fewer women claimed looking after a family or home as a reason for being economically inactive.

Among experts and analysts, the forecast is for between 3 and 3.3 million unemployed by 2010, i.e. 10 per cent of the workforce. Forecasts for the claimant count suggest a rise from around 1.2 million in December 2008 to 1.8 million a year later.<sup>26</sup> There is still a large gap between the unemployment and Jobseekers Allowance claimant counts; some 52% of unemployed people claimed JSA in December 2008 (75% for men, 38% for women). This is about the same number as 1990, though a slightly lower percentage.

Jobs have been lost in every sector, although not at the same rate or with the same timing (Table 2.1).

Sectors	Dec 2007-Dec 2008	Oct-Dec 2008
Finance & Business services	-220,000	-102,000
Distribution, hotels & restaurants	-159,000	-83,000
Manufacturing	-128,000	-52,000
Transport & communications	-12,000	-4,000
Mining, energy and water	+6,000	No change
Agric, Forestry & Fisheries	+22,000	-2,000
Construction	+47,000	-2,000
Other services	+58,000	+28,000
Public administration, education & health	+102,000	+14,000
All Jobs	-284,000	-203,000

**Table 2.1: Workforce job losses and gains 2008**

Source: ONS Labour market statistics March 2009

Public sector employment rose by some 15,000 in the last quarter of 2008, led by increases in the NHS.<sup>27</sup> Central government employment rose by over 50,000 in 2008, although the number of civil servants was reduced. Earnings (excluding bonuses) rose 3.8% in the public sector and only 3.4% in the private sector. Such figures have been used by right-wing commentators, led by the Taxpayers Alliance, to castigate the government for protecting public sector workers at the expense of both taxpayers and the private sector. When assessed over a longer time period however, it is clear that public sector employment as a

proportion of all jobs fell 1991-98 before rising again to 2005 when they peaked at 5.9 million.<sup>28</sup> The number of people classified as public sector employees is below the peak during the last Conservative government of 6.0 million.

## **The Current UK Recession in Historical Perspective**

No two recessions are alike, and this is certainly true for the four experienced in the UK since 1970.<sup>29</sup> If judged in terms of unemployment alone for example, whereas the mid 1970s recession was not accompanied by a striking rise in joblessness, the 1980-81 recession was unusually tough on employment. While this recession was marked by a crippling of British manufacturing, most evident in the unexpected decline of the West Midlands, the 1990s recession was more evident in the South East. As a result, the regional disparities evident in the 1980s were more muted in the 1990s.

What distinguishes one recession from another is its causes. In the case of the UK, we can make a rough distinction between the past three significant downturns:

- |           |  |
|-----------|--|
| 1974-1975 | Restructuring recession, transition from Keynesianism-Fordism to Post-Fordism, relatively low unemployment by modern standards; high inflation but sustained wage levels.  |
| 1979-82   | Hatching neoliberalism through monetarism and privatization, with very high and sustained unemployment. The UK was first into recession, and first out; inflation rose to 20% and unemployment kept on rising even after growth returned – to 3.05 million by 1984. There was no disastrous decline in the terms of trade – indeed there was a surplus on the balance of payments. But interest rates rose to 14 per cent.   |
| 1990-92   | Muddling through to cope with European and global pressures, especially the relation to the ERM. The 1990s recession was triggered by a financial crash, ending a bubble of inflated asset prices, but relative to previous episodes, wages fell. High inflation but low oil prices. After 44 months of falling unemployment it rose again and continued to rise after growth returned, to 3 million in 1983. Technically speaking the recession was over before UK was dumped from ERM in September 1992. This recession signalled the onset of globalization, especially in terms of the integration of financial markets. |

The relation between the business cycle and unemployment in Britain is more like the EU than the USA, but also more volatile than the EU. The pattern of earlier, sharper rises and earlier swifter declines in unemployment appeared to become more distinct between the 1980s and 1990s.<sup>30</sup> A series of peaks was superimposed on a rising trend or base level of unemployment between the 1970s and mid 1990s, followed by a distinct shift to lower levels of joblessness. While the post-recession troughs became higher and higher for the first three recessions, unemployment levels after 1990-91 finally fell below the previous low point. As of December 2008, unemployment levels are still below the level they were before the last recession, and the rate of increase is about the same. It might be noted that the population is some 3 million bigger than in 1990.<sup>31</sup> The increasing supply of labour over the past two decades has been driven by two main factors: net in-migration (accounting for over half of all population growth in 2006-7); and female labour force participation. It has also changed composition because of the ageing of the population and the increasing number of students. The DWP has tried to add more labour through shifting people on incapacity benefits and lone parent benefits into waged labour.<sup>32</sup>

After the early 1980s it took six years for unemployment to level out at pre-recession levels. The 'winter of discontent' – where 29 million days were lost through industrial action – led to public sector pay increases in the short term but concerted anti-union legislation and action in the medium term. Some say Thatcher used the recession to discipline the workforce. In 1980 the economy shrank 2.1% i.e. well below most economists' predictions for 2009.

The early 1990s recession was, like its predecessor, characterised by high interest rates and a long spell of high unemployment, although there was no steep decline in sterling and exchange rates remained fairly stable. As a result, export-oriented firms did not suffer so much.<sup>33</sup> Recovery was up to a year quicker than most experts expected, though this was in part a function of large numbers of men being classified as economically inactive rather than unemployed. Whereas in 1981 three-quarters of those who left unemployment went into waged work, in 1993 only 60% did so.<sup>34</sup> It may also have been the result of a higher number of young people moving into higher education. Another important difference may be the accelerated decline in union membership and collective wage agreements between the two recessions. In the recovery after the 1990s, unemployment levels among the less-skilled did fall rapidly, but much of the decline was due to rising inactivity rather than employment. Only in those parts of the country where there was a high general demand for workers and where the employment rate was already high, did less skilled workers enter employment to any great degree.<sup>35</sup> Perhaps because of the eventual introduction of the New Deal for Young people, Gregg and Wadsworth suggest that younger less-skilled workers were able to get back into work more quickly than older workers. Even so, by 2002 "nearly one in four less skilled young men and one in five young women are still unemployed" (91).

A survey by Geroski and Gregg of 586 firms in 1993, following the early 1990s recession examined how they had coped with adversity.<sup>36</sup> As expected, the most common response was to cut costs by laying off staff, cutting wage bills or closing plants altogether. Wages could be cut in a number of ways – reducing overtime and freezing wages, while other strategies were to dismiss older workers or shift from full-to part-time employment. Some firms responded frequently and gradually, but more responded infrequently and suddenly. Many found that wage freezes did not forestall subsequent redundancies. But 40% of the firms in the survey did not make any redundancies and only half instituted a temporary wage freeze. The authors conclude that:

"Employment growth and contraction are highly concentrated on a small number of firms who experiences big changes in employment in boom and recession" (101).

The impact of recession on unemployment generally intensifies patterns evident in better years. Older and younger workers, unskilled workers, young men and men with large families, immigrants and members of some ethnic minorities tend to fare worse.<sup>37</sup> Even during a boom, unemployment among unskilled makes is around 15%; the penalty for lacking qualifications increased from the 1970s onwards. This effect appears to have become more marked under the rubric of labour market flexibility:

"Worklessness is increasingly concentrated on selected individuals, households, socio-economic groups and geographical areas"<sup>38</sup>

"The British labour market can increasingly be categorized as having primary and secondary sectors. The secondary sector is characterised by higher labour turnover amongst the least-skilled, young and old, and those in atypical employment."<sup>39</sup>

According to the Local Government Association, both the recessions of the 1980s and 1990s left behind 'rock pools' of long-term unemployment. In the 1980s, these were found

largely in the northern cities. But in the 1990s, they included Cornwall and parts of Staffordshire, namely Stoke-on-Trent (one of the places with the highest levels of support for the BNP).<sup>40</sup> The report suggests that recovery from a recession can take as long as a decade in some places.

## Unemployment and Immigrants: Past Recessions

“During the boom years of the 1950s, the then largely immigrant population of ethnic minority workers, like the indigenous population, suffered low rates and only short spells of unemployment. However, as the UK economy was increasingly characterised by high rates of unemployment, it became clear that ethnic minority workers were much more vulnerable than white workers to changes in the economic climate. There is strong evidence that ethnic minority unemployment is *‘hyper-cyclical’*. This means that when the economy is contracting, ethnic minority unemployment rises much faster and to a higher peak, than does white unemployment. Similarly, when the economy begins to expand, unemployment amongst ethnic minorities falls at a higher rate than among white people.” (Jones 1993: 112, italics added)<sup>41</sup>

The hyper-cyclical pattern was tracked by the four surveys of Britain’s ethnic minorities undertaken by the Policy Studies Institute.<sup>42</sup> It was first observed in the mid-1970s recession and Colin Brown identified the gap between white and ethnic minority unemployment as the single most important development between the second and third PSI surveys. The pattern was confirmed when ethnic minority unemployment rates fell faster than white workers in the late 1980s, leading to convergence only to rise faster in the early 1990s recession. The 1994 survey took place directly after this recession, and found good evidence for the hyper-cyclical pattern, confirmed by other surveys<sup>43</sup>

Among the reasons for the greater sensitivity of immigrants to the business cycle are “differences in skill distribution between immigrants groups or natives, or differences in demand for immigrants and natives of the same skills due to different allocation of immigrant and natives across industries and regions (Dustman et al 2006: 2). Further, employers may discriminate against immigrants, singling them out during recession but re-employing them afterwards.

Regarding migration patterns and the business cycle, a review of the past four recessions by the Migration Research Unit at University College London concluded that the impact has been relatively small.<sup>44</sup> In the early 1980s, inflows and outflows reacted quickly to the onset of recession (falling and rising respectively, as one might expect) but the changes were short-lived and did not mirror unemployment fluctuations. The 1990s recession saw a similar pattern, though more amplified; inflows fell 28% between 1990s and 1992. In the past 30 years, inflows have reacted more than outflows, but neither have been marked changes.

Within the general pattern of hyper-cyclical unemployment, there have been important differences that suggest caution in lumping together all immigrant or ethnic minority groups. For example, after the 1970s there was a significant rise in self-employment among Britain’s South Asian communities. In 1974 Asian self-employment was well below white, but by 1984 it was higher – 18% and 14% respectively. Such differences were more marked in the aftermath of the 1990s recession. In 1994 unemployment rates for Bangladeshi and Pakistani men were two and a half times greater than for white men, approaching 40%, and rates for Black Caribbean men and women were about double the white average. But Indian men and women’s unemployment rates were only a third greater than those for whites. Rates for Chinese men were lower than for white males, and African Asians rates were similar. Furthermore, Caribbean, Pakistani and Bangladeshi men had appreciably higher levels of ‘pre-

retirement' inactivity, suggesting permanent disengagement with the paid workforce. By contrast, Caribbean women were more likely to be in paid work than white women.

The 1994 PSI survey, like the others, was concerned with ethnic minority status rather than immigration per se. However, it did establish that unemployment rates for young people among ethnic minorities, who one can assume were UK-born, were higher than for older people. Rates for Caribbeans, Pakistanis and Bangladeshis aged 16-19 were above 50 per cent in 1994. Modood et al. also demonstrate that the higher rates of ethnic minority employment are not completely explained by over-concentration in manual work or by geographical distribution, although both made some contribution.

In his report on the Brixton disorders of 1981, Lord Scarman recorded that unemployment among black people in the area was substantially higher than for the rest of the population; in the year up to the disorder, while general unemployment rose by nearly 66 per cent ethnic minority unemployment increased by 82 per cent. Further, ethnic minorities experienced longer spells out of work. He states "there can be no doubt that [unemployment] was a major factor in the complex pattern of conditions which lies at the root of the disorders in Brixton and elsewhere" (168).<sup>45</sup>

More precise evidence of the impact of the 1980s recession and recovery on immigrants is provided by Dustman et al. (2006). In a comparative study of Germany and the UK, they find that immigrant unemployment is more sensitive to the business cycle than native-born workers. This was true for immigrants from the OECD countries and from non-OECD countries, although with lower absolute levels of joblessness among the former. In the UK, during the 1980-81 recession, unemployment rates among OECD immigrants were comparable to the UK-born. These relationships hold independently of age, education and geographical region, although the effect was greater at lower levels of educational achievement. One difference between the two countries is that UK unemployment levels, though they rose before those in Germany, fell faster afterwards; by the end of the recession, levels in Germany were double those in Britain. Secondly, they found no effect of the cycle on wage differences between natives and immigrants in the UK. They conclude:

"changes in the demand for labour over the economic cycle affect immigrant workers and in particular those from non-OECD countries more than natives" (28)

By the mid 1990s therefore, during a recovery from recession, there was a clear gap opening up between on the one hand, white, Indian and African Asian workers who fared reasonably well, and on the other, Caribbean, Pakistani and Bangladeshi workers who continued to experience high levels of both unemployment and economic activity. These groups also suffered longer periods of unemployment. It seems that in the course of three recessions, the hyper-cyclical pattern persisted but became more diversified in its effects, by ethnicity, age and generation, and possibly gender. Furthermore, these disadvantages applied to second-generation and above ethnic minority groups

So what happened to rates after 1994? According to analysis by Jonathan Wadsworth, the long recovery after the early 1990s brought convergence for some groups but not for others.<sup>46</sup> By 2001, employment rates for British-born ethnic minorities and immigrants in general were still lower than for whites, but the gap was greater for some groups than others. The employment gap narrowed more for UK-born minorities than for immigrants; by 2001 the average immigrant had spent 17 years in the country. But, "both employment and unemployment rates are generally higher for most British born minorities relative to immigrants of the same ethnic group" (116). Wadsworth explains this by reference to very high rates of economic activity among some immigrants.

The greatest gains were made by white immigrants and the least progress was made by Afro-Caribbean and Bangladeshi men. Indeed, for these groups there was almost no improvement in the employment picture since the recession. In addition, the recovery did little to improve the position of female immigrants relative to white British women, although employment rates for Indian and Afro-Caribbean women were comparable to white women. All these differences are not a function of age, region or education. Wadsworth concludes

“It seems that the longest, most sustained economic recovery experienced for many years has not been sufficient to erase the substantial employment and wage differentials experienced by immigrant and ethnic minority workers” (132)

Recognising the greater risk of unemployment faced by ethnic minority workers in the recession, James Purnell announced an agreement with the Equality and Human Rights Commission to “assess how the recession may be impacting on different groups of people, for example women, ethnic minorities and older and disabled people”.<sup>47</sup>

## Summary

Within the context of an unusually severe and simultaneous global economic downturn, the recession in the UK has at least two distinguishing features. It follows an unusually long period of continuous economic growth, 63 quarters, and its onset was sharp and swift. An assumption of moderate economic growth, low inflation, low interest rates and relatively low unemployment shaped both public perceptions and government policies. Although the downturn began in finance, and to a lesser extent construction, it soon spread throughout all sectors and regions. It's not clear how long it will last. A review past economic crises suggests that unemployment rises over a four-year period and output falls over two years; house prices can take six years to recover.

Unemployment began rising in mid 2008, and soon spread to all sectors except for public administration, education and health and other services. Attempts to distinguish sectors (and by extension occupations) by the degree of impact are possibly premature. Some industries, such as house-building, high-end restaurants or car manufacturing, may feel the downturn earlier than others. It is unwise to anatomize a recession while it is ongoing and draw firm conclusions. Although there are signs that major employers are trying harder to retain core workers than in the past, the forecast is for unemployment to top 3 million by the peak of the recession. Evidence from the last three in Britain indicates that the relationship between the business cycle and unemployment is more volatile than in the rest of the EU. Job recovery after the 1990s was unexpectedly quick, although there remain pockets of high long-term unemployment in certain parts of the country. In general, recession amplifies already existing inequalities in the labour market, with the highest risk of job loss borne by unskilled, older and younger workers. The effect of recession on the employment of immigrants and ethnic minorities has been clearly hyper-cyclical, i.e. quicker to rise and fall. But since the 1970s there has emerged clear distinctions among the UK's different minority ethnic groups, as some converged with the white UK-born majority and others did not.

The recession, its longevity and its impact may be too difficult to predict but perhaps one conclusion is clear. The current recession is much more like the 1980s than the 1990s. It is more likely to mean significant restructuring of the labour market, not least because, as in the 1980s, there is a government intent on reform regardless of circumstances. Whether this recession leads to a 'rebalancing' of the UK economy away from dependence on financial services and debt-led consumption towards 'green industries' and restrained spending is uncertain. But the combination of recession, welfare reform and (presumably) readjusted government spending are sure to have repercussions for the low-wage labour market.

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- <sup>1</sup> In 'Zoellick calls for a global response to crisis', *Financial Times* 19 February 2009
- <sup>2</sup> The term depression is conventionally used to describe three years of GDP decline, something that has not happened since before 1945. An alternative definition is a 10% decline in GDP, which has happened on at least 23 occasions in the last 30 years according to *The Economist*, 3 January 2009. Notable instances include Russia (1989-98), Argentina (1998-2002), and Indonesia (1997-98). By contrast, Japan endured a decade of low growth without sinking below 10% in the 1990s.
- <sup>3</sup> This is not to say that the cause was the sub-prime market; see P. Gowan (2009) 'Crisis in the heartland', *New Left Review* 2009: 5-29
- <sup>4</sup> 'So much for the v-shaped recession', Ashley Seager, *The Guardian* 23 February 2009
- <sup>5</sup> 'IMF sees 1.3% drop in global output', *Financial Times*, 23 April 2009; 'Turning their backs on the world', *The Economist*, 21 February 2009.
- <sup>6</sup> ILO 20 October 2008; ILO (2009) *Global Employment Trends 2009*, January
- <sup>7</sup> 'Global crisis "could cost 50m jobs"', *Financial Times* 28 January 2009
- <sup>8</sup> 'Europe's winter of discontent', Adrian Michaels, *Daily Telegraph*, 28 January 2009; 'And worse to come', *The Economist*, 22 January 2009.
- <sup>9</sup> The UK's four major trading partners each experienced at least one quarter of negative growth since 1992: the US in 2001, France in 2002 and Germany in 2004.
- <sup>10</sup> 'IMF sees worst global growth for 60 years', *Financial Times* 28 January 2009.
- <sup>11</sup> BCC UK Economic Forecast, January 2009 update
- <sup>12</sup> 'Slump worse since the war', *Daily Telegraph*, 12 February 2009.
- <sup>13</sup> 'UK manufacturers suffer gentler fall', *Financial Times*, 3 March 2009.
- <sup>14</sup> G. Chamberlin (2009) Economic Review March 2009, *Economic and Labour Market Review* 3(3) march, Office for national Statistics
- <sup>15</sup> 'UK unemployment reaches 2.1 m on Darling's budget day', *The Guardian*, 22 April 2009;
- <sup>16</sup> 'As we begin a new year, you'd be forgiven that we'd gone back to 1980', Ashley Seager, *The Guardian*, 5 January 2009
- <sup>17</sup> 'UK "will not recover until 2012"', BBC News 8 April 2009.
- <sup>18</sup> 'Confidence slumps as Britain prepares for a long and deep recession', KPMG 2 March 2009
- <sup>19</sup> C. Reinhart and K. Rogoff (2008) 'Is the 2007 US subprime crisis so different? An international historical comparison', *American Economic Review* 98; 339-44
- <sup>20</sup> 'The economy: Britain's fallen star', *The Economist*, 14 February 2009.
- <sup>21</sup> BBC News 7 January 2009
- <sup>22</sup> 'Industry freezes pay in bid to save jobs', *Financial Times*, 9 March 2009
- <sup>23</sup> 'Still painful but desperate times call for desperate measures', Madeleine Bunting, *The Guardian* 12 March 2009
- <sup>24</sup> Recession Report Number 5 March 2009, TUC; Labour market statistics, March 2009, Office for National Statistics; 'More than 2 million jobless as private sector hit', *Financial Times* 19 March 2009; Labour market statistics April 2009, Office of National Statistics.
- <sup>25</sup> Recession Report Number 2 December 2008, TUC
- <sup>26</sup> Recession Report Number 2 December 2008, TUC
- <sup>27</sup> Public sector employment Q4 2008, Office for National Statistics, 18 March 2009
- <sup>28</sup> K. Kent (2009) Employment: changes over 30 years, *Economic and Labour Market Review*, 3(2) February 21-36
- <sup>29</sup> A. Cairncross (1995) *The British Economy Since 1954*, second edition, Oxford; Blackwell
- <sup>30</sup> P. Chapman and P. Temple (1998) Overview: The performance of the UK labour market, in T. Buxton, P. Chapman and P. Temple (eds) *Britain's Economic Performance*, second edition, London: Routledge; B. Anderton and K. Mayhew (1994) 'A comparative analysis of the UK labour market', in R. Barrell (ed) *The UK Labour Market: Comparative Aspects and Institutional Developments*, Cambridge: CUP, 15-50; J. Philpott (1998) 'The performance of the UK labour

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market, in T. Buxton, P. Chapman and P. Temple (eds) *Britain's Economic Performance*, second edition, London: Routledge, 3490-366; S. Nickell (1999) 'Unemployment in Britain', in P. Gregg and J. Wadsworth (eds) *The State of Working Britain*, Manchester; Manchester University Press, 7-28

<sup>31</sup> 'How to measure the grimness of a recession', Michael Blastland, *BBC News Magazine*, 12 February 2009.

<sup>32</sup> G. Clancy (2009) The labour market and the economy: 20 years reviewed, *Economic and Labour Market Review*, 3(2) February 17-20; K. Kent (2009) Employment: changes over 30 years, *Economic and Labour Market Review*, 3(2) February 21-36

<sup>33</sup> P.A. Gerowski and P. Gregg (1997) *Coping with recession: UK company performance in adversity*, Cambridge: CUP.

<sup>34</sup> P. Gregg and J. Wadsworth (1995) 'A short history of labour turnover, job tenure and job security 1975-93', *Oxford Review of Economic Policy* 11(1) 73-90

<sup>35</sup> P. Gregg and J. Wadsworth (2003) 'Labour market prospects of less skilled workers over the recovery', in R. Dickens, P. Gregg and J. Wadsworth (eds) *The Labour Market Under New Labour*, Basingstoke: Palgrave Macmillan, 86-97

<sup>36</sup> P.A. Gerowski and P. Gregg (1997) *Coping with recession: UK company performance in adversity*, Cambridge: CUP.

<sup>37</sup> K. Hawkins (1987) *Unemployment*, London: Penguin, third edition

<sup>38</sup> R. Dickens, P. Gregg and J. Wadsworth (2000) 'New Labour and the labour market', *Oxford Review of Economic Policy* 16(1): 95-

<sup>39</sup> P. Gregg and J. Wadsworth (1995) 'A short history of labour turnover, job tenure and job security 1975-93', *Oxford Review of Economic Policy* 11(1) 73-90.

<sup>40</sup> 'From recession to recovery II: a focus on unemployment', Local Government Association, January 2009.

<sup>41</sup> T. Jones (1993) *Britain's Ethnic Minorities*, London: Policy Studies Institute. See also C. Dustmann, F. Fabbri, I. Preston and J. Wadsworth (2003) 'The local labour market effect of immigration in the UK', Home Office Report 06/03, and C. Dustmann, A. Glitz and T. Vogel (2006) 'Employment, wage structure and the economic cycle: differences between immigrants and natives in Germany and the UK, Centre for Research and Analysis of Migration, Discussion paper 09/06

<sup>42</sup> W.W. Daniel (1966) *Racial discrimination in England*; D.J. Smith (1974) *Racial Disadvantage in Britain*; C. Brown (1982) *Black and White Britain*; T. Modood et al. (eds) (1999) *Ethnic Minorities in Britain: Diversity and Disadvantage*, London: IPPR

<sup>43</sup> The PSI surveys did not use the ILO definition of unemployment but identified as unemployed any individual who was out of work but who stated that they wanted a job, even if they are not actively looking.

<sup>44</sup> In W. Somerville and M. Sumption (2009) *Immigration in the United Kingdom: the recession and beyond*, Migration Policy Institute, Washington DC, March. The analysis was conducted by Janet Dobson, Alan Latham and John Salt of University College London.

<sup>45</sup> Lord Scarman (1982) *The Scarman Report: The Brixton Disorders 10-12 April 1981*, London: Penguin

<sup>46</sup> J. Wadsworth (2003) 'The labour market performance of ethnic minorities in the recovery', in R. Dickens, P. Gregg and J. Wadsworth (eds) *The Labour Market Under New Labour*, Basingstoke: Palgrave Macmillan, 116-133.

<sup>47</sup> Commission to work in partnership with Department of Work and Pensions to assess the impact of the recession, Equality and Human Rights Commission, 3 March 2009

### 3. Immigration and Citizenship: New Legislation

#### What does “migrant” mean?

The definition of “migrant” is not self evident, indeed it is highly politicized. When does a person stop being a “migrant” (and in some cases become re-categorised as an “ethnic minority”)? This question is key to understanding debates and statistics on immigration, and has important implications for policy and practice, but it is rarely addressed. There are often assumptions that are revealed when the term is and isn’t deemed appropriate. For example Australian working holidaymakers, au pairs, North American financiers are not commonly thought of as economic migrants, though they are working in the UK. Much recent debate on immigration has focused on so-called “A8 nationals” even though, as European citizens, they are not subject to immigration control.

Broadly speaking there are two definitions of the term

- A “migrant” may be legalistically defined as a person who is not a UK citizen, and who does not have the “right of abode” in the UK (i.e. is not a British subject).
- A “migrant” is often defined in government documents as “foreign born”.<sup>1</sup>

The problem with the latter definition is that it means that a person can *never* stop being a migrant, even if they become a British citizen and live in the UK from when they are a small child. It also includes British nationals who are born abroad as migrants. For the purposes of this chapter we are using the first of these definitions which treats all British nationals, wherever they are born, as non-migrants (elsewhere in the document other definitions may be used, as specified). However, it is important to recognize the diversity that is included in this legalistic definition. It includes:

- Citizens of the European Union (who must be treated equally with UK nationals in the labour market);
- Non-British nationals who are settled in the UK (who have “Indefinite Leave to Remain” which means that they too must be treated equally with UK nationals in the labour market);

#### Recent changes: ending in tiers

In 2005 the Home Office set out a five year strategy for asylum and immigration under the banner of “Controlling our Borders: Making Migration Work for Britain”. Following a welter of consultation and legislation by 2008 the UK was in the middle of what has been announced as “the biggest shake up of the immigration system in 45 years”.<sup>2</sup> In this way the government seeks to facilitate legitimate travel and trade, ensure security from crime, terrorism and “attacks on the tax base” and protect the border as well as “providing reassurance for the general public and business.”<sup>3</sup> In November 2008 Immigration Minister, Phil Woolas, defined the “prime purpose” of immigration policy as “reassuring the public” through demonstrating that the state is able to control migration.<sup>4</sup>

Under the new system, non-EU nationals who wish to enter explicitly to work must come in under one of five tiers: Tier 1 (highly skilled) Tier 2 (skilled) or Tier 3 (low skilled), while students enter under Tier 4, and youth mobility schemes and temporary workers (e.g. au pairs) are covered by Tier 5. In order to enter under each tier one must have a certain number of points. Only Tiers 1 and 2 are eligible for settlement, all other tiers are for temporary migration only. These changes therefore effectively prevent long term settlement for those who enter as workers with the exception of those designated as “skilled” and whether or not one is “skilled” is determined largely on the basis of earnings and level of qualification. Applicants have no recourse to public funds.

Tier 1 was launched in the first quarter of 2008. It is intended to facilitate a) Highly-skilled migrants; b) investors (“high net worth individuals” with a minimum of £200,000 invested); c) entrepreneurs; and d) international graduates who wish to remain in the UK to do high-skilled work. Applicants do not have to have a job offer in the UK, but they must have 75 points, which they attain through a combination of educational level and earnings. Earnings are converted from the relevant currency into pounds sterling and then given an “uplift” e.g. applicants from Philippines have their earnings multiplied by 3.2; applicants from Kenya by 5.3). Applicants must also have a minimum level of English and demonstrate that they have money to support themselves. An inherent bias against younger workers is recognised for Tier 1 workers and those under 28 are given 20 additional points (those under 31 are given an extra 5).

Tier 2, launched in November 2008, is intended to facilitate: a) people who have a skills level equivalent to NVQ3 or above, in a “shortage occupation”; b) ministers of religion; c) sportspeople; and d) intra-company transfers. Applicants must have an authorised sponsor, a certain level of English, a minimum level of funds (£800) and score 50 points – obtainable if one has for example a job offer in a “shortage occupation” as designated by the Migration Advisory Committee (MAC). However, it is worth noting that if an employer has had no suitable EU applicants for an advertised post, as long as the worker has a suitable qualification and earns over a certain amount a year, they may also obtain 50 points.

The requirements for Tier 1 and Tier 2 may be altered by the government. In February 2009 Home Secretary Jacqui Smith “raised the bar” for Tier 1, raising the minimum qualification required from a BA to a Master’s degree, and the minimum salary from £17,000 to £20,000. This was presented as an example of the advantages of having a “flexible points based system” during a recession. The Home Office calculated that this would reduce entry from 26,000 to 14,000 a year. With a record 400,000 graduates about to enter the labour market, the Home Office is nervous.<sup>5</sup> Entry under Tier 2 is to be reviewed by the Migration Advisory Committee, who will examine the case for confining entry to shortage occupations only. Any occupations so identified will be subject to a skills review, to determine how the skills deficit might be addressed with British workers. Early estimates were that this would lead to a reduction from 1 million to 800,000 jobs available. Although there are no plans to halt Tier One (highly-skilled) entry, MAC has been asked to advise on the economic impact of banning spouses from working and restricting families’ work rights.<sup>6</sup> Speaking on BBC television, Jacqui Smith said:

“Just as in a growth period we needed migrants to support growth, it is right in a downturn to be more selective about the skill levels of those migrants, and to do more to put British workers first.”

Both Tier 1 and Tier 2 migrants are given initial stays of up to three years. This means that they have to apply for an extension of stay (for which they need an employer’s support) at least once before they have been in the country for 5 years. After 5 years it is possible to apply for Indefinite Leave to Remain (ILR) and the migrant is no longer confined to work for a particular employer/in a particular sector (but see citizenship proposals outlined below). Spouses and same sex partners may stay in the UK as long as their partner is resident. They are allowed to work but cannot claim public funds and must have access to at least £1,600 to maintain themselves.

While attention focused on the introduction of the new Australian style “points based system”, a key development on which the implementation of the system relied had been initiated four years earlier in May 2004 when ten new countries joined the European Union. These included the so-called “Accession 8” or A8 states of Poland, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia - plus Cyprus and Malta. While many EU states had introduced so called “transitional restrictions” temporarily<sup>7</sup> limiting the access of A8 nationals to labour markets these were not adopted in the UK. A8 nationals could take up employment in the UK without restrictions as long as they

registered with the Worker Registration Scheme (WRS). Numbers of A8 nationals who came to the UK to work significantly exceeded government expectations, and the initial implementation of the points based system was based on the assumption that these workers would make migration from outside the EU for “low skilled” jobs unnecessary. Therefore Tier 3, designed for temporary workers for “low skilled” work began as an “empty category”. Tier 2 currently represents the only means of general labour recruitment to the UK from outside the EU.

Tier 4 was implemented in March 2009. New non EEA students are only able to enter if their education provider is licensed with the UK Border Authority. They must have a “proven track record” in studying and evidence of funds to cover the first year’s course fees and living expenses for nine months (£5,400 for outside London, £7,200 for inside London). Students continue to have the right to work part time during term time and full time during vacations. Around 14% of all full-time higher education students in the UK are non-EU, and 43% of those on taught postgraduate courses. The UK receives £2.5 billion a year income from these sources.<sup>8</sup> Although their visas may now run for four years instead of three, the cost for renewal have been increased sharply.

Tier 5 opened in November 2008. It facilitates the entry of a) temporary workers “*whose entry helps to satisfy cultural, charitable, religious or international objectives*” (Immigration Rules 245ZM) and b) applicants for “youth mobility schemes”. As with Tier 2, applicants under the Tier 5 (Temporary Worker) scheme must have a licensed sponsor. The Tier 5 (Youth Mobility Scheme) replaces previous arrangements like the Working Holidaymaker and Au Pair schemes. It is open only to those aged between 18 and 31, who have no dependants and who have certain forms of British citizenship (e.g. British Overseas Citizen) or who are citizens of Australia, Canada, Japan and New Zealand.

Aside from introducing the Points Based System, the government maintained restrictions on the entry of A2 nationals following a report from the Migration Advisory Committee which, although it found little evidence for any negative effects of A2 migration, recommended restraint because of the economic contraction.<sup>9</sup> But in recognition of sectoral demands, MAC recommended expanding the SAWs quota for agricultural labour in the short term. The government in fact raised the quota by more than MAC suggested, by 5,000 to 21,000.<sup>10</sup> In other words, although there was clearly a recession and attendant unemployment rises by the time the government made a decision, it recognised that specific demand for migrant labour in farmwork. The National Farmers’ Union called for the increase (note that even in Spain, where unemployment is 14%, growers still recruited thousands of workers from Morocco to pick strawberries in January, complaining that local labour was not available).<sup>11</sup> The Committee found no case for altering quotas or restrictions in other sectors such as social care and hospitality. Brendan Barber criticised the government for maintaining the restrictions and leaving open the temptation for A2 workers to register as ‘bogus self-employed’.

Following the recommendations of the Migration Advisory Committee, the Home Office announced in April 2009 that it would not be ending the Worker Registration Scheme for A8 nationals until 2011, i.e. it will be continued for two further years when, under the European Treaty of Accession all restrictions must be lifted. MAC confirmed that the recession as a major ‘labour market disturbance’ and although it judged that the impacts of lifting or retaining the WRS would be relatively small, on balance it concluded that there was a possibility of negative labour market impacts if the scheme were suspended. Although Phil Woolas described the scheme as a ‘restriction’, critics charged that it did nothing to limit numbers.<sup>12</sup> He said “I am delighted to announce that we are keeping in place restrictions which mean we can continue to count how many people are coming here, and which limit Eastern Europeans’ access to benefits.”<sup>13</sup> The MAC had been asked to prepare a report in less than a month, and their conclusion was that any retention of the WRS would have a very small employment effect, especially when compared with the consequences of the recession. Retention seems to be more precautionary than

protective.<sup>14</sup> It means that A8 nationals will continue to be ineligible for work-related benefits for 12 months, so retain an element of vulnerability, because they have no safety net if they lose their jobs. It also means that new workers from A8 countries will have to pay £90 to register. The stream of income from fees has become increasingly important for the immigration control system. The UKBA budget for 2009-10 includes provision for £723 million – 31.7% of the UKBA's total budget.<sup>15</sup>

### **Recent changes: employers, educators and states as “sponsors”**

The Points Based System puts new requirements on employers as “sponsors”. Those who wish to employ non EEA workers under either Tier 2 or Tier 5 must be licensed as sponsors and undertake to carry out specific duties to ensure immigration controls remain “effective”.<sup>16</sup> Employers who employ EEA nationals do not have to be registered sponsors. However, they may well carry out passport checks of new employees in order not to fall foul of race discrimination laws. Similarly education institutes that host international students under Tier 4 must register and comply with certain requirements. Those states listed under the Tier 5 (Youth Mobility Scheme) have “Deemed Sponsor Status”. Sponsors are rated A or B according to UKBA assessment of its capability to fulfil sponsor duties. A “B” rated sponsor risks losing its license if it does not comply with suggested action to attain “A” status. Sponsor duties include record keeping (e.g. keeping a copy of a sponsored migrant's passport), reporting if a migrant does not turn up for their first day of work or study, if they are absent for longer than 10 working days. Educational institutions which do not keep daily registers must report when the student has missed 10 “expected interactions” (e.g. tutorials, submission of work etc). Sponsorship licenses may be downgraded or withdrawn if the employer or institution fails to comply with their duties.

Of the first 2100 applications to the UKBA from institutions of higher education to accept international students, 460 were rejected. Phil Woolas declared that this was evidence the government was clamping down on ‘bogus colleges’, stating “abuse of the student visa has been the biggest abuse of the system, the major loophole in Britain's border controls”.<sup>17</sup>

At the same time as initiating the Points Based System, the government introduced new legislation on employing “illegal” migrants. Introduced by the Immigration, Asylum and Nationality Act 2006, a new system of responsibilities, penalties and fines for employers of non-citizens came into force in 2008. Under this civil penalties regime an employer faces fines of up to £10,000 per illegal worker. The new criminal offence of *knowingly* employing an illegal worker, carrying a maximum sentence of two years was also introduced. The names of employers so convicted or subject to civil penalties are published on a monthly basis. According to the Migrant Rights Network, the new regime has been accompanied by a step-up in workplace raids, particularly of small, ethnic catering businesses.<sup>18</sup> It has also introduced a new measure of uncertainty over rights among both employers and employees, which threatens to drive some workers even deeper into insecure and informal working.

### **New citizenship proposals**

The British Nationality Act of 1981 (which came into force in 1983) sets out the requirements for those who wish to obtain British nationality. There is no right to British nationality – it is given on a discretionary basis only. Successful applicants must usually have been legally resident for at least 5 years, be at least 18 years old, and be of good character. They must swear allegiance to the Queen and take a pledge of loyalty to the UK. Since 2002, British citizens (including citizens by birth) may be deprived of British citizenship if this is “conducive to the public good” or if citizenship has been obtained by deception.

In 2008 the Government published a Green Paper entitled *The Path to Citizenship: Next Steps in Reforming the Immigration System*. The new Immigration and Citizenship Bill proposes significant changes to immigration and citizenship legislation, and in particular to access to benefits. At the moment after a migrant has been in the UK for between 2 to 5 years (two years for family members of those with ILR and five years for economic migrants) they can apply for Indefinite Leave to Remain. This means that they have free access to the labour market (with the limited exceptions of jobs open only to UK nationals), have no time restrictions on their stay, and can claim non-contributory benefits. Those with ILR are also eligible for the home student fee rate at higher education institutions. After one year, ILR holders are eligible to apply for British citizenship. However only 60% of the foreign born population who have lived in the UK for six years apply for British citizenship (and a proportion of that 60% will have been born British citizens as mentioned above).

The changes are significant. The category of ILR is proposed to be changed into a status called “probationary citizenship”. This is NOT a form of British nationality. Neither are those who would be classed as “probationary citizens” necessarily on the road to British citizenship. Unlike current ILR holders they would not have access to non-contributory benefits. There are two possible routes from probationary citizenship. One is to British nationality. As under the previous system this could be granted after one year. However this period may be extended to up to 3 years if the migrant is not an “active citizen” (“Just as we do today encourage our young people to become active citizens, so too should we encourage our migrants”) volunteering in either charities or schools. For those who do not want to become British citizens the statutory period is 3 years, rising to 5 years for those non-active citizens. Moreover, in order to move out of probationary citizenship an applicant must be able to demonstrate “continuous employment” and that they have not been out of the UK for more than 90 days in any one year. In many ways the status of permanent residence is more akin to ILR than the status of probationary citizen which brings with it severely reduced rights when compared with ILR. The introduction of this new status means that some migrants will have to wait 10 years for rights that previously became available after 5 years (indeed until 2006 after 4 years). Permanent residents may move to British citizenship should they so wish.

These changes could also weaken the rights of non-citizens at work.<sup>19</sup> The need to be in continuous employment for a longer period than hitherto, as well as new restrictions on time spent outside the UK, could make employees more dependent on their employers’ good will. For some migrant workers, their visas are tied to specific work, which could add another barrier to the eventual acquisition of citizenship. Adding extra hurdles to citizenship could persuade many more workers to spend longer periods in a more insecure position.

## **Policy implementation**

The government set out three key “advances” that it was aiming for the UK Border Agency to deliver in 2008/2009. These are focused on enforcement:

1. Increased expulsions
2. The roll out of new Local Immigration Teams
3. Action against employers, criminals and others who break the law.

Resources allocated to enforcement are set to double for 2009/10 as compared to 2006/2007. One thousand additional immigration enforcement staff were taken on in 2008.

The first “advance” is in part a shift on emphasis from deportations and removals of asylum seekers to deportation and removals of other groups of non-citizens. While only a small proportion of new arrivals,

asylum seekers represented a large proportion of enforced removals. Their proportion has been going down since 2006, when the number of asylum seekers and their dependants removed from the UK was 18,280 as compared to 13,690 non asylum seekers (total 31,970). In 2008, 11,640 asylum related people were removed, and 22,480 non asylum seekers (total 34,120). Regarding non-asylum seekers, the government announced that it was changing the deportation referral threshold for European criminals from 24 months imprisonment to 12 months for drugs, violent and sexual offences. Such offenders will be automatically considered for deportation.

Immigration enforcement is to become more embedded at the local level, with a strengthened Local Government Performance Indicator for immigration enforcement to be introduced from April 2009. The roll out of Local Immigration Teams (LIT) began in June 2008 and will be completed by December 2011. LIT's are established by the UKBA to enforce immigration laws with a focus on intelligence gathering and developing partnerships with the police, local authorities, DWP/HMRC and other workplace enforcement agencies. They are also tasked with addressing "community concerns" on migration.

Action against employers increased significantly with the numbers of "enforcement visits" more than doubled between 2005/6 and 2007/8 from 3,748 to 7,717.<sup>20</sup> In 2004 there were 11 prosecutions under the 1996 Act for employing a person subject to immigration control and 8 convictions<sup>21</sup>. Of the 10 fines listed as imposed 2004-2005<sup>22</sup> the lowest was £60 and the highest £2,050. In contrast in 2008, the UK Border Agency website lists 126 employers served with civil penalties for between £5,000 and £30,000 for the month of October alone.

## **The cumulative impact of new immigration and citizenship legislation**

The changes outlined in this chapter were conceived under quite different economic circumstances to the recession. But the economic downturn has not derailed or postponed them. The provisions for A8 and A2 nationals were kept in place rather than discontinued, and the Points Based System was rolled out as planned. Its provisions for flexibility and for review via the Migration Advisory Committee have already been employed because of the recession and the fears over unemployment, with more to come. The proposition that citizenship can be 'earned' and be conditional on continuous employment has not however been interrupted.

The immigration and citizenship systems this new legislation was designed to replace did not adequately protect migrant workers from exploitation. But the new provisions already raise concerns, particularly in interaction with the recession.<sup>23</sup> It is too early to assess legislation that is either hardly a year old or is still in passage through Parliament, but among the concerns are:

- The assumption that the demand for low-skilled labour will be met first by British nationals and then by A8 and A2 nationals fails to recognize the nature of many of these jobs, the regional nature of UK labour markets and the constraints on labour market participation by certain groups. It also leaves other migrants in limbo. The door is being shut but with thousands of non-EEA migrants still 'inside', many of whom are in irregular or semi-compliant status. But the demand for low-wage exploitable labour has not gone away and has quite possibly intensified in the past year. Furthermore, the incentive to leave does not necessarily increase during a global recession.
- The speed of the introduction of WRS, PBS and separate regulations for A2 nationals threatens to overwhelm the ability of the relevant agencies to process applications, permits and claims,

casting doubt on the scrutiny of employers and employees alike. The lack of transitional arrangements may also cause difficulties for those already in the UK.

- The new citizenship proposals grant powers to employers who must certify that employees have been in continuous employment. By linking citizenship to employment, the government is potentially placing some workers in a more dependent position relative to employers.
- The linking of the right to settlement with certain types of immigration status, rather than with length of time in the UK creates a group of people who will never attain this right, whatever contribution they make to the UK.
- Some migrants (and their dependents) will have to wait longer for citizenship and will be dependent on other agencies to confirm their contribution to society. Those with young children, for example, may find it particularly difficult to take up volunteering.
- The Local Immigration Teams will also draw other agencies into the business of enforcing and monitoring immigration controls without satisfactory public oversight.
- The continuation of the WRS and the restrictions on A2 workers maintains the incentives to avoid and exploit differential employment rights. For example, it perpetuates the temptation for construction employers to persuade their workers to register as 'self-employed'
- The new civil penalties regime introduces uncertainties over status and rights which complicate the relationships between employers and employees
- The bodies charged with monitoring workplace exploitation and abuse of immigration status, including by employers, have not been reinforced sufficiently. In particular, the scope of the Gangmasters Licensing Authority remains confined to agriculture and food industries. In general, employment rights protection receives less priority than immigration enforcement.
- The emphasis on tough enforcement and "playing by the rules" risks migrants being removed, refused settlement, or otherwise rendered vulnerable as a result of technicalities (see for example recent cases of refusals of visa extensions because of being a few pounds under the maintenance requirement)

It is important to note that these concerns have broader impacts which go beyond their implications for non-citizens. In particular the risk is that by creating a group of workers who are particularly constrained, vulnerable and dependent on employers, this undermines the position of the workforce more generally.

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<sup>1</sup> Liam Byrne's submission to the House of Lords Select Committee on Economic Affairs report into the Economic Impact of Immigration

<sup>2</sup> 'Points-based system goes live' Home Office press release, 29 February 2008

<sup>3</sup> Cabinet Office (2007) Security in a Global Hub: Establishing the UK's new border arrangements, London: HMSO

<sup>4</sup> P. Barkham (2008) 'You can't come in' *The Guardian*, 18 November

<sup>5</sup> 'Now it's British jobs for British graduates', *The Independent*, 4 February 2009

<sup>6</sup> 'Foreign workers could be barred from entering the UK', *The Guardian*, 22 February 2009

<sup>7</sup> These must be lifted by 30<sup>th</sup> April 2011

<sup>8</sup> 'Bogus colleges lose visa rights', BBC News 31 March 2009

<sup>9</sup> The labour market impact of relaxing restrictions on employment in the UK of nationals of Bulgarian and Romanian EU member states, Migration Advisory Committee December 2008.

<sup>10</sup> 'Migrant quota raised to 21,000 to help farmers harvest crops', *The Guardian*, 19 December 2008

<sup>11</sup> "Spain's new unemployed: and worse to come?", *The Economist* 15 Jan 2009

<sup>12</sup> 'Review of the UK's transitional measures for nationals of member states that acceded to the European Union in 2004', Migration Advisory Committee, April 2009; 'East European worker "curbs" kept', BBC News 8 April 2009

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- <sup>13</sup> Home Office press release <http://press.homeoffice.gov.uk/press-releases/Work-restrict-Eastern-European>
- <sup>14</sup> Migration Advisory Committee, March 2009, *op.cit.*
- <sup>15</sup> UK Border Agency Business Plan, April 2009-March 2012, UKBA, April 2009.
- <sup>16</sup> Tier 1 applicants need no sponsors and Tier 3 has not yet been activated.
- <sup>17</sup> 'Bogus colleges lose visa rights', BBC News, 31 March 2009
- <sup>18</sup> 'Papers please: the Impact of the Civil Rights penalty Regime on the Employment Rights of Migrants in the UK', *Migrant Rights Network*, November 2008.
- <sup>19</sup> 'Borders, Citizenship and Immigration Bill: Briefing on Citizenship provisions', Migrant Rights Network, February 2009
- <sup>20</sup> Phil Woolas MP, written answer 11<sup>th</sup> November 2008.
- <sup>21</sup> Home Office (2005) Control of Immigration Statistics 2005 Command Paper CM 6904. UK, Home Office.
- <sup>22</sup> Dates were not specific and the document was published in June 2005, so it is not clear whether this is an annual figure
- <sup>23</sup> Some of these concerns were raised by participants at the workshop held in conjunction with this report

## 4. The New Work and Benefits Regime

In addition to major ongoing reforms in immigration and citizenship, there are significant developments in the benefits regime, including work-related benefits. There are at least two differences in the way the current Labour government is addressing the labour market relative to the last Conservative government in the early 1990s: an emphasis on training, including training in work; and the welfare-to-work strategy.

The New Labour government places greater emphasis on training and skills, for example by announcing 35,000 extra apprenticeships in January, followed by 25,000 new positions in the public sector in February.<sup>1</sup> The government announced it would make it a requirement for contractors on major infrastructure projects to hire apprentices, and also introduced a clearing house for apprentices in the construction sector to match the up with vacancies. The Train to Gain service which tailors training to specific employers, relaxed the rules for eligibility and provision for pre-employment training for 40,000 people was announced. There have also been expansions of Sector Skills Compacts, Rapid Response Service and Local Employment Partnerships. Indeed, so energetic has the government been that it may have created new problems. The Commons Select Committee on Innovation, Universities and Skills published a report critical of the government's training programme, accusing it of producing a proliferation of confusing qualifications rather than concentrating on skills in training. These sentiments were echoed by Sir Michael Rake, chairman of the Commission for Employment and Skills, who stated that the skills programme was over-complicated and ineffective.<sup>2</sup> The Committee challenged the assumptions of the 2006 Leitch Report which encouraged workers to get more qualifications.<sup>3</sup> The Committee said there was little evidence that skills training will boost productivity.

A second concern about all these programmes is eligibility and targeting. For example, Jobcentre Plus staff have the discretion to make payments of up to £1000 to employers and up to £1500 for training.<sup>4</sup> How will this discretion be exercised and who will be deemed worthy of further support? Will it just be core, permanent or higher-skilled workers, leaving others to fend for themselves? Secondly, there are concerns that apprentices are highly-subsidised employees who, once the subsidy ends, are made redundant by employers. They're paid at rates effectively below the NMW. About one third of apprentices currently drop out, although this is a marked improvement in retention rates.

### **Access and Conditionality**

A constant theme of New Labour morality has been the centrality of work, both as giving dignity to the individual and as registering a contribution to society. Waged work is the cornerstone of the government's moral economy and in its view citizens have a duty to work.<sup>5</sup> It also delivers an enlarged supply of labour, much of it pliant, flexible and inadequately protected. Legislative and administrative reforms are therefore designed to encourage people into waged labour on the one hand, and push them out of benefits on the other. To some degree, this reverses the practice of the previous two recessions, when incapacity benefit for example was used to bring down unemployment levels. At the same time, the government has drawn increasingly tighter restrictions on who can qualify for benefits, including work-related benefits.

Britain has a welfare state, but not everyone has equal access to its benefits and the terms of access are being reformed to attach greater conditionality. This is generating two distinct groups – on the one hand those who have no rights and on the other those whose entitlements are under pressure.<sup>6</sup> Migrants figure prominently in the former category. For example, anyone subject to immigration control has no access to 'public funds' and people whose claim for asylum has been rejected cannot claim treatment on the NHS.<sup>7</sup> Those subject to immigration control include Work Permit holders

(this will now include those covered by the new points-based system); those with Student Visas, Visitors from outside the EEA, and those who have been refused asylum.

“Public funds” for these purposes include Tax Credits, Income support, income-based JSA and housing benefit (now Local Housing Allowance) and child benefit. Those who are working with authorisation do have access to contributory benefits (such as contributions-based JSA), and in work benefits such as statutory sick pay (SSP). However, given that those on work permits or the points-based system will be required as a condition of their stay in Britain to continue working for a named employer, it is hard to see how they could claim JSA.

But even amongst EEA citizens, there are restrictions for citizens of some of the newer member states. Those from the A8 states are required to register with the Workers Registration Scheme (WRS) during their first 12 months of working in UK. During this period, they are not permitted to have any access to out of work benefits (such as income-based JSA). They do, however have access to in-work benefits such as Working Tax Credit, SSP etc. A2 nationals (Bulgaria and Romania) are not for the most part permitted to be employed (although they may be self employed), so effectively have no access to public funds at all.

However, there are limitations even on in-work benefits. Working Tax Credit is only available for those over age 25, and working for more than 30 hours per week (the threshold is 16 hours for those with disabilities and older workers returning to work after a period of employment). Given that 26% of employees work part time, these are important exclusions.

Benefit levels are scarcely generous. As of April 2009, JSA for those aged over 24 is just £64.30 per week. For those aged 18 and over it is less: £50.95. Under-18s are not entitled to JSA unless they have children. For those who have long term illness or disability, Incapacity Benefit (IB) is £67.75 for 28 weeks, then up to £80.15. However, IB is already being phased out in favour of the Employment Support Allowance (less money, more conditionality). This began in October 2008 for all new claimants. Existing claimants will be transferred to ESA over next 4 years. Many will be carers.

ESA is the equivalent of JSA for 13 weeks (known as the assessment period), then there is a further work-related activity component of £25.50 if you are thought to have limited capacity to work. The assessment as to whether claimants are “well enough” to work, or have limited capacity to work, will be carried out in medical testing centres run by private contractors ATOS Origin. Details of their contract (and any targets included in it) with the DWP remain confidential (due to “commercial sensitivity”).

Income support, the safety net supposed to keep people from destitution, is being phased out. This will hit single parents first. From November 2008, for single parents whose youngest child is 12 or over; there will no longer be an entitlement to income support, they will be transferred to JSA, with all the conditions that are attached. These lone parents must be willing and able to take up employment with a week's notice and attend an interview within 48 hours. In exceptional circumstances, lone parents will be allowed four weeks before having to take up a job and a week before attending an interview.<sup>8</sup>

The likelihood of finding good affordable childcare in these circumstances will often be slim. The majority (59%) of Family Information Services reported that childcare provision for over 12s was inadequate, while 36% reported the same for 5 to 11 year olds.<sup>9</sup>

The phasing out of IS will extend to those whose youngest child is 10 or over on 26 October 2009; and to those whose youngest child is 7 or over on 25 October 2010. Over time, Income Support will be abolished.

Then for those who have been receiving JSA for 2 years (and given the demonstrable reluctance of employers to take on those with poor health records, this will come to include those who would previously have been on IB), there will be an obligation to “Work for your benefits” – at an effective rate of pay of £1.73 per hour.<sup>10</sup> Greater conditionality is to be introduced for JSA recipients, with tougher penalties for failure to meet JSA regime. Up to 40% of benefits could be docked for failure to attend interviews, for example.

## Delivery in Question

How much of this can realistically be delivered, is open to question. In the last recession, in 1993, one in six of the population received income support of some kind.<sup>11</sup> The welfare-to-work programmes designed to offer payment by results were conceived during good economic times and are under pressure in the downturn.<sup>12</sup> *The Financial Times* reported, for example, that the Pathways to Work programme was “running 73 per cent short of its target” and that “overall, the private sector-led employment programmes have delivered 60 per cent of the expected jobs in six months to September, while consuming 98 per cent of the expected expenditure”. Pathways aims to shift 2.6 million people from incapacity benefits to paid work and, following local trials in 2002, became a national programme in 2007 starting with new claimants. Under the contracts, the provider gets paid after an individual has been employed for 13 weeks. *The Observer* described the welfare-to-work programme as ‘close to collapse’ and PCS general secretary Mark Serwotka suggested that the programme had little chance of getting underway.<sup>13</sup>

Further “the decision to use 12 months as the main point for providing intensive support by the private and voluntary sector now looks dated and from a different economic era”.<sup>14</sup> Despite these reservations, James Purnell announced that the scheme would be in place for October as planned, with contracts being renegotiated. The House of Commons committee on work and pensions, however, doubted whether there was sufficient funding to cope with the increased workload caused by greater joblessness.<sup>15</sup>

The pressure on public sector workers is also increasing. The 2008 Comprehensive Spending Review cuts DWP’s budget by 5%, leading to proposals to cut 7-8000 JobCentre Plus posts. But between July 2008 and January 2009, the number of cases handled by JobCentre Plus staff nearly doubled, to 400,000; in addition, there were around 160,000 second interviews. PCS complained that hard-pressed staff were having to put in ‘twilight shifts’.<sup>16</sup> Employment tribunals report an increase in workload; they handled around 41,000 cases in the year March 2007-March 2008, but 38,000 cases between March and December 2008 alone, an increase in 32%. The Citizens Advice Bureaux also report more cases involving claims for unfair dismissal, up 18% on 2007.<sup>17</sup>

## Summary

New Labour’s long-term strategy for the workforce has included on the one hand a greater investment in skills and training, and on the other a concerted effort to increase the labour supply by shifting individuals away from benefits into employment. The skills strategy has been widely criticised for being complex and confusing. It may impact on migrant workers, especially if the MAC continues to assess whether shortage occupations could be filled by training British workers rather than ‘importing’ skills. The benefits strategy has two aspects. First, certain individuals are not entitled to benefits or their access is highly restricted. This includes many new migrants. Second, even those with entitlements face greater pressure and new levels of conditionality. The ‘stick’ has got bigger and is wielded against new categories of people, notably single parents and those on incapacity benefits. In addition, the absolute level of benefits, which has never risen in line with earnings, is low at a time when the costs of basic items like food and heating is high.

In the long run, these changes may well increase the labour supply. But in the short term they will presumably add to the claimant count. Further, a complex and confusing new benefits regime is interacting with an equally elaborate immigration and citizenship regime, making it harder for employees, employers and public sector officials to navigate rights and entitlements.

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<sup>1</sup> Recession watch Number 2 December 2008, TUC

<sup>2</sup> 'BT chairman attacks "ridiculous" skills policy', *Financial Times* 24 February 2009.

<sup>3</sup> *The Guardian* 16 January 2009

<sup>4</sup> 'Golden hellos', *Financial Times* 13 January 2009

<sup>5</sup> Ken Mayhew (2009) 'Low-wage work in the EU and US', seminar at the centre for Migration, Policy and Society, University of Oxford 22 January.

<sup>6</sup> This section is partly based on Nick Clark's contribution to the workshop, PCSU 18 March 2009

<sup>7</sup> Failed asylum seekers denied NHS, BBC News 30 March 2009

<sup>8</sup> See Explanatory Notes to the Welfare Reform Bill, 18 March 2009:

<http://www.publications.parliament.uk/pa/ld200809/ldbills/032/en/2009032en.pdf>

<sup>9</sup> Daycare Trust, *Childcare Costs Survey 2009*, January 2009.

<sup>10</sup> Explanatory Notes 2009 *op. cit.*

<sup>11</sup> Close to Home: UK poverty and the economic downturn, Oxfam GB Briefing paper, April 2009

<sup>12</sup> 'Private welfare-to-work schemes failing', *Financial Times* 29 January 2009

<sup>13</sup> 'Key labour employment plan close to collapse', *The Observer*, 8 February 2009.

<sup>14</sup> Dave Simmonds (2009) Welfare reform: challenge 2009: make or break?, CESI working brief June 2008, [www.cesi.org.uk](http://www.cesi.org.uk)

<sup>15</sup> 'Purnell pushes employment plan', *Financial Times*, 5 March 2009

<sup>16</sup> 'Number of job seekers has doubled in six months', *The Guardian* 19 February 2009

<sup>17</sup> 'Recession-hit firms "use dodges to shed staff without redundancy pay"', *The Guardian* 16 February 2009.

## 5. The Impact of Recession on the ‘Flexible Labour Market’

Initial reports on the effect of current recession on the labour market suggest that, despite mass lay-offs, many employers are trying to keep core workers. This would be in keeping with the idea of a flexible labour market divided into essential and disposable segments. Wage freezes, short-term working and renegotiated conditions have appeared as alternatives to redundancy, at least in some cases. Their long-term effectiveness is not certain, and previous recessions indicate that these strategies cannot forestall lay-offs indefinitely. There is less attention on the non-core or peripheral parts of the labour market, including low-wage and/or vulnerable workers. While on the one hand most economic theory might expect such workers to be the first to go, in accord with the idea of a reserve army of labour, the pressures of declining profitability may perhaps make such forms of employment more attractive to both employers and workers. This section reviews evidence of the impact of recessions on certain categories of worker most associated with peripheral status.

Categories such as ‘vulnerable worker’ cannot always be projected into the past, supplying reliable longitudinal data. It is generally acknowledged that methods of classifying and collecting data on such things as unemployment have been subject to changing government fiat. But the social sciences have perhaps also been prey to the temptation to morph categories; poverty, underclass, vulnerable work, precarious work, informal work are all closely related terms which try to capture the many dimensions of exploitation. Regarding migrants, for understandable reasons the fate of foreign-born workers was generally subsumed under the headings of race and ethnicity throughout the 1970s and 1980s. What this means is that, perhaps unwittingly, social scientists have made their own contribution to hiding such work and such lives.

Vulnerable employment is defined by the TUC as:

“precarious work that places people at risk of continuing poverty and injustice resulting from an imbalance of power in the employer-work relationship”

The TUC estimates there are at least two million vulnerable workers in the country. According to the OECD, Britain’s employment protection makes UK workers the second least protected in the developed world. Although permanent and temporary staff now enjoy the same rights, their terms for qualifying for unfair dismissal or statutory redundancy pay are longer than elsewhere. But vulnerable workers have even fewer rights and protection; many are classed as ‘workers’ rather than employees, exposed to rapid and easy dismissal or alteration in the terms of work. They may lack “written statement of employment particulars, statutory minimum notice periods, maternity and paternity leave”.<sup>1</sup> Further, they have no real protection against unfair dismissal and no entitlement to redundancy pay. They do not have the same level of protection as temporary staff, for example. Although conditions for agency workers are due to improve under new legislation, the full range of protections is not yet in place and there will be a struggle between employers unions and the government about how far protection goes.

The TUC states:

“As recession bites, we expect that this number [2 million] may increase, as although the number of temporary jobs will decline, more people will feel that they have no choice but to enter low-paid and exploitative work”

The TUC predicts that employers will cut staff and conditions and shift employees into the category of workers or perhaps classify employees as self-employed to wriggle out of obligations. There is evidence of this happening in construction. The threat of redundancy may be used to coerce people into vulnerable work, and it may led to the intensification of work – for example, cleaning more hotel rooms per hour, extending shifts or cutting breaks.

“Bad employers may use the downturn as an excuse to treat workers illegally and in turn staff may be more likely to put up with bad treatment as they are scared of losing their jobs”<sup>2</sup>(12)

Because there are no official statistics on vulnerable workers, this section reviews other categories that overlap with it. It is striking that there is little or no interest in the press specifically on vulnerable workers, so the impact of the recession on vulnerability has to be more or less inferred.

## **The Demographics of Job Loss**

Previous recessions were systematically uneven in their social and geographical effects. Not every category of worker or kind of place experienced the same impact. Unemployment tends to hit those workers who are generally most at risk during buoyant times. As revealed by the February labour market statistics, not all age and sex categories were recorded as experiencing falling employment in the last quarter of 2008:

- Employment levels among women 25-34 and 50-59 and men aged 35-49 rose, though in each case by less than one per cent.
- Employment levels among men aged 16-17 fell most, by 9.2%
- Youth employment numbers (18-24) fell at a faster rate than other age groups

According to a report by the TUC, women will be more hurt by this recession than previous ones (they did not say, as some newspapers erroneously reported, that women would suffer more than men).<sup>3</sup> Over the past 30 years women's employment rates have steadily risen, at a faster rate than men's. By some estimates, the entire net job growth of the past decade can be accounted for by the rise in female employment in the public sector. As a result, more households depend more on women's earnings; "in 21 per cent of couples, women's individual incomes contribute over 50 per cent of family incomes", according to the TUC. When assessed in terms of employment rates, redundancy rates or unemployment rates, the recession is impacting on men more than women.<sup>4</sup> If out of work however, women are also likely to suffer more than in previous recessions. They often have lower savings to fall back on and are more likely than male to be in low-paid work (29% compared with 16%). They are less likely to qualify for Jobseekers Allowance. And because income-based JSA (for which the jobless can qualify after 6 months) is based on household income, if women's partners are in work they will get nothing. Women either solely or chiefly responsible for dependent children, may be restrained in the kinds of jobs they can look for to get back into work

There are predictions that at the peak of unemployment, as much as 40% of the unemployed could be young workers. David Blanchflower, the Bank of England's chief economist, predicted that one million of the forecast 3 million unemployed would be under 25 years old.<sup>5</sup> They are hit from two directions – by the freeze in hiring and by the last-in-first-out principle. Past experience suggests that, once blocked from the labour market, young workers are at greater risk of becoming discouraged. The unemployment rate among young people (18-24) is consistently above other age groups – roughly three times the level of 25-49-year-olds before the recession started. Relative to 25-49-year olds, the rate for younger workers rose faster in the last quarter of 2008; that being said, the increase for over 50s was even more rapid, rising 11.9% to 3.5%. October saw the biggest monthly rise in youth unemployment since 1992. Between October and December 2008, a quarter of those who lost their jobs were aged 18-24, and the rate of increase of unemployment was 2.3%, treble the figure for workers aged 25-49.<sup>6</sup>

## **'Non-standard' Workers: Part-time, Temporary and Agency Staff**

The 'Thatcher recession' of the 1980s can be distinguished from the subsequent 'Major recession' by its greater long-term impact on the structure of the labour market. Beginning in the 1980s, the level and extent of 'non-standard' forms of work grew considerably, creating forms of employment that lend themselves to vulnerability. These non-standard forms included part-time work, temporary work and agency employment. Although they are each heterogeneous categories and by no means synonymous with vulnerability, they constitute the most obvious expression of the flexible labour

market. Quite what impact the downturn will have on temporary employment is a matter of conjecture.<sup>7</sup> The Gangmasters Licensing Authority can only speculate on whether agency working in this sector will hold up as usual, or see changes in the kinds of (migrant) worker employed. The consensus is that temporary and contract workers are among the first to lose their jobs in a downturn, something that was confirmed by surveys of recruitment agencies. But others argue that firms may be more tempted to hire temps in order to control costs. A quick survey of temp agency websites finds little indication of pessimism, and many remain relentlessly upbeat about the opportunities provided by recession.<sup>8</sup> The exact impact of the recession on temporary labour will depend partly on: a) the kind of temporary worker and b) the point in the recession. Past recessions may provide some clues.

Non-standard forms of work were more widespread before the Second World War and generally declined during the post-war drive to 'full employment'.<sup>9</sup> Although their prevalence rose gradually from the 1970s, the 1980s recession marked a period of more intense transformation.<sup>10</sup> Part-time jobs, fixed-term contracts, casual work, short duration jobs and second jobs all increased during the first half of the 1980s. For example, while part-time work for women increased gradually, part-time male work – including involuntary part-time work - rose more rapidly in the early 1980s. One reason might be that labour laws allowed employers to switch contracts more easily. For example, at their Port Talbot plant British Steel Corporation laid off 6000 workers in 1980, only to re-employ a large number of them as contract staff.<sup>11</sup> The subsequent recession in the early 1990s appears to have had less of a permanent impact on the structure of the labour market. Temporary work was fairly stable after the 1980s recession too, at around 5-6% of workforce. But during the 1990s recession the proportion of temporary workers claiming that they were 'involuntary' doubled to over 40%. Dex and McCulloch conclude that "the rates [of involuntary part-time employment] follow the business cycle: the rates rise and fall as unemployment rates increase and decrease respectively" (96). The same might be said of involuntary temporary work, especially for men; by 1993 half of all male temporary workers said they were 'involuntary'. These short-term peaks associated with the business cycle did not produce long-lasting effects. By the end of the recession, the percentage of women's jobs that were temporary had fallen a little and the proportion of men's risen a little.

The distinction between standard and non-standard work does not map directly onto a core/periphery model of the labour market. Part-time and temporary labour is not synonymous with poor pay or insecurity.<sup>12</sup> In the 1990s for example, the fastest rates of growth in temporary contracts were in sectors where the majority of workers were skilled. By 1995 14% of professionals were on temporary contracts.<sup>13</sup> As revealed by Gallie et al's survey of work in the later 1990s, part-timers did not endure especially high job insecurity and most felt secure. There are at least two kinds of temporary work and the difference between them is important. According to the large-scale work surveys undertaken by Duncan Gallie and his colleagues in the 1990s, temporary contract work was often undertaken with people with a clear sense of career; it proved to be a stepping stone.<sup>14</sup> By contrast, short-term temporary work was more of a trap. During the 1990s recession the proportion of workers on seasonal or casual terms fell, reversing a rising trend, from around 45 to 25 of workers. By contrast, the proportion on fixed term contracts rose from around 1% to 3%.<sup>15</sup> Gallie et al conclude:

"While it is clear that the labour market is highly segmented, the attempt to understand such segmentation in terms of general theories of core and periphery is profoundly misleading" (185).

Three kinds of non-standard work – part-time, temporary and agency work – can be discussed in more detail.

### **Part-time staff**

It is now unlawful to treat part-time staff differently to full-time workers in making redundancies. This might make them less obvious targets for early redundancy. Relative to other OECD countries the UK has a fairly high proportion of workers who are part-time; in 2006 26% of all employees were part-time, some 7.52 million people (EU average 18%).<sup>16</sup> The number in September-November 2008 was about the same. The level of part-time employment increased steadily from the 1980s, with no obvious spike during the early 1990s recession. The upward trend accelerated *after* the recession, and then levelled off in 1997. A higher proportion of these workers are female relative to the rest of the EU (78%) and the vast majority of these workers state that they do not want a full-time job. The major reason for part-time employment is, not surprisingly, domestic responsibilities. But the increase in the prevalence of part-time work since 1992 has been mostly caused by a growth in the number of men in this category; the proportion of women in part-time work fell slightly 1992-2008 (although it's still more common among women, 41.8% of whom are part-time relative to only 11.6 % of male workers).<sup>17</sup>

According to ONS data, in the quarter November 2008- January 2009, part-time employment rose by 50,000, but full-time employment fell by 48,000.<sup>18</sup> The rise in part-time employment was most noticeable among men (up 1.4% compared with up 0.4% for women). When asked the reason for having part-time work, a rising percentage of men said it was because they could not get full-time work. There may therefore be evidence that the recession is driving some workers, especially men, into part-time employment.

### **Temporary workers**

Despite what many suppose, temporary employment is a relatively minor component of the UK labour market, especially when compared with other EU countries. If protection for permanent workers is relatively low, the incentive for employers to employ temporary workers is less. In 2006, there were some 1,016,000 temporary workers, 5.6% of all employees (EU average 13%). In September-November 2008 there were 1.394 million (5.9%).<sup>19</sup> Just over half of all temporary workers in 2006 were women, about the same proportion as in 1992. Of temporary workers, just under half were also part-time in 2006. According to Gadenne et al.:

“During the recession years of the early 1990s, the proportion of employment which was temporary rose, and continued to do so until 1997, when it peaked at 1.79 million. Since 1997 the number of people in temporary employment has decreased by around 357,000” (2006: 28).<sup>20</sup>

By contrast, the level of temporary employment in France, Italy and Spain doubled 1985-1997, despite – or because of – these countries’ relatively higher level of employment protection.<sup>21</sup>

Year	Fixed period contract	Casual work	Agency temping	Seasonal	Other temp	TOTAL
1992	0.59	0.27	0.08	0.08	0.2	1.22
1997	0.80	0.34	0.23	0.09	0.17	1.71
2001	0.79	0.31	0.28	0.19	0.19	1.66

**Table 3. 1 Temporary Employees by Type of Contract 1992-2001 (in millions)**

Source: ONS and Social Trends 2002

Exactly how temporary employment reacts to recession is very much a function of differing national labour market institutions. In Sweden and Finland, for example, during the early 1990s recession

permanent workers lost their jobs but there was a rise in temporary contracts.<sup>22</sup> Temporary staff have borne the brunt of the current recession worldwide; major European companies such as Argos and BMW cut back temporary workers. In Spain, which has the most marked dual labour market, almost all the redundancies in 2008 were among temporary workers. In France, temporary work fell by a fifth. The Japanese government anticipated that 300,000 'non-regular' workers will lose their jobs between October 2008 and March 2009. Roughly a third of Japanese workers are temporary or irregular, and it is estimated that a third of those who are made redundant will also lose their homes.<sup>23</sup> In Germany, the consensus was that temporary workers would go first, and then permanent staff would be shifted to shorter hours.<sup>24</sup> But in France, Germany and the Netherlands, there are government schemes to use public money to supplement the wages of core workers on shorter hours or furloughs.

In the current recession, the CIPD forecast that employers would start by laying off employees on short-term contracts, including migrants. A CIPD survey in January of 900 employers established that half were shedding temporary or agency workers; one in seven had gone to short-term working or curt bonuses.<sup>25</sup> Looking ahead, employers either do not renew contracts or lay temporary staff off. The level of temporary employment began falling in Nov-Jan 2008, from 1.464 million to 1.378 million in June-August 2008. But it rose in November 2008-January 2009 adding some 35,000 jobs to 1.4 million and again in the following month.<sup>26</sup> But when asked why they had temporary work, about a quarter said it was because they could not find a permanent job, slightly lower than two years previously. Roughly the same proportion, 29%, claimed they did not want a permanent job. As with short-time working, the increase in temporary contracts is more visible among men (up 4%) than women (up 0.4% over the quarter).

Press reports of redundancies gave the impression that temporary workers were the first to go, protecting jobs for permanent staff. GKN, for example, laid off all 1400 temporary staff. Caterpillar laid off all 320 temps at its plant in Leicestershire in June, but retained around 100 permanent staff. When BT announced it was considering 10,000 redundancies, the vast majority were temporary contracts. Such practices led one Unite official to accuse BMW of treating such workers as 'cannon fodder' (see Box 1). But any thought that laying off temporary staff could shield other workers soon proved groundless. When Nissan announced that it was shedding 1200 jobs at its plant in Sunderland, 400 of those were people on temporary contracts.<sup>27</sup> Aston Martin shed 300 permanent and 300 temporary staff in December. In November, Jaguar dismissed 850 agency workers at its plant in the West Midlands and Warwickshire; but in January it laid off 300 managers and a further 150 salaried agency staff.<sup>28</sup> HSBC sacked 110 people, including both permanent and temporary workers in September. Recruitment agencies, such as REC and KPMG, reported a dramatic drop in both appointments and vacancies for permanent and temporary staff.

By contrast, many employers who announced they were hiring provided temporary contracts. Major supermarkets all announced plans to hire more temporary staff in 2009, including 3-4000 at Sainsbury's; in sum, 20,000 extra jobs were announced by the four major chains.

#### **BMW Cowley's Agency Workers: 'Cannon Fodder'?**

In BMW's Oxford Cowley works the company began by firing 290 agency workers in November as a temporary measure; about a third of its workers were agency employers, contracted through Manpower and Right 4 Staff. The plant closed down completely for 4 weeks over Christmas, instead of the normal two weeks. Afterwards, it shut for another 3-day break. Then another 90 agency staff were let go, followed by 50 more, bringing the total to 430 by the end of January. BMW brought all staff into the same holiday schedule, so scrapping the need for temporary cover. The Friday late shift was scrapped too.<sup>29</sup> These measures were not sufficient in BMW's view, once sales fell by over a third in January. Their response was to end weekend shifts altogether and dismiss the remaining 850 contract staff. They were given one hour's notice, one week's pay in lieu of notice and instructed to return their uniforms and identity badges right away or face a further fine.

Despite protestations by Unite officials, one of whom declared that BMW was treating agency workers like ‘cannon fodder’, there was little the union could do. Unite pointed out that BMW’s dismissal of workers under such conditions would not have been possible in Germany where agency workers are not only entitled to equal pay as permanent workers, but equal conditions on redundancy. In response to their demands to provide greater protection to agency workers, a spokesperson for the Department of Business said:

“It is important that we provide protection for working people without removing the important flexibility that agency work can offer both employers and workers”<sup>30</sup>

The government has until 2011 to decide exactly how to incorporate the EU directive on temporary and agency workers into domestic legislation.<sup>31</sup> BERR is due to start a consultation period on the matter, but various unions have called on government to bring them forward.<sup>32</sup>

### **Agency work**

Although the level of temporary work is not high by international standards, rates of agency employment are.<sup>33</sup> In 2006, some 1.265 million workers were employed by agencies according to CEITT, around 4.5% of the workforce. In absolute terms this is second only to the USA and substantially more than other OECD countries. It is double the rate of France and Japan and almost three times the level of Germany.<sup>34</sup> This represents a doubling in 10 years, about the same rate of increase as elsewhere. CEITT suggests that trends in agency employment mirror those of the economy, with more hiring when GDP growth is higher, but their analysis has not been tested by a recession. The Labour Force Survey however, counts only 60,000 agency workers. The Gangmaster Licensing Authority has 180,000 workers on its database, though it covers only a small number of sectors, namely farming and food processing.

Some evidence about what can happen during a recession is provided by Jamie Peck and Nik Theodore’s analysis of the US downturn in 2001 in comparison with the 1990s recession.<sup>35</sup> In the 1990s the temporary staffing industry (TSI) reacted to recession as one might expect if it was a ‘barometer’ of the business cycle. The sector lost jobs quickly and recovered them quickly too, leading to the suggestion that temporary staffing had the potential to be acyclical. But in 2001, although TSI accounted for 2.5% of jobs it experienced 23% of job losses, a much higher ratio than in 1990-91. Furthermore, net jobs growth after the recession took much longer in 2001, 30 months, although productivity growth did increase. This was a so-called ‘jobless recovery’. Peck and Theodore conclude that the temporary staffing industry has successfully inserted itself into the labour market as a more structural or mediating entity:

“the TSI has moved from the role of stopgap-staffing provider, supplying short-term cover for eventualities like maternity leaves and seasonal spikes in demand, to a more systematic and continuous role as an intermediary between companies and their preferred labor supplies across a board array of industries and occupations”<sup>36</sup>

As a result of this more structural role they argue that TSI ‘effectively delayed and weakened the jobs recovery after the recession’ by enabling and encouraging employers to postpone permanent employment.

### **Summary**

Britain’s labour force is one of the least well-protected in the OECD, and the TUC estimates that there are at least two million vulnerable workers, i.e. in “precarious work that places people at risk of continuing poverty and injustice resulting from an imbalance of power in the employer-work relationship”. Such workers are largely hidden from both official statistics and social science accounts

of the labour market in the recent past. Their stories have not been well-documented in the current recession, though there are reasonable fears that more people will feel forced to enter exploitative work and more will find their work circumstances becoming more harmful. The recession will test the low-end of the flexible labour market to destruction.

The signals on non-standard forms of employment – part-time, temporary and agency work – are mixed. All these forms grew significantly in the long recession of the early 1980s, which had a permanent effect on the composition of the labour market. Although they also rose in the 1990s recession, the impact was short-lived. There is a widespread assumption that temporary workers, including agency staff, will be the first to lose their jobs in the current recession. This is supported by press reports and industry surveys. The high-profile sackings at BMW's Cowley plant have led to accusations that agency staff are treated as 'cannon fodder'. But it is not necessarily visible in official figures. For example, the number of temporary workers is increasing, after having fallen in previous quarters. Part-time employment also rose, notably among male workers.

To understand the nature of the changes in non-standard work requires a fairly detailed differentiation of the categories, by gender for example. There are distinct kinds of temporary work, some of which are seasonal and some of which are professional and highly-paid. People in non-standard work may be asked whether they are there voluntarily or not, and this also reveals changes over time. It is likely that the impact of recession on non-standard workers, including vulnerable workers, will vary throughout the course of the business cycle. There are at least two major developments since the last recession that make comparisons difficult. First, although the UK has a relatively low proportion of temporary works by international standards, the percentage of agency workers is by some estimates very high. Research on the USA suggests that the temporary staffing industry, insofar as it becomes a structural part of the labour market, can hinder recovery. Second, the recession coincides with the government's reform of the welfare and benefits system which attaches new conditions to receiving benefits as well as privatizing job search.

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<sup>1</sup> Recession Report Number 1, November 2008, TUC

<sup>2</sup> Women and Recession, TUC January 2009

<sup>3</sup> Women and Recession, TUC January 2009.

<sup>4</sup> 'Women in the Labour Market', Office for National Statistics 6 March 2009

<sup>5</sup> 'The crunch generation', *The Guardian* 10 January 2009

<sup>6</sup> Recession Report Number 4, February 2009, TUC

<sup>7</sup> A. Caggese and V. Cuñate (2008) 'Financing constraint and fixed-term contracts', *The Economics Journal*, 118: 2013-2046; G. Logan (2008) 'Temps and contractors will be first casualties of downturn', [www.personneltoday.com](http://www.personneltoday.com) 7 October

<sup>8</sup> Survey of [www.uktemps.co.uk](http://www.uktemps.co.uk), assist employment, [reed.co.uk](http://reed.co.uk), [onrec.cpm](http://onrec.cpm)

<sup>9</sup> N. Whiteside (1991) *Bad Times: Unemployment in British Social and Political History*, London: Faber and Faber

<sup>10</sup> S. Dex and A. McCulloch (1977) *Flexible Employment: The Future of Britain's Jobs*, Basingstoke: Macmillan

<sup>11</sup> R. Fevre (1986) 'Contract work in the recession', in K. Purcell, S. Wood, A. Watson and S. Allen (eds) *The Changing Experience of Employment: Restructuring and Recession*, Basingstoke: Macmillan, 18-34

<sup>12</sup> M. Hudson (2002) 'Flexibility and the reorganisation of work', in B. Burchell, D. Lapidó and F. Wilkinson (eds) *Job Insecurity and Work Intensification*, London: Routledge, 39-60; D. Gallie, M. White, Y. Cheng and M. Tomlinson (1998) *Restructuring the Employment Relationship*, Oxford: OUP.

<sup>13</sup> J. Atkinson, J. Rick, S. Morris and M. Williams (1996) 'Temporary work and the labour market', Report 311 Institute for Employment Studies

<sup>14</sup> D. Gallie, M. White, Y. Cheng and M. Tomlinson (1998) *Restructuring the Employment Relationship*, Oxford: OUP

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- <sup>15</sup> J. Atkinson, J. Rick, S. Morris and M. Williams (1996) 'Temporary work and the labour market', Report 311 Institute for Employment Studies
- <sup>16</sup> L. Gardenne, R. Given, M. Stephens and C. Wilkinson (2006) '2.5 million more jobs', DWP working paper no 36.
- <sup>17</sup> K. Kent (2009) 'Employment: changes over 30 years', *Economic and Labour Market Review*, 3(2) February 21-36
- <sup>18</sup> Recession report number 5, March 2009, TUC; Labour Market Statistics, March 2009, Office of National Statistics.
- <sup>19</sup> K. Kent (2009) 'Employment: changes over 30 years,' *Economic and Labour Market Review*, 3(2) February 21-36.
- <sup>20</sup> L. Gardenne, et al. (2006) '2.5 million more jobs', DWP working paper no 36.
- <sup>21</sup> A. Booth, M. Francesconi and J. Frank (2002) 'Temporary jobs: stepping stones or dead end?', *The Economic Journal* 112: F182-F213.
- <sup>22</sup> B. Holmlund and D. Storrie (2002) 'Temporary work in turbulent times: the Swedish experience', *The Economic Journal*, 112: F245-F269.
- <sup>23</sup> 'When jobs disappear', *The Economist*, 14 March 2009
- <sup>24</sup> 'Recession hits Japanese temporary workers hard – survey', Reuters, 28 November 2008; 'Germany: temporary workers are first victims of recession', World Socialist Website 12 January 2009.
- <sup>25</sup> *BBC News*, 21 January 2009
- <sup>26</sup> Labour market statistics, April 2009, Office for National statistics
- <sup>27</sup> *Financial Times*, 9 January 2009
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## 6. Migrant Workers and the Recession

### The global picture

This is the first time that there has been a combination of high international migration and a global downturn, as several commentators have observed.<sup>1</sup> Were the recession to be confined to core economies it might be expected that migrants would either leave or stop coming. But because the 'origin' countries, including China and India, are also suffering economically, the picture may be more confused. Even Dubai, the iconic site of the past decade's extraordinary globalization-driven prosperity and physical transformation is, by recent accounts, haemorrhaging both expats and low-paid migrant workers.<sup>2</sup> When nowhere is safe, where will people go?

Stephen Castles suggest that there are some parallels with two previous events – the mid-1970s oil crisis in Western Europe and the 1997-99 Asian crisis.<sup>3</sup> In the former, guestworker programmes ended and migration shifted more to family reunification. It is less an analogue with the UK, which ended primary migration in 1962; further, this recession was not associated with high unemployment, at least by later standards. In the latter, some Asian governments sought to expel workers, although employers soon found out that it was impossible to replace them. Whether liberal democracies could do the same must be in doubt. It might be that, as far as the UK is concerned, there are better parallels with the immediate post-war years, when recession, managed migration and issues of race/racism were brought together for the first time.

Parallels with earlier economic crises must be also tempered by the recognition that 21<sup>st</sup> century international migration has certain novel characteristics, or at least features that are much more highly developed than a generation ago. These include:

- an increasingly organised migration industry, with both legal and illegal forms of organization, designed to facilitate the passage of people around the world. Insofar as these institutions act as a 'market' they might be expected to adapt and respond fairly quickly to shifting opportunities. To the extent that they are engaged in unlawful practices, they might be expected to perpetuate migration flows in the face of recession. Where migrants have incurred substantial debts in order to pay for passage, their scope for manoeuvre may be restricted. There has not been much discussion yet on the impact of global recession on trafficking.
- a more explicit and organised search by governments and industry for 'global talent', i.e. high-skilled workers in expanding sectors, including health care, finance, IT and higher education.
- the technological possibility, and in some cases the political will, to apply more sophisticated forms of surveillance to mobile populations, including biometrics, tagging and real-time monitoring of movement.
- the increased dependence of families and localities across the world on remittance income, which also restricts the options of some migrants. In response to hard times some migrants may increase their remittances to families to help them survive.
- the proliferation of various kinds of transnational family or household arrangements, whereby different family members are located in different parts of the world, sometimes with a view to either spreading risk or diversifying sources of income and asset.
- the diversification of migrants by type, motivation and period of stay or circulation. This not only includes the shift towards equal numbers of male and female migrants, but also the greater spread of skill or qualification levels among migrants and the emergence of more lifestyle-oriented migration flows. The UK in particular has experienced intense diversification and complexity of migrant flows.

The obvious threat posed by recession to migrant workers and their families has been acknowledged at the global scale. The IOM (2009: 1-2) outlines the possible consequences of recession for migrant workers worldwide:

- Being disproportionately employed in sectors most exposed to the downturn, such as construction, manufacturing, retail and tourism, they are at high risk of losing jobs
- There is a “risk of discrimination and xenophobia as migrants are mistakenly perceived as taking the jobs of local workers particularly in low-skilled sectors of the labour market” (Though *The Economist* speculates that a recession-driven fall in migration may take the heat out of xenophobia). Fears of a **backlash** against immigrants are widespread. There are signs of increased hostility to migrants in Russia, where there have been new restrictions on numbers from both the national level and Moscow region.<sup>4</sup>
- Decline in remittances, although recent World Bank figures suggest that flows might be holding up.<sup>5</sup> Remittance flows in 2008 were \$283 billion, up from \$265 billion in 2007, though reflecting a slower rate of growth than before (including absolute decline in Mexico, which may therefore be an atypical example. The World Bank anticipates a decline in remittance volume of at worst 6% in 2009, with the greatest impact coming in flows from the GCC rather than Western Europe.
- Popular pressure to cut immigration and migrant quotas, as has been reported in Russia or, as in the case of **Spain**, introduce repatriation incentives. In comparable circumstances in the mid 1970s, several Western European countries, including Germany and France, curtailed their guestworker programmes; the USA terminated primary immigration after the First World War and deported many Mexican-American workers. By contrast, Switzerland’s voters voted to continue and extend the provisions for EU workers to work and live in the country, including Romanians and Bulgarians (big business supported the vote, which was opposed by the Swiss People’s Party).
- “An increase in irregular migration and the strengthening of the informal labour market as unemployed migrants in destination countries seek to work without authorization and as opportunities for regular labour migration decrease resulting in the emigration of more persons from countries of origin more seriously affected by the crisis. An increase in trafficking in human beings is also a possibility”
- A fall in migration flows, as potential migrants opt to stay at home and wait for the recession to end, for which there is some evidence for the USA and UK at least.

### **Backlash?**

Protests around the world have been largely directed at governments rather than migrants, but there are understandable fears of backlash against foreigners in places struggling with the recession. The most combustible situations are those countries that have undergone rapid economic and social change, including high rates of economic growth and immigration, coupled with strong nationalistic sentiments. Russia and South Africa might fit this bill. Anti-migrant riots flared up in South Africa in 2008, directed against workers from neighbouring states. GDP growth is forecast to slow down to 0.75% in 2009, and business confidence is plummeting; both manufacturing and mining are shedding jobs.<sup>6</sup> In Russia, where it is estimated there is an immigrant population of 12 million (second only to the USA), there are reports of increased violence against foreigners, especially central Asians. Some 40% of migrant jobs are in construction alone, a sector vulnerable to recession, while there are thought to be very large numbers of illegal migrants in the country.<sup>7</sup>

Elsewhere, states have already taken steps to reduce in-migration or safeguard jobs for nationals:

UAE strengthened the regulations on the dismissal of nationals in the private sector, making it impossible to lay nationals off except for misconduct or absenteeism; UAE nationals can only be sacked following 30 days notice and an application to the Labour Ministry.<sup>8</sup>

Korea announced a halt to the recruitment of foreign workers from Asian countries as from February 2009<sup>9</sup>

Thailand declared that it would not renew registrations of some ½ million foreign workers<sup>10</sup>

Malaysia announced a halt to the recruitment of foreign workers in January 2009 and instructed employers to lay off foreigners first.<sup>11</sup>

The Czech government announced that it would pay jobless migrants the price of a one-way ticket home or 500 euros in cash; the scheme is aimed at Vietnamese migrants in particular<sup>12</sup>

Australia stated that it would reduce the number of immigrants accepted next year to below 190,300 for the current quota; the cut will be 14% or 18,500 places. New restrictions were announced on various building trades (half of all UK applicants for work visas are in such trades).<sup>13</sup>

In part because the demand for migrant labour can be structural, international migration does not necessarily halt during recessions. In past global recessions, as well as during the late 1990s Asian crisis, migration flows continued. There is the risk however, that if barriers to legal entry are strengthened, migration will continue through more clandestine routes. The pressure to migrate, driven by demographic and economic factors, is not likely to reduce during global recession.<sup>14</sup>

The impact of recession on migrants is likely to vary between different regions of the world according to economic and political conditions.<sup>15</sup> A speculative analysis of the impact on a wealthy and stable country is provided by two surveys from the Migration Policy Institute.<sup>16</sup> They also make a number of important observations based on parallels with the past:

- Return migration is more closely associated with conditions in the country of return than in the country of residence, and particularly with the ease of circulation between the two. Their evidence comes from past recessions and the Great Depression in the USA, but also the pattern of return to countries such as Greece and Spain that switched from labour-exporting to labour-importing economies.
- Legal immigration can often show less correlation with economic conditions in the country of destination than illegal immigration, because it is more likely to include family reunification, students, workers directly recruited by employers or those waiting for their application to be processed: “on balance, historical evidence does not point to a direct, long-term relationship between business cycle fluctuations and legal immigration flows” (5)
- Even temporary worker programmes, for example for seasonal workers, may not automatically adjust to labour markets – there may still be shortages in certain geographic regions and/or undesirable occupations which constitute an ongoing demand for migrant workers.
- Although migrant workers are often more concentrated in exposed industries and occupations, they “may be able to adjust more quickly than native-born workers to changing labor market conditions because they are more amenable to changing jobs and their place of residence for work-related reasons” (iii)
- Policies which block access to public services may make unauthorized and/or recently arrived immigrants more vulnerable to long-term poverty
- Currency fluctuations are a ‘wild card’ in calculations of whether to stay or leave

Stephen Castles has argued that when discussing the impact of the recession it is essential to distinguish between short- and long-term consequences for migration.<sup>17</sup> It is often the case that the short-term effects are over-estimated and the long-term effects under-estimated. According to the Migration Policy Institute’s report, a protracted recession or depression may unravel many of the institutional, social and kin-based networks that currently sustain international migration, even when economic ‘signals’ are muted.<sup>18</sup> In the medium term, one set of considerations will be the recovery. If one global-level concern is the possible increase in discrimination against migrants and the drying up of remittances, another is the potential loss of skilled workers by OECD countries, or what *The*

*Economist* terms 'the people Crunch'.<sup>19</sup> Governments may have one eye on coping with recession, but the other will be anticipating recovery. The IOM also suggests that "the Asian financial crisis also demonstrated that keeping markets open to migrants and migration is important to stimulating a quicker economic recovery" (2009: 2). But at a time when the very desirability and effectiveness of 'markets' is being most challenged, there must be uncertainties about how far such nostrums can deliver both economic growth and the kind of secure livelihoods migrants and their families require. What this does mean however, is that whenever recovery does begin, governments may find themselves competing more intensively for 'global talent' when their electorates are least predisposed to opening up labour markets.

## **Spain<sup>20</sup>**

After years of expansion, during which some 5 million jobs were added (many in construction), Spain faces predicted unemployment levels of 19% by the end of 2009. It lost 1 million jobs in 2008 and suffered the highest rates of unemployment in the EU, topping 17% (and at least 20% among non-EU migrants). The recession struck housing and construction first; industry leaders claim that there have been no new housing starts since December. Early signs were that foreigners lost jobs at twice the rate of Spanish-born.

This is the first time Spain has experienced a recession as a country of net-immigration as opposed to emigration. The boom attracted hundreds and thousands of migrant workers, from Eastern Europe and North and West Africa and as a result Spain has the highest percentage foreign-born of any major European country. The government responded to fears of mass unemployment by creating a programme linking advanced payment of unemployment benefit to foreign workers if they undertook to leave the country and not return for three years. Repatriating migrants were offered 40% of their benefits in Spain and 60% in their country of destination once they handed in their work and residence cards. It was anticipated that some 1650,000 plus foreigners (mostly from Ecuador and Morocco) might be able to take advantage of the scheme, but the early take-up measured hundreds. It was thought that migrants feared that once they left they might not be able to return. In this case, as perhaps others, the ease of entry and exit appears to be the key to mobility. But the government has shown no signs of trying to blame or scapegoat migrant workers. When the labour and immigration minister announced that the number of visas for migrant workers should be reduced to zero next year, explicitly linking the presence of migrants to unemployment, he was instructed to retract his comments

Foreigners laid off from construction found that there was also competition for agricultural jobs from unemployed Spaniards. African labourers are therefore heading for the big cities where charities are overwhelmed by the numbers seeking places in hostels and support.

## **The United Kingdom**

In an international context the UK's migration picture contains both typical and unusual elements. Judged by the proportion of the population born abroad, the UK is about average for the OECD, although there has been a rapid growth in in-migration in the past decade and a half. By 2007 12.4 % of the workforce was foreign born, compared with 7-8 % during the previous two recessions. Given the greater size of the employed population, it's reasonable to assume that the foreign-born workforce (including British nationals) is at least double what it was in the 1980s and 1990s recessions. Emigration is significant, and some 5 million or more UK-born people now live abroad. The country is a relatively open system regarding population flows and, at least by European standard, has a more liberal regime than most. Along with **Ireland** and Sweden, the UK did not

impose restrictions on the entry of A8 nationals in 2004 (although there is a Workers Registration Scheme, recently renewed for two further years). Although there are European countries with greater absolute numbers of immigrants, the composition of Britain's overseas-born population is highly diverse. This is a consequence of inherited imperial connections, direct involvement in current conflicts, sustained labour demand and the consolidation of London as a centre of globalized finance. London in particular is perhaps the largest single pool of flexible high-and low-skilled labour in Western Europe. Therefore, the UK (and to some extent Ireland) is a testbed for the European Union's open labour markets and aspirations for US-style labour mobility. The European Commission suggests that many of the workers now moving within the EU are relatively young and well-educated, and probably more mobile than earlier waves. If this is the case, there is more possibility that they will move between places or jobs as a result of the recession, for example from construction into agriculture.

In recent years, much of the discussion about migrant workers in the UK has taken place against a backdrop of economic and employment growth. To some extent, a focus on the new migrant communities, especially from Eastern Europe, has overshadowed the presence of other groups of varying statuses. It is important not to forget that not all current migrants are Poles and that there are also large populations of refugees, asylum-seekers, students, skilled migrants, seasonal workers and others. The fact that the recession coincides with the ongoing reform of UK immigration policy towards a phased introduction of a five-tiered Points-Based System complicate matters even further (see chapter 3).

#### **Ireland<sup>21</sup>**

Like Spain, Ireland also experienced an economic boom throughout the 1990s and a corresponding demand for labour; there was no 1990s recession. Like the UK, Ireland admitted A8 nationals in 2004. As a result, the foreign-born population rose to over 10% (16% of workforce), while unemployment sank to record lows. Some 250,000 Poles settled in the country.

There is some debate and uncertainty about whether the newcomers will return home, in keeping with the expectations of Europe's open market for labour. With the onset of recession and unemployment climbing to 7% (6.6% among nationals and 9% among non-Irish nationals), there are signs that many of these newcomers are departing again. The Economic and Social Research Institute forecast that there will be a net outflow of 50,000 in 2009. The recruitment company CPL forecast that a third would depart, pointing out that Polish tax laws had changed to favour workers. It also noted that Irish financial workers were looking for jobs in Poland. The employment minister, Billy Kelleher has also predicted that many will leave. By contrast, some NGOs and trade unions however doubt whether there will be significant return, noting that decisions on migration are not simply economic.

The data are ambiguous. Initial indications from Personal Public Service number registrations showed a 40% decline in January-October 2008 relative to the same period the year before among Poles and other Eastern European nationalities. By contrast, there was an increase in registration from non-EU nationalities. Net emigration in the period April 2007-April 2008 was not much different from the year before. There were indications that more young Irish people were travelling to Australia than before, as visas in the first six months of 2008 were up 50% on the same period in 2007.<sup>22</sup> The number of non-Irish nationals claiming jobless benefits rose in 2008 by over 100%, double the rate of Irish nationals. This would suggest that not all unemployed migrant workers are set on leaving, though it is also a function of more non-nationals qualifying for the benefit after two years' residence. PPS data also show that the A8 inflow peaked in 2006, when there were 94,000 numbers issued. In the first 11 months of 2008 there were only 41,000. This is in line with the UK experience, where return flow preceded the recession.

There are also reports that young Irish people are emigrating to the UK, and London, in particular, in search of jobs. Irish community organisations in the capital report more people seeking help and jobs. National Insurance Number registrations by adult Irish nationals show no signs of falling through 2008 and in July-September 2008 were slightly higher than the equivalent period in 2007.

How far existing benefits coupled with social networks will encourage foreigners to stay in Ireland is not certain. According to analysis carried out by Trinity Colleges' Migrant Careers and Aspirations project, migrant workers have been hit hard by job losses in construction and financial services. Their survey of migrants suggests that more are staying in their jobs rather than moving between them. It also finds a great deal of uncertainty about the future. A survey by Irish Rural Link suggests that at least half of all economic migrants in rural areas intend to stay.

Migrants who stay may compete with locals for employment. In May the Irish National Organisation of the Unemployed conference was told by one delegate that construction employers were laying off Irish employees and hiring cheaper foreign workers, leading to discontent. Some politicians and elements of the press expressed fears of a backlash against immigrants. Opposition politicians raised the prospect of paying unemployed foreigners for return home, but these suggestions were quickly rejected by the Minister for Integration. In this context, there was a concern that the government had cut the budget for the Office for the Minister for Integration by a quarter and its advisory body on racism – the National Consultative Committee on Racism and Interculturalism lost all its government support.

In good times, much analysis concentrated on the impact of migrants on the labour market, although this did not necessarily lead to conclusive findings. Attention is now switching to the impact of the labour market, or rather recession, on migrants. Under both sets of circumstances, reliable and comprehensive information is in short supply.

Recent debate on the recession and migration has focused on three main themes, each of which will be reviewed in turn: (a) will there be return migration? (b) will there be labour shortages? (c) do migrants 'take' British jobs?. Rather less is written or said about the degree to which migrants are rendered increasingly vulnerable by the downturn. A comprehensive and up-to-date analysis of the relevant data is provided in a report by Will Somerville and Madeleine Sumption for the Migration Policy Institute, entitled *Immigration in the United Kingdom: the recession and beyond*.<sup>23</sup> The following sections only summarise findings on the topic, before turning to an account of the British Jobs for British Workers protests and how the battle lines over immigration are being redrawn.

### **Return migration?**

To begin with, the focus of most analysts and commentators was on the impact of recession on net migration flows. Evidence from the USA and elsewhere suggests that immigration has slowed down since the start of the economic crisis, if not before. This also appears to be the case in the UK, although it most probably began before and independent of the tangible impact of the economic downturn (as it did in Ireland). Given that this appears to be a fairly universal trend, *The Economist* speculates that a combination of hostility to immigrants and tougher immigration policies may already have been having an effect.<sup>24</sup>

- The number of immigrant arrivals (i.e. coming to live for more than a year) in 2007 was lower than 2006, 591,000 to 577,000<sup>25</sup>
- Applications under the Workers Registration Scheme (WRS) in Q4 2008 were well down from Q4 2007, from 53,000 to 29,000. Much of the decline was accounted for by a reduction in applications from Polish nationals, who constituted 2/3 of applicants in Q4 2007 but only 55% in Q4 2008; 20,000 of the 24,000 reduction can be accounted for by Polish nationals.<sup>26</sup>

- For the whole year 2008, WRS applications fell 25% from 2007 to 165,000. Re-registrations, although relatively small in number, fell more sharply than seasonal trends would lead one to predict from mid 2008.<sup>27</sup>
- Between Q4 2007 and Q4 2008, registrations from Bulgaria and Romania fell by 21% to 6,990, although the number applying under the seasonal Agricultural Workers scheme stayed constant.
- National insurance number registrations for foreign nationals were down 13 % in the first half of 2008, although for 2007/8 as a whole they were higher than 2006/7 by 3.9%<sup>28</sup>. NiNo registrations for A8 nationals were 4.7% higher in 2007/8, but the rate of growth is slowing.
- The Polish Federation of Great Britain estimates that 300,000 Poles have left or will leave
- Recruitment agencies report fewer applications from Poles – in one case down 40 % over a year. Urszula Jukes, director of Access Europe in Bedford, speculates that 200,00 may leave in 2009
- The number of short-term migrants fell 13% between June 2008 and June 2007.

Although the figures for WRS application indicate a continued downturn in numbers of working migrants from Eastern Europe, there are some differences by nationality (Table 1). The number of registrations from Hungarians and Latvians, and to a lesser extent Slovenians, actually rose between Oct-Dec 2007 and Oct-Dec 2008. Considering NiNo registrations in 2007/8, the numbers of Polish nationals fell by 4.4%, the numbers of Lithuanians fell (by 20%) but the numbers of Slovaks rose by 4.5% to just under 30,000.

It should be noted that both WRS and NiNo numbers are surrogates for migration flows. Because the WRS was due to expire in April 2009, it's not inconceivable that individuals delayed registration. There are also doubts about how effectively the scheme is monitored and enforced, making evasion both possible and attractive. In the event, the Home Office decided to renew the scheme until 2011.

It is not just Eastern Europeans who appear to be leaving. Press reports suggest that the numbers of Australians, New Zealanders and South Africans coming to the UK is falling, and that many are also leaving.<sup>29</sup> In November it was reported that 2700 Australians were leaving each month, up from 1750 in 2005. At the same time, whereas in the year ending June 2008 around 13,000 applied for working holiday visas, this was half the number of two years before. According to a source quoted in the *Sunday Times*, Harvey Nash consultancy, 49% of British employers are worried about losing high-skilled employees to better opportunities abroad, including the Gulf.

The slowdown is not confined to immigration. Emigration was also down 60,000 between 2007 and 2006 (from 400,000 to 340,000).<sup>30</sup> According to the ONS, "Over half of this reduction was as a result of fewer British citizens leaving the UK for more than a year, down from 207,000 in 2006 to 171,000 in 2007". Some reckon however, that in the previous two recessions there was net emigration.<sup>31</sup>

Nationality	WRS applicants Q42008	Change Q4 2007-Q4 2008
Poland	101,855	-32%
Slovakia	18, 115	-19%
Lithuania	11, 335	-21%
Hungary	10, 705	+21%
Latvia	6,720	+7%
Czech Republic	6,440	-14%
Estonia	925	-4%
Slovenia	195	+3%
TOTAL	156,925	-24%

**Table 5.1 Nationality of Approved Applicants for the Worker Registration Scheme**  
Source: Home Office February 2009

And some forms of migration are only indirectly affected by recession, if at all. Asylum applications rose 12% in summer 2008, with applicants from Zimbabwe, Afghanistan, Eritrea, Iran and Iraq. They then fell 2% in the last quarter of 2008. Most migration from South Asia is for family reasons rather than economic motivations, while study is the largest reason for migrants from the Middle East and Africa (excluding South Africa) to come to the UK.<sup>32</sup> It is perhaps too soon to tell, but there are indications that the supply of international students is drying up. Australia, where the University year starts in February, reports that numbers of Chinese, Japanese and Korean students are down because they are deferring entry.<sup>33</sup> In the USA, the numbers sitting the GRE for University entry are down 40%. How far this reduction in international students affects the UK also depends on the exchange rate; a weak pound makes the country more attractive. It may also depend upon new visa arrangements for students, which place greater financial conditions on applicants. Papademetriou et al. (2009) conclude that in the short run at least, the supply of international students will dry up.<sup>34</sup> Somerville and Sumption suggest that there might be a shift towards more EU students coming to the UK; higher education is an alternative to unemployment.

Although the relationship between economic downturn and falling immigration and increasing return migration might seem an obvious one, there is no clear and direct causal link. As mentioned above, there were signs of a worldwide slowdown in immigration even before the recession hit employment levels. For example, the US Border patrol reported falls in the number of apprehensions at the Mexico-USA border from as early as 2006.<sup>35</sup> A combination of slowdown, growing hostility towards immigrants and more rigorous border policing and sanctions against undocumented workers may already have been having an effect. Furthermore, improved conditions in some migrant-sending countries may be stemming the outflow. In the European Union, the gradual (and as yet incomplete) relaxation of controls on movement from the A8 countries was probably already diverting migrants from places such as the UK and Ireland. Germany and three other countries however announced that they would not comply with the EU's urging to lift restrictions.

The Local Government Association (2009) suggests a number of factors that, within the overall context of macro-economically-driven migration flows, might influence who will leave and who will stay.<sup>36</sup> Most of the research cited in relation to this question concerns eastern European migrants, those who can easily come and go. Factors influencing the decision to stay or return will include:

- The presence of family, including partners and children in Britain; middle-aged migrants are thought to be more likely to stay. About 14% of A\* migrants in the UK come with dependants
- Owning a business
- Lifestyle reason for coming to the UK
- Level of integration: one might expect the more integrated the migrant into British social networks, the more likely they are to stay
- Length of stay: the longer a person has been in a country, the more likely they are to remain, according to the OECD.
- High- and low-skilled migrants are thought to be more likely to leave than others.

According to the most thorough survey to date, by Somerville and Sumption, "return migration is not likely to be highly responsive to rising unemployment for most immigrant groups" (p5).<sup>37</sup> Considering all the various factors, only A10 nationals are likely to be responsive to employment changes alone.

### ***Conditions in Eastern Europe***

As Papademetriou and Terrazas suggest, return may be more influenced by conditions in the country of origin than of destination, not forgetting the importance of ease of entry and exit. There may be a parallel with the 1970s recession, when Irish migrants in the UK began to return to Ireland in large numbers.<sup>38</sup> Here too, the return began before any recession was registered in GDP figures, although

the concentration of Irish workers in construction rendered them sensitive to a downturn. Even so, it was improving conditions in Ireland, not long after joining the EEC, that accounted for the flow, coupled with the fact that re-entry into the UK was guaranteed. There was no significant return among other, mainly New Commonwealth, immigrants. (There is little if any research on what happened to Irish community in the UK in the subsequent two recessions.)

Although the recession is global, not all countries are expected to be equally hit. Even within Europe, the picture is mixed, as divisions both within and more particularly between the eurozone and non-eurozone take shape. At one extreme, Hungary, Latvia, Rumania and the Ukraine have already had IMF rescue packages; Lithuania is also considered a weak economy. By contrast, Poland, the Czech Republic, Slovenia and Slovakia are all forecast to have positive, though lower, economic growth in 2009.<sup>39</sup> The EU expects Bulgaria and Romania to experience a year or more of slower growth but without recession. Plans for the next suite of countries to join the EU – Montenegro, Albania, Bosnia and Serbia – appears stalled (Croatia is scheduled to join 2011). The combination of economic crisis and shallow political integration into the EU leads some commentators, such as Carl Bildt, to warn of growing instability across eastern and central Europe. Hungary's Prime Minister, Ferenc Gyurcsany, specifically warned that rising unemployment in the region could impel migrants westward.<sup>40</sup> Other countries appear more equipped to withstand the pressures of recent and rapid political and economic transformation, but few commentators are sanguine. A table of vulnerability to the credit crunch compiled by HSBC and *The Economist* placed South Africa, Hungary and Poland in the top three most at risk.<sup>41</sup> The contrast between **Latvia and Poland** is instructive.

#### **Poland and Latvia: Divergence in Eastern European source countries?**

According to the OECD and EU, Poland's economy is expected to enjoy a slower rate of growth in 2009, but not negative growth.<sup>42</sup> The EU forecast 6% or above growth for 2009 and 7.25% for 2010 and notes falling unemployment in 2007-2008 (by 450,000). Poland itself forecast 3% growth in 2009. Poland's economy is characterised by 'sound fundamentals' and the demand for labour is likely to be increased by an aging population. According to Aleksandr Grad, Poland's treasury minister, the country has suffered labour shortages because of out-migration, but returning migrants are filling the shortfalls.<sup>43</sup> There are a number of good reasons to believe that Poland will not be as badly affected as elsewhere. Polish banks are forbidden from investing in credit derivatives for example. There has been no housing boom such as the UK or Spain, and unlike Hungarians, few Poles have mortgages in foreign currencies. Income tax has been cut to 18% and the zloty has risen substantially against the pound. Whereas in 2004 a monthly remittance of £500 converted into 3565 zlotys, by summer 2008 it bought just 2100, a fall of 40 percent, according to Michael Dembinski from the British Polish Chamber of Commerce.<sup>44</sup> On the demand side, in addition to a government economic stimulus package there is the prospect of EU funding for large-scale infrastructure projects, including stadia for the forthcoming European Championships. Lastly, the Polish government has taken measures to make return easier.<sup>45</sup>

The picture began to look less rosy by February, and especially during a two-day crisis in currency markers; the zloty fell to 37% below its peak value against the euro.<sup>46</sup> Discussions have started about joining the euro.

By contrast, Latvia's government was the first to fall as a direct result of the recession and the imposition of IMF austerity measures (Iceland's government was the first casualty of the credit crunch). Latvia, along with Ireland, Spain and Estonia, has experienced the greatest rise in unemployment in the EU. GDP shrank by more than 4% in the third quarter of 2008 (following a year of 14% growth), and inflation is running as high as 18% in May. The current account deficit peaked at 26% of GDP in the third quarter. House prices are falling faster than anywhere else in the world. Unemployment is forecast to reach 50%. Following an IMF bailout, which came with stringent conditions attached, there was serious rioting in the capital Riga. Prime Minister Ivars Godmanis

resigned in January. In neighbouring Lithuania, from which the second largest inflow of A8 migrants to the UK came, conditions are also poor. Austerity measures announced in January also led to rioting.

A8 nationals represent the largest pool of economic migrants who come to the UK without a firm job offer, i.e., speculatively. Unlike many US nationals, they are rarely intra-company transfers. Therefore, they might be expected to respond quickest to shifts in the labour market. If return migration is largely a function of conditions in the 'home' country, then conditions in eastern and central Europe have deteriorated faster than anticipated, although unevenly so. Further, for the worst hit countries the forecast is for combined economic and political crisis, with ramifications for minority groups such as the Roma. The country with the highest recent inflow into the UK, Poland, is in better relative shape. Three countries with smaller levels of inflows, Slovakia, Lithuania and Hungary, appear more mixed in their fortunes. Those Eastern European countries most vulnerable to recession, such as Latvia and Ukraine, have relatively low levels of in-migration to the UK.

### ***But not everyone will leave***

Return is not a straightforward reversal of previous trends. It is misleading to think of migration flows as if they were shoals of fish, first going one way and then flipping back the other. As the IPPR has pointed out, a distinctive feature of recent migration from Eastern Europe has been its circulatory nature.<sup>47</sup> Individuals and families go back and forth over different time periods, some weekly, others over longer spells. Net changes may conceal significant variations in movement. The tempo of flow may be adjusted, with individuals switching between longer and shorter term, for example seasonal, movement. The picture is not clarified by a lack of reliable data on persons leaving the UK. Eastern Europeans in professional occupations such as finance may not be so tempted to depart. Poland is unlikely to offer them the same range and quality of opportunity. Others may be deterred by uncertainties about both the strength of the Polish economy – there are reservations about its forecast growth rates – and uncertainties about exchange rates – the pound has not fallen consistently against the zloty, and there have been rallies. In a much-quoted figure, for which there is no hard evidence, the Federation of Poles in Great Britain estimate that half a million Poles would stay in the country.<sup>48</sup> As if to confirm and explain this, other research showed that the number of Polish children registered at London's schools rose from 7500 to over 11,000 in 2008.

The debate on return has focused largely on those migrants who have the greatest option of re-migrating, i.e. in time returning to Britain. Less has been written, and perhaps less is known about those individuals who might have to negotiate, for a first or perhaps second time, the points-based system. In general, any policies which make entry tougher – even if they involve no more than fees, tests and paperwork, make exit less attractive. Further, many migrants appear in the records as a result of changes in status in situ. Students who become permanent residents or refugees who gain asylum switch categories. How will the recession affect them? With even graduate recruitment drying up, are opportunities for newly-graduates overseas students less rosy? Or might they be obliged to take posts 'below' their skills and qualifications, from which they will later have difficulty moving?

Questions of return migration do not resolve themselves into simple binaries, stay or go. Aggregate figures conceal shifts in the mix or tempo of movement and, given that a component of migration into the UK in good economic times is seasonal, judgements can only be made over timeframes of a year or more. Because migration is often a matter of families and households rather than individuals dancing to the tunes of wage rates, one can anticipate a diversity of responses. Anecdotal evidence in Nottingham for example, suggests that while younger and single A8 nationals might be leaving, others are bringing over family members.

## Labour shortages?

The second major theme of debate arising from the recession is whether there are or will be labour shortages in certain sectors as a result of the departure or non-arrival of migrant workers. Some employers noted the sudden shortage of skilled foreign workers.<sup>49</sup> First UK Bus, which employs 1700 drivers from Eastern Europe, indicated that they were now more likely to be recruiting UK-born workers. Tesco, which has recruited 4000 workers from the region, including 100 managers, is also looking to native-born sources, including more older and disabled workers. *The Western Daily News* reported on a large survey of employers in the West Country by the South West Regional Development Agency and GWE Business West. The premise is that migrant workers make a major contribution to the regional economy, but might be deterred or driven away by the recession.<sup>50</sup> Similarly, *the Nottingham Evening Post* reported a study by accountants Tenon that half of the regions' SMEs use non-UK nationals, and that there are fears of skills shortages.<sup>51</sup>

The Local Government Association survey reviewed the potential impact of large-scale migrant departure on selected industries, drawing also on evidence given to the latest Migration Advisory Committee report for government:<sup>52</sup>

- *Financial services.* This sector relies on high-skilled migrant labour, and both migration and taxation policies have been designed in the past to encourage them to come and stay. While there are no reports of labour shortages, probably because the industry is in the midst of large-scale layoffs and recruitment freezes, industry representatives expressed worries about recruitment after the recession. There are clear signs of departure among high-salaried Europeans from the City of London, which might account for why unemployment there has not risen as much as expected.<sup>53</sup> The City's reputation has received a battering and there are fears among employers that reductions in bonuses may deter talented workers.
- *Agriculture.* MAC accepted the argument from farmers' organizations that there was a looming shortage of workers in agriculture and recommended that the government increase the relevant quota (in fact the government raised it by more than recommended). The greatest concern is over seasonal workers. Standard farm wages are £5.74 an hour. In this regard, it could be noted that the Spanish government also facilitated the migration of foreign workers into agriculture, especially from Morocco and Romania, in order to pick strawberry harvest. Press reports however, suggest that – against expectations – unemployed Spanish workers were queuing up for farm jobs.<sup>54</sup> James Davies, HOPS Labour Solutions, told the House of Commons Home Affairs Committee that some Polish workers were already switching from construction to agriculture, but John Cridland, Deputy Director General of the CBI claimed that Poles were returning home or migrating to Spain and Germany in search of work.<sup>55</sup> Anecdotal evidence collected by the Gangmaster Licensing Authority towards the end of 2008 confirms that fewer migrants are arriving and more are returning home. There is some speculation that non-EU and irregular migrants might substitute for A8 and A2 nationals in the sector.<sup>56</sup> And there are signs that UK-born workers are applying for farm jobs again.<sup>57</sup>
- *Construction.* The IPPR's recent report on UK construction pointed out that, although only 4% of the country's workers in this sector were from abroad, the figure is much higher in London - 40% - and migrant workers are vital for certain skilled construction tasks, for example on the **Olympics Games site**.<sup>58</sup> This was, in part, the issue at the heart of the Lindsey oil refinery protests. (The report observes that the increase in foreign workers in construction has been matched by a growth of UK workers.)The report anticipates that there will be a growing demand for construction workers from 2010 onwards, related to large infrastructure projects and that there is insufficient time to train UK workers for the more skilled tasks. MAC announced that it was reviewing certain construction occupations such as quantity surveyors and construction managers to see if they still qualified as shortage occupations.<sup>59</sup>
- *Social care.* Fifty per cent of social care workers in London are from abroad, and 12% of all care workers are from outside the EU but the MAC did not accept that there was a

compelling need to increase the quota for non-EU workers in this category, except for the most skilled social care workers.<sup>60</sup> The sector is expected to face a growing demand for labour, expanding 50-80% by 2025. In response, the MAC was told that the qualifying wage of £8.80 an hour for a non-EU worker was well above what the sector could afford to pay. In April the government announced funding for 50,000 new apprenticeships in social care, intending to attract new categories of people and raise the sectors' profile.<sup>61</sup>

- *Food industry.* This sector employs some 72,000 foreign workers (about a tenth of the workforce) and according to some surveys, half of employers state that they would face problems if foreign workers left in numbers and foresaw problems recruiting UK workers in their place. MAC did not recognise the need to alter provisions for A2 workers for the food industry.
- *Hospitality.* This sector employs 152,000 migrants, with large numbers from Eastern Europe.<sup>62</sup> Industry representatives have argued for more scope to recruit skilled and specialised chefs from outside the EU and there are concerns about being able to recruit UK school leavers to fill in for any departing migrants. But Phil Woolas told the House of Commons Home Affairs committee that Indian and Chinese restaurants should do more to hire UK-resident staff, especially in areas where there was high unemployment among Asians.<sup>63</sup> PwC forecast a decline in room occupancy of 10.3% in 2009, largely because of a fall in demand from European tourists.<sup>64</sup> But the British Hospitality Association suggested that hotel and restaurant employment was actually holding up during the recession, while anticipating more vacancies for UK applicants in the usual spring recruiting season.<sup>65</sup>

The UK army announced that it was abandoning overseas recruitment campaigns in the South Pacific and Caribbean because there were now enough UK recruits to meet needs.<sup>66</sup> Almost 17% of the army's soldiers are foreign-born, mostly from other Commonwealth countries.

### **Construction: the Olympics site**

With the virtual collapse of domestic house-building, large-scale infrastructure projects like cross-rail, power plants and the Olympics become even more significant. There are around 3000 workers on the site of the new stadium for the 2012 summer Olympics in Stratford, east London, of whom most are British (63%) and Irish (8%); according to Olympic Delivery Authority figures, half of the foreign-born workers are from outside the EU, from such countries as India and Nepal; 6% are Romanian.<sup>67</sup> Over Christmas, around 200 foreign workers were sacked from the main Olympics Games site for being, in the view of the UKBA, bogus self-employed A2 workers.<sup>68</sup>

*The Daily Mail* newspaper probed the site's workforce running several stories alleging that jobs were being lost to foreign workers. It alleged that the ODA was defining as 'local' any worker resident in the five boroughs adjacent to the site. By such a definition, 23% of the sites' workers were 'local' and 56% from London. But 'local' included migrant workers living temporarily in London. Complaints arose from Newham Borough council after it received 20,000 NiNo applications in just 12 months.

### **Taking 'British' jobs**

The third major theme, and one that quickly overshadowed the others from January 2009, was whether foreign workers were 'taking' British jobs. Although much of this debate centred on the protest at Lindsey Oil Refinery and elsewhere (see below), they were also fuelled by the regular release of employment and migration figures. There is significant debate and uncertainty about exactly how many 'foreign' workers there are, not least because of the different definitions used, including place of birth and citizenship (chapter 3).

There is a fairly extensive literature on the impact of immigration on the UK labour market, which will not be reviewed here. A good recent summary is given by Somerville and Sumption's report for the Equality and Human Rights Commission.<sup>69</sup> They describe the general agreement that the labour market effects are small overall, but if there are negative impacts on wages and employment they are experienced by: previous immigrants, especially those with limited English language skills; manual workers in jobs that do not require language proficiency; individuals on benefits or otherwise marginalised in the labour force. In addition, what restricts access to employment among marginal workers is more often other factors than immigration, including the benefits system. If there is direct job competition then it is likely to be found in the low-wage sector. Furthermore, although most research suggest that the impacts are 'small' in absolute terms, they can of course be much more significant in relative terms. Even small adjustments to low-paid workers matter.

Any competition will be structured by local circumstances. According to a report comparing Hull and Bristol by the Centre for Cities, labour markets in British cities are structured differently.<sup>70</sup> In Bristol, A8 migrants are more widespread thorough the local economy and include more families intending to stay. Therefore, they are in more direct competition with UK nationals. By contrast, Hull's labour market is segmented and A8 workers are more concentrated in a narrow range of occupations associated with food processing and packaging. These jobs were obtained through labour providers who, according to the authors, did not employ UK nationals, thereby creating a protected labour market niche and blunting direct competition.

The DWP told the House of Commons Home Affairs Committee that between 2005 and 2008 the number of foreign nationals working in the UK rose from 1.66 million to 2.32 million.<sup>71</sup> Over the same period, total employment rose 2.32 million to 29.53 million. The number of British nationals in work fell by 100,000. Whereas in 1997 the percentage of the workforce born abroad was 7.5% by 2007 it was 12.4%, according to Labour Force Survey figures.

The Office for National Statistics released figures for UK-born and non-UK-born employment. Against a backdrop of a 0.2 % reduction in numbers employed:

“In the 12 months to October-December 2008, employment of UK born workers fell by 278,000 to 25.6 million. In the same period, employment of non-UK born workers rose by 214,000 to 3.8 million”<sup>72</sup>

These figures do not distinguish among non-UK born by place of birth, so do not differentiate for example, Poles, Indians and Americans. They did not acknowledge that there were some 370,000 undergraduates and 250,000 people born overseas to service personnel included. But it can be deduced that 40% of the foreign-born workers are UK citizens. The ONS also released figures for employment by nationality:

“Analysis by nationality shows a fall in employment of UK nationals by 234,000 to 27.0 million; employment of non-UK nationals rose by 175,000 to 2.4 million”

Data on working age employment rates by country of birth show that the rates for UK-born workers have remained fairly constant since 2001, but rates for A8 nationals have increased markedly, from well below UK-born rates to well above. The highest levels of employment are found among South Africans, Australians and new Zealanders. Perhaps of greater significance is the appreciable increase in employment rates among South Asian nationalities.

*The Sun's* headline reporting on these figures was blunt: 'foreigners grab 200,000 British jobs'.<sup>73</sup> By contrast, according to Carey Oppenheim (IPPR) these figures “do not show us that an army of migrants arrived in the UK last year and took jobs directly from British-born workers”.<sup>74</sup> The difference between these two perspectives is explained by: firstly, the definition of 'foreign' – the ONS used two surrogates, nationality and place of birth, but neither can identify those people born

abroad but raised in the UK; secondly, the figures reveal nothing of flows into and out of employment. These distinctions were not evident in the headlines of some daily papers. Further, the data showed employment not unemployment; unemployment levels are not a simple converse of employment levels. In basic terms, the employment rate of non-UK-born individuals did not change in 2008, but remained at 68.8%.

### **'Premature, Irregular and Selective'**

The decision by the ONS to bring forward the release of figures on UK born and non-UK born employment to coincide with the release of data on general employment was heavily criticised in some quarters.<sup>75</sup> It was the first time that the ONS had highlighted the employment of foreigners in a separate release, and was justified on the grounds of recent public interest in the issue of 'British jobs'. But critics, including Keith Vaz and Phil Woolas, charged that the data were misleading and easily misinterpreted. In addition, they were released without any accompanying examination of what lay behind the figures. *The Times* editorial stated that "the case for economic nationalism has too many advocates as it is, without the Office for National Statistics joining in". It described ONS's decision as 'incendiary and unnecessary', sentiments reiterated by Sir Michael Scholar, head of the UK Statistics Authority who described it as 'premature, irregular and selective'.

### **Protests at Lindsey and Beyond**

Much has already been written about the protests that began in the Isle of Grain and Staythorpe, gained momentum at Lindsey and spread across the country in January 2009. That these protests were described as the 'tip of the iceberg' by organisers suggests that the chapter is not closed.<sup>76</sup> Some facts are well-known but others remain hidden: the details of the contracts at the centre of the disputes; the exact number and distribution of **posted workers** in the UK; and what the overseas workers themselves really made of the affair.<sup>77</sup>

At the centre of the disputes were contracts for specialised construction projects, including in oil refineries and power generation plants. At Staythorpe power station, RWE (a German company) contracted with Alstom (a French company) who in turn contracted with Montpressa and FMM (both Italian companies) to carry out construction work involving between 600 and 850 jobs. These companies declared their intention to use their own 'specialised' workers from Poland and Spain. Unite and GMB had previously requested that Alstom include a clause in its sub-contracting agreement to require contractors to give UK employees equal opportunity to foreign labour. At Lindsey, Immingham, Total (a French company) contracted construction work to IREM (Italian) which employed 100 Portuguese and Italian posted workers. These workers were housed in floating hotels in Grimsby to be transported to the site each day. Protests began at each site and, through networks of workers outside the main union leadership, spread to two dozen or so locations across the country.

After almost two weeks of demonstrations and picketing, a settlement was negotiated at Lindsey, whereby 102 British workers were recruited on a short-term contract instead of Italian workers. Acas investigated the contracts at issue and found no evidence of wrongdoing; the posted workers had been hired on exactly the same terms as comparable British workers.<sup>78</sup> But Unite and the GMB claimed to have evidence that Polish workers at the Isle of Grain were being paid £4 an hour less than the nationally agreed minimum, forcing Alstom to review their rates of pay.<sup>79</sup>

Friction between contractors, British and foreign-born workers was nothing new at power station construction sites. But it has not always been tainted by accusations of xenophobia. At Cottam power station on the Lincs/Notts border, where a similar desulphurisation plant was being built in 2006, 50 UK workers went on unofficial strike in support of Hungarians who were being paid less. An Austrian contractor, SFL, employed Hungarians and Romanians on lower pay; any who joined

Amicus were immediately sent home. One repatriated worker paid his own fare to return and explain to the workforce what had happened.<sup>80</sup>

### **Temporary Mobility in the European Union: ‘Posted Workers’ and Intra-Company Transfers**

In the 1980s and 1990s hundreds of British builders travelled to Germany to find work.<sup>81</sup> A substantial but largely unknown number of workers moving between EU countries do so on a temporary basis.<sup>82</sup> Almost two-thirds of the A8 nationals recorded by the Workers Registration Scheme April 2007-March 2008 declared their intention to stay for no more than three months. According to a report from the European Commission, a similar pattern of short-term work stays applies to Ireland. The DG Employment Commission records data from E101 social security forms issued to workers on postings of under 12 months’ duration. The latest figures for postings are for 2006, when 750,000 workers were posted between the EU, EEA and Switzerland; this figure is likely to be an under-estimate. Such workers make up on average 0.3% of the workforce of the EU15, but a higher proportion – 0.5% in the EU-10.

The country with the largest absolute number of posted workers abroad was Poland, with 198,000, closely followed by Germany, 194,000. These two countries have considerably more posted workers than the others. In the UK in 2006, 47,000 posted workers were recorded, comparable to Luxembourg, Belgium and the Netherlands. Germany was the biggest receiving country, with almost 160,000, followed by France and Belgium. The UK, where only 16,000 were recorded, ranked 10th (just behind Italy) in terms of numbers of posted workers. In 2007 it was reported that a third of posted workers in the UK were in unskilled jobs.

In 2006 therefore, the EU recorded almost three times as many UK workers posted to the rest of the EU and EEA as non-UK workers posted in. The UK is a more significant sending country than receiving country.

Companies can transfer staff who have worked for up to six months within the EU for up to three years with a possible extension of two years. In 2008m 48,100 applications for transfers were approved, up 47% on 2004.<sup>83</sup> Amicus reported that in 2006, three-quarters of work permits in IT were for inert-company transfers. The Association of Professional Staffing Companies noted that 35,430 IT workers from outside the EU obtained permits in 2008, three times as many as ‘during the dot.com boom’; 80 % were intra-company transfers. Although this is a slight decline on 2007, Apsco claims that this is causing UK IT workers to lose their jobs.<sup>84</sup>

There is a background to these protests which suggests that they cannot readily be interpreted solely as either narrow-minded economic nationalism, as some commentators imply, nor xenophobia.<sup>85</sup> Concern over the use of so-called posted workers arose in the 1990s following the case of a Portuguese company working on a railway line in France that brought in Portuguese workers. In the subsequent case at the European Court of Justice, it was ruled that the contractor had the right to employ posted workers, but that France also had the right to require the company to comply with local labour laws. This led to the European Directive on Posted Workers in 1996, which came into force in 1999. The Directive was designed to prevent ‘social dumping’. Although the term was first applied to companies who exported goods from countries with lower conditions and pay, thereby gaining an unfair advantage, it can equally be applied to the practice of bringing in foreign workers with the aim of circumventing local labour legislation. In December 2007 however, two judgements from the European Court of Justice appeared to compromise the protections in the Directive. These rulings – known as the Viking and Laval cases – asserted the rights of employers to use contracted labour against the rights of unions and governments to extend pre-existing collective agreements.<sup>86</sup>

Amicus and later Unite, opposed this Directive and the subsequent European Serviced Directive. In the struggle over the rights of contractors to use non-local labour the stakes are high. Unions estimate that 60 per cent of UK power stations will need replacing in the next few years. There are also lucrative Olympics-related projects in the pipeline. Aveva, the French company contracted to build 10 nuclear reactors in the UK, has already announced that UK companies will only be able to bid for two-thirds of the work available; the higher value-added work has been ring-fenced for French companies.<sup>87</sup> Establishing the rights of UK labour to compete over posted workers for such contracts now will presumably bear fruit in the future.

It is not known exactly how many posted workers are in the UK. A 2007 House of Commons Select Committee on European Security report stated that “the estimated number of posted workers is currently just under 1 million”, presumably in the whole EU.<sup>88</sup> EU figures for 2006 suggest some 46,000 in Britain. Although in the UK such workers are covered by basic employment law such as the National Minimum Wage, they are not subject to collective agreements. Organized labour does not therefore have the option of collaborating with posted workers to agree on common pay and conditions of work. As Seamus Milne comments, the Viking and Laval rulings, “effectively outlawed industrial action where unions are trying to win equal pay for migrant workers and banned public bodies from requiring foreign contractors to pay such workers local rates”<sup>89</sup>

Lying behind these protests is also the tension between social Europe and neoliberal Europe. Union officials have scrupulously distanced themselves from any accusation that the protests are directed against foreigners. Bobby Buirds, regional officer for Unite in Scotland, as quoted as saying: “the argument is not against foreign workers, it’s against foreign companies discriminating against British labour”.<sup>90</sup> Brendan Barber uttered the same sentiment. At Langage power station, Polish workers joined the protest. But it would be unwise and perhaps not naive to recognise that despite these statements there is potential for far-right groups to exploit the events. Attempts by some workers at Lindsey to tone down the ‘British Jobs for British Workers’ slogan were rebuffed.<sup>91</sup> The bar was lowered on what it was acceptable to say or shout. Furthermore, judging by the headlines sub-editors do not distinguish between foreign companies and foreign workers, and nor do the comments posted by readers on newspaper websites.

The protests crystallized a number of ongoing and related debates rather than introduced anything novel. For those who participated from afar, in press and media, it was generally a pretext for confirming already established perspectives. Among these debates were:

- Globalization versus protectionism (the protests took place against the backdrop of the Davos World Forum and President Obama’s much-awaited rescue package for US industry)
- Social versus economic Europe: the commissioner for employment, Vladimir Spidla, announced that the Commission would review its policies on the free movement of labour in light of the events.<sup>92</sup>
- The UK’s flexible and open labour market
- Subcontracting in employment (as Polly Toynbee observed, the Lindsey works were experiencing what thousands of low-income works routinely suffered even during economic boom times)
- The control of British industry (John Cruddas, MPL, claimed ‘Britain has lost control of key industries ... [and is] no longer a country that owns the productive processes that creates is wealth’)<sup>93</sup>
- Skills shortages among British workers
- Prime Minister Brown’s leadership

As many commentators were quick to point out, the protestors at Lindsey, Aberthaw, Grangemouth and elsewhere carried printed placards bearing the words spoken by Gordon Brown at the 2007 Labour party conference: ‘British jobs for British workers’.<sup>94</sup> Ridiculed even at the time for being incompatible with European law (and even more so after the Viking and Laval decisions) and for playing into the hands of the far right, this slogan has ‘come back to haunt’ Brown. He had expressed

the same sentiments before, while running for leader to the GMB and at the 2007 TUC conference. At a subsequent debate over the Queen's speech in the House of Commons, David Cameron brandished two pamphlets bearing the slogan, one from the BNP and one from the National Front. Beyond this episode being another opportunity to pillory the Prime Minister, it serves to confirm the way in which slogans, phrases, soundbites etc. circulate between high and low politics, gaining discursive force as they do so. In this light, efforts by junior ministers (in this case Pat McFadden, Minister for employment relations) to explain what Brown really meant, missed the point. For those who look for the role of affect in politics, it was a rich episode. More was involved than the images of men, snow, placards, and union flags. The small or local scale of the events, coupled with the repetition or precise numbers of Italian and British workers, made it harder to invoke the kinds of argument – for example about the 'lump of labour fallacy' – that can defuse confrontations about the presence of migrant workers at the national scale. Furthermore, the grey barge in which the Lindsey posted workers lived, added an almost colonial element, perhaps more in keeping with the kind of TNC enclave economies identified by James Ferguson and other in Africa.<sup>95</sup> Leaving aside the issue of what exactly 'local' workers mean in an industry characterised by extensive intra- and international worker mobility, the episode was an intense, localised and affective instance of larger debates.

### ***Migrants as Vulnerable Workers***

Relative to the publicity given to the possibilities of return and labour shortages on the one hand, and the fears of competition for jobs on the other, the question of whether recession might lead to intensified exploitation of already vulnerable migrant workers has received little attention. Evidence is scarce, but the prospect is a real one. Further, there is widespread supposition that migrant workers may be the first to lose their jobs, on the basis that they are among the more recently hired and concentrated among the lowest-skilled.<sup>96</sup> Lower levels of union membership and awareness of employment and redundancy rights, as documented by the report of the Commission on Vulnerable Employment (COVE), will also be contributory factors.<sup>97</sup>

The actual impact of recession on migrant workers in vulnerable work positions is hard to predict. On the one hand, migrants are disproportionately represented in non-standard forms of employment – part-time, temporary and agency work – which are heavily exposed to a downturn. For example, only 25% of the 180,000 or so agency workers recorded by the Gangmasters Licensing Authority are UK-born. On the other hand, migrant workers are also found in a wide range of sectors, some of which are highly exposed to the downturn as the IOM supposes, but others of which are more insulated. Construction is an obvious example of the former, while health, care and agriculture are instances of relatively more secure jobs. MAC, for example, has recommended to the government that it allows the recruitment of more non-EU workers in the field of child services.<sup>98</sup> What may be more significant than differences in demand by sector is variation in regulation, monitoring and enforcement. Those sectors involving high levels of sub-contracting, small workplaces, rudimentary contracts and high turnovers are likely to be where migrants are most at risk. According to the Chair of the GLA, Paul Whitehouse, there is already evidence of legitimate employers being undercut by less scrupulous ones.<sup>99</sup> He also expressed concern that because supermarket chains were increasingly squeezing suppliers, there was a growing tendency to delay wages for temporary or agency employees.

It is often supposed that migrant workers, especially young and single individuals, might be more intra-nationally mobile, i.e. not only prepared to shift between sectors but also between locations. Lower levels of home ownership or commitment to long-term rental contracts might facilitate such movement. Somerville and Sumption point out that 'third country immigrants in EU countries are 11 times more likely to move than EU nationals (27).'<sup>100</sup>

Any impact may not necessarily register in simple terms of unemployment. Although that will be part of the overall picture, there is also the prospect of deteriorating work conditions within employment, and indeed, within the conditions laid down by employment law. Vulnerable workers are often in labour-intensive work, where the pressure to increase hours and otherwise intensify work is significant. The ability to resist is correspondingly lower during periods of rising unemployment. They may not have any financial reserves or resources to withstand even short periods of joblessness, thereby reducing their bargaining power in the labour market. Sectors where this risk is highest might include food processing, hotels and restaurants, and low-wage manufacturing.

In the absence of hard data, journalists are providing the first evidence of increased exploitation at the lower end of the labour market. Reports in *The Observer* identified a number of casual day labour pick-up sites in British cities where very low-wage workers could be hired via unlicensed and uninsured labour providers, i.e. gangmasters.<sup>101</sup> In Southall, Upton Park, Walthamstow and Wood Green (all in London), there were pools of casual labourers, each site broadly differentiated by nationality, but including both A10 and non-EEA nationals.

Not all migrants are equally exposed to exploitation. There is a complex (and getting more complex) hierarchy of work and residence rights, which creates uncertainty in the minds of employers and employees alike. Although there is some discussion about whether migrant workers and UK-born or UK-citizen workers might be in competition for jobs, less is known about either competition between different categories or nationalities of migrant and/or the possibilities of substitution between different kinds of migrant. For example, with the possible departure of A8 migrants, might non-EEA or A2 migrants take their place? Alternatively, might A2 migrants be substituted for more established BME workers, as happened with cleaning staff on the London Underground?

There are fears that the restrictions placed on low-skilled migrant workers under the points-base system will force increasing numbers of people into the informal or underground economy, exactly at the time when demand for highly exploitable workers could be highest. A recent revision of the number of persons in the UK illegally undertaken for the Mayor of London, proposes a central estimate of 725,000. This includes illegal entrants, overstayers, failed asylum seekers and children of all these groups.<sup>102</sup> The report suggests there may be half a million in London alone, representing a large pool of potentially exploited labour with nowhere else to go. Hints at an earned amnesty from Mayor Johnson may add to the incentives to stay and weather the storm, and to remain in work however poor the conditions. Moreover, any impact of the recession will interact with other recent changes, including the new civil rights penalties regime (chapters 3 and 4)

### **Battles lines are drawn over immigration: old and new stories**

The issue of racism, and blame during the recession in general, is explored elsewhere (chapter 7). Here we note the consolidation of existing divisions around immigration as a result of recession.

During a long period of rising net inflow to the UK, there was sustained debate between various pro- and anti- immigration parties about the desirability and consequences of immigration. These debates were prosecuted through academic research, government inquiries, the commentariat and the press. How have such theories and stories adjusted to the recession? Have the basic lines of division and difference remained intact, with a new twist on old presumptions, or are there new accounts challenging old ones? Is there any sign of anyone changing their mind?

Attitudes to returning migrants or emigrants depend very much on who it is that is returning. In the wake of indications that Australians were departing British for a sunnier climate and better economy back home. A *Times* leader begged them to stay:<sup>103</sup>

“with more than 20,000 Britons leaving for their country every year, we need all the Australians we can get. Would they please not go back where they came from?”

News that many Britons were seeking new lives in the Gulf was referred to as ‘an exodus of talent’.<sup>104</sup> But, fears for the loss of skilled workers are not confined to the financial and professional sector. A prominent perspective in the ‘pro-immigration’ camp is that immigration is generally good for the economy and for immigrants and, although it might be managed or guided, it is best left alone. The rational decisions of thousands of individuals will be for the best. This ‘equilibrium’ or self-regulating perspective is perhaps most associated with the Institute for Public Policy Research, which has striven to disabuse both public and policy-makers of some of the more alarmist accounts of immigration. The early signs of a slowdown in the arrival of Eastern European workers and families prompted some concern.

Before the recession, the concern was whether Britain could sustain its attraction to skilled workers.

“The challenge in the next few years will be to attract enough migrant workers with the right skills who can drive economic growth in the UK”, (Jill Rutter, IPPR)

As unemployment rose, the issue was whether they would ever come back:

“The tight labour market conditions that sucked in scores of migrants earlier in the decade won’t return for three or four years at the earliest. For the time being, with recruitment falling and redundancies sharply rising, employers won’t be too concerned that the influx of migrant workers is slowing. What remains to be seen is whether migrants will flow back in such large numbers when the recession is over” (John Philpott, CIPD)<sup>105</sup>

This anxiety is linked to the proposition that migrant labour will not only be needed during the recession, for example in skilled construction tasks associated with the Olympic games or seasonal agricultural work, but even more vital during the recovery:<sup>106</sup>

“Just as migrant workers helped boost the UK economy on its way up, they are even more essential in a recession, helping to keep afloat industries like construction and hospitality which rely on a flexible workforce happy to do contractual work and able to travel for work” (Lisa Harker, IPPR)

“The UK will have to source more skilled workers from outside Europe - from countries such as India” (Keith Vaz, MP)<sup>107</sup>

These comments are generally framed as warnings to the government not to backtrack on immigrant admissions through the Points Based System. Further, they warn that any sign of forcing through reductions may only confirm anti-immigration arguments that the country neither needs nor wants newcomers. The IPPR further warned that the government’s propose new immigration and citizenship bill, which provided for citizenship to be ‘earned’, would deter skilled workers from helping with the recovery.<sup>108</sup>

### ***Good riddance or fond farewell?***

The anti-immigration lobby also has its interpretations of the relationship between migration and the recession.

A staple concern for opponents of liberal immigration rules is Malthusian – that it drives excessive or unbalanced population growth. The Balanced Migration Group and The Optimum Population Trust argue that the PBS should be used to ensure that the numbers arriving in the country should equal the numbers leaving.<sup>109</sup> Frank Field claims that the work permit system, even if applied

stringently, could not prevent the population from reaching 70 million. Field went on to say “When we’re moving into a recession, the length of which we do not yet know, the immigration policy suitable for a boom is totally unsuitable for a recession”.<sup>110</sup> The Malthusian position has a regional variant, concern for the changing balance of UK-born and foreign-born in London. Halifax published figures suggesting that between 1998 and 2007, nearly 2 million people left London for other parts of the country but about 1.6 million came to the capital from the regions. In addition, 1.8 million international migrants arrived in the city; a third of London’s workers are said to be from abroad.<sup>111</sup>

Although the demographic argument against immigration was sustained during the economic boom, it appears to have gained added force during recession. Since both immigration and unemployment are readily expressed numerically, it is tempting to bring them together into a single equation<sup>112</sup>:

‘Scandal as new British jobs go to migrants’ *Daily Express* 12 January 2009

‘150,000 foreigners swell UK workforce: Record numbers get permits as Britons lose jobs’, *Mail Online* 23 January 2009

‘Million new jobs go to migrants as slump deepens’, *Daily Express* 16 December 2008

‘Foreigners grab 200,000 British jobs’ *The Sun* 12 February 2009

‘Fury as Japan gets our jobs’, *Daily Express* 13 February 2009

Migrationwatch asserted that over a million of the 1.34 million ‘new jobs’ in the UK between 2001 and 2008 were accounted for by migrant workers. Frank Field, MP accused the government of failing to safeguard British jobs following figures showing that 130,000 work permits were due to be issued in 2008 (in fact the figure was 151,635, an increase over 2007). He said:

“In one of the worst recessions in living memory, it is unbelievable that we allow non-EU economic immigrants to come and work or to take up jobs for which British unemployed people have not had the chance to apply”

The four national groups receiving the most permits in 2008 were Indians (49,950), Americans (28,835), Chinese (8,090) and Australians (6,245).

Evidence for the decline in immigration and the departure of immigrants was not necessarily sufficient to take the sting out of the Malthusian argument. In January the press reported that some London local authorities were using grants from the government, alongside other funds, to assist the repatriation of homeless Polish individuals.<sup>113</sup> It was reported that around a fifth of the 3000 people sleeping rough in London were from eastern and central Europe, mostly men who failed to find work and could not afford to travel home. There were further reports of jobless and destitute Poles establishing a ‘shanty town’ beside the banks of the River Witham, Lincs.<sup>114</sup>

Satisfaction at any return was also qualified by the claim that, although young and single eastern Europeans appeared to be leaving, families with children and benefits claimants were staying.<sup>115</sup> EU nationals qualify for the same benefits as UK nationals after a year. According to the *Daily Express*, ‘jobless immigrants ... get £715 a week in benefits against £178 back in E Europe’, which will ‘cost taxpayers’ around £200 million a year. The source of these figures was not clear, and nor did the reports differentiate between child benefit, jobseekers allowance and housing support. The possibility that families are staying because children are in school, or because families are settled, is not mentioned. Support for the proposition that families are staying to see out the recession comes from spokes people from Polish organizations and businesses.

Home office figures indicated that just 13,800 people from Eastern Europe applied for Jobseekers’ allowance in 2008, around one per cent of all claimants. But because this figure was more than double the number of JSA claimants in 2006, some sources interpreted it as a sharp rise; over 4000 of the applicants came in the last quarter of 2008.<sup>116</sup>

Job centre staff in Poland were reported to be encouraging returned Poles to keep claiming JSA for the six months to which they were entitled to it.<sup>117</sup> Whereas Polish unemployment benefit is worth £120 a month, some Polish workers are entitled to receive £260 a month. *The Daily Telegraph* concluded that “Britain’s generous benefits system is paying out £170 million a year to eastern European migrants’.

Finally, the population growth of some localities as a result of immigration and other demographic changes is said to be the cause of increases in council tax.<sup>118</sup> The Centre for Business and Economic Research produced a survey suggesting that two-thirds of authorities were planning to raise tax, and of those 85 % said that rising population was to blame.

### **Government in two minds**

Ministers are, as before, caught between trying to defend the benefits of a relatively liberal immigration regime and to appear in control of migrant flows and their consequences. In January, the new citizenship bill received its reading. It provides for extended restrictions on access to welfare for some non-EEA migrants (chapter 4). Phil Woolas, Immigration Minister, told *the Sun*: “Entitlement to benefits should be for citizens of our country, not other people”<sup>119</sup> The restrictions cannot apply to EU nationals, and all economic migrants are entitled to work-related benefits including the contribution based jobseeker’s allowance (JSA). Others may qualify for tax credits and child benefit through other members of the household. Woolas suggested that the migrants arriving under the PBS might have to be reduced because of the recession:<sup>120</sup> “it’s been too easy to get into this country in the past and it’s going to get harder.” By overtly liking immigration, population and recession, Woolas gave credence to the anti-immigration lobby. As the recession deepened, it seemed that government ministers became more hard line though stopping short of the kind of emergency measures undertaken by, for example, Spain and the Czech Republic.

The government has undertaken a number of specific measures adjusting to the recession and in response to fears that overseas workers may compete with British workers (as discussed in chapter 7). These amount to small and gradual adjustments to the developing system of migration management under the Points Based System rather than dramatic policy shifts. The UK also maintained restrictions on the entry of A2 nationals and also announced that it would not be ending the Worker Registration Scheme for A8 nationals until 2011.

The Home Office announced new rules for advertising jobs to prevent employers from bypassing the Jobcentre Plus route.<sup>121</sup> Smith announced that jobs in construction, hotel management, nursing and primary school teaching would have to be advertised in a Jobcentre Plus before being allowed to be advertised abroad. The previous rules required employers to advertise in the UK for two weeks before seeking applicants abroad; it was claimed that they may use trade journals or obscure means to do so. In 2008 80,000 such jobs were advertised abroad:

“When it comes to immigration, in difficult economic times, I believe we need a tough system that offers British workers first crack of the whip for British jobs” Jacqui Smith (in *The News of the World*)

Finally, Hazel Blears announced a new ‘migrant tax’ of £50 on visas, funds from which would be directed towards helping selected local authorities deal with large numbers of overseas residents. The surcharge, to begin in September and run for two years, is intended to raise £70 million to contribute for services such as translation and making sure people register with GPs. Blears said:

“Where there are impacts as a result of migrants coming in on the local community, we think it is fair that the migrants themselves should be asked to pay a contribution towards these impacts to make sure local people don’t feel that they are really under strain”<sup>122</sup>

Local authorities suggest that they need an extra £250 million to address the needs of migrants.

## Summary

This is the first time that global recession and high levels of international immigration have occurred together. Although there are some parallels with previous episodes, for example the Asian crisis in the late 1990s and the contraction of Western Europe in the mid 1970s, the present situation is outside the scope of most comparative analysis. It is anticipated that the worldwide slump will impact on migration flows significantly, at least in the short term and possible also longer term. There are certain new characteristics of global migration that make forecasting harder than in the past: an organised and institutionalised migration industry; the competition for high-skilled workers in OECD countries; the dependence of districts and families on migrant remittances currently worth at least \$283 billion a year; the proliferation of transnational family and household arrangements; the possibility of more sophisticated tracking, monitoring and border surveillance. The major concerns about the impact of recession on migrants have been voiced by the International Organisation of Migration. They include: high rates of job loss in exposed sectors; reduction in remittance incomes; anti-immigration backlashes; pressure to cut or suspend migration quotas; an increase in irregular migration and associated exploitation; a fall in migration flows. There is some evidence of a decline in net migration flows in OECD countries including the UK, preceding the recession. There is good evidence of job losses, but remittances levels were sustained in 2008, though at a lower rate of growth than in the recent past. There have been few signs of concerted anti-immigration activity and most civil protests have been directed against governments rather than migrants. But there is clear evidence from many regions of the world that governments are cutting back on migration quotas, for both low and high-skilled migrants.

The UK is a relatively open county with regard to immigration and emigration, and although the level of foreign-born population is not unusual by OECD standards, there has been a recent net inflow of migrants. The post-2004 arrival of A8 and then A2 nationals contributed to a rapid increase in foreign-born workers to 3.7 million before the onset of recession. The overseas-born population is much more diverse than this particular cohort, and includes people arriving for family reunification, study, asylum-seeking, lifestyle experience and other reasons. Since not all of these migrants are strictly 'economic' the recession may not have predictable consequences on net flows. The fact that recession coincides with the phasing in of a points-bases system of managed migration will complicate the picture further.

Britain is something of a test case for EU policies on the open labour market and mobility, and proponents of a more liberal regime will expect a fairly rapid adjustment of migration flows to changed economic circumstances. There are clear signs of a decline in in-migration and in out-migration. The decline is not universal; there are slight increases in arrivals from Hungary and Latvia, two of the Eastern European countries most badly affected by downturn. Past experience, including the impact of the mid-1970s recession on net Irish migration to the UK, suggest that return is most closely associated with conditions in the country of return as well as the ease of subsequent re-entry.

Aggregate figures on flows reveal little about who is staying or returning, though reports suggest that at least among A8 nationals, younger and single migrants may be going back and families may either be staying or re-forming in the UK from previously bi-national arrangements.

In some sectors there are fears that a slowdown in new migrant arrivals and/or an increase in departures could lead to labour shortages. This has been a concern in construction, care, farming and food processing and hospitality, and to some degree, in financial services – though this is more

looking ahead. The government has accepted the case for the need for labour in agriculture, increasing the quota, but not in any other sector.

There are also concerns, crystallizing around the protests at Staythorpe and Lindsey, that foreigners are 'taking jobs' from British workers. The relevant data provides ammunition for both sides of the argument, complicated by the fact that neither citizenship nor country of birth, the measures used by the labour Force Survey and ONS, satisfactorily distinguish between UK and foreign workers. Some 40% of foreign-born workers are in fact UK citizens. The employment rate of non-UK born individuals did not change much in 2008.

Rather less is known about the impact of recession on migrants themselves, including migrants in vulnerable employment. Although it is widely anticipated that migrant workers will be among the first to lose their jobs, they are concentrated in both highly-exposed and relatively protected sectors of the economy, for example construction and care work respectively. While most headlines concern unemployment, an equal or greater concern must be work intensification and increased levels of exploitation for those migrants in insecure jobs. There is no systematic evidence for this yet, for example from the Gangmasters Licensing Authority, but this is a research priority.

Amid the hardening of already established battle lines around immigration, the government has sent out ambiguous signals about wanting to protect jobs for British nationals while maintaining an open door for migrant in the long run. Specific measures have been taken to gradually adjust the tools at its disposal. These measures are in line with decisions taken by other governments around the world, though some – notably Spain, the Czech Republic and Russia – have gone further towards restriction and repatriation.

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## 7. Who's British? Racism, xenophobia and nationalism in recession

The UK is most certainly experiencing an economic crisis of uncertain depth and duration. Whether there is also a political crisis is a matter for debate. Compared with Greece, Latvia or even France, there is no widespread clamour for the removal of government, even if it is unpopular. India, China and the French Caribbean have also felt popular unrest. There is no national implosion on the horizon. But in such times, what does it mean to be British? How are what Robin Cohen terms 'the frontiers of identity' redrafted in the switch from prosperity to austerity and anxiety? <sup>1</sup> When faced with uncertainty about the future, a sense of exposure to globalization, competition for jobs and pressure on public spending and resources, how are the boundaries of solidarity, reciprocity and obligation remapped?

In the event of an economic crisis becoming a political and/or social crisis, questions of blame will undoubtedly arise. There has been a parade of titled white men hauled before the Commons committees to account for their failings, indulgence or recklessness, though it remains to be seen whether this translates into something more like a class-based retribution against financiers (which of course has and can happen). Among some sections of the press, the finger is being pointed at the public sector, allegedly cosseted by secure employment and pay rises. Where the attribution of blame is involved there are at least two processes; one is the identification of who is culpable; the other is the renewal or possibly redrafting of the boundaries separating the worthy, decent, honest and entitled from the unworthy, indecent, irresponsible and demanding. Moral lines get strengthened and rearranged during crises, and these are readily entangled with identity issues of ethnic and national belonging.

There is never a short supply of potential bearers of blame. Individuals and groups who rely upon benefits are often first in line, especially so in the wake of the government's welfare reform bill and the accompanying populist disquiet around Karen Matthews. Gingerbread recognises the vulnerability of young, single mothers to social approbation. Under the evangelical cover of welfare reform, people on incapacity benefit can also attract censure. For example, the *Daily Mail* recently reported on 'the sickest place in Britain', Falinge in Rochdale, where only 300 of the 4500 residents (1100 of working age) 'work'.<sup>2</sup> Describe as the 'country's benefits capital', the *Mail* reports that the local Jobcentre Plus is filled with vacancies and 'hundreds of unfilled jobs'. Of the humane designs lying behind incapacity benefits, it asks 'how long will they persist in the middle of a recession'?

Recipients of benefits are doubly at risk of exposure when they are also foreigners. Over several days in October, *The Sun* ran stories concerning an Afghani woman with seven children who received £12,000 a month, or £170,000 a year in benefits including rent support.<sup>3</sup> The episode was used to take a swipe at an undeserving, shameless and greedy foreign family – who were ridiculed for describing their house as too big to clean and portrayed as ungrateful- their 50 inch television did not get Sky. But it was also directed at the landlord, Mr Panesar, who pocketed the rent support on the '£1.2 million mansion' and the local council for acquiescing (three staff who handled the case immediately lost their jobs). It provide a pretext for ridiculing the benefits regulations, with a neat geographical twist – describing as crazy the placing of Acton with Westminster for the purposes of calculating the appropriate level of rent. A parade of 'more deserving' families and individuals, including an Iraqi war veteran, a pensioner, single mother, were interviewed to drive home the point; significantly, these 'victims' included BME individuals.

Migrants are, of course, among the most vulnerable when it comes to apportioning blame and redrafting moral boundaries. If the 'Polish plumber' was the (slightly ambiguous) icon of the positive side of immigration during the economic boom, who or what has taken his place? The Italian workers encapsulated in their dockside barge at Grimsby, glimpsed if at all through long lenses? Could it be the image of a young Italian male, soon to lose his job, giving reporters 'the finger'? Or are such people not 'different' enough to bear the weight of iconography?

The potential to fix responsibility on migrants is well-illustrated by a story in *The Daily Mail* summarising a report from Sheffield's Primary Care Trust. The Trust's report identified the severe problems faced by Children of 131 Slovakian families who were poorly served by inadequate and under-resourced public services.<sup>4</sup> The newspaper contrived to reverse the direction of causality, representing the children as the source of harm. Their ill-health, carrying thread worm and Hepatitis-A, emerging from a 'Dickensian' mix of poverty, ignorance, and overcrowding threatens the health of the rest of the population.

### **Racism, xenophobia and nationalism**

In February the BNP captured its first district council seat in southern England outside London. The party's candidate beat Labour into second place in Sevenoaks. This followed improved performances in the polls in Lewisham, Bexley, NW Leicestershire and Harrogate. Sevenoaks does not have a large BME population, but the main issue for local voters was concern that foreigners and asylum-seekers were taking council houses before UK-born.<sup>5</sup> There are concerns that the BNP is on the threshold of winning seats in June's European elections; small gains in the Northwest and Yorkshire and Humberside over its 2006 showing could result in two seats. Their progress has been helped by the decline of UKIP. The BNP also hoped to capitalise on the protest at Staythorpe, Lindsey and elsewhere. Boston, Lincs, has a BNP councillor elected in November 2008. David Owens joined the protestors outside North Lindsey, accusing the Italian workers of not spending their wages in the UK but sending their money home. <sup>6</sup> Ed Balls, for example, in a speech to Labour activists in York, warned of parallels with the 1930s and the rise of fascism.<sup>7</sup>

Fears of a rise in racist violence have not yet found empirical support. The London Metropolitan police reported a decline in racist crime in the capital in 2008, from 8800 incidents in 2007 to 8800 a year later.<sup>8</sup> There were, however, reports of increased anti-Semitic attacks coinciding with the attack on Gaza. The Federation of Poles in Great Britain did publish evidence of the rise in anti-Polish sentiment in the UK during 2008.<sup>9</sup> There were newspaper reports of 60 incidents in the year, up 20% from the year before. They observe that 70 % of the incidents took place in small towns, places without much history of immigration and where the resources for coping with migrants are insufficient. The Federation also issued a press release criticising national newspapers for implying that Poles had 'stolen' British jobs and that 10,000 Polish women had come to the UK for abortions.

Given the temptation to draw such parallels with the current crisis and the 1930s, it is no surprise that some commentators have raised the spectre of racism, nationalism and xenophobia.<sup>10</sup> In this light, it should be recognised that there has been little sign of such overt sentiments in the protest taking place across Europe in general, and in the UK in particular. The civil unrest in Greece, Latvia and Lithuania, protests in France, Spain, the Russian Far East and elsewhere have been directed against national governments. Danny Sriskandarajah, quoted in *the Economist*, observed that hostility to migrants in the UK had mostly been focused on the government for admitting them rather than the migrants themselves.<sup>11</sup> But the protests in Britain that spread amongst workers in power stations, refineries, chemical plants and other sites in January have the potential to alter the situation.

Speaking on the tenth anniversary of the McPherson inquiry, Trevor Phillips warned that the recession could increase racism and undo all the good work of the past 15 years.<sup>12</sup>

"we must not allow the legacy of this particular recession to be an angry, embittered permanent underclass looking for targets on whom to vent its rage. We all know that in the wake of the lean times can come resentment and division, all too often along the lines of race and faith. At the very moment when we need to remind ourselves that we are all in this together, for many, every instinct will shriek that it should be every man or woman for themselves; or that people who aren't like us are somehow less worthy of an equal place in society."

Phillips had earlier warned of the dangers of an anti-migrant backlash during the recession at a CBI summit on migration. Although he stressed that the 'true losers' in the recession were likely to be the poor, working class and especially part-time workers (many of whom are women), his remarks were easily taken out of context to imply that migrants posed a threat to the white working class. He stated:

"We need to look out for the wife or partner with a young child, whose husband may have lost his job or who fears that he will, or who finds the bills just don't add up unless she goes back to work. When she applied for work, is rejected for job after job in a slack labour market, yet sees a clever young Latvian or Lithuanian with two degrees and three languages doing the job she'd like to do, it doesn't take a rocket scientist to work out how she'll feel"<sup>13</sup>

Phillips recommend that the kinds of measures already designed to help overcome disadvantage for ethnic minorities, might be extended to the white working class, including help in schools for children and at University. In a later speech he added the necessity for more efforts in local integration.<sup>14</sup> Hazel Blears, the Communities Secretary, suggested that:

"White working class people living on estates sometimes just don't feel anyone is listening or speaking up for them. Whilst they might not be experiencing the direct impact of migration, their fear is acute"<sup>15</sup>

She said that people should not be afraid of voicing their concerns for fear of being branded a racist. Her comments were provoked by a report from the National Community Forum for the Department of Communities and Local Government on sources of resentment and perception of ethnic minorities among poor white communities.<sup>16</sup> The report, based on a small number of interviews in four contrasting locations in England, stressed the local nature of anxieties, the existence of quite mixed reactions to migrants including indifference, hostility and empathy, and the fact that "where social or environmental conditions were better" there was "less apparent hostility to migrants" (2009: 6). A second report in January, by The Runnymede Trust on 'Who cares about the white working class?' stressed that all too often politicians and broadcasters addressed the white working class as white rather than working class. They singled out the BBC's 'white season' and Channel 4's 'Immigration – the Inconvenient Truth' for criticism, arguing that both appeared to set the interests of working-class whites against immigrants and ethnic minorities, leaving out larger social and economic structures.

## **What do past recessions reveal?**

The anxiety expressed by the likes of Trevor Phillips and Hazel Blears is understandable to some degree, even if it may also be based on certain key misconceptions. The association between economic recession and racism and xenophobia has a long history, including the rise of Fascists in the 1930s, and the more recent upsurge in the national Front during the 1970s and the wave of racist violence that swept across much of Western Europe in the 1990s. A closer inspection of the evidence however suggests at least two qualifications of this kind of fear. Firstly, although recession is sometimes a pretext or condition for racism and nationalism, it is not a constant cause of such sentiments. At the same time, racism and hostility to ethnic groups can thrive during boom years and for reasons unconnected with the economy. Secondly, as many surveys have suggested, there is no direct link between labour market position or experience and prejudice or racism. In particular, the implication that there is somehow a link between the white working class, economic hardship and hostility to migrants or ethnic minorities is unfounded. Some commentators have found traces of this assumption in the reporting of the country-wide protests by construction and engineering workers in, of all places, the BBC.<sup>17</sup>

Nationalism, racism and xenophobia are not precise, measurable entities. In the literature, three main sorts of indicator are used to try to capture trends in such sentiments: self-reported prejudice in social surveys; support for far-right or racist organizations; incidents of racial violence. Regarding the UK, none of these indicators supports a simple causal relationship between what's going on in the economy and hostility.

The main sources of evidence on self-reported prejudice are small, regular polls by MORI or other commercial organisations, and larger but less frequent surveys such as the British Social Attitudes Survey. Long-run analyses of such surveys is complicated by the changing questions used; broadly speaking, in the 1970s and 1980s questions were directed at issues of race and ethnicity, but by the 1990s pollsters switched more directly to issues of immigration. MORI regularly poll UK residents to ask what issue concern them most. Throughout most of the 1990s concern for immigration was not a high priority, but after about 2000 it suddenly shot up; by February 2003 23% of respondents said immigration was the most important issue of concern to them.<sup>18</sup> MORI also asked people a direct question, whether they agreed with the statement 'there are too many immigrants in Britain'. Their data show that the level of strong disagreement with this statement was fairly constant between 1989 and 2007. But the level of strong agreement fell 1989-1999 from around 37% of respondents to a low of 24%, before rising again to a record high of 41% in November 2007 (the latest date in the analysis). A poll for *The Sun* newspaper at the same time found slightly rising levels of people who thought immigration was good for Britain, but also a sharp decline in the proportion who thought immigrants had a good influence on 'the way things were going'. They also polled Britons the day of president Obama's inauguration, January 20 2009.<sup>19</sup> They found "concern about race and immigration [8%] have fallen below worries over the economy [50%] and unemployment [11%]". A year earlier, race and immigration had topped the list of people's concerns.

The most recent poll suggests that the tide is turning however. A Financial Times/Harris poll in March compared responses among samples drawn from six European countries; in the UK, the poll was taken shortly after the British Jobs for British Workers protests.<sup>20</sup> The main findings were:

- 78% of Britons surveyed expressed strong or somewhat support for the proposition that that immigrants should be asked to leave the country if they do not have jobs, a level matched only by Italians
- Only 14% of Britons opposed the idea that jobless immigrants should be asked to leave.
- 54% of Britons opposed citizens of other EU countries getting jobs in the UK; support for the right of EU workers to work in the country was lowest among the five countries polled on this question

A similar picture of general decline in anti-immigration feeling at least until recently emerges from the British Social Attitudes Survey. Catharine Roston and Anthony Heath analysed the survey across the period 1983-2002 for responses to questions on racial prejudice.<sup>21</sup> Self-reported prejudice peaked at 39% in 1987 and fell to a low of 25% in 2000 and 2001. The authors suggest that there was a critical turning point around 1996, before which levels were in the range of 30-40% but after which they fell within 20-30%. The trend was downwards, though there were spike years – 1986-7, 1994 and 2002. None of these spikes corresponded with a recession. In fact, during 1990-91 levels of racial prejudice as recorded by this survey fell sharply, only to rise in 1994, coinciding with the recovery. Of interest is the question asked by the BSA in 1996 that distinguished between immigrants from different countries. Opposition to further immigration from India and Pakistan was expressed by 53% of the sample, but opposition to further newcomers from Australia and New Zealand was only 29%; around 45% objected to migrants from Eastern Europe.

In both sets of data there are no clear links between changing levels of prejudice and economic conditions. In fact the BSA survey could find little effect on levels related to numbers of immigrants arriving, generation or life-cycle; there was a hint of a relation with media reporting. Further analysis of the survey returns by Dustmann and Preston found no relation between individual labour market factors and prejudice; welfare concerns were more related however.<sup>22</sup> For the period 1983-90 they

concluded that the main factor influencing attitudes to immigration was racial or cultural prejudice. In a related study they concluded:

“hostility towards immigrants including asylum seekers is linked neither to individual experience of unemployment nor to local economic conditions” (2003: 16)<sup>23</sup>

After reviewing these and other studies with reference to the UK, Heaven Crawley concludes that:

“economic theory predicts that negative attitudes towards immigrants will be more strongly expressed by those who are most directly affected by the competition of migrant workers in the labour market. Existing evidence is inconclusive but suggests that there is no clear correlation between attitudes and labour market position and income” (2005: 33)

Other variables, including age and education, place of residence and contact with migrants, and other factors such as government and legislation, media and one-off episodes like 9/11 also play a part in shaping prejudice.

Social surveys do not of course capture the trends in the smaller numbers of people who may act on prejudice through joining or voting for far-right parties. Across Western Europe, support for such parties became prominent in Belgium, France, Germany, Italy and the Netherlands in the early 1990s, coinciding with economic downturn. Most analysts however, link the rise as much to the consequences of the fall of Communism and the opening up of Eastern Europe, as well as heightened fears over religious difference, as to recession.<sup>24</sup> In the UK, overt support for such parties as the National Front and the British National Party has ebbed and flowed at a relatively low level compared with other Western European countries, and where it has been more prominent it has been in relation to often quite intensely local factors. The National Front's support peaked in 1976-77 when it gained 200,000 votes in local elections; the highpoint in its fortunes was perhaps the Deptford local election in 1976, when the NF and National Party won a combined 44%. But support for the far-right grew gradually over the preceding decade and was not necessarily linked with recession or unemployment (which was low by later standards).<sup>25</sup> Membership may have peaked in 1973. This did not preclude the NF from making a crude, direct link between rising unemployment and the presence of Black and Asian immigrants:

“Patriots have known for some time that the Department of Employment has been extending special treatment to unemployed coloured immigrants; that is, going to extra pains to secure jobs for immigrants that would otherwise go to Britons” (Searchlight, April 1970, quoted in Nugent and King 1979).

As for later recessions, Nick Lowles suggests that “by the early 1980s, when unemployment topped three million and bank base rate was in double figures and reached over 15%, the NF hardly existed. During the recession of the early 1990s, and despite widespread media-fuelled concern over refugees, the BNP remained a largely inconsequential political force.”<sup>26</sup> John Wrench suggests that the equation of recession and racism is simplistic, and overlooks the sometimes vital role played by political education.<sup>27</sup> The rise of the National Front was linked to processes operating over a longer timeframe than recession, connected with a sense of national (and imperial) decline, coupled with a cocktail of conspiracies and white supremacist fantasies that echoed the 1930s. The subsequent anti-fascist movement banged nails into a coffin whose lid was probably already closing judging by the long period in which far-right parties enjoyed minimal support.

In an analysis of whether the current recession is good news for the BNP Nick Lowles suggests that the risk of far-right groups gaining ground is greater than in the previous three.<sup>28</sup> He suggests several reasons why, unlike before, the BNP may be more successful this time:

- Decline of the political left and weakening of trades unions
- Rise of nationalism across Europe

- Greater professionalism in the BNP, including dropping some more controversial policies such as repatriation
- Disillusionment with and disconnection from mainstream parties
- Less contact and solidarity within large workplaces between white and other workers

The BNP is doing well in Stoke-on-Trent and former mining communities such as Rotherham, Heanor and Nuneaton, mostly towns with small BME populations. There are fears that the former coal mining districts of Nottinghamshire, where levels of long-term unemployment remained high, might also be receptive. David Owens, BNP councillor for Boston notes that North Lincolnshire (where the Lindsey protests took place) is predisposed to anti-EU sentiment because of the travails of Grimsby's fishing industry.

The potential threat has been recognised by Trevor Phillips, Phil Woolas and in a leaked memo from the Home Office by Jacqui Smith:

“There is a risk of a downturn increasing the appeal of far-right extremism and racism, which presents a threat as there is evidence that grievances based on experiencing racism are one of the factors that can lead to people becoming terrorists.”

To find a better parallel with events in 2009 perhaps one has to go back to the immediate post-war years, when economic hardship was accompanied by the arrival of thousands of refugees and European Voluntary Workers (up to 600,000).<sup>29</sup> In the three years after the war ended some 83,000 displaced people from camps in Central and Eastern Europe, mostly nationals from Ukraine and the Baltic States, were recruited into the UK specifically to fill labour shortages. Mindful of possible hostility from the native population, the government started by recruiting the kind of worker it thought would be most acceptable – young, single, white, Protestant women for work in hospitals, sanatoria and domestic households. Over a longer period, stretching into better economic times, other workers from Eastern Europe were directly recruited. In 1952 there were 161,000 Polish-born people in the country. Colin Holmes suggests that “the fear of unemployment which persisted from the inter-war years undoubtedly influenced the reception of the Poles “ (47), especially in Scotland, where anti-Catholicism was potent. By contrast, Irish workers enjoyed a spell of greater tolerance than they had ever experienced, according to Holmes (although this did not last until the 1960s). In the 1950s there were as many as 600,000 Irish people arriving in the UK each year (as part of a circular migration) but they faced little overt opposition. By contrast, the much smaller number of Caribbean migrants admitted faced significantly greater hostility, even though times were good.<sup>30</sup> Then, perhaps as now, the reaction to immigration and particular immigrant groups is affected by the overall context, including recession but also shifting hierarchies of race, nationality and identity. As Linda McDowell speculates:

“How the current hierarchy of suitability and appropriateness between the new A8 white Europeans, older migrants, people of colour and British BME workers will play out in community and workplace relations is not yet clear” (34).

The third and final indicator of hostility is racial violence, although this is conditioned by patterns for reporting and recording. By common consent, racial violence rose across Western Europe in the early 1990s, not unconnected with the rise in far-right political organizations. It was both the expression and outcome of a combination of racism, nationalism and ethnocentrism that was directed not just at relative newcomers, from North Africa for example, but also at longer-standing communities in Europe such as Roma. In Britain, reported incidents of racial violence rose from just over 4000 in 1988 to nearly 8000 in 1992, although this may have been connected as much with the Gulf War as the recession.<sup>31</sup> Björno and Witte conclude that:

“Few researchers would dispute that there is a connection between social and economic crisis on the one hand, and a rise in racism and racist violence on the other. However, the

link between unemployment and racism is not as direct as the popular arguments might lead us to believe” (8).

What all authors stress is that the relationship between hostility, nationalism and racism and the economy is always mediated by a number of other factors, chief among them official political discourse and policy and media representations. Further, as Stephen Castles points out in relation to Etienne Balibar’s analysis of racism in Europe: “racism is not so much the result of crisis as one form of its expression” (27)<sup>32</sup>

## Summary

An economic crisis is not necessarily a social and political crisis, but to the extent that it is, questions of blame will arise. These will combine with real and perceived competition for jobs, benefits and housing, and with issues of ethnic and national identity. Past history demonstrates that recessions are not a necessary condition for racism and xenophobia and there is little sign so far in demonstrations across the world that this is happening to any great degree. But recent successes of the BNP as well as the xenophobic sentiments entangled with the ‘British Jobs for British Workers’ protests caution against complacency. Public figures such as Trevor Phillips and Hazel Blears have warned that the recession could increase racism and that the white working class should not be ignored.

A review of past recessions in the UK and racism and xenophobia suggests that there is no simple relationship. Levels of self-reported prejudice in surveys by MORI and the British Social Attitudes Survey shows no correlation with the business cycle. During the 1990-1991 recession self-reported prejudice fell. Nor is there any relationship between an individual’s labour market position and self-reported prejudice; assumptions that, for example, the white working class are most prone to prejudice are not necessarily supported.

But recent surveys suggest a marked rise in hostility to immigrants coinciding with widespread publicity given to the ‘British Jobs for British Workers’ protests. This includes high levels (by comparison with other European countries) of opposition to the right of non-UK EU citizens to work in the country.

Support for far-right parties also bears little relationship to the pattern of recession. Although electoral support for the National Front peaked in the wake of the mid-1970s downturn, right-wing and anti-immigrant parties did not benefit from the next two recessions. If anything they faded. But, a combination of nationalism and disillusionment with the mainstream parties, together with the decline of UKIP and the greater professionalism of the BNP, suggests that it could fare much better in the upcoming European and local authority elections.

There is no reported rise in racial violence, although the level of incidents doubled in the four years spanning the last recession. Perhaps the nearest parallels with the current recession lie in the post-war years, which share the combination of white migrants (from Poland among other places), black and Asian migrants from the New Commonwealth and emigration within the context of managed migration policies.

Labour markets are not simply economic phenomena of skills, wages, qualifications etc., they are also cultural creations of distinguishable kinds of worker, by age, gender, ethnicity and citizenship. Likewise, valuations of neighbours, co-workers and fellow residents are made partly on the basis of assumptions about how hard people work, what work they will and won’t do and whether they appear a threat to jobs and benefits. During the boom, some migrant workers were routinely described by employers as ‘good’, ‘hard-working’ ‘reliable’ etc. in implicit or explicit contrast with British workers.<sup>33</sup> This was even the case at the bottom end of the labour market. These kinds of hierarchical judgements will be salient in shaping employers’ response to recession and how they

attempt to juggle different kinds of workers. But what happens in workplaces will rebound in urban neighbourhoods and small rural towns as the 'hard work' which once promised acceptance now equally threatens hostility and rejection.

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- <sup>1</sup> R. Cohen (1995) *Frontiers of Identity: the British and the Others*, London: Longman
  - <sup>2</sup> 'The sickest place in Britain', *Daily Mail* 28 December 2008
  - <sup>3</sup> 'Mother of all council houses', *The Sun*, 8 October 2008; 'Mum's unhappy: The house is so big and she doesn't like cleaning', *The Sun* 9 October 2008; 'We must be mugs', *The Sun* 10 October; 'Benefit Afghan's 50in telly', *The Sun* 13 October 2008.
  - <sup>4</sup> "'Dickensian" destitute migrant children 'spreading disease', says NHS, *Daily Mail*, 13 February 2009
  - <sup>5</sup> 'BNP secure first seat on Sevenoaks district Council'. *Sevenoaks Chronicle* 20 February 2009; 'Alarm over rise of BNP', *The Independent* 21 February 2009; 'Victory warns of BNP's geographical spread', *The Independent* 21 February 2009.
  - <sup>6</sup> 'BNP hoes to gain from dispute', *Financial Times* 17 February 2009
  - <sup>7</sup> 'Minister fears rise of fascism amid gloom', *Daily Telegraph* 10 February 2009,.
  - <sup>8</sup> 'Poles demand action amid fears hate crime has increased during economic downturn', Mail Online 10 January 2009; 'Immigrants are the perfect recession scapegoat', Aleksandra Lojek-Magdziarz *The Guardian* 12 January 2009
  - <sup>9</sup> <http://www.zpwb.org.uk>
  - <sup>10</sup> 'Europe's winter of discontent', Adrian Michaels, *The Daily Telegraph* 28 January 2009
  - <sup>11</sup> 'The people crunch', *The Economist* 17 January 2009.
  - <sup>12</sup> T. Phillips (2009) Macpherson speech: Institutions must catch up with public on race issues, speech by Trevor Phillips, Chair of the Commission to mark the tenth anniversary of the Stephen Lawrence Inquiry, 19 January 2009, <http://www.equalityhumanrights.com/en/newsandcomment/speeches/Pages/Macphersonspeech190109.aspx>.
  - <sup>13</sup> 'White working class need help in recession, says Phillips', Alan Travis, *The Guardian* 29 October 2008. "'Stay-home mums" returning to work could resent migrants, warns equalities chief', Mail online 29 October 2008.
  - <sup>14</sup> Trevor Phillips (2009) 'Calibrating migration for a global world', opening remarks to conference, EHRC 19 March 2009
  - <sup>15</sup> 'White working class "feels ignored on immigration"', *Daily Telegraph* 3 January 2009.
  - <sup>16</sup> National Community Forum (2009) *Sources of Resentment and Perception of Ethnic Minorities Among Poor White People in England*, January 2009.
  - <sup>17</sup> 'It's all in the edit', Pdraig Reidy, [guardian.co.uk](http://guardian.co.uk) 3 February 2009
  - <sup>18</sup> H. Crawley (2005) Evidence on attitudes to asylum and immigration: what we know, don't know and need to know, Working paper WP-05-23, Centre for Migration, Policy and Society, Oxford University.
  - <sup>19</sup> See [www.ipsos-mori.com](http://www.ipsos-mori.com)
  - <sup>20</sup> 'Hostility to jobless migrants – FT poll', *Financial Times*, 16 March 2009; 'Fears grow that BNP will exploit migration issue', *Financial Times*, 16 March 2009. The countries polled were the UK, Italy, Germany, Spain, the USA and France.
  - <sup>21</sup> C. Rethon and A. Heath (2003) 'Trends in racial prejudice', in A. Park et al. (eds) *British Social Attitudes: Continuity and Change Over Two Decades, 20<sup>th</sup> Report*, London: sage, 189-214
  - <sup>22</sup> C. Dustmann and I. Preston (2007) 'Racial and economic factors in attitudes to immigration', *The B.E. Journal of Economic Analysis and Policy*, 7(1) article 62
  - <sup>23</sup> C. Dustmann and I. Preston (2003)
  - <sup>24</sup> T. Björno and R. Witte (eds) (1993) *Racist Violence in Europe*, St Martin's Press; J. Wrench and J. Solomos (eds) (2003) *Racism and Migration in Western Europe*, Oxford: Berg.
  - <sup>25</sup> N. Nugent and R. King (1979) 'Ethnic minorities and the extreme right', in R. Miles and A. Phizacklea (eds) *Racism and Political Action in Britain*, London: RKP, 28-49; S. Taylor (1979) 'The National Front: anatomy of a political movement', in R. Miles and A. Phizacklea (eds) *Racism and Political Action in Britain*, London: RKP, 124-46; C. Holmes (1991) *A Tolerant Country?* London: Faber

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and Faber; Y. Alibhai-Brown (1999) *True Colours: Public attitudes to multiculturalism and the Role of Government*, London: IPPR.

<sup>26</sup> N. Lowles (2008) Is a recession good news for the BNP?, *Searchlight* November

<sup>27</sup> J. Wrench (1987) 'Unequal comrades: trade unions', in R. Jenkins and J. Solomos (eds) *Racism and Equal Opportunity Policies in the 1980s*

<sup>28</sup> N. Lowles (2008) Is a recession good news for the BNP?, *Searchlight* November

<sup>29</sup> L. McDowell (2009) 'Old and New European Migrants: Whiteness and managed Migration Policies', *Journal of Ethnic and Migration Studies*, 35: 19-36; C. Holmes (1991) *A Tolerant Country?* London: Faber and Faber

<sup>30</sup> Z. Layton-Henry (1992) *The Politics of Immigration*, Oxford: Blackwell; S. Ohri and S. Farquai (1988) 'Racism, employment and unemployment', in A. Bhat, R. Carr-Hill and S. Ohri (eds) *Britain's Black Population*. 2<sup>nd</sup> edition, Aldershot: Gower, 61-100

<sup>31</sup> T. Björno and R. Witte (1993) 'Introduction', in T. Björno and R. Witte (eds) *Racist Violence in Europe*, St Martin's Press, 1-17

<sup>32</sup> S. Castles (1993) 'Migration and minorities in Europe: perspectives for the 1990s; Eleven Hypotheses', in J. Wrench and J. Solomos (eds) (2003) *Racism and Migration in Western Europe*, Oxford: Berg, 17-34.

<sup>33</sup> R. Mackenzie and C. Forde (2009) 'The rhetoric of the "good worker" versus the realities of employers' use and the experience of migrant workers', *Work, Employment and Society* 23(1) 142-149; B. Anderson et al. (2006) *Fair enough? Central and East European migrants in low-wage employment in the UK*, Centre for Migration, Policy and Society, University of Oxford

## 8. Scenarios for Migrants in the Low-Wage Labour Market

It is not yet clear what is happening or what will happen at the lower-wage end of the labour market, where constrained or unknown rights, intensified work regimes, casual, agency and temporary work, conditional and circumscribed benefits, migrant labour and ethnic/age/gender/ability discrimination often collide. Most probably the situation is dynamic, as employers and workers try to plot their way through uncertain and largely unfamiliar circumstances. Past history suggests that those most likely to lose work in recession include the less-skilled, temporary workers, old and young, ethnic minorities and workers outside collective agreements; migrants are usually over-represented in most of these categories. But, when employment protection is low, collective agreements limited in scope and reach, and new 'active employment' initiatives are being rolled out as part of flexibilisation, one cannot be sure that there won't be increased demand for certain kinds of exploitable and/or mobile workers, including migrants. Further, in addition to redundancy, there are other responses to recession in the economy, including changes to wages, hours and overtime (perhaps more likely for core workers) and intensification – longer hours, higher targets, delayed payment etc. Recession can enlarge the armoury of labour control.

In considering these scenarios it is important to bear in mind that "migrant" is not a homogeneous category and that length of stay can be crucial, in terms of what the legal possibilities for employment are, the weight of social factors to individual decision making, and employers' recruitment and retention decisions. Supply and demand are mutually constitutive. However, for the purpose of analysis it is useful to disaggregate factors which chiefly impinge on supply, and those that chiefly impinge on demand.

Among the possible scenarios are:

### Supply

#### 1. Exit

If migration corresponds to the model of economic equilibrium favoured by many pro-immigration commentators, or to the normative expectations of EU mobility plans, then one response to job loss and economic deterioration will be exit. This is more likely where the opportunities for re-entry are established and when conditions in the 'home country' are better than in the UK, and when they have retained good labour market contacts in the country of origin. Exit might be expected among high-skilled migrants, for example in London's financial services, but equally perhaps among low-wage workers in pressurised sectors. Under this scenario, migrants act as a 'pressure valve'.

#### *1a Mobility between areas and/or sectors and occupations*

Instead of exit, one outcome might be moving between geographical areas or occupations and sectors in search of work, based on the assumption that certain groups of migrants may be less bound by the housing market and family commitments and more prepared to travel for work. An unknown variable here is the role of labour recruitment agencies in relocating workers.

#### 2. Staying put and hanging on

According to a report by Catherine Glossop and Faiza Shaheen for the Centre for Cities: "the majority of [A8] migrants interviewed in [Bristol and Hull] felt that it was easier to find a job in the UK during the recession than it was in countries such as Poland. The majority ... felt that, if they did lose their jobs, they would be able to remain in the city and find a new one" (15)<sup>1</sup>. Farmers and labour providers suggest that there is no mass exodus of Eastern Europeans, the groups most able and likely to leave. The more that migration decisions are based on social rather than economic factors, the more likely it might be that migrants will stay put. One possibility however is that migrants who would have previously anticipated and experienced some kind of upward mobility – such as young, well educated A8 nationals, find themselves "stuck" in low waged, low status jobs that they had thought would be temporary.

### **2a. Staying put and signing on**

A variant on this scenario is implied by those sources who allege that migrants stay in the UK in order to profit from relatively higher unemployment-related and welfare benefits.<sup>2</sup>

### **2b. Staying put and not signing on**

A further variant on this applies for those who are unemployed but stay for social reasons (e.g. children in schools), or because of the requirement to accrue a set length of residency in order to attain certain rights, but who are not eligible to sign on

It cannot always be assumed that migrants are free to make the kinds of economically rational decisions implied by the first two scenarios. For a variety of reasons, they may be forced to endure worsening employment and housing conditions, including: undocumented or irregular status; indebtedness; coercion and abuse; dependence on employers for accommodation; lack of money to depart; family pressures. As the failure of Spain's repatriation programme suggests, people who cannot rely on being able to return may be reluctant or unable to leave.

## **Demand**

### **3. Replacement/Displacement**

According to the interviews conducted in Hull and Bristol for the Centre for Cities report, "A8 migrants were prepared to work for less than local workers" (20).<sup>3</sup> The authors anticipate more direct competition in cities such as Bristol where migrants are not confined to a secondary labour market. If it is true that employers value some migrants because they 'work harder', then calculations based on human capital might trump ethnic solidarity with UK-nationals

#### **3a Replacement of migrant by UK-national workers**

Under what conditions might UK nationals (who could themselves be foreign born) find jobs in sectors historically or recently dominated by non-nationals? Paul Whitehouse, Chair of the Gangmasters Licensing Authority, reports that his staff have been seeing signs of replacement since before Christmas 2008;<sup>4</sup> "these are basic minimum wage jobs, packhouses, sorting out potatoes on lines, that kind of thing." It is reported that meatpacking factories are also seeing more non-migrant applicants than before. Labour providers across the country are also reporting sudden rises in applications from British workers. For example, one vegetable supplier in Thanet reported that, of 217 applicants for 30 minimum-wage jobs, all but three were UK nationals. But what are the characteristics of these workers, and in particular, are they foreign born, perhaps returning to a type of work previously abandoned, and in the long-run, will this lead to labour shortages when better alternatives become available again?

#### **3b Direct competition between different migrant groups and/or groups marginalised in the labour market.**

As the recent experience of cleaning workers on the London underground shows, contractors are not averse to playing off one group of workers against another, in this case BME workers including Africans and A2 nationals. The workforce is ever more stratified by nationality and status (in addition to age, gender and race) creating more opportunities to switch labour supply with associated anxiety and the potential for induced competition within the labourforce.

#### **3c Shuffling and sorting**

This involves the exploitation of complex employment rights and benefits, possibly alongside immigration status, to shift work and workers from one category to another, e.g. from employment to self-employment, or permanent to casual.

## **4. Solidarity**

Under what circumstances might recession create opportunities for greater solidarity between different categories of workers? For example, what role might unions play in filling the gaps in rights-based information services, employment protection, and social support for non-unionised migrant workers?

Among the factors influencing the mix of outcomes are:

- The labour process, employment relations and trades union membership and activity in workplaces at local, regional and sectoral levels
- Trade union/labour movement politics and strategies, especially in relation to a possible change of government
- The extent and visibility of self-organisation amongst migrants
- The nature of enforcement of employment, wage, benefits and immigration regimes
- The role of the temporary staffing industry as structural rather than just cyclical
- Decisions taken at JobCentre Plus offices over training, conditions and eligibility for programmes
- Employers' recruitment processes
- Racism and xenophobia
- Relative success or difficulties faced by other national economies

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<sup>1</sup> C. Glossop and F. Shaheen (2009) *Accession to Recession: A8 Migration in Bristol and Hull*, Centre for Cities, March 2009

<sup>2</sup> See for example 'Credit crunch pushes Poles out of jobs and into UK benefits system', *Mail Online*, 13 April 2009; 'Poles seeking dole doubles in 2 years', *The Sun*, 14 April 2009

<sup>3</sup> C. Glossop and F. Shaheen (2009) *Accession to Recession: A8 Migration in Bristol and Hull*, Centre for Cities, March 2009

<sup>4</sup> 'Britons take whatever work they can', Jim Pickard, *Financial Times*, 11 March 2009; 'Britons take "migrant jobs" in farms and factories', *The Times* 14 April 2009; 'British workers compete for seasonal jobs as recession bites', *The Guardian* 14 April 2009.