



Institute for Public Policy Research

GO WEST

BRISTOL AND THE POST-BREXIT IMMIGRATION SYSTEM

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and Rohan Roy**

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ABOUT THIS PAPER

This paper fulfils IPPR's educational objective by producing new research into the role of migrants in Bristol and the west of England's labour market. The paper also helps to relieve poverty and unemployment by promoting recommendations for how both national and local level policymaking can support Bristol's 'inclusive growth' agenda.

This work was produced using statistical data from ONS. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data.

This work uses research datasets which may not exactly reproduce National Statistics aggregates.

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SUMMARY

The government's proposals to end freedom of movement will have different consequences for different parts of the UK. This paper explores how the proposals could impact on the economy of Bristol and the wider city region.

Bristol offers an interesting case study, because it is a highly skilled economy with several burgeoning industries, from advanced engineering and aerospace to the digital and creative sectors. But it is also a city with notably stark inequalities of opportunity across place, class, and ethnicity. This has led Bristol to place 'inclusive growth' as a key element of its wider economic agenda. The paper explores how the government's new immigration proposals, as set out in its 2018 white paper, will interact with the specific dynamics of Bristol's labour market.

Our research finds that the number of migrants in Bristol – and EU migrants in particular – has increased significantly over recent decades. Migrants now make up 16 per cent of Bristol's population – higher than the national average. New arrivals are particularly likely to be from the EU, including countries such as Spain, Romania and Italy.

Using data from the Annual Population Survey (APS), we build up a picture of the labour market profile of migrants in the west of England region, which has Bristol at its heart. Our analysis suggests that EU migrants are likely to be young, highly qualified, and in employment. However, there is a key difference between EU migrants from the 'old' member states and EU migrants from the 'new' member states that joined the EU from 2004 onwards. Old member state migrants tend to be in highly-skilled jobs, while new member state migrants tend to be in lower-skilled jobs and are paid below average. Our analysis of Bristol's labour market from the 2011 census confirms this: new member state migrants tended to be far more concentrated in sectors such as hotels and restaurants and manufacturing, while old member state migrants were particularly likely to be concentrated in the education sector.

We also use the APS to estimate the impact of the government's proposals in its immigration white paper – the suggested salary and skills thresholds in particular – on the west of England region. We find that around 75 per cent of EU employees currently living in the region would be ineligible under the proposed thresholds. This suggests that the rules would have a dramatic impact on future immigration from the EU to the region. As a result, we would expect major implications for business growth in Bristol and the wider west of England region.

In addition, the paper summarises interviews with employers in Bristol and the surrounding region on the government's immigration proposals, covering a number of key sectors – from advanced engineering to the creative industries. The employers interviewed express concerns over how they will adapt to the restrictions on immigration, given that many currently rely on recruiting EU citizens without impediments under the EU's free movement rules, and given the South West region's low unemployment rate. Employers were especially concerned about the £30,000 threshold, which they saw as unrealistic, and the proposed 12-month temporary work route, which they warned would discourage investment in training. Employers in social care raised particular concerns around existing staff shortages and the growing demand for care. The evidence from employers highlights that the government's immigration proposals could significantly limit the growth of sectors in Bristol and the

west of England which are critical to the region's industrial strategy, including aerospace, digital, and the creative industries.

The government is currently undergoing a process of engagement on the immigration white paper, and the Migration Advisory Committee is consulting on the proposed salary threshold and the Australian-style points-based system. In light of these ongoing discussions on the future immigration system, this paper makes a number of recommendations for how the government's immigration proposals could align with Bristol's economic ambitions, as well as recommendations for how Bristol City Council could prepare the city for the proposed reforms to the immigration rules.

RECOMMENDATIONS FOR THE HOME OFFICE

1. Provide a forum for local and combined authorities to directly input into immigration policymaking.

A forum for local and regional stakeholders would give cities such as Bristol a formal process for feeding their perspectives on local ambitions and priorities into the development of the new immigration system.

2. Reconsider the salary and skills thresholds, particularly for key strategic sectors such as social care.

A lower salary threshold and new exemptions for key sectors could help to mitigate short-term economic disruption and support sectors in Bristol that are particularly critical to the region's industrial strategy and public services.

3. Encourage businesses to support inclusive growth and tackle inequality in the city through the migration system.

By using the immigration system to incentivise better employment practices – through providing visa benefits to those employers who pay the real living wage, for example – the government could complement local efforts to tackle labour market inequalities in the city.

RECOMMENDATIONS FOR BRISTOL CITY COUNCIL

1. Support existing residents to fill skills shortages in the local economy.

To prepare for potential skills shortages after Brexit, the council could equip residents currently excluded from labour market opportunities with the right skills to meet these shortages. This could involve enhancing careers provision, strengthening links between education and training providers and local employers, and ensuring that education and apprenticeship opportunities are aligned with the skills shortages most likely to emerge due to reductions in EU migration.

2. Encourage the labour market integration of existing migrants.

Improving the integration of migrants already resident in Bristol – by, for instance, expanding English language provision – could help to mitigate the impacts of future restrictions on freedom of movement for the city.

3. Improve the working conditions of employees in low-paid sectors currently reliant on EU migrants.

To help sectors currently reliant on EU workers to adapt to the end of freedom of movement, the council could work towards enhancing their attractiveness for Bristol's residents. For instance, sectors such as hospitality could be selected as the focal point for efforts to guarantee a real living wage across the city.

1. INTRODUCTION

Current plans to end the free movement of people after Brexit will have major implications across the UK. The government's immigration white paper – published in December 2018 – set out proposals to restrict the rights of EU citizens to live and work in the UK and to bring EU citizens into the current non-EU immigration system (Home Office 2018). The proposals under consideration could have a dramatic impact on the UK's labour market, with potentially far-reaching consequences for a range of different industries and occupations. It is therefore important to understand how the proposed changes to the immigration system would affect different parts of the country. This paper focusses on Bristol and the west of England,¹ exploring the implications of ending free movement for the city and the wider regional economy.

Bristol is a valuable case study, because it is a highly diverse and dynamic local economy with a long history of migration and mobility. With expanding industries ranging from aerospace and financial services to the tech and creative sectors, Bristol is forecast to be one of the UK's fastest growing cities in terms of GVA from 2018 to 2021 (EY 2018). Bristol's workforce has become increasingly highly skilled, with a large proportion of people concentrated in professional employment.

Nevertheless, substantial challenges for Bristol's economy remain. Residents face stubborn inequalities, with striking divides in educational opportunities across the city (University of Bristol 2018). Bishport Avenue and Hareclive in South Bristol are two of the most deprived neighbourhoods in the UK according to the 2015 Index of Multiple Deprivation (BCC 2015). Ethnic minority groups in Bristol face particular disadvantages in education and employment (Runnymede Trust 2017). And previous research suggests that Bristol's migrant communities have faced a series of barriers to accessing stable and adequately-paid employment in the city (Maddrell et al 2016; Jabłonowski et al 2013).

Of course, Bristol's economy is not strictly contained to the city's boundaries; it is positioned within the wider regional ecosystem of the west of England. Bristol is closely connected with the nearby city of Bath in Somerset, while many commute daily into Bristol from across the region. Bristol's port and airport – the latter serving nearly 10 million passengers in 2018 – provide a gateway for the region into the global economy (BEIS/MHCLG 2019). It is therefore important to consider the implications of the government's immigration plans for Bristol in the context of the wider regional labour market.

This report explores the role of migration in Bristol and the west of England's labour market, as well as the implications for the city and the region of the proposed reforms to the immigration rules for EU citizens. The report has been written by the IPPR, with the support and input of a working group made up of policy experts from Bristol City Council, Business West, the University of Bristol, and the West of England Combined Authority (WECA). The report reflects the views and recommendations of the authors alone.

¹ The west of England region referred to in this report comprises the local authority areas of Bristol, South Gloucestershire, North Somerset, and Bath and North East Somerset, and coincides with the boundaries of the West of England Local Enterprise Partnership.

Drawing on a range of data sources on individuals and businesses, the report summarises the current state of play for migration in Bristol and assesses the potential implications of the post-Brexit immigration system for Bristol and the wider region. Finally, it makes a series of recommendations for how immigration policy could be designed to support Bristol and the west of England as the government's proposals for the UK's future immigration system are developed, as well as recommendations for how the city could prepare for the introduction of these proposals.

It is important to note that this report focusses on international migration to Bristol rather than internal migration – that is, it concentrates on individuals moving to Bristol and the west of England region from outside the UK. For the most part, the analysis defines migrants as those who are born outside the UK. We define migration by country of birth rather than nationality because this helps to monitor long-term trends, given that nationality can change over time as individuals acquire citizenship, while country of birth remains constant. In some cases, we have used other measures where data are limited; in these instances, we have included clarifications in the text.

2. **BRISTOL'S ECONOMY AND THE ROLE OF MIGRATION**

Bristol's economy is one of the fastest growing of all cities in the UK. Growth is forecast at 2 per cent of gross value added (GVA) over the period 2018–21, notably higher than the UK average of 1.7 per cent (EY 2019). It is home to several major high-value sectors, including advanced manufacturing, tech and the creative industries, and has a strong record of innovation and job creation.

Bristol's employment rate is 77.6 per cent – the highest of the British 'core cities' (BCC 2019a). The city's labour market is geared towards high-skilled employment; around 53 per cent of workers are employed as either managers, directors, or senior officials, or in professional or associate professional occupations, compared with a national average of 47 per cent. Around half of Bristol's residents have qualifications at NVQ level 4 or higher – 10 percentage points more than the UK as a whole (ONS 2019a).

Yet, while the Bristol economy has been jobs rich, productivity is slightly lower than the UK average and productivity growth has stalled in recent years (ONS 2019b). Firms appear to have grown through increasing employer headcount over large-scale investment in productivity improvements. Productivity growth may have been further impaired by relatively poor transport connectivity, particularly for more deprived areas, as well as high residential and commercial property prices (BCC 2018; Hometrack 2019; Savills 2018).

Moreover, the UK's changing relationship with the EU poses specific challenges to Bristol. The city's economy is estimated to be particularly exposed to a hard Brexit (Dhingra et al 2017). And Bristol's robust trajectory of GVA growth could be curtailed by new restrictions on inward EU migration (EY 2018).

Bristol's economy also faces deep divides across social class and ethnicity. There are significant gaps across the city between the shares of school-leavers who go on to study in higher education, ranging from 9 to 100 per cent depending on the council ward (University of Bristol 2018). The gap between the educational performance of disadvantaged and non-disadvantaged groups in GCSE achievement is higher than the English average (DfE 2019). And Bristol's history of racial injustice, including its prominent role in the slave trade, continues to manifest in the city today. According to one recent study by the Runnymede Trust, ethnic minorities in Bristol – particularly people with a black African background – face especially high levels of disadvantage in education and employment when compared to the national average (Runnymede 2017).

In response to these challenges, Bristol City Council has developed a number of proposals as part of its One City Plan and its inclusive and sustainable economic growth strategy, including improving careers advice and information, working with employers to guarantee a real living wage, and improving transport links to connect areas of deprivation with employment opportunities (BCC 2018; BCC 2019b). In addition, the west of England's industrial strategy has made a number of proposals to tackle the region's economic challenges, including setting out efforts to coordinate the region's industrial clusters more effectively, to ensure

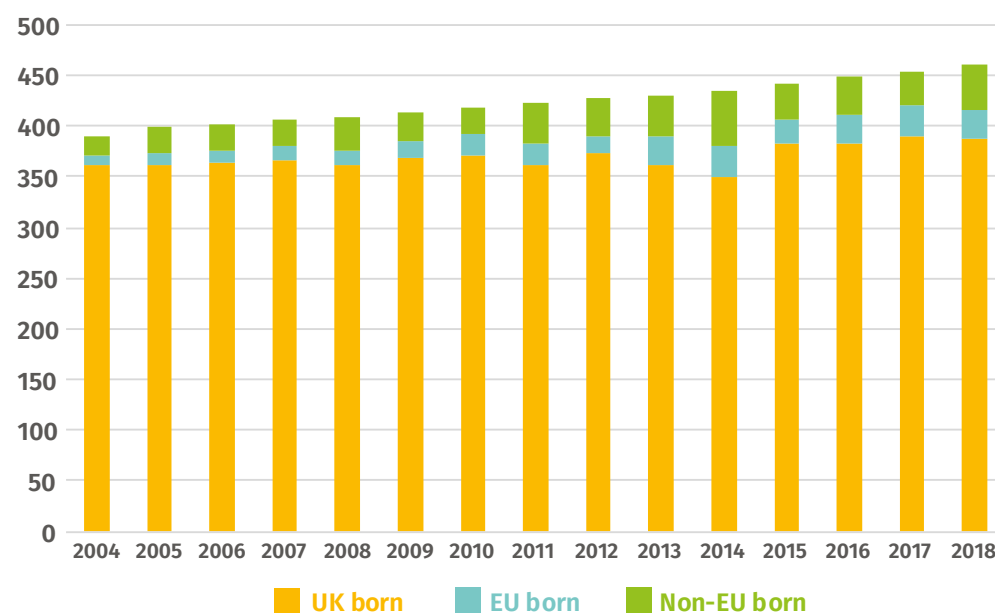
the provision of adult skills matches local labour market demands, and to provide specialist advice to business to help boost productivity (BEIS/MHCLG 2019). These efforts are underpinned by the city’s ambitions to maintain its business growth, innovation and job creation in the post-Brexit economic landscape.

THE ROLE OF MIGRATION IN BRISTOL

Bristol is a culturally and ethnically diverse part of the UK with a long history of migration. Over recent years, the number of migrants living in the city has substantially increased. In particular, the accession of central and eastern European countries to the EU in 2004 and 2007 and the recent Eurozone crisis have led to an increase in the number of EU migrants. The past decade has seen long-term international inflows into Bristol of more than 5,000 per year (ONS 2019c). The city’s non-UK born population increased from around 29,000 in 2004 to 73,000 in 2018. Migrants now make up 16 per cent of the population, higher than the UK average of 14 per cent (ONS 2019d).

FIGURE 2.1: THE NON-UK BORN POPULATION OF BRISTOL HAS GROWN CONSIDERABLY SINCE 2004

Population of Bristol by country of birth, 2004–2018



Source: IPPR analysis of ONS 2019d

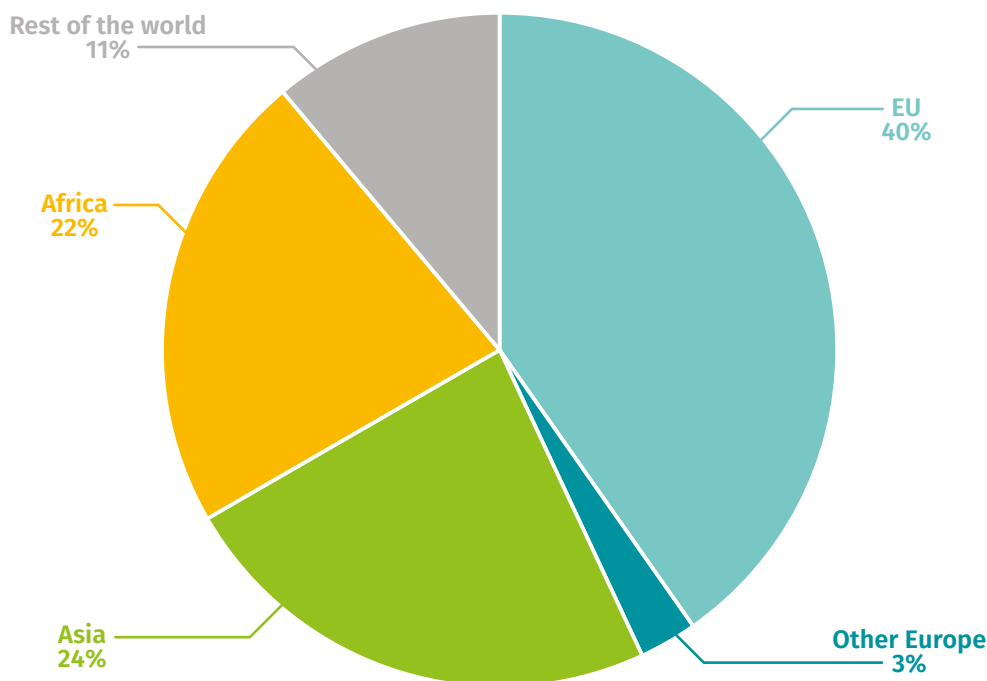
However, it is important to contrast recent levels of international migration with the levels of internal migration between Bristol and other parts of the UK. Indeed, internal migration to and from the city in 2017/18 was more than 30,000 – considerably higher than international immigration (around 7,500) and international emigration (around 5,500) (ONS 2019c). The city has therefore been experiencing significant churn entirely independent of the recent levels of international migration.

Migrants in the city have a diverse range of backgrounds: while a substantial share (around 40 per cent) in 2018 originated from an EU country, one-quarter were born in Asia and one-fifth were born in Africa. A further 11 per cent were born in other countries outside Europe – largely the Americas and Australia. This is similar to the national average, though in Bristol the share of Asian migrants is somewhat

lower and the share of migrants from Africa is somewhat higher than in the UK as a whole (ONS 2019d).

FIGURE 2.2: MIGRANTS IN BRISTOL HAVE A DIVERSE RANGE OF BACKGROUNDS

Migrant population of Bristol by country of birth, 2018



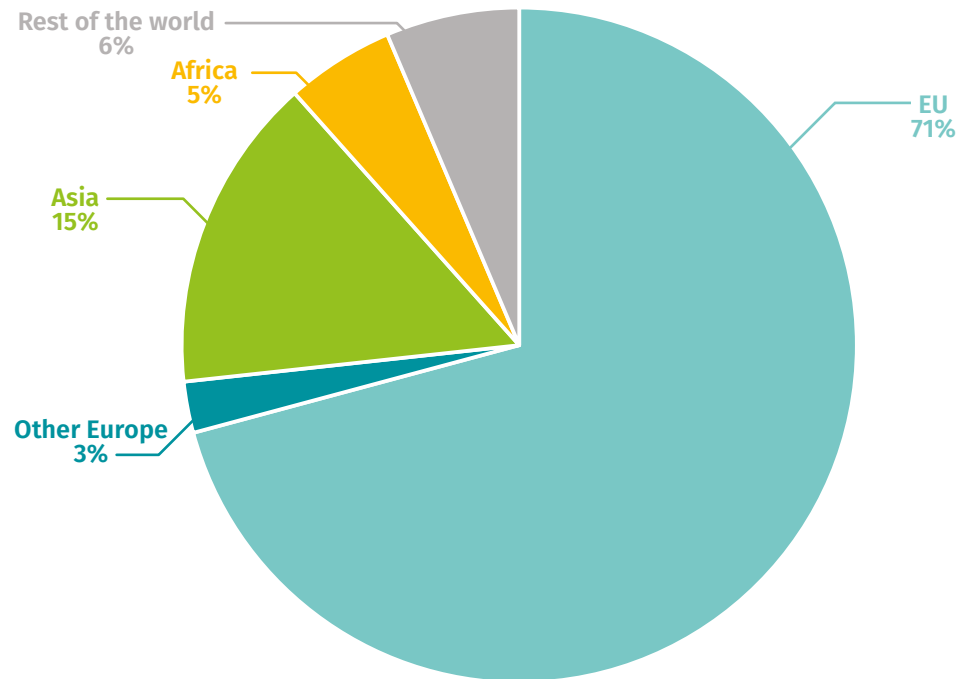
Source: IPPR analysis of ONS 2019d

However, a different picture emerges when looking at recent patterns of work-based migration. While national insurance number registrations cannot be used to precisely estimate the levels of inward migration into a region, they provide a broad indication of patterns of work-based migration. The total number of migrants who registered for national insurance numbers in Bristol in 2018 was approximately 7,000. Around 70 per cent of those who registered were EU citizens, while 15 per cent were citizens of Asian countries. This suggests that, while the settled migrant population in the Bristol is highly diverse, those who are newly arrived in the region and who are looking for work are largely from the EU. This broadly mirrors the national trend, though the share of EU registrants was somewhat higher in Bristol (71 per cent versus 66 per cent). Out of all the EU registrants, 55 per cent were nationals of the 'old' member states in western Europe and 45 per cent were nationals of the 'new' member states in central and eastern Europe'.² The five most common nationalities of overseas national insurance number registrants were Spain (1,007), Romania (961), Italy (586), Poland (563), and France (324) (DWP 2018).

² The old member states include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Portugal, Republic of Ireland, Spain and Sweden. The new member states include Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia.

FIGURE 2.3: A SIGNIFICANT MAJORITY OF OVERSEAS NATIONAL INSURANCE NUMBER REGISTRATIONS IN BRISTOL ARE MADE BY EU CITIZENS

National insurance number registrations to adult overseas nationals in Bristol by nationality, 2018



Source: IPPR analysis of DWP 2018

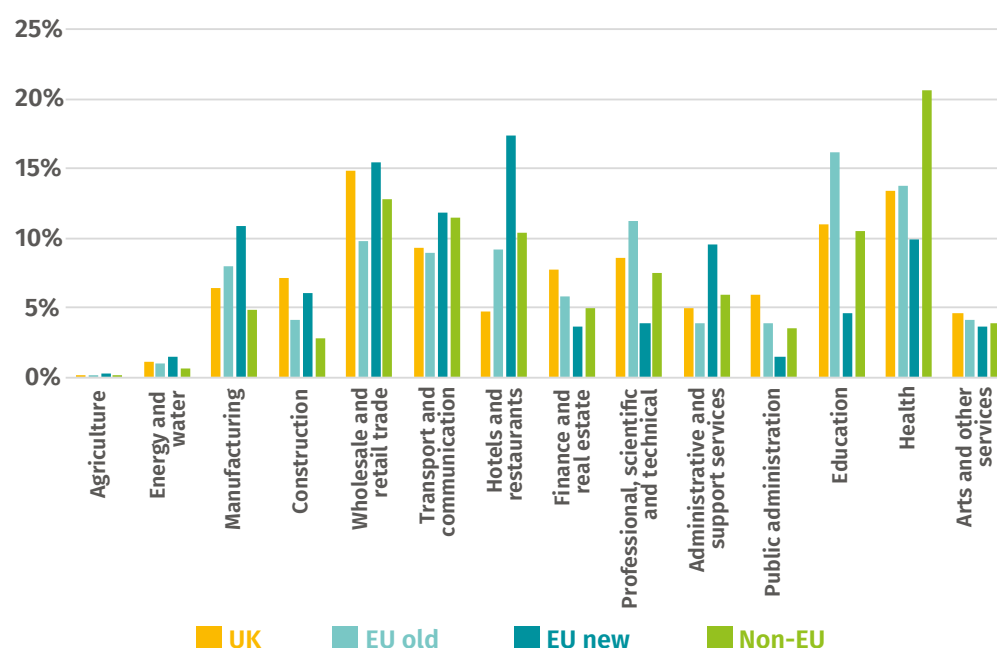
National insurance number registrations also provide data on gender and age of registration of adult overseas nationals. These figures indicate that registrants are evenly split between men and women, and they are largely young people: around four-fifths are aged under 35. A comparison with the national level data suggests that this skew towards young people is somewhat more pronounced in Bristol than in the UK as a whole. For instance, in 2018, 38 per cent of adult overseas nationals who registered for a national insurance number in Bristol were aged between 18 and 24, compared to 34 per cent nationally.

Certain parts of the Bristol economy are more reliant on migrants than others. While there is little recent information on the distribution of the Bristol migrant workforce across different sectors of the economy, the 2011 census provides a detailed breakdown. According to the census, in 2011 there were some striking patterns within the migrant workforce. EU migrants from the old member states were more likely than average to work in education, as well as professional services and hotels and restaurants. EU migrants from the new member states were highly skewed towards the hotels and restaurants sector, and were also more likely than average to work in manufacturing, transport and communication, and administrative services. Finally, non-EU migrants were more likely than average to work in health and social care, as well as – to a lesser degree – hotels and restaurants. To illustrate the contrast in labour market profiles: the most common sector for migrants from the old member states to work in was education, the most common for migrants from the new member states was hotels and restaurants, and the most common for non-EU migrants was health and social care (ONS 2017).

These figures also suggest that in Bristol in 2011 the hotels and restaurants sector was the most reliant on its migrant workforce: 33 per cent of the sector’s workforce were born outside the UK, and 15 per cent were born in the EU. Other sectors that were particularly reliant on migrant workers include health and social care (20 per cent of its workforce were migrants), administrative and support services (20 per cent), and transport and communication (19 per cent) (ibid).

FIGURE 2.4: EU MIGRANTS FROM THE OLD MEMBER STATES WERE PARTICULARLY LIKELY TO WORK IN EDUCATION, WHILE EU MIGRANTS FROM THE NEW MEMBER STATES WERE PARTICULARLY LIKELY TO WORK IN HOTELS AND RESTAURANTS

Distribution of workers across each industry by country of birth – Bristol, 2011



Source: IPPR analysis of ONS 2017

Notes: Industries have been grouped together for clarity.

Croatia is not classified as an EU member state in the census data.

In sum, our analysis suggests that Bristol’s migrant population has more than doubled since 2004. Migrants living in the city come from a diverse range of backgrounds, but new migrants looking to work in the region are especially likely to come from other EU countries, such as Spain, Italy and Romania. And certain sectors of the city’s economy – including hotels and restaurants, as well as health and social care – have become particularly reliant on their migrant workforce.

MIGRATION IN THE WEST OF ENGLAND: ANALYSIS OF THE ANNUAL POPULATION SURVEY

In order to further explore the role of migrants in the regional labour market, we have used data from the three-year pooled Annual Population Survey (APS 2015–2017). This survey combines three years of data from the APS, providing a larger sample to allow for more fine-grained analysis of migrant labour market outcomes. The data was analysed using the ONS Secure Research Service, because this allows for analysis at the local authority level. In order to ensure a sufficient sample size, we have expanded our focus in this section to focus on residents living within the

west of England region – those residents living in Bristol, South Gloucestershire, North Somerset, and Bath and North East Somerset local authority areas.

When analysing migration, we have used the country of birth variable in the APS, distinguishing between people born in the UK, people born in the EU14 (the old member states: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Portugal, Republic of Ireland, Spain and Sweden), people born in the NMS13 (the new member states: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia), and people born outside the EU.

We have used the three-year pooled APS in order to maximise our sample size. However, in some cases the sample size is still small and the estimates are therefore less reliable. Where cells correspond to absolute numbers below a threshold of 25, we highlight these in red in order to denote that there is greater unreliability in these estimates. The full list of tables – including the tables accompanying the below charts – is included in the annex to this report.

MIGRANTS IN THE WEST OF ENGLAND

We first use the APS to estimate the number of migrants in the west of England region. The APS suggests that approximately 11 per cent of residents in the west of England are migrants, according to the following breakdown.

TABLE 2.1: WEST OF ENGLAND RESIDENTS BY COUNTRY OF BIRTH (WEIGHTED)

Country of birth	Population (absolute numbers – rounded to nearest 1,000)	Population (percentage share)
UK	987,000	89
EU14	26,000	2
NMS13	27,000	2
Non-EU	70,000	6
Total	1,110,000	100

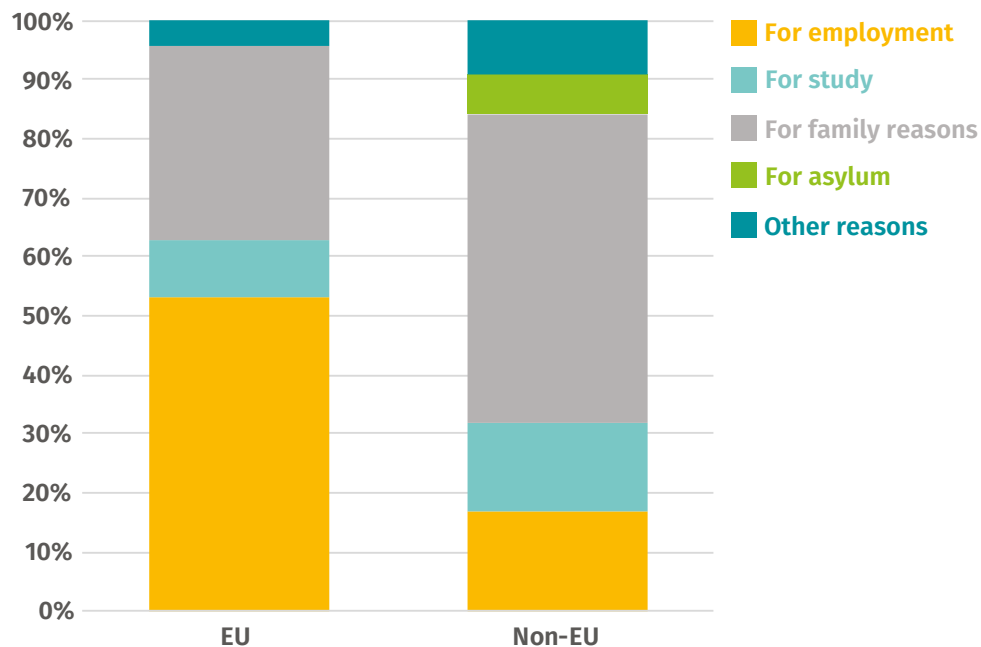
Source: IPPR analysis of APS 2015–2017

Note: 'No answer' values excluded.

Using the 2018 APS data, we are also able to explore why migrants come to the west of England region. (This question is not available for the three-year pooled sample.) We find that EU migrants in the west of England are most likely to have originally come to the UK for work, while non-EU migrants are most likely to have come for family reasons.

FIGURE 2.5: EU MIGRANTS IN THE REGION ARE MOST LIKELY TO HAVE COME TO THE UK FOR WORK, WHILE NON-EU MIGRANTS ARE MOST LIKELY TO HAVE COME FOR FAMILY

Main reason for coming to the UK by country of birth of west of England residents (weighted, percentage share)



Source: IPPR analysis of APS 2018

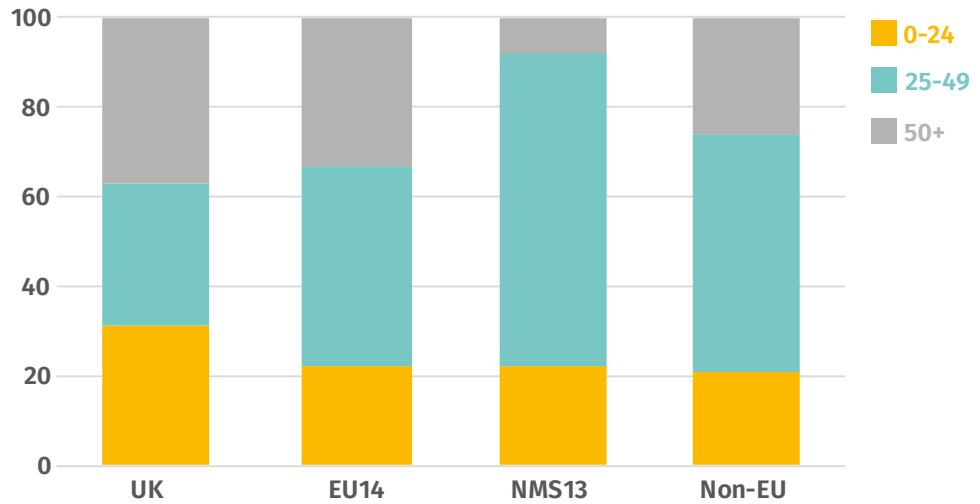
Note: UK-born residents excluded; only APS 2018 data used.

AGE PROFILE OF WEST OF ENGLAND MIGRANTS

Focussing on the age profile of migrants in the west of England region, we find that migrants – particularly those from the new EU member states – are more likely to be aged between 25 and 49 compared to UK born residents. This suggests that migrants are more likely to be in work and less likely to be using public services (such as schools and healthcare) than the region’s UK-born residents.

FIGURE 2.6: IN THE WEST OF ENGLAND, MIGRANTS ARE MORE LIKELY THAN UK-BORN RESIDENTS TO BE AGED BETWEEN 25 AND 49

Age by country of birth of west of England residents (weighted, percentage share)

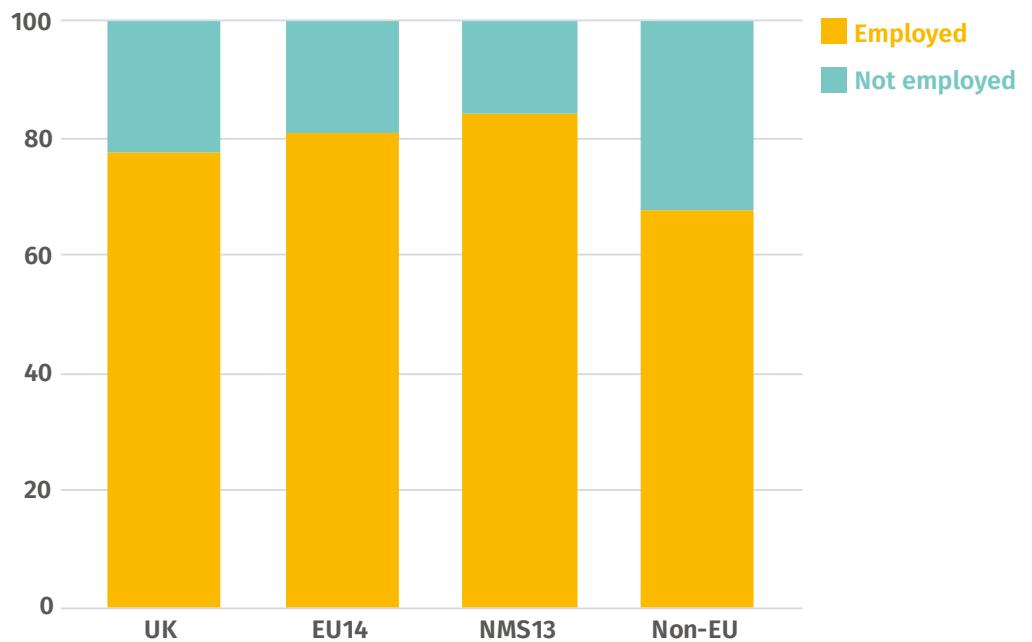


Source: IPPR analysis of APS 2015–2017

Note: 'No answer' values excluded.

FIGURE 2.7: IN THE WEST OF ENGLAND, THE EMPLOYMENT RATE OF EU MIGRANTS IS HIGHER THAN THAT OF THE UK-BORN

Employment status by country of birth of west of England residents (weighted, percentage share)



Source: IPPR analysis of APS 2015–2017

Notes: Only residents aged 16–64 included; 'no answer' values excluded; 'not employed' includes both unemployed and inactive populations.

EMPLOYMENT STATUS OF WEST OF ENGLAND MIGRANTS

Just as EU migrants in the region tend to be more likely to be of working age, they are also more likely than the UK-born to be in employment. The employment rate of NMS13 migrants in the west of England is around 84 per cent, compared to 78 per cent for UK-born residents. On the other hand, the non-EU employment rate is somewhat lower, at 68 per cent. This reflects the national trend: non-EU migrants tend to have lower employment rates, often driven by lower levels of employment among non-EU born women.

Breaking employment rates down by gender, we find that non-EU born women are less likely than non-EU born men to be in work, though the percentage point difference in employment rates is not significantly different from the gender gap for the EU- or UK-born. That is, women from all backgrounds are somewhat less likely to be in employment in the region.

TABLE 2.2: EMPLOYMENT RATE BY GENDER BY COUNTRY OF BIRTH OF WEST OF ENGLAND RESIDENTS (WEIGHTED, PERCENTAGE SHARE)

Country of birth	Male employment rate	Female employment rate
UK	81	74
EU	87	79
Non-EU	72	65

Source: IPPR analysis of APS 2015–2017

Notes: Only residents aged 16–64 included; ‘no answer’ values excluded.

OCCUPATION OF WEST OF ENGLAND MIGRANTS

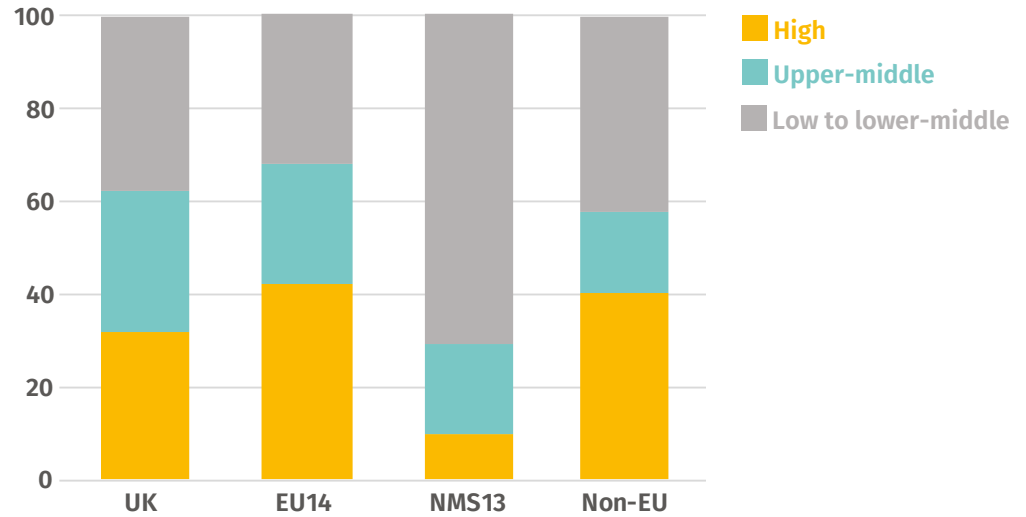
Given the high employment rate of EU migrants, what do we know about the types of jobs migrants are filling in the region?³ Our analysis of the APS indicates some striking differences across migrant groups. On the one hand, migrants from the old member states and from outside the EU are more likely than average to be working in high-skilled occupations; on the other hand, migrants from the new member states are concentrated in low- or lower-middle-skilled work. This reflects our analysis of census data (see figure 2.4), which suggested that EU migrants from the new member states tended to be working in lower-skilled industries, such as hotels and restaurants.

The analysis also suggests that both UK-born workers and migrants in the west of England tend to be in more highly skilled jobs compared to the national average (included in the below charts). The exception to this, however, is EU migrants born in the new member states – their occupational profile is similar to the national average. This indicates that, despite the success the region has had in creating skilled jobs, opportunities for skilled work are not filtering through to EU migrants from the new member states.

³ We have distinguished between different skill levels on the basis of standard ONS categorisations. Our categorisation is as follows: ‘high skilled’ includes residents working in occupations with SOC codes beginning 11, 21, 22, 23, and 24; ‘upper middle skilled’ includes residents working in occupations with SOC codes beginning 12, 31, 32, 33, 34, 35, 51, 52, 53, and 54; and ‘low to lower middle skilled’ includes residents working in occupations with SOC codes beginning 41, 42, 61, 62, 71, 72, 81, 82, 91 and 92.

FIGURE 2.8: IN THE WEST OF ENGLAND REGION, NMS13 MIGRANTS TEND TO BE CONCENTRATED IN LOWER SKILLED WORK

Occupation group by country of birth of west of England residents (weighted, percentage share)

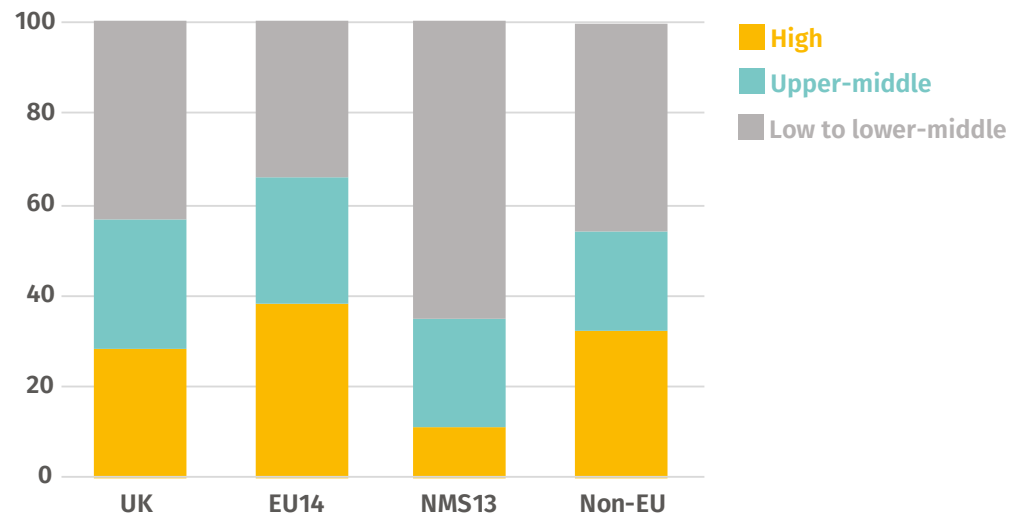


Source: IPPR analysis of APS 2015–2017

Notes: Only employed residents aged 16–64 included; ‘no answer’ values excluded.

FIGURE 2.9: WEST OF ENGLAND WORKERS TEND TO BE IN MORE HIGHLY SKILLED EMPLOYMENT THAN UK WORKERS AS A WHOLE

Occupation group by country of birth of UK residents (weighted, percentage share)



Source: IPPR analysis of APS 2015–2017

Notes: Only employed residents aged 16–64 included; ‘no answer’ values excluded.

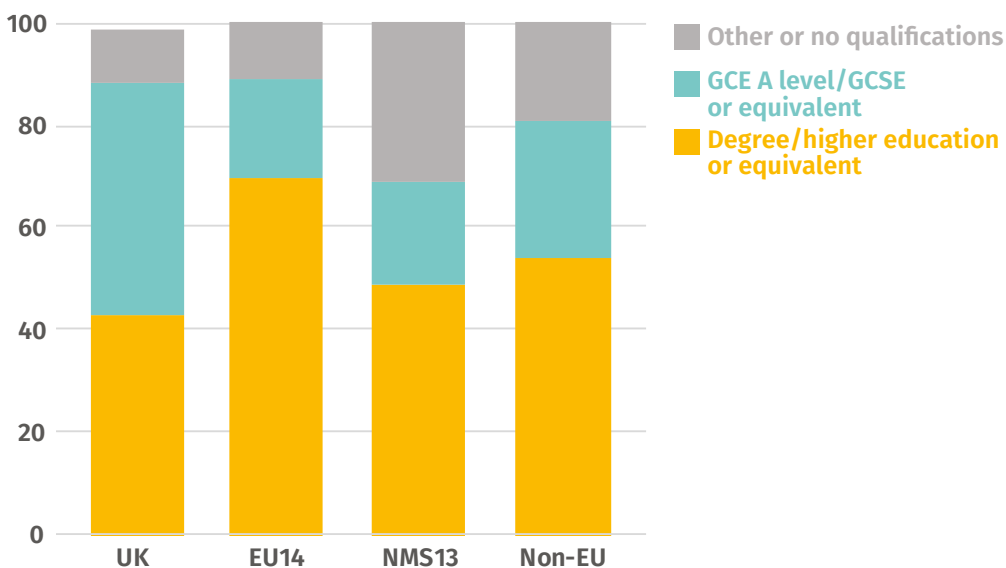
EDUCATION LEVEL OF WEST OF ENGLAND MIGRANTS

Our analysis of the APS indicates that migrants in the west of England have markedly high qualification levels. In particular, migrants from the old EU member states are very highly educated: more than two-thirds have degrees or higher education qualifications. But migrants from the new member states are also well-educated – around half have degrees or higher education qualifications – despite being concentrated in lower-skilled work. This suggests that significant numbers of new member state migrants in the west of England region are overqualified for their jobs.⁴

In general, it is important to note that workers of all backgrounds tend to be better educated in the west of England than in other parts of the UK. We have included the national picture below to allow for comparison between the west of England and the UK as a whole.

FIGURE 2.10: MIGRANTS IN THE WEST OF ENGLAND REGION – PARTICULARLY THOSE FROM THE OLD MEMBER STATES – ARE HIGHLY EDUCATED

Education level of west of England residents by country of birth (weighted, percentage share)



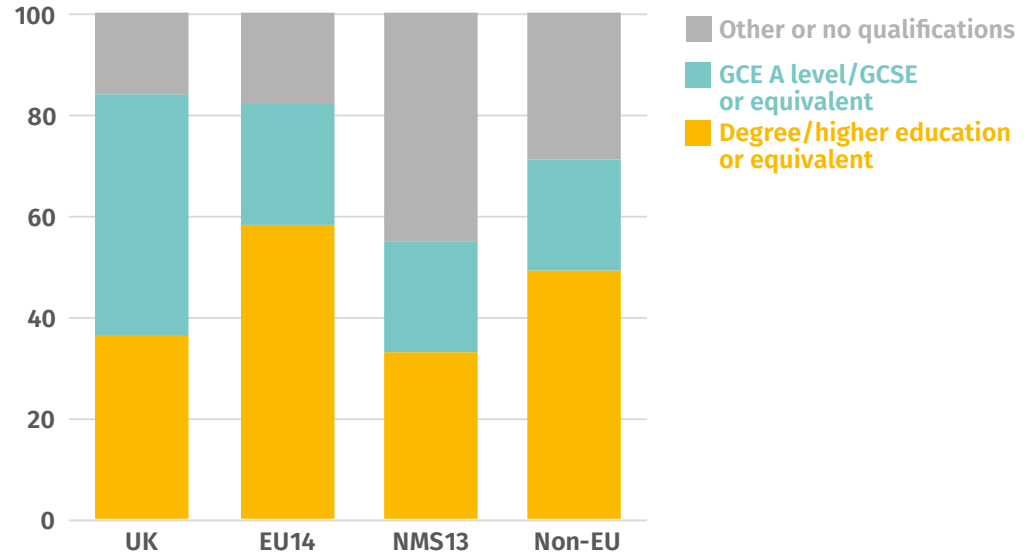
Source: IPPR analysis of APS 2015–2017

Notes: Only residents aged 16–64 included; ‘no answer’ values excluded; ‘don’t know’ values included in ‘other or no qualifications’.

⁴ Note that the high proportion of new member state migrants in the ‘other or no qualifications’ category is most likely due to many new member state migrants holding qualifications that cannot be straightforwardly classified in the UK system.

FIGURE 2.11: WEST OF ENGLAND RESIDENTS TEND TO HAVE HIGHER EDUCATIONAL QUALIFICATIONS THAN THE UK AVERAGE

Education level by country of birth of UK residents (weighted, percentage share)

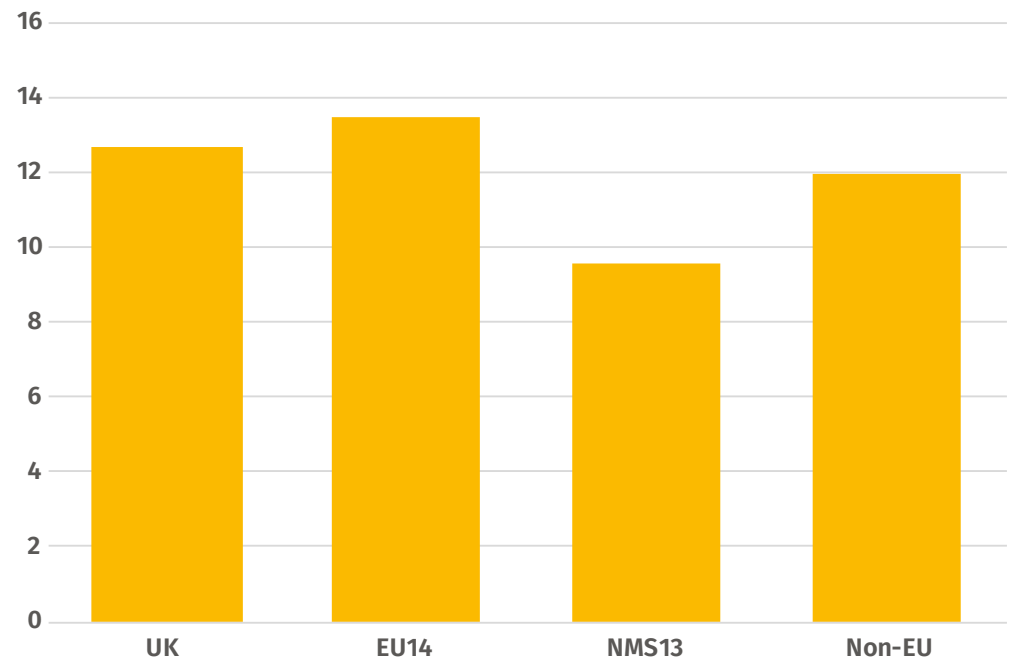


Source: IPPR analysis of APS 2015–2017

Notes: Only residents aged 16–64 included; ‘no answer’ values excluded; ‘don’t know’ values included in ‘other or no qualifications’.

FIGURE 2.12: EU MIGRANTS FROM THE NEW MEMBER STATES ARE ON AVERAGE PAID LOWER THAN THE OTHER GROUPS

Median wages by country of birth of west of England residents (weighted)



Source: IPPR analysis of APS 2015–2017

Notes: Only residents aged 16–64 included; only residents with earnings data included (excluding self-employed workers); ‘no answer’ values excluded; people with earnings below £1 per hour or in excess of £100 per hour excluded in line with ONS guidelines.

WAGES OF WEST OF ENGLAND MIGRANTS

Our analysis of wage levels of west of England migrants follows a similar pattern to our earlier analysis of occupations. EU migrants from the old member states and from outside the EU are on average paid approximately the same as UK-born residents, while EU migrants from the new member states are on average paid lower than the other groups. This is likely because they tend to be working in lower-skilled occupations, which generally offer lower earnings.

The analysis in this section suggests that migrants in the west of England region tend to be younger and more highly qualified than UK-born workers. Moreover, EU migrants from the old member states perform well in the regional labour market, given they are employed in relatively high-skilled jobs. But EU migrants from the new member states face greater challenges. They face little difficulty securing work – indeed their employment rate is higher than any other group. But, despite in many cases holding favourable qualifications, their employment tends to be relatively low-skilled and poorly paid. This raises particular challenges for how the post-Brexit immigration system will impact on Bristol, as we explore in the following sections.

3.

THE IMMIGRATION WHITE PAPER

In December 2018, the government published its white paper setting out future policy on immigration after Brexit (Home Office 2018). Drawing on the recommendations of the Migration Advisory Committee in its report on EEA migration in the previous autumn, the white paper proposed bringing EU and non-EU citizens into the same immigration system. It outlined how the new system will include a single immigration route for EU and non-EU skilled workers, based on the current Tier 2 (general) route.

This single immigration route will be the main way for migrants to come to the UK for work after Brexit. It will require skilled migrants to have a sponsor to be able to work in the UK. EU citizens will no longer be able to freely come to the UK to look for and find work. Instead, under this route they will need to find an employer to sponsor them for a work visa, just as non-EU citizens do under the current system. The job for which EU citizens are sponsored must meet certain requirements: it must meet a certain skill level, and it must offer a salary above a certain threshold (provisionally £30,000, though there are further consultations on the final figure). Employers will need to pay a series of visa fees and charges – most significantly, they will need to pay the immigration skills charge, which totals £1,000 per year for each sponsored migrant for medium-to-large businesses.⁵

In order to balance some of these new restrictions on immigration, the white paper also proposes some areas of liberalisation. The current cap on skilled work visas will be removed. The requirement for employers to carry out a ‘resident labour market test’ – in order to ensure the job is advertised domestically and settled workers are considered before migrant workers are hired – will be scrapped. The current skills threshold will also be reduced to allow medium-skilled jobs to be sponsored for work visas. This means that both highly skilled jobs (such as medical practitioners, architects and programmers) and medium skilled jobs (such as youth workers, police officers and estate agents) will be eligible professions, provided they meet the salary threshold. On the other hand, jobs considered lower-skilled – including bank clerks, painters and decorators, care workers, van drivers, farm workers, window cleaners, hospital porters, catering assistants and bar staff – will not be deemed eligible for the skilled work visa.

To manage the impacts on the labour market of this change to the immigration system, the white paper proposes a transitional measure for work-based migration. This measure gives migrants from certain ‘low-risk’ countries access to a visa allowing them to come to the UK and work in any sector and occupation (including low-skilled occupations) for a period of up to 12 months. After this period, there is a 12-month ‘cooling-off’ period before they can reapply for the visa. The visa will allow migrants to freely switch between employers or take up self-employment, but it will not entitle them to access to public funds, to bring dependents, or a route to permanent settlement. While the list of ‘low-risk’ countries has not been published, it is possible that this will coincide with the

⁵ Small business and charities pay a lower rate of £364 per sponsor per annum.

list of countries whose nationals are eligible to use e-gates: the EU/EEA member states, as well as Australia, Canada, Japan, New Zealand, Singapore, South Korea, Switzerland, and the USA. The system will be reviewed in 2025, when – depending on the review’s outcome – it may be wound down.

The Home Office is currently undergoing a 12-month process of engagement with business, local government and civil society on the proposals in the immigration white paper. As part of this engagement, the government has asked the Migration Advisory Committee to consider the appropriate salary threshold for the skilled worker route. Most recently, the new prime minister has announced a commitment to an ‘Australian-style’ points-based system and the Migration Advisory Committee has additionally been tasked with reviewing the Australian model as part of the UK’s post-Brexit immigration plans (Home Office 2019a). The new home secretary has said that the government will “build on the proposals in our white paper to create a fair new skills-based approach” (Patel 2019). This period therefore offers a critical opportunity to evaluate the current proposals, assess their implications for Bristol, and identify where improvements can be made.

4.

THE IMPLICATIONS OF THE IMMIGRATION WHITE PAPER FOR BRISTOL AND THE WIDER REGION

As we set out in chapter 1, Bristol and the west of England have experienced high levels of immigration from the EU over the past decade. But the government's proposals for ending the free movement of people within the EU signal a fundamental change in how the immigration system operates. According to the immigration white paper, the proposals will lead to an 80 per cent reduction in long-term worker inflows from the EU/EEA (Home Office 2018). Given the recent growth in EU migrants as a share of the Bristol and west of England labour force, the government's proposals could have significant implications for the region's labour market. In this section, we explore the implications of the government's proposals for the region, using data from the APS.

WHITE PAPER IMPACTS: DATA ANALYSIS

Drawing on the earlier analysis of APS data in chapter 3, we have developed an assessment of how the west of England region would be affected by the proposals set out in the government's immigration white paper. The assessment is calculated by estimating the proportion of EU migrants working in the region who would be eligible under the proposed skilled worker route after Brexit. It should be noted that, under the government's proposals, EU migrants currently living in the UK will be entitled to continue to live and work in the UK after Brexit. Therefore, while our estimates apply the proposed rules to EU migrants currently living in the west of England, this should be understood as indicative of how the government's white paper might affect future flows of migration into the region.

We calculate our estimate based on a simplified model of the government's proposals. We identify EU migrants who are occupied in a medium- or high-skilled job (as defined by the Home Office's codes of practice for skilled work – Home Office 2019b) and who are also earning at least £30,000 per annum.⁶ EU migrants who meet these two criteria are defined as eligible; the remainder are ineligible. This is clearly a simplified version of the proposals, as it does not factor in the lower salary threshold for new labour market entrants, the individual occupational salary thresholds, the exemptions for certain public sector workers such as nurses, and other nuances in the current system. Moreover, the £30,000 threshold is not confirmed in the white paper (though it was proposed by the Migration Advisory Committee in their final report to government). For these reasons, our calculations should be viewed as illustrative of the effects of the government's proposed changes to the immigration rules.

⁶ Only employees are included, since the APS does not include data on the earnings of self-employed workers.

Our analysis suggests that around 75 per cent of EU migrants would not be eligible under the proposed rules. This is a strikingly high figure: despite the relatively high skill levels of many EU migrant workers, the vast majority would nevertheless be ineligible. This is because the skills and salary thresholds suggested by the government are demanding. It is clear from this analysis that the system outlined in the white paper would have a dramatic impact on the inflow of migrants to the West of England region and to employers' ability to recruit workers from abroad. This is broadly in line with IPPR's analysis at the UK level: we would expect a similar share of EU migrants to not meet the eligibility criteria of the proposed skilled worker route across the UK overall (IPPR 2018).⁷

TABLE 4.1: HYPOTHETICAL ELIGIBILITY OF EU-BORN MIGRANTS IN WEST OF ENGLAND REGION UNDER PROPOSED SKILLED WORKER ROUTE IN IMMIGRATION WHITE PAPER (WEIGHTED, PERCENTAGE SHARE)

	Eligibility under the white paper proposals
Eligible	23
Not eligible	77
Total	100

Source: IPPR analysis of APS 2015–2017

Notes: Only EU-born residents aged 16–64 included; only residents with earnings data included (excluding self-employed workers); 'no answer' values excluded; people with earnings below £1 per hour or in excess of £100 per hour excluded in line with ONS guidelines.

Our analysis suggests that the government's proposals for restricting migration after Brexit are likely to have a substantial impact on labour supply to the west of England region. This is, in part, because EU migrants from the new member states are relatively low-paid and are concentrated in lower-skilled work. But it is also because the conditions required in the government's proposals are demanding and affect large shares of the EU population – even those who are not in very low-skilled work or on very low pay. Given the growing reliance of the region on EU migration, a change of this sort to the current system is likely to have major implications for the regional economy.

WHITE PAPER IMPACTS: THE BUSINESS PERSPECTIVE

Given that our analysis indicates that there could be a significant restriction in the labour supply to Bristol, what are employers' perspectives on the proposed changes to the immigration rules? This section summarises the views of businesses from throughout Bristol and the wider regional economy, based on quarterly economic surveys (QES) and in-depth interviews conducted by Business West.⁸

Our research shows that the needs and preferences of businesses vary across a range of factors, including sector, export status and turnover. Our interviews suggest that there are some key sectors of the economy pivotal to the region's industrial strategy – including advanced engineering and aerospace, technology and software, and the creative industries – that are likely to be exposed to the government's post-Brexit immigration proposals (BEIS/MHCLG 2019). The

⁷ Note that these two pieces of analysis are not directly comparable, due to differences in definitions and the time period of the data used.

⁸ The quarterly economic surveys (QES) are run by Business West, who send a survey to businesses in the west of England each quarter. Some questions are asked consistently for each QES, while others are particular to the key issues of the moment. The interviews were conducted by Rohan Roy from January to July 2019. Selection criteria was based on business responses to QES questions.

research also suggests that the proposals pose a wider challenge to other functional parts of Bristol's economy, such as transport and distribution, international sales, and tourism.

The quantitative evidence indicates that many companies in the region will not be directly affected by the government's proposals: around 60 per cent of business respondents said that EU membership was not important to their business with respect to the recruitment of workers. However, a significant minority of around 20 per cent of respondents said that EU membership was important for recruitment. Exporting companies and companies with larger turnovers were more likely to agree on the importance of EU membership for recruitment (Business West 2016, N=338).

Of those businesses who had dealt with the current non-EU migration system, a significant minority were negative about the experience, with around 30 per cent of businesses saying that it was either 'difficult' or 'very difficult' to use (Business West 2019a, N=28). Within this minority, there were reports of negative experiences with Home Office decision-making. These factors contributed to a feeling of scepticism among some businesses over the Home Office's capacity to fairly administer a post-Brexit migration system.

In addition to concerns about the institutional capacity of the Home Office, interviewees made several policy-based criticisms of the white paper proposals. First, there was a strong aversion to the minimum earnings and skills requirements in the white paper. These requirements were perceived as unrealistic for most businesses interviewed, reflecting the views of national business groups (CBI 2018). They were also seen as particularly challenging for the South West, which has an unemployment rate of 2.4 per cent – the lowest of all the regions of the UK – and so would struggle to fill shortages with the resident labour force (ONS 2019e).

Second, there was a resistance to the temporary migration route, which businesses warned would encourage higher staff turnover. Businesses noted that a 12-month period was not long enough to make a return on employees after training, particularly if migrants had already spent some of this time in the UK before employment.

Third, businesses expressed concerns about navigating the future sponsorship system in relation to EU citizens after Brexit, which requires paying visa fees, as well as the immigration skills charge. As Luke Piper from South West Law outlined, this route is significantly more expensive for employers than the current system, where EU citizens can be recruited and hired on the same basis of UK citizens. According to Piper, once the costs of bringing applicants' dependents into the country are included, sponsoring an individual applicant can easily cost several thousands of pounds.

However, alongside the concerns of businesses in our surveys and interviews, it is also important to highlight three qualifications. First, as noted above, many companies in the region will not be affected by the government's proposals, as they currently do not rely on EU migrants for their workforce. The views presented here therefore represent a minority of businesses in the region.

Second, the white paper outlines proposals to make it easier for businesses to recruit migrant workers from outside the EU, such as the reduction in the skills threshold and the simplification of the sponsorship route. This would be unlikely to have a large effect on overall migration flows, but may help to mitigate the effects of restrictions in EU migration.

Third, as the Migration Advisory Committee noted in their interim report on EEA migration, in general a restriction in the supply of labour to the UK is unlikely to result in significant vacancies in the long term. Instead, we would expect the labour market to adapt to the new migration policy over time and stabilise at a lower rate of employment growth (MAC 2018).

Even accounting for these qualifications, it is evident that businesses currently reliant on EU workers would face significant short-term disruption as a result of the government's proposals, and that they would most likely experience slower growth in the long run. Where this affects key sectors – including those instrumental to the region's industrial strategy, such as advanced engineering, tech, and the creative industries – this could have a sustained impact on Bristol's economic ambitions.

In the following sections, we summarise the perspectives on the white paper of a number of different sectors in Bristol and the surrounding region, from technology and software to social care. These sector case studies draw on our interviews with employers across the region.

SECTOR CASE STUDIES

Advanced engineering and aerospace

In the west of England, the advanced engineering and aerospace sector is responsible for more than 28,000 jobs and represents a significant part of the regional economy (BEIS/MHCLG 2019). The region hosts the UK's largest aerospace cluster, with businesses such as Airbus, Rolls Royce, GKN, and BAE Systems supporting a dense network of Tier 2 suppliers (Business West 2019b).

The firms we spoke to in the sector expressed their concerns about the proposals in the government's white paper. One valve manufacturer said that the minimum earning requirement was “an unsuitable and commercially uninformed sum to ask from SMEs [small and medium-sized enterprises] competing in the international market”. A global engineering company furthered this point, noting that “there is a shortage in the UK for the skills we require in certain areas”. They added that they do not recruit internationally, but rather that “often European employees were in the UK before joining us, working in low-skilled jobs such as bar work while they applied for jobs that fit their educational level and discipline”.

The impact of the government's proposals is likely to vary across the sector. Within the region, Tier 1 companies such as Airbus and Rolls Royce have regional supply chains consisting of a multitude of Tier 2 companies. These Tier 2 companies currently rely on both skilled engineers and factory floor and machine-operating staff. For more highly skilled roles, large employers in the sector should be better placed to navigate the future skilled work route. But smaller employers and employers recruiting machine operators are likely to face greater difficulties. For a sector that plays an important role in the west of England's industrial strategy, this is a key concern for the region.

PETER MARCHBANK, MANAGING DIRECTOR, ROTARY PRECISION INSTRUMENTS UK (RPI) UK LTD

“RPI is a 75-year-old aerospace business, offering design and manufacture enabling technology to aerospace and advance engineering companies. Brexit will undoubtedly be negative for our ability to recruit the right workers. The level of access to the EU labour market will have a big effect on the UK industry, since most aerospace companies are reliant on skilled EU labour to meet current demand ... Most migrants are on the engineering

rather than the manufacturing side. This is reflective of the fact that there is a shortage of local engineering graduates – to the extent that the UK is now too far behind to catch up...

“All advanced engineering and aerospace companies are having to automate because it is a growth market and we are always playing catch up. However, these processes are not replacing skills but rather supplementing them. We still need skills for such things as design, research, innovation etc. Foreign language skills are also very important to us as we are in a global market and people deal with people. The UK-EU market is second only to the US. If it becomes more difficult to employ the right staff we will be forced to set up satellite facilities in the EU. This will result in fewer jobs in the UK.”

Technology and software

Bristol is one of the UK’s major technology hubs. As the host of offices of major international technology companies such as software firm Oracle, Bristol is the UK’s most productive technology region (Tech Nation 2018). In the West of England, the sector specialises in software engineering, web and mobile development, system design and integration, robotics and artificial intelligence (Business West 2019c).

The tech firms we interviewed highlighted concerns over skills shortages in the sector. One IT firm stated that the “UK has a massive IT skills shortage”, adding that it “definitely won’t resolve in the short to medium term”. Another tech start-up agreed, explaining that there was “a general shortage of qualified people” in the sector and that “over one-third of our employees are from the EU”.

In this context, tech firms also highlighted their concerns over the proposed future immigration system. The tech start-up previously mentioned explained that the “recruitment and retention of highly skilled, specialised staff is of paramount concern”. The firm said that, if the extra time, bureaucracy and cost of employing people from outside the EU were applied to those employed from the EU, then this “would put us at a clear disadvantage” and make the UK less attractive to high-skilled workers.

The tech sector is, in relative terms, one of the best placed of our case studies to adapt to the future immigration system outlined in the white paper, because migrants are often employed at or above the proposed skills and earnings requirements (IPPR 2018). The sector relies, however, on the ability to attract and recruit international talent. While the simplifications to the current sponsorship route could make it easier for the industry to employ migrants from outside the EU, recruiting EU citizens is likely to be much more costly. This could be particularly challenging for smaller firms and those that rely on employing freelancers. The white paper proposals therefore risk inhibiting the growth and vibrancy of the Bristol and Bath tech cluster.

CHARLOTTE ADDISON, HR AND OPERATIONS MANAGER, FELINESOFT

“Felinesoft is a B2B software company with a turnover between £1–10 million. The ability to recruit workers from the EU has been important to our MO. We struggle to fill some of our technical roles from within the UK due to the shortage of relevant skills. We have found it particularly difficult to find the right candidates for CRM developer roles. As a whole company, 23 per cent of our current employees are on EEA passports. Most have been living in the UK for years, but our concern is finding such talent after Brexit. The EU nationals that we employ are highly skilled, technical and hard-working people. They also tend to stay with the company for a long time, which is a big benefit for us and helps to foster a positive and diverse work culture. It could be damaging to our expansion plans if the current supply of skilled workers becomes more limited than it is already...

“14 per cent of our current employees are from outside the EU and are sponsored by us. The process of setting this up is time consuming and costly. We have invested in it when necessary, however the prospect of doing this for all recruits from the EU (around 40 per cent of all new recruits) would be very costly. We are going through a period of growth, with our workforce set to increase 40 per cent in 2019, therefore this would hurt our bottom line and would limit our growth immensely.”

Creative

Bristol has a strong creative industries sector, contributing £500 million GVA to the local economy and employing 17,000 people (Mateos-Garcia et al 2018). The region has a leading reputation in film and television production. Bristol is a UNESCO City of Film and Channel 4 recently selected Bristol to host one of its new creative hubs (Business West 2019d).

The nature of employment in the creative industries is quite different to those in other sectors. The sector is made up of significantly more freelancers, who are often employed on short-term contracts to deliver specific projects (CIF 2019). Furthermore, for both individual and touring shows, migrants are often expected to be working in the country within days of their employment. Currently, non-EU migrants coming to the UK on short-term projects use a tier 5 temporary creative worker visa, which requires a sponsor. Respondents noted that, if applied to EU citizens as well, this route would impose additional costs and bureaucracy on businesses compared to the status quo.

While the 12-month temporary work route discussed in the white paper is designed to address short-term requirements, the businesses we interviewed highlighted several problems with this route. They commented that the 12-month limit would force hard deadlines onto inherently uncertain projects, and that the 12-month cooling off period would make it inappropriate for short-term projects, tours and one-off shows.

The increased costs to UK-EU collaboration described above would inevitably create barriers between the UK and EU creative sectors. For these reasons, creative firms in the region emphasised the need for a flexible immigration system to manage their particular needs. A film company stated that budding artists often do multiple jobs while working on projects, and that therefore the minimum earnings requirements were “detached from the reality of the cultural industries”. Likewise, another firm in the sector argued that “everything that makes it harder for us to hire European talent makes it harder for us to compete”.

The creative industries are a key sector for the Bristol economy and central to its reputation as a cultural centre of excellence. They are also a priority sector for the west of England's industrial strategy. As in the rest of the UK, the creative industries in Bristol are deeply embedded in a pan-European network of art and culture. Creative firms were therefore concerned that the proposed immigration system risked undermining these opportunities for international collaboration.

**DAVID SPROXTON, FOUNDER AND EXECUTIVE CHAIRMAN,
AARDMAN ANIMATIONS LTD**

“My concerns about Brexit are about how it will affect the industry as a whole in the UK, and of course Aardman in particular. My views are broadly in line with those of Animation UK and UK Screen Alliance, who have shown how necessary EU workers are to our profession. Their data shows that the VFX industry has grown much faster than other parts of the British workforce, and this has been in large part due to the ability of the UK to attract skilled and creative EU workers. They make up about 33 per cent of the VFX workforce in the UK [UK Screen Alliance and Animation UK 2017]. A drop in that number – as has already happened since the vote – will adversely affect the industry. European staff provide a unique asset, in part because of the longer and more vocational training they receive and in part because they bring a different cultural nuance, which adds to the creativity and innovation of our productions. Losing the pool of EU talent would put us at a disadvantage.”

Hospitality and tourism

In 2017, there were an estimated 60,000 jobs within the hospitality and tourism sector in the west of England region (Business West 2019e). The industry is particularly exposed to restrictions on freedom of movement, as it is one of the largest employers of EU workers. The sector continues to experience shortages, including for chefs and for housekeeping roles (UK Hospitality Workforce Commission 2030 2018). Of the businesses responding to the Business West Skills and Training Survey, 18 per cent reported hard-to-fill vacancies in the last 12 months. Of those, 14 per cent were in semi-skilled or unskilled roles.

Firms in the hospitality industry have reported significant recruitment challenges since the referendum. One pub and restaurant described how their workforce typically includes several EU citizens, and their staff are generally at the low end of the pay scale. The firm claimed: “we have found it very difficult to fill positions since the Brexit vote”, adding that they are “now under massive pressures and ... [are] very concerned about further tightening if the EU labour market becomes unavailable.”

Of all the sectors in the region, the hospitality and tourism sector is likely to be most affected by the immigration white paper's proposals, given that their EU workforce is both large and relatively low-paid. It is therefore likely that employment growth in hospitality and tourism will slow substantially as a result of the government's plans. There may be an option to use the 12-month temporary work route for some placements, but this relatively short time period will not be suitable for employers who want to train up and retain their migrant workforce. The sector may be forced to adapt to more constrained employment growth in the coming years.

MARK PAYNE, GENERAL MANAGER, THE BRISTOL (DOYLE COLLECTION)

“We are one of Bristol’s premium hotels and part of a prestigious group of hotels. Our workforce comprises 70 per cent non-UK [employees], the vast majority of whom originate from the EU. EU citizens work in all areas of the company, from low- and semi-skilled work such as cleaning and bartending, to administrative and managerial roles. These different employment areas present their own challenges. For instance, housekeeping and cleaning are particularly difficult jobs to fill...

“If the labour market is further tightened by increased restrictions on migrants, then wages would rise slightly in an effort to become more competitive. We would like to have been able to raise wages already, but our margins haven’t increased in 10 years, so any raise would eat into the company. We cannot increase the efficiency of our workers or automate parts of the labour force because these roles are human-centric ... Restrictions on the ability of the hospitality sector to operate cost-effectively will have knock on effects for the city and broader regional economy.”

International sales

Business West’s survey of businesses in the west of England suggested that exporting businesses tended to be particularly concerned about the implications of the end of free movement rules for their workforce. Around 42 per cent of exporting businesses said that they foresaw staffing difficulties as a result of Brexit, compared to 31 per cent of non-exporting businesses (Business West 2019f, N=199). In an earlier survey, out of those companies that employed EU citizens, 45 per cent of exporting companies said that the EU workers in their company were ‘very important’, compared with 29 per cent of non-exporters (Business West 2016, N=97).

In our interviews, participants highlighted the specific recruitment needs of exporting firms, in light of their international outlook. One logistics firm explained: “foreign language skills are a vital part of multiple areas of the business ... in many ways, we have these language skills so that UK companies who export through us don’t need them”. Likewise, a global hygiene products company said that the “UK does not produce enough language graduates who can negotiate the linguistic and cultural nuances of doing business in other languages.”

Exporting has been shown to have a positive relationship with R&D spending, which is, in turn, linked to innovation (Harris and Moffit 2011). Exporting companies are therefore important drivers in improving the region’s economic performance. Moreover, it is clear that some exporting companies working in global markets with international clients and delivery firms benefit from the linguistic and cultural knowledge of migrants (see Ottaviano et al 2016, for example). The proposed reforms are therefore likely to have direct consequences for the performance of exporting firms.

For firms in the region currently using the non-EU immigration system, the white paper proposals could help to streamline and simplify their sponsorship applications. But, for many firms, there are likely to be challenges in adapting to the non-EU system proposed in the government’s white paper, particularly in terms of meeting the proposed skills and salary thresholds. This could have important implications for the west of England’s industrial strategy, which prioritises driving up exporting among SMEs (BEIS/MHCLG 2019).

ROGER PROCTOR, MANAGING DIRECTOR, PROCTOR AND STEVENSON

“We export around 75 per cent to Europe, the US and the far east. Currently being part of the single market makes it easy for everyone to deal with each other and gives certainty. We face skills shortages, especially in digital, which is having a ‘strangle’ effect on expansion. We employ 12 different nationalities because the talent we need is global and they bring vital language skills, and we face severe digital skills shortages in the UK. Across Europe alone we work in 23 different languages. We have had to significantly raise the salaries of our European staff to encourage them to stay in the UK. Continued access to skilled EU staff is vital to us and our ability to export, but it also needs to be easy and affordable to employ them as anything else will hurt our margins and competitiveness, and damage our ability to help offset the UK’s balance of payments deficit.”

Social care

Against a backdrop of a projected national funding gap of £3.6 billion by 2024/25, adult social care is a core priority area for Bristol City Council (LGA 2019). In a context of substantial labour shortages – Skills for Care estimates that around 8 per cent of roles in adult social care in England are vacant (Skills for Care 2018) – and a rapidly ageing population, the ability to recruit migrant workers in social care is of critical importance for the sector. Currently, around 8 per cent of the workforce in England are EU nationals, and the EU share of the workforce has risen in recent years (ibid).

In interviews with local social care providers in the Bristol area, respondents painted a picture of a sector reliant on its EU migrant workforce, with seven Bristol City Council-commissioned providers sharing that the composition of their workforce broadly reflected the national average. Challenges faced by the sector include staff shortages, with one provider reporting that: “there is huge competition in the care sector and high employment in Bristol, meaning that recruitment is a constant challenge”. The shortage of staff means that, for social care employers, the recruitment of non-British nationals is not necessarily about their “specific skills or requirements”, but rather about the need to fill vacancies in the context of a workforce crisis.

Interviewees expressed concerns about the proposed salary thresholds, given all the providers said that the starting salary for their staff was below £30,000, and that most staff were unlikely to progress to salaries above this amount. Information provided to us by Skills for Care confirms that the estimated median salary for European (non-British) care workers in Bristol is £15,900 – far below the proposed salary threshold.⁹ In any case, most roles in social care do not meet the government’s proposed skills threshold – the occupation group ‘care workers and home carers’ is defined by the Home Office’s codes of practice for skilled work as ‘lower-skilled’ (Home Office 2019b).

A key concern of the social care providers we interviewed was their ability to navigate the non-EU immigration system in the aftermath of Brexit. Until now, the majority of providers reported that they had no experience of doing so. Two providers who were familiar with the system told us that it “seems very rigid and causes staff stress”.

The white paper proposals raise serious challenges for a sector that is understaffed, relies on low-paid workers, and is ill-equipped to navigate a

⁹ This figure was calculated from Skills for Care’s NMDS-SC (national minimum data set for social care).

wholesale transformation of immigration policy. Even if the sector is able to respond to the end of free movement in the long run, the short-term consequences of such a change is likely to be considerably disruptive for the sector, with concerning implications for the provision of care across the city.

**BARRY EDWARDS, MANAGING DIRECTOR, MARIA CARE
(SOCIAL CARE PROVIDER IN WESTON-SUPER-MARE)**

“About 16 per cent of our workforce of 50 are EU nationals ... Despite the common narrative, we do not employ EU staff because they are cheaper than UK nationals. Instead, we employ them when they are right for front line adult social care work – which requires emotional intelligence, empathy and a caring nature ... Training amounts to 27 separate courses over three years, meaning that experienced staff are evidently skilled, despite it not being a high-paid sector ... The whole social and health care sector is concerned about a shortfall in staff ... If I could find the staff I would be able to double the size of the company, meaning that people who need care would not be left behind on waiting lists. [If there is a further restriction in the labour market] then we would be competing for the same staff as other companies, when in fact we need to be growing the net number of staff in the sector.”

5.

RECOMMENDATIONS

We end the report with a series of recommendations based on our analysis of migration in Bristol and the implications of ending freedom of movement for the city. Our recommendations are directed to central government, in order to ensure the post-Brexit immigration system works for Bristol's ambitions for inclusive growth, and to Bristol itself, in order to ensure the city's labour market is fully prepared for the changes envisaged by the government's immigration white paper.

RECOMMENDATIONS FOR THE HOME OFFICE

1. Provide a forum for local and combined authorities to directly input into immigration policymaking

As IPPR's previous research has explored, the needs and experiences of local labour markets across the UK differ in important ways. A centralised process of immigration policymaking will struggle to reflect the priorities of different parts of the country. As the government develops the new immigration system, there needs to be a formalised process for local areas and regions to contribute to policy discussions. This could be through a regular forum for local and combined authorities, alongside other key local and regional stakeholders, to feed into policy conversations and provide assessments of government proposals.

As part of this localised approach, the government could also consider building in variations in the immigration system to account for different employment rates across the UK. In both Bristol and the South West, the labour market is particularly tight, and so it is likely to be harder to adapt to the government's proposals for restricting free movement in those areas compared to other parts of the UK. The forum proposed here could therefore consider varying immigration rules to account for these differences – for instance, allowing more exemptions for shortage occupations in regions where there is evidence of lower rates of unemployment.

2. Reconsider the salary and skills thresholds, particularly for key strategic industries such as social care

The government's proposals would restrict businesses in Bristol and the west of England from sponsoring EU workers in a range of roles. For industries and occupations with particular significance for the region's industrial strategy and public services, this could pose a serious challenge for the regional economy. As our earlier analysis indicated, despite Bristol and the west of England's profile as a highly skilled labour market, the vast majority of EU citizens working in the region nevertheless fall foul of the skills and salary thresholds. This suggests that the thresholds would have significant impacts not just on lower-skilled and lower-paid sectors, but also on parts of the economy traditionally seen as more highly skilled.

There are several potential ways to address these challenges. Many business groups have called for the overall salary threshold to be lowered. This would help some businesses to recruit overseas workers, but would not help those employers looking to fill roles that do not meet the skills threshold for

sponsorship. It would therefore be sensible to combine any changes to the overall salary threshold with salary and skills exemptions for occupations where there is evidence of serious skills shortages or where the work is of significant public value. For instance, given the requirements of the region's social care services, there is a need for flexibility in the recruitment of care workers from abroad. At a minimum, therefore, the government should reconsider the proposed salary and skills thresholds in order to factor in specific exemptions for priority occupations such as adult social care workers.

The government should also revise its approach to the temporary work route. The businesses we interviewed raised serious concerns about the route, noting that 12 months is too short a length of time to properly train up and invest in new workers and would lead to considerable churn within their workforce. The temporary route also inhibits integration – the strict time limit discourages migrants from learning English and involving themselves in the local community. The government should reconsider this route – for instance, by extending the 12 month time limit, shortening the 12-month 'cooling-off' period, or offering pathways to settlement for workers who use this route – in order to make it viable for business and support the city's wider approach to social integration.

3. Encourage businesses to support inclusive growth and tackle inequality in the city through the migration system

As this paper noted in the introduction, Bristol's economy contains substantial educational and labour market inequalities, including for its migrant workforce. Inclusive growth is a key component of Bristol's One City Plan (BCC 2019). The west of England's industrial strategy also places inclusive growth as a core priority and has committed to providing targeted support to deprived communities, boosting employment and skills provision, and improving physical and digital infrastructure (BEIS/MHCLG 2019). But there is also a role for national government in the process of developing immigration policy. Where feasible, the migration system should be designed to encourage employers to contribute more to tackling inequality and supporting inclusive growth in the region. The new sponsorship system could offer visa benefits to employers who are making a sustained effort to address these issues – by, for instance, paying employees the real living wage, investing in skills and training for local residents, and supporting English language training for their overseas workforce.

RECOMMENDATIONS FOR BRISTOL CITY COUNCIL

1. Support existing residents to fill skills shortages in the local economy

Many of the employers interviewed for this paper expressed concerns about the prospect of new skills shortages arising from the proposed changes to the immigration rules. In the tech sector, for instance, businesses highlighted that restricting freedom of movement could exacerbate pre-existing shortages in IT skills. To help mitigate the consequences of the government's proposals for skills shortages in the city, the local authority should explore how more can be done to upskill local residents to fill these positions.

As highlighted earlier in the report, the city of Bristol contains considerable economic divides – across place, class, and ethnicity. A strategy intended to address skills shortages should therefore focus on equipping those residents currently excluded from labour market opportunities with the skills and qualifications to fill these roles. This could involve enhancing careers provision, strengthening links between education and training providers and local employers, and ensuring that education and apprenticeship

opportunities are aligned with the specific skills shortages expected to emerge due to restrictions on freedom of movement.

2. Encourage the labour market integration of existing migrants

One way of addressing the impacts of the government's immigration white paper proposals is to make greater use of the skills of the existing migrant workforce. Our analysis of the APS suggests that non-EU citizens in the west of England are significantly less likely than average to be in employment, while EU citizens from the new member states are particularly likely to be overqualified for their work. The skills and talents of Bristol's existing migrant population are therefore in many cases going to waste.

Bristol's City Funds, a place-based community fund that aims to tackle local challenges, has published a number of useful recommendations for improving the labour market integration of Bristol's migrants (City Funds 2019). One key priority area is English as a second or other language (ESOL) support, as learning English is a key indicator of successful labour market integration (Morris and Hochlaf 2019). The government has recently devolved powers over the adult education budget – which includes ESOL provision – to a number of combined authorities, including WECA. The council should aim to work with WECA and other stakeholders to explore how to expand ESOL provision, in order to ensure Bristol's migrants have access to free or affordable English language provision across the city.

3. Improve the working conditions of employees in low-paid sectors currently reliant on EU migrants

In some key sectors of Bristol's economy currently reliant on EU migrants – for instance, hospitality and tourism – employers face significant challenges attracting UK-born workers. The government's proposed changes to immigration policy will make it considerably harder to recruit EU workers, which will increase pressures on the sector to recruit from the UK workforce. Supporting employers to increase their attractiveness to UK workers could help to mitigate some of the impacts of the white paper reforms.

While central government has a key role in supporting these sectors to improve their attractiveness, Bristol can also play a part in encouraging improvements in working conditions. A key priority should be to facilitate higher wages across the city – for instance, by expanding its efforts to work with businesses to guarantee a real living wage for all Bristol employees. Given the high proportion of EU migrants working in hotels and restaurants, this sector should be a key priority for Bristol's living wage campaign.

6. CONCLUSION

Over the past two decades, migrants have played an increasingly important role in Bristol's labour market. The number of EU migrants in Bristol and the wider west of England region has increased significantly since the accession of central and eastern European countries in 2004. Our analysis suggests that EU migrants in the region tend to be young, highly qualified and in employment. There are, however, some key differences within the migrant workforce: those from the old member states tend to be in highly skilled jobs, while those from the new member states tend to be in lower-skilled jobs and are relatively poorly paid.

The government's proposals for ending free movement and creating a single work immigration route for EU and non-EU migrants pose a serious challenge for the region. Our analysis suggests that the vast majority of EU migrants currently in the region would not be eligible for a skilled work visa under the government's proposals if the new immigration system was applied to them. The immigration proposals outlined in the white paper are therefore expected to have major implications for the region's labour market. Our interviews with businesses suggest that employers in sectors critical to Bristol and the west of England's industrial strategy – including advanced manufacturing, technology and software, and the creative industries – are also likely to be negatively exposed to the proposed immigration reforms.

The evidence outlined in this report contains some important lessons for both central government and Bristol City Council. On the one hand, we urge the government to develop a forum for local and regional leaders to contribute to immigration policy discussions, in order to factor local dynamics into Home Office policymaking, and we propose changes to the immigration white paper to reflect the ambitions and priorities of the city. On the other hand, we propose that Bristol City Council begin to prepare for the proposed changes to migration policy by focusing on upskilling its workforce, enhancing integration outcomes for existing migrant residents, and improving the attractiveness of sectors currently reliant on EU migration. The new immigration system should provide an opportunity for the Home Office and local authorities to coordinate policymaking more effectively, so that future immigration reforms help to enhance, rather than undermine, local economic plans.

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ANNEX

DATA TABLES FOR ANNUAL POPULATION SURVEY ANALYSIS IN CHAPTERS 2 AND 4

Note: All unweighted data are rounded to the nearest 5. Where unweighted figures are below a threshold of 25, they are **highlighted in red** to signify unreliability.

TABLES A1 AND A2: WEST OF ENGLAND RESIDENTS BY COUNTRY OF BIRTH

Weighted – numbers rounded to nearest 1000 and percentage share

Country of birth	Population (absolute numbers, rounded to nearest 1,000)	Population (percentage share)
UK	987,000	89
EU14	26,000	2
NMS13	27,000	2
Non-EU	70,000	6
Total	1,110,000	100

Unweighted – absolute numbers

Country of birth	Population (unweighted numbers)
UK	9,375
EU14	225
NMS13	205
Non-EU	575
Total	10,380

Source: IPPR analysis of APS 2015–2017

Note: 'No answer' values excluded.

TABLES A3 AND A4: MAIN REASON FOR COMING TO THE UK BY COUNTRY OF BIRTH OF WEST OF ENGLAND RESIDENTS

Weighted – percentage share

Country of birth	For employment	For study	For family reasons	For asylum	Other reasons	Total
EU	53	10	33	0	5	100
Non-EU	17	15	52	7	9	100

Unweighted – absolute numbers

Country of birth	For employment	For study	For family reasons	For asylum	Other reasons	Total
EU	135	25	95	0	10	265
Non-EU	65	55	200	20	35	370

Source: IPPR analysis of APS 2018

Note: UK-born residents excluded; only APS 2018 data used.

TABLES A5 AND A6: AGE BY COUNTRY OF BIRTH OF WEST OF ENGLAND RESIDENTS

Weighted – percentage share

Country of birth	0–24	25–49	50+	Total
UK	31	32	37	100
EU14	22	45	33	100
NMS13	22	70	8	100
Non-EU	21	53	26	100

Unweighted – absolute numbers

Country of birth	0–24	25–49	50+	Total
UK	2,770	2,665	3,940	9,375
EU14	45	95	85	225
NMS13	45	140	20	205
Non-EU	105	290	180	575

Source: IPPR analysis of APS 2015–2017

Note: 'No answer' values excluded.

TABLES A7 AND A8: EMPLOYMENT STATUS BY COUNTRY OF BIRTH OF WEST OF ENGLAND RESIDENTS

Weighted – percentage share

Country of birth	Employed	Not employed	Total
UK	78	22	100
EU14	81	19	100
NMS13	84	16	100
Non-EU	68	32	100

Unweighted – absolute numbers

Country of birth	Employed	Not employed	Total
UK	4,170	1,230	5,400
EU14	125	35	160
NMS13	145	30	175
Non-EU	325	135	460

Source: IPPR analysis of APS 2015–2017

Note: Only residents aged 16–64 included; 'no answer' values excluded; 'not employed' includes both unemployed and inactive populations.

TABLES A9, A10, A11 AND A12: EMPLOYMENT RATE BY GENDER BY COUNTRY OF BIRTH OF WEST OF ENGLAND RESIDENTS

Men, weighted – percentage share

Country of birth	Employed	Not employed	Total
UK	81	19	100
EU	87	13	100
Non-EU	72	28	100

Women, weighted – percentage share

Country of birth	Employed	Not employed	Total
UK	74	26	100
EU	79	21	100
Non-EU	65	35	100

Men: unweighted – absolute numbers

Country of birth	Employed	Not employed	Total
UK	2,130	505	2,630
EU	120	20	140
Non-EU	150	50	200

Women: unweighted – absolute numbers

Country of birth	Employed	Not employed	Total
UK	2,040	725	2,765
EU	150	45	195
Non-EU	175	85	260

Source: IPPR analysis of APS 2015–2017

Note: Oly residents aged 16–64 included; ‘no answer’ values excluded; ‘not employed’ includes both unemployed and inactive populations.

TABLES A13 AND A14: OCCUPATION GROUP BY COUNTRY OF BIRTH OF WEST OF ENGLAND RESIDENTS

Weighted – percentage share

Country of birth	High	Upper middle	Low to lower middle	Total
UK	32	30	38	100
EU14	42	26	33	100
NMS13	10	19	72	100
Non-EU	40	18	42	100

Unweighted – absolute numbers

Country of birth	High	Upper middle	Low to lower middle	Total
UK	1,350	1,210	1,605	4,170
EU14	55	30	45	125
NMS13	15	30	100	145
Non-EU	125	70	130	325

Source: IPPR analysis of APS 2015–2017

Note: Only employed residents aged 16–64 included; ‘no answer’ values excluded.

TABLES A15 AND A16: OCCUPATION GROUP BY COUNTRY OF BIRTH OF UK RESIDENTS

Weighted – percentage share

Country of birth	High	Upper middle	Low to lower middle	Total
UK	28	29	44	100
EU14	38	28	35	100
NMS13	11	24	66	100
Non-EU	32	22	46	100

Unweighted – absolute numbers

Country of birth	High	Upper middle	Low to lower middle	Total
UK	52,340	54,670	87,735	194,745
EU14	2,155	1,520	2,045	5,715
NMS13	920	1,930	6,095	8,940
Non-EU	6,260	4,330	9,345	19,935

Source: IPPR analysis of APS 2015–2017

Note: Only employed residents aged 16–64 included; ‘no answer’ values excluded.

TABLES A17 AND A18: EDUCATION LEVEL BY COUNTRY OF BIRTH OF WEST OF ENGLAND RESIDENTS

Weighted – percentage share

Country of birth	Degree / higher education or equivalent	GCE A level / GCSE or equivalent	Other or no qualifications	Total
UK	43	45	11	100
EU14	70	19	11	100
NMS13	49	20	31	100
Non-EU	54	27	19	100

Unweighted – absolute numbers

Country of birth	Degree / higher education or equivalent	GCE A level / GCSE or equivalent	Other or no qualifications	Total
UK	2,285	2,485	630	5,400
EU14	110	30	15	160
NMS13	85	35	50	175
Non-EU	260	115	90	460

Source: IPPR analysis of APS 2015–2017

Note: Only residents aged 16–64 included; ‘no answer’ values excluded; don’t know values included in ‘other or no qualifications’.

TABLES A19 AND A20: EDUCATION LEVEL BY COUNTRY OF BIRTH OF UK RESIDENTS

Weighted – percentage share

Country of birth	Degree / higher education or equivalent	GCE A level / GCSE or equivalent	Other or no qualifications	Total
UK	36	48	16	100
EU14	58	24	18	100
NMS13	33	22	45	100
Non-EU	49	22	30	100

Unweighted – absolute numbers

Country of birth	Degree / higher education or equivalent	GCE A level / GCSE or equivalent	Other or no qualifications	Total
UK	92,005	127,700	45,830	265,540
EU14	4,180	1,950	1,395	7,525
NMS13	3,550	2,385	4,985	10,920
Non-EU	14,285	6,550	9,355	30,195

Source: IPPR analysis of APS 2015–2017

Note: Only residents aged 16–64 included; ‘no answer’ values excluded; don’t know values included in ‘other or no qualifications’.

TABLES A21 AND A22: MEDIAN WAGES BY COUNTRY OF BIRTH OF WEST OF ENGLAND RESIDENTS

Weighted – median rounded to nearest £0.10

Country of birth	Median wages (£)
UK	12.70
EU14	13.50
NMS13	9.60
Non-EU	12.00

Unweighted – absolute numbers

Country of birth	Median wages
UK	2,870
EU14	85
NMS13	100
Non-EU	210
Total	3,265

Source: IPPR analysis of APS 2015–2017

Note: Only residents aged 16–64 included; only residents with earnings data included (excluding self-employed workers); ‘no answer’ values excluded; people with earnings below £1 per hour or in excess of £100 per hour excluded in line with ONS guidelines.

TABLES A23 AND A24: HYPOTHETICAL ELIGIBILITY OF EU-BORN MIGRANTS IN WEST OF ENGLAND REGION UNDER PROPOSED SKILLED WORKER ROUTE IN IMMIGRATION WHITE PAPER

Weighted – percentage share

	Eligibility under the white paper proposals
Eligible	23
Not eligible	77
Total	100

Unweighted – absolute numbers

	Eligibility under the white paper proposals
Eligible	35
Not eligible	145
Total	180

Source: IPPR analysis of APS 2015–2017

Note: Only residents aged 16–64 included; only residents with earnings data included (excluding self-employed workers); ‘no answer’ values excluded; people with earnings below £1 per hour or in excess of £100 per hour excluded in line with ONS guidelines.
