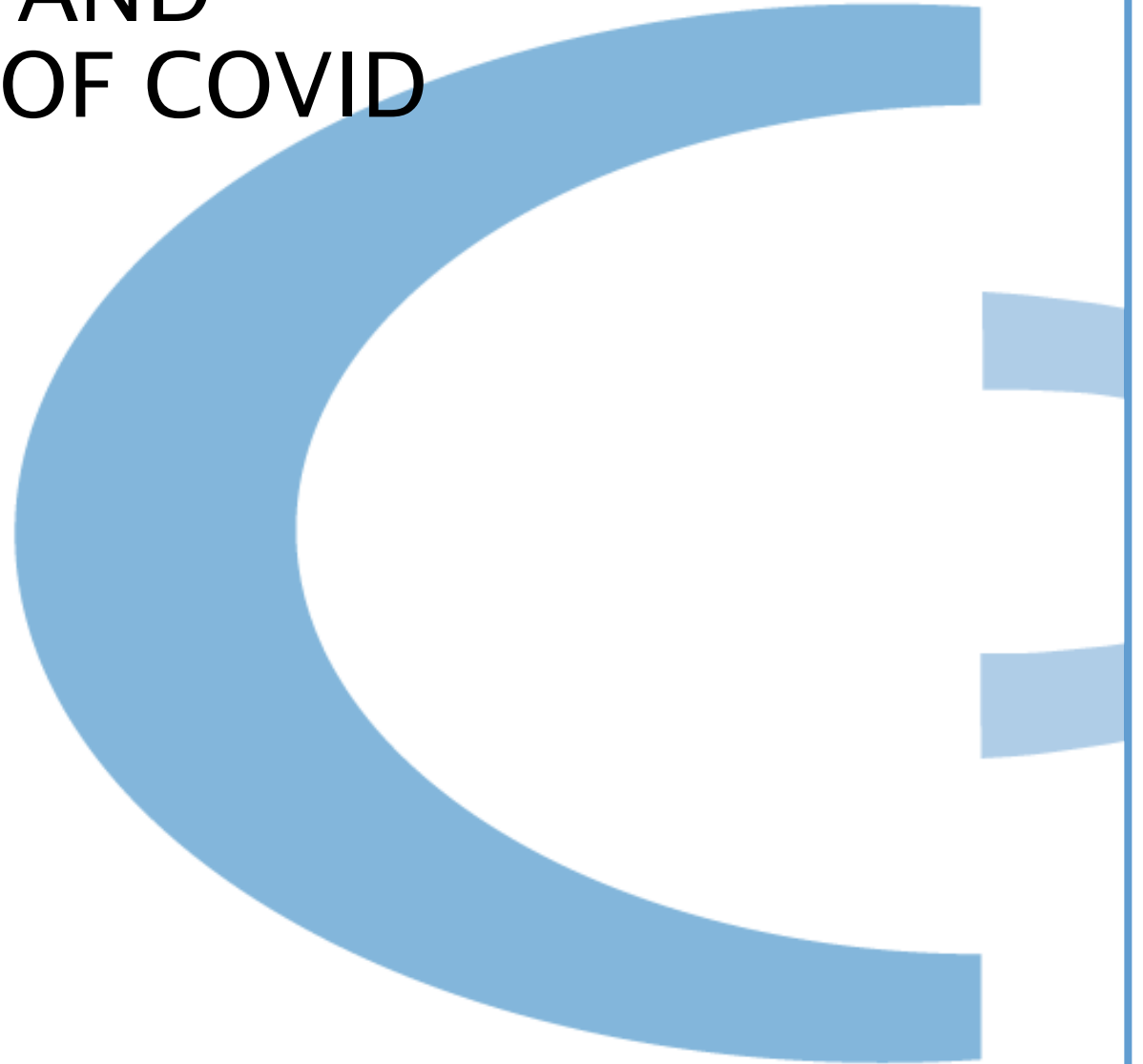


LABOUR MARKET IMPACTS AND POTENTIAL IMPLICATIONS OF COVID AND BREXIT

March 2021



INTRODUCTION

The global COVID pandemic has had a massive increase on the way people work, where people work, and who is working. Prior to this, the 2016 referendum vote and subsequent changes to the political and economic relationship between the UK and the EU could also be observed as having an impact on flows of international migrants which in turn impacted on the labour market.

Some of these issues have already been looked at and covered in great detail in recent Metro-Dynamics report for the Greater Lincolnshire LEP – ‘Labour Market Implications of Brexit, September 2020’. The aim of this paper is to build on and add value to the previous report, noting any changes or updates to the immigration system that has now come into place, reflect any changes to analysis as a result of more recent data, as well as consider the new information that is coming out regarding the initial impacts of COVID on the labour market.

In order to do this, this following report will consider:

- Long term trends in population, migration, employment and workforce numbers
- Latest data and estimates for overseas workers
- Potential impacts of new immigration rules post 31 Dec 2020 based on latest wage data analysis, the current Shortage Occupation List, and news reports and any other research
- Industries most at risk due to new immigration rules and trends in international migrant workers

It is intended that some of this analysis may feed into the SAP and so as to aid the use of any findings in future SAP reporting, the report is structured where applicable using the same theme headings i.e. Local Landscape, Skills Supply, Skills Demand, and Mapping Skills Supply and Demand.



SUMMARY

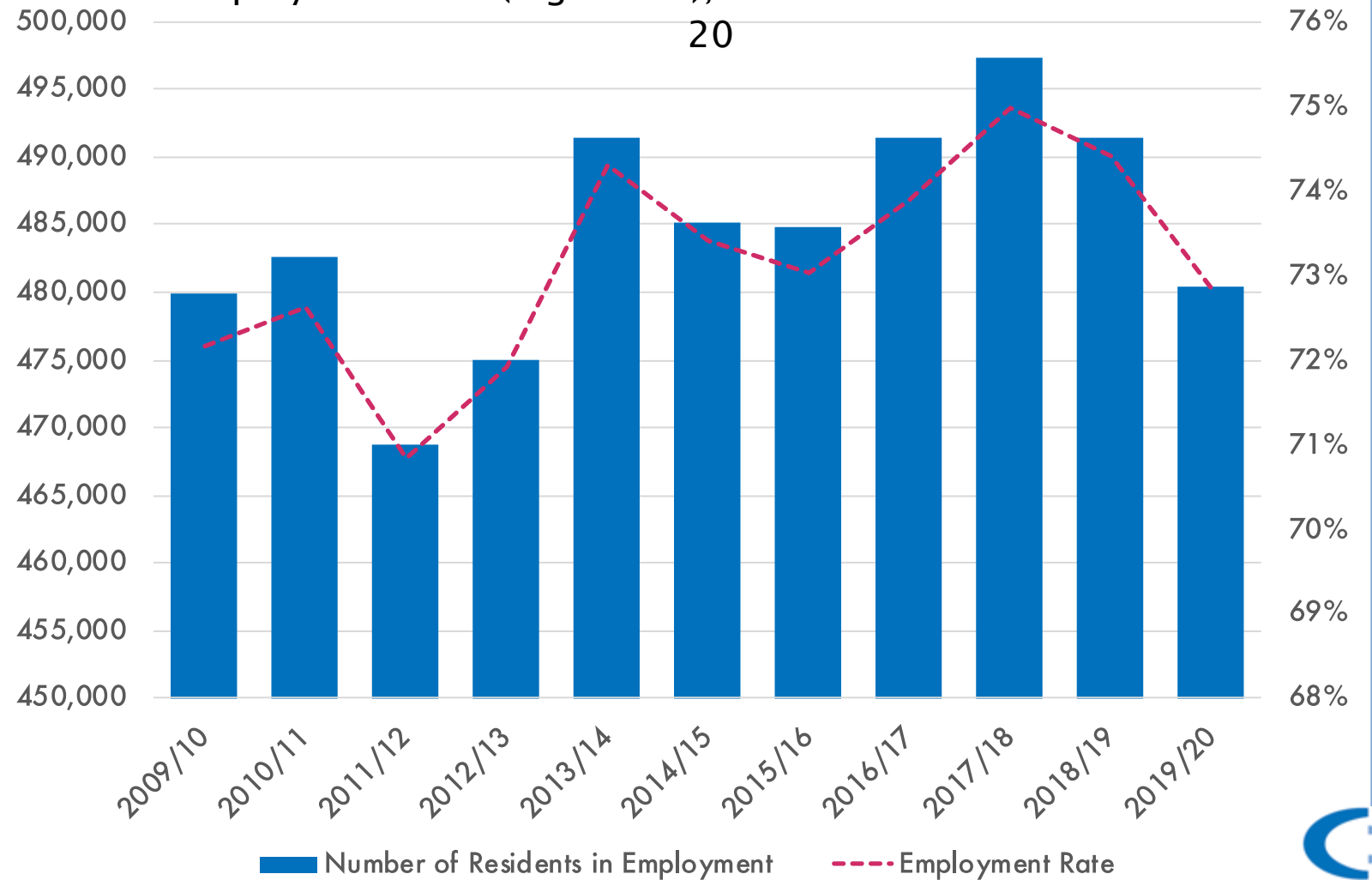
- Growth in the Greater Lincolnshire working age (16-64 years) population has plateaued in recent years in contrast to national trends.
- After a downward trend of numbers since 2016, latest (2019) data shows a slight upturn in the long-term net-inflow of international migrants into Greater Lincolnshire.
- The number of residents in employment, and employee numbers, have plateaued locally since around 2017 whereas nationally these figures have continued to grow.
- Numbers of National Insurance number allocations to adult overseas nationals entering the UK across Greater Lincolnshire show that these have fallen since 2016.
- Based on the latest (2020) wages data then somewhere between 50% and 60% of Greater Lincolnshire workers are paid below the new immigration system earnings threshold. This is significantly greater than the 40% estimated in previous local research.
- There are only a small number of occupations relevant to Greater Lincolnshire priority sectors reflected on the latest Shortage Occupation List.
- Sectors that are particularly at risk to changes in trends of international migrant worker flows and the new immigration system include Food Manufacturing (Processing/preserving of meat/poultry and fruit/veg, storage and warehousing, and temporary employment agencies).



WORKFORCE AND JOBS

Indicators show that both the number of residents in employment, and employee numbers, have plateaued locally since around 2017 whereas nationally these figures have continued to grow. Latest data (chart on left) from the Annual Population survey estimates that the number of Greater Lincolnshire residents in employment has fallen to approx. 480,000 in 2020.

Number of Residents in Employment (Left Axis), and Employment Rate (Right Axis), in Greater Lincolnshire 2009-20



Source: Annual Population Survey, Office for national Statistics

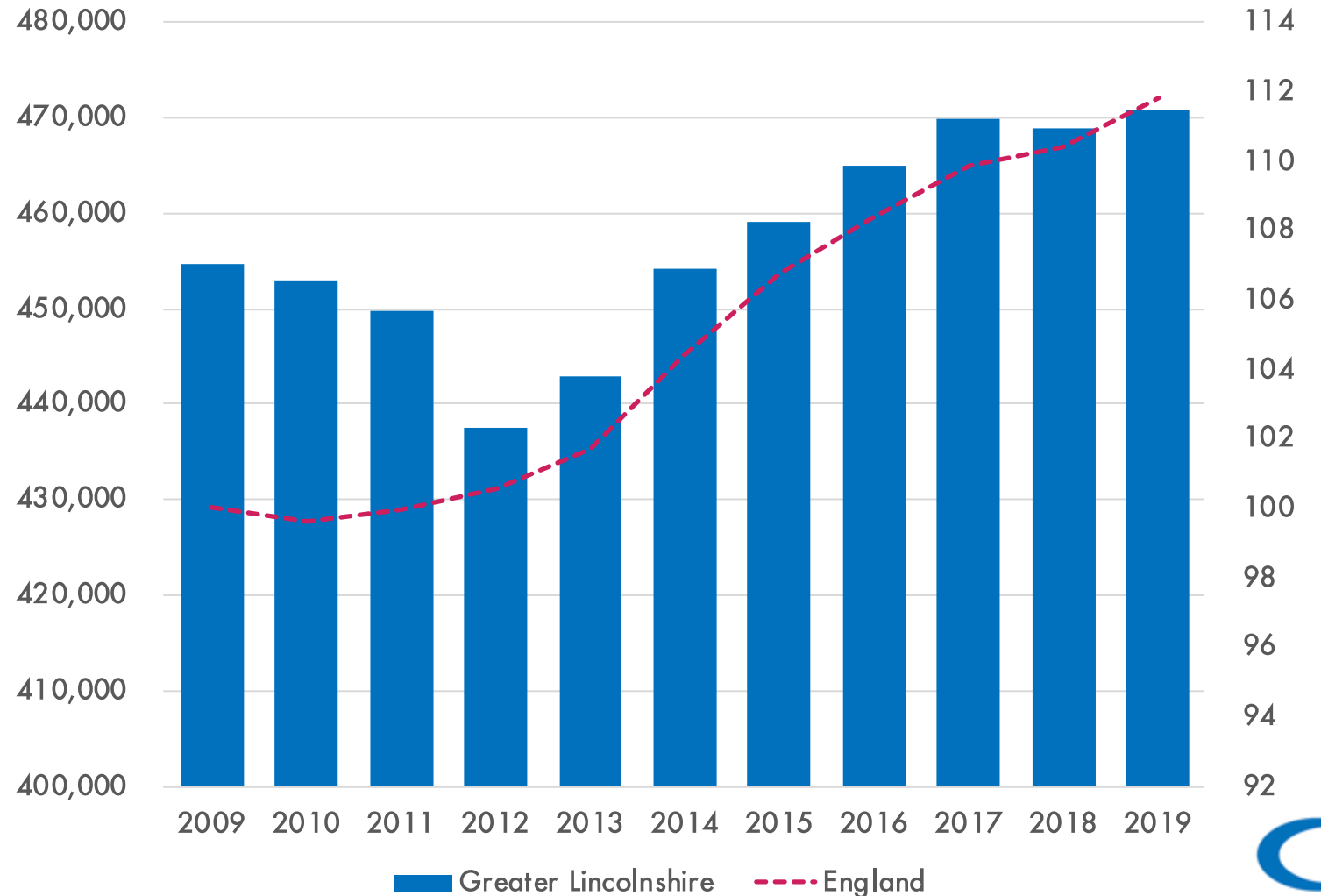


WORKFORCE AND JOBS Cont.

The number of employees across Greater Lincolnshire has increased since the post-recessionary period lows at the start of the decade, but these numbers again appear to have plateaued since 2017. Growth at the national level has been constant since 2010 but more subdued since 2017.

Source: Business Register of Employment Survey, Office for National Statistics

Number (Left Axis) of Employees, Index 2009 = 100 (Right Axis), 2009-19

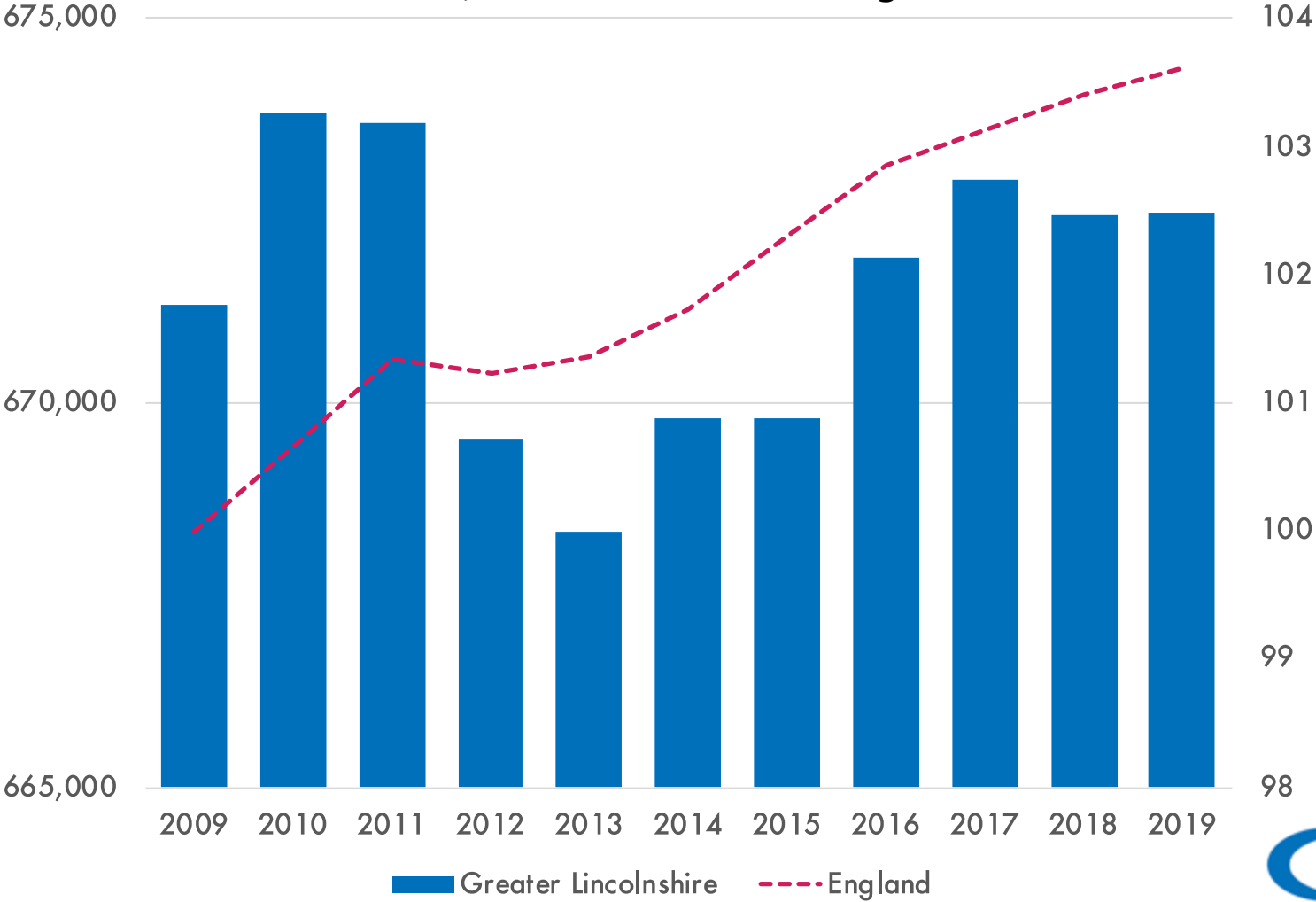


POPULATION AND IMMIGRATION

Number (Left Axis) of Working Age (16-64) People Over Time, Index 2009 = 100 (Right Axis)

The chart on the left using the latest population data for Greater Lincolnshire shows that growth in its working age (16-64 years) population has plateaued in recent years after recovering from a dip in numbers following the 2008/9 financial crisis. Conversely, at the national level, growth in the working age population has been fairly consistent from 2012 onwards.

Source: Mid year sub-national population estimates, Office for National Statistics



POPULATION AND IMMIGRATION Cont.

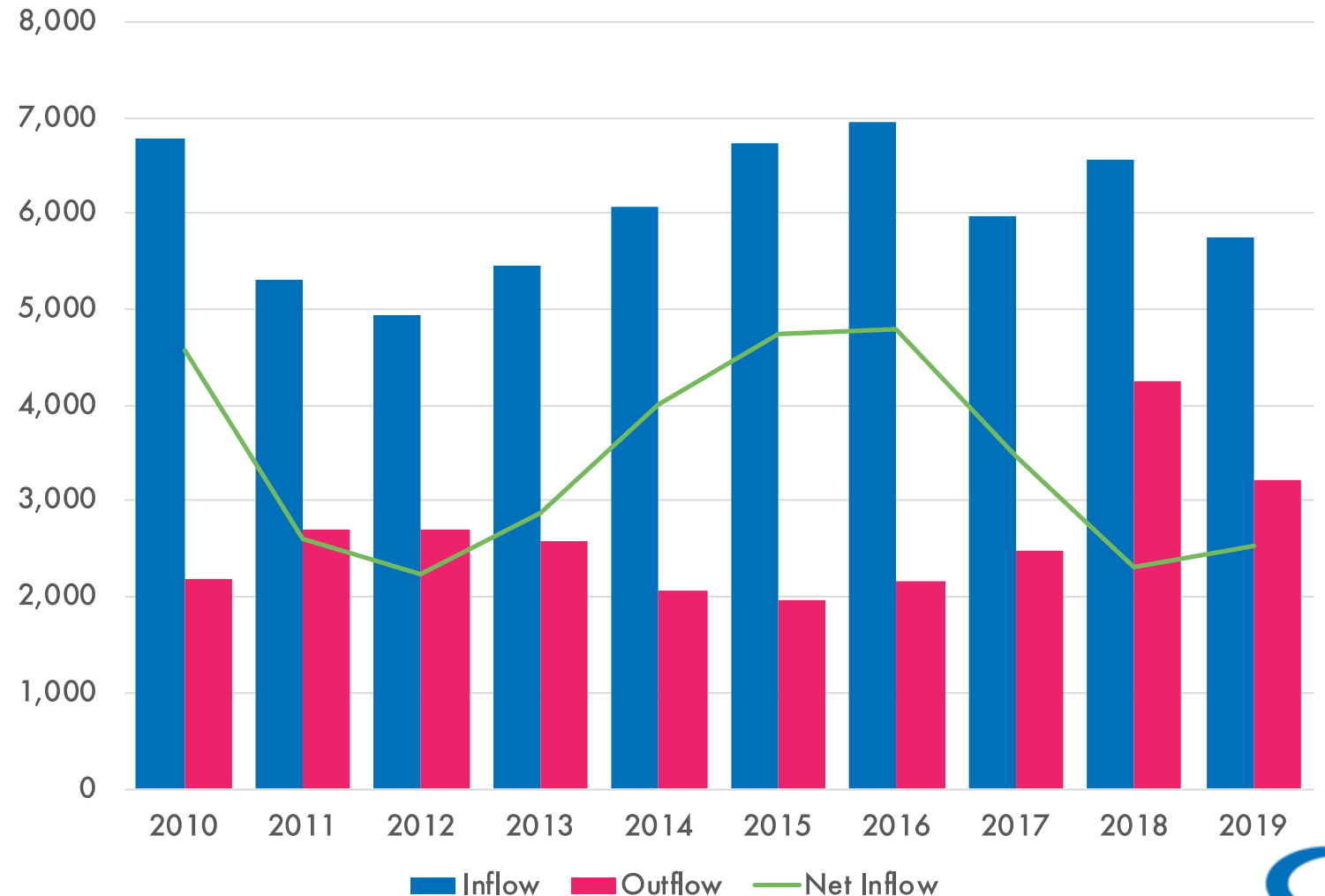
The chart on the right shows that there has been a slight upturn in the long-term net-inflow of international migrants (the vast majority of which are of working age) into Greater Lincolnshire but this comes after a downward trend of numbers since 2016. Given that latest national data points to COVID understandably having a significant impact on migration flows then we can expect the net inflow number to fall further during 2020.

Source: Office for National Statistics

“Flows of foreign-born workers into the UK have slowed since the referendum in 2016. And, although there are data challenges, there appears to have been a large flow of foreign-born workers leaving the UK in the wake of Covid-19.”

Home and away: The UK labour market in a post-Brexit world; Resolution Foundation

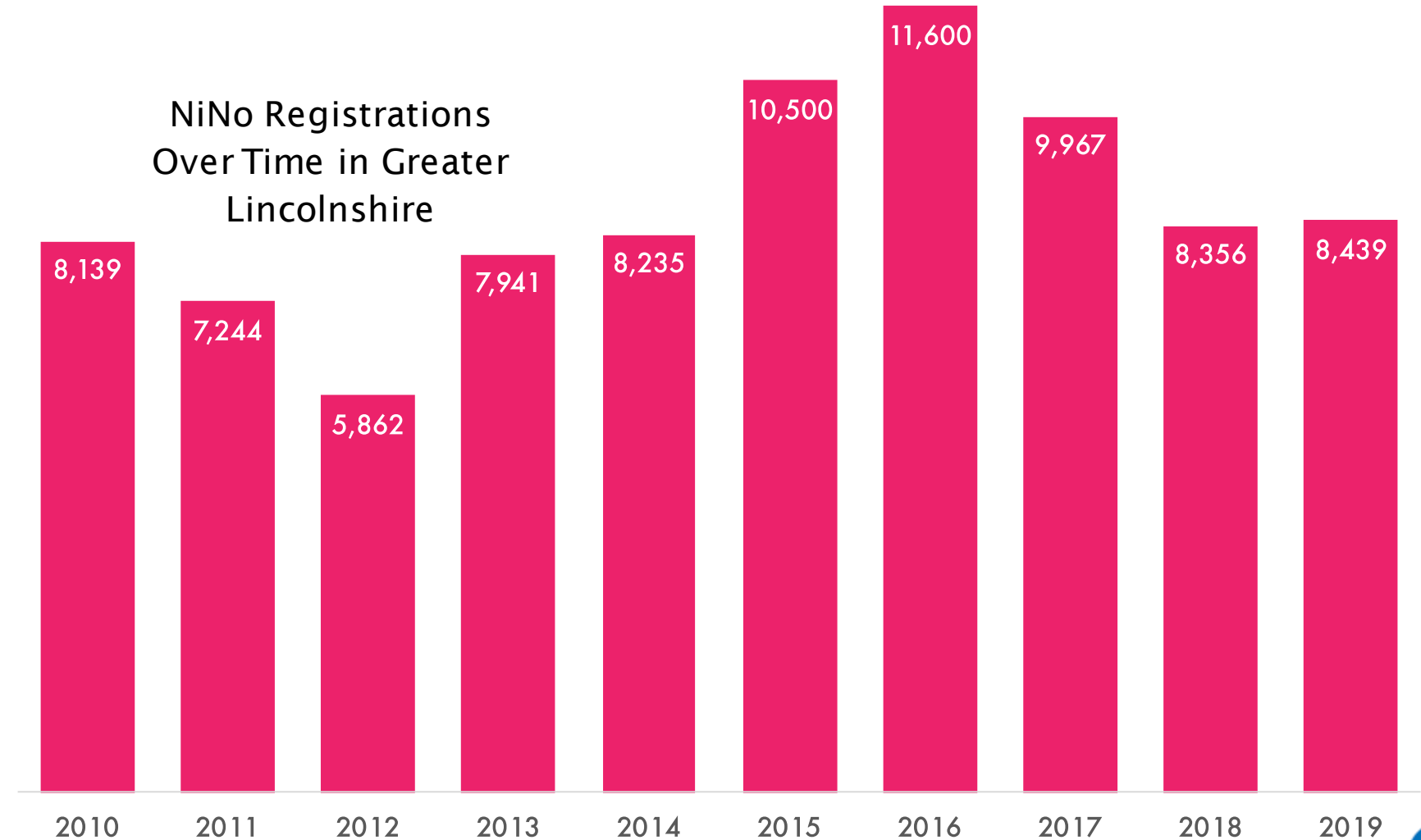
Long-term International Migration Flows Over Time



OVERSEAS WORKER ESTIMATES

Numbers of National Insurance number allocations to adult overseas nationals entering the UK (NiNo's – which are required in order to work, pay taxes, and receive benefits) across Greater Lincolnshire show that these have fallen since 2016, which mirrors the international inflow data. This is more evidence that suggests that there has been a short-medium term impact on international migrants coming into Greater Lincolnshire to work, and it is likely a trend that will have been exacerbated by COVID.

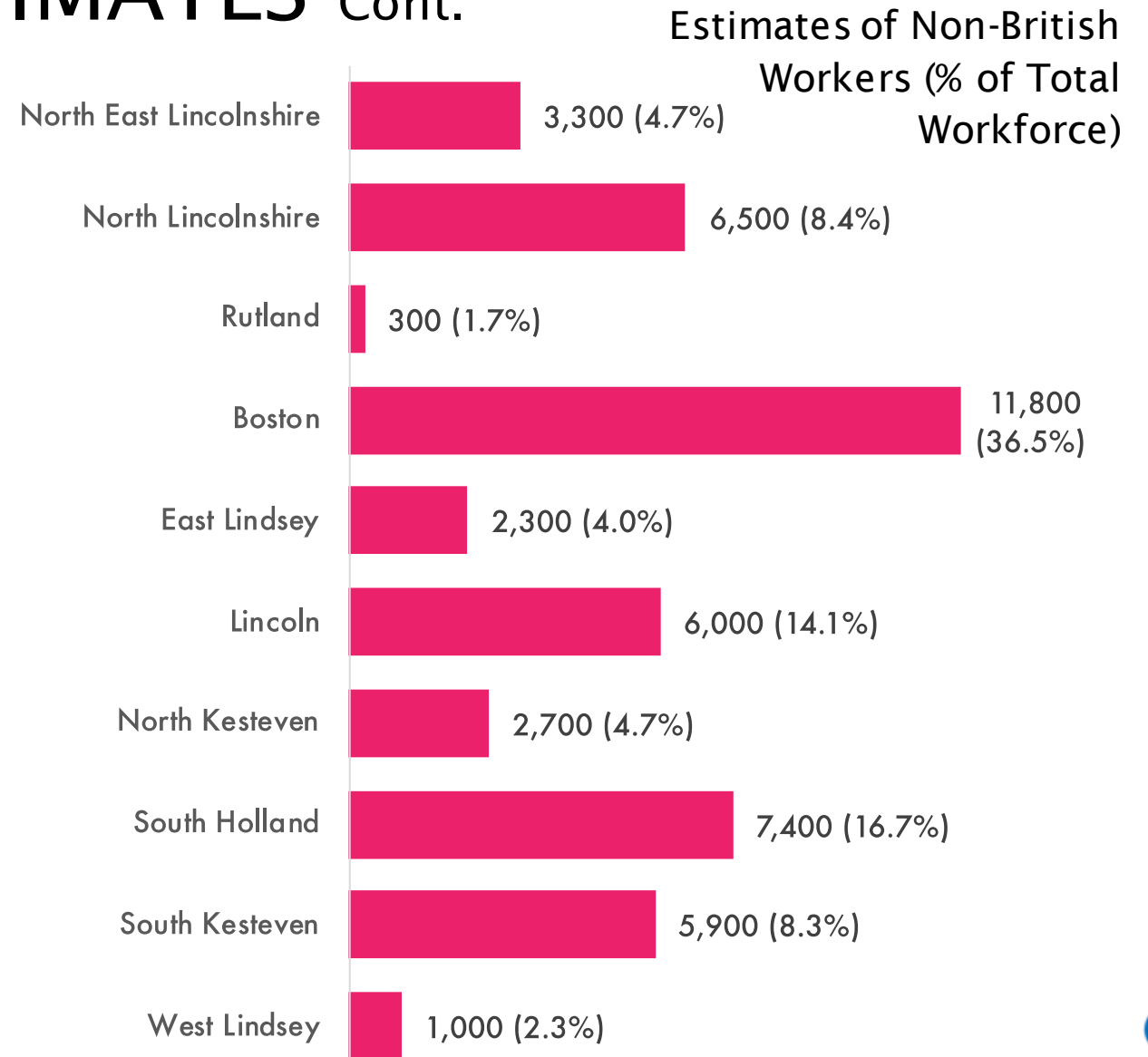
Source: Department for Work and Pensions



OVERSEAS WORKER ESTIMATES Cont.

Recent data produced by the Office for National Statistics on key workers also provided estimates for workers who were 'non-British by nationality', and 'non-UK born'. This data estimated 47,200 'non-British' in the Greater Lincolnshire workforce, rising to 59,600 if we include 'non-UK born'.

Concentrating on the 'non-British' number (as 'non-UK born' will include UK nationals and therefore not suspect to new immigration rules), nationally it is estimated that 65% of the 'non-British' workforce are from the EU, which would equate to 30,500 in Greater Lincolnshire.



POINTS BASED IMMIGRATION

No changes have been made to the UK.GOV webpage which houses all the latest information on the new immigration system since 13th July 2020. Given that the Metro-Dynamics report was published in September 2020 then we are assuming that their analysis used the most up-to-date version of the new rules. We can confirm that the wage thresholds used in the Metro-Dynamics analysis are still relevant and have not been revised given more recent data available to the government on wages from the Annual Survey of Hours and Earnings. Our subsequent analysis will however update the Metro-Dynamics figures on the proportion of Greater Lincolnshire workers earning below this threshold using this latest data.

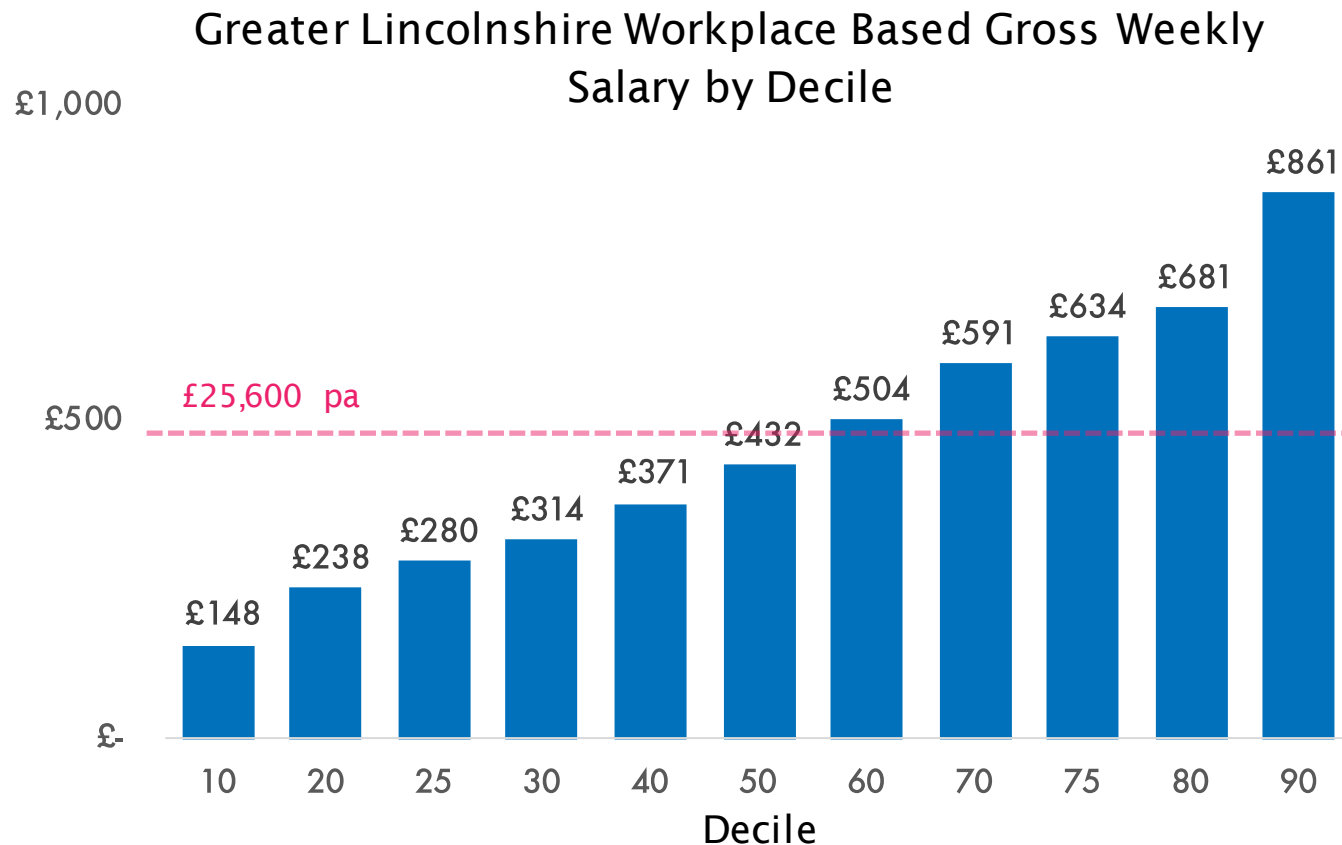
Given that the new immigration rules came into effect as of 1st January 2021 then there has been little in the way of news or reports with regards to any impacts so far. However, the Financial Times have run two stories recently on the issue of migrant workers that we are aware of. The first article on the 20th February 2021 reported that UK growers of flowers and ornamental plants have warned that millions of blooms will go unharvested this year after the multibillion-pound sector was not included in a scheme to admit overseas farm workers after Brexit. This is because the new Seasonal Workers Pilot (which is touched on later in this report) is focused on food and does not include growers of ornamental plants.

The second article published on 16th March 2021 focused in on low-paid migrant workers becoming “trapped” on British farms as a result of lower levels of productivity (where workers paid on amount of produce picked per hour were struggling to make minimum wage which meant that their temporary agency employer was having to making up this shortfall in wages, which in turn resulted in the worker being effectively ”dropped” in favour of a more productive worker) and the now lack of freedom of movement afforded by the Single Market (which meant that these workers could now no longer easily move between jobs). This is something that the Resolution Foundation warned about in their recent report ‘Home and away: The UK labour market in a post-Brexit world’ when they said that “Under the new immigration regime, more workers may find themselves outside of the rules, increasing their vulnerability to labour market abuse.”



WAGE ANALYSIS

As previously covered, there has been no changes to the salary threshold being used as part of the new immigration system and it remains at £25,600 per annum. This annual figures works out at £492 per week.



Source: Annual Survey of Hours and Earnings, Office for National Statistics

The chart shows weekly gross earnings for Greater Lincolnshire (not including Rutland as data from the Annual Survey of Hours and Earnings at this level is patchy and unreliable). 10% of workers are in each decile, while the columns represent the average wage for workers in that decile. The 50th percentile number is the wage of the median worker in this case it is £432 per week. The dotted line represents the £25,600 salary threshold for skilled migrants (which equates to £492 per week). Workers in deciles below this line are paid less than the salary threshold. Based on this information then somewhere between 50% and 60% of Greater Lincolnshire workers are paid below the current earnings threshold. This is significantly greater than the 40% estimated in previous local research.



SHORTAGE OCCUPATIONS

The latest version of the Government's Shortage Occupation List (<https://www.gov.uk/government/publications/skilled-worker-visa-shortage-occupations/skilled-worker-visa-shortage-occupations>) details the following occupations:

- **Scientists** (2111.Chemical scientists, 2112.Biological scientists and biochemists, 2113.Physical scientists, 2114.Social and humanities scientists)
- **Engineers** (2121.Mechanical engineers, 2123.Electrical engineers, 2124.Electronics engineers, 2126.Design and development engineers, 2127.Production and process engineers, 2129.Engineering professionals not elsewhere classified)
- **IT professionals** (2135.IT business analysts, architects and systems designers, 2136.Programmers and software development professionals, 2137.Web design and development professionals, 2139.IT and communications professionals not elsewhere classified)
- **Veterinarians (2216)**
- **Actuaries, economists and statisticians (2425)**
- **Architects (2431)**
- **Quality control and planning engineers (2461)**
- **Creative roles** (3411.Artists, 3414.Dancers and choreographers, 3415.Musicians, 3416. Arts officers, producers and directors, 3421.Graphic designers)
- **Welding trades (5215)**
- **Chefs (5434)**, only skilled chefs where all of the following requirements are met: the pay for which points are awarded is at least £29,570 per year; and the job requires 5 or more years' relevant experience in a role of at least equivalent status; and the job is not in either a fast food or standard fare outlet; and the job is in one of the following roles: executive chef - limited to 1 per establishment; head chef - limited to 1 per establishment; sous chef - limited to 1 for every 4 kitchen staff per establishment; specialist chef - limited to 1 per speciality per establishment.



SHORTAGE OCCUPATIONS Cont.

Looking down the Shortage Occupation List then we know through various previous work into local shortage occupations that Engineers and IT professionals are regularly cited as being hard-to-fill vacancies and that due to Greater Lincolnshire having on average lower wages than some of these occupations are likely to be in and around the wage cut off.

Chefs is another position that is regularly cited as hard-to-fill, however it is one area that we know anecdotally is regularly filled through international migrant workers, particularly at the lower end of the market, and as such these roles are unlikely to reach the wage threshold required.

We note here that a separate Shortage Occupation List is produced for Healthcare and Education occupations (<https://www.gov.uk/government/publications/skilled-worker-visa-shortage-occupations-for-health-and-education/skilled-worker-visa-shortage-occupations-for-healthcare-and-education>) which does cite Nurses, and which is another regularly cited shortage occupation locally.

One particular locally important sector that may get support in recruitment is that of the edible horticulture sector where the government has recently announced the extension of the Seasonal Workers Pilot for 2021 (which allows a limited number of temporary migrants to enter the UK for seasonal work in the edible horticulture sector, under the new Temporary Worker route of the immigration system), with an expanded quota of 30,000 places and the additional need for two more operators. Whilst still a pilot, and one which is currently restricted to a limited number of operators, it is hoped that this could be a long-term replacement for the the Seasonal Agricultural Workers Scheme (SAWS) that the Home Office ran from 1945 to 2013. Full details can be found here: <https://www.gov.uk/government/publications/seasonal-workers-pilot-request-for-information/seasonal-workers-pilot-request-for-information>

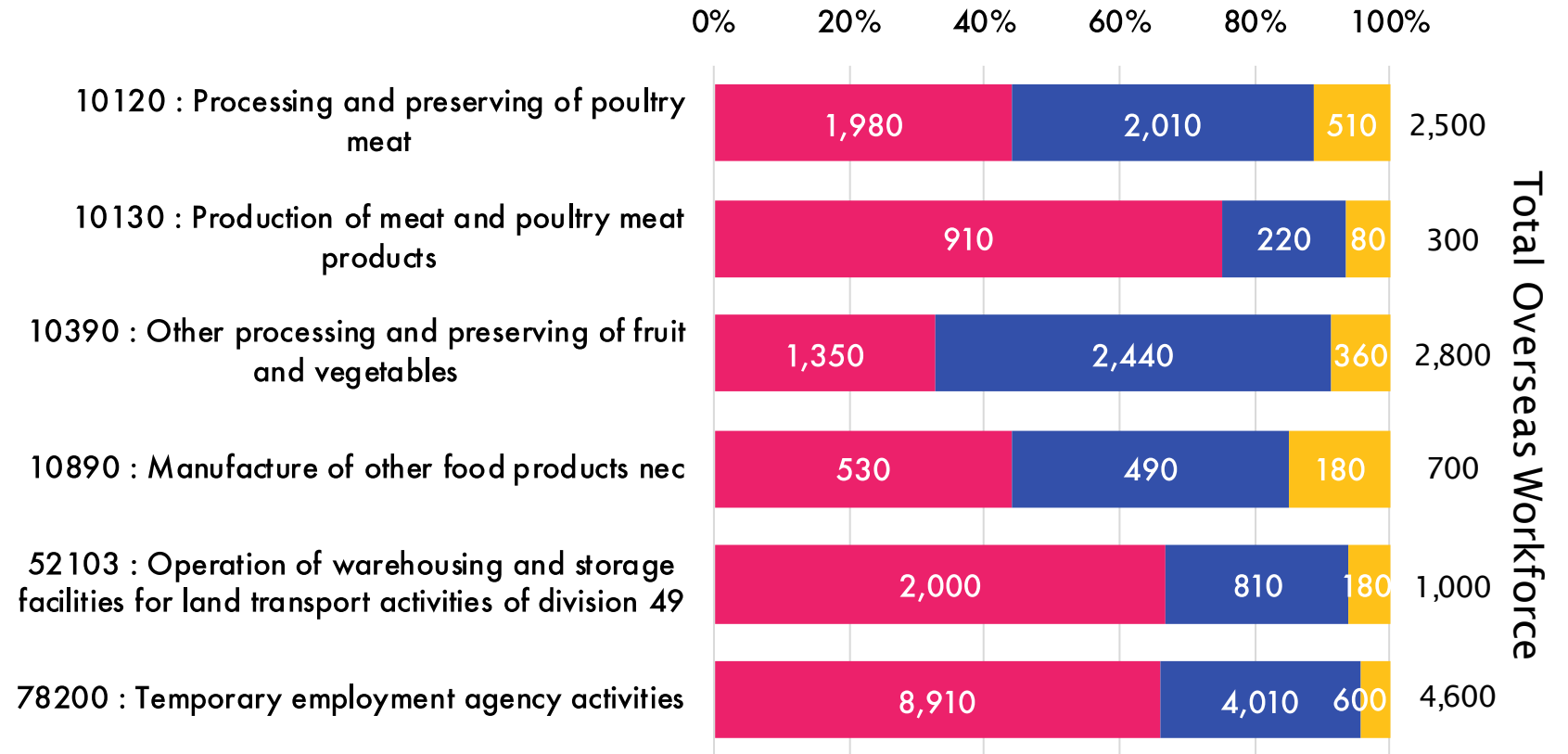


INDUSTRIES AT RISK

If the overseas workforce is set to reduce further as current data and thinking suggest, then this would place a number of locally significant industries at risk.

Research by the Office for National Statistics (ONS) has identified at regional level those sectors and occupations which are most likely to have large proportions of overseas workers. The chart on the left takes this regional data for the six sectors identified across the East Midlands and Yorkshire and The Humber, and estimates at a Greater Lincolnshire level the number of overseas workers in these sectors (approx. 12,000), identifying those potentially most at risk of changes in long-term international migration patterns.

Greater Lincolnshire Sectors With the Highest Proportions of Overseas Workers



- Number of jobs where worker was born in the UK
- Number of jobs where worker was born in an EEA country (excloding UK)
- Number of jobs where worker was born in any other country



INDUSTRIES AT RISK Cont.

As part of the same project, the ONS identified the following Standard Occupational Classification (SOC) codes as having a 95% probability of more than 14% of jobs being done by a worker born in a European Economic Area (EEA) country:

SOC code	East Midlands		Yorkshire and The Humber	
	% of jobs where worker was born in an EEA country (excluding UK)	% of jobs where worker was born in any other country	% of jobs where worker was born in an EEA country (excluding UK)	% of jobs where worker was born in any other country
8134; Weighers, graders and sorters	57%	17%		
8111; Food, drink and tobacco process operatives	46%	14%	32%	14%
9134; Packers, bottlers, canners and fillers	42%	24%	45%	16%
9260; Elementary storage occupations	25%	8%		

“...sectors that look set to experience labour shortages under the post-Brexit immigration regime (e.g. food manufacturing), which employ a larger-than-average share of EU-born workers in roles that fall outside the Government’s list of eligible occupations for a skilled worker visa, and that have a higher-than-average turnover rate, are where pinch-points are most likely to occur.”

Home and away: The UK labour market

The lack of detailed and reliable data on SOC codes at the local level prevents us from estimating figures across Greater Lincolnshire at this stage. We also note that none of these SOCs currently appear on the MAC Shortage Occupation List. However, COVID and Brexit will impact on certain occupations more than others and we could yet see them appear on the list when it is next reviewed, with the next review due to take place during Autumn 2021.

