Building a New Home:
Migration in the UK construction sector

by Laura Chappell, Dhananjayan Sriskandarajah and Tracy K Swinburn

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Foreword: The Economics of Migration project

This working paper forms part of ippr’s Economics of Migration project. The project aims to shape thinking around how we conceptualise the economic impacts of migration, provide new evidence about the extent and nature of those impacts in the UK, and provide new insights as to how policy might best address migration to maximise economic benefit. We hope that the project will contribute to a better-informed public debate and a more prepared policy community, better able to evaluate migration’s economic contributions, and manage them to the benefit of all.

We are grateful to the funders of the project: Business for New Europe, Commission for Rural Communities, Trades Union Congress and the UK Border Agency (Home Office), as well as ConstructionSkills, who supported the research that underpins this particular report. The views expressed here are those of the authors and do not necessarily represent those of the project funders.

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Abbreviations

A8    The eight Central and Eastern European countries that joined the European Union in May 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia)

ASHE  Annual Survey of Hours and Earnings

BOSS  Building One Stop Shop

CORGi  Council for Registered Gas Installers

DTI   Department of Trade and Industry

EEA   European Economic Area (the 27 members of the EU plus Iceland, Lichtenstein and Norway)

EFTA  European Free Trade Association (the EEA plus Switzerland – Swiss nationals enjoy similar rights of residence in the UK to EEA nationals)

EU    European Union

EU15  The 15 member states of the European Union prior to enlargement in May 2004

HSMP  Highly Skilled Migrant Programme

IPS   International Passenger Survey

LDA   London Development Agency

LFS   Labour Force Survey

NSAfC National Skills Academy for Construction

NVQ   National Vocational Qualification

SAWS  Seasonal Agricultural Workers Scheme

SBS   Sectors Based Scheme

SSC   Sector Skills Council

WRS   Worker Registration Scheme
Executive summary

The impact of migration on the UK economy continues to attract intense debate and attention within policy, research and media circles, as well as among the UK public more widely. This is no more apparent than in discussions of the scale of migration into the construction industry, and the impact that these migratory flows may be having on the performance of this key sector, as well as the well-being of the workers within it. However, at present, the real role of migration in construction is poorly understood. There is a pressing need to move beyond guesswork in order to evaluate systematically the evidence on the role and impact of migrant workers in UK construction.

This report investigates the role of migrant workers in UK construction, and the impact that their migration into this industry is having on its existing construction workforce, on the development of the next generation of UK construction workers, and on the performance of the industry as a whole. It analyses the situation at the national level, using a variety of qualitative and quantitative analyses, and by focusing on one case study: the role of migrant workers in the construction of the 2012 Olympic facilities in London. It also seeks to predict the extent to which the industry will need migrant workers in the future, and considers how these workers might be recruited.

Conclusions

The report highlights the following seven key conclusions:

1. **Migrant workers play an important role in the UK construction industry.**
   
   Our research suggests that migrant workers are playing a significant role in UK construction labour markets. There are employment gaps in the industry – predominantly as a result of strong, sustained output growth over a period when vocational training was limited – which migrant workers are playing a vital role in filling. Latest predictions from September 2008 suggest that even during the current economic downturn, the industry will require more than 40,000 additional people per year to meet expected demand. Given that migrants have been mainly filling ‘empty’ jobs, migration has not resulted in unemployment for UK workers or even, on the whole, on downward pressure on wages.

2. **The role of migrant workers in UK construction is not a new one.**
   
   Our research highlights the long-standing role of migrant workers in construction. Construction is a naturally itinerant industry. As one of our interviewees put it, ‘Workers have always moved to where the work is, because the work moves around.’ It is clear that this aspect of the industry has not changed in recent years. However, whereas previously the jobs were filled by migrants from within the UK or from countries close to home (particularly Ireland), as the European Union has grown we now see migration from further afield.

3. **Migrant workers should be viewed as an opportunity, not a threat.**
   
   Our research indicates that Europe’s increasingly integrated labour markets should not be viewed as a threat. Indeed, increased mobility can be viewed as an opportunity, resulting in greater economic dynamism for the industry and the consumer alike. This depends on two conditions: appropriate training structures within UK construction (and our research suggests that these are moving in the right direction), and the Government ensuring fair competition within labour markets by tackling exploitative employers.

   A flourishing UK construction industry also presents opportunities for UK construction workers. So do more open regional – and indeed global – labour markets, which not only allow foreign workers to seize opportunities in UK construction, but also offer the UK workforce greater opportunities to participate in construction projects across the world.

4. **Migrant workers are not as common within UK construction as is widely believed.**
   
   There are fewer migrant workers in the sector than many people appear to believe. Our findings suggest that, on the basis of the best evidence available (though this may undercount migrant workers to some degree), migrant workers make up only around 4 per cent of the total construction workforce, and foreign nationals as a whole only 6 per cent, with Irish workers still constituting the
largest single group. Therefore the vast majority of new jobs in this growing industry are still going to British nationals.

5. Policymakers must ensure that the points-based system enables sufficient movement to meet industry demands.

Given the important role that migrant workers play in the sector, the UK’s migration system must be capable of allowing inward and outward movement of workers in line with construction demand. The points within the new points-based system are awarded in line with labour market need. This means that the process of assessing that need (both in construction and, more widely, throughout the economy) must draw on the best available sources of information, and make assessments quickly, in order to facilitate a flexible and rapid response through the managed migration system. The Migration Advisory Committee has just released its first shortage occupation list, but it remains to be seen how well this list meets labour market need, and how flexible the system will be to adjusting to changing circumstances. The Government must keep this under close review.


The Government needs to protect all workers in the sector, migrant and UK workers, by safeguarding the minimum wage – primarily though tackling exploitative employers. Protecting the minimum wage also ensures fair competition for those employers who do play by the rules. The unions have a crucial role to play, too. They must continue to act as watchdogs of employment standards and workers’ rights, making a special effort to reach out to migrant workers within the sector.

7. Policymakers must focus on ensuring adequate workforce skills rather than altering the flows of migrant workers.

In attempting to promote the development of the UK construction workforce, policymakers should not try to alter the flows of migrant workers into the sector, as this appears to be a peripheral issue. Instead, they need to focus on ensuring that the UK’s training systems are able to deliver the workforce that the sector requires. This means that training providers must continue their work to develop training systems that meet the current and potential interests of the construction workforce while at the same time providing the industry with the skills it requires. The National Skills Academy for Construction, which is currently being rolled out across the UK, appears to meet these criteria, and we recommend that future training systems are built on this flexible model.
1. Introduction

This report explores the effect of immigration on UK employment and wages – an issue that is currently at the top of the UK policy agenda, even being addressed by the House of Lords (House of Lords Select Committee on Economic Affairs 2008). This exploration takes place within the context of widely held pessimistic views about ‘the influx [of immigrants]…hitting British workers by keeping low-skilled wages at rock bottom, and pushing up unemployment’ (Hickley 2006).

The report focuses on construction for two reasons: first, because construction is a key sector in the economy that has grown rapidly in recent years and employs millions of UK workers, and second, because of the widespread belief that today many people working in the construction sector are migrants. The ‘Polish plumber’ has become an iconic figure that represents migrants from the new EU member states. It investigates whether today large numbers of plumbers and other tradespeople in the UK are indeed Polish and, more generally, the extent of migration into the sector. It also looks at the role that those migrants play, and the impacts that that migration is having on UK construction workers, migrant construction workers, and the construction industry as a whole.

Examining how one sector manages these issues should shed some light on the wider debate about role and impact of migrant workers in the UK economy. While the construction industry has its unique characteristics, many of the issues and impacts highlighted within this report are likely to be relevant beyond construction.

This report is unique in that rather than examining labour market impacts at the national or local level, as other research tends to do (Nathan 2008, Reed and Latorre forthcoming), it takes a sectoral perspective, focusing on construction. This approach was used in order to provide a better sense of the process through which migration impacts UK labour markets. Examining how an industry works and the changing role of migration within it allows us to see more clearly how effects unfold. For example, it should help us develop a better understanding of whether the availability of migrant workers is preventing UK workers from entering the sector, or accessing training. This would be difficult to analyse using a static national or local-level ‘snapshot’.

This sectoral perspective was also selected to allow us to examine wider effects of migration on the industry, rather than focusing only on labour-market effects. Therefore, as well as discussing the effects of migration on UK construction workers’ jobs and wages, we also discuss its effects on the health of the industry as a whole, and discuss migrant workers’ own experiences of working in construction.

Finally, we have focused on construction because construction is an important, highly visible sector within the UK economy in which the impact of migrants is much contested. For example, John Denham, MP for Southampton Itchen and Secretary of State for Innovation, Universities and Skills, claimed that wage rates for bricklayers in his constituency have dropped by 50 per cent because of recent waves of immigration (Economist 2006).

This report presents an analysis of what is happening within construction labour markets at present, and what is likely to happen in future – particularly in relation to the demand for, and supply of, workers. It asks what labour demand is expected to result from current and future construction output, and to what extent migrant workers will meet this demand. The report performs a macro level analysis, complemented by a focus on the particularly pertinent case study of the construction of facilities for the 2012 Olympic Games.

The report seeks to paint an objective picture of migrant labour in the UK’s construction sector today. Its conclusions are intended to help manage the interplay between three key objectives:

• Ensuring the construction industry has enough workers with the right skills in order to expand and develop

• Ensuring local people have opportunities to enter the industry and earn a fair wage

• Ensuring that migration into the sector is managed effectively – especially in order to prevent the exploitation of migrant workers.
Balancing these three objectives will be critical in the run-up to the Olympics, as well as for the longer-term health and dynamism of the construction sector.

Our findings may surprise some. They provide a cautionary lesson about the dangers of extrapolating from anecdote and from the experiences of just a few local areas when drawing conclusions about what is happening in the UK at large.

**Structure of the report**

This report is structured around the key findings from each of the different kinds of quantitative and qualitative research conducted during the course of the project.

- Section 2 outlines recent trends in UK migration and the impacts of migration on the UK economy.
- Section 3 offers an analysis of UK construction labour markets and a discussion of Olympics-related issues – particularly the challenges involved in delivering an Olympics employment legacy.
- Section 4 sets out the substantive findings of research in two parts – first, the conclusions of our quantitative research, followed by the key findings from our qualitative research.
- The report’s conclusions are presented in Section 5.
2. Migration in context

This section provides some context to the debate by examining current and historical migration trends in the UK and the socio-economic characteristics of recent immigrants. This is followed by a look at the economic impacts of labour migration.

**Migration trends in the UK**

Migration in the UK is a highly complex phenomenon with a long and varied history. While the country is presently experiencing atypically high levels of immigration, historically the UK has been a country of both immigration and emigration. Until the 1980s, the UK was a country of net emigration. However, with ‘the emergence of a global migration market, mainly for the highly skilled’ (Dobson et al 2001: 3), there has been a significant increase in labour migration right across the world. This has resulted in an increase in the levels of both immigration to and emigration from Britain, with the recent particular rise in immigration observed against the backdrop (until recently) of a strong UK economy. These trends are shown in Figure 2.1.

Of the immigration routes devoted specifically to labour migration, two are of particular significance: the work permit scheme and freedom of movement within the European Union. These two routes are described below.

**The work permit scheme**

The work permit scheme (currently being subsumed into a points-based system) enables employers to recruit staff from outside of the European Economic Area (EEA) as long as they can prove that they cannot fill the post with a suitable applicant from within the EEA. This is known as the ‘resident labour market test’. Figure 2.2 on the next page shows the number of new work permits issued for the years 1948–2006.

Note that the figures in the graph represent the total number of work permits and first permissions issued each year. They exclude extensions and employment changes, since these clearly do not involve immigration but simply a change of immigration status. In fact, first permissions do not involve immigration either, since they are granted in-country, but they do involve a switch in immigration status from a non-employment category (such as a student) to a work-permit holder, and therefore reflect a change in migration status, if not actual immigration.
Following several decades of growth, the number of work permits issued fell dramatically from 1971, as the global economy entered a period of low growth and high inflation. Issuance began to pick up again in the late 1980s, and rose rapidly in the late 1990s and early 2000s. In 2006, approximately 96,740 work permits and first permissions were issued – the highest number since the scheme began (Salt 2007).

Freedom of movement within the European Union

The second major avenue for labour migration is the provision of free movement of people within the EU. Nationals of EU member states have long been able to take up employment anywhere across the EU. With the enlargement of the Union in May 2004 to include ten new countries, including eight Central and Eastern European states known as the ‘A8’, labour migration through this route has increased substantially. The new Central and Eastern European member states are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. Citizens of the other two acceding countries, Cyprus and Malta, are not required to register in order to be able to work in the UK. Romanians and Bulgarians (whose countries joined the EU on 1 January 2007) do not currently enjoy free access to the UK labour market, and at present are only allowed to work in the UK under a number of sector-based schemes, if they qualify for a work permit, or if they are self-employed.

Detailed statistics are not available on immigration from the member states of the EU as it existed prior to 2004. However, transition arrangements have allowed the Government to set up its Worker Registration Scheme (WRS) for immigrants from the A8. The vast majority of applications to the scheme are successful, with only those having no evidence of employment or insufficient proof of citizenship refused. One of the advantages of the scheme is that it enables detailed statistics on A8 nationals working in the UK to be collected and published quarterly by the Home Office. Figure 2.3 on the next page shows the monthly number of approved applications to the scheme since its inception in May 2004.

There is a reasonably clear seasonal trend in WRS applications. Peaks in the summer months reflect the seasonal nature of some industries, such as agriculture, that tend to attract students working in their summer holidays. There are lower numbers in the winter – particularly December, January and February. In terms of an overall trend, applications appear to have started to fall over the past year.

It is important to note that WRS statistics relate to registrations only, so they do not record whether a person is still in the UK. Since many A8 nationals coming to the UK work in seasonal sectors (such as agriculture) and then return home, the number of registrations is not an accurate indication of the net level of immigration from the A8. Indeed, 55 per cent of applicants registering in 2006 said they
intended to stay in the UK for less than three months (Home Office et al 2007). In the case of Poles, it has been argued that while in-migration has increased, ‘the flow is predominantly open ended, short term and circular’ (Eade et al 2006: 16).

Recent analysis from ippr has confirmed this, estimating that around half of the migrants who have arrived from the A8 countries since 2004 have now returned (Pollard et al 2008). On the other hand, self-employed workers are not required to register on the WRS, and so the number of registrations is necessarily lower than the total number of arrivals from the A8.

Other migration routes

Work permits and the WRS account for a high proportion of overall labour migration to the UK, but there are a number of smaller schemes that should be taken into account. The most significant of these is the Highly Skilled Migrant Programme (HSMP), which allows highly skilled people to move to the UK without a job offer in place. Until recently, the HSMP has been viewed as a relatively minor scheme, which has had ‘little quantitative impact on the UK labour market’ (Clarke and Salt 2003: 573). However, in 2006 there was a sharp rise in the number of HSMP approvals, to 21,939 (Salt 2007).

Some migration routes are available only to people from certain countries:

- **The Working Holiday Makers Scheme** allows young people from the Commonwealth to move to the UK for a period of up to two years, during which time they may undertake a limited amount of work, which is usually in unskilled or low-skilled occupations. Similar opportunities exist for young British people to work in countries such as Australia, under reciprocal agreements, thus reducing the overall impact of this migration (Salt and Millar 2006).

- **The Seasonal Agricultural Workers Scheme (SAWS)** allows a quota of migrants to work in the agricultural sector. The SAWS quota has been cut in recent years as a result of EU enlargement, and is now limited to nationals from Romania and Bulgaria.

- **The Sectors Based Scheme (SBS)** was a scheme that allowed a certain amount of low-skilled migration into the food processing and hospitality sectors, but has now been phased out as a result of EU enlargement.
Overall foreign labour migration

Table 2.1 summarises the total inflow of foreign labour migrants in 2005 (the most recent data available), according to route of entry. It is important to note that these are inflow figures only, so they do not reflect either return migration out of the UK, or emigration by British nationals. The table reveals that the WRS is now the most popular route for labour migration into the UK, accounting for almost half of all arrivals. Construction workers are likely to be found in large numbers in the WRS, work permit and EU15 categories, with smaller numbers under the Working Holiday Makers Scheme, the Highly Skilled Migrant Programme and the Science and Engineering Graduates Scheme. It is also possible that some people with UK ancestry visas work in construction.

<table>
<thead>
<tr>
<th>Route of Entry</th>
<th>Number</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worker Registration Scheme</td>
<td>194,953</td>
<td>48.6%</td>
</tr>
<tr>
<td>Work permits</td>
<td>86,191</td>
<td>21.5%</td>
</tr>
<tr>
<td>EU15 and EFTA</td>
<td>35,200</td>
<td>8.8%</td>
</tr>
<tr>
<td>Working Holiday Makers Scheme</td>
<td>20,135</td>
<td>5.0%</td>
</tr>
<tr>
<td>Highly Skilled Migrant Programme</td>
<td>17,631</td>
<td>4.4%</td>
</tr>
<tr>
<td>Seasonal Agricultural Workers Scheme</td>
<td>15,455</td>
<td>3.9%</td>
</tr>
<tr>
<td>Domestic servants</td>
<td>10,100</td>
<td>2.5%</td>
</tr>
<tr>
<td>UK ancestry</td>
<td>8,260</td>
<td>2.1%</td>
</tr>
<tr>
<td>Sectors Based Scheme</td>
<td>7,401</td>
<td>1.8%</td>
</tr>
<tr>
<td>Au pairs</td>
<td>2,360</td>
<td>0.6%</td>
</tr>
<tr>
<td>Science and Engineering Graduates Scheme</td>
<td>2,699</td>
<td>0.7%</td>
</tr>
<tr>
<td>Ministers of religion</td>
<td>530</td>
<td>0.1%</td>
</tr>
<tr>
<td>Total</td>
<td>400,915</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Salt and Millar 2006

Table 2.1 shows the flows of people migrating to the UK in 2005 specifically on labour migration schemes. However, it does not capture figures for those who come to the UK through other channels but who nevertheless work in the UK, whether legally or illegally (see Appendix 1). For example, successful asylum seekers are entitled to work once they have been granted refugee status, and international students are allowed to work part-time while they study. Clearly, undocumented migrants are not picked up in this data. In order to gain an overall picture of the total numbers of foreign nationals working in any sector, we therefore have to examine stocks data from the Labour Force Survey (see Chapter 4).

**Socioeconomic characteristics of recent immigrants**

Immigrants to the UK are, on average, more highly skilled than the native-born population (Sriskandarajah et al 2007). This is perhaps unsurprising given that labour migration routes such as the WPS are predisposed to the highly skilled. Analysis of Labour Force Survey data confirms ‘the generally more skilled character of the foreign workforce when compared with the domestic’, but also that the data ‘does not show a uniform picture, indicating that different foreign groups have different roles in the UK labour market’ (Salt 2004: 37; Sriskandarajah et al 2007). However, recent immigration trends suggest that ‘foreign inflow is now relatively more concentrated in the lower skilled end of the labour market’ (Salt 2004).

Nevertheless, while the skills level of the jobs performed by immigrants has fallen in recent years, whether the average skills level of immigrants themselves has fallen is debatable. A case in point is the example of immigrants from the A8, many of whom are relatively highly qualified but who nevertheless work in low-skilled occupations within the UK (Anderson et al 2006; Pollard et al 2008).
Data from the Home Office’s Accession Monitoring Reports (Home Office et al 2008) enables us to analyse some key socioeconomic characteristics of A8 nationals working in the UK under the WRS. Figure 2.4 shows the number of approved applications to the scheme by nationality for the period May 2004 to June 2008. It shows a clear preponderance of Poles in the registrations. A total of 568,190 Polish nationals have registered for work since May 2004, representing 67 per cent of all approved applications. At the other end of the scale, only 815 people from the relatively small and affluent Slovenia have come to the UK to work. This confirms expectations that, after controlling for country size, economic prosperity in the source country is a good predictor of the likelihood of an A8 national to emigrate to the UK (see Cooley et al 2005; Gilpin et al 2006).

The WRS data also shows that A8 nationals registered to work in the UK tend to be relatively young, and are less likely to have dependent children than the population as a whole. More than four fifths (82 per cent) of those registered on the WRS are aged 18–34, 57 per cent are male, and only 8 per cent have dependants (Home Office et al 2008).

In terms of the regional distribution of WRS-registered migrants, the data contradicts public perceptions that London is the primary destination for migrant inflows. In fact, A8 nationals are most likely to be registered to work in the Anglian region – perhaps due to the area’s agricultural labour demands. The Midlands and London are the second and third most popular regions, but A8 nationals registered on the WRS are spread fairly widely across the country, as shown in Figure 2.5.
The wide geographical spread of A8 migrants registering on the WRS appears particularly stark when considered alongside data on the spatial distribution of the overall population born outside the UK at the time of the 2001 Census, before the arrival of A8 workers. Figure 2.6 shows the geographic concentrations of all foreign-born people in the UK in 2001. There are clear concentrations of foreign-born people in the major cities – particularly London.

Figure 2.6: Population born outside the UK, 2001
Source: Kyambi 2005

Figure 2.7 shows the changing patterns of residency between 1991 and 2001, which demonstrates a trend of increasing diversity in the places of residence of the foreign born, though London and the UK’s other major cities still feature strongly. Against this backdrop, it is clear that the settlement patterns of A8 workers, shown in Figure 2.5, represent a real break from past trends.

Figure 2.7: Population born outside the UK, change 1991–2001
Source: Kyambi 2005

**Economic impacts of labour migration**

Calculating the overall economic impact of immigration is a notoriously difficult task. This is partly due to the large number of variables involved, and partly because some of the benefits that migrants bring with them – entrepreneurship and increased economic dynamism, for instance – are difficult to quantify and measure with statistics. As a result, research has tended to concentrate on attempting to quantify the impacts of immigration on specific aspects of the economy – most prominently, its impact on employment and wages (Nathan 2008).
The impacts of labour migration on the US labour market (where the majority of research has been carried out) remain contested. However, the consensus of opinion seems to be that immigration has little impact either on the wages or employment prospects of the domestic population, and that where negative impacts on employment and wages do occur, they do so largely in the short term (Friedberg and Hunt 1995; Card 2001, 2005; Reed and Latorre forthcoming).

Where research has been carried out in the UK, it has reached similar conclusions (Glover et al 2001; Dustmann et al 2005; Reed and Latorre forthcoming). Manacorda et al (2006) suggest that this lack of a negative impact on the domestic workforce is due to immigrants and natives being imperfect substitutes, which means that native workers cannot easily be substituted for by immigrant workers. In fact, research by the Bank of England showed that recent immigration has actually reduced the UK’s natural rate of unemployment, by making the labour market more flexible and therefore reducing inflationary pressure (Blanchflower et al 2007).

In terms of the impact of immigration on government finances, the first major study conducted in the UK concluded that immigrants made a net contribution of £2.5 billion to the public purse in the year 1999–2000 (Gott and Johnston 2002). This study has since been updated to cover a five-year time period, with improvements made to the methodology in order to make it more robust. The updated study (Sriskandarajah et al 2005) concluded that not only do immigrants make a net contribution to the Exchequer, but that their contribution is rising relative to that of the UK-born population. In 2003–04, immigrants contributed 10 per cent of total government revenue but only accounted for 9.1 per cent of government expenditure, compared to 8.8 per cent and 8.4 per cent respectively in 1999–2000. The rising net fiscal contribution of immigrants is likely because recent arrivals, such as those from the A8 countries, have tended to be young and to have few or no children, and so place few demands on public finances.

Where attempts have been made to assess the overall economic contribution made by immigrants, these have confirmed that immigration has positive impacts on the host economy. Borjas (1995), for instance, finds the impact of immigration on the US economy to be positive, though rather small. In the UK, the Treasury has estimated that in 2001 immigrants accounted for 8 per cent of the working-age population, and generated 10 per cent of GDP (Hansard, Written Answers, May 7 2002, Column 33W). More recent research has highlighted the positive contribution of A8 nationals to the UK economy, with Ernst & Young’s ITEM Club concluding that the increased supply of labour that has resulted from EU enlargement has significantly boosted GDP growth (Ernst & Young 2006). Similarly, Portes and French (2005) and Gilpin et al (2006) have found that A8 immigration has increased output and employment, with minimal effect on the native workforce. An early estimate of the overall impact of A8 immigration put the benefits to the economy at £240 million between May and December 2004 (Home Office 2005).

Employers’ use of migrant labour

Moving on to consider the rationale for employing migrants rather than local workers, recent surveys have shown that employers feel that migrants ‘[outperform] indigenous employees “by a large margin” in terms of their work ethic, productivity, reliability, education and skills and amount of sick leave taken’ (Eaglesham 2007: 2; see also Institute of Directors 2007). This supports previous research suggesting that work ethic is an important factor in the decision to employ migrant workers (see, for example, Dench et al 2006). A8 nationals seem to be regarded particularly highly in this respect.

Table 2.2 shows the results of a survey carried out by the Chartered Institute of Personnel and Development that examined the attributes sought in migrant workers by employers. Perhaps unsurprisingly, skills and qualifications featured prominently among the attributes sought among highly skilled migrants. The results for less-skilled workers appear to support the view that migrants are often employed because of their work ethic – an hypothesis backed up by 68 per cent of employers, who said they felt that this was an important attribute in less-skilled migrants.
It is not just the work ethic of migrant workers that seems to explain their role in the labour market. In certain sectors, many employers seem to be facing difficulties attracting British applicants for job vacancies. Anderson et al (2006) identify two major barriers faced by employers within the construction sector seeking to recruit UK workers: the physical nature of work, and the perceived low status of jobs in the industry.

The next section goes on to look at some of these issues within the context of the UK’s construction labour market.

<table>
<thead>
<tr>
<th></th>
<th>Highly skilled/skilled</th>
<th>Less skilled/unskilled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work experience</td>
<td>55%</td>
<td>42%</td>
</tr>
<tr>
<td>Proficiency in English</td>
<td>51%</td>
<td>54%</td>
</tr>
<tr>
<td>Commitment/willingness to work</td>
<td>26%</td>
<td>68%</td>
</tr>
<tr>
<td>Skills</td>
<td>65%</td>
<td>36%</td>
</tr>
<tr>
<td>Qualifications</td>
<td>46%</td>
<td>7%</td>
</tr>
<tr>
<td>Lower wage costs</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>Age</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Chartered Institute of Personnel and Development 2005
3. The UK construction labour market

This section examines the UK’s construction labour market, looking at how it is structured and the role of migrants within it. In particular, it examines a case study of the construction of the forthcoming London Olympic facilities. We investigate the job creation potential of the Olympics, including how many ‘Olympic jobs’ might be expected to go to local workers and how many to migrants.

Understanding the UK construction sector

Before beginning our analysis of the sector’s labour markets, we set out some of the key factors that have shaped the industry and have an important influence on how it functions. The construction sector – both in the UK and internationally – is heavily influenced by conditions in the wider economy. This is because construction output tends to rely on the success of sectors further upstream. As these other industries expand, they generate demand for downstream services – one of which is construction. Similarly, as they contract, construction demand may fall. This is one reason why the construction sector is often seen as a good barometer for the performance of the economy as a whole.

The decade of solid economic growth that the UK has recently enjoyed – in particular, the rise in public investment programmes – has had important positive repercussions for the industry. UK construction has enjoyed a fairly unprecedented period of continuing strong performance and growth (ConstructionSkills 2007), with output and employment rising rapidly. However, the strong underlying relationship between the success of other sectors and construction demand means that the construction sector is sensitive to the potential for peaks and troughs in demand for its services. As a result, the current downturn in economic growth had already begun to affect UK construction output.

While wider economic conditions go some way towards explaining the sector’s performance, policy also plays a role. In particular, careful strategic planning can help avoid ‘boom and bust’ scenarios. Historically, however, very little strategic planning has been in place. In the 1980s especially, key policy decisions exacerbated rather than neutered the industry’s tendency towards volatility. In particular, the decision to downgrade the importance of vocational training throughout the 1980s had serious impacts on the industry.

Such policies helped to generate a situation where the industry was described by the National Audit Office as being characterised by a culture of ‘short-termism’, with ‘a lack of serious and sustained commitment to education, training, safety, and research, and in particular the low levels of commitment to serious skills development’ (Comptroller and Auditor General 2001: 58). This short-term approach – particularly regarding training and skills development – has posed serious challenges for the industry in recent decades.

However, in the past ten years significant efforts have been made to manage the industry’s volatility and to tackle short-termism, particularly in relation to training. At a policy level, significant progress was made with the commissioning of a Construction Task Force, which in 1998 produced the Egan Report. This report in turn helped lead to the establishment of a high-level group called Rethinking Construction, which was mandated with tackling under-investment in the industry – particularly in people. Wider efforts by the Government to reverse the neglect of vocational skills development – most recently the Leitch Review (Leitch 2006) – have complemented these sector-specific efforts.

The industry has also become more self-aware over time, and has been improving its long-term planning and strategy. This has involved, for example, attempts to make training provision more demand led, and efforts to forecast future labour demand and supply, in order to plan more effectively for the industry’s likely future labour requirements. This has been most recently manifest through the industry’s engagement with its Sector Skills Council, ConstructionSkills.
Key trends in the sector’s labour markets

To develop an understanding of the current labour market situation, we now trace some key trends within the sector’s labour markets, and consider how these have shaped, and continue to shape, the labour situation we see today. In this section, we explore five key trends: labour shortages, high demand for labour, high levels of self-employment and subcontracting, and rapid change in skills required.

Labour shortages

According to a number of sources, until recently there have been significant shortages of labour within the construction industry, with particular deficits in a number of occupations. The Learning and Skills Council’s National Employers Skills Survey suggests that overall vacancies in the sector are roughly average for all sectors, but that construction suffers from more hard-to-fill vacancies and skill-shortage vacancies than almost any other sector. Sector-specific evidence suggests that while businesses do not rate ‘obtaining suitably skilled staff’ as their top challenge, they do rate it as a consistent second-tier concern (ConstructionSkills, Employer Consultation Panel).

Two key trends must be highlighted in relation to these findings. First, it appears that in the last few years there has been a small reduction in levels of concern about skills and labour shortages. For example, data from the Federation of Master Builders demonstrates a decrease in employers citing ‘skills shortages’ as a constraint on activity (falling from 70 per cent to 35 per cent in the period 2005 to 2007). This fall is due, in part, to the industry growing its workforce by over 30 per cent in the last ten years. This may be related to increasing migration (an issue we shall explore in some detail in following sections), as well as the rising numbers of trainees who have entered the industry in recent years.

Nevertheless, the second trend is that even the most recent data for the current period of recession suggests that shortages still remain in the sector (Bryer 2008; data for autumn 2008). The Construction Skills Network model is the best model available for projecting expected construction output, associated labour demand, and the ‘average annual requirement’ – additional labour required by the sector beyond that expected to be supplied. Although not without its flaws, we believe that the process used to generate the figures is sound, and the national employment and ‘employment gap’ predictions it generates are respected as the best available. This model suggests that, despite the downturn, significant numbers of new entrants will be needed to meet labour demand – and that at present, training schemes are not producing the workforce required to meet that demand. What is
more, many training schemes are already operating at full capacity, meaning that very rapid expansion of numbers of trainees would not be easy to achieve. As a result, it is likely that the sector will continue to experience shortages of labour across many occupations.

High demand for labour
As a result of the decade of buoyancy in the UK construction sector, there has been a high demand for the labour of the existing UK construction workforce. In the context of a rapidly growing industry, this has had an inflationary impact on wages. Figure 3.1 shows how the wages for manual workers in construction have been above the annual earnings of workers in other manual trades since 1989. Indeed, since 1994, the earnings of this group have seen a rapid steady increase in comparison with workers in other sectors, with average earnings around 12 per cent greater by 2002. (After 2002 this data source expires.)

Figure 3.1: Earnings differentials between construction and UK average, 1970–2002
Source: ConstructionSkills 2004

More recent data from the Annual Survey of Hours and Earnings (ASHE) shows that mean weekly gross earnings in the construction sector have now begun to moderate. Mean weekly gross earnings by construction workers continued to grow faster than wages across the whole economy in 2005 and 2006 (construction wages grew by 3.1 per cent in 2005 and 4.6 per cent in 2006, compared to 2.2 and 4.3 per cent for wages across the whole economy). In 2007 construction wages grew by 2.2 per cent, whereas those across the economy as a whole grew by 2.7 per cent (Office for National Statistics 2006b, 2007a, 2007b, 2008). However, there is still some way to go before wages fall back in line with their relative positions in the late 1980s.

High levels of self-employment
The construction industry is highly decentralised, with 89.8 per cent of construction firms having fewer than ten employees, a further 9.4 per cent employing between 10 and 49 people, and 46.4 per cent of firms employing only one person (Blake et al 2004). Linked to this are high levels of self-employment, which constitute the third key feature that has characterised construction labour markets in recent years. Thirty years ago, the majority of construction firms employed their workers, but since then the proportion of construction workers who are self-employed has risen dramatically. Self-employment as a proportion of the workforce has been running at 30 per cent or more since 1985, peaking in the mid-1990s at around 43 per cent, and then falling again. The proportion now appears to have stabilised, at least for the time being, at around 37 per cent.

Levels of self-employment have had numerous impacts on the sector. These impacts have been mixed. Some have been positive, including financial advantages for customers and increased flexibility,
benefiting employers and some workers. However, other effects of self-employment have been problematic. For example, there are concerns about ‘false self-employment’, where workers have many of the characteristics of an employee (for example, working for the same employer for years) and would prefer to have employed status, but are nonetheless unable to access work as an employee.

Also, self-employment has drawbacks specifically in relation to training. Very small firms can find it highly risky to take on an apprentice, or even a fully work-ready but inexperienced new worker (Clarke 2006). The training opportunities and access to qualifications for workers already in the workforce are also affected, as it is less likely that self-employed workers will take the risk of investing in these opportunities.

High levels of subcontracting
Related to the rise in self-employment is the proliferation of subcontracting witnessed across the sector, with many construction projects characterised by a number of tiers of sub-contracted firms. One investigation concluded that in construction ‘there are now no large employers; the industry is supplied by labour contractors’ (RSA Migration Commission 2005: 9). This in turn often means that the majority of small firms lack the information or incentives required to carry out strategic planning with regard to labour recruitment and training. Subcontracting therefore shapes how training initiatives at the industry level should be designed and delivered.

Rapid changes in skills required
The sector’s labour profile is also being affected by the rapid change taking place in technologies, materials and practices within the sector, and this has had an effect on the kinds and levels of skills required. Geddes and Balch suggest that the effect of this technological change has been to steadily push up skill requirements, as workers require specific skills to use these technologies, combined with the flexibility to adapt to a quickly changing environment (Geddes and Balch 2002).

Current sector performance and impact on labour demand
Having described the trends that have shaped the industry over the past decades, we now consider how the industry is performing today. The construction sector in the UK is large. Estimates suggest that it presently employs over 2.3 million workers, or 2.6 million including those working in professional practice (Bryer 2008) across a wide range of activities and sub-sectors, from manual labourers to highly skilled engineers and professionals.

Total output is expected to continue to grow in the medium term, driven by planned expansions in a number of sub-sectors – particularly infrastructure (Bryer 2008). However, in 2008 and 2009 contractions in demand are expected, with fewer projects in the pipeline – especially in private housing (Bryer 2008). Nonetheless, between 2009 and 2013 employment is expected to expand, by around 2 per cent overall. Appendix 2 gives an idea of the number of employees working in each occupation at present, as well as the projected annual employment requirement for each occupation over the period up to 2013.

The projected average annual employment requirement is expected to reach 42,000 each year for the period spanning 2009 to 2013. This figure, an interim forecast generated by the Construction Skills Network Model, represents the number of extra employees that the industry is expected to require each year in order for labour supply to meet predicted labour demand. It must be emphasised that these are relatively recent figures, from September 2008. They may seem overly optimistic, but it should be emphasised that the expected requirement of 42,000 workers represents a significant reduction on earlier estimates – for example, previously the model has suggested that the ‘employment gap’ would be 88,390 workers annually (ConstructionSkills 2008). It therefore seems that, at least for the moment, while the recession has reduced the labour and skills gaps affecting the sector, it has not eliminated them entirely.

Key characteristics of the construction workforce
It is important not only to examine the gaps in labour for particular occupations, but also to consider the skills and qualifications of those in the sector. Analysis of the Labour Force Survey allows us to
examine the skills distribution of the current UK construction workforce, although this kind of exercise can be problematic as a large proportion of workers, particularly in London, are categorised as having ‘other’ qualifications rather than a specific level of qualification. The most likely reason for this, as noted by Kyambi (2005), lies in the difficulty of categorising overseas qualifications according to their British equivalent for the purposes of the LFS. Leaving that concern aside, however, Table 3.1 shows the distribution of qualifications among workers in the construction sector in London, and for the UK as a whole. (Northern Ireland is included in the UK total but not included as a separate column, because the sample size is too small to produce robust results specifically for the province.)

Table 3.1: Skills distribution of construction workers, 2007

<table>
<thead>
<tr>
<th></th>
<th>UK</th>
<th>England</th>
<th>Wales</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outside London</td>
<td>London</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NVQ Level 4 and above</td>
<td>14.7%</td>
<td>14.0%</td>
<td>16.6%</td>
<td>14.4%</td>
</tr>
<tr>
<td>NVQ Level 3</td>
<td>19.2%</td>
<td>19.8%</td>
<td>13.5%</td>
<td>18.7%</td>
</tr>
<tr>
<td>Trade apprenticeships</td>
<td>17.4%</td>
<td>17.6%</td>
<td>9.1%</td>
<td>13.4%</td>
</tr>
<tr>
<td>NVQ Level 2</td>
<td>13.1%</td>
<td>13.3%</td>
<td>11.5%</td>
<td>16.3%</td>
</tr>
<tr>
<td>Below NVQ Level 2</td>
<td>13.2%</td>
<td>14.8%</td>
<td>9.4%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Other qualifications</td>
<td>10.6%</td>
<td>9.2%</td>
<td>22.6%</td>
<td>12.7%</td>
</tr>
<tr>
<td>No qualifications</td>
<td>11.9%</td>
<td>11.3%</td>
<td>17.3%</td>
<td>15.4%</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey and ippr calculations

The demographic profile of construction-sector workers is also worth noting, as it is highly unusual, with continuing concern about the low proportion of women and black and minority ethnic (BME) workers in the sector (Briscoe 2005; Byrne et al 2005). For the country as a whole, the proportion of construction workers who are women has remained steady at around 10–12 per cent since 1990 (Briscoe 2005), and the proportion from BME groups has also remained static, with minorities accounting for 2.8 per cent of the construction workforce (Craw et al 2007). In London, 15.7 per cent of construction workers are from BME groups (ibid) – higher than the national average but still below the proportion of people from BME groups in the London population. When people discuss attracting more local people into the sector, these groups are often near the top of agenda.

The role of migrants in the UK construction sector

According to Balch et al (2004: 191), ‘a reliance on relatively cheap sources of foreign labour is an embedded, structural feature of the UK construction sector.’ The sector has traditionally been dependent on migrant labour, including international migrants and native workers who ‘migrate’ within the UK in order to follow jobs. It is both the specificity and the localised nature of the demand that create a structural reliance on migration within construction. Particularly on large and labour-intensive projects, demand is met by domestic and international workers migrating to particular ‘hotspots’ of construction activity. Research has shown that industries with a high degree of subcontracting tend to be more reliant on ‘buying in’ labour, meaning that they have relatively high proportions of migrant or mobile workers (Fellini and Fullin 2002).

The available literature suggests that (in line with recent UK policy towards the EU), migrant labour has been effective in filling some skills gaps, and to some extent in ensuring labour availability in some of the lower-skilled construction trades (RSA Migration Commission 2005; Anderson et al 2006). Equally, on large projects in particular, international migrant workers with particular expertise have played important professional and strategic roles in construction.

Traditionally, many international migrants in the construction sector have come from the Republic of Ireland. However, the recent boom in the Irish economy has led to a rapid rise in demand for construction workers in cities such as Dublin, and Balch et al (2004) note that between 1995 and 2001 the number of people employed in the Irish construction sector increased from fewer than 100,000 to 180,000. This boom lured migrant workers home, and since the late 1990s the Office for National Statistics has recorded net outflows of migrants to Ireland. In turn, these flows have
contributed to pockets of labour shortage in the UK construction sector. The result has been that construction firms have sought to recruit substitutes for Irish migrant labour – and have found them, in workers from Asia and Central and Eastern Europe (Balch et al 2004).

The construction industry has been identified as one of a number of sectors in which illegal working is a particular problem, along with sectors such as agriculture, catering, cleaning and hospitality (Home Office 2002; Anderson and Rogaly 2005; Serious Organised Crime Agency 2006). However, much of the illegal working that takes place in the construction industry probably occurs in the domestic repair and maintenance sector, which is subject to little regulation. Balch et al (2004) argue that it has been the inability of the industry to replace returning Irish migrant workers and the political difficulties of creating new routes for immigration of construction workers that accounts for the relatively high number of undocumented workers in the sector. However, with the enlargement of the EU and the subsequent legal migration of A8 nationals to the UK, it is possible that employing irregular migrants has become a less attractive (and, indeed, less necessary) option in recent years.

Case study: an Olympic labour legacy?
The construction of the facilities for the 2012 Olympic Games is perhaps the best-known construction project currently being undertaken in the UK. Moreover, given the iconic nature of the Olympics, the construction of the facilities is often seen as a unique challenge. However, while this development is different in many ways from the usual construction project, it does have some precedents. First, we know what other cities have been able to achieve for their own Olympic facilities. And, while a number of factors set the 2012 Olympics project apart from most UK construction projects (including the attention it attracts, the ‘legacy benefits’ it is meant to deliver, and the absolute immovability of deadlines), in other ways it faces many of the same challenges as other large projects. So our discussion of an Olympic labour legacy can draw on these experiences.

It is worth noting a word of caution, however: it is very difficult to isolate the impacts of the Olympic Games on a host city. There are often multiple activities and investments that are brought forward to coincide with Olympics preparations, including projects that were scheduled to happen in any case, and whose impact is therefore not really a result of the Games. It is also difficult to assess what would have happened in a host city without the Olympics. How else would public funds be spent, and what would the costs and benefits have been? To what extent did Olympics investment crowd out other investment that would have occurred, and to what degree did Olympics jobs displace other jobs – so could these therefore be considered a net gain? These factors need to be borne in mind by those planning for or assessing Olympic legacies.

Impacts of the Olympics on the economy and on construction labour markets
Different host cities have had different aims for their Olympic Games. The Games are commonly seen as an economic development tool, and many host cities bid for the Olympics for economic development reasons. However, not all Olympics have brought economic gain. For example, Montreal struggled for three decades to pay off its Olympic debt. By the late 1970s, there were no bidders for the 1984 Olympics, in fear that the Games were too risky and expensive. Los Angeles finally decided to be the host and, with a favourable deal from the International Olympic Committee, turned a record profit of US$200 million, thereby encouraging bids for future Games.

Just as Los Angeles gave the Olympics a profit-generating reputation, Barcelona branded them as a regeneration tool. The 1992 Barcelona Olympics brought forward large-scale public infrastructure projects, including waterfront redevelopment, a new ring road, substantial airport improvements, housing (later converted from the original Olympic Village), and renewed public spaces. These Games were a catalyst for broader economic development, and led the regeneration in several neighbourhoods, so there are clear parallels here with the aspirations of London 2012.

Sydney won the bid for the 2000 Games, and included in its plans the later development of the Olympic site at Homebush Bay. Athens in 2004 brought forward large-scale transportation infrastructure for its Games, and its famed race to finish the stadium roof serves as a reminder of the intensity of Olympic construction efforts. Beijing’s Olympics construction is thought to be the biggest yet.
It should be clear, then, that generalising about the impact of the Games is difficult. Indeed, assessing impacts is further complicated by relatively weak information. Nonetheless, we believe that direct impacts accrue in a broad range of categories:

- Economic stimulus (for example, investment and employment)
- Infrastructure
- Political impacts
- Social impacts
- Image impacts.

The Games also trigger secondary impacts, which (because of the scale of the project) could be substantial. These include wider economic growth or recession, and other infrastructure or investment in non-Olympics structures.

For the purposes of this report, we shall focus mainly on two direct impact areas: economic stimulus, and infrastructure. These two factors help determine the labour market impacts of the Games, because they are inherently linked – most of the short-term employment stimulus occurs as a result of the construction of the Games infrastructure.

**Economic stimulus:** Investment – and jobs – flow into the host city in the run-up to the Olympics, with particular gains in the construction and tourism-related industries. Olympic employment begins as early as 10 years before the Games, when the bidding process begins. Employment picks up once the bid is successful, and then during the Olympic preparation phase, and tends to escalate steadily through the Games year. Most of the employment in the preparation years is in the construction of facilities, while in the Games year this drops off, and employment accrues in services such as tourism and hospitality.

Most jobs associated with the Games are short term. Preuss’s schematic for Olympic jobs (Figure 3.2 below) depicts the development of Olympic employment over time. Following the Games, Preuss presents four scenarios of Olympic impact on employment:

- Return to original level of employment
- Rising level
- Increased level
- Lower level.

The schematic demonstrates that Olympics Games may not be ultimately responsible for any long-term employment growth that accompanies them. In fact, longer-term increased levels of employment resulting from the Games tend to indicate an expansion in the construction or tourism sectors.
Total employment figures vary from one host country to another, as different Games make very different levels of investment. Barcelona is thought to have employed the most, with 281,213 person-years of employment – equivalent to 7,030 jobs. At the other extreme, Atlanta made 87,510 person-years of employment – equivalent to 2,188 jobs (Preuss 2004).

It is worth noting that estimates on employment figures vary widely – partly because most ‘official’ estimates come from host cities and organising committees, and are sometimes thought to be overly optimistic. The calculations here were made by Holger Preuss, an independent academic. It is also worth noting that although these figures describe the employment impact of the Games, others have suggested that had the Games not occurred, public expenditure would employ workers elsewhere, so the net impact may be much lower (Baade and Matheson 2002).

Infrastructure impact: The Games seem to have the most significant economic benefit when the infrastructure and other Olympic investments are made in line with the host city’s future needs. Barcelona used the Olympics to bring forward infrastructure builds they were already planning, so the new builds had lasting, long-term uses. The Olympics is a brief event, and bringing forward infrastructure that is needed in any case can help ensure that the Games offer lasting economic benefits.

What labour legacy is expected from the 2012 Games?

Estimates vary regarding the likely employment legacy and impacts of the 2012 Games. However, prior to the current budget figures, analysts Experian estimated that the Olympics will employ 49,000 person-years of construction employment and 36,700 additional jobs in staging and showcasing the Games (Experian 2006). (These figures refer to direct impacts, over a time period extending beyond the Games and including direct legacy employment. Not including legacy employment – to convert Games structures for post-Games use – Experian estimates that the Games will employ 35,500 person-years of construction employment.) In this distinction between person-years and jobs, person-years are more precise, and jobs may be very long or very short in time span. Experian states the ‘jobs’ it has calculated will mostly be very short-term in nature.

There will also be other indirect employment impacts – both positive and negative. In terms of impact on the construction sector, job shifting and displacement will make the net impact of London 2012 less clear. To some degree, other publicly funded infrastructure projects may be shifted or delayed, and public infrastructure spending in the post-Games years may drop to compensate for the extra Olympics-related spending.

It is important to note that there is not just one ‘legacy plan’ but many, with different areas and organisations all trying to harness the Olympics to meet some of their objectives. Key among these actors are the five ‘Olympic boroughs’ – the areas of London in which the Olympic facilities will be built, and where activities will take place. The employment legacy has become a particular focus for these five boroughs, along with the London Development Agency (LDA), the London Employment and Skills Taskforce for 2012 and other local interest groups. However, there is confusion about how many Olympics jobs will be local, and indeed how to define ‘local’ – a complex concept given East London’s distinct international communities. In the case of construction, it is unclear how many construction jobs will go to ‘local’ residents – particularly because there are relatively few skilled construction workers living in the five Olympic boroughs.

Figure 3.3 demonstrates more clearly the occupational breakdown in the five host boroughs, expressed in relation to the UK-wide distribution of occupations in the construction sector. For example, 24.1 per cent of construction workers in the host boroughs are employed in the wood trades, compared to 17 per cent of construction workers at the national level, so the graph therefore shows the difference as 7.1 percentage points. Overall, the host boroughs show a marked lack of managers, engineers and other professionals, clerical workers, and plumbers compared with the rest of the UK. Wood trades, floorers, roofers, and technical staff, on the other hand, appear in good supply. Many of the occupations that are in relatively short supply within the Olympic boroughs, are, however, present in large numbers across Greater London, as Figure 3.4 demonstrates.
These figures question how the employment opportunities arising from the gains might be distributed between UK workers. Research by UBS Investment Research has predicted that ‘given the time sensitivity of the Olympic project, employment in construction may well leach from the region as skills shortages are met by importing labour rather than the more time-consuming process of training’ (UBS Investment Research 2006: 8). Below we assess the likelihood of such effects, and the sort of efforts that could be made to prevent them.

**Skills level of the local workforce**

As well as looking at the construction occupation distribution across the five boroughs, it is also important to examine the skills of local workers. Table 3.2 shows the qualifications distribution of the five host boroughs in comparison with the London average. (This data is older than we would like, but it is unlikely that the figures have changed radically over the intervening period, and it is highly probable that the same general trends could be observed across the rest of London.)

The five boroughs all have a lower proportion of people with qualifications equivalent to NVQ Level 4 and above than the London average of 31 per cent. Newham has the lowest proportion of workers at this qualification level, with only 16 per cent of its working-age population qualified to NVQ Level 4. Apart from Greenwich, the host boroughs also have lower levels of NVQ Level 3 workers than the London average.
The data on skills levels in the host boroughs suggests that, without significant investment in education and training, the local population is poorly placed to take advantage of the construction jobs that hosting the Olympics offers:

‘Many jobs in construction trades and building trades require workers with middle level skills. The five Host Boroughs are under-represented in the share of residents at this skill level. In the construction industry where workers are highly mobile, local residents are not currently in a strong position to access these jobs.’ (Experian 2006: 43)

Without significant up-skilling of the local workforce, construction jobs are therefore more likely to be filled by a combination of people from elsewhere in the country and by international migrants than by local people.

What roles have migrants played in the construction of past Games?

There is little evidence available on the contribution of migrant workers to the construction of previous Olympic facilities, but, anecdotally, migrants played a key role in the construction for the Athens Games. In Athens, an estimated 30,000 workers were employed in the construction of Olympic venues, 60 per cent of whom were not Greek. Unions estimated that around one third of construction workers employed were without work permits (Alderson and Field 2004).

One of the reasons that a high proportion of migrant workers (many undocumented) were employed in Athens could be the necessity of finishing building work in time. Faced with the possibility of the embarrassment of not completing construction on time, it has been suggested that contractors opted to employ undocumented workers, often with little regard for their health and safety (Alderson and Field 2004). According to official figures, 14 construction workers died in Athens. However, Greek trade union officials claim that the real figure is far higher – possibly as high as 40 (Amnesty International 2004). In contrast, there was only one recorded death in the construction of the Sydney Olympics facilities.

In sum, while it is difficult to know what precise role migrants have played in the construction of past Olympics facilities, it seems clear that that role has been an important one. That they are likely to play a similar role in the construction of London’s 2012 Olympics infrastructure seems probable, given the characteristics of the London construction workforce and the structural characteristics of the UK’s construction labour markets. To gain a greater insight into this question, in Section 4 we now turn to the new empirical findings of our research.
4. Empirical findings

The previous sections have summarised the findings from the existing literature, in order to provide an overview of the relationship between migration and construction, including in particular migrants’ role in the construction of past Olympic facilities. In this section we provide the results of our original analysis. We hope this will provide insight into the role migrants are currently playing in UK construction, and in particular the construction of the 2012 Olympic facilities. We have undertaken both quantitative and qualitative work, and the findings from each are presented in turn.

Quantitative analyses

The main quantitative methodology employed in this report was analysis of the Labour Force Survey. This was undertaken to estimate stocks of migrants in the construction sector and to understand the characteristics of those migrants and their local colleagues. We also used data that draws on existing sources such as the Accession Monitoring Reports, data from Work Permits UK and the International Passenger Survey. More details are provided in Appendix 1.

The results of our quantitative analyses yield questions as well as answers. This is partly because nationally available data on migration is limited and generally of poor quality, as described in Section 2. What is more, the focus of this report raises a particular challenge that other analyses of migration may not have faced, in that it seeks to establish the trends and characteristics of particular population subgroups of interest. However, in some cases the samples of these subgroups are so small that any results we could draw from the available data would be invalid. (For a fuller summary of the key challenges with the migration data in relation to this report, see Box 4.1 on the next page).

We were well aware that these challenges would arise; to help us address them we organised a roundtable of migration statistical experts, who advised us of the best way to proceed. The results below draw upon their recommendations, and seek to undertake the best analysis possible given the data available.

In this section we have used the definition of a migrant construction worker given in Appendix 1 – ‘a foreign national currently working in construction who arrived within the last 10 years’. However, sometimes analysis only proved possible when using a ‘foreign national regardless of date of arrival’ definition, and so in places this has been adopted.

Flows of migrants into the construction sector

Estimating the total inflow of migrants into the construction sector is complicated by the variety of migration channels open to different types of migrant. It is therefore necessary to build up a channel-by-channel picture of inflows into the sector.

The construction and land services industry accounts for a relatively small proportion of work-permit holders – comprising 3.5 per cent of those work permits and first permissions granted in 2006 – although this figure rose from just 0.8 per cent the previous year. It is important to note, however, that people who hold work permits in the administration, business and management services sector may be also be employed within the construction sector. Figure 4.1 (next page) shows the number of work permits issued in the construction sector in 1995 and for the period 2000–06. These permit holders can be classified under the ‘non-EEA nationals with work visa’ category, within the typology of migrant construction workers set out in Appendix 1.

Figure 4.2 shows the distribution of A8 nationals registering to work in the UK, by occupation group. These workers are categorised under ‘employed EEA nationals’ within the typology in Appendix 1. At first glance, relatively few A8 workers register to work in construction – perhaps a surprisingly low proportion. However, the data needs to be treated with some degree of caution since, as the Accession Monitoring Report confirms, ‘the majority of workers in the Administration, Business & Management occupation group work for recruitment agencies and could be employed in a variety of occupations’ (Home Office et al 2007: 13). Therefore, this sector is overrepresented in the data.
Box 4.1: Data constraints

The most important data constraints to our analysis were as follows:

1. The only data on all migratory flows covering people entering and leaving the UK – the International Passenger Survey – does not include information on occupation, and so cannot be used for sectoral analysis, such as an examination of the role of migrants in the construction sector. Also, the data is of little use in any analysis of country of origin or destination, as the sample is so small that it is impossible to draw any conclusions about the flows of people to and from anywhere but the most significant countries. For our purposes, it is relevant only in terms of setting the scene of general migration trends.

2. Information about certain types of labour migrants is available from administrative data relating to the scheme or provision under which they arrived, such as some of their socioeconomic characteristics. However, some flows (such as the movement of self-employed people from EEA countries) are not documented at all, and in several cases, such as the migrant workers from A8 countries, we have inflow figures but no outflow figures. Moreover, consistent data is not collected across the different kinds of labour migration, and so cannot easily be compared.

3. Labour-market information on flows of non-labour migrants, such as refugees or students, was not available.

4. Bearing in mind the various limitations, the only way of quantifying and understanding the impacts of migration is to look at the stock of migrants in the UK, using the Labour Force Survey. However, this raises a number of key challenges – most importantly, that it only collects information from long-term migrants (those residing in the UK for a year or longer) and those living in private accommodation. Short-term migrants, or those who are living in communal or temporary accommodation, will not be counted. This could lead to various kinds of undercounting but, most importantly, means that the LFS will likely miss most of the ‘trade in services’ type of movement, which, anecdotally, appears to constitute a significant proportion of labour migration within construction.

5. The LFS is not designed specifically to examine migration and its impacts. As such, the samples are too small to allow us to examine all of the socioeconomic characteristics of migrants that we might be interested in.
Figure 4.3 shows how the number of registrations in the ‘construction and land’ occupation grouping has varied since May 2004, on a quarterly basis. The number of registrations was growing year on year until 2007, though it now may be falling. Moreover, the data suggests some degree of seasonality in the registrations between 2004 and 2006, with applications peaking in the third quarter of each year, and falling back in the fourth. However, in the first quarter of 2007 the number of registrations in that sector is particularly high, and decreases in the following quarters. It looks as if this pattern is being repeated in 2008.

This reflects the ambiguity of the trend, and may be because the registration is not necessarily made at the same time that the worker arrives in the country (Home Office et al 2007). It may also, however, reflect the emerging trend for all WRS applications, which suggests that the numbers of migrants arriving from the A8 countries may now be slowing (Pollard et al 2008).
The Accession Monitoring Report lists applicants to the WRS by more specific occupations, and this helps us get around the problem of agency workers being categorised as working in ‘administration’. Table 4.1 shows the number of A8 nationals registered to work in construction-related jobs. The data covers the period since July 2004, as data for May and June 2004 is unavailable.

There is some ambiguity about which sectors a number of these jobs fall into. For example, electrical engineers may be working in construction or in manufacturing. The table reveals that ‘building labourer’ is the most common job among A8 nationals working in construction occupations. However, because the WRS excludes self-employed workers, there is a relatively small number of people registered in trades such as plumbing. (Tradespeople are more likely to be self-employed than any other kind of construction worker.) However, there are significant numbers of other kinds of tradespeople, such as bricklayers and carpenters, registered as employees.

<table>
<thead>
<tr>
<th>Table 4.1: Successful applications to the Worker Registration Scheme by occupation, July 2004 to June 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registrations</td>
</tr>
<tr>
<td>Architect</td>
</tr>
<tr>
<td>Architectural technician</td>
</tr>
<tr>
<td>Bricklayer/mason</td>
</tr>
<tr>
<td>Carpenter/joiner</td>
</tr>
<tr>
<td>Civil engineer</td>
</tr>
<tr>
<td>Construction materials delivery</td>
</tr>
<tr>
<td>Constructor, road</td>
</tr>
<tr>
<td>Constructor, roofing</td>
</tr>
<tr>
<td>Constructor, steel</td>
</tr>
<tr>
<td>Electrician</td>
</tr>
<tr>
<td>Engineer, electrical</td>
</tr>
<tr>
<td>Engineer, gas</td>
</tr>
<tr>
<td>Floorer and wall tiler</td>
</tr>
<tr>
<td>Handyman, general (building and contracting)</td>
</tr>
<tr>
<td>Labourer, building</td>
</tr>
</tbody>
</table>

The total number of people registered in the occupations listed in the Table 4.1 is 51,515, compared with the 32,720 people classified as working in ‘construction and land services’ in Figure 4.2. The higher number in Table 4.1 reflects the inclusion of agency workers, and the fact that some of these workers may be employed in sectors such as manufacturing rather than construction. In percentage terms (thereby controlling for the slightly different timeframes), people registered in construction and land comprise 4.6 per cent of all WRS registrations, while the occupations listed in Table 4.1 compose 7.2 per cent of the total – not a radically different result.

Stocks of migrants in the construction sector

In order to estimate the total number of migrants in the construction sector at any one time, it is necessary to use the Labour Force Survey. One of the main problems with the LFS as a source of migration data is that it is not possible to determine the immigration status of a respondent. However, it does include data on country of birth and nationality, and this allows us to estimate the total number of migrants, defined in a number of ways, working in the construction sector. This means that the following data includes all migrants working in the construction sector, regardless of their route of entry.
Figure 4.4 shows the total number of foreign-born and foreign-national people of working age categorised as working in the construction sector for each quarter of the LFS, from the first quarter of 2000 to the fourth quarter of 2007. Figure 4.5 provides the equivalent picture for UK-born and UK-national construction workers.

Figures 4.4 and 4.5 show that between the first quarter of 2000 and the fourth quarter of 2007, the number of foreign-born construction workers rose by some 102 per cent, with the bulk of the increase occurring since late 2003. The number of UK-born workers in the sector also increased over the same period, by 18 per cent. The concurrent rise in the number of UK and foreign construction workers since 2000 indicates that recent migration into the sector has increased the total size of the workforce, rather than causing direct displacement of the domestic workers. Between the first quarter of 2000 and the fourth quarter of 2007, the total number of construction jobs increased by approximately 402,000, and the number of foreign nationals working in construction increased by 75,000. The remaining approximately 327,000 jobs went to UK nationals.
Figure 4.6 shows the proportion of the overall construction workforce composed of foreign-born and foreign-national workers. In the fourth quarter of 2007, the proportion of the construction workforce who were foreign nationals stood at 5.7 per cent, with 8.1 per cent being foreign born.

Within this national picture, there are very significant regional variations. In London in the fourth quarter of 2007, 47 per cent of construction workers were foreign nationals. However, during the same period the region with the next-largest proportion of foreign nationals working as construction workers, the East of England, the proportion was just 3.7 per cent. Within other regions, the proportions of foreign nationals were so much smaller again that the sample sizes were too small to estimate accurately the proportion of construction workers who were foreign nationals.

Table 4.2 shows the total number of migrant construction workers, as defined by our ten-year threshold, working in construction in the UK in the fourth quarter of the years 2000–07, as well as examining the proportion of migrant workers compared to all foreign nationals in the sector.

This again shows that the rate of migration into construction has increased rapidly since the start of the century. However, it also demonstrates, again, the relatively low numbers of migrant workers in

<table>
<thead>
<tr>
<th>Year and quarter</th>
<th>Total foreign nationals</th>
<th>‘Migrant workers’ (arrivals in last 10 years)</th>
<th>‘Migrant workers’ as % of all foreign nationals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Q4</td>
<td>51,000</td>
<td>18,000</td>
<td>35.6%</td>
</tr>
<tr>
<td>2001 Q4</td>
<td>50,000</td>
<td>19,000</td>
<td>39.0%</td>
</tr>
<tr>
<td>2002 Q4</td>
<td>63,000</td>
<td>31,000</td>
<td>49.6%</td>
</tr>
<tr>
<td>2003 Q4</td>
<td>79,000</td>
<td>44,000</td>
<td>55.7%</td>
</tr>
<tr>
<td>2004 Q4</td>
<td>84,000</td>
<td>56,000</td>
<td>66.0%</td>
</tr>
<tr>
<td>2005 Q4</td>
<td>95,000</td>
<td>66,000</td>
<td>69.7%</td>
</tr>
<tr>
<td>2006 Q4</td>
<td>129,000</td>
<td>86,000</td>
<td>66.7%</td>
</tr>
<tr>
<td>2007 Q4</td>
<td>131,000</td>
<td>93,000</td>
<td>71.1%</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey and ippr calculations

*Figures rounded to the nearest thousand
the construction sector – 93,000 in the fourth quarter of 2007 – approximately 4.1 per cent of the total construction workforce.

As previously discussed, this figure is likely to be something of an underestimate. The data is drawn from the Labour Force Survey, which is based on population samples, and therefore prone to sampling error. Furthermore, there are also likely to be non-sampling errors, caused by factors such as potential respondents’ unwillingness to take part in the survey (response rates tend to be lower for minority groups). In the case of migrant workers, there can be under-reporting because non-private communal accommodation is not covered by the survey.

To give some idea of the size of these combined errors, we can compare LFS-based figures with those from the Census, which registers the total population of the UK, and therefore does not suffer from these errors. The 2001 Census stated that 8.3 per cent of the population resident on 29 April 2001 were born overseas, whereas the figure from the LFS for the second quarter of 2001 is 7.8 per cent – an underestimate, but not by an improbable amount. We might assume that the figure given here is an underestimate of broadly the same magnitude.

**Characteristics of migrants in the construction sector**

Figure 4.7 shows the regions from which foreign construction workers in the UK originate, in terms of nationality. It would have been preferable to examine which countries foreign nationals hailed from, but the sample of foreign nationality construction workers in the LFS was too small to enable accurate identification of each country. The left-hand chart shows the region of nationality of all construction workers of foreign nationalities, while the right-hand chart shows the nationalities of our ‘migrant workers’ – those who had arrived in the past ten years.

Workers from elsewhere in the EU15 make up 23 per cent of all foreign workers in the sector, with the largest single nationality group being Irish. Workers from the A8 countries along with Malta and Cyprus comprise 39.7 per cent of all foreign workers and 54.8 per cent of all recent arrivals in the sector. This seems to support the thesis that migrants from Central and Eastern Europe are being used to replace returning or retiring Irish construction workers, who account for only around 2.7 per cent of all recent arrivals.

Table 4.3 enables us to examine the skill level of workers by their nationality. Data on the qualifications of foreign nationals raises some challenges, since a much higher proportion of foreign nationals report having ‘other qualifications’ than do British nationals, because all foreign qualifications are categorised as ‘other qualifications’, no matter the level. This makes it difficult to assess the relative skill levels of
British and foreign construction workers. While a higher proportion of foreign nationals have no qualifications, the Department for Education and Skills has stated that the LFS undercounts higher-level foreign qualifications (see Office for National Statistics 2006a). This could make migrants appear less qualified than they actually are (Spence 2005), which implies that foreign nationals in construction are concentrated at both the high and low ends of the skills spectrum.

The LFS also enables us to examine the employment status of construction sector workers, and this indicates the extent of self-employment within the sector, as shown in Table 4.4. Overall, as discussed in Section 3.2, 38 per cent of construction workers are self-employed. However, this figure rises to a rate of 46 per cent among foreign nationals who have been in the UK for more than ten years, to 53 per cent among newly arrived foreign nationals.

Finally, Figure 4.8 shows the average gross weekly earnings of construction workers. Note that self-employed workers’ earnings are not recorded in the LFS, so this data applies only to workers employed by a firm. Given the high rates of self-employment in the sector – particularly among foreign nationals – the data therefore needs to be treated as partial. (A more comprehensive source would be the Annual Survey of Hours and Earnings, but this does not break down earnings by nationality.)

Overall, average weekly pay from respondents’ main employment in the sector is £480, with British nationals earning £483 on average and foreign nationals £463. This is in contrast to the picture across all sectors, where foreign nationals earn more on average than British nationals. However, further investigation of the wages of migrants in construction reveals a more complex picture. While foreign nationals earn slightly less than British nationals in the sector overall, settled foreign nationals earn considerably more than British workers, at £564 a week. The fact that newer migrants earn less than settled migrants and British nationals could be because they are working at lower skills levels than previous cohorts of migrants in the sector. Alternatively, it might simply indicate that migrants’ earnings grow the longer they remain in the country.
Qualitative findings

The qualitative component of our study enabled us to explore perceptions and realities of what is happening on the ground within the construction sector. It included 35 in-depth interviews with experts from a variety of relevant backgrounds, from construction contractors to community groups; and several group discussions, held with construction workers – both migrants (foreign nationals who arrived in the past 10 years) and settled (UK-born workers or foreign nationals who arrived more than 10 years previously). We also hosted two roundtable events with experts and stakeholders and held discussions at the ConstructionSkills National Group Meeting – a collection of industry experts whose perspectives were extremely helpful in the early stages of the research. See Appendix 1 for more details.

Below, we first set out our qualitative findings regarding the structure and the state of the construction industry. The discussion includes workers’ perceptions of the state of the industry, as these heavily influence the way the sector’s labour markets operate and the role of migrants within them. We then go on to explore the role of migrant workers in construction, including the sort of jobs they do, the reasons for their employment, and their situation in terms of integration and exploitation.

Understanding the situation of migrant workers in the sector is important in itself, but also plays a vital role in understanding their impact on the UK’s construction workforce. We address this topic and then examine how to help UK workers obtain employment in the sector. Finally, we tackle the question of the Olympics employment and skills legacy, asking whether the construction of the Olympics facilities is likely to provide avenues into good jobs for people living in East London, and to what extent migration might impinge on the achievement of that Olympic legacy.

State of the UK construction industry

Dynamism of the sector

The views of the sector experts interviewed concurred with the indications of our background research: namely, that the construction industry is very dynamic, and has been strongly subject to periodic ebbs and flows in demand over time. These ebbs and flows mean that the workforce as a whole, and individual construction workers, must be flexible in order for construction demand to be met over the economic cycle. Our research suggests that workers are often highly geographically mobile, moving to where the work is. They may leave the sector during downtimes and may (or may not) re-join during the upswings. The interviewees consistently stated that they thought the dynamism of the industry was integral to the role of migrant workers within it.
Changing employment structures
Our discussions with stakeholders also confirmed the significance of the trend towards self-employment that is detailed in the literature. Several interviewees pointed out advantages to self-employment:

‘[Self-employment] allowed the industry to become more mobile and efficient. There is no more builder leaning on a spade for a fortnight waiting for the carpenter to finish.’ (Construction firm manager, interview)

However, all were agreed that the rise in self-employment had caused problems for training and, in particular, apprenticeships, because smaller employers tended not to expose themselves to the risk of having a less experienced person on their team.

Labour and skills shortages
Stakeholders’ opinions varied on the extent of skills and labour shortages in the construction sector. Most diagnosed or cited labour shortages of one kind or another, and some also perceived a shortage of skilled labour. A minority (predominantly union officials) perceived no labour shortages of any kind – just a need to facilitate better movement of labour from places where jobs are scarce to places where there was more demand:

‘There is no skills shortage. There are hotspots, yes, but not skills shortages…Skills shortages are more regional – there are hotspots for construction, and workers shift around to appropriate places.’ (Union official, interview)

On the whole, those who believed there are labour shortages did not think this was an unusual situation. However, these people were split between a minority who saw the shortages as part of the natural culture of the industry – and therefore not particularly problematic – and the majority, who felt that shortages do require greater attention.

The role of migrant workers in construction
The available literature tends to consider migration as a natural feature of construction, emphasising that migrants have long played a key role in the industry. This view was echoed by our interviewees:

‘The construction industry has been traditionally built on migrant labour, so there’s nothing new here.’ (Public sector official, interview)

Many pointed in particular to the long-standing role of Irish migrant workers in the sector, and to the fact that many Irish workers have returned home in recent years because of the boom in the Irish construction sector.

Our interviewees also considered migrant workers to be a ‘natural’ feature of the industry. This was because of the vital role they play in helping the industry to meet labour demand when construction hotspots develop that cannot be satisfied by a standing pool of local labour. Intermittent boosts and falls in demand require a flexible workforce, and our stakeholders suggested that migrants play an important role in providing this flexibility:

‘Migration is used to get around periods of boom, as a bolster to domestic workforce capacity.’ (Sector academic, interview)

Internal migrants – people moving within the UK – also help to provide this flexibility. Internal migrants are very common in the UK construction industry. Indeed, one interviewee suggested that it is rare for any construction worker not to undertake some form of inter-regional or international migration during his or her career in order to find work:

‘If you only want to work down the road, then construction isn’t the industry for you…There isn’t a job in construction that is going to keep you in one place for the rest of your career.’ (Industry training provider, interview)

The ‘ebb and flow’ nature of industry demand is vital in understanding the prominence of migrants – both international and internal – within the sector.
Reasons for employing migrants
We also probed interviewees for reflections on why projects employ migrants rather than local workers. We heard again and again that migrants are often employed to fill gaps because there is simply no UK worker available to do the job. In particular, we heard of migrant workers being employed for work that UK workers perceive as undesirable – work that is dirty, dangerous, or in an isolated location (such as offshore).

Beyond ‘filling gaps’, interviewees also mentioned skill, wage, and productivity as factors involved in the reason for employing migrants. In particular, they stressed the latter, although there was some disagreement over whether migrant workers are actually more productive or are simply viewed as such. The majority felt that there was some productivity gain to employing migrant workers, and cited a number of reasons for this, including migrants having fewer distractions (such as established networks of family and friends), greater loyalty to an employer and access to fewer job networks, greater dedication to doing a good job, a greater level of experience, and a higher level of skills:

‘Polish workers won’t be cheaper, they’ll be more productive. You’ll get a cost saving, but not through salary reduction. It’s about productivity, work ethic, and commitment.’ (Construction recruiter, interview)

Union officials and migrant workers themselves raised some concerns that they were often paid less than UK workers doing similar jobs (an issue of particular concern for undocumented migrants). However, there was consensus that migration flows in construction were perhaps less determined by simple wage factors than flows in other industries. A labour-market specialist described his findings from a study of the experiences of migrants employed in four low-wage sectors:

‘Most of them were employed close to the minimum wage or even below, but the construction sector was a bit of an exception. Migrants were getting paid much more than respondents in other sectors, such as agriculture…the answer is probably sector-specific.’ (Labour market specialist, interview)

Reasons for coming to the UK
The flipside to the question of why UK construction firms employ migrant workers is why migrants should choose to seek work in the industry themselves, and whether they intend to stay. It was clear from our interviews that there is an enormous diversity, both in motivations and intentions. Some of the migrant construction workers we spoke to came with the intention of staying long term, and building a life in the UK, others came to acquire skills and experience that would be highly valued back home, while others still emphasised that getting work and earning good wages was the most important thing, and that they would consider moving elsewhere for better opportunities.

This diversity is perhaps unsurprising, given what we know about the diverse kinds of migrants who find work in construction in the UK (see Appendix 1). So too, perhaps, is their frequent tendency towards future movement, given the frequency with which construction workers from all backgrounds move around. However, these findings are worth highlighting, given that they differ quite widely from the common perception of all migration as permanent immigration, rather than as flows of people with diverse interests and motivations.

Exploitation of migrant workers
We explored a number of aspects of the working life of migrant construction workers. One positive finding was that, where English was not a barrier, both migrant and UK workers cited generally good relationships between workers on site:

‘There’s no animosity whatsoever.’ (Settled UK construction worker, interview)

However, concerns were raised about tensions between workers and management. In fact, our interviews yielded quite a number of anecdotes of exploitative behaviour, but workers in different situations reported quite different experiences. The migrant workers we spoke to emphasised that if they were working legally, the factors of greatest concern were finding a job commensurate to their
skills and qualifications, and the (often severe) docking of their wages due to agency fees. Both circumstances were felt to be frustrating and unjust aspects of being a migrant worker, but perhaps not exactly exploitation. Episodes such as these indicate that, labour migration to the UK often seems to be:

‘…not exactly a story of exploitation, but rather of tough choices.’ (Labour market specialist, interview)

However, other instances of exploitation were more severe. Migrant workers themselves emphasised the precarious position of undocumented workers. As mentioned earlier, it was undocumented migrants who seemed to be employed because they could be paid significantly lower wages than other workers. The migrants we spoke to emphasised how vulnerable these workers are to wage exploitation, as well as to other kinds of exploitation – such as being forced to work long hours. However, notably, they reported that illegal working and related problems of wage exploitation were more common in other sectors, such as retail and catering, than in construction.

The role of organisation
Some union officials were keen to emphasise that with union involvement, workers had managed to join forces in order to confront exploitative employers, taking the approach that:

‘It isn’t migrant workers who drive down wages but exploitative employers.’
(Union official, interview)

They reported that this approach has helped to transform potentially negative relations into positive ones. One case involved an employer that had slowly been replacing its workforce with cheaper agency staff. By encouraging cooperation between locals and migrants, the union ensured that the pay rates of agency matched those of permanent staff, thus reducing friction and exploitation.

More broadly, some evidence suggests that organisation is starting to take place more broadly among A8 nationals in the UK, with trade unions recently setting up branches specifically for Polish speakers in Southampton and Glasgow (Campbell 2006). In the North East, the Union of Construction, Allied Trades and Technicians (UCATT) has been cooperating with the Polish trade union Solidarnosc in order to establish trust between Polish construction workers and unions (Fitzgerald 2006). The GMB union has also started a joint campaign with Solidarnosc aimed at making sure Poles arriving in the UK are aware of their legal rights (Buckley 2007). However, while most of the union representatives we spoke to were willing to support migrant workers, one stated that although they might reach out to any individual working on a site, they do not want to be seen to do anything that implicitly encourages migrants.

Impacts on domestic workers
Job and wage impacts
Rather than hearing fears that migrant workers were taking jobs away from UK workers, the almost unanimous sentiment was that there is enough work for UK workers and migrant workers alike. Even union officials expressed little concern about the effect of migration on UK workers’ employment:

‘There is sufficient demand to facilitate migrant workers and to ensure that our workers would not be out of work at this time.’ (Union official, interview)

The impact of migrant labour on wages was a bigger issue, although there was widespread scepticism towards sensationalist media reports of migrants undercutting local construction workers:

‘Some tabloid coverage of the role of migrant workers and their effect on wages is just totally off the wall.’ (Union official, interview)

However, the picture became more complex when one moved from discussing the overall picture to more specific cases and occupations. Stakeholders were keen to emphasise the distinction between the so-called ‘biblical’ trades, such as plastering, tiling, bricklaying, and the more technical trades such as electrical engineering. The labour markets of the biblical and technical trades differ, as technical trades tend to be more regulated, with requirements for certification (such as CORGI registration for
gas installers), whereas biblical trades are more open to competition since there are fewer barriers to entry into the market. This appears to influence the extent to which migration has an impact.

In particular, a number of interviewees emphasised that migrant workers who were employed in the technical trades were unlikely to have negative impacts on wages. This probably goes some way to explaining why, four years after EU enlargement, we see continued shortages in these occupations and the subsequent high hourly rates of pay. The extent to which migrant labour could be seen to threaten the wages of workers in the technical trades seemed confined to their possible impact on a particular group of UK workers – the travelling workforce (predominantly workers from the generally cooler construction markets of the North, who are paid a travel and housing subsidy, making them more expensive than local workers). If migrant workers are willing to move to the site – essentially becoming local residents – then they are likely to become cheaper than this travelling workforce.

There were greater concerns that the deregulated nature of the biblical trades opened the possibility that migrants might be employed at below prevailing wages in that part of the labour market, hence undercutting local workers. However, again, it seems that even within this sub-group experiences are not homogenous. We saw considerable differentiation between the impacts on different kinds of workers in different areas. Settled workers told us, for example, that perhaps those at the lower skilled end of the biblical trades – such as labourers – were suffering wage deflation, whereas other jobs were not:

‘There aren’t many migrant bricklayers, but those there are will work for the same rate as me, which is no problem.’ (Settled UK construction worker, interview)

Helping local people into the sector

The effectiveness of the training and skills system

There was a sense among our respondents that the current training system is not always keeping pace with the industry’s needs. However, we heard some very different views about what the industry’s needs are, why the system might fail to meet them, and what kind of a remedy is required. Some argued that NVQ level 4 training is what the industry is ‘really’ demanding, others that the apprenticeship system needs to be revived to deliver the industry with the ‘right’ skills, while others suggested that the focus has been too strongly on long-term training of one kind or another when often the industry needs basic operatives with three weeks of training.

This variety of diagnoses made it clear to us that in order to be successful, training provision needs to be flexible – as, for example, in the case of the National Skills Academy for Construction (NSAfC). The NSAfC is the latest innovation in training, and was positively received by our interviewees. The interviewees were particularly pleased to see Building One Stop Shop (BOSS) at the heart of the NSAfC model. BOSS is a job brokerage system that uses training to help individuals into the industry:

‘The training is very much beneficiary led…BOSS source the training…They identify with the clients what would benefit them and go out and broker that training for them – so if they have a guy come in who aspires to drive some machinery on site, they would encourage him to talk to employers, check how viable it is, and then if it seemed that it would be reasonable to expect him to go into employment after training in that area, then BOSS would source the nearest provider to an industry-recognised standard, and then work with him to go back to those employers.’ (Job broker, interview)

Such flexibility and direct engagement should allow training to meet the needs both of local industry and the trainees, and it is heartening to see it at the centre of the NSAfC.

What will the Olympic labour legacy be?

Much has been made of the role that the Olympics will play in bringing job opportunities to local residents in East London. In our interviews, stakeholders highlighted the public expectation that jobs will be created for local people, and that many of these jobs would be found in the construction of the Olympic facilities. However stakeholders also revealed varying assessments as to how realistic
these expectations are. We also heard just how sensitive the question of Olympic employment is likely to be, with some stakeholders emphasising the common perception of migrant workers as a major potential threat to the jobs and skills legacy for East London.

Labour shortages for the London 2012 Olympics
A majority of the stakeholders we spoke to expressed little or no concern about labour shortages for the London Olympics. They cited the UK workforce’s interest in working on the project – a result of a combination of the project’s prestige and the wage premium that such large projects tend to pay. Many also pointed out that the London Olympics will represent only a small share of construction in Greater London:

‘For all its sexiness, the Olympics will only be 7 per cent of construction activity in London [in terms of value]…and 3–4 per cent in terms of labour.’

(Industry training provider, interview)

This low labour figure in comparison to output is a result of the fact that the work is likely to be more machine intensive than labour intensive, given its high-technology nature.

Many stakeholders mentioned this 3–4 per cent employment statistic, which seemed a key factor in explaining the relaxed attitudes that we frequently encountered towards the question of attracting the 2012 construction workforce. However, as stressed by an official close to the Games, this figure had been calculated on the basis of the level of expenditure predicted (originally £2.6 billion). Since this original budget has now more than tripled, this may mean that the predicted 3–4 per cent figure moves to 9–12 per cent, depending on the labour intensity of the construction). If training providers and other stakeholders are working to an assumption of 3–4 per cent employment, they may be underestimating the needs of the Games. It became apparent through our interviews that some individuals who were close to the planning of the Games are concerned.

Moreover, the fact that the Olympics will only make up a minor proportion of the capital’s construction output does not necessarily mean that we should have no concerns about labour availability. The relative lack of construction workers within the region to meet labour demand could generate tight labour markets, and might make recruitment for the project problematic. Moreover, getting workers from outside the area to these sites and housing them will also create logistical difficulties. Rental accommodation will be stretched thin, and workers will be required to use public transportation to get to the sites. Such micro-economic factors may further hinder the Olympics contractors from obtaining all the labour they require.

Ensuring an employment legacy
A number of suggestions have been put forward as to how to ensure that local people do gain from the construction activity occurring on their doorsteps. One suggestion is to compel contractors – and through them, the chains of subcontractors that they employ – to hire locally. Our interviewees noted that if a contractor is very committed to encouraging local labour, substantial pressure from the top can work. However, this is unlikely in the case of the Olympics. Where projects have a definite deadline – as the Olympics clearly does – our interviewees suggested that there could be problems enforcing such agreements. This is because Olympic officials and contractors alike know that in the end, while factors such as employment legacy and keeping to budget may be important, getting the facilities finished on time will always be the ultimate priority.

However, this is not the only approach to encouraging an employment and skills legacy. In London, there have been attempts to boost training in order to provide local people with some of the necessary skills for on-site employment. There have also been improvements in job brokerage facilities, in order to help local people with existing necessary skills into employment on the site. In one example of such an initiative, the LDA has provided the five host boroughs with funds – the Local Employment and Training Framework – to allow them to fund Olympics-related training for their residents, in order to help them into employment. There also appears to have been significant coordination among London and Olympic officials and ConstructionSkills in creating bespoke training courses for the needs of the London Olympics.
This work is vital, and should help to deliver an employment and skills legacy. It is important, however, that policymakers and the general public realise that local employment in Olympics construction will be limited. This is not because a migrant workforce will arrive in East London and 'take' the jobs: it is because, even four years away from completion, it is already too late to train unemployed people or other potential local workers for the vast majority of Olympic construction jobs. Indeed, work is already underway on site preparation, and much of the construction activity will peak in 2010, by which time those who have entered training in 2008 will only just be ready for work.

In our interviews, those closest to the Games suggested that a few thousand or so local workers will be trained up for basic work, while local construction workers with existing skills should be able to find work on the site through brokerage agencies.

The rest of the employment and skills legacy will come from secondary economic stimulus. For example, as local construction workers move on to the Olympic site, other local residents may train to fill the gaps left locally in construction work, so the opportunities may filter down. Beyond these sorts of effects, it is also hoped that London 2012 will improve the image of construction as a career in the UK, and that more people will enter the sector for employment in the future at other sites.
5. Conclusions

Based on the analysis of the previous sections, here we draw out some key conclusions about trends in construction and migration, and their likely impacts on the supply of workers in the run-up to the 2012 Olympics and beyond.

**Trends in construction labour markets**

At the national level, the most recent estimates of labour demand suggest a variable trend for the period of Olympics construction up to 2011. It is worth emphasising that the model used to produce these figures – the ConstructionSkills Network model – appears fairly impressive. While not without its flaws, the process used to generate the figures is comprehensive, and the predictions it generates seem respected. It is also worth emphasising that these figures are relatively recent – from September 2008.

Nationally, output and labour demand are expected to decline in 2009 but to rise again in 2010 and 2011, driven by demand from infrastructure, and from public housing and non-housing projects. Within London, demand for labour is expected to slow quite considerably over the next few years, which might be expected to translate into an over-supply of construction workers in the region. However, despite this slowing in output growth, London’s construction sector is lacking labour to such an extent that it is still expected to require greater numbers of new recruits than any other region of the UK – an average annual requirement of between 7,000 and 8,000 additional people.

It is difficult, of course, to know how accurate these figures are. However, if there is an element of error within them, the stakeholders we spoke to suggested that they would be more likely to underestimate, rather than overestimate, labour demand.

**Migration into the construction sector**

One of our main conclusions is that construction is, and always has been, a migratory industry. There is an expectation that people will go where the work is. In the past, these migratory movements have often been confined within the British Isles – although the well-known tradition of UK workers finding employment in Germany reminds us that international travel has been common for some time. However, in today’s increasingly globalised world, itinerant construction workers come from all over Europe and beyond.

It is extremely difficult to obtain a complete picture of the extent of these migratory flows, and estimates are likely to be undercounted to an extent. However, we can draw some tentative conclusions about the numbers of migrant workers in construction, their countries of origin, and the kinds of skills they are bringing with them.

In terms of scale, the evidence suggests that the numbers of foreign nationals in construction increased from around 51,000 at the end of 2000 to around 131,000 at the end of 2007. There has been a corresponding increase in the number of individuals defined as ‘migrant workers’ (foreign nationals who have arrived in the past ten years) within the industry from around 18,000 at the end of 2000 to around 93,000 at the end of 2007. It appears that the scale of migratory flows into the industry is increasing rapidly.

So it is perhaps unsurprising that the proportion of migrant workers as a percentage of all workers has risen over the same period. However, this is a rise from a very low level. In 2000, around 1 per cent of the total construction workforce comprised recently arrived foreign nationals. By the end of 2007, this figure had grown to the still very modest percentage of around 4.1 per cent (all foreign nationals correspondingly making up 3 per cent of the construction workforce in 2000 and 5.8 per cent by the third quarter of 2007).

It is important to note that this rise in the employment of migrant workers does not seem to have been at the direct expense of UK workers. In fact, we have seen a very substantial rise (of 18 per cent) in the number of UK workers employed in the sector over the same period, with the number of UK nationals employed in construction rising from just over 1,810,000 at the start of 2000 to just
over 2,138,000 at the end of 2007. As a proportion of all work, migrant workers are now holding more jobs than they used to, but in absolute terms, the vast majority of new jobs are still going to UK workers.

The data suggests that the entry of the A8 countries into the EU, and the opening of UK labour markets to citizens of those countries, has had an impact on the flows of migrants to the sector. We have observed a slowly rising trend of migrants as a percentage of the total UK workforce from the start of this century, but this appears to have picked up around the time of the entry of the A8 countries into the European market, suggesting that workers from these countries may have comprised a good proportion of arrivals in the past few years. This is corroborated by an analysis of the countries of origin of those people arriving in the past ten years, almost half of whom were from the A8, Cyprus and Malta. This is quite striking given that most of those workers have probably arrived only since May 2004, when the terms of entry changed.

In terms of the occupation profile of migrant workers in construction, there is evidence that migrant workers are also found right across the industry, filling the skills and labour gaps at both ends of the skills spectrum. For example, data from the WRS suggests that between a third and a half of A8 workers registered as labourers. This may suggest that migrant workers often undertake relatively unattractive jobs on construction sites, the so-called dirty, difficult and dangerous jobs that UK workers are increasingly unwilling to do.

Importantly, migrant workers can also be found at the other points in the skills spectrum. WRS data shows that sizeable proportions of A8 workers are tradesmen, with for example around 8 per cent registering as carpenter/joiners and 7 per cent registering as welders. As noted above, this excludes the self-employed, who make up over half of all migrant construction workers. Statistics for all workers currently in the UK suggest that the self-employed are much more likely to hold a trade qualification than employed workers, possibly implying that self-employed A8 migrants may be concentrated in the trades to a greater degree than those registering as employed.

However, it is important to recognise that just because A8 migrants register in these industries, this does not mean that they necessarily stay in them. As noted previously, construction is a dynamic industry, with workers moving between jobs and, to some degree, occupations, relatively easily. In particular, over time, migrant construction workers may move up the skills ladder, and across industries, as many migrants tend to do once they have been in the UK for a number of years.

**Migration trends**

It is extremely difficult to foresee the future flows of migrant workers, as there are simply so many influencing factors. A case in point was one prediction that the UK opening its borders to A8 workers would result in a net annual flow of about 13,000 workers at most (Dustmann et al 2003). We do not know the exact numbers remaining in the UK, because we do not know how many of those who registered have now left the country, but this was clearly a massive underestimate (Pollard et al 2008). This appears to be at least partly due to one unanticipated circumstance – the fact that very few other countries in the EU opened their borders alongside the UK. This highlights the extent to which a change in one key variable determining migration decisions may result in very different flows.

It would be reasonable to anticipate, however, that A8 nationals will continue to dominate migratory flows into construction in the near future, joined by lower numbers of Romanians and Bulgarians when the UK opens its borders to workers from those nations. This is because access for EU workers is (and looks likely to remain) much easier than access for workers from other nations.

Meanwhile, for migrants, the various financial, social and emotional ‘costs’ of migrating are likely to be reduced because of the networks created by earlier A8 migrants. Analysis of migration has shown that in general, while the costs of the first member of a community migrating to a certain destination can be high (given uncertainty around how to obtain work or find a home), the more people who migrate from a given community leave, the easier it is for others to follow. Especially given the importance of word-of-mouth recruitment in construction, these established networks would be expected to facilitate a relatively easy flow of movement of A8 workers to UK construction jobs.
It seems likely that some flows will continue. Despite their impressive growth rates in recent years, the A8 countries are likely to remain poorer than the majority of the other countries in Europe for some time, thus providing incentives for people to leave. Moreover, our interviewees suggested that the UK is also likely to continue to have attractive aspects compared to other destinations in Europe, including the reputation as being an easier place to ‘get ahead’ and be successful if you work hard. However, with economic growth in the UK faltering, and the construction sector already facing a downturn, we anticipate fewer new arrivals in future, and some existing workers returning home, in line with the trends observed in other sectors (Pollard et al 2008).

The crucial factor in terms of future workforce supply is to ensure that the points-based system is sufficiently flexible to allow workers to move in and out of the UK as labour demand rises and falls. A critical factor will be how Tier 2 of the system (under which skilled workers enter the UK) operates. For example, the process for deciding on shortage occupations needs to be swift and accurate. It should emerge over the coming months and years whether this will be the case, as the process beds in.

The Government will also need to monitor whether the EU provides enough low-skilled workers to meet demand. If not, it needs to be willing to open up Tier 3 – the tier that allows low-skilled workers into the UK, and which is currently considered closed. If the Government gets these measures right, it is likely that construction workers will tend to do what they have always done, and follow the work as it moves around the globe.

Impact of migration

The impact of migrant workers on the sector appears broadly benign. We found no evidence of migrants posing a threat to the job opportunities of workers in the sector. We also found surprisingly little evidence of migration causing adverse wage impacts. While there may well be localised wage effects, the barriers to entry in the technical trades seem to prevent many migrant workers from accessing these jobs. Even where the barriers to entry are lower, such as in the biblical trades, the impact of migration on wages appears limited. Again, this should not be surprising given the limited role that migrant workers currently play in the sector. At 4 per cent of the total workforce (the estimate using the best currently available data) one would not expect migrant workers to have a very widespread impact.

Nevertheless if wages do fall, this is not necessarily always a bad thing. If labour demand really were outstripping supply, workers could be enjoying an unfair wage premium. Uncompetitively high wages would not only mean higher prices for consumers, but could constrain the industry’s ability to operate, in turn restricting the sector’s total output. In such a situation, should the entry of more workers into the labour market cause wages to drop, this would mean a return to free and fair competition in the labour market, with important broader benefits. We do not believe that this trend has in fact occurred – which should not be a surprising conclusion, given the relatively limited number of migrant workers in the sector. However, it is worth noting that if wages were to fall as a result of migrant worker entry, the broader effects could potentially be positive, rather than negative.

Protecting all workers

Our research revealed that migration is widely accepted and welcomed as an integral part of the construction industry, as long as it does not lead to an undermining of minimum standards. In our view, the key to ensuring fair and efficient competitive construction labour markets (in which migrant workers and domestic workers are protected, and law-abiding employers are protected from competitors with artificially low costs) is for the Government to target the employers of illegal workers.

The Government’s new approach to combating illegal working appears to take these considerations on board. These measures establish a set of fines that will be levied on firms that employ irregular migrants, with harsher fines and/or prison sentences for those who do so knowingly (UK Border Agency 2007).

There are two important aspects to these proposals. First, it appears that significant effort is being dedicated to enforcement, alongside legislation. Second, it seems that the measures will be imposed systematically, rather than in the rather haphazard fashion of the past. For example, the approach to
preventing the illegal working of Romanians and Bulgarians is based ostensibly on significant fines for the employers of illegal workers, and smaller fines for the illegal workers themselves. However, in practice there seems to have been more emphasis on pursuing illegal workers than their employers. For example, a case of illegal working at the Wembley site resulted in fines for the workers concerned but not for the contractor (Bentham and Simons 2007). In our view this is neither fair nor likely to be effective. Punishing the undocumented workers themselves will probably remove some of those workers from the labour market, but if the demand for their labour remains then undocumented workers will continue to arrive. If, on the other hand, the focus is on employers, then appropriate penalties could reduce the demand for undocumented labour, with a more long-lasting impact on its supply.

Unions have a vital role to play in this area. There appear to be a number of useful initiatives in which unions are playing a key watchdog role in ensuring that migrant workers are not exploited. Positive initiatives within unions include projects looking actively to recruit migrant workers, by seeking them out and endeavouring to respond to their grievances, and alliances formed with unions from current source countries, such as Poland. These individual initiatives also appear to be increasingly joined up, and in 2007 the Trades Union Congress agreed to share best practice.

These efforts are obviously of value in themselves, but they also help maintain fair competition between migrant workers and local workers. The unions’ task may be made easier by the fact that many of the A8 countries have a strong history of unionisation. Such efforts to assist migrant workers, in order to protect all workers, should be expanded.

**Helping UK workers into construction**

Tailored support is needed to help UK citizens into work – whether in construction or in other sectors. For some, this will mean help with basic skills, childcare or managing a health condition, while others will need help with their confidence and motivation. Some people will also benefit from support that continues after they start work, to help them remain in employment and progress. A personalised approach to ‘welfare to work’, as well as a greater emphasis on retention and progression, is therefore central to boosting employment across all sectors of the labour market. This approach is reflected in the Government’s plans for welfare reform.

Training will often play an important role in supporting people into work. To maximise its potential, however, training must be accessible. The Government’s current drive to integrate welfare and skills services should help with this – for example, the availability of ‘skills screenings’ (as well as a full ‘skills health check’ if significant skills problems are identified) should provide routes into training for those who are out of work.

As well as being more accessible, training also needs to be carefully designed to provide people with the right skills to help them into employment. The Government’s new Adult Advancement and Careers Service (currently being piloted, and due to be rolled out across England by 2010 or 2011) should help, by offering advice and guidance both to jobseekers and to people currently in work (Department for Work and Pensions and Department for Innovation, Universities and Skills 2008). Among other things, this service will lead the development of a sophisticated system of labour-market information, to help jobseekers and workers understand the employment, training and progression opportunities available in their local labour market (Cooke and Lawton 2008). In order to be successful, training must meet jobseekers’ and workers’ own interests while also being based on an understanding of the industry’s likely future labour requirements. The focus must be on helping people into work, rather than simply providing them with qualifications.

Within the construction sector itself, the National Skills Academy in Construction seems to be a good example of such an approach. We therefore recommend that the construction industry and the Government support the Skills Academy approach, and ensure that it achieves the desired flexibility and focus on industry needs. This will involve exploring what employers, those wishing to join the industry, and workers already within the sector who wish to access training, think of the Academy. In our view, efforts to improve the way that training is used in construction are the most crucial way in which the industry can help boost UK worker involvement within it.
Migrants in Olympics construction
We expect that migrant workers will play an important role in the construction and success of the construction of facilities for London’s 2012 Olympic Games. Apart from the ongoing role of migrant workers in the UK construction sector, which is likely to extend to the construction of any new large-scale project such as the Olympics, Olympics construction is likely to require migrant workers for the following specific reasons.

First, as with other mega-projects, the Olympics will require some specialist construction skills, in this case related to stadium and sporting infrastructure, which will almost certainly involve the recruitment of foreign specialists. Even if it were possible within the Olympic timeframe to train local people to do these jobs, it would not make much sense to do so, as the future demand for such highly specialised workers (such as stadium roof constructors) is likely to be very limited in East London, Greater London and even the UK as a whole.

Second, the Games will be an extremely intense construction project – the facilities must be completed to an immovable deadline, at a quality that London will be proud to showcase to the world, and to a budget that will be scrutinised by the UK government and the wider public. These pressures mean that appropriate labour is required quickly and flexibly.

Finally, the Olympics will not be the only major source of labour demand. Other projects within the geographical area – notably the Lower Lea Valley and the wider South East – will also require construction labour. Moreover, as the immediate local neighbourhood is not teeming with skilled construction workers, and as difficulties are anticipated relating to commuting into this busy area, it is likely that employers and contractors will look to migrant labour, located on site or in the immediate area, to fill some of this demand. For all of these reasons, we expect that migrant workers will play a vital role in the construction of London 2012.

Olympics opportunities for UK workers
The potential to recruit migrant workers does not mean that local residents will not be able to find construction jobs for the London Olympics. Indeed, skilled local residents will have extremely promising prospects. Meanwhile, some training schemes will be able to give untrained residents basic skills that will help them be able to compete for employment in some lesser-skilled construction roles as general operatives on the site. But the numbers envisaged here are modest, and local residents and legacy planners must be prepared for this. However, it is not the availability of migrant workers that will prevent more local workers getting jobs on site. Most important will be the fact that it is simply too late to train for the more skilled occupations associated with the Games.

Nevertheless, London 2012 may help build up the image of the industry, attracting more people into construction. In this way, the Olympics may help raise aspirations of local – and national – residents, and help them develop their longer-term job prospects. Perhaps this will lead to more local residents joining skilled training programmes. Although they may not be ready for the Games, they could be employed on other projects afterwards. Local residents should be made aware of the full array of employment opportunities, so that they are not disappointed that many will not end up in construction jobs on the Olympics site. The most important element of efforts to help local residents access 2012 employment opportunities will be coordination and communication. Training efforts need to avoid duplication and remain focused on the project’s tight timelines.

Summary
Perhaps the most important finding from our research is the natural, long-standing role of migration in construction. Construction is a migratory industry. As one of our interviewees put it, ‘Workers have always moved to where the work is, because the work moves around.’ It is clear that this characteristic of the industry has not changed in recent years. In the past, migrants from places closer to home, such as Ireland, might have filled the jobs. Today, in the context of a globalising world, with ever more
global labour markets, we now see more movement from countries across Europe, such as Poland and the other A8 nations.

We should not be concerned about this, any more than any other aspect of globalisation. The UK has a long tradition of benefiting from free trade, and there is no reason for the construction industry to be any different. As long as we get our training structures right (and efforts at reforming them appear to be going in the right direction) and place plenty of importance on ensuring fair competition by cracking down on exploitative employers, then UK workers will be well placed to compete and succeed in our own labour markets and, should they choose to migrate, those abroad.

Moreover, migrant workers are playing an important role in construction labour markets. There are employment gaps in the industry – predominantly as a result of strong, sustained output growth over a period when vocational training was limited. Migrant workers are playing a vital role in filling these gaps. Given that on the whole they seem to be filling ‘empty’ jobs, we are not seeing migration result in unemployment for UK workers, or even, on the whole, in downward pressure on wages.

The other key finding which must be reiterated is that there are simply not as many migrant workers in the sector as many people seem to believe. Our findings suggest that, on the basis of the best evidence available, migrant workers only make up around 4 per cent of the total workforce. Meanwhile, foreign nationals in total make up only 6 per cent – with Irish workers still constituting the largest single group within that figure. Therefore, the vast majority of new jobs in this growing industry are still going to UK nationals.

As a result, migrant workers are unlikely to be a significant barrier to local people securing Olympics construction jobs. In our view, the most important thing that will assist local people in doing so is effective targeted training and job brokerage.
Appendix 1. Data sources, methodologies and definitions

Data sources

The empirical data used in this report draws on a range of sources, reflecting the need to incorporate data on a number of different topics – from migration trends to construction employment and skills levels. Furthermore, there are several key sources of migration statistics that are available in the UK, and so we have made use of these to build up an overall picture of migration trends as they pertain to the construction sector.

Our main sources of data on migration are statistics from Work Permits UK, the Home Office’s Accession Monitoring Reports (Home Office et al 2008), and the total international migration estimates that are calculated by the Office for National Statistics from International Passenger Survey data. The International Passenger Survey provides an overall picture of trends in migration to the UK. The Work Permits UK data provides us with statistics on total work-permit issuance, the nationality of work-permit holders and on the sectors they are working in. The Accession Monitoring Reports provide detailed sectoral and socioeconomic data on migrants from the eight Central and Eastern European countries that joined the EU in 2004.

In order to gain an understanding of the stock of migrants working in the construction industry and their socioeconomic characteristics, we used the Labour Force Survey (LFS), which is a comprehensive quarterly survey of households with the aim of providing information on the labour market. The LFS also enabled us to analyse the skills levels of the domestic construction workforce.

The LFS is based on a random sample of households, which are selected from the Postcode Address File – a list of all addresses to which mail is delivered. Of the addresses in the list, only those defined as ‘small users’ – those receiving fewer than 50 items of mail per day – were included in the sample.

The LFS provides a consistent set of data over long timeframes, and is highly regarded because it uses internationally agreed concepts and definitions, but it is important to bear in mind that since it is not specifically designed to be a source of data on migrants, it does not capture the immigration status of respondents. Instead, it states the country of birth and nationality of participants. This means that it is not possible to differentiate easily between, for example, a highly skilled work-permit holder and a refugee. Nonetheless, it does include a question on year of arrival in the UK, which makes it possible to differentiate between recently arrived foreign nationals and those who are longer settled.

We also need to bear in mind that LFS response rates tend to be lower for black and minority ethnic groups, and in the case of migrant workers there can be under-reporting because non-private communal accommodation is not covered by the survey (Office for National Statistics 2003). There may also be specific issues with the inclusion of construction workers in the survey due to their hours of work. Nonetheless, we believe that the LFS presents the best official data available on the socioeconomic characteristics of migrants working in the construction sector.

Quantitative methods

The main quantitative methodology employed in this report is analysis of the Labour Force Survey using the statistical package Stata. We have used the LFS for two primary purposes: first, to estimate stocks of migrants in the construction sector and second, to understand the characteristics of those migrants and their local colleagues. In order to calculate the stock of migrants in construction, we have used individual quarterly LFS datasets, enabling us to track changes over time.

In order to analyse the characteristics both of migrants and local workers, we have appended four quarters of data together. This increases the total sample size, and therefore allows for more detailed analysis of socioeconomic characteristics than is possible using a single quarter of data. The socioeconomic data in this report is therefore from the first to the fourth quarter of 2007. These four quarters are the latest available from the UK Data Archive. Because each household in the LFS is surveyed in five successive quarters, we used the thiswv variable to exclude all households apart from those on their first or last interview. This ensures that each respondent is represented only once in the appended dataset, while maximising the number of observations.
In order to analyse data according to country of birth and nationality, we used the cryox and natox variables, and to differentiate between settled and new migrants we used the cameyr variable to define foreign nationals arriving within the ten years leading up to the survey date as ‘new’ migrants (as discussed below, under ‘Key definitions’). Using these definitions, we calculated the stock of UK nationals, and of settled and new migrants, of working age in the construction sector (defined using the age and indsect variables). In order to analyse socioeconomic characteristics, we used statr (employment status), grswk (gross weekly pay in main job) and levqual6 (level of highest qualification held) variables. The data was weighted using the pwt03 and piwt03 weights.

The other quantitative data in this report draws on existing sources such as the Accession Monitoring Reports, data from Work Permits UK and the International Passenger Survey, as well as survey data on skills and projections of labour market demands surrounding the Olympics.

**Qualitative methods**

The data analysis was supplemented with a comprehensive qualitative component that enabled us to explore perceptions and realities of what is happening on the ground within the construction sector. The project included 35 in-depth interviews with experts from a variety of relevant backgrounds. Speaking anonymously, these interviewees gave us a diverse range of honest and often frank views.

These one-to-one interviews were supplemented by several group discussions of the questions raised by this project. To gain insight into the workers’ perspective, we held focused discussions with construction workers in East London – both with migrants and with members of settled communities. We also hosted two roundtable events under the Chatham House Rule, to discuss the design and direction of our research. The first gathered a broad range of experts and stakeholders to help guide our research design. The second was focused on data collection and presentation related to migrants – particularly in construction. Finally, we held discussions at the ConstructionSkills National Group Meeting – a collection of industry experts whose perspectives were extremely helpful in the early stages of the research.

These qualitative methods gave us the opportunity to hear the views of a range of key stakeholders relevant to our research, including:

- Academics
- Business representatives
- Central and local government officials
- Community-group representatives
- Construction firms and contractors
- Industry training providers
- Job brokers
- Labour-market specialists
- Olympic officials
- Recruiters
- Union officials.

The findings from these interviews and discussions are presented in the qualitative section of the report.

**Definitions**

In this report we define a ‘migrant’ as ‘a foreign national who has arrived in the UK within the last 10 years’. It is important to note that this definition is very different from commonly used or commonly understood definitions of a migrant.
The most commonly understood conception is someone who is residing, either temporarily or permanently, in any country other than that of their birth. One key aspect of this project, however, is to look at the role of ‘migrants’ versus that of ‘locals’ in construction – particularly in the Olympics boroughs of East London. It is clear that a typical ‘foreign-born’ definition of migrant will not allow us to get to the heart of our research questions, because many people, especially in East London, may well be born abroad but are also settled, local residents of the UK.

For example, according to the 2001 Census, some 38 per cent of residents in Newham and 35 per cent of residents in Hackney and Tower Hamlets were foreign born (Travers et al. 2007). Yet many of these people will have been living in the UK (and indeed, in these boroughs) for decades, and will therefore be considered ‘local’ for the purposes of Olympics planning. Similarly, the construction industry employs many permanent residents who were born in Ireland but have been working in the UK for decades. These foreign-born residents are not generally what we, or the broader public, tend to have in mind when discussing ‘migrant’ workers.

In this report, we use an alternative approach to distinguish between ‘migrant workers’ and ‘local workers’, based on nationality rather than country of birth. This has the advantage of designating those who may have been born abroad but now have British nationality as ‘local’. Some ‘foreign nationals’ however will have been living in London for decades but will not have taken British nationality, or may be dual nationals. These people may be categorised as ‘migrants’ when in fact they feel like Londoners and are seen as such by others (including official agencies). This is why we have tried to use a cut-off point of having arrived in the UK within the past 10 years. In other words, in our analysis, a foreign national who has been living in the UK for 20 years will not be counted as a migrant unless specified.

It is also important to note that migrants in the construction industry are an extremely heterogeneous group. They come from many different countries, have arrived for all kinds of reasons, possess a range of employment and skills backgrounds, and are in the UK for durations ranging from a few weeks to permanently. In the course of our research, we found it useful to distinguish between the following different types of migrants within the construction sector. We hope that this typology, though by no means perfect, will help readers make sense of the heterogeneity in the sector:

1. **Short-term contract workers** This group includes very highly skilled specialists contracted or subcontracted to provide a key service, or teams of ‘posted workers’ working on a particular project. The defining feature of these workers is that they do not reside in the UK – they come to work solely on a particular contract, and then leave again. This is ‘trade in services’ rather than migration as it is strictly understood, but nonetheless it does constitute international labour mobility, with an impact on UK labour markets, and must be included in any study such as this. However, as it is not considered ‘migration’, these workers are not captured in the migration datasets, and as such it is not possible to say much about them in any detail. Most of the report’s conclusions therefore exclude this group.

2. **Employed EEA nationals** With the exception of Romanians and Bulgarians, most nationals of the European Economic Area (EEA) have the right to work in the UK. Many EEA nationals in the construction sector, particularly from the eight states that joined the EU in 2004 (A8 countries), were recruited in their home country by an agency, and work in the UK for the same agency. However, some came on their own to the UK and found work, either directly with an employer or through a local recruitment agency. It is helpful to make this distinction, as this may affect the worker’s labour market flexibility.

3. **Self-employed EEA nationals** All EEA nationals, including Romanians and Bulgarians, have the right to be self-employed in the UK. There is considerable evidence to suggest that many EEA nationals (particularly from the A8 countries) contract their services in the construction sector as labour-only subcontractors or self-employed businesses.

4. **Non-EEA nationals with work visas** Nationals of non-EEA nationals generally require special permission to be employed or self-employed in the UK. Routes of permission include the Highly Skilled Migrant Programme and the work permit scheme. These are currently being merged into Tiers 1 and 2 of the points-based system.
5. Non-EEA nationals with permission to work Some non-EEA nationals in the construction sector may not possess a special work visa but may have the right to work in the UK through their residence status. This may arise because they are family members of UK or EEA nationals, family members of migrants with the right to work, international students with permission to work limited hours, or refugees and their family members.

6. Undocumented migrants This group, sometimes called ‘irregular migrants’, includes non-EEA nationals who do not have the right to be in the UK, who do not have a work visa or permission to work in the UK, or who may be working in breach of the terms of their visa. Until they are given full free-movement rights, A8 nationals who do not register with the Worker Registration Scheme, and Romanians and Bulgarians in employment (rather than self-employment), could also be classed within this group.

As discussed earlier, in this report we do not classify those who have taken UK nationality as ‘migrants’, though most of them will have once belonged to one of the above categories.

In most parts of the report we focus on the effect of all migration into the sector, and do not differentiate between types of migrants. However, in places we discuss ‘labour migration’ – that is, members of groups 2, 3 and 4 above – where migrants come to the UK with the intention of working. However, only migrants described in group 4 (plus Romanians and Bulgarians) will be affected by labour migration policy per se, as intra-EEA migration is not subject to regulation at the national level (except for transitional arrangements for Romanians and Bulgarians). It is actually only this small subset of workers whose entry to the UK is determined on the basis of economic considerations, and thus it is this limited category of workers that will be affected by the conclusions drawn about the economic impacts of migration as a whole.
Appendix 2. Construction Skills Network Forecasts

As discussed in the main body of the report, the best source of data on construction output and labour demand, as well as of potential labour shortages in the future, is the Construction Skills Network model (see www.constructionskills.net). This gathers data from projects currently taking place on the ground, translates them into estimates of labour demand, and calculates whether the UK has the labour required to meet that demand.

Some of the headline findings from the most recent set of predictions (September 2008) are reported in the text of the main report, but some additional details are provided here. This data shows where skills shortages are likely to be experienced – in terms of both the occupations and the geographical locations that are likely to be affected.

<table>
<thead>
<tr>
<th>UK construction sector employment and annual average requirement by occupation, 2009–13</th>
<th>Employment</th>
<th>Annual employment requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2013</td>
</tr>
<tr>
<td>Senior, executive and business process managers</td>
<td>99,600</td>
<td>105,590</td>
</tr>
<tr>
<td>Construction managers</td>
<td>224,400</td>
<td>237,100</td>
</tr>
<tr>
<td>Non-construction office-based staff (excluding managers)</td>
<td>283,970</td>
<td>290,370</td>
</tr>
<tr>
<td>Wood trades and interior fit-out</td>
<td>282,240</td>
<td>284,890</td>
</tr>
<tr>
<td>Bricklayers</td>
<td>88,710</td>
<td>90,070</td>
</tr>
<tr>
<td>Building envelope specialists</td>
<td>92,520</td>
<td>94,990</td>
</tr>
<tr>
<td>Painters and decorators</td>
<td>134,720</td>
<td>133,360</td>
</tr>
<tr>
<td>Plasterers and dry liners</td>
<td>49,770</td>
<td>52,960</td>
</tr>
<tr>
<td>Roofers</td>
<td>47,420</td>
<td>47,460</td>
</tr>
<tr>
<td>Floorers</td>
<td>37,700</td>
<td>38,190</td>
</tr>
<tr>
<td>Glaziers</td>
<td>41,100</td>
<td>42,020</td>
</tr>
<tr>
<td>Specialist building operatives</td>
<td>57,340</td>
<td>58,120</td>
</tr>
<tr>
<td>Scaffolders</td>
<td>24,450</td>
<td>25,500</td>
</tr>
<tr>
<td>Plant operatives</td>
<td>46,310</td>
<td>45,520</td>
</tr>
<tr>
<td>Plant mechanics/fitters</td>
<td>27,780</td>
<td>28,230</td>
</tr>
<tr>
<td>Steel erectors/structural</td>
<td>29,370</td>
<td>29,460</td>
</tr>
<tr>
<td>Labourers</td>
<td>116,370</td>
<td>123,400</td>
</tr>
<tr>
<td>Electrical trades and installation</td>
<td>177,720</td>
<td>179,360</td>
</tr>
<tr>
<td>Plumbing and HVAC trades</td>
<td>177,940</td>
<td>179,780</td>
</tr>
<tr>
<td>Logistics</td>
<td>33,270</td>
<td>34,530</td>
</tr>
<tr>
<td>Civil engineering operatives</td>
<td>59,920</td>
<td>59,120</td>
</tr>
<tr>
<td>Non-construction operatives</td>
<td>124,930</td>
<td>126,320</td>
</tr>
<tr>
<td>Civil engineers</td>
<td>51,950</td>
<td>52,410</td>
</tr>
<tr>
<td>Other construction professionals and technical staff</td>
<td>143,950</td>
<td>145,130</td>
</tr>
<tr>
<td>Architects</td>
<td>40,650</td>
<td>40,690</td>
</tr>
<tr>
<td>Surveyors</td>
<td>58,020</td>
<td>61,470</td>
</tr>
<tr>
<td>Total (Standard Industry Classification 45 &amp; 74.2)</td>
<td>2,552,120</td>
<td>2,605,780</td>
</tr>
</tbody>
</table>

Source: Bryer 2008
Annual recruitment requirement by region, 2009–2013

Greater London > South East > North West > Scotland > West Midlands > East of England > Wales > East Midlands > Yorkshire & Humber > North East > South West > Northern Ireland
References


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