



## **Bulgarian and Romanian migration to the South East and UK: profile of A2 migrants and their distribution**

Report prepared for the South East Strategic Partnership for Migration

Dr Christian Nygaard  
Adam Pasierbek  
Dr Ellie Francis-Brophy

November 2013

### **EXECUTIVE SUMMARY & IMPLICATIONS FOR SOUTH EAST AUTHORITIES**

International Centre for Housing and Urban Economics, University of Reading,  
Whiteknights, Reading, Berkshire, RG6 6AH; [c.a.b.nygaard@reading.ac.uk](mailto:c.a.b.nygaard@reading.ac.uk)

## **Executive Summary and implications for South East authorities**

### **Remit, aim and context of research**

Migration from Bulgaria and Romania to the UK and South East England has increased consistently from around 2004 – before formal accession to the EU. This study was commissioned by the South East Strategic Partnership for Migration in order to update the profiling of A2 migration to the UK and assist in South East authorities' planning for the ending of transitional controls on Bulgarian & Romanian nationals' access to UK labour markets from 1<sup>st</sup> January 2014. The report consists of two parts:

Part 1: Profile of Bulgarian and Romanian migrants from Annual Population Survey (APS);

Part 2: EU 15 and regional distribution across England of A2 migrants.

A key concern for many local authorities in the South East particularly relates to the inflow of Roma community members. Given that the key data sources that this report draws on do not include information to separate out such migrants, no attempt has been made to specifically address Roma migration. As well as responding to economic and network drivers of migration, Roma communities also adjust to discrimination and racism across Europe. For further information on Roma, a recent report by EU Network of Independent Experts on Social Inclusion (Frazer and Marlier 2011) provides a detailed analysis of Roma communities across Europe and public policy specific issues.

## **HEADLINE FINDINGS**

### **1. In terms of migration from Bulgaria and Romania to the UK the year 2004 stands out; EU wide the rate of A2 migration has declined since 2007**

Based on employment level data (LFS, ONS) the flow of Bulgarian and Romanian nationals to the UK changed significantly (increased) in 2004. This coincides with the accession of the A8 countries. Subsequent A2 EU accession does, however, not appear to have affected the rate of A2 employment growth in the UK, which has remained relatively stable since 2004. At the start of 2013 some 140,600 A2 nationals worked in the UK. For comparison, migration to the EU15 increased significantly in 2007, but the rate of A2 population growth in the EU15 has abated subsequently.

### **2. After London, the South East is a favoured destination for A2 nationals**

After London, the South East region contains the largest concentration of Bulgarian and Romanian nationals (16%). According to the APS some 70% of A2 nationals live in the South East-London-East Anglia regions. The South East region also accounted for the second highest share of NINO allocations (14%) to A2 nationals in England in 2012/13.

### **3. Presence of existing A2 communities in the South East will be a continued key pull factor**

The SE region contains the second highest regional concentration of A2 nationals. In our estimation network effects are the strongest determinant of A2 migrants location decision so existing communities of A2 migrants will attract new arrivals. The South East's

closeness to labour markets in London and East Anglia means that chain and network effects will continue to draw A2s to the South East, even if they are not seeking employment in the SE specifically.

Modelling of regional A2 NINO allocations suggests some increase in the share of A2 nationals outside London. The increase in the share of Bulgarian nationals in the South East is somewhat greater than the increase in the share of Romanian nationals. The share of SE NINO allocations to Bulgarian nationals increased from ca. 12% in 2002/03 to 19% in 2011/12; while the share of NINO allocations to Romanian nationals increased from 10% to 12%.

#### **4. High private rental costs are unlikely to be a significant push factor from the South East region**

Higher South East housing costs are generally compensated through the higher available earnings. However, neither is found to be a significant determinant of A2 distribution across English regions.

#### **5. Commuting from the South East appears higher than for other regions**

There is some evidence that a greater share of A2 nationals commute from the South East to both London and East Anglia than the other way around. This may be a result of existing A2 communities in the South East attracting new arrivals and the relative ease of connecting to other areas for work.

#### **6. Employment opportunities in the South East are a pull factor**

Relative to other regions unemployment in the SE is low. Our modelling suggests that A2 migration is greater to regions with a lower unemployment rate. This is particularly the case for Bulgarian nationals who, on average since 2004, have been more highly skilled and earned higher wages. The South East region has an above the English average share of jobs in financial services, construction and caring, leisure and other service occupations that provide employment opportunities, for skilled professionals, skilled trades and lower skilled employment. In addition, the South East has a substantial agricultural industry.

More generally, the South East has an above average jobs density; it borders regions (London and South West) where job density also is high; and has the highest share of people employed in the private sector (82.2%) (based on 2011 data, NOMIS latest available).

#### **7. Employment rate of 16-64 year old A2s peaked in 2006/07**

For the UK as a whole the employment rate of 16-64 year old residents born in Bulgaria and Romania peaked in 2006/07 (4 quarter average 2006/07 approximately 90%) and has subsequently declined (4 quarter average Jul/Sept 2012-Apr/Jun 2013 approximately 75%). The A2 employment rate, however, remains above the UK average.

## **8. Little negative impact on native (UK) unemployment rates**

From the literature the evidence on the impact of international migration on native (UK) employment and unemployment rates is mixed. Research focusing on A8 migration tends not to find a negative impact on native unemployment levels (MAC 2012). Similarly, sectoral and occupational distribution of A2 migrants may indicate a high degree of complementarity to the UK born workforce. Complementarity and substitutability of labour is not tested in this report. Inference therefore draws on past UK migration research. For the period since 2004 NOMIS data shows an increase in the unemployment rate of UK-born 16-64 year old residents in the South East as well as not UK-born white residents.<sup>1</sup> The increase in the latter population is, however, substantially lower than in the UK-born population.

## **9. A2 nationals provide a supply of labour in a number of sectors and occupations with hard-to-fill vacancies that are important to the South East's economic development**

Most A2 migrants work in the construction sector, real estate and business services and hotels and restaurants (hospitality). These are often sectors with an above average rate of hard-to-fill vacancies. These are also sectors where the South East has an above average English share of employment.

A2 migrants are concentrated in skilled trade occupations, but there is also some evidence of an increase in elementary and machine operative occupations amongst A2s arriving since 2007. When examined by years in the UK, there is a declining trend in the share of elementary workers and a corresponding increasing trend in the share of higher (categories 1-4) and skilled trades.

## **10. The ending of transitional controls may result in some change in the skills level of A2 migrants**

A2 migrants are relatively young and often better skilled than both A8 migrants and the UK population. However, we found some increase in lower skilled migration in the last couple of years and reduced employment levels over the most recent migration cohort (2007-11).

While the complementarity vis-à-vis the British workforce may not significantly affect employment levels in the UK born population – though this will vary across localities – previous migration research shows that new arrivals are more likely to substitute for earlier migration cohorts.

## **11. Impact on public services in the short-run is likely to be limited by the age of A2 arrivals, but existing pressure points are likely to be stretched further**

Most A2 migrants arrive without infant dependents (<5%) and only some 10% establish families with infant children in the first 1-4 years. However, the proportion of arrivals with children aged 16 or less (includes infants) is higher, approximately a third. In both cases population growth *per se* will put additional pressure on local authority educational resources. The impacts on maternity wards and infant medical services may thus be

---

<sup>1</sup> **Note:** Due to changes in ethnicity categories in 2011 the comparison over time is tentative. A2 migrants constitute a small share of the non-UK born category.

muted in the short-term (though where resources are already stretched migration will add to the burden). A more direct and short-term impact is likely in the provision of schooling.

In line with other studies the report finds that the uptake of benefits in the existing A2 population is low. The propensity to claim state benefits is very low for arrivals since 2004. A somewhat larger proportion of Romanians claim benefits (16%) than Bulgarians (13%), but these are both very low compared to the UK population (40%). The most frequently claimed benefit is Child Tax credit. A change in the profile of A2s arriving may well result in some increases in welfare payments. The report shows that both unemployment level and inactivity rates are higher for post-2007 arrivals.

### **12. New arrivals do not necessarily imply a similar net increase of migrants**

Discrepancies between employment levels and NINO allocations suggest that many A2 migrants are temporary residents. Costs and benefits associated with continued immigration therefore need to allow for a degree of replacing like-for-like. The discrepancy between NINO allocation and employment levels provides a rough indicator of return migration. According to this measure, for every 2 Bulgarian and Romanian nationals in the period 2002-2012, 1 A2 national left the UK.

### **13. The UK's share of A2 nationals in the EU15 has remained stable since 2007**

The distribution of A2 migrants across the EU15 has remained relatively stable since 2007. The exceptions are Italy (increase) and Spain (decrease). The UK's share of EU15 A2 migrants is approximately 4%. EU15 modelling suggests continued stability in A2 distribution across Europe after 2013 – assuming that relative labour market opportunities (measured by the unemployment rate) are unchanged across the EU15 in the short term. For the South East this implies that any increase in the flows of A2 migrants is likely to stem primarily from a larger share of the A2 flow to the UK (network and labour market effects), rather than significant changes in the distribution of A2 migrants across EU 15.

Estimation of A2 distribution across the EU15 shows that also across EU 15 network effects and relative labour market opportunities are key determinants of migration flows. The strength of network effects is likely to constitute a stabilizing effect on A2 migration flows post 2013. A2 labour market transitional controls are not found to significantly affect the distribution of Bulgarian and Romanian nationals across the EU15. Untested is, however, whether labour market restrictions have affected the profile of A2 migrants.

If UK unemployment falls relative to other EU15 countries, and especially relative to Spain and Italy, then our modelling suggests an increase in the share of A2 migrants coming to the UK. Importantly, transitional controls will not only be lifted in the UK, but across the EU15 and this may have an additional stabilising impact on the UK's share of A2 migrants if relative economic conditions change.

### **14. Issues for South East authorities to consider**

Net international migration has over the past two decades accounted for almost 50% of the UK's population growth and is projected to account for some two-thirds of population growth until 2035 (Cangiano 2012). In a number of localities the rate of net international migration during the 1990s/2000s led to a discrepancy between resident-population

estimates and actual populations with negative consequences for local authority finances. Continued population growth (natural and migration) will result in further demand on public services (such as schooling) and the availability of housing or land for house building.

Beyond such population growth, a key issue for South East authorities to consider is the impact of a change in the socio-economic, specifically skills levels of A2 migrants, following the ending of transitional arrangements. If the A8 experience is taken as indicative then the ending of transitional arrangements may result in a greater share of lower skilled migrants. This report finds some evidence of an increase in such migration, but cannot draw firm conclusions. The below points are speculative and raised as points to be considered in planning.

- Given the age and employment rate of A2 migrants the fiscal impact of additional arrivals is likely to be net positive. However, the distribution of benefits and costs is uneven with income taxes collected by Treasury and *some* welfare payments coming out of local budgets. Local taxes (such as council tax) are only likely to make a significant contribution to local budgets *if* house building is expanded to accommodate additional migrants (assuming net migrant population growth) or if empty dwellings are brought back into regular use. Where migrants live in houses of multiple-occupancy or makeshift accommodation arrangements no additional council tax is likely;
- A2 migrants constitute an important source of labour in a number of employment sectors that report hard-to-fill vacancies and will likely continue to do so. However, the effect of the ending of the SAWS scheme on labour supply in the agricultural sector is as yet unknown. The literature generally finds little evidence that migration from Eastern Europe has significantly reduced the employment levels of native UK residents. One reason for this may be that such migration has complemented rather than significantly substituted for native UK labour. Nevertheless, NOMIS data also suggests that since 2004 the employment rate of UK-born 16-64 year old residents in the South East has fallen somewhat whereas that of not UK-born other white residents has increased somewhat. At local levels such effects may very well be more pronounced and contribute to an uneven geography of those who benefit and lose as a result of A2 migration;
- Lower-skilled A2 migration may constitute a more direct substitute for existing lower-skilled migrants from A8 and other countries. This could lead to an increase in the rate of A8 return migration, but may also lead to greater inter-community competition and, potentially, negatively affect social cohesion. The latter is more likely where the rate of return migration does not increase;
- Any impact on existing migrant communities, in particular A8 migrants, may affect welfare budgets and consumption of public services in affected communities;
- Where continued (and lower skilled) A2 migration leads to higher return migration in other migrant communities the net gain from A2 migration may be reduced. In a worst-case scenario where A2 migrants were to replace A8 or other temporary migrants at lower wages (worst case) there could be a net income loss.