

## Recruitment Strategies of Firms in Rural Areas Experiencing Tight Labour and Housing Markets: the Case of East Cumbria, UK

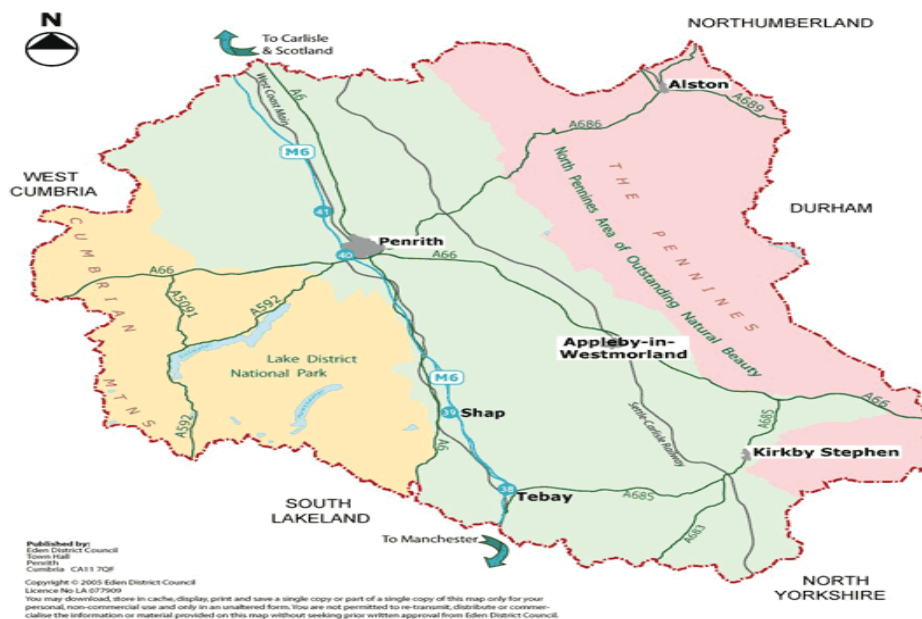
Rural labour markets can present particular problems for recruitment. Research conducted by Canny (2004), Mauthner et al (2001) and Lindsay et al (2003) has shown that rural areas are more likely than urban areas to have a labour market which is low-skilled, casual and seasonal in nature, made up of small employers, and with a weak transport and service infrastructure. In such instances, employers can find it difficult to obtain the workers that they need especially when the area also has a shortage of housing available for those workers. Such employers will also be particularly keen to maintain low turnover. This paper explores the recruitment strategies of firms in tight labour markets in rural areas where there is the added problem of a lack of affordable housing. This situation exists in the Eden Valley in Cumbria which will be used as a case study for the analysis but such a problem exists in several areas of the United Kingdom where there has been out-migration of young people, difficulty in recruiting workers with the appropriate skills and experience and yet an in-migration of retirees and second-home owners who have kept house prices higher than they would otherwise be.

Section 1 will look at the current situation in the Eden Valley vis à vis the labour market with regard also to the changing population and high house prices. Section 2 discusses possible solutions that firms may adopt to resolve their labour shortages. An analysis of several firms' recruitment strategies has been conducted. A small number of key employers in the District were interviewed. The results are presented and analysed in section 3 of the paper. Section 4 addresses the success of these employment strategies and additional problems that have been encountered by firms engaging in them. Section 5 concludes.

### 1. Labour market characteristics in East Cumbria

In this section, we look at the demographic, labour and housing situation that exists in the Eden District of Cumbria. This sets the scene for possible recruitment difficulties

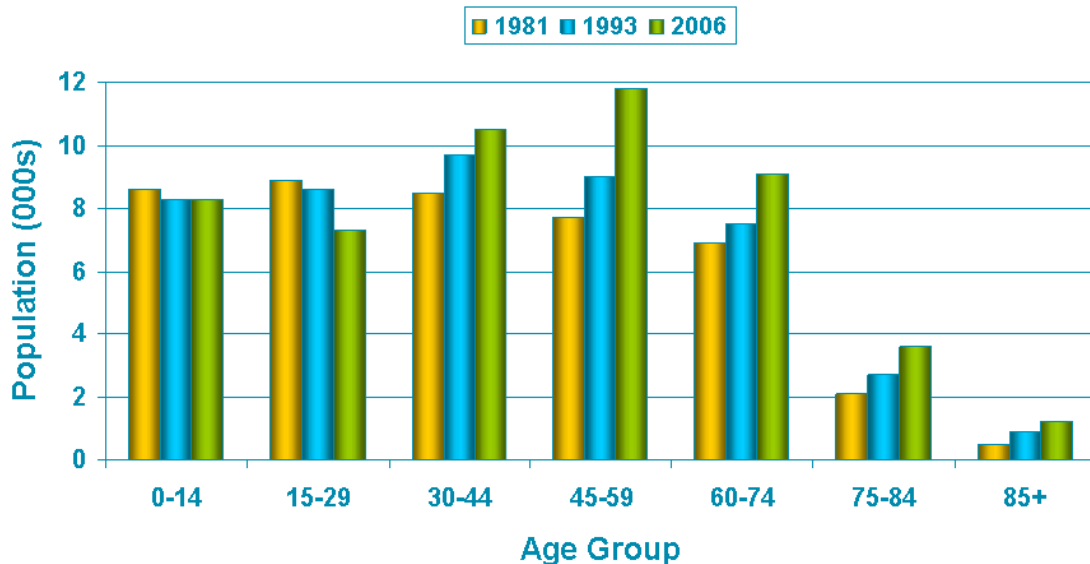
**Figure 1: Map of Eden District**



that firms may face and the solutions that might have been adopted to resolve them. This is a subject that has been investigated in a similar study by Hollywood and McQuaid (2007) of firms in the Dumfries and Galloway region of Scotland.

The Eden District encompasses much of the Eden Valley which flanks the Western side of the Pennines in Cumbria. The local authority district of Eden can be seen in Fig. 1 above. The population of the District totals 51,700 and the main towns comprise Penrith (14,800) and Appleby (2,900). It is the most sparsely populated area of England which gives rise to a dispersed workforce and a dispersed number of micro, small and medium-sized enterprises. Along with this, the beauty, tranquillity and unspoilt nature of the area has meant that it is attractive to retirees and second home owners. The level of in-migration exceeds that of out-migration and hence the population of Eden has been slowly growing over time (up by 21.8% from 1981-2005)<sup>1</sup>. However, the growth in population may not have helped the recruitment prospects for firms in the area as much as may be expected. This is because there is a net out-migration of 16-24 year olds. Crucially, Cumbria has been long affected by a “brain drain.” Up until 2007, the County did not possess an university and the majority of young people who have left the county to continue their education do not return. In addition, the District has an older age profile than that of England (26% of the population is aged over 60 as against 21% and 31% is aged under 30 as against 37% in England). In Cumbria, Eden and South Lakeland have the oldest age profiles and the smallest number of young people.<sup>2</sup> The rapidly ageing population of the District must be of some concern to employers (see Figures 1 & 2 below). Having said that, Eden has seen the greatest degree of employment growth of all the Cumbrian districts – between 1998 and 2006, employment grew by 21% and between 2006 and 2007, by 2,028 jobs.<sup>3</sup>

**Figure 1: Population of Eden by Age Group, 1981-2006**



Source: Cumbria County Council web-site, [http://www.cumbria.gov.uk/factsandfigures/People/Population\\_forecasts.asp](http://www.cumbria.gov.uk/factsandfigures/People/Population_forecasts.asp) accessed 21.5.08.<sup>4</sup> Secondary Source: Office for National Statistics.

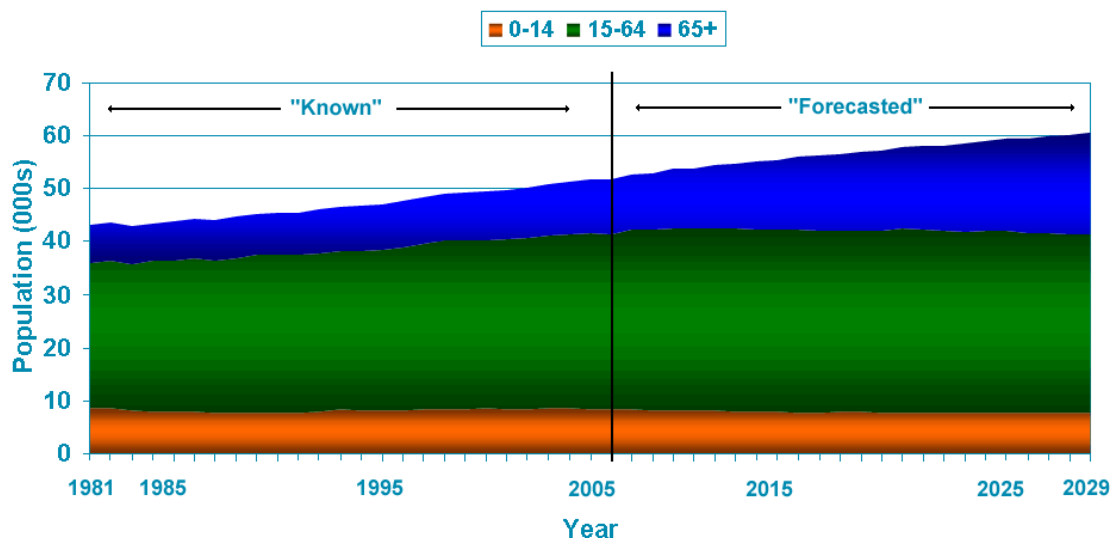
<sup>1</sup> Source: CRED (2007), “Population change in Cumbria: 1981-2029,” p.32.

<sup>2</sup> Eden LSP (2006), p.5.

<sup>3</sup> BMG (2008), Tables 9 & 10, p.19.

<sup>4</sup> I am grateful to Dr. Daniel Bloomer, Senior Policy Officer, Cumbria County Council for his help in the provision of data and graphs on the economy of Cumbria.

**Figure 2: The Population of Eden – Longer Term Trends**



Source: Cumbria County Council web-site, [http://www.cumbria.gov.uk/factsandfigures/People/Population\\_forecasts.asp](http://www.cumbria.gov.uk/factsandfigures/People/Population_forecasts.asp) accessed 21.5.08. Secondary Source: Office for National Statistics.

The Eden District has a very tight labour market in that there is a limited labour supply to fill available vacancies. With an unemployment rate of 0.7%<sup>5</sup>, it is currently recorded as having the lowest unemployment rate in GB.<sup>6</sup> The claimant count/vacancy ratio for the Penrith Travel-to-Work area is very low at 1.0.<sup>7</sup> Whilst it is recognised that the following measure of the concept of “house affordability”, is crude, it must be noted that the Eden Valley is recorded as having one of the greatest house price/average household income ratios in England. Whilst the average price of a house in Eden is in line with the national average, average incomes are much lower.<sup>8</sup> In fact, for most wards in the Eden Valley, only a fraction of up to 10% of households can afford to pay the median house price.<sup>9</sup> The lack of affordable housing in parts of Cumbria has been much reported on (c.f. Friends of the Lake District (2006)). These documents suggest that the problem of restricted housing supply has arisen for three reasons:

- i. The restrictions placed on new build, conversion of existing farm buildings and building of extensions placed by the local government planning office and the Lake District National Park Authority;
- ii. the cessation of building of council houses and;
- iii. the buying up of properties as second homes by people who live and work in other parts of the country<sup>10</sup>. Current house prices therefore do not reflect local wages and salaries but the market for second homes, holiday rentals and homes for wealthy retirees.<sup>11</sup>

<sup>5</sup> Figure relates to Jan. 2008. Source: Cumbria Economic Bulletin, March 2008, Section 4, Table 4.2, p.12. Secondary Source: NOMIS.

<sup>6</sup> c.f. NOMIS (2008)7. The figure for July 2007 was in fact even lower at 0.6%.

<sup>7</sup> This figure means that for every vacancy, there is only one person who is claiming unemployment benefit and who is therefore an eligible vacancy filler. Source: Cumbria Economic Bulletin Mar. 2008, Table 5.4, p.22.

<sup>8</sup> Median weekly gross pay in 2007 of FT workers was £402.10 in Eden, £433.30 in Cumbria and £459 in GB. (Source: NOMIS).

<sup>9</sup> c.f. Economic Bulletin, Sep 2006, ch.7, Fig. 4.

<sup>10</sup> In 2001, 6.2% of the housing stock in Eden was categorised as a second home which is much higher than the national average of 1%. (Source: Eden LSP (2006), p.41).

<sup>11</sup> CRED (2005), p. 8.

The labour shortage is further exacerbated by the problem of house prices given the fact that two incomes are needed to support mortgages. The lack of diversity in employment in Cumbria particularly in the managerial and professional employment categories means that it can be hard to attract workers from other areas given that on relocating, ones partner's career preferences may not be met. It was also noted by CRED (2005) that some employers in Cumbria felt that there was a shortage of appropriate executive housing in the County which then discouraged people with professional skills from moving to the County<sup>12</sup>.

In 2005, CRED (2005) conducted a study on behalf of Cumbria Rural Enterprise Agency to ascertain the factors that affect the growth of businesses in rural Cumbria. Consultations were held with representatives of the business community from Eden and South Lakeland Districts of Cumbria. These revealed that the most important issue for businesses, no matter of what size, was skills. Some businesses drew attention to recruitment difficulties for professional and managerial workers in mid-career (accountants, solicitors and middle managers) while others noted problems in attracting recruits for semi-skilled occupations.<sup>13</sup> It was also believed that there were recruitment difficulties due to many local businesses not being able to pay the kind of wages and salaries that enable workers to reside locally. A number of businesses reported that they were not able to attract a sufficient number of mature employees and the reason given was a lack of affordable housing and long term rented accommodation in the County. Where product demand and hence employment is of a seasonal nature, recruitment was difficult because of employees having difficulty in maintaining a mortgage/rent throughout the year. Further evidence of there being recruitment problems for firms in the District, has recently been provided by the 2007 Cumbria Business Survey. It is reported there that of the 72% of businesses that said that there was a barrier to their business, 20% cited the availability of staff able to do the job; 17% mentioned the availability of people willing to do the job and 14% mentioned the availability of low cost housing for staff.<sup>14</sup>

## 2. Labour market strategies in tight labour markets

This combination of a tight labour market and lack of affordable housing has meant that employers cannot simply resort to the solution of raising wage rates to attract workers in from other regions in order to solve their labour shortages. Labour economic theory would traditionally suggest that both free market and interventionist solutions to a labour shortage in one area would be to raise wage rates. However, the Eden District has the tightest labour market in Cumbria despite paying the lowest weekly wages.<sup>15</sup> Clearly, this means that raising wages would not be a solution to the area's problem and perhaps couldn't be afforded by some employers either. In a study involving focus groups of Cumbrian business men/women, CRED (2005) observed that the inability of some businesses in Cumbria to offer higher wages and salaries discouraged commuting due to the cost in time and resources placed upon the worker. A lack of effective public transport

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<sup>12</sup> CRED (2005), p. 8.

<sup>13</sup> CRED (2005), p. 7.

<sup>14</sup> BMG (2007), p.6.

<sup>15</sup> The average weekly wages of those in FT work was £402.10 and in PT work was £135.30 in 2007 in Eden compared to £433.30 and £137.50, respectively, in Cumbria as a whole. Source: NOMIS: Annual Survey of Hours and Earnings – residents analysis.

exacerbates this problem.<sup>16</sup> Hence, it was deemed to be unrealistic to try to solve local labour shortages by extending recruitment over a wider geographical area. One consequence of this is underemployment as people take on jobs for which they are overqualified. Monk et al (2000) also found the problems of accessibility and skill mismatch to be important features of rural labour markets in Suffolk and Lincolnshire. One must conclude then that other recruitment solutions are called for such as the use of migrant workers, part-time (PT) workers, upgrading the skills of ones present workers and the use of recruitment agencies.

The use of migrant workers from outside the UK as a response to labour shortages in rural areas has recently been studied by Hollywood & McQuaid (2007) and Akroyd et al (2006). Migrant workers from E. Europe provide a ready supply of relatively cheap and often skilled employees to firms which cannot attract local people to meet their staffing requirements. Anecdotal evidence indicates that no more than the minimum wage need be paid to these workers since the latter already represents a large multiple of the rate that such workers would receive in their home country. For example, the BBC reporting in 2006 on migrant labour in Cumbria found that one Ukrainian man said that “he can make more in one day on the minimum wage (in Cumbria) than he could in a month patrolling (as a police officer) the mean streets of Ukraine. He pays £15 a week to live in a caravan.”<sup>17</sup> Another case reported on was that of a Ukrainian who packs poultry in an Eden Valley food factory. He sends home “what he can save, where just £100 can feed a family for three months.”<sup>18</sup> He sleeps in a house of 14 other migrant workers, sleeping two to a room.” Figures released by the Home Office in July 2006, show that 2,311 migrant workers from the new accession states in E. Europe, entered the labour market in Cumbria over the period 2004-06. Data on the source countries of these migrants can be seen in Table 1 from which it can be seen that over half of the migrant workers in Cumbria come from Poland. This predominance of Polish workers is supported by the evidence from interviews with employers (see p.12).

**Table 1: EU New Accession Migrant Workers by Source Country 2004-2006**

<b>Nationalities</b>	<b>% GB WRS* Applications</b>	<b>% Cumbria WRS*</b>	<b>No. in Cumbria</b>
Czech Rep	5.3	6.6	153
Estonia	1.2	0.6	14
Hungary	3.0	5.8	135
Latvia	6.3	3.9	91
Lithuania	11.8	9.4	218
Poland	61.9	56.6	1,309
Slovakia	10.4	16.7	387
Slovenia	0.1	0.2	4

\* Worker Registration Scheme

Secondary Source: CRED (2006b), Table 2, p.42. Source: Home Office

Table 2 details the distribution of migrant workers across job types in Cumbria. Nearly half of these are in the hotel and restaurant trade. It is clear from this and also from the

<sup>16</sup> Only 2.7% of residents in Eden travel to work by public transport. This is well below the national average of 11%. (Eden LSP (2006), p.42).

<sup>17</sup> BBC website (2005).

<sup>18</sup> Ditto

national figures which show that only 17% of migrants work in this sector, taking the UK as a whole, that these migrant workers are filling employment gaps, particular to Cumbria.

**Table 4: EU New Accession Migrant Workers to Cumbria by job type 2004-2006**

<b>Job types</b>	<b>Number</b>	<b>% total</b>
Hotels, restaurants (chef, kitchen staff, porter, waitress, maid, bar staff)	1094	47.3
Process Worker (factory worker, engineer)	277	12.0
Cleaner, packer, handyman, gardener	211	9.1
Food processing (fruit, vegetables, meat, bakery)	128	5.5
Sales, retail, warehousing	118	5.1
Medical (care assistant, surgeon, dentist)	96	4.2
Agriculture (Farm worker, farm hand)	78	3.4
Building labourer	64	2.8
Office work (administrator, manager, receptionist, PA)	45	1.9
Sports and leisure attendants	30	1.3

Source: Home Office

Evidence<sup>19</sup> shows that of the six districts in Cumbria, Eden and South Lakeland have a high preponderance of employees (18.8%) in the hotel and restaurant trade. This is also a sector that has expanded greatly in recent years (the number of employees in hotels and restaurants in Eden rose by 1,980 from 1998 to 2006, an increase of 75%).<sup>20</sup> This sector is one of the lowest paid and coupled with the high house prices and cost of rented accommodation, it means that hotels and restaurants, in particular, have found it difficult to recruit UK resident workers. Some have resorted to building budget accommodation or providing static caravans on their property to house migrant employees. Other employers, like Center Parcs, near Penrith, have a policy of bussing in the workers that they need from the west of Cumbria (where accommodation is generally much cheaper than that in the Eden Valley). Traditionally, a large proportion of young people would have filled the vacancies in the hotel and restaurant trade. However, there is now a relatively reduced supply of such potential workers. This is because of the declining numbers of young people in the County. The effect also of a greater proportion of school leavers staying on in education is unclear (approximately 74% of year 11 school leavers remained in education in Penrith in 2001 compared to only 61% doing so 4 years earlier).<sup>21</sup> This may serve to reduce the numbers available for work in hotels and restaurants but is counterbalanced by the fact that Canny (2004)<sup>22</sup> reports that 70% of her sample of young people worked part-time while in FT education, which has been a growing trend.

The other sector in which the Eden District has a preponderance of employment vis-à-vis the rest of Cumbria, is agriculture (3.7% of employees in the Eden Valley are employed in agriculture, compared to 1.4% in Cumbria as a whole and 0.8% for GB).<sup>23</sup> The work is physically demanding and calls for unsociable hours. On top of that, with the decline in

<sup>19</sup> CRED (2006a), Table 3.4, p.10

<sup>20</sup> Source: CEIP (2007), Tables 5 & 6.

<sup>21</sup> Source : Canny (2004), p.501.

<sup>22</sup> Canny (2004), p. 504. Her sample included 209 young people aged between 15 and 19 living in Cumbria.

<sup>23</sup> Source: CEIP (2007), Table 2.

farm incomes (down from a peak of £28,736 per full time person equivalent in 1995 to £13,349 in 2007, at 2007 prices),<sup>24</sup> farmers are unable to pay the high wages necessary to attract enough UK resident labourers to work. On the other hand, they have been able to find Polish migrants ready and willing to be trained to do the jobs of milking and mucking out barns and milking parlours, for example. Akroyd et al (2006) have found that the “transient” migrant is often an attractive option for an employer facing a tight labour market. Such a migrant is known to (willingly) work long hours, including overtime and weekends which may be particularly useful in the agricultural and food processing industries where flexibility to fill daily fluctuations in demand can be the key to industrial success and survival.<sup>25</sup> Hollywood and Mc.Quaid (2007) have found additional evidence to support the view that migrant workers are employed because they are “more willing to take on jobs that involve long and unsociable hours.”<sup>26</sup> One scheme that has helped with labour shortages in agriculture in Cumbria that has recently been available is the Farm Assistants Scheme. The scheme, set up in 2002 by the Cumbria Farmer Network, offers “training and experience to young people in a range of agricultural and rural skills essential to managing”<sup>27</sup> the countryside. Demand for training places is apparently high and “previous trainees have successfully established themselves as self-employed farm workers.”<sup>28</sup> The Friends of the Lake District Annual Report however notes that “a major problem (is still) the availability and cost of housing and transport, particularly for many of the younger trainees who cannot drive.”<sup>29</sup>

Another recruitment strategy employed by the agricultural sector has been the greater use of subcontractors.<sup>30</sup> Skill shortages within single farm units have been circumvented by buying in the services of subcontractors.

Some rural employers, on the other hand, have constructed their desired workforce through developing skills internally and paying for their employees to undergo specific on-the-job training rather than resorting to external recruitment. Provision of skills training by FE establishments for the Eden District is however limited and has been criticised by some employers but there is a problem of critical mass.<sup>31</sup> Evidence from the 2000 Cumbria Employers Survey revealed that Eden’s employers were the least likely (51%) in Cumbria to provide some form of training for their workforce and reported the lowest use of NVQs in staff training and development.

Generally speaking, it is the job vacancies with lower skill requirements that employers find difficult to fill in Cumbria (cf. CRED and CEIP (2007)) and it is these that migrant workers and PT workers will find the easiest to fill. In March 2007, a workshop was organised by The Fair Employment Zone and Migrant Workers North West to discuss the opportunities and challenges for Cumbrian employers who have to look beyond their immediate area to recruit. More generally, in a recent report by the TUC, it is stated that the 2006 recruitment survey by the Chartered Institute for Personnel and Development (CIPD) found that 15% of organisations had targeted E. European migrants and another

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<sup>24</sup> DEFRA web site Statistics section, Chart 2.1 “Long-term trends in farming income in real terms at 2007 prices; UK.”

<sup>25</sup> Akroyd et al (2006), p.17.

<sup>26</sup> Hollywood and Mc.Quaid (2007), p.156.

<sup>27</sup> Friends (2006), p. 37.

<sup>28</sup> Ditto.

<sup>29</sup> Ditto.

<sup>30</sup> CRED (2005), p. 8.

<sup>31</sup> Ditto.

12% intended filling vacancies from foreign countries more generally. The survey showed that just under half of employers believed this approach was a successful one in dealing with recruitment difficulties. In 2005, the CIPD also found that migrant workers were more likely to be targeted by employers than the long-term unemployed and people with mental health problems.<sup>32</sup>

The use of part-time workers has its advantages. Such employees are cheaper to employ than permanent or full-time (FT) employees because they can be hired and fired more easily and be expected to work to contract hours that are flexible on a weekly basis. This gives the firm numerical and financial flexibility in its operations. Since the 1990's, there has been a move by firms towards the flexible firm model<sup>33</sup>. This contends that in order to remain flexible in meeting demand needs for the product, a firm will employ a periphery of workers on a casual and/or PT basis. The Eden District has a relatively high proportion of micro-businesses (1-10 employees) and small businesses (11-49 employees) [in 2006, 31% of employees were employed in micro-businesses in the Eden Districts and another 31% in firms of 11-49 employees compared to the GB average of 21% and 24%, respectively].<sup>34</sup> With lower levels of income stream security amongst SMEs than for larger firms, this makes the hiring of migrant and PT workers more attractive than that of FT employees.

The additional advantage of using migrant &/or PT workers is that the problem of insufficient affordable housing is circumvented. Many migrants in the rural areas are employed in the agricultural sector and farmers have been able to provide mobile home accommodation on their land without the need to obtain planning permission. Most migrants in the UK are here on a temporary basis and may have come here with lower expectations vis-à-vis a particular standard of living. This may mean that they are prepared to accept relatively poor accommodation at low or no rent. On the other hand, FT local people would be thinking of such employment on a permanent basis and therefore not be happy to share a rented mobile home with others when a permanent residence of their own would be the ideal. Evidence from the Labour Force Survey for the UK as a whole suggests that only 9% of part-timers are working PT because they could not find a FT job.<sup>35</sup> Involuntary PT work is more typical of a slack labour market as employers choose to only take on workers for the hours in which they have the means to pay them. Hence, those who work part-time in the Eden District are more likely to be making a life-style choice than reacting to a constraint imposed on them by the labour market and as such, these would be locals who already have their accommodation needs sorted out.

### 3. Case studies of labour market strategies

In order to see whether, as a result of labour shortages, firms in the Eden District have been compelled to adopt a wide range of recruitment and retention strategies, a small selection (5) of local employers was interviewed. They were selected from the main sectors of the economy, namely

- Hotels and Catering (19.6%)
- Wholesale and Retail (17.3%)

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<sup>32</sup> TUC (2007), p.12

<sup>33</sup> Cf. Sloman, J. and Sutcliffe, M. (2004), "Economics," Fig. 18.12, p.370.

<sup>34</sup> BMG (2007), Table 24, p. 41 and Annual Business Inquiry data for 2006.

<sup>35</sup> Figure relates to Winter 2005/06. Source: ONS Labour Force Survey, NOMIS, Table 15A.

- Manufacturing (12.4%)

The figures in parentheses represent the percentages of total employment in 2003 for which that sector is responsible in the District. The businesses concerned included: a 4\* hotel and spa; a holiday park with adventure and leisure activities; a multi-service group which included specialist retail outlets, conference facilities, a hotel, motorway services and a caravan park; a retailer of agricultural machinery, feed, fertilizers and animal medicines; and a poultry processing plant. Interviews were undertaken either with the general manager or personnel manager of the business and on average, were an hour in length.

A shortage of applicants for at least some posts was found to be a problem in all but one of the firms. A shortage of chefs was particularly noted in hotels:

*“We could advertise until blue in the face for chefs and not get any.”*

and this was explained as being due to three factors. Firstly, there was a national shortage of trained chefs. Secondly, chefs could get higher wages by working in the hotels of the nearby Lake District. Thirdly, with the rise in the number of public houses providing restaurant-style meals,

*“one of the reasons may be that pubs are competing for (chefs) and paying more.*

*Applicants can see money in the pubs as more attractive than training.”*

General assistants were also found to be in short supply. This was explained by a combination of there being a low level of unemployment in Eden; the type of industry involved ie. where minimum wages were paid and the geographical isolation of some businesses necessitating excessive time and transport to travel to work. Two employers complained of the very low applicant: vacancy ratio that they experienced when compared to those of their sister firms in other parts of the country, a ratio of 5:1 for example as opposed to 50:1. When asked whether they had recruitment problems, two employers stated that they had whilst two others felt that without the enhanced recruitment strategies that they had in place, they would struggle.

*“Benefits do help retain staff and once (other workers) know that they are available, it’ll attract them.”*

The enhanced benefits provided by two of the service providers included:

- All meals whilst on duty
- Generous discounts on company products and services
- Friends and family deals
- Company pension scheme
- The possibility of subsidized accommodation
- The possibility of free transport to/from work.

Those that had ongoing recruitment problems blamed:

- The low level of unemployment in the Eden District
- The lack of affordable housing
- The type of industry and its demands ie. in the case of hotels and catering and retailing, this was low paid work.

*“Some young people don’t see agriculture as sexy, they see it as a bit old-fashioned.” “A big problem is that young workers are looking for above average wages in order to try to get a foot on the property ladder.”*

*“A lot of employees do the rounds for a few pence more. I am worried about the (new proposed) development in Penrith because a lot of them will go somewhere new because they think the grass is greener. People have the choice because there is such low unemployment.”*

## Methods of recruitment

As expected in a close-knit rural area, word of mouth was found to be a very important means of recruitment to all firms surveyed.

*“(Recruitment by word of mouth) is really important round here. Penrith is one of those towns where everyone knows someone. We have a lot of families who work here. If you do tend to look after your staff, they will recommend their family and friends to work here.”*

In two instances, approximately 50% of current employees were deemed to have been recruited on the basis of word of mouth. The power of this form of recruitment tool had also been harnessed by two of the firms by their introduction of a “Recommend a Friend” scheme. The terms of this were that if a worker recommended a friend for a vacancy and that person were hired and retained for more than a set period (3 or 6 months), the worker would receive a cash bonus in their wages.

Also of importance in a rural area with a tight labour market can be the engagement of the firm in local community activities. Playing an active role in local events such as the church fête, soccer games, bonfire night as well as helping local charities was seen by one firm to be the “softer side of recruitment.”

Firms made varying use of the local newspapers and the internet to advertise their job vacancies. Some advertised on specialist web sites for particular types of worker eg. Engineers and caterers. Varying use was made by our employers of recruitment agencies. Use varied from frequently, as a means to recruit urgently or for large numbers of workers down to not at all, where the view was that such recruits would be unlikely to want to stay with the firm permanently and

*“if people can’t find work themselves, they can’t be much good.”*

In all but one firm, young workers were actively targeted for recruitment and this was done by the following means: participating in school work experience schemes; going into local schools to talk about what the firm could offer; setting up in-house specialist training (for example, the opening of a chef school or an apprenticeship).

*“On the machinery side, we get far more people wanting to do apprenticeships than (there are) places ie. we turn 90% away;”*

or offering placements for university students.

In contrast, none of the employers were targeting older workers or retirees for recruitment. Also, the impression given by employers of the need to consider ways in which to encourage older workers to stay on in employment, was not of importance. Employers had older workers (above the official retirement age) working for them usually with reduced hours which had been negotiated between both parties but had no specific retention strategies aimed at older employees.

*“On the farm sales side, if they want to reduce their hours of work, they would be taken on an agency basis ie. sell and get paid to do so.”*

*“When people approach retirement age, (we) do sit with them to see their new needs vis a vis hours and responsibility. We can retrain people with health problems too.”*

### Provision of housing

The shortage of affordable housing was identified by all employers as being one of the barriers to recruitment in Eden and all but one of the firms was engaged in the provision of subsidized housing either in houses rented from the private sector, accommodation on site or caravans. One firm tiered the employee's monthly rent contribution to the employee's wage level. In all cases, utilities bills for the shared houses were paid for by the employer. One employer stated that

*"if there were a waiting list (for such accommodation) they'd get another house."*

Another employer said that occupation of their housing was limited to three months and that people were encouraged to look in the local newspaper for alternative accommodation themselves. The philosophy behind this is that

*"people are more likely to stay settled if they are in settled accommodation."*

### Provision of transport

The additional recruitment and retention strategy employed by firms and necessitated by Eden's labour market and housing shortage is that of bussing in workers. This was practiced by three of the five employers. In one instance, up to 5 buses per day brought workers in from the west coast of Cumbria, one ran from Appleby and bus fares were subsidized for workers coming from Carlisle and Penrith. In another instance, 4 minibuses were used each day to bus workers in to the factory where it was noted that *"only a few workers have cars."* Informal car sharing was also noted to take place between some workers. Widening the geographical area per se from which to recruit to their general workforce was not seen as a practical option for firms given the low wages paid and the lack of affordable housing in the area.

Two groups that could be targeted for recruitment with the idea of circumventing the need for provision of affordable housing are part-time workers and women-returners. Three of the five employers targeted part-time workers in recruitment whilst one said that only full-time workers suited their shift pattern.

*"Each department has quite a lot of part-time workers because the hotel business changes each week. They are used on variable hours contracts (0-30 hours) eg. for busy/quiet weeks."*

On the question of whether or not women-returners were targeted for recruitment, it was asked whether employers had a) hours specific to their needs and b) any crèche facilities. For two of the firms, this was not relevant as they did not employ any such workers. The other three did have positions that catered for mothers with young children. They had shifts with limited daytime hours such as from 11am-3pm. The provision of child care facilities by firms seems not to be a barrier to recruitment due either to the nature of the work (shifts being at set times and duration) or due to the inexistence of surplus supply of females looking for work with such facilities. Two employers stated that they had not received any such requests from existing employees and that if they had, they would certainly consider it. Two others said that the flexibility of hours available to employees catered adequately for women wishing to do a restricted number of hours whilst their children were at school.

### Use of migrant labour

Of particular note to this study was the degree to which migrant labour was being used. This varied from zero to about 50% in these firms and their input in four cases was deemed to be either important or crucial to the firm's survival.

*"If we didn't have them, we would have struggled for recruitment."*

Predominantly, workers are Polish with others coming from the Czech Republic, Hungary, Slovakia and Latvia. One employer targeted the Polish community for recruitment of housekeepers given that they *"don't need to speak perfect English."*

Their virtues were seen to be that

*"They are very willing, come in and do the job."*

*"(They are) all qualified and tend to have a better understanding of what service needs are. (There are) more problems with English staff when it comes to commitment to a job."*

There were only two problems associated with their employment. One was the occasional language difficulties. It seemed that this was more of a problem in the past when migrant workers were first taken on probably due to the smaller number of migrants here, the lack of experience of dealing with them and mismatch of expectations between employers and employees. Employers now help their migrant workers in various ways. One employer provides in-house English lessons that are well attended. Another provides a multi-lingual induction package. Others signpost them to: courses where they can improve their English language skills and to local doctors for registration. They give them help in setting up national insurance numbers and opening bank accounts. The other problem mentioned by one employer was that turnover tended to be higher amongst migrant employees.

*"Once people arrive, if this is the first opportunity, they may go on to Carlisle where accommodation is cheaper and there are more bars."*

The causes of turnover and retention strategies were discussed. Turnover rates were hard to obtain from interviewees but appeared to differ widely between them. One mentioned a turnover of 50% in the last financial year. There were instances where high turnover rates were of concern to employers and in one case, exit interviews were conducted on all leavers. One of the reasons given for turnover was that student employees may have gone back to their home country or else when finished their university degree, they had gone into a career. One employer stated that the nature of their working environment turned a lot of people off within the first week. Another mentioned "pay" as a motivating factor for employees to leave. The reasons for part-time employees leaving were given by one employer as:

- The employee may be looking for full-time employment
- The employee may be "led by the nose to another employer"
- The person was fired if not reliable
- The employee had family commitments.

Provision of a friendly working environment appeared to be an active retention strategy of firms and usually there were social activities arranged for or by staff.

The raising of wage rates as a means of recruitment and retention was discussed. Two out of the five employers had reviewed their wage rates with this in mind. One noted that it was difficult to raise the wages of workers in just one department in a firm. Another said that raising wages in the past had led to a local wage spiral. One employer said that he had

*"considered it but agriculture is very difficult financially ie. if one put wages up, one would have to put prices up and farmers would either go elsewhere or do without."*

The question of career progression and training was looked at from the point of view of being a retention strategy both for the employee and employer. It would provide an employee with an incentive to stay with the firm and would allow the firm to find qualified labour “in-house” to do jobs. Three out of the five firms (those in the hotel and catering and leisure industries) had active training programmes as well as career progression opportunities. Staff appraisals were in operation and if staff wanted to do NVQs and progress, they could. One employer stated that:

*“70% of our general managers have come from a general staff level. Our general manager once worked part-time in the bar.”*

One employer had recently introduced a particularly well-developed training programme for all employees consisting of a “Training Calendar” built around each individual’s needs, training roadshows every quarter and the company was prepared to pay for all kinds of professional and technical training. There was a very clear connection made between staffing requirements and staff training – for example, one firm was in the process of establishing its own Chef school due to the national shortage of chefs and its own difficulty in finding them. Their aim is for such an employee to develop the skills of a chef underpinned by an NVQ from a local college to

*“underpin it with theory that isn’t just about getting through the day. It could attract people into the industry.”*

#### 4. Evaluation of strategies

This section looks at the success of the employment strategies pursued by firms and any additional problems that might have been encountered. In our survey of employers, when asked whether the recruitment difficulties that they had faced had caused their output or productivity or growth to be affected, all but one said that they had not. However, it appears that firms have developed particular recruitment and retention strategies to obviate staffing problems and that had these not been in place, their businesses would have suffered. One employer did, for example, state

*“The chances of surviving would have been pretty slim if we had not implemented them (our strategies). It’s not one single thing but the mix of everything we’ve got.”*

whilst another stated that before the Poles joined the EU, they had had problems with recruitment but that now, as their customer demand grows so do they. It would appear from official statistics that the tight labour market in Eden may not be so constraining on the ability of firms to produce and to grow. GVA is predicted to grow by 21.3% in Eden in the period 2007-16 (compared to 13.4% in Cumbria as a whole, and 19.4% in the NW). Employment is predicted to grow by 3.6% in this period (compared to 0% in Cumbria, 0.3% in the NW and 3.6% in the UK). However, there is predicted to be some constraint on the productivity of those extra workers as the change in productivity over the period 2007-16 is predicted to be 18.7% in Eden compared to 21.3% in the NW region and 24.1% in the UK. This could be due either to the jobs being relatively low GVA, the workers lacking the required skills or the level of complementary capital being relatively low.<sup>36</sup> One suspects that as Jones (2004) found for rural Wales, the cause of the relatively lower efficiency in Eden will be due to the different industrial structure rather than lower productivity for the same kind of work. As we have mentioned, Eden has a higher proportion of people employed in tourism and agriculture and a lower proportion of people employed in manufacturing, financial services and business services than the NW and GB averages (see CEIP (2007), Table 2), that is, there is a skew towards lower GVA

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<sup>36</sup> Figures in this paragraph are taken from BMG (2008), Table 19, p. 29.

jobs. The tight labour market may be responsible for the relatively low percentage change in the number of VAT registered businesses in Eden over the period 2000-07 (6.3% growth compared to 12% in Cumbria as a whole, 12.5% in the NW and 13% in the UK).<sup>37</sup> This could however also be due to the number of micro and small businesses and the number of self-employed being relatively great in Eden. This is consistent with the findings of Jones (2004) for rural Wales. The survival rate of VAT registered businesses in Eden is however greater than in the NW or UK indicating that retention of workers and business profitability are not as great problems for business here but on the other hand, all other districts of Cumbria have improved their business survival rates to a greater extent than Eden over the period 1995-2002<sup>38</sup>.

Up to date reliable figures on the number of migrant workers in Eden is difficult to obtain and according to the 2001 Census, ethnic minority groups living in Eden amounted to only 0.4% of the total population of 52,000, compared to 5.6% in the NW and 8.7% in England and Wales.<sup>39</sup> The most recent data available in Dec. 2006 indicates that 0.8% of the employed work force in Cumbria are migrant workers. Integration of migrant workers both in the work force of a firm and in the community could potentially be a problem but from the survey of employers conducted, there were no obvious signs detected of labour market segmentation or lack of integration into the local community. On the contrary, one employer cited numerous examples from their Polish workforce of individuals progressing through their firm to manager level, having children here and taking part in village social activities. In Penrith, there is a shop that sells Polish food. Also, the Cumbria Multi-Cultural Service (CMCS) provides information and advice for migrant workers on issues of employment, housing, immigration matters, social security and education. It offers drop-in sessions at a cyber-café run by a housing association in Penrith where migrant workers gather in an informal setting. English language sessions are also organised there. Norfolk County Council (2005) has found that many employers in the agricultural and food processing industries have introduced initiatives to ensure good communications and positive integration of their migrant workers.<sup>40</sup>

A large-scale research project<sup>41</sup> involving interviews with 600 migrant workers and 500 employers found that 1) migrant workers earned less than the average for all employees and their average hours were longer; 2) migrants working in construction and agriculture were paid overtime but not necessarily at a higher rate whilst those in the hospitality sector commonly worked unpaid overtime, 3) only a minority received benefits like paid holidays, sick leave and free accommodation.<sup>42</sup> It has recently been noted too that increased immigration is putting a strain on public services in Cumbria. Migrant workers are on average younger than the native population and have a higher birth rate. The demand for additional time from teachers due to coping with new language difficulties of children is straining tight resources in that sector.

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<sup>37</sup> Source: BMG (2008), Table 21, p.38.

<sup>38</sup> Source: BMG (2008), Table 22, p.39.

<sup>39</sup> Source: Eden District Council (2007), p.3.

<sup>40</sup> Akroyd et al (2006), p. 18.

<sup>41</sup> "Fair enough? Central and East European Migrants in low-wage employment in the UK," B. Anderson, M. Ruhs, B. Rogaly and S. Spencer (2006), first report from the "Changing Status, Changing Lives?" research project, Centre on Migration, Policy and Society, University of Oxford, p.63, downloaded from <http://www.compas.ox.ac.uk/changingstatus/Downloads/Fair%20enough%20paper%20-%201%20May%202006.pdf> Source: TUC (2007).

<sup>42</sup> TUC (2007), p. 27.

A further problem is whether indeed there is a skills shortage in Eden and whether or not it may be leading to recruitment difficulties. It seems somewhat strange that despite the relatively rural and affluent nature of the Eden District compared to the rest of Cumbria, Eden has lower levels of literacy and numeracy skills amongst its working age population.<sup>43</sup> These skill deficiencies will make it more difficult for some employers to find the right employees. The low levels of proficiency can be partly explained by the importance of the agricultural sector in the district which has historically seen a lower need for educational skills. Canny (2004) reports that in tourism, too, the insecure and seasonal nature of employment causes there to be little incentive or recognition of the need to provide access to education/training.<sup>44</sup> This was backed up by the NW Tourism Skills and Employment Network (2001) survey of tourism employers in Cumbria which pointed to a low internal provision of education/training opportunities.<sup>45</sup> Eden is still heavily reliant upon agriculture and tourism-related employment, neither of which have strong demands for further and higher qualifications but Eden, like Cumbria as a whole, is in a low skills equilibrium. Increasing the skills of residents (upskilling) is necessary to get out of it but without the demand for higher skills from a knowledge-intensive economy, greater levels of education and training just contribute to the County's "brain drain." King (1990)<sup>46</sup> has written of regional underdevelopment being responsible for the poor development of skills in low-wage regions. The evidence is mixed on the seriousness of the skills deficit for recruitment in Eden. The Cumbria Employer Survey 2000 asked employers with vacancies whether any of their vacancies were proving hard to fill. It was the rural areas of the County that reported the most acute problems with 41.7% of employers in the Eden district saying that they had hard-to-fill vacancies. However, it was also noted that poor or very poor skills of job applicants was not an important issue for vacant positions in Eden.<sup>47</sup> This is contrary to the opinions of focus groups consulted by CRED (2005) in which Cumbrian business men/women stated that the most important issue for business was skills. Of concern is the low proportion of employers who have written training plans.<sup>48</sup> There is obviously not the structure there for upskilling and the development of higher value activities which crucially for Eden, may be important for the tourism industry where basic and core skills have been found to be lacking. The predominance of small firms in Eden limits the training opportunities and career progression of employees as found by Jones (2004) to be the case in rural Wales.

Finally, there are fears potentially for the future with the possible reduction in numbers of available migrant workers, the ageing population and growth in competing demand for a limited pool of workers. BMG (2008) report that the balance between labour demand and supply in Cumbria shows a considerable gap between available employment opportunities and the number of economically active residents – there are around 22,000 more of the former than the latter<sup>49</sup>.

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<sup>43</sup> The Basic Skills Council reports that 28.4% of the working population in Eden has poor literacy skills and 24.7% has poor numeracy skills compared to 24% for both, in England as a whole. cf. CEIP (2002), Table 5.4, p.49.

<sup>44</sup> Canny (2004), p. 507.

<sup>45</sup> Ditto.

<sup>46</sup> King (1990), p. 143.

<sup>47</sup> Source: CEIP (2002), pp.55-7.

<sup>48</sup> According to the Cumbria Employer Survey (2000), only 18.3% of employers in Eden had a written training plan. Source: CEIP (2002), pp. 58 and vi.

<sup>49</sup> BMG (2008), p.64.

## 5. Conclusion

The Eden District, like many rural areas of Britain, faces an ageing population, a reducing native population of working age and a shortage of affordable housing for employees. Our survey of employers in the Eden District has revealed that there are recruitment difficulties but that due to the particular strategies of some firms in the District, medium-sized firms have not only survived but continued to grow. These strategies have included making full use of the local labour resource available by supplying private transport to bus people into work. This has contributed to giving the Eden District the lowest unemployment rate in GB. Workers have also been obtained from further afield (W. and N. Cumbria) by the same means and migrant workers are being extensively used. The majority of the employers interviewed assisted the integration of their migrant workers into life in the UK, a finding shared by the Chambers of Commerce North West (2008). Also in common with the latter study, the majority of migrant workers employed are from the new EU accession states and are given permanent contracts. “Word of mouth” plays a very important part in the recruitment of firms in Eden. Employers are actively engaged in the “softer” side of HR management, providing “Recommend a Friend” schemes and working on schemes in the local community so as they can be seen to be “an employer of first choice.” Flexibility in hiring students and older workers has also been effective in maintaining a workforce. All the employers that I interviewed supplied a limited amount of heavily subsidised accommodation – a recruitment and retention strategy that has been necessary given the District’s shortage of affordable housing.

There has been observed therefore a marked paternalistic style of management in some firms in Eden with the provision of housing and transport for workers. Businesses may benefit from the payment of relatively low wages but the higher costs involved in the provision of these aspects of employment may limit the survivability of rural companies. There is further concern for the future employment prospects of firms in the District given the age distribution in Eden and also the possibility of a decline in the number of migrant workers coming to the UK. There was some awareness of this amongst the employers surveyed. This area’s employers have not yet adopted a strategy for the recruitment of older workers and the hiring of migrant labour may be more a panacea than a long-term solution to labour shortages. There has already been a decline in the pace of incoming migrants to the UK as the economic circumstances of the UK versus E. European countries change. Hence, with an unemployment rate that is already minimal, it may be increasingly difficult for firms in Eden to overcome staffing shortages despite their obvious ability to adapt recruitment and retention strategies to date. There is a need for ongoing research into the coping strategies of other regions in the UK to see if they are adopting different recruitment and retention strategies as a result of the problems identified here which they, in many respects, share.

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